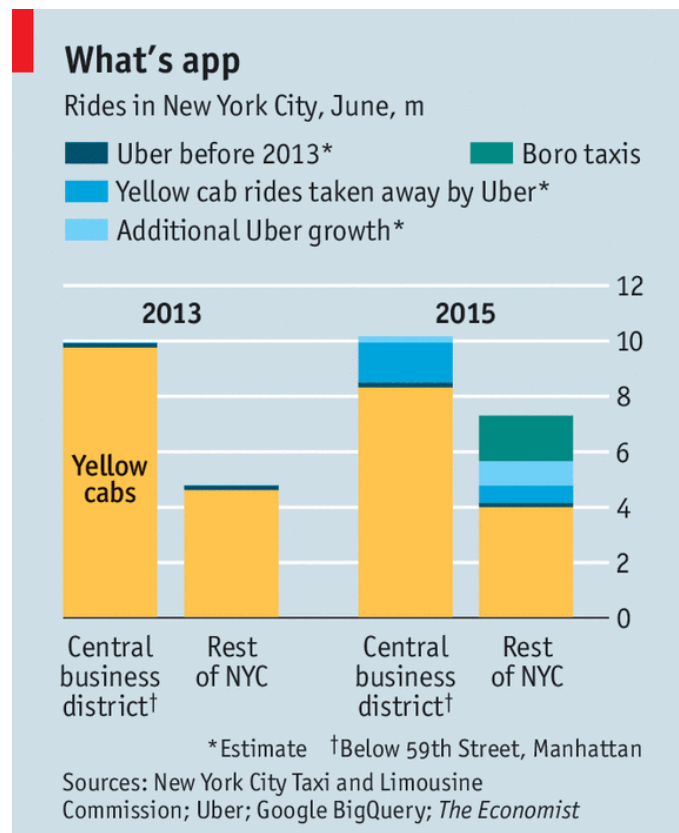


A tale of two cities

Does Uber substitute for cabs or attract new riders? It depends where you live

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EVER since Uber arrived in New York in 2011, the days of the city's yellow taxis have seemed numbered. Catching a cab requires standing outside until one drives by, giving directions if necessary and rummaging for cash. In contrast, Uber lets riders summon a car by phone, informs them when it is outside, feeds the destination into navigation software and lets them walk out upon arrival.



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The markets believe yellow cabs are in trouble. The average price for New York's 13,771 medallions (licences to drive taxis) has fallen from \$1m during the summer of 2014 to \$690,000 over the past three months. But attributing these woes to Uber is difficult. Not all Uber passengers would otherwise have hopped in a cab—some might have taken the subway or bus, walked, cycled or stayed at home. Moreover, Uber is not taxis' only new source of competition. In 2013 the city introduced apple-green "boro taxis", which serve passengers outside the Manhattan core, and launched a bicycle-sharing scheme.

Only now has the picture begun to clear up, as both Uber and New York's taxi regulator recently released detailed data. The best news for the Uber camp is that ridership has spiked since its entrance. Although Uber has not shared 2013 statistics, a leak to *Business Insider*, a news website, revealed an average of 140,000 Uber trips per week in December 2013. Assuming a steady compound growth rate over the two years to June 2015, that yields an estimate of 333,000 Uber rides in June 2013. Adding that to the 14.4m yellow-taxi trips that month, plus a handful of green-cab rides, produces a sum of 14.8m. In contrast, the total this June was 17.5m. This 18% increase makes clear that the market is not zero-sum.

Virtually all of these gains have come in the taxi-starved areas outside Manhattan's central business district (CBD), which sits south of 59th Street and is off-limits to green cabs. Monthly ridership in these zones has soared from 4.8m to 7.3m in two years, while yellow-taxi hails have fallen by some 600,000. As a first approximation, that suggests that just 20% of the increase in Uber and boro-taxi trips in these districts were taken away from yellow cabs, with 80% representing growth in the market.

However, figures for the taxi-saturated CBD tell the opposite story. During the two years to June 2015, Uber's pickups in the CBD rose from an estimated 175,000 to 1.8m, while yellow cabs' hails in the area fell by around 1.4m. This implies that where Uber and yellow cabs compete most directly, just 13% of the growth in Uber rides has added to prior demand. The remaining 87% has replaced trips that would otherwise have gone to taxis.

A further signal that Uber bears responsibility for the drop in cab hails is that the decline is most extreme late at night, when passengers place the most value on Uber's convenience and comfort. Citywide, yellow-taxi rides from 11pm to 5am have fallen by 22% since June 2013, whereas trips at all other times are only off by 12%. Given such fierce competition, medallion prices probably have further to fall before they hit bottom.