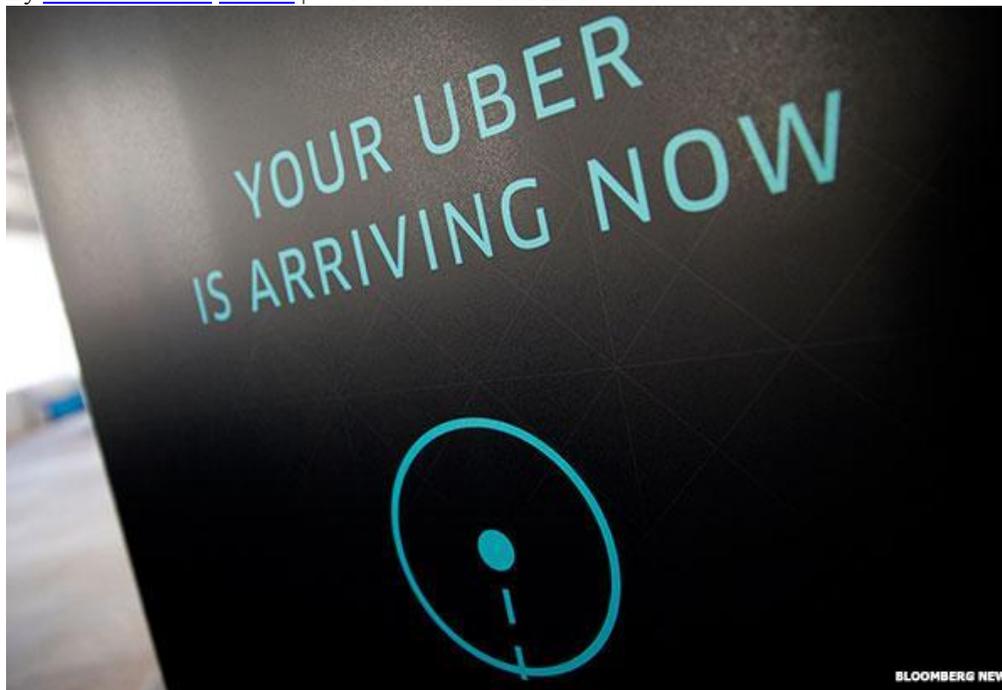




Uber Has Only Just Begun to Crush New York's Yellow Cab Medallions

By [James Hickman](#) Follow | 09/10/15 - 01:59 PM EDT



NEW YORK ([TheStreet](#)) -- Is Uber's rise in New York City over? At least one commentator [has suggested](#) that Uber's revelation that only 2,000 UberX drivers are on the road at any given time during the 7:00 a.m. - 7:00 p.m. peak demand period in New York City is somehow indicative of an UberX "peak."

Nothing could be further from the truth.

UberX will eventually peak in New York and other cities, but a plethora of evidence suggests that Uber will continue to grow and that more pain lies ahead for traditional taxi companies before saturation is reached.

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In a Jan. 18, 2015 speech at the DLD Conference in Munich, Germany, Uber CEO Travis Kalanick told the audience that New York City growth was "[4x year over year.](#)" According to data obtained via the author's Freedom of Information Law request to the NYC Taxi & Limousine Commission, Uber trips per day totaled more than 80,000 in February 2015, up from [34,000 in September](#) 2014. That's a 305% annualized rate of increase, adjusted for a typical seasonal increase from September to February of around 8%, corroborating Kalanick's "4x" claim.



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In its testimony at the New York City Transportation Committee [hearing in June](#), Uber stated it was signing up "25,000 new customers per month" in New York.

Meanwhile, note that Uber's [driver network in New York](#) did not achieve critical mass until the middle of 2013, and explosive growth did not begin until middle of 2014 (7,000 drivers in June 2014 became 16,000 by December and more than 20,000 currently with reported plans to reach 30,000 by fall of 2016).

The decline of [New York's Yellow Taxi](#) business has inversely tracked the rise of Uber, including an acceleration of market share losses as of the most current data (June 2015). Trips and gross meter revenue (farebox) comparisons are as follows (LTM refers to last 12 months):

	<u>Trips</u>	<u>Farebox</u>
LTM	-9.7%	-6.2%
Q2 15	-10.8%	-6.6%
Cumulative:		
From Peak	-16.8%	-10.4%

Every relevant public data point unambiguously demonstrates that Uber is expanding the overall for-hire market, absorbing all the growth and rapidly eating into taxis' 2013 baseline market share, attended by rapid [deterioration in taxi medallion loan quality](#) across the industry. The process is not only showing no signs of abating, it is accelerating, as evidenced by larger market share losses in the recent quarter vs. the last 12 months. The last 12 months have also been worse for taxis than the last two years, because most of the cumulative declines over the last two years have been observed in the last year.

That Uber can accomplish such extraordinary market penetration with "only" 2,000 drivers on the road, on average, during the 7 a.m. - 7 p.m. peak window reflects the essential nature of sharing economies -- the monetization of underutilized assets with varying degrees of owner passivity. In the case of ride-hailing services like Uber, drivers are mostly part-time. Any suggestion that the relatively small percentage of total drivers in the Uber network driving at any given time is a sign of saturation shows a fundamental misunderstanding of sharing economics and ignorance of the facts.

In New York City, more than three-quarters of UberX drivers are [on the road between 1 and 34 hours per week](#) and fully 42% for only 1 to 15 hours. The weighted average number of hours on the road of a New York UberX driver at year-end 2014 was 22.8. Uber drivers are overwhelmingly part-timers working when it suits them. In contrast, the average taxi operates 133 hours per week ([two 9.5-hour shifts per day](#)). UberX drivers, likely in excess of 20,000 by now, represent 2,900 full-time-equivalent (22.8 hours UberX average hours per week divided by 133 taxi hours per week times 20,000 UberX drivers = 2,920) additions to total supply of for-hire vehicles competing directly with yellow taxis, roughly a 20% increase, so far.

If only 2,000 Uber drivers on the road at any given time have produced a 10.4% farebox drop from the peak, what will another 2,000 do? How about another 4,000? The [operating and](#)



[financial leverage of the taxi ecosystem](#) is enormous, the bleeding continues and the courts continue to [reject protectionism](#).

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This article is commentary by an independent contributor. At the time of publication, the author held no positions in the stocks mentioned. The author is short TAXI, a firm that finances taxi medallion purchases.