

Uber and Lyft Fare Cuts Hit NYC Taxis, and Their Lenders, Hard

New York City Taxi and Limousine Commission data finally released for February showing big year-over-year drop in trips and farebox after rideshare fare cuts in NYC in late January.



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Price cuts by **Uber** and **Lyft** are hurting New York City yellow taxi revenues harder than ever, new data show.

Uber's [15% fare cut for UberX in New York City on January 28](#), quickly matched by ride-hailing competitor Lyft, set the stage for an interesting test case in February 2016 on how sensitive New York City for-hire transportation demand really is to price changes. Uber fares in New York have been closer to yellow cabs than other cities where transportation network companies' (TNC, like Uber) fares are typically 30%-to-40% lower. In New York, data show a 27.4% decline from peak of trips for yellow cabs, relative to cities like Chicago and Boston, where trips are reportedly down in excess of 50%. So, it stands to reason the rapid market share gains for Uber and others in New York prior to the fare reduction have had more to do with qualitative factors like convenience, vehicle cleanliness, driver ratings, real-time digital tracking of trips and higher quality service.

In February 2016, New York City yellow taxi trips were down 11.7% versus the prior year, and farebox revenue was down 11%, according to the latest New York Taxi and Limousine Commission data, obtained by *TheStreet* before release to the general public. (*TheStreet* has also obtained data for March and April -- see table below.)

February 2015 was a terrible month weather-wise, weighing on taxi revenues in general (making February 2016 a favorable comparison month for yellow cabs), suggesting the impact of the fare reduction might be understated by the year-over-year comparison. Weather provided another assist to yellow cabs in the March comparison, but yellow taxi cab numbers were still down markedly. There was significantly less rain and snow, far fewer days of precipitation and much warmer temps in March 2016 versus 2015, yet the year-over-year drops were negative 8.5% and 7.6% for yellow cab trips and farebox revenue, respectively.

In April, the year-over-year comparisons were negative 8.7% and 8.1% for trips and farebox, respectively, and weather was not a factor in the comparisons, though favorable for street hailers both years. For perspective, the 397,780 trips made by yellow taxis in April 2016 compares to 451,508 in April 2009.

STOCKS TO BUY: TheStreet Quant Ratings has identified a handful of stocks with serious upside potential in the next 12-months. [Learn more.](#)

It remains to be seen if the magnitude of year-over-year declines is beginning to ebb, as it inevitably will. The critical question remains, once market equilibrium is reached, will taxi medallions generate any free-cash-flow (FCF), defined as cash flow in excess of costs associated with running taxis, including maintenance, insurance, fees, and competitive wages to drivers? The absence of FCF would mean no value for medallions and no cash flow to service debt used to buy many medallions, which have sold for over \$1 million in New York in the recent past.

Brokers told *TheStreet* that payment to mini-fleet medallion owners in New York City (FCF) is down to \$1,700 per month for non-wheelchair-accessible medallions, and \$1,200 for accessible. None of the management companies are rumored to be accepting new medallions. Medallion lease fees were as high as \$3,600 per month entering 2015, and the refusal of management companies to run new medallions is surely contributing to the dearth of mini-fleet transfers (zero since December 2015), even under the 100% to 105% financing terms offered by lenders to "buyers" willing to start servicing nonperforming mortgages.

Historical New York City Trips and Farebox

| Month/Year | Medallions ¹ | Gross Totals ¹ | | Per Medallion | | Gross | | Per Medallion | | Gross Average | | Gross Avg. Per Medallion | |
|---|-------------------------|---------------------------|-------------|---------------|-------------|--------------------------|-------------|--------------------------|-------------|-------------------|-------------|--------------------------|-------------|
| | | Trips/Day | Farebox/Day | Trips/Day | Farebox/Day | Year-over-Year % Changes | | Year-over-Year % Changes | | Trailing 5-months | | Trailing 5-months | |
| | | | | | | Trips/Day | Farebox/Day | Trips/Day | Farebox/Day | Trips/Day | Farebox/Day | Trips/Day | Farebox/Day |
| Apr-15 | 13,587 | 435,701 | 6,226,205 | 32 | 458 | -10.6% | -5.9% | -11.6% | -6.9% | 428,403 | 5,942,095 | 32 | 437 |
| May-15 | 13,587 | 424,459 | 6,239,552 | 31 | 459 | -10.9% | -7.1% | -11.1% | -7.3% | 429,340 | 6,016,400 | 32 | 443 |
| Jun-15 | 13,587 | 410,831 | 6,014,938 | 30 | 443 | -10.8% | -7.3% | -10.8% | -7.3% | 429,259 | 6,130,932 | 32 | 451 |
| Jul-15 | 13,587 | 372,979 | 5,392,570 | 27 | 397 | -11.8% | -7.5% | -11.8% | -7.5% | 414,928 | 5,989,889 | 31 | 441 |
| Aug-15 | 13,587 | 359,029 | 5,200,177 | 26 | 383 | -12.3% | -8.9% | -12.3% | -8.9% | 400,600 | 5,814,688 | 29 | 428 |
| Sep-15 | 13,587 | 374,156 | 5,520,038 | 28 | 406 | -16.1% | -12.2% | -16.1% | -12.2% | 388,291 | 5,673,455 | 29 | 418 |
| Oct-15 | 13,587 | 397,244 | 5,856,687 | 29 | 431 | -13.5% | -8.9% | -13.5% | -8.9% | 382,848 | 5,596,882 | 28 | 412 |
| Nov-15 | 13,587 | 377,076 | 5,502,861 | 28 | 405 | -14.4% | -10.0% | -14.4% | -10.0% | 376,097 | 5,494,467 | 28 | 404 |
| Dec-15 | 13,587 | 369,686 | 5,425,880 | 27 | 399 | -11.9% | -7.5% | -11.9% | -7.5% | 375,438 | 5,501,129 | 28 | 405 |
| Jan-16 | 13,587 | 351,816 | 4,886,897 | 26 | 360 | -14.4% | -10.2% | -14.4% | -10.2% | 373,996 | 5,438,473 | 28 | 400 |
| Feb-16 | 13,587 | 392,470 | 5,427,874 | 29 | 399 | -11.7% | -11.0% | -11.7% | -11.0% | 377,658 | 5,420,040 | 28 | 399 |
| Mar-16 | 13,587 | 393,886 | 5,614,089 | 29 | 413 | -8.5% | -7.6% | -8.5% | -7.6% | 376,987 | 5,371,520 | 28 | 395 |
| Apr-16 | 13,587 | 397,780 | 5,721,501 | 29 | 421 | -8.7% | -8.1% | -8.7% | -8.1% | 381,128 | 5,415,248 | 28 | 399 |
| Historical Peak | | 520,764 | 6,744,373 | 39 | 510 | 11.2% | 15.8% | 11.2% | 15.8% | 511,687 | 6,603,687 | 39 | 499 |
| Peak-to-trough: | | -32.4% | -27.5% | -34.2% | -29.4% | | | | | -26.9% | -18.7% | -27.4% | -20.8% |
| Averages: | | | | | | | | | | | | | |
| 1H 2015 | | | | | | | | -10.3% | -6.5% | | | | |
| 2H 2015 | | | | | | | | -13.3% | -9.2% | | | | |
| Feb 2016 (1st full month post 15% fare cut) | | | | | | | | -11.7% | -11.0% | | | | |

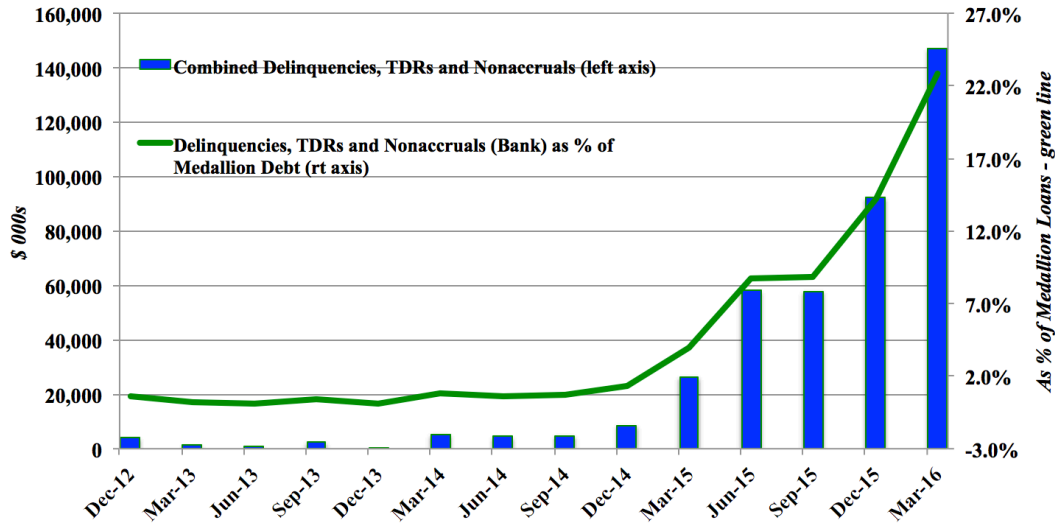
¹ Source: Taxi and Limousine Commission

Taxi Medallion Loan Performance Takes Another Big Hit

Taxi medallion loan non-performance (which lags declines in taxi meter revenue) at the most exposed lenders continued to worsen in the first quarter. **Medallion Financial (MFN)** changed its ticker to MFN starting in May perhaps in order to optically distance itself from association with the taxi medallion industry, despite over 40% of its combined loans and over 200% of its book value being exposed to medallion loans. The change did not help performance, as the company experienced over a 50% increase in non-performance of taxi medallion loans during the quarter to nearly 25% of outstanding loans (see chart below). That is a rapid rate of deterioration and raises serious questions about future loan losses, especially for a company with such high balance sheet exposure.

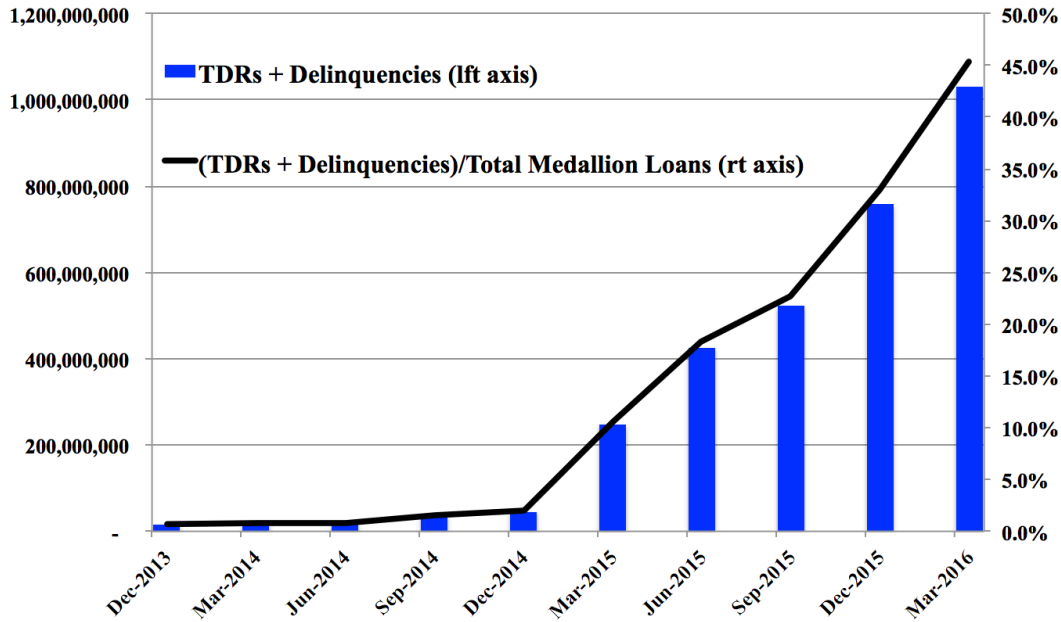
Progressive Credit Union suffered the most deterioration among the highly exposed players during the quarter, with non-performance nearly doubling as a percentage of outstanding loans to 28%. Progressive's non-performance had been showing more resilience than **Melrose**, **Montauk** or **LOMTO** credit unions prior to the latest quarter. LOMTO Federal Credit Union finished the quarter at 32% of outstanding taxi medallion loans not performing, up from 23% at the end of the fourth quarter. Melrose's book remains in the worst shape, with non-performing taxi medallion loans rising from 31% to 41% of total during the quarter.

Medallion Financial Tax Medallion Loan Non-performance Trends



Source: Medallion Financial Corp. SEC filings and Medallion Bank FDIC Call Reports.
 Note: Consolidated "Nonaccruals" not included because not broken out for medallion loans only.

Credit Union Tax Medallion Loan Non-performance Trends



Aggregate totals for Melrose, Progressive and Lomto Federal credit unions.
 Source: NCUA

This article is commentary by an independent contributor. At the time of publication, the author held no positions in the stocks mentioned.