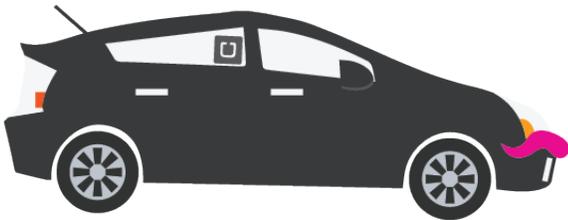


Uber/Lyft take more, pay drivers less



*As Uber and Lyft debut on Wall Street, new
Seattle data reveals the companies are
pocketing a greater share of rider payments
while drivers are earning less*

Uber/Lyft take more, pay drivers less

A report from the App-Based Drivers Association

May 2019

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The conclusions of this report are based on an analysis of 564 standard Uber and Lyft trips completed by dozens of Seattle market drivers in Q3 and Q4 of 2018.



We are an association of drivers for various app-based companies that promotes fairness, justice, and transparency in Seattle's personal transportation industry.

REPORT METHODOLOGY

The conclusions in this report are based on an analysis of 564 standard Uber and Lyft trips completed by dozens of Seattle market drivers in Q3 and Q4 of 2018 (between July and October). For this report, we did not collect trips from more expensive product classes (luxury vehicles, SUV, Black car, XL, etc).

For each trip, we collected the time (minutes), the distance (miles), rider price (excluding tip), driver payment (excluding tip), tolls, and other government fees.

For each trip, we analyzed share of rider price paid to the driver using the following formula.

$$[\text{DRIVER SHARE}] = \frac{[\text{DRIVER PAYMENT} - \text{TOLLS}]}{[\text{RIDER PRICE} - \text{TOLLS} - \text{OTHER GOVERNMENT FEES}]}$$

For additional analysis, we grouped individual trips into three categories based on the rider price: high-priced fares (at least 10% higher than normal price), discounted fares (at least 10% lower than normal price), and normal priced trips (within 10% of the normal price). In order to categorize trips, we estimated the normal price for each trip using current Seattle UberX rates (\$1.42 base fare, \$0.25/minute, \$1.48/mile).

I. EXECUTIVE SUMMARY

Driver trip-level data and the companies' own financial reports reveal that both Uber and Lyft are pocketing a greater share of rider payments, while drivers are earning less.

Uber and Lyft have been among the most closely watched IPOs of 2019. Lyft was first out of the gate this March, with an IPO that saw the company's valuation climb as high as \$29 billion on the first day of trading.¹ Uber is hoping to draw an initial valuation as high as \$100-\$120 billion.² Tech and real-estate beats are buzzing with reports of company executives and investors ready to go on a spending spree when they become overnight millionaires.³

But, new analysis of company financial reports – combined with never before released trip-level data collected by drivers in the Seattle market – shows that the IPO payday for executives is being sold to investors on a promise of decreasing pay for workers.

Uber and Lyft drivers bear almost all of the expense of operation,

from vehicle cost and depreciation to gas, oil, cleaning, and other maintenance. Numerous studies around the nation reveal that many drivers face extreme financial hardship, often earning less than the minimum wage after expenses are taken into account.

Yet as the ride-hail companies woo Wall Street investors, driver trip-level data and the companies' own financial reports reveal that both Uber and Lyft are pocketing a greater share of rider payments, while drivers are earning less.

Passengers may be surprised to learn how little of the price they pay is being shared with their driver, particularly when compared to company take rates in other technology marketplace platforms.

¹ <https://markets.businessinsider.com/news/stocks/lyft-initial-public-offering-lyft-set-to-begin-trading-2019-3-1028070496>

² <https://www.inc.com/guadalupe-gonzalez/uber-eyes-120-billion-ipo-2019.html>

³ <https://www.nytimes.com/2019/03/07/style/uber-ipo-san-francisco-rich.html>

II.

ANALYSIS

NEW SEATTLE TRIP DATA SHOWS DRIVER PAYMENTS DECLINING, WHILE THE COMPANIES POCKET HIGHER TAKE RATES

Drivers who had worked hard the previous 3 months to "unlock new rewards," discovered they would receive a 3-6% pay cut instead.

When Uber and Lyft first launched, both companies paid drivers 80% of rider price. At the time, driver payments were also calculated based on higher per mile and per minute rates. Over the years, not only have per mile and per minute rates decreased, but so has the percentage of the fare that is paid to the driver.

Local data shows high company take rates. An analysis of more than 500 Uber and Lyft trips in the Seattle market⁴ reveals that local drivers were paid just 69% of rider price on the median trip, for an effective company take rate of 31%.

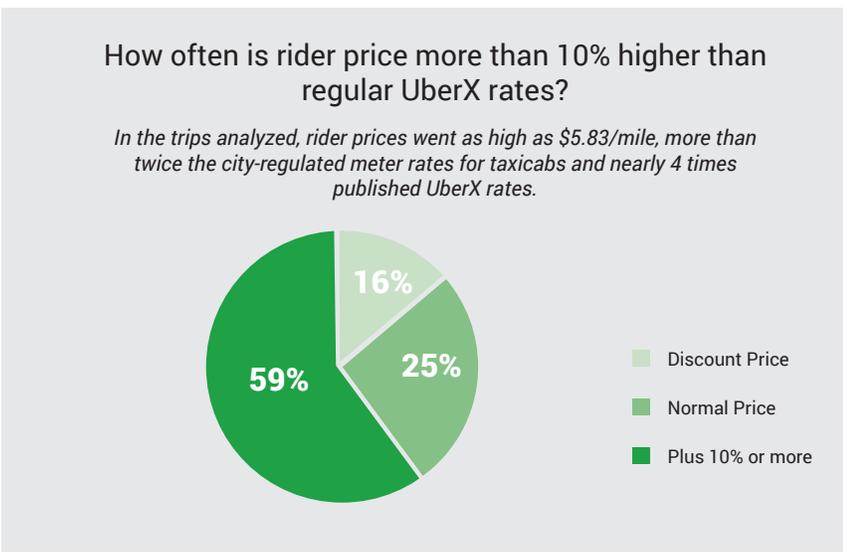
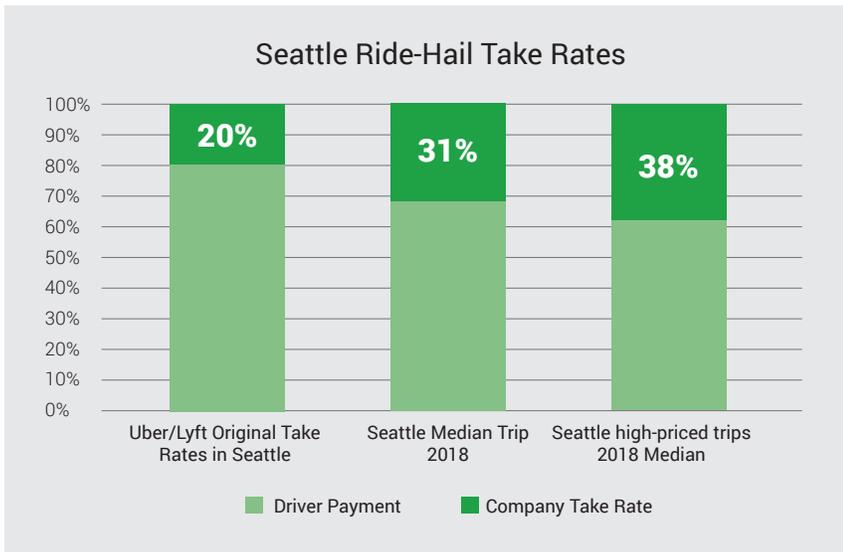
The more riders pay, the less drivers receive. Many riders pay more – often much more - than published rates. Looking at only the trips where rider price was at least 10% higher than published non-surge UberX rates, driver pay was just 62% of rider price on the median trip, for an effective company take rate of 38%. On some trips, driver pay went as low as just 32% of the price charged to customers

⁴ See methodology

UBER'S RECENT "SURGE PAY CUT" AND "REWARDS PAY CUT" SEEM DESIGNED TO INCREASE THE COMPANY TAKE RATE EVEN FURTHER.

In February 2019, Uber implemented a major change in the Seattle market to driver pay during surge pricing. Before the change, customer price and driver pay increased by the same percentage during surge pricing. Now, drivers are paid small, flat dollar amounts on surge trips that have no relationship to what the customer is charged. Drivers say the new "Surge Pay Cut" accelerates the trend of Uber keeping an increasingly higher percentage of rider payments in advance of their IPO.

In May 2019, Uber implemented a major change to its rewards program, "Uber Pro." Under this program, drivers "unlock new rewards as you reach higher status."⁵ The program offers different tiers of rewards eligibility based on how much a driver drove on the platform in the previous quarter. From the program's inception, the highest tiers of eligibility included a 3-6% increase on time/distance rates paid to the driver. But, on April 29th, just two days before the end of the quarter, drivers in Seattle were notified that the 3-6% bonus was being abruptly removed, effective May 1st. In other words, drivers who had worked hard the previous 3 months to "unlock new rewards," discovered they would receive a 3-6% pay cut instead.



⁵ <https://www.uber.com/us/en/drive/uber-pro/>

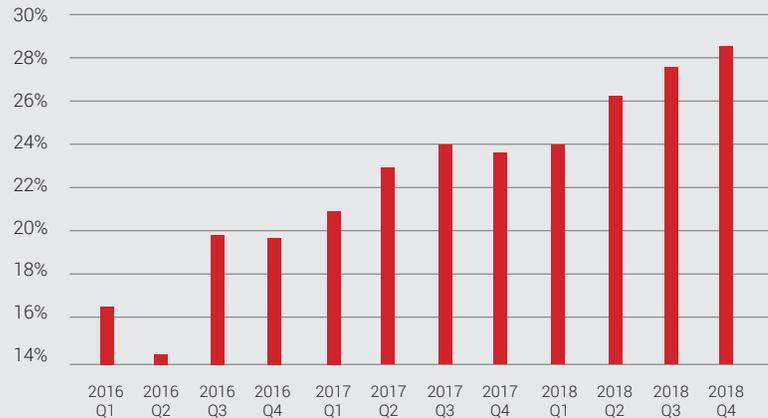
UBER'S AND LYFT'S OWN NUMBERS REVEAL A DECLINING PORTION OF GROSS BOOKINGS IS PAID TO DRIVERS.

Lyft's take rate increased to 29% of gross bookings by the final quarter of 2018 (up from 17% at the beginning of 2016), according to the company's IPO prospectus filed with SEC on March 1, 2019.⁶

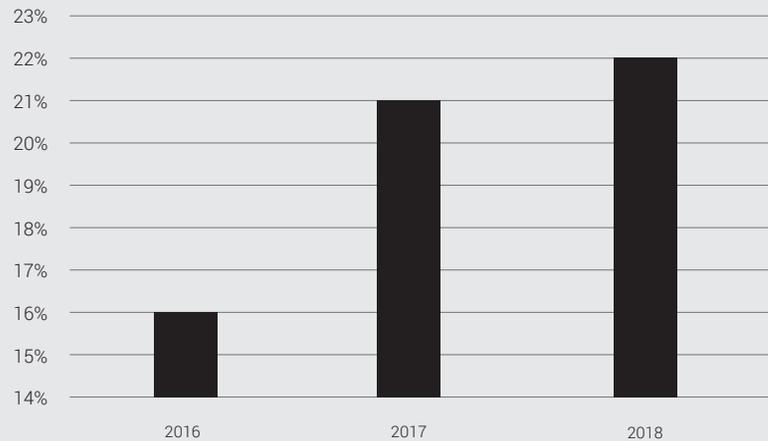
Uber's IPO prospectus, filed with the SEC on April 11, 2019, tells the same story of increasing company take rates.⁷ According to the filing, Uber's ride-hail take rate increased to 22% in 2018, up from 16% in 2016.

In the same filing, Uber warns investors that the company's plans to increase their take rate further will cause agitation amongst drivers, writing *"as we aim to reduce Driver incentives to improve our financial performance, we expect Driver dissatisfaction will generally increase."*⁸

Lyft Effective Company Take Rate, 2016-2018



Uber Effective Take Rate, 2016-2018



⁶ <https://www.sec.gov/Archives/edgar/data/1759509/000119312519059849/d633517ds1.htm>

⁷ <https://www.sec.gov/Archives/edgar/data/1543151/000119312519103850/d647752ds1.htm>

⁸ <https://www.bloomberg.com/news/articles/2019-04-12/uber-ipo-filing-warns-that-drivers-will-be-even-less-happy>

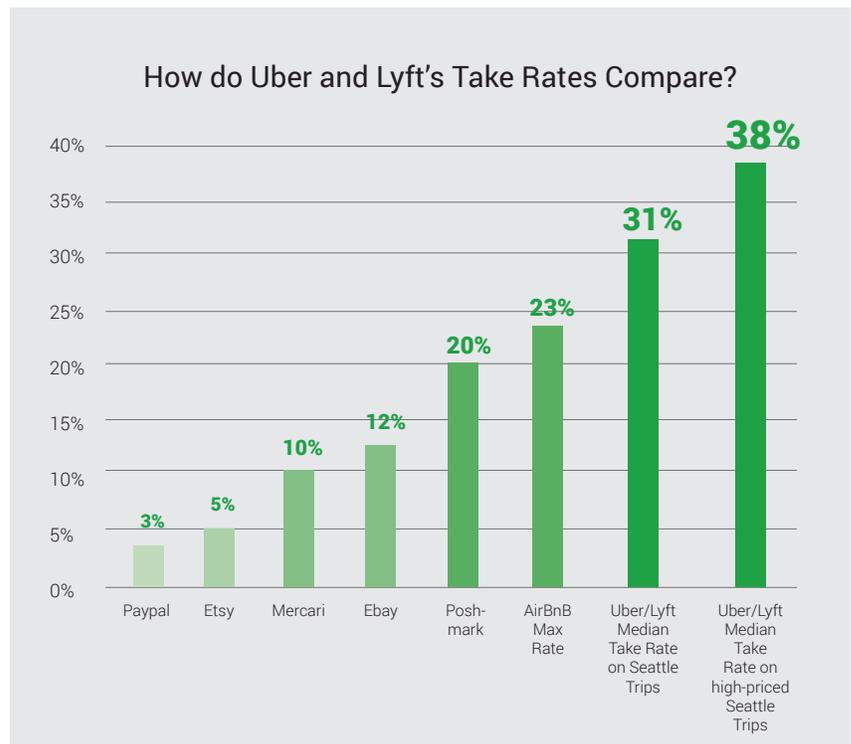
UBER AND LYFT'S TAKE RATES ARE HIGH RELATIVE TO OTHER ONLINE PLATFORMS.

Paypal charges users 2.9%, plus \$0.30.⁹ Etsy charges merchants 5% plus a listing fee.¹⁰ Mercari charges sellers 10%.¹¹ Ebay fees are between 2%-12% of sale price.¹² Poshmark charges 20%.¹³ AirBnB fees for hosts and guests combined range between 3%-23% of listing price.¹⁴



...as we aim to reduce Driver incentives to improve our financial performance, we expect Driver dissatisfaction will generally increase.

- UBER, S1 Filing with the SEC
April, 2019



⁹ <https://www.paypal.com/en/webapps/mpp/paypal-fees>

¹⁰ <https://www.etsy.com/legal/fees>

¹¹ https://www.mercari.com/help_center/getting_started/how_much_does_it_cost_to_sell/

¹² <https://www.ebay.com/help/selling/fees-credits-invoices/selling-fees?id=4364#section3>

¹³ <https://support.poshmark.com/articlesDescriptionPage?id=ka011000000ab5GQAQ>

¹⁴ <https://www.airbnb.com/help/article/1857/what-are-airbnb-service-fees>

III.

RECOMMENDATIONS

1.

Consumers deserve price transparency to know that their price is fair and that their driver is also paid fairly. No more than 20% of the customer fare should be retained by ride-hail companies for any purpose, including administrative overhead or profits.

2.

Drivers deserve fair pay. Drivers should receive at least 80% of each fare.

3.

Uber and Lyft should meet the same standards as every other business in town, ensuring that drivers can earn paid sick days and receive at least a \$15 minimum wage after expenses.