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Chicago wants to roll out universal app for hailing taxis

Jon Hilkevitch | October 26, 2014

The rapidly expanding rides-for-hire industry in Chicago is undergoing more change Monday.

Customers will no longer be able to arrange a regular taxi or a black-car pickup using **Hailo**, one of a number of transportation smartphone apps that have debuted in the last few years to a strong reception from consumers who appreciate shorter wait times and the ability to prearrange payment using a credit card.

Now, the city of Chicago is preparing to enter the contest. It will implement one or more universal smartphone apps to connect riders with the closest available taxi among all cabs in the city rather than a customer going online to hail a cab from a specific company. The apps are designed to provide one-stop shopping for taxis and also "can help level the playing field" between taxis and ride-sharing services, city officials said.

Hailo, a **London**-based taxi and limo dispatch service that was launched in 2011 and contracts with independent taxi drivers and chauffeurs, ended operations Sunday across the U.S. and Canada. It served **Chicago, New York, Boston, Washington, Atlanta, Toronto** and **Montreal**.

The company cited "astronomical marketing" costs and difficulties competing with other technology companies, including market leader **Uber**, which also connects professional drivers and riders using smartphone apps as an alternative to traditional taxicab or limo company dispatch services. Hailo will concentrate on expanding its business in **Europe** and **Asia**, company officials said.

Hailo's withdrawal from North America comes at a time of fierce competition for new customers that regular taxicab services face from companies that run smartphone apps to arrange ride-share services. The companies, which include **Uber X, Lyft** and **Sidecar**, contract with drivers who do not have chauffeur's licenses and use their personal vehicles to transport customers.

Uber and Uber X are subsidiaries of **San Francisco**-based **Uber Technologies Inc.**, which is backed by investors that include **Google Inc.**

The proliferation of smartphone apps for the public to hail rides, meanwhile, is about to get a new type of competition — government-sponsored — in Chicago. Instead of coming directly from private vendors, the **Chicago Department of Business Affairs and Consumer Protection** is preparing to solicit bids from companies to develop at least one universal app the public can use to order taxis, officials said.

The winner of the contract will have the de facto backing of the city, just as the **Chicago Department of Transportation** partnered with **Alta Bicycle Share** to create the **Divvy** bicycle-sharing rental program.

The city "wants to ensure that a competitive procurement process is followed and respected" in connection with the universal app, said Mika Stambaugh, spokeswoman for the Department of Business Affairs and Consumer Protection, which regulates the rides-for-hire industry in Chicago.

The top priorities for the universal app are that "riders find it easy enough to use, and, most importantly, are protected."

Some experts in the taxicab industry are wary of the Emanuel administration's motives behind the app, pointing to the mayor's strong public support of Uber X and his initial reluctance to regulate the burgeoning ride-share business.

"Government is essentially endorsing one app as the centralized dispatch," said George Lutfallah, publisher of **Chicago Dispatcher**, a trade publication for the taxicab industry. "My concern is that it limits choice, and that whoever wins the contract won't have as strong of an incentive to serve the drivers and the customers."

A spokeswoman for Uber Technologies, which could potentially bid on the contract, said the company is "glad the city is taking steps to reform the broken taxi system, especially when those reforms benefit drivers who have been ignored by cab companies for decades."

"We welcome competition," Uber spokeswoman Jennifer Mullin said.

A proposal to create the universal app has been presented to the City Council. It is among several changes that Mayor Rahm Emanuel, a union-backed group called the **United Taxi Drivers Community Council** and two aldermen introduced recently to increase the income of taxi drivers — without the city granting an increase in the taxi fare structure, which hasn't changed since 2005.

There are almost 7,000 licensed taxicabs and 15,327 taxicab drivers and livery drivers in Chicago, according to the latest city count, which says 12,667 of the total are taxi drivers. The city categorizes ride-share drivers as among the livery drivers. But city officials said they have no count or estimate on the number of ride-share drivers.

Nor does the city keep statistics that break down how many rides for hire in Chicago are taken via taxicabs, black-car limousines and the newly regulated ride-sharing operations, Stambaugh said.

Transportation experts contacted by the Tribune said taxis account for about 60 to 70 percent of the market, limousines more than 20 percent and ride-share services up to 10 percent.

But the individual shares are likely to change because of the growing popularity of ride-sharing, and indications this year from the Emanuel administration are that ride-share vehicles may soon be allowed to start serving **O'Hare International Airport** and **Midway Airport**, as well as **McCormick Place**.

Such a development worries taxicab drivers like Ismail Onay, an independent operator. Onay, 60, who has been driving a cab for 14 years, is paying off a loan on a taxi medallion that he purchased for \$250,000 in 2000, long before the emergence of ride-sharing.

"I have too much invested to walk away from this business, but many of us are working six and seven days a week to make maybe \$20,000 a year after paying everything," said Onay, who lives on the North Side with his wife and two children, ages 12 and 7.

A city-commissioned study released in August found that Chicago taxi drivers earn an average of \$34,000 annually, or about \$12 an hour, after expenses.

Onay said some of the changes proposed by the Emanuel administration may help, but he is worried they might be "diluted." The measures include lower caps on cab leases for alternative fuel vehicles that are at least 2 years old; reducing the maximum fines for taxi offenses including traffic violations; reducing the limit on credit card fees paid by cab drivers; and providing taxi drivers with a credit on their lease for operating vehicles that display advertising.

Even with the changes, the city will still collect millions of dollars annually from assorted taxi fees.

Onay said that while the taxi industry is "struggling to survive because Uber X is taking our business," the industry also needs to help itself.

"The classic cab is part of the solution, but we must get our act together," said Onay, a native of Turkey who said he earned a degree in economics from the University of Illinois at Chicago. "We need to streamline our operations, bring costs down, and the customers will never leave us.

"Uber X can have 20 percent of the market share, no problem with us," he said.

Lutfallah agreed, pointing out that Uber did not start the ride-share business. Uber began offering service in 2010 as a way to connect riders with black-car drivers who had extra time between reservations.

"They saw that (ride-sharing) was interrupting their core business and they joined it" by creating Uber X, he said.

"There is room for everyone, but only if the playing field is leveled. For the consumer who wants the most affordable ride, there is ride-share. For a step up in service, taxis. Want to ride in style? Black car."