

MEMORANDUM

TO: City of Toronto Economic and Community Development Committee

SUBJECT: EC6.6: Transitioning the Vehicle-for-Hire Industry to Net Zero Emissions by 2030

DATE: September 19, 2023

Uber Canada welcomes the opportunity to comment on *EC6.6: Transitioning the Vehicle-for-Hire Industry to Net Zero Emissions by 2030*. This ambitious plan will fundamentally reshape the Vehicle-for-Hire sector in the City of Toronto and bring the industry to Net Zero a full decade ahead of the city-wide TransformTO 2040 target.

Uber Canada is supportive of the recommendations in EC6.6 and looks forward to working with the City of Toronto in the implementation of this ambitious plan, but cautions that without significant action from all orders of government, it will be very difficult to achieve. Vehicle availability and charging infrastructure will need to see substantial increases to ensure the 2030 deadline is feasible.

This note expands on this point by outlining where Uber Canada is at in our electrification journey, some of the barriers facing drivers in the City of Toronto as they consider electrification and the key success factors to future progress.

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The Staff Report concludes with, “A successful transition will require complementary efforts across the City and its partners to effectively support a net zero VFH industry.”¹ Our CEO Dara Khosrowshahi is fond of similarly saying “Climate is a team sport” and Uber Canada looks forward to working with the City and its partners on this important file.

Uber Canada's progress on electrification to date

Uber Canada and our partners have been out in front on the transition to Net Zero and the early results have been positive. As the largest mobility platform in the world, we know that our impact goes beyond our technology. In September 2020, Uber set out a commitment to become a fully-electric, zero-emission mobility platform in Canada, the US and Europe by 2030, and

¹ EC6.6. Page 22.

globally by 2040. In order to make progress against this ambitious commitment, we have taken major steps to help accelerate the transition across three major pillars: **Incentives, Products and Partnerships**.

Incentives - Drivers on the Uber platform decide which vehicle they want to use within the bounds of the jurisdictions in which they drive. Therefore, it is important for Uber to help drivers in their transition to more sustainable modes of transportation.

- **Zero Emissions Incentive** - From February 1, 2023, to January 31, 2025, eligible drivers of EVs in the City of Toronto can earn up to an additional **\$10,000** with Uber's Zero Emission incentive via \$5,000 per 12-month period. This incentive comes in two parts:
 - Drivers earn an extra \$1 on every rideshare trip made in an EV (up to \$4,000 over a 12-month period).
 - Additionally, drivers receive an extra \$250 after their first 1,000 trips in an EV over a 3-month Uber Pro Program Period.² Drivers can get this extra benefit once during each period, which can add up to an additional \$1,000 per year.
- In Canada, we will have invested more than **\$10M into the Zero Emissions Incentive** program by the end of this year with adoption increasing rapidly.

Products - Uber is committed to offering riders more ways to get around the City of Toronto sustainability including:

- **Uber Green** - We launched Uber Green in September 2020, a low-emission ride option that connects riders with drivers using hybrid and fully electric vehicles. It is now the world's most widely available rideshare option for low/no-emission rides.
- **Uber Comfort Electric** - As of April 2023 in Toronto, Uber Comfort Electric gives riders a new way to go from A to B by requesting a more spacious, comfortable EV. It's as simple as tapping a button and requesting a ride in a premium EV, such as a Tesla, Polestar or Hyundai Ioniq.
- **UberX Share** - We relaunched shared rides in Toronto in February 2023 after pausing them in 2020 due to the pandemic. As our most affordable option, riders will receive an upfront discount of up to 20% if they choose to share their trip with another rider on the Uber platform.

As EV adoption increases, and a broader range of ZEVs become available in the market, the potential for new differentiated products within the ZEV or low-emission portfolio increases.

Partnerships - We have worked with charging companies such as Wallbox, rental companies such as Hertz, Louelec and Autzu, and educational platforms such as Plug'N Drive to help

² The Uber Pro program is a driver loyalty rewards program which has 3-month "points earn" cycles.

drivers learn about EVs and gain more affordable access to vehicles and charging infrastructure.

The results of our proactive work are positive and show that rideshare platforms are significantly outpacing the general population when it comes to EV transition according to Uber's own Climate Assessment and Performance Report.³ In Q2 2023, ZEV drivers provided more than 31 million tailpipe-emissions-free trips using Uber in the US, Canada, and Europe. This is more than 2 times the number of ZEV trips completed on Uber during the same period a year earlier.

In Q2 2023, 8.4% of all on-trip miles in Europe and 5.6% of all on-trip miles in the US and Canada were completed by ZEV drivers. That represents increases of 2.2 and 3.0 percentage points, respectively, compared with the same period a year earlier. ZEV uptake by drivers using Uber's app is over 5 times higher in Europe and over 6 times higher in Canada and the US than that of drivers in the general population, according to the most recent published government figures.

Barriers to electrification in the City of Toronto

Although we have made early progress, there are significant barriers to achieving the 2030 objective in the City of Toronto. As per the Staff Report, "The goal of net zero by 2030 in the VFH industry is feasible only if equity-related barriers are adequately addressed and infrastructure development, ZEV availability, and market projections are achieved."⁴

This aligns with what we hear directly from drivers. In 2022, Uber conducted an internal survey of drivers in Canada about challenges and opportunities for EVs and received responses from more than 2,000 EV and non-EV drivers. While 66% of Canadian respondents reported openness to getting an EV as their next car, most also cited cost (66% of respondents), followed by long wait times (44%), lack of readily available government EV incentives (43%), and charging concerns (37%) as primary barriers to making the switch.

Below, we assess these barriers in greater detail across 3 categories: **Affordability and accessibility**, **access to financing**, and **charging infrastructure**.

Affordability and accessibility - There is a significant gap between the total cost of ownership (TCO) of VFH industry drivers' preferred Internal Combustion Engine (ICE) vehicle makes and models and that of desired battery EV models. The lack of provincial incentive programs in Ontario is a major issue and is exacerbating the overall dynamic, particularly compared to other provinces such as Quebec and British Columbia. In Q1 2023, for example, EVs in British Columbia made up 17.9% of provincial market share, while the same figure for Quebec was

³ For more information, see here: <https://www.uber.com/ca/en/about/reports/sustainability-report/>.

⁴ EC6.6. Page 2.

14.5% and Ontario trailed far behind at 5.9%⁵. Below is a chart of the relevant incentive programs across jurisdictions:

Jurisdiction	Incentive Program ⁶
Canada	<p>The Government of Canada offers point-of-sale incentives of \$2,500 to \$5,000 for consumers who buy or lease an EV.</p> <p>There is also an accelerated depreciation option that allows for a 100% write-off in the first year that a ZEV is purchased for use in business.</p>
British Columbia	<p>\$500 – \$2000 in rebates for plug-in hybrids with range less than 85 km \$1,000 – \$4000 rebates for battery electric and long-range plug-in hybrids</p>
Quebec	<p>Rebates of up to \$8,000 on EVs under \$60,000.</p>
New Brunswick	<p>New Battery Electric Vehicle (BEV): \$5,000 New long range Plug-in Hybrid Electric Vehicle (PHEV): \$5,000 New PHEV: \$2,500 Used BEV: \$2,500 Used PHEV: \$1,000 Electric Vehicle Home Charging Stations: \$750</p>
California	<p>In late 2023, a new program will expand statewide access to the existing Clean Cars 4 All program that gives residents up to \$12,000 to scrap and replace older, polluting cars with cleaner alternatives, or will offer additional assistance through up to \$7,500 in vehicle purchase grants for car buyers not scrapping an older vehicle, in addition to affordable financing options.</p>
Massachusetts	<p>\$3,500 rebate for the purchase or lease of eligible new light-duty battery electric vehicles (BEV) and fuel-cell electric vehicles (FCEV) with a Total MSRP of \$55,000 or less.</p> <p>\$3,500 rebate for the purchase of eligible used light-duty battery electric vehicles (BEV) and fuel-cell electric vehicles (FCEVs) with a Final Purchase Price of \$40,000 or less.</p>
New York State	<p>The Charge NY initiative offers electric car buyers the Drive Clean Rebate of up to \$2,000 for new car purchases or leases.</p>

Further, there are major availability challenges. Toronto drivers purchasing EVs today are facing an up-to 24 month waitlist. It is unclear when domestic and global supply chains will accelerate

⁵ For more information, see here: <https://electricautonomy.ca/2023/08/02/zev-registrations-q1-2023-statscan-canada/>.

⁶ For more information, see here: <https://www.caa.ca/sustainability/electric-vehicles/government-incentives/>.

the supply, or meet the increased demand for EVs. The proposed Federal Government guidance will require that only 20 percent of *new* vehicles sold in Canada will be zero emission by 2026, and 60 percent by 2030, so these availability challenges will persist.

Access to Financing - Beyond the cost of ownership, there is the question of access to financing. VFH drivers already face high challenges of getting financing because of the non-traditional nature of their work. As independent contractors, they do not have typical 'proof of employment', many are new to Canada, and do not have an established credit rating. All these factors make VFH drivers riskier borrowers in the eyes of financial institutions and as a result, VFH drivers may see applications rejected or be offered financing rates that are significantly above market rates. On the flip side, major financial institutions are getting more risk averse - even recently with Bank of Montreal (BMO) exiting out of their indirect retail auto finance business⁷. These are challenges that are likely to worsen - and these VFH drivers will need support to make the switch in a way that they can manage financially.

Charging Infrastructure - Toronto, and the broader GTA, is significantly lagging behind other comparable jurisdictions around the world when it comes to the availability of at-home and out-of-home charging infrastructure. This is particularly important in the VFH sector given the propensity of drivers to live in rental apartments without charging infrastructure at the moment.

Drivers tell Uber Canada that "range anxiety" is a significant issue that compounds the total cost of ownership issue as even when the economics can make sense on the purchase side, drivers are still concerned about whether they will have access to adequate charging. In order to achieve our 2030 goal, the pace of at home Level 2 and public Level 3 charging installation will have to accelerate significantly.

The Staff Report is unequivocal on this point. Currently, the City of Toronto has 198 Level 3 charging stations. **To support a 100% ZEV VFH sector, the City's own projections suggest we will need more than 12x to 17x that, between 2,446 - 3,449 Level 3 chargers.**⁸ This is a significant infrastructure deficit that will require aggressive municipal intervention in the next 6 years. Moreover, as the sole shareholder of Toronto Hydro, the City of Toronto is in a uniquely privileged position to push for EV charging infrastructure from the electric utility that services the city.

Key success factors to future progress

The approach outlined in EC6.6 is ambitious and would position Toronto as a leader in North America in terms of the transition of the Vehicle-for-Hire sector to Net Zero. Staff have taken an evidence-based and consultative approach to this issue over the past 12 months including the

⁷ For more information, see here:

<https://www.reuters.com/business/finance/canadian-lender-bmo-wind-down-retail-auto-finance-business-2023-09-17/>.

⁸ EC6.6. Page 17.

formal Net Zero Working Group which contained representatives from TNCs, taxis, ENGOs and worker organizations. In order to continue this momentum and make this transition a success, Uber Canada recommends that the following 3 steps be taken to help facilitate the transition:

- 1. Establish an ongoing working group and report quarterly on key metrics** - In order to achieve our 2030 targets, the City should continue convening the Vehicle-for-Hire Net Zero Working Group (or a subset of it) on a quarterly basis to assess progress against the key pillars of the regulatory framework and to adapt the strategy as required going forward as market conditions change. Quarterly, the Working Group should receive a report on the market conditions around BEVs as well as the charging infrastructure in the City of Toronto. Further, Council should receive a report on market conditions for charging and vehicle availability and affordability at appropriate intervals.
- 2. Rapidly expand the availability of publicly accessible L3 charging stations and affordable overnight L2 charging in the City of Toronto** - As mentioned above, to support a 100% ZEV VFH sector, the City's own projections suggest we will need between 2,446–3,449 Level 3 DC Fast chargers. This is a significant infrastructure deficit that will need to be overcome in the next 6 years. Given the City's own projections in terms of VFH EV adoption in the interim between now and 2030, we urge the City of Toronto, Toronto Hydro, TPA and others to actively engage with the VFH industry as it looks to rapidly deploy new L3 chargers both curbside and in publicly accessible lots, where drivers only pay for the energy dispensed (no additional parking/access fees). Additionally, we urge the TPA to enable new L2 solutions that work for high-mileage rideshare drivers. If VFH drivers can secure certainty of nightly L2 charger access (reservable/leasable) that are located in walkable proximity to driver residential concentrations, and if the cost of parking and energy is competitive to parking and fuel options for ICE drivers, then this will be a highly successful catalyst to adoption and likely at a lower capital cost for the City. The City should explore a balanced strategy of both L3 and L2 solutions.
- 3. Advocate for greater assistance from other orders of Government** - a key lever to bring down the total cost of ownership is direct government incentive programs and the City should call on upper tiers of government to provide robust incentives to VFH drivers who are looking to transition to a new or used fully electric vehicle in the coming years. Indeed, it may be appropriate for ZEV incentives to be targeted at specific commercial sectors—such as drivers of vehicles for hire—even if they are not available to the general public given the number of annual kilometers they drive. Further, upper tiers of government have a critical role to play in making charging infrastructure more robust across the City of Toronto.