

The Economics of Ride Hailing, Revisited  
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Last week I released a paper entitled “The Economics of Ride-Hailing” as part of MIT’s CEEPR working paper series. The paper was picked up by numerous news outlets and prompted a [Twitter response](#) from Uber’s CEO Dara Khosrowshahi on Saturday morning.

The reason I study and teach transportation is because of its profound ability to affect peoples’ lives. The ride-hailing business model has changed transportation more than virtually any other development in recent decades, and it is paramount that we understand all of the benefits and costs of this transformative technology.

My objective in this paper was twofold: (1) to highlight the distribution of driver net profit as the important measure of interest, and (2) to investigate a form of subsidy for the ride-hailing business model through mileage deductions. I circulated an early copy of this work for feedback last fall before releasing it as a CEEPR working paper, and it is cited in Uber’s own working paper from January “[The Gender Earnings Gap in the Gig Economy.](#)”

First, let me say unequivocally that this work is mine, conducted with the support of three Stanford students who donated their time to this project. Former colleagues at MIT CEEPR (where I was a Post-Doc) published the paper as a working draft, per CEEPR policy, to solicit feedback on the approach and findings. Any comments or concerns should be directed at me.

Uber’s Chief Economist Jonathan Hall wrote a thoughtful [response](#) expressing his concern with one aspect of our paper. I’d like to thank Hall and his team for taking the time to read our draft and provide input. This is exactly why we publish working drafts: to solicit constructive feedback and improve our work.

Hall’s concern is the way we adjusted driver reported monthly income by the reported fraction of their monthly income (Questions 14 & 15 of the RideShareGuy survey). Hall’s specific criticism is valid; in retrospect the survey questions could and should have been worded more clearly. In re-reading the wording of the two questions, I can see how respondents could have interpreted the two questions in the manner Hall describes. I will be conducting a thorough revision of the paper and will update it at CEEPR. While this will take a few weeks, my initial assessment of the net hourly ride-hailing driver profit distribution is as follows.

Using data in this survey there are two ways to calculate hourly revenue and net profit numbers. Method 1: use monthly revenue numbers when available (Question 14) and calculate hourly numbers using the working schedule reported in Question 11. Method 2: Use reported \$/hour revenue numbers when available (Questions 19 & 22). In both cases the profit from driving is higher than we initially reported.

Using Method 1, and following Hall's advice not to adjust income, Median profit rises to \$8.55/hour from the \$3.37 initially reported. For 54% of drivers, profit per hour is less than 2016 minimum wage in their state. 8% of drivers lose money. Using Method 2, median profit rises to \$10/hour. For 41% of drivers, profit per hour is less than 2016 minimum wage in their state. 4% of drivers lose money. I'm happy to review these numbers with Hall and his team to address any remaining questions with the analysis as I release the next draft of the paper.

Transparency and reproducibility are the foundation of any academic endeavor. What Hall and Khosrowshahi's assessment laid bare was an assumption about revenue that I made in the absence of public ride-hailing data and a paucity of independent studies outside Uber's own analyses.

In the spirit of collaboration, I ask the following from Uber, in keeping with the original objectives of this paper:

- (1) Help make an open, honest and public assessment of the range of ride-hailing driver profit after the cost of acquiring, operating and maintaining a vehicle.
- (2) Transparently present the difference between actual and tax-reportable vehicle expenses used in the business.

In support of these goals I am happy to share existing cost data from this working paper with Uber or Lyft, or to incorporate full and accurate revenue data from Uber in this analysis should they decide to share such data.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stephen M. Zoepf', written in a cursive style.

Stephen M. Zoepf