

REPORT ADDENDUM: Analysis of TNC Vehicle and Operating Expenses (04/19/24)

On March 25th, Policy and Research (PAR) spoke with the State of Minnesota Department of Labor and Industry (DLI) regarding the report “Transportation Network Company Driver Earnings Analysis and Pay Standard Options”. During that discussion, DLI explained that they were not allowed to share any of the underlying data that was used to compile the larger report. It was noted Minneapolis was largely represented in the data, due to the high volume of rides that began or ended within City limits, but there was no available breakdown at the municipal level.

In response to challenges with securing underlying report data directly, and because the proposed per minute compensation rate from the state report is closer in alignment with the current Minneapolis adopted rate, PAR focused on obtaining third party data on registered TNC vehicles used in the state report that was provided by the Metropolitan Airport Commission (MAC). This briefing is an attempt to build out the level of detail for data relating to TNC vehicle operating expenses. The state report used Metropolitan Airport Commission (MAC) data on vehicles and calculated the average across a number of vehicle categories and vintages. PAR received similar data from the MAC and created an expanded range of detailed potential expense outcomes based on vehicle characteristics including specific cost, make, model, financing options, applicant credit score(s), etc.

The analysis included in this document represents a small sample of the potential calculations that could be appropriate to explore the impact of changes to the various expense components. In response, the underlying analytical data that was put together by PAR staff including MSRP, MPG information, and vehicle volumes by make, model, and year has also been provided in its entirety to allow any interested parties to conduct their own additional analysis.

Reference: Graph comparing Minneapolis vs. MN DLI Study

Minimum Compensation Per Mile & Wage Per Min		
	Per min	Per mile
Minneapolis	\$0.51	\$1.40
MN Study (comprehensive = base pay + benefits)	\$0.49^[1]	\$1.21^[2]
DIFFERENCE	\$0.02	\$0.19

^[1] Rounded up from \$0.487 per minute Report calculation. “The derivation of the per minute rate for the Twin Cities is as follows: the employer share of federal Social Security and Medicare payroll taxes is added to the \$15.57 hourly minimum wage; that sum of \$16.85 is scaled up for the .577 P3 time share from Exhibit 14 to equal \$29.21 per hour; finally, converting to a per minute basis equals \$0.487.” [MN DLI State Report Page 36](#)

^[2] Rounded up from \$1.207 per mile Report calculation. Metro area base compensation rate 89 cents/mile + estimates of per mile cost of paid leave, health insurance, retirement savings and unemployment insurance (\$0.317) = \$1.207/ mile. [MN DLI State Report Page 11](#).

Overview of TNC Vehicle and Operating Expense Calculations

The Metropolitan Airports Commission (MAC) shared with PAR the make, model and year of 10,360 TNC vehicles that are registered for operations at the Minneapolis–Saint Paul International Airport.

To calculate drivers' vehicle acquisition costs and monthly car payments, using this data, PAR looked up the manufacturer's suggested retail price (MSRP) for the make, model and year of each car appearing more than twice.

- For 2023 and 2024 vehicles, [Edmunds.com/car-comparisons](https://www.edmunds.com/car-comparisons) was used to identify MSRP, MPG, and most common vehicle trim information.
- For 2020-2022 vehicles, [Kelly Blue Book](https://www.kbb.com) was used to identify MSRPs, while Edmunds was still used to determine MPG and most common vehicle trim information.

MSRP and MPG data was gathered for vehicles with a model year range of 2020 to 2024 (representing 41% of total cars shared by MAC). Auto loan financing interest rate levels were calculated using the [Carvana Car Payment Calculator](#) to reflect drivers with average, good, or excellent ratings.

For the purposes of calculating vehicle acquisition costs and monthly car payments, PAR had to make multiple assumptions that are explained below:

Assumption: Drivers with vehicles from model year 2020 or newer purchased their cars new at the manufacturer's suggested retail price. The used car market can fluctuate significantly in response to a range of external factors. This was particularly true during the COVID-19 Pandemic period. The selection of vehicles from 2020 to 2024 allowed the use of each year's vehicle MSRP, which is one of the few consistent price points available. While new vehicle prices are also fluid and may fall below the MSRP when purchased, the use of this suggested retail value allowed for a consistent reference. Additionally, because the longest loan term calculated for this analysis was 60 months, the use of 2020 model year vehicles ensured that all vehicles remained within a potential 60 month repayment cycle.

Assumption: Drivers purchased cars with loan terms of 36, 48, or 60 months. While it is reasonable to assume that there may be drivers financing vehicles using terms shorter or longer than those chosen for this analysis, these three options provided a reasonable middle-ground.

Assumption: Financing was assumed to fall into one of three common rates: Borrowing at interest rates of 12.83%, 9.09%, or 6.85% (depending on assumed credit scores categorized as 'average', 'good', or 'excellent').

Reference: How MN DLI State Study Calculated Vehicle Acquisition Costs

"MAC provided DLI with a list of airport-registered TNC drivers with information about the make, model and year of their vehicles. This analysis grouped the data about 8,012 vehicles into eight common vehicle categories (for example, compact SUV and medium sedan) and four vintage year groups (2016, 2018, 2020 and 2022).

Researchers used online sources to estimate Twin Cities metro area used car prices in those 32 vintage-vehicle categories and then estimated the annual payments for a driver

financing the purchase of a vehicle. This method resulted in an average vehicle cost of \$26,154 and a monthly loan payment of \$837 or a little over \$10,000 a year. While the driver survey included a question about monthly car payments, nearly a third of respondents did not provide a value for that question, possibly because their vehicle was fully paid for. The average amount for those renting or leasing exceeded the \$837 figure estimated for financing the purchase of a late model used car.”¹

Reference: TNC Vehicle Requirements and Incentives

Uber - “All (drivers’) vehicles must comply with the requirements on Uber’s [vehicle requirements page](#) for your area and for the listed ride option (for example, UberX requires at least 5 seats and 4 doors; UberXL requires at least 7 seats and 4 doors).”²

- **Standard rides (UberX)**, Uber drivers must have at least a 2009 vehicle.
- **UberComfort**, drivers must have a certain make and model that is least a 2016 or 2018 (for some makes and models the requirement is at least a 2020).
- **Uber Black and UberXL**, highly select makes and models drivers must have, all must be a model year of 2017 or newer.
- Drivers have an incentive to have a car that “unlocks ride categories”, like UberXL and Uber Black, as they earn higher fares.
- Drivers of fully electric vehicles are eligible for an extra \$1 on every Uber Green trip (up to \$4,000 annually).

Lyft – For standard rides, drivers must have a 2009 vehicle or newer (vehicles from 2009-2014 must have less than 150K mileage.)³ “Qualifying drivers with [high-end vehicles](#) can earn more with our premium ride types:”

- **Lyft XL**: Rides for up to 6 passengers.
- **Lyft Extra Comfort**: Select vehicle makes and models all must be 2018 or newer.
- **Lyft Black**: Highly select list of makes and models all must be at least 2016 or newer. Some makes and models must be 2020, 2021 or 2023 or newer. Black SUV vehicles must have at least 7 seat belts.⁴

Impact Analysis of Auto Loan Interest Rates and Length of Financing Terms

¹ [MN DLI State Report Page 33](#)

² [Eligible Cars and Other Vehicles for Driving in Your City | Uber](#)

³ [Minneapolis/St. Paul Driver Information - Lyft Help](#)

⁴ [Premium ride types for drivers - Lyft Help](#)

PAR’s calculation of the cost impact stemming from interest rates and loan terms relies on its expansion of the data provided by MAC to group vehicles by year, make, and model in order to calculate a weighted average for each vehicle group manufacturer's suggested retail price (MSRP). For more information on the cost of a specific group or category of vehicles, please refer to the PAR TNC Dataset provided.

NOTE: With two exceptions, the expense category components have been pulled directly from the state report. The first exception is that the vehicle acquisition cost numbers reflect the loan interest rate of each table and for each financing term. The second exception is the gas expense calculation. In this case, the number from the DLI report has been replaced with the average cost that [PAR staff had previously identified specific to Minneapolis-St. Paul-Bloomington](#).

Table 1) Applicant w/Average Credit: 12.38% Interest Rate

Expense Category	Dept of Labor and Industry Report Data	Auto Loan Financing: 12.83% Interest Rate		
		36 Month Financing Annual Cost	48 Month Financing Annual Cost	60 Month Financing Annual Cost
Vehicle acquisition	\$10,044.00	\$14,472.00	\$11,496.00	\$9,720.00
License, registration, fees, tax	\$243.00	\$243.00	\$243.00	\$243.00
Gas	\$3,815.00	\$4,755.06	\$4,755.06	\$4,755.06
Maintenance	\$3,434.00	\$3,434.00	\$3,434.00	\$3,434.00
Insurance	\$2,664.00	\$2,664.00	\$2,664.00	\$2,664.00
Cellphone	\$1,440.00	\$1,440.00	\$1,440.00	\$1,440.00
Cleaning	\$700.00	\$700.00	\$700.00	\$700.00
Totals	\$22,340.00	\$27,708.06	\$24,732.06	\$22,956.06
Cost per mile	\$0.64	\$0.79	\$0.71	\$0.66
P3 Mi Share Scaled Cost	\$0.89	\$1.10	\$0.99	\$0.91
Benefit Cost	\$0.32	\$0.32	\$0.32	\$0.32
Cost per mile, adjusted	\$1.21	\$1.42	\$1.30	\$1.23

Table 2) Applicant w/Good Credit: 9.09% Interest Rate

Expense Category	Dept of Labor and Industry Report Data	Auto Loan Financing: 9.09% Interest Rate		
		36 Month Financing Annual Cost	48 Month Financing Annual Cost	60 Month Financing Annual Cost
Vehicle acquisition	\$10,044.00	\$13,800.00	\$10,800.00	\$9,012.00
License, registration, fees, tax	\$243.00	\$243.00	\$243.00	\$243.00
Gas	\$3,815.00	\$4,755.06	\$4,755.06	\$4,755.06
Maintenance	\$3,434.00	\$3,434.00	\$3,434.00	\$3,434.00
Insurance	\$2,664.00	\$2,664.00	\$2,664.00	\$2,664.00
Cellphone	\$1,440.00	\$1,440.00	\$1,440.00	\$1,440.00
Cleaning	\$700.00	\$700.00	\$700.00	\$700.00
Totals	\$22,340.00	\$27,036.06	\$24,036.06	\$22,248.06
Cost per mile	\$0.64	\$0.77	\$0.69	\$0.64
P3 Mi Share Scaled Cost	\$0.89	\$1.08	\$0.96	\$0.89
Benefit Cost	\$0.32	\$0.32	\$0.32	\$0.32
Cost per mile, adjusted	\$1.21	\$1.39	\$1.27	\$1.20

Table 3) Applicant w/Excellent Credit: 6.85% Interest Rate

Expense Category	Dept of Labor and Industry Report Data	Auto Loan Financing: 6.85% Interest Rate		
		36 Month Financing Annual Cost	48 Months	60 Months
Vehicle acquisition	\$10,044.00	\$13,344.00	\$10,344.00	\$8,544.00
License, registration, fees, tax	\$243.00	\$243.00	\$243.00	\$243.00
Gas	\$3,815.00	\$4,755.06	\$4,755.06	\$4,755.06
Maintenance	\$3,434.00	\$3,434.00	\$3,434.00	\$3,434.00
Insurance	\$2,664.00	\$2,664.00	\$2,664.00	\$2,664.00
Cellphone	\$1,440.00	\$1,440.00	\$1,440.00	\$1,440.00
Cleaning	\$700.00	\$700.00	\$700.00	\$700.00
Totals	\$22,340.00	\$26,580.06	\$23,580.06	\$21,780.06
Cost per mile	\$0.64	\$0.76	\$0.67	\$0.62
P3 Mi Share Scaled Cost	\$0.89	\$1.06	\$0.94	\$0.87
Benefit Cost	\$0.32	\$0.32	\$0.32	\$0.32
Cost per mile, adjusted	\$1.21	\$1.38	\$1.26	\$1.18