Minneapolis
City of Lakes

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REPORT ADDENDUM: Analysis of TNC Compensation Rate Models (03/13/24)

On March 8th, 2024, the Minnesota Department of Labor and Industry released their report on "Transportation Network Company Driver Earnings Analysis and Pay Standard Options". Following the reports publication, the City Auditor's Policy and Research Division (PAR) received multiple inquiries from council offices relating to the findings, recommendations, and where elements may or may not be applicable to Minneapolis for the purposes of comparison. The PAR team determined that, because the specific focus of the MN DLI report was not the City of Minneapolis, it could provide a brief memo with additional analysis and information that may be useful in support of any analysis or comparison to the City of Minneapolis.

This briefing is not intended to recap the MN DLI report findings, the report and executive summary are publicly available. Additionally, it does not provide recommendations or any comparison of the models brought forward by the state, city, or other entity.

Profile of seven-county Twin Cities metro and the City of Minneapolis

The "seven-county Twin Cities metro area" and "Greater Minnesota" that were previously identified by the MN State Legislature TNC related proposals again provide the geographic areas of focus in the state report. For brevity, this briefing will refer to the "seven-county Twin Cities metro area" as the "Twin Cities".

The Twin Cities is home to more than 3,149,205 residents and covers more than 2,765 square miles of land. Contained within the counties that make up this area are a range of cities including urban, urban/suburban, suburban, and rural. Similarly, these counties reflect a range of additional factors such as population density, geographic constraints, and assortment of limited access highways or arterial roads. The following table provides a brief snapshot for each county in the Twin Cities:

	Population	Approx. Land Area	Population Density	Interstate Hwy(s)	U.S. Hwy	State Hwy	% TNC Pickups
Hennepin	1,260,121	554 sq mi	2,313/sq mi	5	4	13	62%
Ramsey	536,413	152 sq mi	3,633.9/sq mi	4	4	9	17%
Anoka	368,864	423 sq mi	862/sq mi	4	2	4	4%
Dakota	443,341	562 sq mi	786/sq mi	4	2	12	7%
Washington	275,912	384 sq mi	696.8/sq mi	4	4	6	2%
Scott	154,520	356 sq mi	424.0/sq mi	1	1	6	1%
Carver	110,034	334 sq mi	302/sq mi	0	1	5	>1%

Minneapolis	425,096	54 sq mi	7,962/sq mi

Overview of TNC Compensation Calculations

The TNC compensation models proposed in this report are contain two consistent components:

- Per minute compensation: intended to reflect compensation for a TNC drivers time in a manner similar to a salary or hourly wage. This is the component utilized to ensure an individual is going to reach a minimum compensation standard.
- Per mile compensation: provides additional line of compensation that is intended to account for expenses relating to operation and maintenance of a vehicle, rest breaks, taxes, and other additional factors.

The calculation of P1 (waiting for a ride offer)

- The report notes that increased use of forward dispatch may be lowering overall P1 times but the P1 data provided to MN DLI impacts the ability to conduct an analysis.
- P1 times provided that did not include forward dispatch were measured based on the most recent rejected offer
    - This method of calculation means that any previous time or distance in P1 prior to that offer may be truncated and not accounted for.
- In response to the P1 issues, the report uses the raw data for certain calculations but also attempts to adjust the P1 data to reflect what is believed to be more representative in certain scenarios.
    - Attempts to adjust the data are required to make assumptions based on median and mean calculations using available data.

Factors in Comparison of Twin Cities to Minneapolis

A brief overview of TNC forums and materials contained recurring recommendations for drivers considering operating in urban vs suburban areas.

- The underlying points included suggestions that driving in a more urban area might have the potential for higher earnings due to higher demand and surge pricing during peak hours.
- However, that potential can be offset by factors such as increased parking expenses and more time spent in traffic.
- Lastly, it was noted that more frequent start-stop driving can also lead to increased fuel consumption and maintenance costs.

Annual and per mile vehicle maintenance and insurance expenses

- The report notes that these expenses were calculated based on a driver survey sent to approximately 8,000 drivers provided by the Metropolitan Airports Commission (MAC). The location of MSP International Airport and the Hennepin County/Minneapolis share(s) of overall statewide trips would indicate that this data is largely applicable to Minneapolis TNC drivers.

The state report utilized a statewide average to calculate gas expense.

- While potentially minimal, PAR staff reviewed Minneapolis-St. Paul-Bloomington retail gasoline costs from July to December 2023 averaged $3.83 per gallon ($0.40 higher than the average for the State).
- Using the $3.83 per gallon metro area average and 31.5 miles per gallon rate, the annual expense for TNC drivers in the metro area would be $4,256 ($441 higher than the expense for TNC drivers statewide). The per mile expense would be $0.1216 ($0.0126 higher than for TNC drivers statewide).

The impact of “city-miles” driven in a densely populated urban area vs highway or suburban miles that often involve high speeds and fewer starts and stops (maintenance mileage, and time).

- A 2015 National Traffic Speeds Survey conducted by the National Highway Transportation Safety Administration found that urban areas saw lower speeds compared to suburban or rural areas on major and minor arterial roads even when traffic was “free-flowing”.[1]

[1] https://www.nhtsa.gov/sites/nhtsa.gov/files/documents/812485_national-traffic-speeds-survey-iii-2015.pdf#page=62