

Regulations vs. Impeding Innovation

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Who Are They?

Transportation Network Companies

- Uber
- Lyft
- Sidecar
- Shuddle

What Are They Moving?

- Moving People
- Moving Goods
 - ✓ “... dedicated mobile service that provides package delivery on your schedule.”
- Moving Medical Marijuana
- Moving Children
 - ✓ Replacing Mom’s Minivan

Who Are They?

- Taxi Companies
- Limousine Companies
- UPS, Federal Express
- Moving Companies

What Are The Issues?

- Who regulates the traditional business models?
- Where does a TNC fit in?
- State laws and regulations
 - Vehicle Codes
- Are drivers employees?
 - Labor Laws
- Are the drivers independent?
- Insurance coverage
- Background check
- Driver record
- Motor Carrier Permit

TNC vs. Taxi

“These companies are coming in and competing with me and they are unregulated and that is not fair.”

“If you take out the smartphone app part of the discussion, everything else is a taxi. They are just using different technology to book the vehicle.

Alan Rebllos, General Manager ,
DeSoto Cab, San Francisco.

San Jose Mercury News - December 23, 2012

What to Expect?

- Meeting with TNC companies
- Media inquiries
- Meetings with lobbyists
- Meetings with legislators
- Meeting with your Transportation Secretary and Governor's Office

Do Your Research

Find Out What Other States Are Doing

- Arizona
- California
- Colorado
- Florida
- Idaho
- Hawaii
- Missouri
- New York
- Oregon
- Pennsylvania vs. Philadelphia
- South Carolina
- Virginia

November 2012 the California Public Utilities Commission (CPUC) issues \$20,000 citations to Lyft, SideCar, and Uber.

Violations Alleged:

1. Operating Without Evidence of Insurance;
2. Not having Worker's Compensation Insurance for Employee Driver's;
3. Failing to Enroll Drivers in DMV's pull-notice program;
4. Failing to Enroll Drivers in Controlled Substance and Alcohol Testing Certificate Programs

CPUC Rulemaking

The CPUC allowed continued operation while completing regulations.

“[T]he Commission is aware that TNC’s are a nascent industry. Innovation does not, however alter the Commission’s obligation to protect public safety, especially, where, as here, the core service being provided – passenger transportation on public roadways – has important safety impacts for third parties and property.”

CPUC Rulemaking 12 -12 – 011



CPUC's Rulemaking

- Jurisdiction over “charter-party carriers
- New category – Transportation Network Companies
- Definition: an organization using an on-line enabled application (app) to connect passengers with drivers using their personal vehicles.

Requirements

- Obtain a license from the CPUC
- Require criminal background checks for drivers
- Establish a driver training program
- Implement a zero tolerance policy for drugs and alcohol
- Commercial liability policy of minimum \$1 million
- Conduct a 19 – point vehicle inspection

2015 Proposed Legislation

- **AB 24** – Require participation in employer pull notice system, mandatory controlled substance and alcohol testing, and display an identifying symbol.
- **AB 828** – Exclude from the definition of “commercial vehicle” for purposes of the Vehicle Code, any motor vehicle operated in connection with a TNC.
- **AB 1360** – Exempt a rideshare program operated by a TNC that prearranges a ride among multiple passengers who share a ride in whole or in part, provided that the vehicle seats no more than 7 passengers, not including the driver, is operated by a participating driver, is not used to provide public transit services or carry passengers over a fixed route, and is not used to provide pupil transportation services or public paratransit services, and the fare for each passenger is less than the fare that would be charged to a single passenger traveling alone.
- **AB 1422** – Require a TNC to participate in a pull notice system to regularly check the driving records of a participating driver regardless of whether the participating driver is an employee or an independent contractor of the TNC.

Private Party Internet Used Car Sales

- Beepi
- Caryllyso
- Shift

Rent Your Car

Rent Out Your Car

- Relay Rides
- GoShare
- Flightcar

Regulations vs. Innovation

- Ignoring existing law
- Unintended consequences of reacting
- Nobody told us.....
- If you give an inch, what's next?
- Level playing field

Innovators – Internet/App Based

- Ability to innovate and adapt to change in demand.
- Ability to innovate and adapt is diminished if they have to follow an established pattern of rules.
- Don't have a viable new business model that will attract venture capital investment if they have to follow a pattern of rules.
- Innovators recognize that there is a legitimacy that comes with having a license issued by a regulator.
- But to have that license, you have to abide by existing rules and regulations.

Regulations vs. Impeding Innovation

- Existing businesses view these innovators as “business disruptors” and operating on an unequal playing field.
- If the TNC’s are not already in your state – they will be there soon and the best thing you can do is to put them on your state policymaker’s radar screen.
- You don’t want to hear from your Governor.....“this was not on our radar screen.”
- But we see those businesses seizing on the fact that they and their similar competitors have gotten away with or are getting away with regulatory noncompliance.
- How do you know that these new business models are not – without their knowledge just facilitating unlicensed activity?
- Where is the consumer protection?
- As a Chief Administrator in your jurisdiction.....What are you going to do?



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