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PEER-TO-PEER RIDESHARING

Peer-to-peer (P2P) ridesharing, also commonly known as commercial ridesharing, utilizes smartphone applications (apps) and global positioning system (GPS) to connect passengers with private drivers for on-demand trips. Several companies have started operating in cities across the country; Lyft and Uber are two currently operating in Wisconsin.

Though each company varies in pricing and operations, a peer-to-peer ridesharing model generally works as follows: a passenger requests a ride through an app and is matched with a driver in the vicinity. At this point both the passenger and the driver can see each other's picture and profile on their phones, so they know who they'll be riding with and can track one another through GPS. The passenger is picked up, driven to their specified location, and dropped off. The app charges the ride to a saved credit card, sparing both sides from having to handle or even discuss money. After the ride, both the driver and the passenger rate one another on the experience; the accumulation of such ratings determines one's future ability to participate in the service.

The highly regulated taxi industry has come into direct conflict with these new companies wherever they appear and with clear reason; in San Francisco, home of nearly all the major P2P ridesharing companies, taxi trips dropped 65% from January 2012 to July 2014, according to the San Francisco Municipal Transportation Agency.

As with any disrupting innovation, P2P ridesharing offers many advantages while also raising arguments about how it should be regulated and by whom. Questions over the services' safety, liability, and legality have earned it entry into the growing arena of regulatory debate over the sharing economy in the United States.

This brief provides background on peer-to-peer ridesharing and summarizes the debate and developing legislation in other states and in Wisconsin.

TRANSPORTATION IN THE SHARING ECONOMY

In 2013, the California Public Utilities Commission classified these new services as Transportation Network Companies (TNCs), and this term is now frequently used to distinguish P2P ridesharing companies from both not-for-profit ridesharing arrangements and more traditional vehicle-for-hire services.

Users say the competitive edge of ridesharing ultimately comes down to its convenience: the ability to hail, track, and pay drivers all through the same app interface. GPS takes the uncertainty of time or route choice out of the picture, and the social media connection provides reassurance about with whom one rides. Money never changes hands, which users say spares them pressure and lends the whole experience a more relaxed atmosphere.

TNCs belong to the new "sharing economy," an economic model that takes advantage of mobile communications by allowing people to trade services or goods directly with one another without having to go through a conventional broker. In the sharing economy, one can rent out private property, cars, services, and even small consumer goods to an online community of verified users. This is ambiguous territory for legislation, because

Prepared by Ciara O'Neill, Legislative Analyst

such businesses often blur the line between private and commercial uses and rely on cyber identity verification and trust infrastructure not yet used or necessarily understood in regulatory circles.

ONGOING DEBATE

From a regulatory perspective, the critical difference between P2P services and conventional taxicab companies is that TNCs run the technology platforms that facilitate transportation, not the transportation service itself, which is provided by independent contractors. Part of the debate therefore revolves around the question of whether this is a relevant distinction justifying an entirely different set of rules or mere rhetoric disguising an illegal taxi operation.

Proponents of peer-to-peer ridesharing include the app companies, venture capital investors, some rideshare drivers, and a devoted customer base. They claim that the services are generally more responsive, affordable, and convenient than traditional alternatives. Some argue that P2P ridesharing has the potential to drastically reduce traffic congestion and pollution, but there is no data to substantiate these claims. The main argument used against regulation is that the user feedback on the service is sufficient to regulate the system and that burdensome taxi regulations would kill the business model.

Opponents of ridesharing include taxicab companies and insurers groups. Taxicab companies claim that ridesharing companies are unfair competition because they are providing the same service without following conventional regulations, while the latter often bring up concerns that both drivers and passengers are vulnerable in an accident. Drivers for both TNCs and taxicab companies criticize the lack of transparency and control in setting fares and contracting, which they say drives down wages and encourages poor working conditions. Recently, unions have started organizing for rideshare drivers in Seattle and California.

Since taxi regulations themselves are the target of a recurring policy debate, many groups are in favor of legalizing and regulating ridesharing. However, they hesitate at the prospect of treating it like taxi services, which they say are obsolete, rigidly structured, and the reason why innovation had to come from outside the industry in the first place.

TNCs are relatively new and proliferating fast; many potential issues simply do not have the research or data for would-be regulators to analyze yet (e.g., actual impacts of P2P ridesharing on congestion). As Wisconsin and other states move forward on this issue, researchers might benefit from paying attention to the issues highlighted below. Most new regulations include the two basic components of safety and liability, but the greater social debate on the future of ridesharing and transportation in the United States also involve questions of transparency, accessibility, and equity.

SAFETY

Ridesharing, like any form of transportation, entails possible risks to both individuals and the public at large. For the users, the safety of the vehicle, the quality of the driver, and the trustworthiness of the either party are all pertinent targets for concern. For the greater public, including nonusers, the number and behavior of rideshare vehicles on the street and curbside may contribute to chaotic traffic conditions, which is why many cities originally started putting caps on the number of taxis in the 1930s.

TNCs have their own standards for vehicle inspection and quality and drivers' background and training. For Uber and Lyft, these standards can be viewed on their Web sites. Whether these standards are deemed sufficient is a matter of debate for local or state authorities.

Less straightforward is the social side of the transaction; some people may not be comfortable with the idea of getting into a stranger's car. Taxi drivers may be strangers but they come in the context of an explicit commercial service. This is a tone that rideshare drivers may lack or even consciously avoid. From the drivers' perspective, safety is always an issue as they are potentially vulnerable to robbery or abuse from the people they pick up. Many of the public safety institutions and regulations that grew up in the wake of the Industrial Revolution were meant to make up for the fact that Americans were no longer dealing directly with neighbors and close community. As technology cycles around to providing a digital venue for social accountability, proponents say that many of the "trust proxies" may not be needed in the same capacity.

TNCs verify users' identity through a mix of government databases and digitized information from social media sites like Facebook and LinkedIn. For ongoing safety, the apps use online review systems for both the driver and the rider; either side can be banned for misbehavior. The end result is that technology has assumed many of the points of concern that older regulation covered.

LIABILITY

The typical personal insurance policy excludes coverage of "livery," or vehicle-for-hire services. One of the main points of concern over TNCs is the extra burden being placed on personal automotive insurance which could result in incomplete coverage and higher insurance premiums.

Due to ridesharing's blurred line between personal and commercial driving, the issue of timing is critical to this coverage dilemma. Insurers have broken drivers' risk down into three periods: when the app is on but no ride has been requested, when a ride has been requested but not yet picked up, and when a passenger is in the vehicle.

More recently, TNCs like Uber and Lyft have agreed to provide contingent policies – coverage that kicks in or becomes primary if the driver's personal policy does not cover the damages in an accident. Appropriate insurance products remain a point of concern for states as they look to a future of more P2P services.

TRANSPARENCY

One source of conflict over TNCs has been a perceived lack of transparency about their operations. In a realm as fundamental as transportation, many claim the public cannot plan for services or ensure safety without a proper accounting of vital statistics such as approximate origins and destinations of trips, number of vehicles in operation, wait times, and fares. This last subject is also of interest to both rideshare drivers, who have recently started speaking out about long hours and low wages, and customers, who may get caught unawares by "surge pricing" during times of high demand. Transparency also has implications for measuring accessibility and equity.

ACCESSIBILITY

Disability advocates also claim a stake in the discussion. Lawsuits in California and Texas charge that current TNC operations not only fail to provide equal access for disabled users but are potentially worsening access overall by weakening the taxi companies, a significant provider of paratransit services in many cities.

Sections 302 and 304 of Title III of the Americans with Disabilities Act (ADA) prohibit discrimination by both public accommodations and public transportation services provided by private entities. Taxi services are further regulated by other laws and ordinances aimed at making them more accessible to disabled users. TNC services do not require equal access, though recently they have taken some steps to address the issue by offering incentives for drivers and partnering with nonprofits to increase the supply of wheelchair-accessible cars and trained drivers.

TNCs argue that traditional taxi services have long failed to uphold standards and provide for disabled users. Disability advocates counter that while taxi access is imperfect, something can be done about it because the industry is regulated. Without regulation, they say, they have less recourse.

EQUITY

Some say ridesharing provides better access to underserved neighborhoods, while others accuse TNCs of "cherry-picking" affluent riders and widening the existing socioeconomic disparity in transportation choices.

Section 106.52 of the Wisconsin Statutes and Title II of the Civil Rights Act of 1964 prohibit racial discrimination in places of public accommodation. Taxi companies are supposed to give rides to everyone and everywhere within the bounds of their service area. This prohibits "redlining," which is refusing or limiting service to certain geographic areas or neighborhoods. At this time, the argument for these occurrences are mostly anecdotal and further research is needed, but ridesharing's business model and lack of regulation place no barriers to such discriminatory practices.

TNCs claim that it isn't their place to impose rules on where their drivers choose to go, and drivers often state that they shouldn't be forced to drive somewhere where they do not feel safe or will not make as much money.

TNC LEGISLATION IN OTHER STATES

The majority of recent regulation has been at the local level. Communities across the country have responded in a variety of ways, from banning P2P ridesharing outright to welcoming it with open arms and light regulation. Thirteen state legislatures and the District of Columbia took up the issue in 2013-2014.

2013-2014 Activity on Ridesharing in State Legislatures

State	Status	Details
Arizona	Vetoed	HB 2262 would have made it more difficult for insurers to exclude commercial activity in contracts.
California	Passed	Ch. 389 codifies the 2013 decision by the California PUC.
Colorado	Passed	SB14-125 legalizes TNCs with safety and insurance requirements.
District of Columbia	Passed	B20-753 establishes minimum commercial insurance requirements and new regulations on inspection and licensing.
Florida	Dead bill	HB 1389 / SB 1618 would have allowed TNCs to gain approval from the state instead of municipalities.
Georgia	Dead bill	HB 907 would have applied taxi regulations to TNCs.
Illinois	Vetoed	HB 4075 / HB 5331 would require background checks, minimum liability insurance, and drivers operating more than 36 hours in two weeks to get a chauffeur licence.
Maryland	Dead bill	HB 1160 / SB 919 would have legalized TNCs with safety and insurance requirements.
New Jersey	Passed	AB 3363 directs the New Jersey Motor Vehicle Commission to establish insurance and safety requirements for TNCs.
North Carolina	Passed	13-413 prohibits cities, towns, and counties from regulating or licensing "digital dispatching services."
Oklahoma	Dead bill	SB 1703, would have legalized TNCs to operate under the Oklahoma Corporation Commission.
Rhode Island	Passed	HB 8298 / SB 3146 establishes a legislative commission to study the impact of TNCs on transportation services.
Virginia	Pending	HB 908 / SB 531 would relax regulations for TNCs.
Washington	Dead bill	HB2782 would have directed the Washington Joint Transportation Committee to study TNCs and current barriers for taxi companies.

California was the first state to regulate the new industry through its Public Utilities Commission in 2013; Colorado was the first to do so through the state legislature. Both states legalized P2P ridesharing with a few basic requirements including:

- Services must obtain permits issued by the Public Utilities Commission,
- Drivers must undergo commercial background checks,
- Vehicles must be inspected by a certified mechanic, and
- Companies must carry a minimum $1 million in liability insurance.

The Colorado law also closes the insurance gap by requiring that rideshare services or the drivers must have insurance coverage from the moment drivers log into the app.

In other states, introduced legislation that aimed to restrict commercial ridesharing either failed to pass or was vetoed. In the case of Illinois, the legislature had enough votes and may try to override the veto.

P2P RIDESHARING IN WISCONSIN

Section 349.24 of the Wisconsin Statutes gives municipalities the authority to license and regulate taxicab drivers and taxicabs. Insurance requirements are also codified; section 194.41 (6) (b) prohibits local ordinances from establishing a minimum level of liability insurance less than that which is required under s. 344.15 (1) (i.e., $10,000 for injury or destruction of property, $25,000 for bodily injury or death of one person, and $50,000 for bodily injury or death of two or more people). Other statutory language exists pertaining to taxi vehicles and operations that is not currently applicable to TNC services, though this may differ depending on the specifics of the company.

P2P ridesharing launched in both Milwaukee and Madison in early 2014 and spread to Green Bay in October.

Milwaukee City Council unanimously passed an ordinance in July lifting the preexisting cap on taxicab permits in the city. Under this ordinance, Lyft and Uber drivers would have a legal avenue to operate in the city but would essentially be treated and regulated the same as conventional taxi drivers.

Meanwhile, the City of Madison ordered Lyft and Uber to stop their operations to give the city time to pass an ordinance. Current proposals agree on the need for driver background checks and insurance clarifications but disagree on decal exposure, surge pricing, and requiring 24-hour service to all neighborhoods. The most recent recommendations from a subcommittee of the Madison Transit and Parking Commission included a prohibition of surge pricing and a $1 million insurance coverage whenever the app is on.

There has been no peer-to-peer rideshare legislation introduced at the state level.

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