FOR IMMEDIATE RELEASE
September 20, 2016

Contact: Bruce Schaller
Principal, Schaller Consulting
bruceschaller2@gmail.com
(718) 768-3487

UBER AND LYFT MEET RESISTANCE TO STATEWIDE LEGISLATION IN 5 OF 6 BIG STATES TAKING UP ISSUE IN 2015, NEW INDEPENDENT STUDY FINDS

CHANGING POLITICAL CLIMATE, PUBLIC SAFETY, EQUITY AND COMPETITION ISSUES BLOCKED ACTION.

A new report finds that after winning a series of legislative victories from 2012 to 2015, the app-based ride service companies Uber and Lyft encountered resistance to their legislative proposals this year in five of the six largest states that considered legislation to regulate these services. Legislation failed to pass in Texas, Florida, New York, New Jersey and Pennsylvania. Massachusetts enacted a bill for statewide regulation, but at the same time mandated that key issues be brought back after studies are completed by a new task force and designated state agencies.

The report, "Unfinished Business: A Blueprint for Uber, Lyft and Taxi Regulation," identifies key issues that stymied legislative action involving public safety, competition, equity and regulatory oversight. The report presents a blueprint for legislative action when officials return to the topic in coming months.

The report comes as California Gov. Jerry Brown considers whether to reorganize state agencies regulating Uber and Lyft and take over taxi regulation from municipalities, and as the Maryland Public Service Commission prepares to consider whether Uber and Lyft drivers should be subject to fingerprint-based criminal record checks. In addition, California, Massachusetts, Chicago and other jurisdictions are undertaking assessments of key public safety and regulatory issues covered in the report's blueprint recommendations.

"This is the first independent set of recommendations on the central issues facing elected officials and regulators as they seek to ensure safety, fair competition, equity for drivers and disabled persons, and an effective regulatory system," said Bruce Schaller, Principal of Schaller Consulting, the report's author and a nationally recognized expert in taxi regulation and app-based ride services. "The report can help guide elected officials and the public to ensure that legislation works to improve access for all customers, leads to fair treatment of drivers and creates a competitive landscape for Uber, Lyft, taxis, new app-based services hitting the roads, and potential new entrants like Google. Decisions being made now also lay the groundwork for the much-anticipated move toward self-driving vehicles."

The report highlights how Uber and Lyft accelerated already-substantial growth in taxi services prior to their arrival, with the number of taxi and limo drivers surging by 15 percent in 2014. The report finds that Uber and Lyft attracted taxi patrons while also growing the overall size of the ride-service market, by 8 percent in New York City, 40 percent in Portland, Oregon and 65 percent in New Orleans. In its discussion of driver independent contractor status, the report finds that while most app-based drivers work part-time, the driver behind the wheel is most often working full-time or close to it.

The report discusses how key issues are miscast in legislative debates in a way that produce limited policy choices, and lays out a broader set of options on fingerprinting drivers, wheelchair accessible service, drivers' employment status and creating a "level playing field" between taxis and Uber and Lyft. The report's blueprint recommendations provide practical solutions in each area that can be tailored to local circumstances at city, county and state levels.

A summary of recommendations in the report's blueprint, and key facts discussed in the report, are attached. The executive summary and full report are available at www.schallerconsult.com.

# # #

BLUEPRINT RECOMMENDATIONS

Issue #1: How can a level playing field between taxis and TNCs be established?

Taxis should come under a two-tiered regulatory structure that distinguishes between dispatch and flag trips.

- *Dispatch*: Regulations on entry, number of cabs and fares should be removed for dispatched taxi service and taxis should compete on a level playing field with Transportation Network Companies (TNCs) such as Uber and Lyft for dispatch trips.
- *Flag*: Regulations on entry, number of cabs and fares need to be kept for the taxi flag market to prevent oversupply and provide consumer protections.

The design of a two-tiered structure should be tailored to industry and market characteristics, as discussed in the text.

Issue #2: Should TNC drivers be fingerprinted for criminal record checks?

Driver-related risks should be managed using both forward-looking and backward-looking methods:

- *Forward-looking*: Regulations should require companies to design and implement safety management systems that monitor, train and provide feedback to drivers.
- *Backward-looking*: Regulations should also require fingerprint-based background checks, which is current best practice for identifying drivers with criminal records.

Issues of delay and accuracy should be addressed through proven systems such as LiveScan technology and follow-up where records do not show case dispositions. Temporary licenses can also be issued to bridge the time required to complete these checks.

Issue #3: How can wheelchair-accessible service be assured?

- Regulators should create programs to subsidize accessible trips, funded through a per-trip fee applied to all TNC, taxi and sedan trips.
- Trips should be served by companies that are determined to be qualified to do so, based on companies and drivers having the commitment and resources to effectively provide accessible service.

Issue #4: Should TNC drivers be classified as independent contractors or employees?

- Legislation should provide drivers with civil rights protections, and should ensure that worker benefits are either provided by law or left to meaningful channels of negotiation between drivers and companies.
- Legislation should provide companies (TNC and taxi) with the right to exercise an appropriate level of control over their operations that is critical to prompt, reliable and consistent service.

Issue #5: Should TNCs be regulated by states or local governments?

- TNC, taxi and sedan regulation should be under one roof to ensure consistency and a level playing field for dispatched services.
- Flag markets should be regulated by a highly capable agency with a strong local presence, able to carry out the complex and extensive duties involved with close attention to local circumstances. Local agencies (city, county or regional) are typically best positioned to carry out these responsibilities.
- Thus, in urban areas with significant flag markets, regulatory authority most likely should be at the local level.
- Markets with little flag service (aside from airport taxi stands, which can regulated separately by the airport operator) also need a capable regulatory agency, but either state or local agencies may be able to effectively carry out the relatively lighter duties involved.
- Within these broad guidelines, the regulatory structure needs to account for industry and market characteristics, the geographic extent of city, county and metro areas, and current responsibilities of potential regulatory agencies.

KEY FACTS DISCUSSED IN THE REPORT

- The states with the largest ride services industries are (in rank order): New York, California, Florida, Texas, Illinois, New Jersey, Pennsylvania and Massachusetts, each with at least 3 percent of the U.S. industry. These states account for over one-half of the industry nationally.
- The taxi and limo industry showed robust growth prior to arrival of TNCs. Industry revenues (adjusted for inflation) grew by 23 percent from 1997 to 2002; 25 percent from 2002 to 2007 and 14 percent from 2007 to 2012.
- But with competition from Uber and Lyft, taxi ridership has fallen in the range of 15 to 43 percent in Los Angeles, Las Vegas, New York, New Orleans, Seattle, Boston and Portland, Oregon.
- Despite taxi ridership declines, the overall market for TNC/taxi services grew by 8 percent in New York, 40 percent in Portland, Oregon and 65 percent in New Orleans.
- As measured by U.S. Census data, the number of "taxi drivers and chauffeurs" surged by 15 percent in 2014 after increasing at an annual rate of about 3 percent previously.
- Although not as skewed toward full-time drivers as taxis, most TNC service is provided by drivers who work full-time or close to it: 41 percent of Uber rides in the company's twenty largest U.S. markets are provided by drivers who work at least 35 hours a week. In addition, 38 percent of the service is provided by drivers working close to half-time or more (16 to 34 hours a week).
- The cost to Uber of a package of driver benefits that includes unemployment compensation, workers compensation, health insurance, 401k contributions and vacation and sick leave for full-time drivers is estimated to be about 9 percent of total fare revenues. Adding in the employer share of FICA and Medicaid contributions would bring costs of a quite robust benefits package to 15 percent of revenues.