



UBER'S ON-DEMAND CAR SERVICE

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"TRANSPORTATION NETWORK COMPANIES"

California and Colorado have created a new category of car service providers called "transportation network companies."

These companies differ from traditional taxi services because their customers use smartphone applications to obtain rides from drivers who are not company employees and who use their personal vehicles.

Both states have taken steps to regulate these services, the drivers, and their vehicles.

QUESTION

This report answers several questions about the Uber Technologies, Inc. (Uber) on-demand car service. We provide some background about Uber and answer the questions individually below.

UBER

Uber, a California-based company, is an on-demand car service whose free smartphone application (app) allows customers to obtain rides from drivers who sign up with Uber. The drivers, who use their personal vehicles to provide the rides, pay to be listed on the app. They are not Uber employees, but must have insurance and pass certain background checks Uber conducts.

Customers seeking a ride choose a vehicle type and mark their location on a map. The app notifies them of available drivers and estimated arrival times. Fares differ by location. Customers pay for the service by credit card through an Uber account.

"UberX," the company's budget option, provides basic car service. Uber also offers SUV, luxury vehicle, and other services. According to its website, <https://www.uber.com>, Uber operates in more than three dozen countries and in more than 60 U.S. locations, including Connecticut.

HOW ARE STATES REGULATING UBER AND SIMILAR COMPANIES?

The new technology used by Uber and similar on-demand car services (e.g., Lyft) presents regulatory challenges for states in which these services operate. There are questions of liability, safety, and driver qualifications and responsibility.

Uber differs from many taxi services because its vehicles are personally owned and its drivers are not company employees. Taxi and livery companies view Uber and similar services as a threat to their operations because the on-demand firms don't incur the same overhead, salary, and regulatory costs they do. Uber believes that the taxi companies are trying to stifle legitimate competition. (A number of taxi companies in Connecticut have sued Uber and Lyft in federal court, see below).

Several states have decided to regulate these new companies. Colorado became the first state to regulate these companies by statute in June 2014. California has addressed the issue through administrative regulation. Both states have created a new car service category of "transportation network company" to regulate Uber and its ilk. Virginia recently ordered Uber and Lyft to stop operating in that state. (In Connecticut, [PA 14-199](#), § 19, requires the Department of Transportation (DOT), in consultation with the motor vehicle and consumer protection departments, to study on-demand car services and submit recommendations on their regulation to the Transportation Committee by February 1, 2015.)

California

In October 2012, the California Public Utilities Commission (CPUC) ordered Uber and similar companies to stop unauthorized operations and fined them each \$20,000. CPUC entered into settlement agreements with the companies in 2013 allowing them to operate while it decided how to regulate them.

The CPUC proposed a new regulatory scheme in 2013, after ruling that companies such as Uber did not fall into any of the three existing regulated modes of passenger transportation: taxi companies; charter-party carrier services (livery vehicles); or passenger-stage companies (e.g., airport shuttle services) (CPUC Rulemaking 12-12-011).

The CPUC acknowledged that companies like Uber do "not fit neatly into the conventional understandings of either taxis or limousines," but said it had a responsibility to regulate them in the interests of public safety.

It created the new category of “transportation network companies,” or TNCs, which it defined as organizations providing “prearranged transportation services for compensation using an online-enabled application (app) or platform to connect passengers with drivers using their personal vehicles.”

The CPUC established 28 rules and regulations for TNCs, including requiring each TNC to:

1. get a CPUC permit;
2. conduct criminal background checks for each driver, going back seven years;
3. obtain each driver’s driving record before he or she begins driving for the TNC and quarterly thereafter;
4. bar drivers with certain convictions;
5. conduct a 19-point vehicle safety inspection before allowing a driver to drive for the TNC, and annually thereafter;
6. establish a driver training program;
7. implement a zero-tolerance program on drugs and alcohol; and
8. require insurance coverage of \$1 million per incident for accidents involving vehicles and drivers in transit to or during trips arranged through the app.

The insurance coverage must apply regardless of whether a TNC driver carries enough insurance to cover any part of a claim. In addition, drivers must be at least age 21 and have a valid driver’s license. A copy of the CPUC decision is available at: http://dctaxi.dc.gov/sites/default/files/dc/sites/dc%20taxi/page_content/attachments/Attachment1.pdf.

Colorado

In May 2014, the Colorado General Assembly became the first state legislature to pass legislation regulating on-demand transportation companies. As did California, Colorado’s creates a new category of “transportation network company” for Uber and similar companies (Senate Bill (SB) 14-125). Governor Hickenlooper signed the bill on June 5, 2014.

The new law defines a TNC as one that:

“uses a digital network to connect riders to transportation network company drivers for the purpose of providing transportation. [It] does not provide taxi service, transportation services arranged through a transportation broker, ridesharing arrangements [as defined in

Colorado law] or any transportation service over fixed routes at regular intervals. A transportation network company does not own, control, operate, or manage the personal vehicles used by [its] drivers.”

The legislation imposes similar requirements to those the CPUC imposes in California. Among other things, it requires:

1. a permit from the Colorado Public Utilities Commission;
2. insurance coverage of \$1 million per occurrence for incidents involving a driver during a prearranged ride;
3. drivers to be at least age 21, have a valid driver’s license, and maintain personal auto liability insurance;
4. annual vehicle safety inspections; and
5. TNCs to (a) conduct criminal and driver history records checks and (b) bar drivers from using intoxicating substances when providing services.

Colorado, like California, prohibits TNC drivers from accepting “street hails.” It also prohibits the drivers from providing rides to customers for more than 12 consecutive hours. A copy of SB 14-125 is available at:

http://www.leg.state.co.us/Clics/CLICS2014A/csl.nsf/fsbillcont3/70364091166B28FC87257C4300636F6B?Open&file=125_enr.pdf.

Virginia

Virginia law requires for-hire passenger carriers to have proper operating authority (Virginia Code § 46.2-2000 et seq.). On June 5, 2014, Virginia Department of Motor Vehicles (DMV) Commissioner Richard D. Holcomb ordered Uber to stop operating, stating in his cease-and-desist letter that Uber neither has that authority nor, because its drivers receive compensation, falls under a ride-sharing exemption. The commissioner said DMV would issue civil penalties to Uber’s drivers if the company continued to operate in the state. However, he suggested Uber participate in a study DMV is conducting of how to regulate on-demand carriers. According to Commissioner Holcomb, DMV will issue a final report before Virginia’s next legislative session.

WHAT IS UBER’S LIABILITY COVERAGE?

According to Uber’s website (<http://blog.uber.com/ridesharinginsurance>) as of March 14, 2014, it offers the following insurance for its “UberX” program (basic service).

1. **Commercial insurance policy of \$1 million of liability coverage per incident.** This policy covers a driver's liability from the time he or she accepts a trip request until its completion. The policy is in addition to the driver's own policy, but acts as primary insurance if the driver's policy is not available for any reason.
2. **Uninsured/underinsured motorist coverage of \$1 million per incident.** If another motorist causes an accident with an UberX vehicle and doesn't carry adequate insurance, this policy covers bodily injury up to \$1 million per incident.
3. **Contingent comprehensive and collision insurance of \$50,000.** If a driver holds personal comprehensive and collision insurance that is found not to apply, this policy covers physical damage to that vehicle that occurs during a trip, for any reason, up to \$50,000, but with a \$1,000 deductible.
4. **Contingent coverage between trips of \$50,000, \$100,000, and \$25,000.** During the time that a driver is available, but between trips, most personal automobile insurance will provide coverage. However the driver is also backed by an Uber policy that covers driver liability for bodily injury up to \$50,000 per individual per accident with a total of \$100,000 per accident, and up to \$25,000 for property damage. This policy will only pay if the personal automobile insurance completely declines or pays nothing.

WHAT ARE UBER'S LICENSING REQUIREMENTS FOR ITS DRIVERS?

Uber's [website](#) states that, to drive with Uber, a driver must have his or her own car and proper insurance. The driver also must have a valid driver's license and "pass a DMV and background check."

WHAT ARE THE BACKGROUND CHECKS FOR UBER DRIVERS?

[Uber's blog](http://blog.uber.com/driverscreening) (<http://blog.uber.com/driverscreening>) states that Uber drivers "must go through a rigorous background check ... which includes county, federal and multi-state checks. These checks go back seven years, the maximum allowable by California law." Uber says it also regularly checks driver histories.

According to the website, Uber screens the following databases for all drivers:

1. county courthouse records (previous seven years);
2. federal courthouse records (previous seven years);
3. multi-state criminal database (previous seven years);
4. the National Sex Offender Registry;
5. Social Security records (lifetime); and

6. motor vehicle records (historical and ongoing).

Uber says its drivers must have no:

1. convictions for violent crimes, sexual offenses, or felonies for the previous seven years;
2. convictions of theft or property damage for the previous seven years;
3. drug or driving under the influence charges in the previous seven years;
4. severe driving violations such as hit-and-run, driving over 100 mph, driving on a suspended or revoked license, or driving on the wrong side of a divided highway; or
5. driving without insurance or with a suspended license charge in the previous three years.

CONNECTICUT LAWSUIT

A number of taxi and livery companies are suing Uber and Lyft in U.S. District Court in Connecticut, seeking to prohibit them from operating in Connecticut and to collect damages. The suit, filed on May 21, 2014, alleges that these companies are operating illegally by failing to comply with DOT's licensure, certification, and permitting requirements.

"Taxi and livery companies must abide by [Connecticut] laws and regulations promulgated over decades, designed to protect consumers, ensure public safety, safeguard competition, and ensure non-discriminatory services. Taxi and livery companies have invested significant capital and resources to develop systems and infrastructure that ensures regulatory compliance and provides adequate consumer protections" (complaint, ¶ 25).

The suit claims that Uber and Lyft "cut corners illegally and [undermine] critical safety provisions of Connecticut taxi and livery laws," and that the companies "want to undermine the existing Connecticut taxi and livery market" (complaint ¶¶ 32 & 34). The counts alleged in the complaint include (1) misrepresentation of services, (2) unfair and deceptive trade practices, and (3) interfering with contractual relationships.

As of the date of this report, Uber and Lyft have not filed answers to the complaint. However, Uber, in a response to an email from OLR requesting comment, maintains that the lawsuit is "baseless" and "another example of taxi company owners trying to shield themselves from perceived competition and limit consumer choice and driver opportunity."

Uber further said it will “vigorously defend the rights of drivers and riders to connect to safe, affordable, and reliable transportation alternatives.”

A copy of the lawsuit can be found at:

<http://www.hartfordbusiness.com/assets/pdf/HB10224522.PDF>.

FURTHER INFORMATION

[OLR Report 2013-R-0298](#) provides more information on general policy considerations regarding Uber and other examples of the “sharing economy.”

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