

Transportation Network Companies (e.g. Uber, Lyft, etc.)

What is the technology?

Transportation Network Companies (TNCs) are rideshare companies that connect users and drivers through smartphones and a peer-to-peer network. TNCs allow prospective passengers to download an application to their smartphone, from which they can then view and select from nearby available drivers and request the ride or their choice. Once a passenger virtually ‘hails’ a ride, their GPS location is sent to the driver, who can then easily proceed to pick their new customer. The smartphone apps also allows passengers to track the location of their rides, manages payments, and invites and stores reviews of both drivers and customers.

There are several TNCs currently operating in the United States. They vary in price, style of vehicle, and the amenities offered. One of the most ubiquitous TNCs is Uber, which offers a variety of ride options that include uberX (smaller vehicles with lower-cost rides), uberBLACK (high-end sedans), uberSUV (with seating for up to six), and uberLUX (uber’s most expensive rides in luxury cars). Uber is currently available in more than 45 countries, and in more than 100 cities and or regions within North America alone. Other commonly known TNCs include Lyft, where drivers place fuzzy pink moustaches on their personal vehicles when they are taking passengers, and Sidecar, which differentiates itself by allowing drivers to set their own prices.

In recent years, TNCs have exploded in popularity, starting first in urban areas where residents, visitors, and tourists view them as an attractive alternative to traditional taxis and public transportation, either of which may be less reliable, less efficient, less private, or less fun. TNCs are now also rapidly gaining

traction in suburban markets – not as an alternative to taxicabs and transit, which may be rarely available in these markets anyway, but as an alternative to assigning a friend or date “designated driver duty” during a night out.

How does the technology affect local government?

TNCs primarily affect local governments in two ways: they compete with existing taxicab business and they may present safety concerns related to the fact that TNC drivers and vehicles are predominately unregulated.

Criticisms of TNCs include the argument that rideshare companies unfairly compete with traditional taxicab services, stealing taxi customers while the myriad regulations that apply to taxis make it impossible for them to provide similar service. As a result, local governments must struggle with how to balance wanting to encourage new technology and new businesses with the attendant harms to existing businesses and the potential loss of existing taxicab driver jobs.

Because TNCs operate outside of the regulations that apply to traditional taxicabs, they also raise the specter of myriad safety issues and unknowns: Who are these rideshare drivers? Have they passed a criminal background check? Would they pass a drug test? Do they have adequate insurance to cover injuries to their passengers and others in the event of an accident? Are they safe drivers? Are their vehicles well-maintained? How can a local government ensure the safety of its citizens when TNCs are not required, as taxicab companies may be, to ensure their drivers and vehicles meet basic safety standards?

What are local governments doing about it?

Local governments are taking a variety of approaches to TNCs. Some cities have adopted all-out bans, in an effort to protect existing taxicab businesses and jobs, and to reduce the perceived safety dangers associated with unregulated TNC drivers and vehicles. Other cities are taking a less extreme approach, and are instead adopting ordinances limiting the number of TNC vehicles operating within the city within a given time period (i.e. a year), or at a single time. Cities are also adopting regulations that require certain levels of insurance coverage, drug testing, or background checks. State governments are also struggling with whether and how to step in to either protect existing business and jobs, or reduce safety issues associated with unregulated TNCs. Examples include:

- The Governor of the State of Illinois recently vetoed a bill that would have imposed statewide regulations on rideshare companies, on grounds that such issues should be dealt with at the local level.
- The California Public Utilities Commission, which has regulatory oversight over for-hire passenger carriers operating within the state, has adopted statewide rules and regulations applicable to TNCs, including insurance requirements. The Commission is currently planning two public participation hearings wherein the public can provide input and opinions on TNCs' accessibility, pricing methods, and ability to relieve traffic congestion.
- If state governments begin to levy regulations on TNCs, the statewide approach could be at odds with the desires and needs of a specific local agency, which may desire more, or less, regulation of TNCs.

Legal Issues To Watch Out For:

- Will regulation of TNCs stay primarily a local issue, or will state agencies and legislatures become increasingly involved?
- In suburban regions where taxicabs may be hard to come by, will TNC regulations stymie an increasingly important alternative to driving under the influence?
- Do TNC regulations unfairly target new businesses? Or does the lack of TNC regulations treat existing taxicab services unfairly? Are there monopoly issues at stake?



Jennifer J. Kunz is an attorney in Best Best & Krieger's Environmental Law and Natural Resources practice group. Her practice areas include environmental, natural resources, and land use law. Jennifer can be reached at Jennifer.Kunz@bbklaw.com.