



# Transportation Network Companies (TNCs)

*Regulatory Issues, Legislation & Litigation*

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**NCSTS**

National Conference of State Transportation Specialists



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# MODEL REGULATIONS & POLICY/LEGAL REPORTS

## REPORTS—

1. *Model Regulations: Smartphone Application Technology for Taxicabs & Limousines.*

[http://www.windelsmarx.com/resources/documents/IATR%20Model%20Regulations%20\(10890808\).pdf](http://www.windelsmarx.com/resources/documents/IATR%20Model%20Regulations%20(10890808).pdf)

2. *Ridesharing Applications: Illegal Hitchhiking for Hire or Sustainable Group Riding?*

<http://www.windelsmarx.com/resources/documents/Ridesharing%20%20Report.pdf>

3. *“Rogue” Smartphone Applications for Taxicabs and*





# MODEL REGULATIONS

Model Regulations:  
Smartphone  
Application  
Technology for  
Taxicabs & Limousines.

- Clear Definitions of For-Hire Transportation
- E-Hail = Pre-arrangement
- License Requirements
- Use of “Taxi,” “Taxicab,” “Cab” or “Hack” in the App Name
- Accessible Transportation
- Fares
- Smartphone Apps = Taximeters
- Indemnification



## MODEL REGULATIONS

### Does Ridesharing Require a Predetermined Route?

- The advent of “ridesharing apps” have allowed for rideshare passengers and drivers to connect in real-time & trips to be planned on an *ad hoc* basis
- “Rideshare” apps allow passengers to designate particular pick-up and drop-off locations, much like dispatchers of traditional taxicabs and/or other livery and for-hire vehicles.
- Some have criticized this feature of modern ridesharing as veering too far into the model of ground transportation operations.



## MODEL REGULATIONS

### Should Compensation to Drivers be Permitted?

- One of the most contentious issues presented by the advent of the new “ridesharing” apps are whether they are providing traditional ridesharing services; a **free service** that is provided for societal benefits, or a **for-profit or compensation based** ridesharing.
- Some consider payments as another useful incentive to promote ridesharing.
- However, the competing view, is that when money is exchanged for services, the motive behind providing such services becomes for-profit and as such, the service itself becomes a for-profit enterprise.



## MODEL REGULATIONS

### Registration of Companies that “Coordinate” Ridesharing

- Another proposal that is being discussed among regulators is to hold companies that coordinate and/or broker ridesharing services accountable to local transportation agencies in some way, even if the services do not involve compensation for ridesharing.

#### Two competing views

1. Registration & technology monitoring will help assess rideshare service impacts on traffic, the environment and transportation access issues.
2. The government does not have a right to such information unless the companies fall within the jurisdiction of the local government in some capacity.



# MODEL REGULATION

## Insurance Issues

- Another major issue presented by ridesharing apps is whether the personal vehicle coverage policies that are maintained by regular, non-commercial drivers, would extend to cover trips made under a compensation rideshare.
- [Statement from Personal Insurance Federation of CA](#)
  - It appears that the industry standard for personal auto insurance ... is to exempt from insurance coverage claims involving vehicles used for transporting passengers for a charge. Thus, in situations where a vehicle is insured as a private vehicle and is used to transport passengers for a fee, no insurance coverage would exist . . . . The issue before the CPUC is not ridesharing, but instead using a private passenger vehicle in a livery service. This is clearly not covered under a standard policy; if an accident occurs, coverage would not exist.





## **REGULATORY & LEGISLATIVE ACTION**

- Austin, TX
- California
- Chicago, IL
- Colorado
- Houston, TX
- Jacksonville, FL
- Miami, FL
- Milwaukee, WI
- Minneapolis, MN
- Nashville, TN
- New York, NY
- New Orleans, LA
- Philadelphia, PA
- Portland, WA
- Seattle, WA
- St. Paul, MN
- Washington, DC

## NEW LICENSING CATEGORIES

- **NEW ORDINANCES  
REGULATING  
RIDESHARING,  
LIMOUSINE LICENSING  
AND OPERATIONS.**

- Transportation Network Companies (TNCs)
- Transportation Network Providers (TNPs)
- Transportation Network Services (TNSs)



## NEW LICENSING CATEGORIES - CALIFORNIA

- Created category of TNCs which must be licensed with the **California Public Utilities Commission (CPUC)**, conduct criminal background checks, train drivers, and hold commercial insurance policies with at least \$1M per-incident coverage.
- Also Assembly Bill 2068 would direct the CPUC to adopt rules that would require (i) TNCs to adopt a drug and alcohol testing program and (ii) TNCs place permanent markings on the rear bumper of each vehicle providing TNC services that can be easily seen by the public.
- The CPUC decision regarding TNCs is in effect, but its actual effect on the public, industry, environment will be evaluated this Fall to determine if further rulemaking is necessary.

## NEW LICENSING CATEGORIES - ILLINOIS

- Chicago passed a ridesharing ordinance:
  - Allows licensing if meets vehicle inspection and required insurance requirements, different from the requirements of taxicabs or limousines.
  - New license category = “Transportation Network Provider”: must register with city for annual \$25,000 fee, submit to annual inspections of vehicles by cities, and hold commercial liability insurance.



## NEW LICENSING CATEGORIES - ILLINOIS

### The Illinois Senate and House passed more stringent rideshare legislation than Chicago:

- (i) prohibits ridesharing vehicles from pickups and drop-offs at airports and convention centers;
- (ii) prohibits rideshare drivers from using vehicles more than four years after their date of manufacture;
- (iii) requires that vehicles have signage indicating the rideshare company that it is affiliated with;
- (iv) prohibits ridesharing services from charging more for a ride than a taxi would be allowed to charge for the same ride under local law; and
- (v) limits electronic payment of ridesharing fares to exclude tips – tips will be accepted if paid directly to the driver and not through the ridesharing app.

## NEW LICENSING CATEGORIES – D.C. (Pending)

- Under the proposed Transportation Network Services Innovation Act of 2014 (“Bill 20-753”) drivers of rideshare companies will not receive a license from the District of Columbia Taxicab Commission (the “DCTC”) to provide “ridesharing” service and the DCTC would not receive any routine information as part of the application process.
- Bill 20-753 would also allow vehicles from any state to participate in providing service and expressly forbids the DCTC from requiring companies or drivers to collect or transmit data about a customer or a customer’s trip.
- With regard to insurance policies in connection with ridesharing applications, Bill 20-753 establishes that the ridesharing vehicle operator’s personal auto insurance policy is primarily responsible for any accidents and that the Transportation Network Service Company’s commercial auto liability insurance would be secondarily responsible.



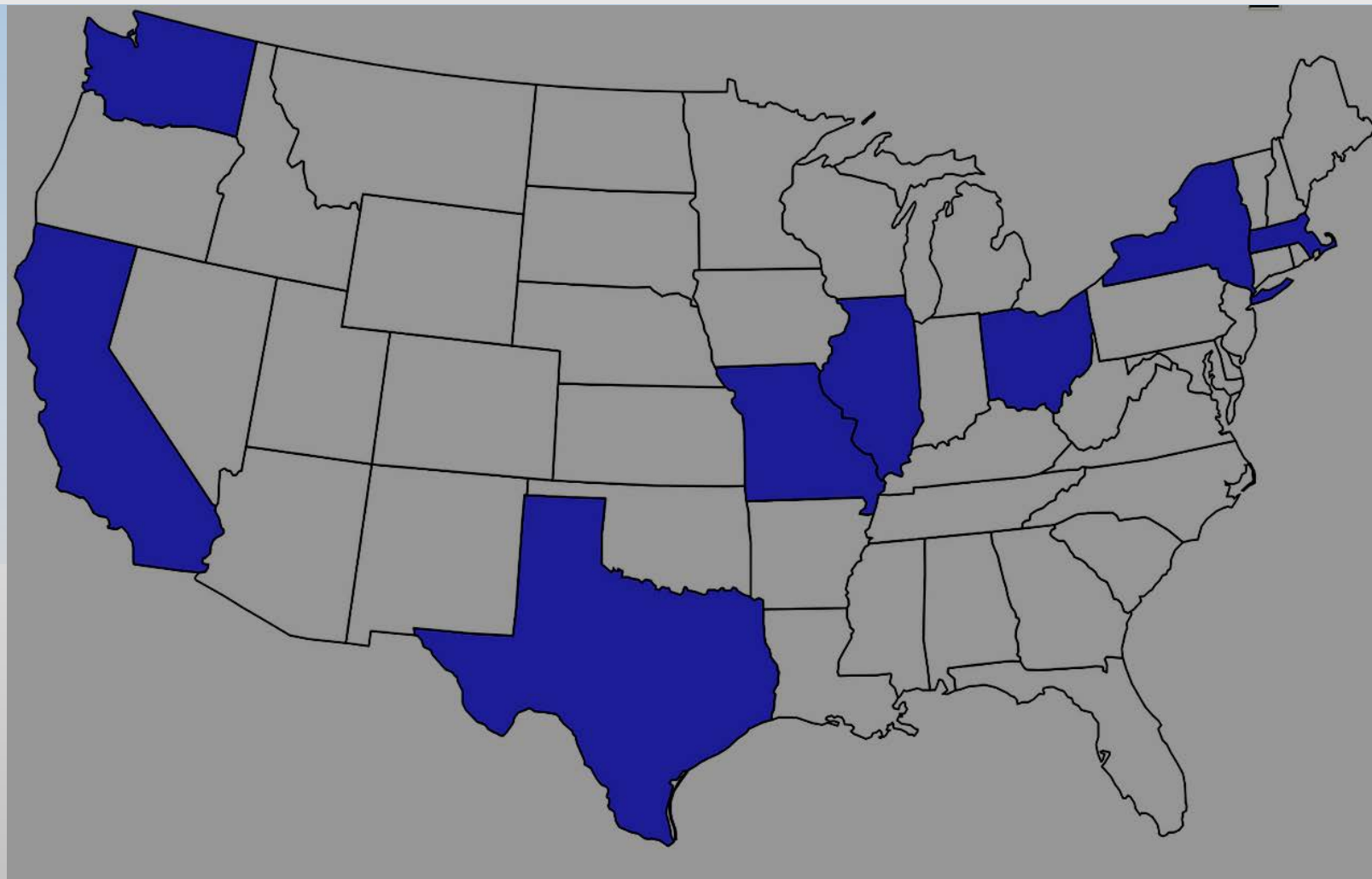
## NEW LICENSING CATEGORIES – COLORADO

- On June 5, 2014, Gov. John Hickenlooper signed into law a bill that officially authorizes ride-sharing services.
- Ride-sharing companies will be required to obtain permits from the PUC and carry at least \$1 million in liability insurance. The companies, or their drivers, will also be required to carry primary insurance coverage during the controversial gap period - when a driver is soliciting fares but has not been matched with a rider.
- Rideshare drivers will not be required to undergo the same criminal background checks that taxi drivers face and will remain vetted by private companies that use publicly available data.



## Disruptive App Litigation Update

- Boston, MA
- Chicago, IL
- Columbus, OH
- Houston, TX
- Los Angeles, CA
- New York
- San Francisco, CA
- Seattle, WA
- St. Louis, MO





## Causes of Action

- Lanham Act
- Interference with Contractual Relations
- Interference with Prospective Economic Relations
- Unfair Competition
- Breach of Contract
- Negligence
- RICO
- Independent Contractor Misclassification
- Consumer Protection/Deceptive Acts & Practices





**International Association of Transportation Regulators (IATR)**

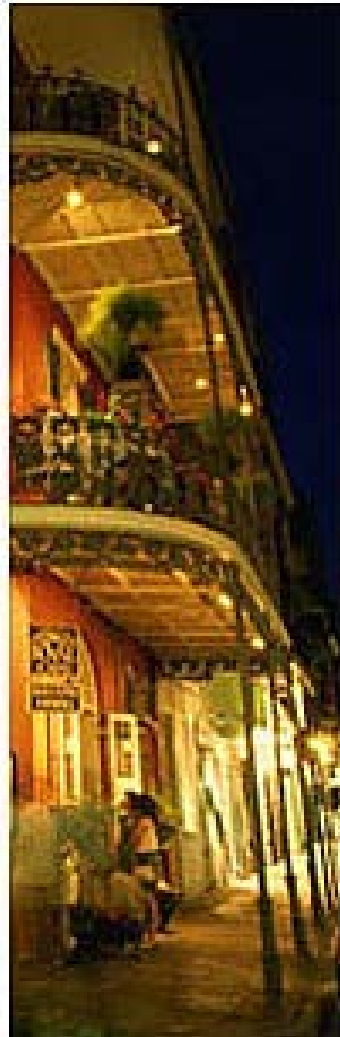
***2014 Annual Conference – New Orleans***

***Hyatt Regency, September 21st -24th***

**Theme: A “New World Order” for Ground Transportation Regulation**

International Association of Transportation Regulators

**CONFERENCE REGISTRATION IS NOW OPEN AT [IATR.ORG](http://IATR.ORG)**



# CONFERENCE PROGRAM

## TECHNOLOGY HIGHLIGHTS

- Apps Around the World
- Smartphone App Regulation & Deregulation –  
Legislative, Regulatory & Litigation Update
- Smartphone App Debate



# CONFERENCE PROGRAM

## Apps Around the World

**Day 2 – Tuesday, September 23, 2014**

- **Apps Around the World**

*An overview of the status of smartphone transportation app proliferation around the globe will be provided, with an emphasis on: business model characteristics; data collection; logistics applications; cross-modal services; cross-fleet, world-wide and government apps; functionality; private equity financing; and medallion financing implications. Technology companies, experts and regulators will opine on international approaches, and prognosticate on future trends.*

# CONFERENCE PROGRAM

## Smartphone App Regulation & Deregulation – Legislative, Regulatory & Litigation Update

### Day 3 – Wednesday, September 24, 2014

- **Smartphone App Regulation & Deregulation – Legislative, Regulatory & Litigation Update**

*Regulators, lawyers, lobbyists, industry stakeholders, insurance experts, and others will provide an overview of the most recent lawsuits, legislative efforts involving transportation network or rideshare licensing schemes, deregulation, implementation of the IATR's model regulations, and regulators who have successfully held their ground.*

# CONFERENCE PROGRAM

## Smartphone App Debate

### Day 3 – Wednesday, September 24, 2014

- ***Smartphone App Debate***

*Regulators, industry stakeholders, technology companies, financial institution representatives, and other stakeholders and experts will “mix-it-up” with a debate on a host of hot topics related to new sharing economy licensing categories, deregulation attempts, minimum fare and waiting time laws, and the future of transportation regulation, policy and the industry’s viability.*



# Thank You NCSTS!