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PERSPECTIVE

California has an Uber identity crisis

By Paul Fraidenburgh

Ridesharing services Uber and Lyft have become a favorite method of transportation for many Californians. Yet these services are once again under attack in Sacramento. Wednesday, the state Senate Appropriations Committee will determine the fate of Assembly Bill 2293, a bill that would require Uber and other transportation network companies to provide 20 times the insurance that taxis must carry in California and 10 times the insurance carried by any other commercial vehicle on the road. According to Uber spokeswoman Eva Behrend, "AB 2293 is an example of what happens when special interest groups distract lawmakers from the best interests of consumers."

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AB 2293 would divide a ridesharing driver's time into three periods for insurance purposes. Period One "runs from the time a participating driver logs onto the transportation network company's application program and continues as long as the driver has not yet accepted a match with a passenger on the application program," and also "from the time a matched passenger exits the private passenger vehicle of the participating driver until the time the driver accepts another match with a passenger or logs off the application program." In other words, by definition, there are no passengers in the vehicle during Period One. And yet AB 2293 would require transportation network companies to obtain insurance policies specifically written to cover Period One with $750,000 limits of liability for death, personal injury and property damage. After that, the bill would mandate a highest in the country $1 million limit for Periods Two and Three, which would cover from the time a driver accepts a matched passenger to the conclusion of the ride.

"The problem with AB 2293 is that it is not based on any research or evidence of the actual insurance needs," explained Behrend. "There has been no actuarial study, no insurance data to support the bill, nothing." The lack of data supporting the bill has many Uber users skeptical that AB 2293 is another thinly veiled attempt

Associated Press

Uber supporters during a meeting of the City Council in Seattle, where the company claims its services have helped to reduce DUIs, March 17.

by special interest groups to end ride sharing in California.

Less than one year ago, it appeared that state and local regulators would embrace ridesharing services. In September 2013, California became the first state to provide a regulatory framework for transportation network companies, defined by the California Public Utilities Commission as any organization that "provides prearranged transportation services for compensation using an online-enabled application (app) or platform to connect passengers with drivers using their personal vehicles." To most transportation network companies, that seemed like a good start.

Since then, it has been one regulatory obstacle after another for UberX, Uber's extremely popular ridesharing service that has continued to expand into new areas of the state despite these growing pains. For example, when officials at Los Angeles International Airport learned that UberX drivers were providing rides from the airport, they cracked down on UberX by issuing curbside citations, impounding vehicles, and even arresting drivers. In January, Uber called LAX "a work in progress" on its Los Angeles blog, stating, "Unfortunately, authorities have taken an aggressive stance against UberX and have begun issuing citations to some drivers who pick up passengers at the airport."

UberX has experienced similar issues at San Francisco International Airport, including hundreds of driver citations. After the transportation network companies refused to sign SFO's proposed permit application that would allow their drivers to drop off but not pick up passengers at the airport, Uber, Lyft and Sidecar sent a letter to San Francisco Mayor Ed Lee exposing the airport's lack of cooperation. The letter went viral after it was reprinted in a June 5 TechCrunch article titled, "One Year Later, SFO Still Refuses to Meet with Uber, Lyft and Sidecar to Discuss Dispute."

The conflict almost reached a breaking point in June, when the CPUC threatened to revoke the permits it had issued to Uber and Lyft unless the airport rides ceased. The CPUC's threatened action would have effectively eliminated ridesharing in California. "We are a fast-moving tech company and we recognize that it can be difficult for regulators to keep pace with new technologies, especially those that are growing as fast as Uber," explained Uber spokesman Lane Kasselman. "What people often forget is that we are a four-year-old company. We understand that developing appropriate and effective regulations for companies in our space is an ongoing process," said Kasselman.

When it comes to AB 2293, however, legislators may find that Uber and its massive user base are less understanding. The bill is widely perceived as an unjustified attack on one of the best things to happen to California's transportation system. In addition to reducing traffic and fuel usage, recent data demonstrates that Uber has dramatically decreased DUIs in cities across the country. Publishing these statistics on its blog, Uber noted that the availability of its services in some cities, such as Seattle, has caused DUI arrest rates to decrease by more than 10 percent. "These results are robust and statistically significant," states the blog.

California's eyes will be focused on the Senate Appropriations Committee on Wednesday, with many viewing AB 2293 as a litmus test of the relative power between special interest groups and California's consumers.

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