

SENATE BILL REPORT

SB 5550

As Reported by Senate Committee On:
Transportation, February 25, 2015

Title: An act relating to providers of commercial transportation services.

Brief Description: Regulating providers of commercial transportation services.

Sponsors: Senators Habib and Fain.

Brief History:

Committee Activity: Transportation: 2/02/15, 2/25/15 [DPS, DNP].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5550 be substituted therefor, and the substitute bill do pass.

Signed by Senators King, Chair; Fain, Vice Chair; Hobbs, Ranking Minority Member; Lias, Assistant Ranking Minority Member; Cleveland, Ericksen, Habib, Litzow, Miloscia, Rivers and Sheldon.

Minority Report: Do not pass.

Signed by Senators Jayapal and Pedersen.

Staff: Kelly Simpson (786-7403)

Background: State law currently provides for the regulation of certain private transportation providers, such as aeroporters, limousines, for-hire vehicles, taxicabs, and charter and excursion buses. However, current law does not specifically provide for the regulation of what are commonly know as ridesharing companies, i.e. companies that use a digital network or software application to connect passengers to drivers for the purpose of providing a prearranged ride, often by use of the driver's personal vehicle.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (Recommended Substitute): Transportation network companies (TNCs) are defined as businesses that use a digital network or software application to connect passengers to drivers for the purpose of providing a prearranged ride. A TNC driver is an individual who uses a personal vehicle to provide services for passengers matched through a

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TNC's digital network or software application. TNC services are defined as all times the driver is logged into a transportation network company's digital network or software application, or until the passenger leaves the personal vehicle, whichever is later.

The Department of Licensing (DOL) must regulate TNCs, including as follows:

- TNCs must obtain a permit to operate from DOL – to be renewed annually;
- DOL must collect permit fees from the TNCs;
- DOL may cancel, revoke, or suspend TNC permits for certain violations;
- DOL must collect quarterly reports from TNCs including certain data elements about the TNC services; and
- DOL may spend fee revenues on regulation activities.

Local governments are prohibited from adopting laws, rules, or ordinances that are in conflict with the act; however, certain larger, populated jurisdictions may require a TNC to obtain additional permits or licenses, impose regulatory fees to cover the costs of enforcement, and impose monetary penalties for violations of the law.

TNCs, drivers if approved by the Office of the Insurance Commissioner, or a combination of a TNC and a driver, must obtain a primary automobile insurance policy covering every personal vehicle

used to provide TNC services, described as follows:

- Before a driver accepts a requested ride: \$50,000 per person; \$100,000 per accident; and \$30,000 for property damage;
- After a driver accepts a requested ride: a combined single limit liability coverage of \$1,000,000; and uninsured and underinsured motorist coverage of \$1,000,000; and
- After July 1, 2016, any insurance company may not deny a claim arising exclusively out of the personal use of the private vehicle solely on the basis that the insured, at other times, used the vehicle to provide TNC services.

TNCs must have vehicle safety inspections performed on an annual basis.

Before a person may act as a TNC driver, the person must undergo a criminal history record check every five years performed by the Washington State Patrol or an entity approved by DOL.

Except for trips over 35 miles long, TNC drivers must provide services to the public in a nondiscriminatory manner, regardless of geographic location of the departure point or destination. A TNC or TNC driver may not refuse service or impose additional charges or conditions based on a passenger's race, religion, ethnicity, gender, sexual orientation, gender identity, or disability that could prevent customers from accessing transportation.

Personally identifiable information collected as part of the regulatory process is exempt from public disclosure under the Public Records Act.

The following are exempt from workers' compensation requirements: (1) TNC drivers if certain conditions are met; and (2) for hire vehicle operators, chauffeurs, and taxi operators, who own or lease the vehicle.

A TNC's proprietary information is exempt from public disclosure.

**EFFECT OF CHANGES MADE BY TRANSPORTATION COMMITTEE
(Recommended Substitute):**

- Allows cities over 200,000 and counties over 1,000,000 to require additional TNC permits, impose regulatory fees, and impose monetary penalties.
- Removes language directing DOL to provide state funding to local governments for enforcement activities, since large cities and counties may now impose their own regulatory fees.
- Removes language indicating that a driver "need not be" a TNC employee and exempts TNC drivers from workers' compensation requirements if certain conditions are met.
- Clarifies that the 12-hour driving restriction relates specifically to providing prearranged rides, not the larger period of providing services which covers the entire time an app is on.
- Requires the Washington State Patrol, instead of TNCs, to conduct background checks on drivers – alternatively DOL can approve entities to conduct background checks.
- Provides that DOL, not the TNC, must retain the background checks, and that the checks are not subject to public disclosure.
- Reduces the crimes revealed by the criminal history record check, the conviction of which prohibits a person from ever serving as a driver, to just sex offenses and violent offenses.
- Provides that a conviction of the following felony crimes within the last five years prohibits a person from serving as a driver: fraud, burglary, trespass, vehicle prowling, theft, robbery, extortion, and possession of stolen property.
- Removes the language stating that background checks and vehicle inspections are only available to DOL pursuant to an audit.
- Reduces the non-discrimination geographic limit from 40 miles to 35 miles.
- Clarifies that a driver is generally prohibited from refusing service once a passenger and driver have been matched for the purpose of a prearranged ride.
- Makes the liability coverage during the period of a prearranged ride a combined single limit coverage of \$1 million.
- Removes comprehensive/collision and PIP coverage requirements.
- Provides that the primary automobile insurance policy may be secured by the TNC, the driver, or a combination of the two.
- Removes DOL from approving vehicle inspections and mechanics.
- Requires mechanics to be certified by the National Institute for Automotive Service Excellence and not own/drive for-hire or TNC vehicles, and requires the vehicle inspection to contain 19 specific elements.
- Exempts taxis, limousines, and for hire vehicles from workers' compensation requirements.
- Exempts TNC proprietary information from public disclosure.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Proposed Substitute as Heard in Committee:

PRO: The bill should cover all private transportation providers, not just TNCs. The insurance community supports Senator Habib's efforts at working with stakeholders to improve the bill. The insurance industry needs a clear distinction in the bill between personal and commercial insurance coverage, depending on the activity being covered. The proposed substitute includes such clarity and is supported by the insurance industry. Specific clarity is provided in the proposed substitute as guidance to the courts. The bill attempts to accommodate innovative technology.

CON: Taxi groups participated in a year-long negotiation in King County to reach an agreement regarding the local regulation of TNCs. Agreement was reached on a local regulatory structure. The parties agreed not to ask the state for a new structure. This bill just carves out separate regulatory autonomy for one industry. TNCs have violated laws in other states. The taxi industry cannot support a separate but not equal system. Taxis follow existing rules regarding safety, insurance, Labor & Industries, and other requirements. Under this bill, TNCs would have less regulations than under current law. The bill does not create a level playing field. The insurance requirements in the bill are not available on the current insurance market. The bill provides an unfair advantage to big companies. Existing taxi regulations are more stringent than the TNC regulations under the bill. This bill is a move backward.

OTHER: TNC services have become very popular. The ridesharing industry supports reasonable regulations. Uber has expanded beyond Seattle to Spokane and Vancouver, and is looking at Olympia and Bellingham. Uber wants uniform regulations. Uber currently does background checks and driver record checks. The use of TNC services has shown to decrease incidents of DUI. Uber provides a very convenient service. Uber wants to make sure insurance coverage exists at all times the driver has the software application turned on. Uber doesn't agree with all the provisions in the proposed substitute, but does want to work with the sponsor to address concerns. The bill does require coverage not currently available on the market. Room exists for all companies to offer transportation services, and negotiating a solution is in everyone's interests. Change is not easy, but we need to adapt to new technologies. The Port of Seattle needs authority to regulate all private transportation at its facilities, and is happy to work with stakeholders to address that. The city of Seattle negotiated with interested parties and established a strong safe, accessible, and reliable service, but this bill would prohibit local governments from licensing TNCs and puts safety in the hands of large for-profit companies. The bill would undermine taxis and for-hire vehicles. Seattle supports local governments having on-street enforcement authority. Lyft has been in Seattle since 2013 and is seeing the regulations start to catch up with the industry. Lyft has concerns regarding insurance, fees, and reporting requirements.

Persons Testifying: PRO: Chris Van Dyk, Ride – Quality Ground Transportation Management Services LLC; Mel Sorensen, Property Casualty Insurers Assn. of America; Jean Leonard, WA Insurers, State Farm, National Assn. of Insurance Companies.

CON: Sheila Stickel; Dawn Gearhart, Aamar Khan, Western WA Taxi Cab Operators Assn.; Jim Kelly, United For Hire.

OTHER: Issayas Berhe, Selamawit Alula, Uber, Drivers; Brooke Steger, Uber, General Manager; Curtis Scott, Uber; Samatar Guled, Eastside For Hire; Abdul Yusuf, Q Ride; Clare Gallagher, Port of Seattle; Denise Movius, city of Seattle; Jim Justin, Lyft; Ethan Schaffer, citizen.