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TRANSPORTATION NETWORK COMPANIES

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In June 2014, Colorado became the first state to enact a law regulating on-demand transportation network companies (TNCs). Since then, at least 40 other states plus the District of Columbia have established regulatory frameworks for TNCs. Unlike the taxicab industry, TNCs, such as Uber and Lyft, use a digital network service to connect riders to drivers. Drivers use their personal cars for fares and connect with passengers via mobile smartphone apps. This *issue brief* provides an overview of rideshare service options in Colorado and examines the measure enacted by the General Assembly in the 2014 legislative session addressing the regulation of TNCs.

Background

In recent years, ridesharing has gained popularity as an alternative to taxis. The differences between TNCs and traditional transportation companies, such as taxicabs, vary. Unlike taxicabs, TNCs do not accept cash — the mobile smartphone app is the method by which a passenger requests a ride and provides payment. Once the request is submitted via the app, nearby drivers are notified. TNC meters start running when a passenger enters the vehicle. Fares are automatically calculated by the mobile app and charged to the passengers' credit card. Receipts are e-mailed to passengers and include a fare breakdown.

TNCs set their own rates that include separate rates for peak periods; taxis in Colorado have rates set by Public Utilities Commission (PUC) in the Department of Regulatory Agencies and are calculated by the mile.

Uber. Founded in 2009, Uber operates in 204 cities throughout the United States. Drivers must pass a criminal background screening and driving record check. Rides are covered by commercial liability insurance from the moment the passenger gets into the car to the moment he or she is dropped off at his or her destination. Uber offers several options for passengers, including UberX (the low-cost option), UberTaxi (which connects riders to on-demand taxis and allows cash-free payment) and UberLUX (the luxury-car option). Uber sets its own rates and charges premium rates, called “surge pricing,” during periods of high demand.

Lyft. Founded in 2012, Lyft operates in 265 cities throughout the United States. Drivers must pass a criminal background check and driving record check, as well as pass a vehicle inspection. Lyft offers an insurance protection plan that includes four different policies. Similar to Uber, Lyft sets its own rates and charges premium rates during periods of high demand called "prime time." At the end of a ride, drivers and passengers rate one another on a scale of 1 to 5 stars, with 5 being the best. If either party rates the other as 3 stars or lower, the driver and passenger will not be paired up for future rides. Drivers who consistently receive low scores risk being deactivated from the Lyft platform.

Table 1 provides an overview of rideshare service options in Colorado.

Table 1
Rideshare Service Options in Colorado

	UberX	**Lyft**	**Traditional Cab Company**
How to Get a Ride	Mobile app	Mobile app	Street hail, cab stands, or telephone
Rates	Set by Uber. Fare is calculated by the minute and mile, plus standard fees.	Set by Lyft. Fare is calculated by the minute and mile, plus standard fees.	Regulated by the PUC. Fare is calculated by the mile.
Peak Period Pricing	Yes	Yes	No
Payment Options	Credit card via the Uber app. Cash is not accepted.	Credit card via the Lyft app. Cash is not accepted.	Cash or credit card
Reserve in Advance	No	No	Yes

Colorado Law

The passage of Senate Bill 14-125 created a limited regulatory structure for TNCs, including UberX and Lyft, and set forth certain requirements for both the driver and the TNC.

TNC requirements. Under the law, TNCs are exempt from the regulation for common carriers, contract carriers, and motor carriers, but must meet certain requirements and be permitted by the PUC. These requirements include:

- filing a certificate of insurance with the PUC for at least $1 million primary liability coverage per occurrence for incidents occurring while a network driver has a rider;
- conducting a safety inspection of a prospective driver's vehicle before it is approved for use, and at least every year thereafter, on forms approved by the PUC;
- for all drivers, requiring personal automotive liability insurance that recognizes the driver is in a TNC;
- obtaining criminal history record checks and driving history reports on drivers; and
- prohibiting the use of drivers with certain felony convictions, moving violations, or who are under 21.

Driver requirements. A TNC driver must be 21 years of age and cannot drive for more than 12 consecutive hours. A TNC must require its drivers to display an exterior marking indicating that the vehicle is for hire; however, the driver cannot provide services unless the TNC has matched the driver to a rider — in other words, hailing is not permitted. Once matched to a rider, a TNC driver must provide service regardless of race, ethnicity, gender, sexual orientation, gender identity, or disability. A rider's mobility equipment must be stored in the vehicle for the duration of the ride unless no storage is available. In that instance, the driver must refer the rider to another driver with a vehicle that can accommodate the mobility equipment. A driver cannot refuse to transport a passenger, except when the passenger is acting in an unlawful or disorderly manner, the passenger is unable to care for himself or herself and is not in the charge of a responsible companion, or the driver has already committed to providing a ride to another passenger. Violations of these requirements are subject to a maximum of $550 in civil penalties.

Regulation of TNCs. The PUC has promulgated rules concerning administration, safety requirements, and financial responsibility requirements. The annual permit fee may be adjusted to cover the PUC's direct and indirect costs for regulating TNCs. The PUC may take an enforcement action against a TNC. A TNC that fails to comply with a PUC order, decision, or rule is subject to a penalty of up to $11,000 per offense depending on the violation. The PUC cannot assess a penalty against a TNC driver.