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New regulations for Uber and Lyft open the door for expansion

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The days of Uber, Lyft and other app-based ride-sharing services' uncertain legal status in the Washington area are nearly over — at least in the District and Virginia.

New regulatory frameworks for the growing industry are soon to be in place in the two jurisdictions allowing the services to operate legally.

“They’ll probably say these regulations are not perfect, but they allow them to operate without fear of fines and cease-and-desist letters and things like that,” said Matthew Feeney, a policy analyst at the Cato Institute. “It gives them a certain degree of peace of mind.”

Under regulations signed by Virginia Gov. Terry McAuliffe (D) last week, the companies must pay \$100,000 for a license to operate in the state, provide at least \$1 million in liability insurance and abide by a zero-tolerance policy regarding the use of drugs and alcohol by drivers. Drivers also must undergo background checks and be properly licensed to drive.

In the District, the D.C. Council passed a bill in October that sets new governing rules for ride sharing. The measure was signed by former mayor Vincent C. Gray (D), and — pending congressional review — is set to become effective March 10.

It will authorize the use of private vehicles for public transportation, provided the rides are summoned only through an app or via electronic means. Like Virginia, the D.C. rules also require minimum levels of insurance coverage and background checks for drivers.

Uber and Lyft have praised the solutions reached in the District and Virginia, calling them good compromises that will allow them to expand in this top market. But the services still have hurdles to clear in Maryland, where they continue to operate illegally.

The Maryland Public Service Commission ruled last summer that Uber must abide by regulations imposed on passenger-for-hire services and obtain a motor carrier permit to operate in the state as a for-hire carrier.

The company has argued that it is a technology company, not a transportation company, and therefore exempt from regulation.

Since then, commission staffers have drafted regulations that would apply to the app-based services that are similar to those approved in the District and Virginia, including requirements for driver background checks and insurance coverage.

The rules, still under review by the commission, also would require the companies to provide passengers with access to photos of their driver and the vehicle's license plate number before pickup.

The driver would be required to take his or her vehicle for inspection; the regulations also prohibit drivers from picking up passengers via street hails and soliciting fares at taxi stands or Baltimore-Washington International Marshall Airport.

“While neighboring D.C. and Virginia have enacted laws that recognize ride sharing as a new transportation alternative, [the Maryland Public Service Commission] has proposed a framework that would severely restrict our ability to provide access to jobs and reliable, affordable rides,” Uber spokesman Taylor Bennett said.. “We look forward to continuing to work with legislators on a sensible solution for ride sharing that promotes choice and opportunity in Maryland.”

Chelsea Wilson, a Lyft spokeswoman, said Lyft also aims for a solution that recognizes the difference between ride sharing and other transportation models.

“We really want the opportunity to talk about our model and why we very much believe in having regulations tailored specifically for the ride-sharing driver,” she said. “Rules for these type of services don't exist, and that's why we are open to having those conversations to crack those rules.”

Some Maryland jurisdictions began to take steps to regulate that rapidly spreading industry. In Annapolis, for example, city officials determined that ride-share drivers operate as taxi drivers and must have a taxi license. They recently announced that police would be citing ride-share drivers without a taxi license with fines of up to \$2,500.

The taxi industry is particularly upset by Uber's continuing operations in the state since the August ruling that the company should abide by the state's regulations of common carriers.

“They are just ignoring it. They are breaking the law. They keep saying, ‘We don't think you control us,’ ” said attorney John Lally, who represents the interests of cab companies in Prince George's County. “But if you are going to play in this pool, you have to play by the rules, which means get FBI background checks, inspect the cars and adopt a set rate.”

Uber, Lyft and representatives of the taxi industry have been working with Maryland lawmakers, and ride-sharing legislation is expected to be introduced this year.

Meanwhile, the Public Service Commission is working on a settlement agreement with Uber, indicating that the company could be moving toward compliance, commission spokeswoman Regina L. Davis said.

And although the new rules in the District and Virginia provide some clarity for the services, they don't end the long-standing beef with the traditional taxi industry.

“When they made the service legitimate, they didn't do it in a way that serves all parts of the public. They didn't make these regulations in a way that acknowledges the service that taxi drivers have been providing to the D.C. area for years,” said lawyer Royale Simms, an organizer with cabbies affiliated with the Teamsters. “Their service was illegal. It wasn't supposed to be operating the way it did in Washington, D.C. — that's the part of the conversation that is often lost.”

Critics also say the question of fair competition was left unanswered. While the regulations touch on consumer protection, taxi drivers argue that individuals driving for Uber and Lyft still won't be required to undergo the same level of screening as taxi drivers. Nor will they have the same insurance and licensing costs.

“It is inherently unequal and unfair,” said Jon Liss, with Tenants and Workers United, which lobbied against the Virginia legislation on behalf of Arlington and Alexandria taxi drivers.

Liss predicts that many of the 5,400 taxi owners in Virginia will eventually abandon the industry, some possibly to earn lower wages working for Uber and Lyft where they will be subject to less-stringent regulations.

Some experts say that although taxi drivers have legitimate concerns, regulating ride sharing separately, as Virginia and the District have opted to do, is the right approach.

“A lot of the taxi drivers have legitimate complaints when they say, ‘Look, we have jumped through all these regulatory barriers, we have paid all these fees and we have done all the licensing requirements, and now some people can just move in without paying the costs.’ I understand that frustration. But regulators ought to look carefully at this issue rather than hearing the complaints from market incumbents,” said Feeney, of the Cato Institute.

Experts say the competition is good in that it will force the taxi industry to modernize and improve, which in the end is good for customers.

“These services are monstrously popular among consumers,” Feeney said. “We shouldn't be surprised to see them expanding into more towns and cities and become increasingly popular in

the Washington, D.C., area, unless taxi companies manage to compete with them — and that remains to be seen.”