



Transportation Network Companies

By Libby Taylor

In June 2014, Colorado became the first state to enact a law regulating on-demand transportation network companies (TNCs). Since then, 49 other states and 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 and connect with passengers via mobile smartphone application (app). This *issue brief* provides an overview of TNC options and regulations in Colorado.

Overview

In recent years, TNCs have gained popularity as an alternative to taxicabs. There are several differences between TNCs and taxicabs. Unlike taxicabs, which calculate rates as you go based on time and mileage, TNC apps provide customers a fare estimate based on type of service (individual or shared), estimated time and mileage to destination, plus any peak period surcharges. Once a ride is requested, nearby drivers are notified through the app. Unlike taxicabs, TNCs do not accept cash; instead, the app processes the transaction using a credit card, debit card, or other mobile payment (i.e., PayPal). Receipts and ride history, including date and time of the ride, name of the driver, trip route, and trip duration are found on the passenger's app.

While TNCs set their own rates, small-market taxicabs in Colorado have rates set by the Public Utilities Commission (PUC) in the Department of Regulatory Agencies. Large-market taxicabs are subject to a maximum rate, but may freely change rates as long as the cost remains under the cap and current rates are filed with the PUC.

TNCs Operating in Colorado

As of October 2018, three TNCs are permitted to operate in Colorado: Uber, Lyft, and HopSkipDrive.

Uber. Founded in 2009, Uber operates in over 600 cities throughout the United States. 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 (an economy priced option), UberBLACK (a luxury-car option), UberXL (extra seating), and UberPOOL (riders share a vehicle with other riders going a similar direction at a discounted price). Uber sets its own rates and charges premium rates, called "surge pricing," during periods of high demand. Riders receive an estimate of the total cost before confirming the trip. At the end of the ride, passengers rate the quality of the ride and driver from 1 to 5 stars, with 5 being the best. Drivers with low ratings can be removed from driving with Uber. If the rider feels unsafe during a trip, there is an option on the Uber app to alert a rider's emergency contacts and share the trip details. Riders may also add gratuity at the end of the ride through the app.

Lyft. Founded in 2012, Lyft operates in 633 cities throughout the United States. Lyft offers an insurance protection plan that includes four different policies. Riders have the choice of economy, shared, luxury, or extra seating vehicles at different price options. Similar to Uber, Lyft sets its own rates and charges premium rates during periods of high demand called "peak hours." Additionally, Lyft sets higher rates when there are fewer drivers available, 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. Riders may also add gratuity at the end of the ride through the app.

HopSkipDrive. Founded in 2016, HopSkipDrive operates in three U.S. metro areas.¹ HopSkipDrive caters to families and provides rides to children over the age of 6. Customers create a password that is shared with the driver so the child passenger can confirm the driver is correct. The ride can be tracked live through the app. Rides must be reserved at least eight hours in advance, but are available continuously seven days a week. Service options include single family, two-family carpools, and three- and four-family carpools. The rate charged per minute and per mile decrease as the number of families in the carpool increases. Drivers are required to have at least five years of childcare experience, submit fingerprints, and complete an in-person interview. Insurance is provided to drivers while the app is in use.

Colorado Regulation of TNCs

The passage of Senate Bill 14-125 created a limited regulatory structure for TNCs 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 annually 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 age 21.

The PUC has promulgated rules concerning administration, safety requirements, and financial responsibility requirements of TNCs. 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 may not assess a penalty against a TNC driver.

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 may not 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.

¹The service areas are Southern California, the San Francisco Bay Area, and the Colorado Front Range.