



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

September 26, 2013

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T. Fujioka
Chief Executive Officer

SACRAMENTO UPDATE - ADOPTION OF RULES AND REGULATIONS BY THE CALIFORNIA PUBLIC UTILITIES COMMISSION REGARDING TRANSPORTATION NETWORK COMPANIES

Executive Summary

This memorandum contains a report on rules and regulations adopted by the California Public Utilities Commission (CPUC) on September 19, 2013 regarding Transportation Network Companies, more commonly referred to as smart phone enabled ride-sharing companies. The rules and regulations, which were adopted by a vote of 5 to 0 of the CPUC, shall apply to all Transportation Network Companies and went into effect immediately.

Background

The California Public Utilities Commission defines a Transportation Network Company (TNC) as an organization whether a corporation, partnership, sole proprietor, or other form, operating in California that provides prearranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using their personal vehicles.

On December 20, 2012, the California Public Utilities Commission opened a rulemaking proceeding to determine whether and how Transportation Network Company services arranged through online-enabled applications such as Uber, SideCar, and Lyft might affect public safety. The CPUC stated that the purpose of the rulemaking proceeding was not to stifle innovation or the provision of a service that consumers may want, but to

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

assess public safety risks and ensure that the safety of the public is not compromised in the operation of these new business models.

The California Public Utilities Commission sought comments from all interested parties on issues including: 1) how the Commission's existing jurisdiction should be applied to businesses such as Uber, SideCar, and Lyft; 2) consumer protection and safety implications of these new methods for arranging transportation services; whether and how the new transportation business models differ from long-standing forms of ridesharing; and 3) new transportation business models' potential effect on insurance and transportation access.

The California Public Utilities Commission held a prehearing conference in February 2013 and two workshops in April 2013 to facilitate dialogue among the parties. On July 30, 2013, the CPUC released the proposed regulations and placed them for consideration by the Commission on September 19, 2013.

On September 19, 2013, the CPUC adopted the proposed rules and regulations by a vote of 5 to 0. The rules apply to all Transportation Network Companies and went into effect immediately.

Transportation Network Company Rules and Regulations

The rules and regulations adopted by the CPUC require each TNC (not the individual driver) to: 1) obtain a permit from the CPUC; 2) require criminal background checks for each driver; 3) establish a driver training program; 4) implement a zero-tolerance policy on drugs and alcohol; and 5) maintain commercial liability insurance policies of not less than \$1.0 million per-incident coverage, among other requirements.

The Transportation Network Company drivers will be required to: 1) provide proof of both their personal insurance and the commercial insurance in the case of an accident; 2) possess a valid California driver's license; 3) be at least 21 years of age; and 4) provide at least one year of driving history before providing TNC services, among other provisions. A detailed list of all of the rules and regulations adopted by the CPUC are included in the Attachment.

A company or individual wishing to provide transportation or facilitate transportation of passengers can choose to either get a TNC permit or a Transportation Charter Party (TCP) certificate/permit (which is applicable for vehicles purchased primarily for commercial purpose, such as limousines). TNC permits will only be granted to companies utilizing smart phone technology applications to facilitate transportation of passengers in the driver's personal vehicle. Within 45 days of the CPUC's

Each Supervisor
September 26, 2013
Page 3

September 19, 2013 action, the Commission's Safety Enforcement Division will post a TNC Application Packet on its website, and TNCs currently operating in California are required to file their applications within 60 days thereafter if they wish to continue operating.

The decision also orders a second phase to the rulemaking proceeding to review the CPUC's existing regulation over limousines and other charter-party carriers to ensure that the public safety rules are up to date and that the rules are responsive to the needs of today's transportation market. Finally, the CPUC indicated that it would look for further guidance from the Legislature should it decide that there is a need for legislation to provide guidance in regulating this new industry.

The Department of Public Works reports that the TNC rules and regulations adopted by the CPUC would not impact its transportation operations or responsibilities.

We will continue to keep you advised.

WTF:RA
MR:AO:ma

Attachment

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

**Rules and Regulations Regarding Transportation Network Companies (TNC)
Adopted by the California Public Utilities Commission on September 19, 2013**

The following rules and regulations shall be applied for all TNCs effective immediately:

Safety Requirements

- a) TNCs shall maintain commercial liability insurance policies providing not less than \$1,000,000 (one million dollars) per-incident coverage for incidents involving vehicles and drivers while they are providing TNC services. The insurance coverage shall be available to cover claims regardless of whether a TNC driver maintains insurance adequate to cover any portion of the claim.^a
- b) TNC drivers shall be required to provide proof of both their personal insurance and the commercial insurance in the case of an accident.
- c) TNCs shall perform criminal background checks on each TNC driver before the driver begins offering service. In order to protect public safety, any person who has been convicted, within the past seven years, of driving under the influence of drugs or alcohol, fraud, sexual offenses, use of a motor vehicle to commit a felony, a crime involving property damage, and/or theft, acts of violence, or acts of terror shall not be permitted to provide TNC services.
- d) TNCs shall institute a zero tolerance intoxicating substance policy with respect to drivers as follows:
 1. The TNC shall include on its website, mobile application and riders' receipts, notice/information on the TNC's zero-tolerance policy and the methods to report a driver whom the rider reasonably suspects was under the influence of drugs or alcohol during the course of the ride.
 2. The website and mobile application must include a phone number or in-app call function and email address to contact to report the zero-tolerance complaint.
 3. Promptly after a zero-tolerance complaint is filed, the TNC shall suspend the driver for further investigation.
 4. The website and mobile application must also include the phone number and email address of the Commission's Passenger Section: 1-800-894-9444 and CIU_intake@cpuc.ca.gov.
- e) TNCs shall obtain each TNC driver's driving record before the driver begins providing service and quarterly thereafter. Drivers with convictions for reckless driving, driving under the influence, hit and run, or driving with a suspended or revoked license shall not be permitted to be a TNC driver. Drivers may have a maximum of two points on their driving records for lesser offenses, e.g., equipment problems, speeding, or child safety seat violations.
- f) TNCs shall establish a driver training program to ensure that all drivers are safely operating the vehicle prior to the driver being able to offer service. This program must be filed with the Commission within 45 days of the adoption of this decision. TNCs must report to the Commission on an annual basis the number of drivers that became eligible and completed the course.
- g) TNC drivers must possess a valid California driver's license, be at least 21 years of age, and must provide at least one year of driving history before providing TNC services.

^a TNCs must make their certificate of insurance public and the Commission will put this certificate on its website.

- h) TNCs may only use street-legal coupes, sedans, or light-duty vehicles including vans, minivans, sport utility vehicles (SUVs) and pickup trucks. Hatchbacks and convertibles are acceptable.
- i) TNC drivers are prohibited from transporting more than 7 passengers on any given ride.^b
- j) The app used by a TNC to connect drivers and passengers must display for the passenger: 1) a picture of the driver, and 2) a picture of the vehicle the driver is approved to use, including the license plate number to identify the vehicle.
- k) TNC vehicles shall not be significantly modified from factory specifications, e.g., no "stretch" vehicles.
- l) Prior to allowing each TNC driver to operate a vehicle, and annually thereafter, a TNC must inspect the driver's vehicle, or have the vehicle inspected at a facility licensed by the California Bureau of Automotive Repair, and maintain complete documentation of such inspections. A TNC driver's vehicle must, at a minimum, pass a 19 point inspection prior to allowing the driver to operate the vehicle under the TNC's platform:
 - 1. Foot brakes;
 - 2. Emergency brakes;
 - 3. Steering mechanism;
 - 4. Windshield;
 - 5. Rear window and other glass;
 - 6. Windshield wipers;
 - 7. Headlights;
 - 8. Tail lights;
 - 9. Turn indicator lights;
 - 10. Stop lights;
 - 11. Front seat adjustment mechanism;
 - 12. Doors (open, close, lock);
 - 13. Horn;
 - 14. Speedometer;
 - 15. Bumpers;
 - 16. Muffler and exhaust system;
 - 17. Condition of tires, including tread depth;
 - 18. Interior and exterior rear view mirrors; and
 - 19. Safety belts for driver and passenger(s).

^b If a TNC elects to carry insurance up to \$1.5 million per incident for all of its drivers, then pursuant to PU Code § 5391 and General Order 115-F, the TNC vehicles can include up to 10 people including the driver. However, no TNC driver is permitted to operate a bus, which is defined by California Vehicle Code § 233(b) as "a vehicle designed, used, or maintained for carrying more than 10 persons, including the driver, which is used to transport persons for compensation or profit . . ."

Regulatory Requirements

For all reports identified below required to be provided by TNCs, the reports must be verified. Verification consists of provision of a signature of a corporate officer of the TNC verifying under penalty of perjury under the laws of the State of California that the report is accurate and contains no material omissions.

- a) TNCs (not the drivers) must be permitted by this Commission before operating as a TNC.^c
- b) TNCs shall clearly disclose, on their app and website, that TNCs facilitate rides between passengers and private drivers using their own personal vehicles. Additionally, the disclosure should state that each TNC is required to maintain insurance policies providing a minimum of \$1,000,000 (one million dollars) per-incident coverage for incidents involving vehicles and drivers while they are providing TNC services.
- c) TNC drivers may only transport passengers on a prearranged basis. For the purpose of TNC services, a ride is considered prearranged if the ride is solicited and accepted via a TNC digital platform before the ride commences. TNC drivers are strictly prohibited from accepting street hails.
- d) TNCs shall participate in the California Department of Motor Vehicle's Employer Pull Notice Program to obtain timely notice when any of the following are added to a TNC driver's driving record:
 1. Convictions;
 2. Accidents;
 3. Failures to appear;
 4. Driver's license suspension or revocation; and
 5. Any other action taken against the driving privilege.
- e) TNCs shall obtain proof of insurance from each TNC driver before the driver begins providing service and for as long as the driver remains available to provide service.
- f) TNCs shall allow passengers to indicate whether they require a wheelchair-accessible vehicle or a vehicle otherwise accessible to individuals with disabilities.
- g) One year from the effective date of these rules and annually thereafter, each TNC shall submit to the Safety and Enforcement Division a report detailing the number and percentage of their customers who requested accessible vehicles, and how often the TNC was able to comply with requests for accessible vehicles.
- h) TNC vehicles shall display consistent trade dress (i.e., distinctive signage or display on the vehicle) when providing TNC services that is sufficiently large and color contrasted as to be readable during daylight hours at a distance of at least 50 feet. The trade dress shall be sufficient to allow a passenger, government official, or member of the public to associate a vehicle with a particular TNC (or licensed transportation provider). Acceptable forms of trade dress include, but are not limited to, symbols or signs on vehicle doors, roofs, or grills. Magnetic or removable trade dress is acceptable. TNC shall file a photograph of their trade dress with the Safety and Enforcement Division.

^c There are six types of charter party carrier permits/certificates. TNCs shall apply for a class P permit.

- i) Although TNCs may provide platforms allowing drivers and passengers to "rate" each other, TNCs shall ensure that such ratings are not based on unlawful discrimination, and that drivers do not discriminate against passengers or potential passengers on the basis of geographic endpoints of the ride, race, color, national origin, religion, sex, disability, age, or sexual orientation/identity.
- j) One year from the effective date of these rules and annually thereafter, each TNC shall submit to the Safety and Enforcement Division a verified report detailing the number of rides requested and accepted by TNC drivers within each zip code where the TNC operates; and the number of rides that were requested but not accepted by TNC drivers within each zip code where the TNC operates. The verified report provided by TNCs must contain the above ride information in electronic Excel or other spreadsheet format with information, separated by columns, of the date, time, and zip code of each request and the concomitant date, time, and zip code of each ride that was subsequently accepted or not accepted. In addition, for each ride that was requested and accepted, the information must also contain a column that displays the zip code of where the ride began, a column where the ride ended, the miles travelled, and the amount paid/donated. Also, each report must contain information aggregated by zip code and by total California of the number of rides requested and accepted by TNC drivers within each zip code where the TNC operates and the number of rides that were requested but not accepted by TNC drivers.
- k) One year from the effective date of these rules and annually thereafter, each TNC shall submit to the Safety and Enforcement Division a verified report in electronic Excel or other spreadsheet format detailing the number of drivers that were found to have committed a violation and/or suspended, including a list of zero tolerance complaints and the outcome of the investigation into those complaints. Each TNC shall also provide a verified report, in electronic Excel or other spreadsheet format, of each accident or other incident that involved a TNC driver and was reported to the TNC, the cause of the incident, and the amount paid, if any, for compensation to any party in each incident. The verified report will contain information of the date of the incident, the time of the incident, and the amount that was paid by the driver's insurance, the TNC's insurance, or any other source. Also, the report will provide the total number of incidents during the year.
- l) One year from the effective date of these rules and annually thereafter, each TNC shall submit to the Safety and Enforcement Division a verified report detailing the average and mean number of hours and miles each TNC driver spent driving for the TNC.^d
- m) Upon request, drivers shall display to Commission or airport enforcement officers, law enforcement, or city or county officials a physical or electronic record of a ride in progress sufficient to establish that it was prearranged. To the extent that trip records are contained on electronic devices, TNC drivers are not required to relinquish custody of the devices in order to make the required display.
- n) If a passenger files a complaint against a TNC or TNC driver with the Commission, Commission staff shall have the right to inspect TNC records and vehicles as necessary to investigate and resolve the complaint to the same extent the Commission and Commission staff is permitted to inspect all other charter-party carriers.
- o) Operations at Airports. TNCs shall not conduct any operations on the property of or into any airport unless such operations are authorized by the airport authority involved.
- p) Similar to our regulations over limousines one-third of one percent of the total revenues from TNC services in California shall be collected by this Commission on a quarterly basis as part of overall fees.

^d For the requested reporting requirements, TNCs shall file these reports confidentially unless in Phase II of this decision we require public reporting from TCP companies as well.