



**Committee on Transportation and Infrastructure**  
**U.S. House of Representatives**  
**Washington, DC 20515**

**Peter A. DeFazio**  
**Chairman**  
---

**Sam Graves**  
**Ranking Member**  
---

Katherine W. Dedrick, Staff Director

Paul J. Sass, Republican Staff Director

October 11, 2019

**SUMMARY OF SUBJECT MATTER**

**TO:** Members, Subcommittee on Highways and Transit  
**FROM:** Staff, Subcommittee on Highways and Transit  
**RE:** Subcommittee Hearing on “Examining the Future of Transportation Network Companies: Challenges and Opportunities”

---

**PURPOSE**

The Subcommittee on Highways and Transit will meet on Wednesday, October 16, 2019, at 10:00 a.m. in 2167 Rayburn House Office Building to receive testimony related to “Examining the Future of Transportation Network Companies: Challenges and Opportunities.” The purpose of this hearing is to learn from stakeholders about transportation network companies (TNCs); the role of cities and States in regulating TNC operations; and the impacts of this transportation model on mobility, other transportation options, drivers, and passengers. The Subcommittee will hear from representatives from the National League of Cities, the Transportation Alliance, the Transportation Trades Department, AFL-CIO, and Commute with Enterprise.

**BACKGROUND**

TNCs use digital technologies such as a software application to connect passengers with drivers operating personal vehicles to provide one or more riders prearranged, for-hire transportation services. Over the past decade TNCs have rapidly expanded into cities across the U.S., significantly impacting the transportation landscape. According to 2016 data from Harvard Business Review, spending for on-demand transportation services is estimated to capture 7.3 million monthly consumers and \$5.6 billion in annual spending.<sup>1</sup> Additionally, Pew Research Center reported that 36 percent of U.S. adults have utilized TNCs – representing a 240-percent increase since 2015.<sup>2</sup> According to recent estimates, Uber and Lyft hold 98.3 percent of the market share at

---

<sup>1</sup><https://hbr.org/2016/04/the-on-demand-economy-is-growing-and-not-just-for-the-young-and-wealthy>

<sup>2</sup><https://www.pewresearch.org/fact-tank/2019/01/04/more-americans-are-using-ride-hailing-apps/>

71.1 percent<sup>3</sup> and 27.2 percent<sup>4</sup>, respectively. Smaller competitors, such as Via and Juno, comprise the remainder of the market. In recent years, TNCs including Uber and Lyft have expanded their service options to include carpooling, bike, and scooter rentals.

Transportation options facilitated by TNCs can provide opportunities to develop a network of mobility choices, integrated with traditional transportation options, that meet the needs of diverse users and create benefits for consumers. This new model for transportation services has also raised numerous public policy questions, including how to integrate TNCs with existing transit service, impacts on mobility and congestion in cities and States, how cities and States regulate this new model, implications for the transportation labor market, and safety impacts.

## **Mobility Innovation**

### *Mobility on Demand (MOD)*

As defined by the Department of Transportation, MOD is an innovative, user-focused approach that leverages emerging mobility services, integrated transit networks and operations, real-time data, connected travelers, and cooperative Intelligent Transportation Systems to allow for a more traveler-centric, transportation system-of-systems approach that provides improved mobility options to all travelers and users in an efficient and safe manner.<sup>5</sup> MOD offers more flexibility and personal choice in mobility, and provides solutions to long-standing transportation challenges such as:

- **Convenience:** streamlined access to on-demand transportation services makes it easier for riders to travel quickly while eliminating the nuisance of multiple payment systems;
- **Congestion:** new carpool, scooter, bike share and transit options allow users opportunities to bypass congestion. For example, according to Lyft twenty percent of the company's riders have used a bike or scooter rental.<sup>6</sup>
- **Accessibility:** new mobility options for underserved populations, paratransit, and non-emergency medical transportation.

### *Transit Integration*

While TNCs offer an alternative to traditional transit options, they can also increase access to existing public transit systems by providing first and last mile connections. Some transit agencies have been experimenting with TNC partnerships to close the gap in first and last mile connectivity. These agencies are subsidizing rides to and from transit stations to improve the speed and convenience of trips while still taking advantage of the inherent efficiencies of transit in busy corridors.

---

<sup>3</sup> <https://secondmeasure.com/datapoints/rideshare-industry-overview/>

<sup>4</sup> *Id.*

<sup>5</sup> <https://www.its.dot.gov/factsheets/pdf/MobilityonDemand.pdf>

<sup>6</sup> <https://www.lyftimpact.com/impact/transportation/expanded>

## *Taxis*

TNCs are generally competitors with the taxi industry.<sup>7</sup> Many of the challenges in accessibility, safety, and modal integration are similar to those that have historically confronted the taxi industry. However, these challenges have been brought to the forefront given the rapid growth of TNCs and their reach into new markets and segments.

## **Congestion**

Americans lose 8.8 billion hours per year to congestion.<sup>8</sup> TNCs first began operations in San Francisco almost a decade ago, providing a window into the long-term effects of TNCs and congestion. The San Francisco County Transportation Authority (SFCTA) found that since TNCs first emerged in 2010 they have increased congestion in San Francisco by approximately 50 percent according to several metrics.<sup>9</sup>

- From 2010 to 2016, total vehicle hours of delay in San Francisco increased by about 40,000 hours, 51 percent of which was estimated to be due to TNCs.
- During the same time period, total vehicle miles traveled (VMT) increased by over 630,000 miles, 47 percent of which were caused by TNCs.
- Average vehicle speeds decreased by 3.1 miles per hour, 55 percent of which was because of TNCs.

Another study found that TNCs have added 5.7 billion miles of driving annually in the metro areas of Boston, Chicago, Los Angeles, Miami, New York, Philadelphia, San Francisco, Seattle and Washington DC alone.<sup>10</sup> In regards to the impact on traffic, the study found that private rides with a TNC add 2.8 new vehicle miles on the road for every one mile of personal driving removed, a 180 percent increase. Additionally, the study found that shared TNC rides have only a marginally lower impact with each shared ride adding 2.6 vehicle miles on the road for each one mile of personal driving removed. This is because most passengers who choose shared TNC rides are switching from non-auto modes (e.g. public transit, biking, and walking).<sup>11</sup>

## **Regulations**

### *State and Local Laws*

The emergence of TNCs has prompted cities and States across the country to respond with laws that govern their operations. These companies do not fit neatly into existing regulatory frameworks, sometimes leading to conflicts between state and local priorities. Proponents of state-level TNC regulations assert that statewide frameworks create uniform standards, allowing TNCs to seamlessly operate anywhere in the state. Others believe that local regulations are necessary to account for localized needs, which may differ between cities. For example, a large, densely populated

---

<sup>7</sup> The Economic Impact of Transportation Network Companies on the Taxi Industry, Alice Wang, 2015.

[https://scholarship.claremont.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1648&context=scripps\\_theses](https://scholarship.claremont.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1648&context=scripps_theses)

<sup>8</sup> "2019 Urban Mobility Report." *Texas A&M Transportation Institute*, Aug. 2019.

<sup>9</sup> [https://www.sfcta.org/sites/default/files/2019-05/TNCs\\_Congestion\\_Report\\_181015\\_Final.pdf](https://www.sfcta.org/sites/default/files/2019-05/TNCs_Congestion_Report_181015_Final.pdf)

<sup>10</sup> <http://www.schallerconsult.com/rideservices/automobility.pdf>

<sup>11</sup> *Id.*

city may need to establish protections for limited curb space in urban centers, while rural, sparsely populated cities may need flexibility to encourage a TNC to cover underserved areas. As of October 2018, 42 States had passed legislation preempting local TNC regulations.<sup>12</sup> TNC regulations vary across cities and States, but often address safety standards as well as fees, permits, and insurance requirements.

### *Background Checks*

To begin driving with a TNC, prospective drivers apply directly with the company either through their website or app. The application processes vary, but typically include both a criminal background check and a driving record check conducted by the TNC through a third-party provider, as well as a vehicle safety inspection administered by the relevant local agency. TNCs must also follow applicable state and local laws regarding background checks, which vary significantly by State and city, and may capture criteria not covered by the company check. Further, the *Fair Credit Reporting Act* (FCRA) prohibits consumer reporting agencies from disclosing arrests or adverse information that occurred prior to the 7 year period preceding the initiation of the background report.<sup>13</sup> Recently in Eugene, Oregon, approximately two dozen drivers for Uber and Lyft were allowed to drive passengers after clearing the companies' background check but were then subsequently disqualified after failing background checks conducted by local law enforcement.<sup>14</sup> One of those disqualified drivers was found to have been convicted of murder, while another was a registered sex offender.<sup>15</sup>

## **Workforce**

### *Wages*

Estimates of how much TNC drivers earn vary significantly. According to Uber's Chief Economist Jonathan Hall, Uber estimates drivers in 20 of its largest U.S. markets earned an average of between \$19.04 and \$21.07 an hour between 2015 and 2017.<sup>16</sup> The Economic Policy Institute, however, calculated an Uber driver's take home pay (once fees, taxes, and related expenses were deducted) to be an average of \$9.21 an hour.<sup>17</sup> Further, the report found that Uber drivers have high turnover and, on average, work only part of the year (an average of three months) and part time (an average of 17 hours per week).<sup>18</sup>

### *Employee Classification*

TNCs consider themselves technology platforms, not transportation companies, and consider their drivers to be independent contractors, not employees. TNC drivers are not eligible for benefits and must pay self-employment tax to cover Social Security and Medicare. Additionally,

---

<sup>12</sup> <https://onlabor.org/state-tnc-and-mc-legislation-preemption-and-employment-status-of-drivers/>

<sup>13</sup> 15 U.S.C. § 1681

<sup>14</sup> <http://eugeneregisterguard.or.newsmemory.com/?publink=02a06baf6>

<sup>15</sup> *Id.*

<sup>16</sup> <https://medium.com/uber-under-the-hood/an-analysis-of-cepers-paper-on-the-economics-of-ride-hailing-1c8bfbf1081d>

<sup>17</sup> <https://www.epi.org/publication/uber-and-the-labor-market-uber-drivers-compensation-wages-and-the-scale-of-uber-and-the-gig-economy/>

<sup>18</sup> *Id.*

TNCs deduct fees and commissions from driver fares, and drivers are responsible for covering the costs of operating and maintaining their vehicles. This business model has faced backlash in some areas, most notably in California. Last month, California passed a new state law (AB 5)<sup>19</sup> allowing TNCs and other gig economy companies to classify workers as independent contractors only if the employer demonstrates they meet specific criteria.

### *Automation*

TNCs have seen a significant increase in the number of drivers over recent years. According to a report from Uber in partnership with economist Alan Krueger, there were 464,681 drivers actively partnered with Uber in December 2015,<sup>20</sup> compared to only 162,037 active Uber drivers in December 2014.<sup>21</sup> In early 2018, Uber reported there were more than 750,000 Uber drivers in the U.S.<sup>22</sup> At the same time, both Uber and Lyft are working to develop self-driving technologies, which would eliminate most if not all of these jobs. For example, Lyft has partnered with automotive tech supplier Aptiv to offer self-driving ride-hailing services in Las Vegas and has completed over 50,000 driverless rides over the course of the partnership.<sup>23</sup> Uber has been testing its own self-driving cars in Pittsburgh, PA with plans to begin testing in Dallas, TX in November 2019.<sup>24</sup>

### **Safety**

TNC operations have faced increased scrutiny in recent years over the safety of drivers and riders. According to a lawsuit filed by fourteen women who state they were raped or sexually assaulted by Lyft drivers, Lyft received as many as 100 complaints of sexual assault in California alone between 2014 and 2016.<sup>25</sup> Legislative proposals at the local, State, and Federal level have been introduced to impose greater safety regulation of ride-hailing services. Further, safety concerns regarding mistaken vehicle identification by riders have been raised.<sup>26</sup> Both Uber and Lyft have instituted changes to increase rider awareness and safety in recent years. Uber also announced in November 2018 they plan to release a safety report on data of sexual violence reported by riders and drivers sometime this year. However, data on sexual assaults and other crimes reported to Uber and Lyft is not publicly available, and there is no comprehensive source detailing the number of incidents reported to police.

---

<sup>19</sup> [https://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201920200AB5](https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201920200AB5)

<sup>20</sup> <https://www.nber.org/papers/w22843.pdf>

<sup>21</sup> [https://s3.amazonaws.com/uber-static/comms/PDF/Uber\\_Driver-Partners\\_Hall\\_Kreuger\\_2015.pdf](https://s3.amazonaws.com/uber-static/comms/PDF/Uber_Driver-Partners_Hall_Kreuger_2015.pdf)

<sup>22</sup> <https://medium.com/uber-under-the-hood/an-analysis-of-cccpr-paper-on-the-economics-of-ride-hailing-1c8bfbf1081d>

<sup>23</sup> <https://www.cnet.com/roadshow/news/lyft-aptiv-self-driving-car-50k-rides/>

<sup>24</sup> <https://www.theverge.com/2019/9/17/20870969/uber-self-driving-car-testing-dallas>

<sup>25</sup> <https://www.cbsnews.com/news/lyft-lawsuit-14-women-file-lawsuit-after-drivers-allegedly-sexually-assaulted-them/>

<sup>26</sup> <https://www.washingtonpost.com/crime-law/2019/03/31/she-thought-she-had-gotten-into-her-uber-police-say-hours-later-hunters-found-her-body/>

**WITNESS LIST**

**Member Panel**

**The Honorable Christopher H. Smith**  
Member of Congress

**The Honorable Thomas R. Suozzi**  
Member of Congress

**Panel I**

**The Honorable Karen Freeman-Wilson**  
Mayor, City of Gary, Indiana  
President, National League of Cities

**Mr. Jon W. Martz**  
Director, Government and Public Affairs  
Commute with Enterprise

**Mr. Paul Miller**  
Legislative Counsel  
The Transportation Alliance

**Mr. Larry Willis**  
President  
Transportation Trades Department, AFL-CIO

*Uber, Lyft, and Via were invited and declined the invitation.*