

ROUTE  FIFTY

The Roadmap



Stop 1: Sacramento

Uber & Lyft Plot Their Lobbying Strategy in Sacramento

The insurgent ride-booking services have been battle-tested in California. Kicking off our *Route Fifty* road trip, we check in on what's next for them in the Golden State.

BY NEAL UNGERLEIDER

Ride-booking and ride-sharing services like Uber and Lyft aren't facing their toughest legislative battles in the nation's capital. They're facing them in U.S. statehouses and city halls. And Sacramento is ground zero in an ongoing turf-war between California's insurgent for-hire transportation companies, entrenched taxi lobby and insurance interests.

Uber, Lyft and Sidecar are all based in California and state regulators in Sacramento help oversee the massive Bay Area and Los Angeles markets to boot.

"California was the birthplace of Lyft and it was the introduction of ridesharing to the market," David Mack, Lyft's Director of Public Affairs, said in a recent interview. "It has played a crucial role in defining this industry as an entirely new option for consumers which requires an entirely new form of regulation and policy."

Because Lyft, Sidecar and Uber have seen exponential growth in recent years, they've increasingly butted heads with representatives of the powerful insurance and taxicab and limousine industries—along with, sources in the ride-sharing industry have said, trial lawyers, who reportedly see an opportunity in the ambiguous insurance status surrounding ride-sharing services.

After reputed lobbying efforts by ride-sharing services, California's Department of Motor Vehicles

withdrew an agency advisory published on January 5 which would have required UberX and Lyft drivers to register their personal cars as commercial vehicles—which would cause a significant cramp to both company's business models.

In another legislative effort pushed by state Assemblyman Adrin Nazarian (who represents parts of the San Fernando Valley in suburban Los Angeles) in mid-2014, ride-booking and ride-sharing services would have been required to conduct drug tests and U.S. Department of Justice background checks on drivers.

Several months after Nazarian pushed his legislation, the district attorneys of San Francisco and Los Angeles County sued Uber in December alleging that the company misled customers on the effectiveness of their background checks.

Nazarian also sponsored another bill that was backed by a coalition of California taxicab and limousine lobbyists which would have required ride-sharing services to obtain primary commercial insurance policies similar to those used by the taxi industry, a move which was opposed by Uber and Lyft as it would lead to significant fare hikes.

Several months after that bill was proposed, Uber announced a partnership with California-based Metromile to offer insurance to UberX drivers.

Insurance remains a contentious issue between ride-booking services and the taxi industry; one of the main reasons why rides are cheaper on the upstart services such as Lyft and Uber is that they are subject to less stringent insurance requirements.

“We have insurance on our vehicles on a 24/7 basis and it is primarily commercial automobile insurance,” Bill Rouse, president of the Taxi and Paratransit Association of California, said in an interview. “We don’t deal with the overlap of personal automobile insurance and commercial insurance and coverage battles created by competing systems that Uber has been able to get past.”

Because the taxi lobby has decades of experience building relations with state legislators and agencies, ride-sharing services have been forced to step up their lobbying game quickly.

Sources in the industry said that lobbyists have been building bridges with environmental groups and lobbyists for the disabled to strengthen their hand in Sacramento. (Disability activists, however, and the corporate offices of Uber and Lyft have had a strained relationship.)

In the meantime, lobbyists representing the ride-booking and ride-sharing services—Lyft has two full-time lobbyists dedicated to the state of California—work through existing organizations like TechNet and the Internet Association.

According to John Doherty, general counsel and vice president of state policy and politics at TechNet, the rapid growth of Uber and Lyft forced his organization to get up to speed on regulatory and lobbying issues in a variety of jurisdictions extremely rapidly.

Rouse added that one advantage Lyft and Uber face versus conventional cab companies in terms of dealing with Sacramento is that ride-sharing services are only regulated by one state agency, the California Public Utilities Commission; meanwhile, cab companies are subject to varying regulations in hundreds of different municipalities.

In statehouses and in city halls—Uber suspended operations in Boise in late February following clashes with local government officials—ride-booking and ride-sharing services are engaged in a complicated dance with regulators, the taxi industry and the insurance industry.

The insurgent disruptors want to continue their massive market growth with minimal interference from regulators. The taxi industry, meanwhile, views Lyft, Uber and similar transportation services as threats to their business model. And the insurance lobby, meanwhile, has longstanding ties to taxi and limousine operators and sees a potential loss of revenue from the rise of more freewheeling ride-booking and ride-sharing companies.

In a state that fashions itself as the nation’s tech and innovation leader, what happens in Sacramento carries disproportionate influence in the other 49 states. Because Uber and Lyft have scaled so rapidly, politicians everywhere are scrambling for case studies and context to understand these strange new taxi competitors. For upstarts like Uber, taxi companies and the insurance sector, the road to understanding goes straight through California’s State Capitol. ☹

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