

Prepared Testimony of
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before the

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Good morning, Chairman Godshall, Chairman Daley and members of the House Consumer Affairs Committee. Thank you for the opportunity to testify on House Bill 1065, on behalf of the Pennsylvania Public Utility Commission (PUC).

As you know, the PUC was heavily involved in the application process for Uber and Lyft to obtain authority to operate in the Commonwealth – the two most well-known Transportation Network Companies, or TNCs, both worldwide and in our state.

Currently, three TNCs are authorized to operate in Pennsylvania – excluding Philadelphia – under PUC regulation: UberX, Lyft and Yellow Z, which is under Yellow Cab’s umbrella.

With any new technology comes new challenges, and particularly with TNCs, it was a bit of a “bumpy ride” to come to an appropriate set of conditions warranting approval of these services to operate under two-year, experimental certificates. Today, we are here to discuss legislation that would build on what we have learned and to carve out a permanent place for TNCs in our state.

We are pleased to have come to an interim solution to welcome TNCs into Pennsylvania. There is no doubt that these innovative services are convenient, and they foster further competition in the passenger-carrier industry, beyond traditional taxi service.

But we need to ensure passenger safety, driver integrity and vehicle safety – while supporting competition and economic development in the industry. This has been the PUC’s priority since early last year, when TNCs first launched in the Pittsburgh area.

We have maintained since that time that new legislation for TNCs is essential in order to streamline this approval process and to certificate transportation network services in a faster, more accommodating way for all parties. We continue to stress the deadline of summer 2016 for legislation to be passed, at which time the first of the three current two-year certificates will expire.

House Bill 1065

House Bill 1065, Representative Killion’s bill, is one of several TNC-related bills currently being reviewed. As presented, it aims to establish legislative definitions of TNCs, a category called “Taxi TNCs” and amendments to traditional taxi regulation. The bill details oversight of safety and insurance matters, as well as application procedures and fitness requirements.

The Commission was on the record last session in support of Senator Fontana’s legislation, and since then, we have been assisting multiple lawmakers in drafting TNC bills. While the Commission agrees with Representative Killion’s House Bill 1065, our position is that we oppose it unless amended.

My forthcoming comments only apply to provisions related to the Public Utility Code, and not to matters involving TNC authority in Philadelphia. The Philadelphia Parking Authority has sole jurisdiction over motor carriers in Philadelphia city limits, and we respect the authority of the General Assembly on this topic.

In essence, we believe the bill confuses treatment of TNCs, inaccurately identifies a “Taxi TNC” category, unnecessarily details Chapter 24 (Taxi and Limousine Services) and requires clarification in several other areas.

Taxi TNCs

Regarding Chapter 24A – on Taxi TNCs – the Commission finds no need for this section in the legislation, because taxi companies already have the ability to apply for and receive TNC authority.

Additionally, the insurance requirements listed are somewhat confusing; legislation must be crystal-clear, indicating that a TNC is required to have primary coverage, as evidenced by a Form E

certificate to be filed by the insurance carrier. A coverage combination does NOT alleviate a TNC from this responsibility, and claims should be made on the TNC's insurer. We stress that should an incident occur, an injured claimant is **not** responsible to resolve it – it is the responsibility of the TNC to resolve such an issue.

The subject of assessments should also be clarified. We find Chapter 24A unclear and problematic in that it seems to prohibit the Commission from recovering the costs of regulating a TNC that also holds other common carrier authority. So, as written, the bill would exempt from assessment any intrastate revenue associated with Taxi-TNC service. This would put the burden on other carriers, who would be forced to subsidize the Taxi-TNC industry for the Commission's oversight costs.

Again, we feel that the section on Taxi TNCs should be removed altogether – while also clarifying that taxi companies that also offer TNC service are still subject to assessment for each type of service.

We feel strongly that like entities should be treated the same. (In fact, we are in the process of implementing Act 155 of 2014, which amends several chapters of the Public Utility Code to include electric generation suppliers and natural gas suppliers in Commission assessments, for the costs incurred through oversight of these entities.)

Assessing TNCs – and “Taxi TNCs” – allows us to fund our regulatory costs. It also allows us to support consumer education statewide and to accept complaints from consumers if they have a bad experience with a service, pursuing investigations where necessary.

Additionally, we noted that Chapter 24A applies to taxi companies that also want to provide TNC service – but Chapter 26 seems to be a catch-all for TNCs, as well. Because of this, we do not see a need for Chapter 24A.

This is our chance to create legislation that is straightforward, clear and succinct, leaving no room for interpretation or loopholes.

Taxi and Limousine

We also have comments on Chapter 24, regarding traditional taxi and limousine services. Primarily, we believe its exhaustive coverage of the two industries is unnecessary, as they are already addressed by Commission regulation.

Not only does this chapter reiterate many of our current regulations governing these industries, but it also eliminates our flexibility to respond to changing industry conditions and issues. It removes the PUC's ability to regulate rates, which is often seen as an important consumer protection. The legislature may determine this is sound policy, but be mindful that the PUC would no longer be able to resolve customer complaints related to fares. The legislation should specify fundamental parameters for industry regulation but should leave the granular details of transportation regulation to the Commission's discretion and expertise, subject to regulatory and judicial review.

Additionally, we note that we support the elimination of the "public need" requirement for new taxi and TNC applicants. We recently removed this requirement in the household goods industry, and we are looking to change it across the motor carrier industry.

Turning to limousines, the Commission takes issue with the proposed tariff structure – to be based on time, distance or both. We believe that limousine service is properly charged based on time, currently – an element that differentiates it from enhanced taxi service. Limousine rides are about both the experience and getting from Point A to Point B.

There are a few other areas of confusion in Section 2407, *Operation of leased taxi and limousine*

equipment, as drafted in this bill. The vehicle sizes referenced are inconsistent with vehicle sizes of taxis and limousines. Also, insurance requirements appear in this section, but some are not applicable to taxis and limousines and appear only to apply to leased – not owned – vehicles.

The bill also proposes to mandate the filing of vehicle lists with the Commission. We recently removed this requirement after deeming it unnecessary and burdensome to motor carriers.

We are not against modernizing taxi regulations – in fact, they are currently under review at the Commission. We are in a new era, and we are working with a rapidly changing industry. It is our job to make sure we continue to carefully balance the needs of consumers and utilities alike. It is also our responsibility to ensure taxis are not held to a higher standard than TNCs on any level – in terms of insurance, safety or driver integrity.

While we appreciate the use of our regulations in drafting this bill, it is essential for the Commission to have the flexibility to make regulation changes, subject to public comment and regulatory review, on an ongoing basis in order to respond to competitive market changes. However, because of the Commission’s general authority, we do emphasize the need for TNC legislation to establish the necessary framework to regulate this new and innovative service.

Again, we stress the importance of passing clear and distinct legislation for this new service within the transportation industry. We also remind the legislature that we are under a deadline – legislation must be passed before the two-year experimental authority expires for Yellow Z, Uber and Lyft – coming up in July 2016, January 2017 and February 2017, respectively.

Conclusion

The merits of House Bill 1065 are generally aligned with those of the Commission. However, we see a need for clarification, and even elimination, of some portions. We thank Representative Killion

for his work on this bill, and we appreciate the opportunity to present the Commission's position before the House Consumer Affairs Committee.

We are encouraged by the introduction of several TNC bills by lawmakers in our state, and we are confident that legislation can be passed in time to offer a seamless transition for TNCs and consumers alike. But the clock is ticking.

We will continue to work with lawmakers to reach a legislative solution for TNCs in the Commonwealth, and we look forward to continuing to foster innovation in the transportation industry.

On behalf of the Commission, thank you.