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**STATEMENT OF THE
NATIONAL LIMOUSINE ASSOCIATION
RELATING TO TRANSPORTATION NETWORK COMPANIES**

EXECUTIVE SUMMARY:

The National Limousine Association (NLA) believes that the underlying purposes for regulating the passenger transportation industry should be applied in the public interests to all operators of passenger transportation. This includes Transportation Network Companies (TNCs).

The public and regulatory interaction with TNCs continues to suffer from misperceptions that affect the safety of the public, the consumer rights of the passengers, the fair treatment of TNC drivers, and the fair application of laws towards bona fide operators of passenger transportation.

Some TNCs have elected not to uphold the same duties as bona fide passenger transportation operators on the grounds that they are merely providing a web-based application that introduces drivers and passengers. Since the facts belie this assertion, the NLA is opposed to treating TNCs as if they are outside of the traditional passenger transportation industry and thus exempt from having to comply with legal and insurance requirements that are designed to protect passengers and the public.

The National Limousine Association (NLA) has carefully examined the burgeoning segment collectively referred to as Transportation Network Companies (TNCs) and has adopted the following position.

1. Scope. TNCs are diverse as to the extent to which they self-regulate or implement requirements upon their drivers. For the purpose of this statement, the NLA defines a TNC as an organization that provides for-hire on-demand or pre-arranged passenger transportation services using an online-enabled software application (app) to connect drivers. Some TNCs are networks that connect passengers to drivers that are operating their own personal vehicles.

In order to qualify as a driver, some TNCs require that an applicant attest that he has obtained the necessary operator's license and auto insurance; the TNC does not independently verify this. Some TNCs permit drivers to participate in the network with a personal operator's license and personal auto insurance rather than commercial auto insurance. Some TNCs do not obtain the necessary authorities to operate at airports, as a taxi, or as chauffeured transportation.

Our position relating to TNCs as set forth in this Statement strictly concerns those TNCs that:

- a. dispatch passenger transportation assignments to drivers that use their own personal vehicles or that use the vehicle of an employer beyond the scope authorized by that employer;
- b. do not independently verify the validity and currency of an applicant's operator's license and auto insurance;
- c. do not require commercial auto insurance by the driver; and
- d. do not obtain the necessary authorities to operate at airports, as a taxi, or as chauffeured transportation.

2. Insurance. The NLA observes that critical members of the TNC industry continue to experience a shortfall in maintaining adequate insurance.

Here is one example of the level of coverage required for a bona fide chauffeured transportation operator: In California, the Public Utilities Commission requires every carrier of passengers to carry \$750,000 per vehicle in insurance coverage for payments against personal bodily injuries, and damage to property. This is the minimum level of coverage, applying to vehicles with a seating capacity of seven passengers or less; the requirement goes as high as \$5,000,000 for an operator that has any vehicle in its fleet with a seating capacity of 16 passengers or more,

The NLA notes that there is considerable state by state variation in commercial insurance requirements; but regardless of state law, bona fide passenger carriers are required to carry appropriate insurance for the protection of passengers and third parties.

Because of this requirement, a member of the public that brings a claim will be able to access resources that will provide restitution.

By contrast, some TNCs expressly permit individuals to perform commercial transportation on behalf of the TNC with only personal liability or automobile insurance.

a. Personal Auto Insurance Carriers May Not Cover A Claim For A For-Hire Transportation Event. Personal auto insurance is for personal use and is not, as a product, designed to cover commercial usage. While there is a business use exception that permits an employee to use his own vehicle for business use while enjoying coverage, this does not apply to vehicles that are themselves the business. Personal auto insurance will most likely not cover a vehicle that is used to carry passengers for a fee.

There is therefore a substantial risk that, in an event that leads to a claim, an insurance carrier will deny coverage on a personal auto insurance policy. The informal opinion of the National Association of Insurance Commissioners (NAIC) is that, if a vehicle engaged in the for-hire transportation of passengers was involved in an accident while carrying only personal auto insurance, there is a high probability that the carrier would deny coverage, drop coverage, or both in turn. In one well-reported instance, a TNC-dispatched driver crashed into another vehicle, and the TNC passengers suffered serious injuries to their heads, necks, and backs. The TNC-dispatched driver's insurance company responded that it would not cover the accident because his personal auto policy did not cover his commercial passenger transportation trips. The TNC then denied coverage, stating that their damages were the driver's responsibility. The passengers have had to file suit against the TNC.

In that same informal opinion, the NAIC suggested that a for-hire vehicle is operating outside of the scope of personal auto coverage the moment that a driver's TNC app is turned on. Thus, even when the driver is not actually hauling a passenger, he is acting in a commercial manner due to the fact that his TNC app is activated, thereby signaling his availability to be dispatched.

b. Passengers and State and Local Governments May End Up Subsidizing This Shortfall In Commercial Insurance Coverage. The victim of a TNC-dispatched driver's negligence then becomes a substantial expense to the state. State funds, the NLA notes, are not unlimited. But such as they are, they are funded in part by the taxes dutifully paid by bona fide passenger carriers.

One party that does not appear to experience much liability for the negligence of a TNC-dispatched driver is the TNC itself. In several cases, TNCs have disavowed liability on the pretense that the TNC is merely a software app and not the passenger carrier. While TNCs do carry secondary insurance, the NLA is not aware of a single claim that this insurance carrier has approved, much less paid.

Also, there is a substantial gap in coverage that may leave some victims unrecompensed by the party at fault. If a TNC-dispatched vehicle incurs liability while driving his own vehicle, and does not have commercial auto insurance, then on that basis, a member of the public may be injured without the access to proper restitution from the TNC or driver.

Since TNCs have already denied responsibility on the basis that the driver is independent and does not work for the TNC, it therefore stands to follow that the driver, acting independently is working directly for the passenger. The NLA is concerned that an innocent victim could bring claims against the passenger(s) of the TNC-dispatched vehicle, having no proper redress from the driver. In fact, such suits are already becoming a fact of life. In *Lawrence v. Uber Technologies, Inc.*, for example, a bicyclist was struck by a car door operated by a TNC-dispatched driver. The bicyclist filed suit against the TNC, the owner of the vehicle, and the passenger.

We therefore additionally question whether the passenger that steps into an under-insured vehicle fully understands that he may have adopted the liabilities that the driver, his personal auto insurance carrier, and the TNC have abandoned.

3. Safety. The bona fide passenger transportation industry has historically been held to a duty of care. This duty of care requires a person to adhere to a standard of reasonable care while performing any act that might foreseeably cause harm to others if handled negligently. Unlike the bona fide passenger transportation industry, some TNCs attempt to suggest that the duty of care does not apply to them.

While many TNCs profess that they conduct a criminal background check, many do not independently verify the driver's attestation relating to the currency of his operator's license or the sufficiency of his auto insurance. In San Francisco, a TNC driver allegedly punched a pedestrian. A pedestrian child was struck and killed by a TNC driver in San Francisco. Another pedestrian was struck with an injury to her leg – in which story the TNC and the driver's auto insurance denied responsibility. News agencies have published stories of passengers alleging that they have been physically or sexually assaulted by TNC drivers the metropolitan areas of Seattle, Los Angeles, Washington, D.C., and Boston among perhaps others.

Concededly, these unfortunate events could have happened at bona fide transportation entities. However, the NLA believes that the incidences described here are in higher proportion in TNCs than in regulated transportation industries such as taxi and chauffeured transportation. The NLA further believes that these events could have been avoided if TNCs faced the same regulations as other regulated transportation industries.

But perhaps most importantly, unlike bona fide passenger transportation operators, the TNCs do not accept responsibility for the conduct of their drivers on the pretense that the TNC is merely providing an app, not the car and driver.

4. False Advertising. The NLA believes that the majority of the passenger public are misled or kept unaware of critical facts that would otherwise affect their consumer behavior. First, most passengers that summon a TNC-dispatched vehicle probably believe that the TNC is the carrier. Second, most passengers either believe that the driver has proper commercial auto insurance or that the TNC has proper commercial auto insurance. In fact, as discussed above, this is not likely to be the case. Most passengers probably do not believe that they may enjoy personal risk exposure when hiring an under-insured commercial driver.

Most passengers are probably also unaware that the tip or gratuity that TNCs charge does not necessarily make its way in full to the driver. This has been the subject of several enforcement actions by states' attorneys general, including New York. Bona fide chauffeured transportation operators disburse the entire gratuity or tip to the driver or else clearly inform the passenger as to the portion of a gratuity or tip that is being retained as a service charge.

One prominent TNC advertises cars that work through its app as its "fleet." *O'Connor v. Uber Technologies, Inc., et al.* If it is not true that these cars and drivers are under the TNC's control, then the TNC is deliberately perpetuating the perception that the cars and the drivers are under the direct control of that TNC. However, if, as NLA suspects, it is true that the car and the driver fall within the TNC's "fleet," then this constitutes additional evidence that the relationship between the TNC and driver are not independent, but, more properly, employer and employee.

5. Independent contractors. Some TNCs believe that they are neither engaging an employee nor an independent contractor.

The NLA is well aware that this is incorrect. TNC's direct drivers in how to perform their work, including where to go, when to get there, and where to deliver a passenger. TNC's direct the driver as to how much to charge. The driver does not have any independence on these matters.

In addition, TNC's collect payment from the customer and remit payment to the driver. Some TNCs provide financing or financing insurance for a driver's acquisition of a car.

The jurisprudence on independent contractors is well established. On the basis of the foregoing facts, these TNCs are enjoying the benefits of employing the TNC-dispatched drivers, without the responsibility of employment taxes or unemployment insurance payments.

a. Tax implications. As a consequence, these TNCs do not withhold state or federal income tax. The states incur costs for passenger transportation, including maintenance of bridges and roads, police enforcement of safety laws, and administrative costs associated with regulatory industries like taxis and bona fide chauffeured transportation. These costs are borne in part by the taxes paid by bona fide chauffeured transportation operators.

b. Unemployment insurance. In addition, unemployment is a social burden that affects local, state, and federal government. For this reason, bona fide employers are expected to maintain unemployment insurance premiums through their state unemployment insurance commission. Some TNCs do not maintain any unemployment insurance on the grounds that drivers are merely using the TNC's software app, the driver is not working for the TNC as an employee or independent contractor.

c. Workers compensation. In addition, and perhaps most critically, these drivers do not benefit from workers compensation coverage, another critical social net that was designed to protect employees and society from the problems associated with destitution.

d. Overtime. The courts and the U.S. Department of Labor have concluded that dispatchers that accept payments from passengers, deduct from payments for administrative costs, and that gave assignments regularly to drivers are employers. A suit is currently pending before the federal court in the Northern District of California, see *O'Connor v. Uber Technologies, Inc., et al.*

6. Numerous Jurisdictions Have Interceded With TNCs. NLA's position on this issue is shared by a significant number of pro-active jurisdictions. To NLA's knowledge, cease and desist orders or regulatory action has been issued or considered at one time or another by the Cities of Austin, Dallas, Minneapolis, Philadelphia, San Francisco, Los Angeles, Chicago, Cambridge, Detroit, and Seattle; the District of Columbia; the Commonwealth of Virginia; and the States of Maryland, Michigan, New York among perhaps others. While this list continues to change, at the time of this writing the sheer numerosity of jurisdictions that have, in some way, expressed concerns about the conduct of some TNCs demonstrates the significance of the current problem.

7. NLA's Position. Bona fide passenger carriers adhere to a duty of care towards passengers and the public. NLA believes that the common law principle of a duty of care, along with regulatory and insurance requirements, should be applied to TNCs as well in order to further the interests of passengers, drivers, and the public.

NLA believes that local, state, and federal government enforcement agencies should take the necessary measures to enforce existing rules and that local state and federal lawmakers should promulgate the necessary laws to protect the public against TNCs that: a.) do not require their drivers to maintain the operating authorities that are required of taxis or chauffeured transportation; b.) do not require their drivers to maintain the proper commercial auto insurance that is required of all other passenger transportation; c.) do not themselves maintain the necessary commercial auto transportation required of other forms of commercial passenger transportation; and d.) attempt to deny liability for the actions of their drivers which they have clearly directed and profited from on the pretense that they are not responsible for the acts or omissions of their drivers.

Respectfully,



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