

## **Special Committee on Taxis, For-Hire and Limousine Regulations Background for Discussion of Potential Regulatory Options**

### **I. Regulatory environment**

**City** – As provided by State statute, Seattle has broad authority to regulate those who accept compensation in exchange for rides within the City limits. The City has thus established regulations for Taxis and For-Hire Vehicles (FHVs), and limits the number of FHV and Taxi vehicle licenses. However, the City does not have authority over Limo regulations. The City recently established an agreement that allows City staff to enforce the existing State rules and regulations on Limos, but the City does not control the actual rules. As a practical matter, the City has taken over vehicle inspection, but neither the State nor the City via the State has been provided the resources to engage in significant street enforcement.

**County** – As provided by State statute, King County has broad authority to regulate those who accept compensation in exchange for rides within the County limits (but outside the city). The County has used this authority, in coordination the City, to establish rules and regulations for the Taxis and FHVs operating in the County. The County limits the number of Taxi licenses, but not those for FHVs. The County also lacks authority over Limos.

**State** – The State maintains authority to establish rules and regulations for Limos. As noted above, the State has reached a limited agreement with the City to help enforce these rules. Currently, the State has no restriction on the number of Limo licenses.

**Port of Seattle** – The Port does not directly regulate any services but controls which providers can pick up passengers at SeaTac. This authority is granted by the State.

### **II. Policy issues to be considered as part of any new regulatory approach**

**Safety** – The basic safety of passengers, drivers and the broader public who share the streets with the various service providers is of a paramount concern.

**Transparency** – From the perspective of basic consumer protection, it is important that those seeking ride services understand the costs of the services they are purchasing.

**Quality** – Whether it is through regulation or competition, there needs to be some direct or indirect means to ensure that quality services will be available in the market.

**Access to services** – There is collective public interest in ensuring that taxi and/or taxi-like services are available throughout the city and available to users of differing means, not just in select neighborhoods or to those with high incomes.

**Economics** – A market for services will not exist if service providers cannot earn an income or if customers cannot afford the services offered.

### **III. Key observations about the market that inform the options presented below**

- Technology is transforming the market for taxi and taxi-like services, erasing the traditional distinction between on-demand (hailed) and pre-arranged, dispatched services. Technology is offering new ways to provide transparency about fares, service quality and safety. This transformation is likely to continue and do so in unpredictable ways.
- The public is receptive to new types of services, both the new Limo services (Uber) and the rideshare services (Lyft, Sidecar, UberX). The new services are capturing a growing share of what had been the traditional Taxi/FHV market and also appear to be growing the overall market for taxi-like services.
- Taxis still provide the largest share of services and are particularly important for certain market segments – including tourists, low-income customers without access to smart phones and/or credit cards and disabled individuals.
- There is significant confusion among many customers between Taxis and FHV's; the similar visual appearance of the two vehicle types aggravates this confusion.
- Due to the State's role in regulating Limos and the lack of a cap on Limo licenses, there is effectively no quantity constraint in the supply for dispatched, pre-arranged ride services in Seattle. When combined with the way technology is eliminating the distinction between on-demand (hailed) and pre-arranged services, this implies that the City does not have meaningful control on the number of vehicles competing for taxi and taxi-like services.
- The supply of traditional taxi services in Seattle has a fractured, decentralized structure – individual vehicle licenses are controlled by separate owners who operate together only through the loose ties of the Taxi Associations. This decentralized ownership structure and the inherent independence of the individual drivers have contributed to significant issues regarding service quality.
- The large number of individuals willing to work as drivers continues to put downward pressure on industry wages. Within the taxi portion of the market, lease caps provide some relief, but enforcement is difficult as side payments are hard to police. As the number of service providers (Taxis, FHV's, Limos, Rideshares?) expand, there may be additional opportunities for drivers, but increased competition among drivers will likely limit wages. Without a restriction on the number of FHV driver's licenses, the large supply of drivers is likely to constrain wages. That said, there may be an opportunity for drivers offering higher quality services to earn additional income with companies offering differentiated services (e.g., Limos).

## IV. Summary of Options

*See attached matrix.*

Note that for all options, Council should consider building in a review by FAS of market conditions and regulatory effectiveness after a period of say two years. Given the dynamic nature of the market for taxi and taxi-like services, such a review will provide a valuable “check in”.

## V. Other Possible Regulatory Actions/Structures

A number of stakeholders have suggested additional steps to regulate the market. Some of these are immediately feasible, others would require changes in State code. These include:

- Completely eliminate FHV classification to ease enforcement.  
*(Option 3’s FHV conversions could fulfill this in large part.)*
- Permit Taxis to use “virtual meters” and to provide pre-arranged rides at flat rates.  
*(Metering technology is limited by existing State code and national certifications, but the City does control the rate structures available for Taxis.)*
- Define pre-arranged services to be requested at least 30 minutes in advance.  
*(City could do this for FHV’s, Taxis and Rideshares, but not for Limos.)*
- Regulate dispatch services to promote better service to all parts of the City and to allow encourage use of new technologies to improve efficiency and effectiveness.  
*(City can do this for Taxi, FHV’s and Rideshares, but drivers are independent so control over the dispatch relationship may have some limitations. City could also lobby for authority from State to regulate Limo dispatch, but does not have that authority now.)*
- Move to a model of granting “medallions” rather than Taxi and FHV licenses, and move to consolidate City- and County-only licenses into single regional licenses (while imposing tighter regulations on Limos and prohibiting new Rideshare Entrants). Medallions provide a clear property right to the holder, easing the transfer of licenses and the ability to secure financing for the purchase of a license.  
*(Might require a change in State law and could limit future regulatory power of City over licensee.)*

## **VI. Possible Near-term Regulatory Actions with respect to Rideshare Services**

### **1. Move immediately to enforce existing rules regarding license and vehicle requirements.**

- This would force services to cease operations.
- Might first focus regulatory efforts on parent company, but could require actions against individual drivers.
- Violation of FHV vehicle license and driver's license requirements constitute criminal misdemeanors for Rideshare drivers.
- Might take a matter of weeks to implement.

### **2. Move expeditiously to adopt legislation establishing minimal operating requirements for Rideshare Services.**

- Legislation could include the following provisions:
  - *Require driver screening per City specifications and subject to City verification.*
  - *Require that all Rideshare drivers secure a FHV driver's license by a date certain (perhaps give them 60 days to allow opportunity to attend required training class).*
  - *Require vehicle inspections per City specifications.*
  - *Require a zero-tolerance policy on drugs and alcohol.*
  - *Require insurance that covers all liability associated with vehicle operations any time vehicle is "lit up" on the network and available to provide a ride or actually transporting passengers.*
  - *Ensure that passengers are provided appropriate transparency in terms of rates to be charged.*
  - *Provisions for the centralized storage of lost personal items.*
  - *Assessment of fees to cover the cost of regulating the Rideshare companies for compliance with these requirements.*
- Legislation could be available for referral in approximately 4 Weeks. The legislation would provide a temporary regulatory framework while the full regulatory structure for Rideshares is developed, per the direction provided by the Committee.
- There could be an opportunity to coordinate with the County on development of this legislation.