

Date of Hearing: April 27, 2015

**ASSEMBLY COMMITTEE ON TRANSPORTATION**

Jim Frazier, Chair

AB 1422 (Cooper) – As Amended April 22, 2015

**SUBJECT:** Transportation network companies

**SUMMARY:** Requires a transportation network company (TNC) to participate in the Department of Motor Vehicle's (DMV) employer pull-notice system (EPN).

**EXISTING LAW:**

- 1) Establishes the "Passenger Charter-Party Carriers Act," which directs the California Public Utilities Commission (PUC) to issue permits or certificates to charter-party carrier of passengers (CPCs), investigate complaints against carriers, and cancel, revoke, or suspend permits and certificates for specific violations.
- 2) Defines CPCs as every person engaged in the transportation of persons by motor vehicle for compensation, whether in common or contract carriage, over any public highway in the state.
- 3) Defines transportation network company as an organization, including, but not limited to, a corporation, limited liability company, partnership, sole proprietor, or any entity operating in California that provides prearranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using a personal vehicle.
- 4) At the regulatory level, establishes TNCs as a category of CPCs.
- 5) Establishes the EPN system administered by the DMV that provides the employer of a driver who drives a specified type of vehicle with a report showing the driver's current public record and any subsequent convictions, driver's license revocations, failures to appear, accidents, driver's license suspensions, driver's license revocations, or any other actions taken against the driving privilege.
- 6) Requires employers of drivers of specified vehicles such as commercial truck drivers, school buses, farm labor vehicles, tow trucks, youth buses, paratransit vehicles, ambulances, vehicles that transport hazardous materials, to show EPN reports, during regular business hours, upon the request of the California Highway Patrol.
- 7) Requires employers of drivers of certain vehicles as described above to obtain EPN reports from DMV at least every 12 months, as specified.

**FISCAL EFFECT:** Unknown

**COMMENTS:** Approximately five years ago, a new model of transportation service began to take place in cities across the United States. Known as TNCs, these companies allow patrons to prearrange transportation services through an online application on their smartphone or computer. Patrons request a ride to a predetermined location, and the application connects them

with a TNC driver. Payment is processed through the application so that no physical financial transaction occurs during the trip itself between the patron and the driver. Under this model drivers are considered independent contractors and TNCs take a commission on each trip.

In a September 2013 decision, PUC began regulating TNCs by creating a distinct new category of CPCs. PUC tailored specific new rules in response to the introduction of this new technology into an existing industry. The decision requires TNCs to obtain a permit from the PUC, conduct criminal background checks on drivers, check driver's records, establish a driver training program, implement a zero-tolerance policy on drugs and alcohol, conduct vehicle inspections, and obtain authorization from airports before conducting any operations on or into airport property. PUC is currently in the process of rolling out the second phase of the September 2013 decision which will include an evaluation of the original set of regulations and also consider any modifications to existing regulations relative to other CPC categories.

This bill would require TNCs to participate in DMV's EPN system. DMV's EPN was established as a voluntary program in 1983 to provide employers and regulatory agencies with a means of providing driver safety through the ongoing review of driver records. By 1998, the EPN system had expanded to require participation by most commercial drivers, including drivers transporting property, passengers, and household goods. The current EPN system is designed to automatically generate a report of a driver's record and electronically send the report to the employer under specific circumstances including: upon enrollment of a driver, annually from the date of employment, or whenever a driver commits certain moving violations (e.g. accidents, driving under the influence, suspended driver's license). Presently, approximately 1.6 million commercial drivers are enrolled in the EPN system and while specific types of CPC drivers are currently required to be enrolled in EPN, due to their status as independent contractors, TNC drivers are not subject to the same requirement.

AB 1422 will provide the necessary clarifications to require TNCs to enroll their drivers into the EPN system. The author notes that AB 1422 "promotes driver and public safety by authorizing TNCs to participate in the DMV pull notice program and helps improve the safety of passengers utilizing these transportation services."

*Double-referred:* This bill passed out of the Assembly Utilities and Commerce Committee on April 20, 2015, with a 14-0 vote.

*Related legislation:* AB 24 (Nazarian) requires CPCs and TNCs to participate in EPN and requires TNCs to submit their drivers to mandatory drug and alcohol testing. AB 24 passed out of the Assembly Utilities and Commerce Committee on April 20, 2015 with an 8-2 vote and is scheduled to be heard by this committee on April 27, 2015.

AB 828 (Low) excludes from the definition of "commercial vehicle," any motor vehicle operated in connection with a TNC. AB 828 is scheduled to be heard by this committee on April 27, 2015.

*Previous legislation:* AB 612 (Nazarian) of 2014, required CPCs, including TNCs, to participate in DMV's EPN and submit all drivers to a Department of Justice criminal background check. AB 612 was held in this committee.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Riverside Sheriffs' Association  
Uber Technologies Inc.

**Opposition**

None on file

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