



Uber and Lyft Suspend Service in Austin, Texas

Insights

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Uber and Lyft – the country’s two largest ride sharing companies – announced yesterday they have suspended services in Austin, Texas, after voters defeated a ballot measure which would have overturned an ordinance requiring fingerprint-based criminal background checks for drivers performing services for any “transportation network company” (a “TNC”).

The ordinance at issue was passed in December of 2015. It defines a TNC as “an organization...which provides on-demand transportation services for compensation using an online-enabled application or platform to connect passengers with drivers.” The ordinance requires, among other measures, that a TNC record and report data relating to trips, pricing, and receipts generated; that drivers display an emblem identifying the TNC with which they are affiliated; and that drivers undergo a fingerprint-based criminal background check to be eligible to drive for a TNC. After a graduated period of time, TNCs must establish that 99% of the total hours or miles driven on their behalf are driven by individuals who have passed a fingerprint-based criminal background check. On May 7, Austin voters rejected a ballot measure which would have overturned the ordinance.

Almost immediately thereafter, Uber and Lyft announced they were pulling out of the Austin market. A spokesperson for Uber commented that fingerprint checks can take up to four months to return – a difficult business impediment for a company reliant upon quick onboarding of new drivers. Echoing that sentiment, a Lyft spokesperson commented that Lyft “[doesn’t] operate our peer-to-peer service in any market where mandatory fingerprinting requirements exist.” Uber also expressed its concern that the fingerprinting regulation would disproportionately impact drivers from minority communities.

The City of Austin’s actions highlight a trend toward increased government regulation of peer-to-peer business platforms, particularly in the ride-share sector. For example, the California Public Utilities Commission, which regulates TNCs like Uber and Lyft, has indicated it will revisit the fingerprint check issue in the coming months. The State of Missouri is currently debating whether to make fingerprint background checks mandatory for TNCs. In 2015, Broward County, Florida enacted an ordinance requiring vehicle mechanical inspections and national and state background checks, including fingerprinting, for all hired-vehicle drivers (the ordinance was later gutted after Uber discontinued service in Broward County). And both San Antonio and Houston, Texas have taken highly-publicized action to increase regulations on TNCs.

Related People



Philip J. Azzara
Partner
949.798.2167
Email