

## **ORDINANCE NO.**

**AN ORDINANCE DEFINING TRANSPORTATION NETWORK COMPANIES (TNCs) AND DIRECTING THE CITY MANAGER TO ENTER INTO AGREEMENTS WITH TNCs TO ALLOW THEIR OPERATION; CREATING A PENALTY; AND AMENDING CITY CODE CHAPTER 13-2 TO INCREASE CERTAIN PENALTIES.**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

### **PART 1. FINDINGS.**

- (A) Many Austinites prefer or rely on modes of transportation other than their own private vehicle, including those who are not able to drive a car, those who choose not to own a car, and those who have been drinking and should not be behind the wheel.
- (B) More and better transportation alternatives are a priority for many Austinites and are prioritized in the Imagine Austin Comprehensive Plan.
- (C) Particularly at times of peak demand, such as weekend nights and during festivals and special events, many Austinites do not have realistic alternatives to driving a personal vehicle.
- (D) Austin is in the midst of a drunken driving epidemic, with over 6,000 DWIs occurring in 2013 alone, fed in part by revelers' lack of transportation options late at night.
- (E) Taxicab service in Austin is not consistently meeting the demand for a variety of reasons, including inefficiencies of the owner-operator system of our taxi franchises which prevent cabs from being directed to drive at certain times or places, having three individual dispatch systems, and having times of extreme peaks in demand for these services.
- (F) Austin is not unique in the level of regulatory burden that it places on its taxicab drivers and franchises.
- (G) Transportation Network Companies (TNCs) are a recent innovation in transportation services that use an online-enabled application (app) or platform to connect passengers with drivers.

- (H) Through smartphone technology, TNCs are able to be more responsive to meeting the needs of specific passengers, particularly with regard to wait time, and can also be more responsive overall to fluctuations in demand.
- (I) TNCs, like any for-hire transportation alternative, must be regulated to protect the safety of their drivers, riders, and the general public.
- (J) TNCs do not currently fit into the conventional transportation regulatory framework and are operating outside of the regulatory framework in many U.S. cities, including Austin.
- (K) There are unanswered questions about how TNCs can meet the needs of those with disabilities who require specific vehicle types in order to be transported.
- (L) The Austin City Council approved Resolution No. 20130307-67 directing the City Manager to explore ridesharing regulations in peer cities, including insurance requirements, background checks, and cost-sharing parameters.
- (M) Staff responded to Resolution No. 20130307-67 with a memo dated May 31, 2013 which described that no peer cities were allowing ridesharing for compensation.
- (N) On June 6, 2013 Council discussed clarifying the definition of ridesharing to exclude instances in which the compensation was higher than the federally determined \$.56/mile with further direction to staff to explore a pilot for ridesharing where the driver could be compensated, as well as insurance requirements and regulations to protect the safety of users.
- (O) Staff issued memos on June 19 and August 21, 2013 outlining a series of concerns over a pilot program allowing ridesharing with compensation to exist in Austin.
- (P) On August 22, 2013, the Council passed a revised definition of ridesharing definitively disallowing ridesharing in which the compensation exceeds \$.56/mile in Austin.
- (Q) On November 20, 2013 the Urban Transportation Commission created a TNC Subcommittee to examine and make recommendations on allowing TNCs to legally operate in Austin and that subcommittee began meeting in January, 2014.
- (R) Council passed Resolution No. 20140515-24 directing the City Manager to convene a stakeholder group to make recommendations on a pilot program for TNCs.

- (S) The stakeholder group has been meeting regularly, although without the input of the public.
- (T) Some members of the stakeholder group have expressed concerns about the information that the stakeholder group is receiving, the way that input is being handled within the stakeholder group, and over the composition of the stakeholder group.
- (U) Two well-known TNCs have since begun operating outside of the regulatory framework in Austin and are allegedly carrying thousands of riders each week without oversight or regulation and without sharing any of the information that could be helpful to the City in understanding where the gaps are in our current transportation network, and how this new transportation mode relates to the existing modes.
- (V) The primary safety regulations needed to protect the safety of the public, namely insurance requirements and driver background checks, are generally agreed upon by stakeholders working on this topic and are in accordance with those TNCs that are operating in Austin currently.
- (W) There are still a variety of components of TNC regulation that must be determined, including, but not limited to compliance with the Americans with Disabilities Act.
- (X) The City of Austin is currently expending precious police resources by citing and impounding the vehicles of TNC drivers, taking resources away from such initiatives as arresting those who are driving while impaired.
- (Y) Some cities and states, such as Detroit and Virginia, have taken the approach of signing agreements with TNCs who meet certain safety criteria while they evaluate their transportation codes to determine permanent changes needed to regulate them.

## **PART 2. DEFINITION.**

A Transportation Network Company (TNC) is defined as an organization whether a corporation, partnership, sole proprietor, or other form, that provides on-demand transportation services for compensation using an online-enabled application (app) or platform to connect passengers with drivers.

## **PART 3. TNC OPERATION.**

- (A) A TNC may operate in accordance with the process set forth in this ordinance.
- (B) A TNC must enter into an agreement with the City that includes the following provisions:

- (1) A TNC must provide primary commercial automobile liability insurance coverage with a minimum combined single limit of \$1 million for each occurrence of bodily injury and property damage for accidents involving TNC vehicles in transit, beginning with the time that the TNC driver accepts a trip request on the TNC's digital network, or during the accepted trip, and ending when the rider departs the vehicle, naming the City of Austin as an additional insured. The policy shall be accompanied by a commitment from the insurer that such policy will not be cancelled or coverage reduced without at least 30 days' notice.
- (2) During the time period beginning when a TNC driver has logged into a TNC's digital network and indicated that they are available to receive requests for transportation and until such time when the TNC driver accepts a request for transportation through the TNC's digital network, insurance coverage must be provided of at least \$30,000 per person for bodily injury and at least \$60,000 for personal injury of two or more persons per accident, and at least \$25,000 for property damage per accident. The required insurance coverage may be provided by the TNC, TNC driver, or a combination of policies maintained by either.
- (3) Insurance coverage required by Sections (B)(1) and (B)(2) may be placed with an eligible surplus lines insurer.
- (4) TNC drivers must possess a valid driver's license, proof of registration, and current automobile liability insurance, must be at least 21 years old, and must use a vehicle that is in compliance with Texas' vehicle quality requirements for private vehicles.
- (5) Criminal background and driver history checks for all TNC drivers, as set forth below, are required upon application to drive and annually thereafter.
  - (a) A criminal background check is required and must be national in scope and prevent any person who has been convicted, within the past seven years, of driving under the influence of drugs or alcohol, or who has been convicted at any time for fraud, sexual offenses, use of a motor vehicle to commit a felony, gun related violations, resisting/evading arrest, reckless driving, a crime involving property damage, and/or theft, acts of violence, or acts of terror from driving for a TNC.

- (b) A TNC driver history check is required and must prevent anyone with more than three moving violations or anyone charged with driving without insurance or a suspended license within the three-year period prior to the history check from driving for a TNC.
- (6) A TNC must maintain a website and provide a 24-hour customer service phone number and email address.
- (7) A TNC must maintain an agent for service of process in Austin, Texas.
- (8) Before a TNC trip is accepted, a rider must be able to view the estimated compensation, suggested compensation, or indication that no-charge is required for the trip. A TNC must transmit an electronic receipt documenting the origin and destination of each TNC trip, and the total amount paid upon completion of each trip.
- (9) A TNC app used to connect drivers to riders must display an accurate picture of drivers, and a picture or description of the type of vehicle, as well as the license plate number of the vehicle.
- (10) As part of the agreement with the City, each TNC shall be required to set aside a sum equivalent to 10 cents for every ride originating in the City of Austin and use those funds to support the TNC's riders who require ADA accommodations, with the goal of accessible rides being met with wait times that are similar to those of other TNC rides.
- (11) Service animals must be reasonably accommodated by TNC drivers. If a service animal cannot be reasonably accommodated by a driver, the TNC must identify an alternative transportation arrangement for the passenger and service animal.
- (12) TNC drivers shall only accept rides booked through the digital platform and shall not solicit or accept street-hails.
- (13) A TNC driver may not drive for more than twelve (12) consecutive hours.
- (14) A TNC shall establish a driver-training program designed to ensure that each driver safely operates his or her vehicle prior to the driver being able to offer service.
- (15) A TNC shall implement a zero-tolerance policy on the use of drugs or alcohol and advertise it on its website along with procedures for filing a complaint about a TNC driver suspected of using drugs or alcohol

while driving and an explanation warning of deactivation for drivers found in violation of the policy.

- (16) A TNC shall conduct outreach events to community organizations with ADA-compliant vehicles and report back to the City on results quarterly.
- (17) A TNC shall conduct outreach events to marginalized communities and report back to the City on results quarterly.
- (18) If a TNC utilizes dynamic pricing through its software application to incentivize drivers in an effort to maximize the supply of available vehicles on the network to match the demand for rides and increase reliability, the software application must:
  - (a) provide clear and visible indication that dynamic pricing is in effect prior to requesting a ride;
  - (b) include a feature that requires riders to confirm that they understand that dynamic pricing will be applied in order for the ride request to be completed; and
  - (c) provide a fare estimator that enables the user to estimate the cost under dynamic pricing prior to requesting the ride; and
- (19) A TNC must maintain accurate records of all drivers providing service, and discontinued from providing service, through the platform and must be available for audit by a private, agreed-upon third party at any time, no more than four times per year. These audits shall be paid for by the TNC. Additionally, a TNC must comply with the following reporting requirements:
  - (a) A TNC shall provide monthly reports to the City providing information on the effectiveness of the platform to address gaps in Austin's transportation network.
  - (b) The TNC reports required under this section must document and evaluate information such as rider pick-up and drop-off patterns (i.e. peak ridership times and popular pick-up and drop-off locations), cost of trip (including a measure of the amount of time in dynamic pricing), length of trip, and ADA service comparison, in order to help the City evaluate the role of TNCs to address transportation issues, such as drunk driving and underserved community needs.

- (20) A TNC may not allow its drivers to refuse to accept a passenger who is disabled, or to charge a higher fare or additional fee to a person who is disabled, based on the person's disability, use of a support animal, wheelchair, crutches, or other mobility assistance device. Should exposure to a support animal cause a TNC driver an undue health burden, the TNC shall provide an alternate driver for the passenger with the support animal.
- (21) A fee will be imposed on all approved TNCs to facilitate the City's administration and enforcement of agreements made under this ordinance. This fee will be set by separate ordinance.

**PART 4.** The City Manager is directed to enter into agreements with TNCs consistent with Parts 2 and 3 of this ordinance within 30 days.

**PART 5.** The agreements executed pursuant to Part 4 of this ordinance must be for a minimum of one year and be cancellable at any time by either party if the requirements of the agreement are not upheld, a public safety issue becomes apparent, or if Council adopts code amendments to regulate TNCs. The performance of TNCs under these agreements should inform the work of the TNC Stakeholder group.

**PART 6.** The effects of this ordinance will be reviewed no later than six months after the date of passage.

**PART 7.** Any person, corporation, partnership, sole proprietor, or other entity that meets the definition of TNC established under Part 2 of this ordinance and operates without an agreement with the City, as required by this ordinance, commits a Class "C" Misdemeanor punishable by a fine of not less than \$500 per offense.

**PART 8.** City Code Section 13-2-19 (*Penalty*) is amended as follows:

- (A) [~~An~~] Unless otherwise provided in this Chapter, an offense under this Chapter is a Class "C" misdemeanor, punishable by a fine not to exceed \$500.

**PART 9.** City Code Section 13-2-101 (*Chauffer's Permit Required*) is amended to add a new Subsection (D) to read as follows:

- (D) A person who operates a ground transportation service vehicle in violation of this section commits a Class "C" Misdemeanor punishable by a fine of not less than \$500 per offense.

**PART 10.** City Code Section 13-2-3 (*Operating Authority or Taxicab Franchise Required*) is amended to add a new Subsection (G) to read as follows:

(G) A person who provides or operates a ground transportation service in violation of this section commits a Class “C” Misdemeanor punishable by a fine of not less than \$500 per offense.

**PART 11.** City Code Section 13-2-34 (*Insurance Required*) is amended to add a new Subsection (H) to read as follows:

(H) A person who provides or operates a ground transportation service in violation of this section commits a Class “C” Misdemeanor punishable by a fine of not less than \$500 per offense.

**PART 12.** The City Manager is directed to seek equity in the treatment of taxis and TNCs with regard to fares charged, dynamic pricing, fleet size, accessibility, insurance, vehicle safety, and driver background among other relevant factors. The TNC Stakeholder group should explore these issues and provide recommendations accordingly.

**PART 13.** This ordinance takes effect on \_\_\_\_\_, 2014.

**PASSED AND APPROVED**

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_____, 2014	§	_____
		Lee Leffingwell
		Mayor

**APPROVED:** \_\_\_\_\_  
Karen M. Kennard  
City Attorney

**ATTEST:** \_\_\_\_\_  
Jannette S. Goodall  
City Clerk