



## Regulators Against the Innovators

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**By Dick Clark**

San Francisco-based Lyft is a ridesharing company that promotes its service as being like “your friend with a car.” Using sophisticated but easy-to-use software and cars fitted with quirky pink mustaches, Lyft tries to put idle cars to work to serve a population that more typically relies on public transportation or traditional taxicabs. Lyft drivers are average Joes who have passed a background check and gone through some basic training about the friendly, informal mode of interaction that Lyft seeks to promote between drivers and riders.

To use the service, a customer first installs the Lyft smartphone application, links to his existing Facebook account, and enters his preferred payment information. After that, when the application opens, the system detects the user’s location, displays it on a map, and shows the location of active Lyft drivers in the area. By hitting the button labeled “Request Lyft,” requests are sent to nearby drivers alerting them to the rider’s presence. When the driver accepts the request, the application provides directions to the rider. In the meantime, the rider is shown the location of the approaching car and information about both vehicle and driver, complete with identifying photographs, license plate number, and name. When the pink-mustachioed car arrives, the driver offers a fist-bump to the passenger and plugs in their destination information.

The ride is paid for by a “donation” that is based on a combination of time spent and distance covered, and the amount is automatically calculated and displayed to the rider on his smartphone once the driver indicates to the system that the ride has ended. The transactions are completely cashless, and at the end of each ride both driver and rider are prompted to rate their experience. If one party rates the other at three stars out of five or worse, the system will automatically avoid pairing that driver with that rider in the future. Once the transaction is complete, the system generates an email receipt for the rider that includes the total cost of the transaction and the driver’s first name and headshot.

Unfortunately, this new service, which launched in Lincoln and Omaha just last week, is already facing obstacles in the form of regulators who have seemingly not bothered to understand the service model before threatening drivers with arrest and vehicle impoundment. While Omaha riders and drivers will enjoy two weeks of peace due to the fact that Lyft rides in Omaha are free during the introductory period,[\[1\]](#) Lincoln drivers are just keeping their fingers crossed that the

company will live up to its promise to stand behind its drivers if they are persecuted by regulators. That persecution seems to be in the works, if the shrill warnings from the Nebraska Public Service Commission are any indication. Commissioner Anne Boyle accuses Lyft, Uber, and other ridesharing services of being “arrogant,” and then—apparently without intentional irony—threatens drivers with capricious exercises of her authority, smugly stating that “they’ll get their cars back when we say they can... and it’s not going to be the next day.”<sup>[2]</sup>

Term-limited Lincoln Senator Bill Avery penned an opinion piece for the *Journal-Star* claiming that by attempting to offer their services in Lincoln, companies like Lyft and Uber are trying “muscle their way into” the market.<sup>[3]</sup> This despite the fact that it is the state officials, not private entrepreneurs, who are threatening recourse to violent action if they do not get their way. In what should be read as a warning against regulatory excess and its harm to consumers, Avery cogently details the history of taxicabs in Lincoln, the “absurd” monopolistic standards formerly used by the PSC in regulating them, and his own worthy efforts in reforming the system. He describes the importance of taxi service in heading off intoxicated driving and the outcry from local businesses for improved service. Yet somehow the senator still arrives at the conclusion that Lyft and Uber present a threat to public safety, all without ever offering any sort of evidence that the ridesharing companies present any danger whatsoever.

In fact, services like Lyft arguably enhance public safety. They provide transportation services via a scalable model that can accommodate significant changes in demand. While traditional taxi services maintain a dedicated fleet of vehicles, requiring operators to tie up significant capital with each expansion of capacity, ridesharing services encourage the more efficient use of existing private vehicles. This means that for large events like Nebraska game-days in Lincoln or the College World Series in Omaha, a legion of drivers and vehicles can be made available to satisfy the temporary explosion of demand.

A test of the new service by *Omaha World-Herald* writer Matthew Hansen shows that at least in some cases Lyft can achieve quicker pickups and more efficient transportation than the traditional cabs in Omaha.<sup>[4]</sup> In his experiment, Hansen was picked up only six minutes after requesting a ride through Lyft. When he called a cab the next day, Hansen had to wait nearly half an hour before his taxi arrived, he paid more for a comparable ride, and he was further delayed when the cab company’s payment system went haywire.

The ridesharing model also means that smaller communities— which often have no access at all to traditional taxi service—could benefit from increased options in the transportation market. Instead of having to reach a critical mass in terms of local demand before any service is available, ridesharing means that private vehicles already in those communities could be used to help occasional riders.

In addition to increasing the availability of transportation services, companies like Lyft also enhance driver and rider safety. Like traditional services, Lyft checks applicant driving records and carries liability insurance for each approved driver. But Lyft drivers and riders are positively identified before a ride is ever provided, and the cashless payment system means Lyft drivers will be less vulnerable to robbery and other violent crimes. Lyft’s two-way review system helps to avoid unfavorable pairings of rider and driver, and it also serves to provide immediate,

measurable feedback to Lyft, whose system can simply stop referencing ride requests to drivers who are not performing well. Lyft also allows drivers to check in to provide rides when they please, meaning that only drivers who are ready and willing to drive will be on the network at any given time.

The taxi industry is one of the most heavily regulated industries nationwide, with price-fixing and other substantial barriers to entry. Excessive regulation is the cause of the problem, not the solution to deficiencies in current service seen here in Nebraska. This is not just important for the riders. Drivers, too, stand to benefit from the flexibility built into services like Lyft and Uber. Commenting on a recent *World-Herald* story on ridesharing, former cabbie Solomon Kleinsmith said “As someone who drove for one of them for a time, I can tell you they're total rackets. The drivers are the biggest victims, with all of the taxi companies but one... the drivers need to work 70+ hours a week just to pay back the insane car fees the companies pay and make an okay living. They'd make a lot more with Uber.”

The Public Service Commission should have a better understanding of the transportation market than almost anyone in government. The operation of the PSC should focus on encouraging free enterprise, not on obstructing responsible market actors who bring a new product to market. Instead of issuing threats and dragging their heels, commissioners should work to understand these new business models and how relevant state law and regulation could be updated to make room for the useful services they offer. For now, the Nebraska Public Service Commission insists on following in the footsteps of Chicago’s Rahm Emmanuel<sup>[5]</sup> in cracking down on these upstarts. If the PSC continues to doggedly protect existing transportation companies from innovative competition, perhaps the commission should also adopt a new motto that would accurately represent its current mission: “Stifling market innovation by solving yesterday’s problems tomorrow.”

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[1] Soderlin, Barbara. “Lyft launches in Omaha; police won’t ticket drivers while service is free.” *Omaha World-Herald*. April 25, 2014. [URL: <http://www.omaha.com/article/20140424/MONEY/140429334>]

[2] Pascale, Jordan. “PSC Commissioner to Uber, Lyft: Follow the rules or leave.” *Silicon Prairie News*. April 22, 2014. [URL: <http://www.siliconprairienews.com/2014/04/psc-commissioner-to-uber-lyft-follow-the-rules-or-leave>]

[3] Avery, Bill. “Local View: Public safety at issue with Lyft and Uber.” *Lincoln Journal-Star*. [URL: [http://journalstar.com/news/opinion/editorial/columnists/local-view-public-safety-at-issue-with-lyft-and-uber/article\\_5148c501-c30f-5aa4-bf3c-f7ffec35d219.html](http://journalstar.com/news/opinion/editorial/columnists/local-view-public-safety-at-issue-with-lyft-and-uber/article_5148c501-c30f-5aa4-bf3c-f7ffec35d219.html)]

[4] Hansen, Matthew. “Does Omaha need a Lyft? We put service to test against regular cab.” *Omaha World-Herald*. April 28, 2014. [URL: <http://www.omaha.com/article/20140428/NEWS/140428878>]

[5] Huebert, Jacob. “7 Worst things in Chicago’s proposed Uber ordinance.” Illinois Policy Institute. February 10, 2014. [URL: <http://www.illinoispolicy.org/the-7-worst-things-in-chicagos-proposed-uber-ordinance/>]