

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

March 17, 2017

3:19 p.m.

MEMBERS PRESENT

Representative Sam Kito, Chair
Representative Adam Wool, Vice Chair
Representative Andy Josephson
Representative Louise Stutes
Representative Chris Birch
Representative Colleen Sullivan-Leonard

MEMBERS ABSENT

Representative Gary Knopp
Representative Mike Chenault (alternate)
Representative Bryce Edgmon (alternate)

COMMITTEE CALENDAR

HOUSE JOINT RESOLUTION NO. 14

Urging the Federal Communications Commission to increase the Rural Health Care Program budget sufficiently to adjust for inflation, advances in technology and the services available with increased broadband, and the increase in demand for broadband-based services and provide for any unused funds to be carried forward to future funding years, ensuring that rural communities in the state continue to have access to affordable broadband telehealth services.

- HEARD & HELD

HOUSE BILL NO. 132

"An Act relating to transportation network companies and transportation network company drivers."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HJR 14

SHORT TITLE: FCC: INCREASE RURAL HEALTH CARE BUDGET

SPONSOR(S): REPRESENTATIVE(S) EDGMON

03/06/17 (H) READ THE FIRST TIME - REFERRALS

03/06/17 (H) L&C
03/15/17 (H) L&C AT 3:15 PM BARNES 124
03/15/17 (H) -- MEETING CANCELED --
03/17/17 (H) L&C AT 3:15 PM CAPITOL 106

BILL: HB 132

SHORT TITLE: TRANSPORTATION NETWORK COMPANIES

SPONSOR(S): REPRESENTATIVE(S) WOOL

02/15/17 (H) READ THE FIRST TIME - REFERRALS
02/15/17 (H) TRA, L&C
02/23/17 (H) TRA AT 1:30 PM BARNES 124
02/23/17 (H) <Bill Hearing Canceled>
02/28/17 (H) TRA AT 1:30 PM BARNES 124
02/28/17 (H) Heard & Held
02/28/17 (H) MINUTE(TRA)
03/02/17 (H) TRA AT 1:30 PM BARNES 124
03/02/17 (H) Heard & Held
03/02/17 (H) MINUTE(TRA)
03/06/17 (H) L&C AT 3:15 PM BARNES 124
03/06/17 (H) Scheduled but Not Heard
03/07/17 (H) TRA AT 1:30 PM BARNES 124
03/07/17 (H) Moved CSHB 132(TRA) Out of Committee
03/07/17 (H) MINUTE(TRA)
03/08/17 (H) TRA RPT CS(TRA) 1DP 4NR 2AM
03/08/17 (H) DP: WOOL
03/08/17 (H) NR: SULLIVAN-LEONARD, NEUMAN, DRUMMOND,
STUTES
03/08/17 (H) AM: CLAMAN, KOPP
03/10/17 (H) L&C AT 3:15 PM BARNES 124
03/10/17 (H) Heard & Held
03/10/17 (H) MINUTE(L&C)
03/17/17 (H) L&C AT 3:15 PM CAPITOL 106

WITNESS REGISTER

TIM CLARK, Staff
Representative Bryce Edgmon
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HJR 14 on behalf of
Representative Edgmon, sponsor.

JENNIFER HARRISON, Chief Executive Officer
Eastern Aleutian Tribes
Sand Point, Alaska

POSITION STATEMENT: During the hearing of HJR 14, testified in support of the resolution.

COLIN UNDERWOOD, Manager
↑Healthcare Program
Alaska Communications
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HJR 14, offered support for the resolution.

JON ZASADA, Director
Policy Integration
Alaska Primary Care Association (APCA)
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HJR 14, offered support for the resolution.

VERNE BOERNER, President/CEO
Alaska Native Health Board
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HJR 14, offered support for the resolution.

MICHAEL FARREN, Research Fellow
Project for the Study of American Capitalism
Mercatus Center
George Mason University
Fairfax, Virginia

POSITION STATEMENT: During the hearing of HJR 14, discussed the issue of local control.

HENRY MOORE, Owner
Hank's Cab
Sitka, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered opposition to Mr. Farren's statements.

SIGGURD RUTTER
Sitka, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered opposition to Mr. Ferren's testimony.

PATTI SLATER
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered support for the legislation.

JASON CUSTER, Chairman
Government Affairs Committee
Ketchikan Chamber of Commerce
Ketchikan, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered support for the legislation.

BEN MULLIGAN, Deputy Director
Alaska Chamber of Commerce
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered support for the legislation.

DAVE O'MALLEY
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HB 132, discussed the transportation network company (TNC) industry.

JOELLE HALL, Director of Operations
AFL-CIO
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered opposition to the legislation.

KENNETH SWAZER
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered support for the legislation.

BRYANT HAMMOND, City Clerk
City of Nome
Nome, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered concern for the legislation.

STEPHANIE SPRING
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered support for the legislation.

GENESIS ALLEN-LOCKHART
Anchorage, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered support for the legislation.

DAVID PRUHS, Council Member
Fairbanks City Council

Fairbanks, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered concern for Sec. 8 of the legislation.

JUNE ROGERS, Council Member

Fairbanks City Council

Fairbanks, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered opposition to the legislation.

RYAN McKEE

Unknown City, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered support for the legislation.

JARED CURE, Owner

Narrows Bar

Juneau, Alaska

POSITION STATEMENT: During the hearing of HB 132, offered support for the legislation.

DON CREARY, Member

Leadership Council of the App-Based Drivers Association

Teamsters Local 117

Seattle, Washington

POSITION STATEMENT: During the hearing of HB 132, testified as an Uber driver.

ACTION NARRATIVE

[3:19:19 PM](#)

CHAIR SAM KITO called the House Labor and Commerce Standing Committee meeting to order at 3:19 p.m. Representatives Wool, Stutes, Birch, Sullivan-Leonard, and Kito were present at the call to order. Representative Josephson arrived as the meeting was in progress.

HJR 14-FCC: INCREASE RURAL HEALTH CARE BUDGET

[3:19:49 PM](#)

CHAIR KITO announced that the first order of business would be HOUSE JOINT RESOLUTION NO. 14, Urging the Federal Communications Commission to increase the Rural Health Care Program budget sufficiently to adjust for inflation, advances in technology and

the services available with increased broadband, and the increase in demand for broadband-based services and provide for any unused funds to be carried forward to future funding years, ensuring that rural communities in the state continue to have access to affordable broadband telehealth services.

[3:20:25 PM](#)

TIM CLARK, Staff, Representative Bryce Edgmon, Alaska State Legislature, advised that during the last few years, rural Alaska has made great strides in long-distance delivery of healthcare via telemedicine. These broadband services expand locally available treatment options for an increasing number of maladies, including substance abuse treatment; and the service accelerates diagnosis, treatment, and assists Alaskans in avoiding expensive travel for care. Except, he explained, these broadband services are about to hit a roadblock because the existence of such services depends upon support from the Federal Communications Commission (FCC) Rural Health Care Universal Services Support Program. The budget for this program has been capped at the same level since its establishment in 1997, and the \$400 million budget has been enough to meet demand. Although, he noted, after two decades of advances in technology, increases in demand, and the effects of inflation, the FCC now expects that in 2017 the demand may exceed the budget cap for the first time. This resolution urges the FCC to increase the Rural Health Care Universal Services Support budget sufficiently to adjust for inflation, keep with advances in technology, the services available with increased broadband, and meet the increase in demand for broadband based services in Alaska. Additionally, he explained, the resolution encourages the FCC to index the program budget for inflation, and allow any unused funds to be carried forward to future funding years, thereby allowing healthcare providers to continue improving access to care in rural Alaska.

[3:23:16 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD asked whether there is a state match on this item for telehealth for the rural areas.

MR. CLARK responded no, and he said it is entirely funded through Universal Services Support program charges.

[3:23:53 PM](#)

JENNIFER HARRISON, Chief Executive Officer, Eastern Aleutian Tribes, advised that this is a complicated program as far as submitting an application and getting bids from local telecommunications firms, and it is quite expensive. The amount of money that the Eastern Aleutian Tribes receives to get internet for its eight clinics along the Aleutian Islands is substantial. Without this funding, she offered, the Eastern Aleutian Tribes would be looking at possibly closing clinics, so the funding is important. She stressed that travel costs to the Aleutian Islands are approximately \$1,000 round trip, therefore, every trip patients do not take saves a substantial amount of money. Also, she explained, not all patients have access to travel assistance provided by Medicaid or the Alaska Tribal Health Compact, and in the event this program was removed, the higher levels of care would not be available to these individuals and would dramatically decrease their quality of health. The Eastern Aleutian Tribes support HJR 14, she emphasized.

[3:25:39 PM](#)

COLIN UNDERWOOD, Manager, Healthcare Program, Alaska Communications, offered support for the legislation and noted that the nationwide healthcare industry, particularly in Alaska, has seen a revolution in the manner in which healthcare is provided. He pointed out that many federal laws have been enacted to incentivize the digital transformation of healthcare, and while that is "wonderful," no attention is made to this program that supports the vital backbone infrastructure necessary to deliver that digital telehealth network, he said. This resolution voices support to the FCC by pointing out the importance of also funding this program. He remarked that while the federal government continues to incentivize and provide requirements modernizing moving to a digital platform, it is also important to continue programs that have been in existence for nearly 20 years unmodified.

[3:26:55 PM](#)

REPRESENTATIVE BIRCH referred to distance delivery for education, healthcare, and asked whether there is a point where "you've got enough bandwidth" in a community.

MR. UNDERWOOD responded that the FCC published an updated national broadband plan in 2010 that included a study showing that for any community health center, the minimum recommended bandwidth was 10 megabits symmetrical, which means 10 megs

downloaded as well as 10 megs uploaded to provide basic healthcare services. Unfortunately, he said, Alaskans do not have the luxury of many healthcare specialists in these remote locations and many critical access hospitals and community health centers based in Anchorage or elsewhere around the state, provide some of that specialty care. He explained that will doing so will; increase broadband demands "from that base level right there," including video conferencing, real time telehealth services, and those types of opportunities. Additionally, he pointed out, technology has increased in the healthcare space now with x-rays and digital imagining for example, and the quality has quadrupled which also increases file sizes. He offered a scenario of a patient in an emergent situation who may require a 64 slice CT scan, wherein a few years ago that scan may have been 8 slices, but the result is now a much better picture and diagnosis. The FCC has some minimum guidelines, he said, and the rest is driven by technology demands in providing the best care possible in Alaska.

[3:29:45 PM](#)

REPRESENTATIVE BIRCH referred to 10 megabits symmetrical, and commented that it did not sound like much and asked whether it was sufficient for a healthcare center.

MR. UNDERWOOD clarified that that is the amount the FCC deemed a minimum standard, however most community health centers are looking to move to 50 megabytes. He related that the hospitals Alaska Communications is serving today are looking at hundreds of megabytes, with one customer closer to a gigabyte in connectivity because there is a tremendous demand for broadband services to deliver these high-quality healthcare services.

[3:30:46 PM](#)

REPRESENTATIVE BIRCH referred to his initial question and asked how much bandwidth is enough because he was trying to get a sense of a \$400 million cap and what it provides to the extent it is an allocation or request. He asked Mr. Underwood's sense of the education requirement, whether that was a competing interest for the Universal Services support funds and how many people were drawing on the fund. He assumed, he said, that it was a share of whatever people pay every month on their phone bill, but asked whether there are other competing interests in Alaska and other communities.

MR. UNDERWOOD answered that the universal service Schools and Libraries program (E-Rate) budget nationwide is \$3.9 billion and it was increased again this year. That program, he explained, has been able to adjust every year for inflation, and "We are asking now for the same consideration for the healthcare program." As to competition, he advised that the funds are separate in that healthcare and education are not competing for the same dollars, but are being pulled out of the same Universal Services fund bucket.

[3:32:34 PM](#)

REPRESENTATIVE BIRCH asked the size of the Universal Services fund bucket upon which all are collectively drawing.

MR. UNDERWOOD said he would have to get back to Representative Birch.

REPRESENTATIVE BIRCH said, "We are paying a bit of that, aren't we?"

MR. UNDERWOOD agreed, and he said every month funds come out of an individual's telephone bill which reads: "USS Universal Services" or something similar, and that charge goes into that nationwide bucket, he said.

REPRESENTATIVE BIRCH surmised that this resolution is attempting to obtain a larger share for Alaska's rural communities.

MR. UNDERWOOD agreed, and he said Alaska uses the largest percentage of the program given its geographic size, diversity, and how each of the communities are spread out. He explained that there are unused funds in the Universal Services program and this resolution asks to reallocate some of those unused funds to this program in order to match the demands the federal government put on healthcare providers. Wherein, he offered, the federal government requires that "You must transform to digital healthcare and you must integrate with electronic health records." This resolution, he reiterated, simply asks that the FCC recognize those federal requirements and helps support these healthcare providers to continue providing the best healthcare possible, he said.

[3:34:07 PM](#)

REPRESENTATIVE BIRCH asked whether anything other than healthcare and education was fed by the Universal Services Fund that comes to Alaska.

MR. UNDERWOOD replied that there are two other programs, the rural healthcare program, and E-rate, a life line program and subsidy for low income families for mobile or landline dial tone service, as well as the High Cost or Connect America Fund which is typically geared toward certain telecom providers to help build out in high cost areas.

REPRESENTATIVE BIRCH asked how many dollars were involved because the rural communities probably have needs in all four of the areas being discussed. He asked how many dollars the coordinated programs add up to for Alaska, presuming the components were healthcare, education, life line, and Connect America.

MR. UNDERWOOD opined that for the 2015 fund year for healthcare and E-Rate, the State of Alaska received approximately \$100 million for rural healthcare subsidies, and the E-Rate program was closer to \$80 million. As far as the other two programs, he said he was unaware of the amount of money brought into the state. Although, he commented, it may be important to note that the education and healthcare entities in communities serve as the "anchor tenant" and provide a lot of the backbone connectivity into those communities. That connectivity, he explained, could later provide additional services and without healthcare and education there was not the business case to build a lot of the infrastructure out there.

[3:37:10 PM](#)

JON ZASADA, Director, Policy Integration, Alaska Primary Care Association (APCA), advised that the Alaska Primary Care Association (APCA) supports the work of Alaska's federally qualified community health centers. He offered that 25 of its 29 members benefit from the Rural Health Care Program (RHC) and receive almost \$38 million per year in subsidies for internet service. Passage of this resolution would assist Alaska's federal delegation in its negotiations in raising the cap, modernizing this program, and instituting an inflation-proofing component so this does not happen in the future, he said. The APCA members are fearful that if the cap is not raised and pro-rated billing is implemented, many will move from paying roughly \$500 per month, to \$5 or \$10,000 per month for internet services. Clearly, he commented, that would negatively affect

their sustainability and ability to serve patients. Reverting back to low bandwidth or undedicated internet service is not a possibility for providers who use the service to operate their [audio difficulties] based electronic health records to support telemedicine and have images reviewed by specialists far away, he stressed. The APCA would appreciate the support of this resolution.

[3:39:39 PM](#)

CHAIR KITO opened public testimony on HJR 14.

[3:39:53 PM](#)

VERNE BOERNER, President/CEO, Alaska Native Health Board, advised that the Alaska Native Health Board is the statewide voice on Alaska Native Health issues, it is a 28-member organization representing tribes from [audio difficulties] organizations carrying out health services on behalf of the 229 federally recognized tribes in Alaska and over 158,000 Alaska Native people. Additionally, she said, the Alaska Native Health System serves as a critical component of the Alaska Public Health System by providing care and services to thousands of non-Alaska Native people and Alaskan veterans. She expressed that this resolution helps to improve access to telehealth, thereby improving quality of life by reducing travel costs, intervening earlier at a lower cost and with greater success. The January 28, 2016 Broadband Progress Report showed significant improvements by digital divide from the FCC persists, she said. The report stated that the benchmark speeds of 25 megabits per second per downloads, and 3 megabits per second uploads remains a problem, and that the divide in rural Alaska is quite extreme. The February 15, 2015 report showed that 81 percent of rural areas do not have access to that minimum benchmark of 25 megabits per second for download and 3 megabits for upload, and this program is crucial in protecting early access to care in rural communities.

[3:42:34 PM](#)

CHAIR KITO advised that public testimony would be left open for HJR 14.

[HJR 14 was held over.]

HB 132-TRANSPORTATION NETWORK COMPANIES

3:42:50 PM

CHAIR KITO announced that the final order of business would be HOUSE BILL NO. 132, "An Act relating to transportation network companies and transportation network company drivers." [Before the committee was CSHB 132, version 30-LS0522\J.]

3:43:14 PM

REPRESENTATIVE WOOL said that HB 132 provides legislative structure statewide for transportation network companies (TNCs) to come to Alaska.

3:44:09 PM

MICHAEL FARREN, Research Fellow, Project for the Study of American Capitalism, Mercatus Center, George Mason University, advised that his research on the ridesharing economy over the past few years has focused on the idea of government-granted privilege. He explained that government-granted privilege occurs when special interest groups use cronyism to have regulations passed for its own benefit, thereby hurting everyday people by limiting their opportunities for better jobs and slowing down economic growth. In most cases, he related, local governments are the best rule making authority because it can create more nuanced regulations and avoid unintended consequences. Although in this case, he commented, local regulations are more likely to be captured by special interests or by the regulated industries; therefore, better regulations may come from the state level. He noted his submitted written testimony that provided his analysis of HB 132, and said he would discuss the preemption of local municipalities from creating its own TNC regulations, and the preemption for all "for-hire transportation services" regulations. Michigan, he explained, has already taken this approach with legislation passed last December, and both Texas and California are currently considering creating their own statewide taxi regulations, which is something Pennsylvania has had for a long time. He said he is in favor of this type of preemption for the following three reasons: transportation services, such as taxi cabs, often cross municipal boundaries and it makes sense that the state regulates; there is an extremely long and sorted history of taxi cab regulations captured by local taxi cab special interests; and preemption essentially absolves local policy makers from dealing with the problem wherein better sustainable solutions can actually be created.

MR. FARREN noted, in addressing the first point, that state level regulations make sense for transportation services because they cross municipal boundaries. He cautioned the if every municipality in a county [or borough] created its own taxi cab regulations, the taxi cab driver would have to have literally dozens of different local licenses just to provide service. This approach can create miniature taxi cab "thief-doms" in every town because a city's regulations can create barriers to entry, wherein the few number of local firms end up with some degree of monopoly power resulting in reduced service, lower quality service, higher prices, and fewer job opportunities, he explained.

[3:48:14 PM](#)

MR. FARREN turned to the second point and advised that it builds off of the first point, in that local taxi cab firms often wield excessive influence and capture the regulations, twisting them to provide protection from outside competition rather than serving the public interest. Preemption, he said, not only of the TNC regulations but also for taxi cabs, limousines, and shuttles, is a good way to solve the problem. He referred to the table located at the back of his written testimony that surveys some of the taxi cab regulations in Alaska, and noted that [Anchorage], Juneau, and Kodiak really do restrict new entrepreneurs from competing with established companies. Fairbanks and Juneau are approximately the same size and because Fairbanks has relatively mild regulations compared to Juneau, it offers a sense of the impact anti-competitive regulations can have on the supply of transportation services. In this case, Fairbanks has over three times the number of taxi cab permits as Juneau, about 226 to 71 permits. Looking at this another way, he commented, Anchorage is approximately ten times the size of Fairbanks, and yet, Fairbanks has more taxi cabs than Anchorage. Actually, he explained, applying the taxi cab driver population ratio in Fairbanks to Anchorage, Anchorage would have over 2,000 taxi cab drivers rather than the 188 taxi cabs it actually has due to the existing medallion. This is a serious problem for Anchorage, he warned, because it means people who really need service are not receiving service, such as people with disabilities receiving accessible taxi cab services. He reminded the committee that last December, the Anchorage City Council, after great difficulty and years of struggle, finally passed a measure allowing for a mild expansion in the number of taxi cab medallions, and that expansion included wheelchair accessible taxi cabs. Except, he expressed, due to the local

taxi cab special interests, those taxi cab interests have put on the April 4th ballot a measure that would repeal the change and essentially keep their market closed and protected.

[3:50:53 PM](#)

MR. FARREN said that as to the third point, preemption is a good idea when it helps local leaders deal with these competing local interests. Obviously, he said, local policy makers want to serve their constituents in the right manner, but they face strong pressure to maintain the status quo by the taxi cab special interests. State preemption allows these local leaders to essentially rail against the overbearing state authority that is stealing away their power, but at the same time being secretly pleased that the problem is being solved and it is no longer their problem.

MR. FARREN stated that these are three reasons Alaska should consider state preemption for all "for hire transportation services." Preemption is an idea that Michigan and Pennsylvania have already implemented, California and Texas are currently considering preemption, and Alaska should consider whether it is wise to do the same.

[3:52:14 PM](#)

REPRESENTATIVE JOSEPHSON noted that his concern about the bill relates to the rights of the drivers, and asked whether Mr. Farren was taking any position. For example, he pointed out, a couple of months ago the Federal Trade Commission fined Uber \$20 million for advertising that its drivers would make \$90,000 per year when, in fact, nothing like that generally happens, and in the end, there was an agreement not to litigate. He surmised that Mr. Farren was not saying that TNCs are perfect institutions, but rather he was merely saying "that states should regulate them and cities shouldn't."

MR. FARREN agreed, and he said the way that he would argue for it in terms of regulating TNCs, the state should be equally as careful in terms of avoiding the situation to create government granted privilege from the existing TNCs because that is a problem just as much as treating government granted privilege for local taxi cab merchants. He related that one of the things he appreciates about Alaska's proposed TNC regulations compared to what exists in many states throughout the United States currently, is that it has not enshrined the current business model of Uber or Lyft into the regulations. He remarked that

the regulations are relatively open and he described that the regulations say, "this is what you need to do, but they don't tell them how to do it," and that allows for other TNCs to come in and compete. Therefore, he explained, the state may up with an Alaska specific TNC that is aware of the special needs of Alaskan citizens better than the TNCs coming in from outside.

[3:55:23 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD asked how it was that he was invited to provide this type of research to this committee, whether he was paid to provide the research, or whether it was research he provided for other states.

MR. FARREN responded that this is the topic his research team has been researching for the last several years, and he has made himself available to policy makers considering TNC regulations in each state. He explained that this has grown through his team's work on government-granted privilege because the taxi cab industry and taxi cab regulations represent a literal textbook example of how overbearing regulations create situations where it is a near monopoly, if not an exact monopoly. He pointed out that Uber, Lyft, and sharing economy type firms offer a new way forward, and described it as the reason for their research, which is how he came to provide this testimony.

[3:56:56 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD related that his research appears to be a one-sided study when he states that his goal is to communicate how these government-granted privileges harm the economy of the very fabric of society. She said it causes her pause and asked whether he has spoken with any of Alaska's municipalities and received feedback not only on the effects of the TNCs coming into Alaska, but how they operate and manage other rideshare or taxi cab industries in the municipalities.

MR. FARREN responded that he has a lot of experience and knowledge regarding what has happened as TNCs have moved into communities across the United States, as well as Alaska. The supply of transportation services skyrocketed because more rides were being offered and the prices were actually decreasing. He related that that is exactly what economic theory would predict would happen because when there is a closed market, essentially a monopolist or a taxi cartel, when a new competitor arrives and offers rides for cheaper than the regulated prices previously in effect, many more people purchase the service and the market

expands. He advised, that means there are areas of New York City, Chicago, and other places that are finally seeing transportation services offered wherein the supply of transportation services had been so restricted by city regulations with the concentration on serving the airports and downtown areas with the low-income areas being left alone. Platform firms such as Uber, Lyft, and other TNCs, allow people to drive as the demand exists in communities, and that probably Alaska and other rural areas will see a provision of transportation services where none has ever been provided previously, he said.

[3:59:44 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD reiterated her question and asked whether he had spoken with some of Alaska's municipalities for feedback.

MR. FARREN answered that he had not spoken to any municipalities in Alaska on this particular issue; however, he believes that the fact he has spoken with dozens of taxi cab regulators across the United States is sufficient.

[4:00:23 PM](#)

REPRESENTATIVE BIRCH noted that from a local perspective, he served on the Anchorage Municipal Assembly for a number of years and was a supporter of de-regulating the taxi cab industry and addressing some of the concerns Mr. Farren pointed out in his spreadsheet. From the standpoint of concerns and overlap, Anchorage includes the communities of Eagle River, Palmer, Wasilla, and upwards of 40,000 people per day commute into the Anchorage municipality. There is a demand for the transportation component in one form or another, he said. He then referred to the phrase "government granted privilege" and commented that it resonates with him in that there is an opportunity here to open the market and engage new competitors in the business, and asked the downside of this approach and opening up this opportunity.

MR. FARREN replied that whenever there is new innovation, it essentially upends the "old order" and it can be difficult to get through. This requires some deep breathing and saying, "We're not sure how we're going to do this, we're not sure exactly what the future looks like, but ... we've weathered it in the past and we will weather it again." He said he guessed the sense of unease of not knowing exactly what the future will

be is probably the biggest problem and hurdle many people have to overcome.

[4:03:42 PM](#)

REPRESENTATIVE BIRCH noted that, obviously there is a skilled cadre of folks that have driven in their respective communities in Alaska for a number of years, and asked how can such drivers be assimilated into a TNC type of framework.

MR. FARREN commented that many taxi cab drivers have shifted over and become TNC drivers. The most sense for drivers is a mixture of street hailing taxi cabs and connecting with passengers through online platform firms with a better dispatch system than has ever been provided. The regulations, in general, prevent taxi cab drivers from becoming TNC drivers in most cities. Except, he commented, taxi cab drivers sitting at airports, for example, may have to wait two hours between rides rather than having a new ride every one-half hour because they are matched with a passenger more quickly. The fact that a person can be matched with a taxi cab driver more easily leads more people to use this type of services, in addition to the prices falling. Areas in Alaska must "make do" with the resources available, and the resources become better when allowing for this connection between customer and service provider that platform firms offer.

[4:06:47 PM](#)

REPRESENTATIVE JOSEPHSON asked who funds Mr. Farren's research.

MR. FARREN responded that the Mercatus Center is a non-profit research center at George Mason University, funded through a variety of charitable institutions, and he said he was unsure of the funding. He explained that there is a firewall between the research side and the donations or development side so he is not certain what entity funds the work.

REPRESENTATIVE JOSEPHSON surmised that he was unaware whether the Koch Brothers fund his work.

MR. FARREN responded correct, and he reiterated that there is a firewall between the two and essentially "we are the equivalent of university professors" doing academic research at an econ program that is double blind peer reviewed. Therefore, he explained, it is the highest quality of academic research and "we created our own" research program.

[4:08:19 PM](#)

CHAIR KITO opened public testimony on HB 132.

[4:08:56 PM](#)

HENRY MOORE, Owner, Hank's Cab, commented that he was puzzled by Mr. Farren's statements wherein he compares Alaska with the Lower-48 big cities, and explained that passengers in Sitka can order pre-arranged rides. He related that Sitka is competitive with five different businesses, and they work hard for their customers.

[4:11:04 PM](#)

SIGGURD RUTTER commented that Mr. Farren's testimony was cutoff and he did not hear whether Mr. Farren was paid by Uber for his testimony. He said the taxi cab business is competitive in Sitka with five taxi cab providers in a town of 9,000 people, with no problem in crossing municipal boundaries due to its isolation. His concern with this bill, he related, is that it is based largely on "outright untruths and misrepresentations" and is misguided because the bill would usurp municipal management and replace it with a single state system gained to promote interstate ride providers. In doing so, he stressed, it would sacrifice municipal oversight regulating taxi cab fares, the screening of taxi cab drivers, and would eliminate municipal taxation, and work to the detriment of public safety. He described the premise of this as "an outright lie" because it asserts that the typical business model calls for a 25 percent fee for the internet provider, and "fully 75 percent of the profits will go to the driver." He pointed out that there is not a business in the world that receives 100 percent profit, it is approximately 50 percent of its profit in the taxi cab business. Therefore, the internet provider is trying to grab "a full 50 percent of the profits" and if a taxi cab operator was to work for a [TNC] and pay his driver, both he and his driver would receive "a quarter share." Twenty-five percent of the gross taxi cab revenue is money that should be "spread around this community" such as fuel, tires, and mechanics, and he said he spends \$20,000 per year on vehicle maintenance in a local shop. He related that taking 25 percent profit out and leaving the business with the bill will affect public safety because owners will skimp on the tires and equipment.

[4:14:35 PM](#)

PATTI SLATER advised that she had the opportunity to use ridesharing services, such as Lyft in Portland, Oregon, and pointed out that the app allows her to see a picture of the driver, a description of the car, license plate, and GPS location which allows her to feel comfortable and safe. It would be "a wonderful thing" to offer the citizens of Alaska and visitors ridesharing opportunities as happens in cities across the United States. Oftentimes, she offered, "people are shocked" that the services are not available, and the State of Alaska desperately needs these services.

[4:15:52 PM](#)

JASON CUSTER, Chairman, Government Affairs Committee, Ketchikan Chamber of Commerce, advised he was calling on behalf of the Ketchikan Chamber of Commerce representing over 200 members including private businesses, local governments, and tribal entities. The Ketchikan Chamber of Commerce Board of Directors voted to support the passage of the HB 132 as written, specifying free market competition regulated on the state level, and he commented that none of the directors voted against this position. The Ketchikan Chamber of Commerce welcomes ridesharing services within its community and believes these businesses deserve a fair, predictable, and consistent investment environment in Alaska to compete to do business. Ridesharing offers transportation opportunities, and it creates more diverse and flexible employment options because Alaska's visitors desire and expect ridesharing to be available in the communities in the same manner they expect internet access and cell phone coverage. He related that ridesharing will help support the economy by keeping Ketchikan competitive with other destinations, and HB 132 will help the community attract and retain ridesharing opportunities. The Ketchikan Chamber of Commerce asks that the committee support the passage of HB 132, he said.

[4:17:29 PM](#)

BEN MULLIGAN, Deputy Director, Alaska Chamber, advised that the Alaska Chamber supports HB 132 because it provides necessary transportation options in areas where [transportation services may not be available], and it provides competition. The Alaska Chamber supports a consistent set of rules across the state because the Matanuska-Susitna Borough has overlapping jurisdictions, he said.

4:18:45 PM

DAVE O'MALLEY advised that he is a long-time driver and advocate in the taxi cab industry, and in 2015 he was the first Uber driver during the six months it was in Anchorage. He mentioned that he heard people complain about lousy taxi cab service, dirty cabs, and such, yet Uber customers continuously praised the service. He said he hoped for Uber to stay in Anchorage, but it did not. He stated that people refer to the Anchorage taxi cab system, as a monopoly and cartel; he describes it as an extortion racket that has stayed in business through paid lobbyists, (audio difficulties) public relation, (audio difficulties) large donations, and local politicians. The taxi (indisc.) paying huge sums to keep competition out and maintain status quo, which is purely the increase of the value of their permits along with the value of (audio difficulties). He said, "We drivers want choice" and he is convinced (audio difficulties), and he and most of the taxi cab drivers he knows do support HB 132, and asks that the committee pass the legislation.

4:21:06 PM

JOELLE HALL, Director of Operations, AFL-CIO, advised that the AFL-CIO represents 50,000 workers throughout the state in a variety of industries. The AFL-CIO opposes HB 132 because it opposes this classification of workers, the action in the bill would exclude TNC drivers from workers' compensation and unemployment insurance as a special class of worker. She described this as a dangerous precedent because TNC drivers do not meet the standard of a true independent contractor, and taxi cab drivers are exempt under the statute because they took the steps to set up a business model that complies with the independent contractor status. The TNC business model does not comply with all of the standards required of an independent contractor because in order to meet the standards, the driver would need to pay all of the fees associated with insuring their vehicles and pay the TNC app because there are fees for services required for the TNC drivers to run their business; however, that is not the manner in which this model works. In the case of TNCs, TNCs pay the insurance when the rider is in the car (audio difficulties) up to the driver so they can monitor the driver's actions and collect payment. Independent contractors are usually responsible for the cost of doing business, collect all of the revenues, and pay their vendors directly. TNC drivers fail to meet the standard of an independent contractor, she said, and it is a slippery slope that will open the door to

other industries looking to avoid workers' compensation or unemployment insurance. Additionally, the AFL-CIO opposes the preemption language in the bill as each community regulates taxi cabs differently, and since TNCs are in direct competition to taxi cabs, the AFL-CIO believes that it is only fair that the communities currently regulating taxi cabs deserve to regulate the TNCs. She described that it is an issue of fair competition wherein each jurisdiction would deal with it as it regulates this industry.

[4:23:10 PM](#)

REPRESENTATIVE WOOL related that the audio difficulties made it difficult to hear her testimony, and asked whether she said taxi cab drivers have workers compensation exemptions and do not have sick time, over time, or any type of work compensation.

MS. HALL responded yes, and she opined that this bill is adding TNC drivers to a list that also includes taxi cab drivers who are exempt from workers' compensation and unemployment insurance, as are babysitters and jobs of that nature.

[4:23:51 PM](#)

REPRESENTATIVE WOOL surmised that the AFL-CIO's problem with the bill is not that TNC drivers will not have workers' compensation coverage because taxi cab drivers do not have workers' compensation coverage, the problem is who buys the insurance. With taxi cabs, car insurance is paid by the taxi cab company, but with TNCs the individual drivers pay. He said he was unclear about the insurance concern.

MS. HALL related that her concern is the opposite of Representative Wool's statement; as a taxi cab business owner, insurance is commercial insurance 24/7 when driving for work. When driving for a TNC, the driver's personal insurance covers the driver while looking for a rider, except once the app is pressed and someone is in the car, the TNC pays the insurance. She explained that that is not how an independent contractor model works, that is not in any other business model, and that would not be legal for an independent contractor.

[4:25:06 PM](#)

REPRESENTATIVE WOOL said he slightly disagrees as to who pays the insurance coverage in period 1 of the TNC, and asked who the

AFL-CIO would like to see paying for the insurance to be an independent contractor.

MS. HALL responded that if the driver is truly an independent contractor, the driver should be paying this insurance as it is their responsibility to pay the fees associated with running their business.

[4:25:41 PM](#)

REPRESENTATIVE JOSEPHSON asked whether Ms. Hall had commented that what would make this unique in an independent contractor situation, is that generally an independent contractor would, in the first instance, receive the fee from the customer and not in the second instance.

MS. HALL replied yes, and she said that normally an independent contractor would receive a fee for their service immediately, and from that fee they would pay their vendors, and would ideally pay for insurance out of that as a taxi cab driver pays for their insurance. She explained that a taxi cab driver pays for their dispatcher, and essentially the app the TNC drivers use is a form of dispatch. In this particular model, the app is given to the driver and the app is then used to collect the fees which is a different model of an independent contractor than currently exists in law, and this is a "half thing" wherein these are not full employees and are not independent contractors. She pointed out that this creates a middle step and the middle step is worrisome because this business model does not comply with the definition of an independent contractor.

[4:27:14 PM](#)

REPRESENTATIVE JOSEPHSON related that he finds the benefits of the new technology intriguing and where the world is moving, and that people need to be in that place in a competitive market. He offered that assuming there is enough insurance for the passenger, his concern is with the rights of the drivers, what their benefits are, their pay, their retirement and such. He asked whether she shares that concern.

MS. HALL answered absolutely, and she said the AFL-CIO is concerned that this particular form of worker is exempted from workers' compensation directly; therefore, it fails to meet the standard of the true independent contractor. A true independent contractor drive in our environment all of the time and taxi cab

drivers and other drivers meet this qualification. She related that this is a vital and important part of the state's economy, and the concern is that a worker being treated partially as an employee by the industry they work for, and are partially exempt, do not have complete control and do not have true dominion. There are rules in the test for an independent contractor that this particular job classification does not meet, and the bill exempts them from the protections that would normally be required over any other type of employee. She advised that the middle step of not being a full independent contractor and not an employee is a dangerous precedent for all workers that could come from behind and try to walk right behind TNC drivers and enter into this particular crack and lose their protections as well.

[4:29:41 PM](#)

REPRESENTATIVE BIRCH asked whether Ms. Hall has used an Uber or Lyft.

MS. HALL responded yes, and she said it was in Chicago.

REPRESENTATIVE BIRCH commented that previous testimony revealed that drivers want a choice and that the public generally finds the service easy to use with positive experiences. He asked whether Ms. Hall had had a positive experience.

MS. HALL answered absolutely, and she said the AFL-CIO is not disputing that people like the service because there is no doubt people enjoy this service. The concern of the AFL-CIO is the creation of a third class of worker that is not protected as an employee, and is not fully an independent contractor. In the event TNCs want to come to town, they should be one or the other, and they could probably easily comply with either one of the scenarios of either employing their workers or truly treating them as independent contractors, she remarked.

[4:31:19 PM](#)

KENNETH SWAZER, advised he is a member of the Facebook page "Alaska's Worst Drivers" with over 31,000 members who post pictures of individuals parking or driving unsafely. It is clear that drunk drivers are repeat offenders, and the membership believes in transportation options wherein a recent survey of over one hundred members regarding Uber coming in showed that over 80 percent favored supporting HB 132, he said.

[4:32:25 PM](#)

BRYANT HAMMOND, City Clerk, City of Nome, advised that his office handles licensing and taxation for the City of Nome and offered concern regarding the language in CSHB 132, Sec. 7, page 11, lines 17-19, which read as follows:

***Sec. 7.** AS 29.10.200 is amended by adding a new paragraph to read:

(66) AS 29.35.148 (regulation of transportation network companies or drivers.)

MR. HAMMOND offered concern that Sec. 7 reserves regulation to the State of Alaska in that municipalities should be able to set standards and address issues on a local level, as with taxi cabs and motor buses currently. In response to Mr. Farren's three points, he said the first point does not apply to the isolated City of Nome as it is a 13-mile square municipality in the unorganized borough. As to Mr. Farren's second point, Nome has two local taxi cab companies and a total of 13 taxi cab licenses, and he commented that while Mr. Farren's third point was somewhat appealing in that the local level could wash their hands of it, he was unsure that moving control of the regulations would be in the best interest of Nome's citizens. He asked that the committee amend the language to allow for local control regulation and taxation and that he would support of that amendment.

[4:34:01 PM](#)

STEPHANIE SPRING, advised she is a registered voter and resident of Anchorage and offered support for HB 132 because it will increase the quantity of drivers and passengers throughout Alaska, create job opportunities, provide better flexibility, provide support for taxi cabs in different locations, increase competition in the area of ridesharing, and increase standards within Alaska.

[4:35:07 PM](#)

GENESIS ALLEN-LOCKHART described that her first-time experience in ridesharing was with Lyft in Las Vegas, Nevada, and it was exceptional because she was able to locate and call her driver, see the ratings, and the car's GPS on a map which was nice because she was a tourist. The tour season is approaching and it would benefit the citizens and tourists to have the flexibility of using another means of transportation, she said.

Ms. Allen-Lockhart commented that she has used yellow cabs and Lyft was much cheaper than a cab, plus Lyft offers a \$50 credit to try out the program rather than using a person's own money. The legislation would allow people to work when they are able to and the legislation has many good benefits, she said.

[4:38:02 PM](#)

DAVID PRUHS, Council Member, Fairbanks City Council, advised that the City of Fairbanks is in favor of Uber, but requests the striking CSHB 132, Sec. 8, [pages 11-12 lines 20-31, and line 1, respectively], and he thanked Mr. Farren for equating Fairbanks as basically the standard for taxi cab operations in Alaska. He said he would read the Fairbanks standard [as described in the Code of Ordinances, Section 86-77] based upon the protection of riders and those who are able to give them a ride, he read as follows:

An application for issuance or removal of a chauffeur's license must be made upon forms provided by the city clerk and submitted by the city clerk for review. The applicant must be 21 years of age or older, must be able to read, write, and speak English, must have a current State of Alaska driver's license, must not have any delinquent city criminal or traffic fines or fees, must not have had their driver's license suspended or revoked within two years of the date of application, must not have a conviction within 24 months of reckless or negligent driving or driving with a license cancelled, suspended, revoked, or in violation of limitation. Except as otherwise provided in this subsection, the applicant must not have had a felony conviction within eight years or misdemeanor conviction within four years of: prostitution or promotion of prostitution; any offense involving a controlled substance; felony or misdemeanor assault; burglary, felony theft fraud or embezzlement; any sexual offense; any homicide or assault involving operation of a motor vehicle; two separate felony convictions of any type; driving while intoxicated within five years or within eight years of a felony conviction; and finally, refusal to submit to a chemical test.

MR. PRUHS explained that Sec. 8 removes the standard of safety the City of Fairbanks imposed, and 95 percent of the time an

applicant is approved the same day of application. He opined that a few applicants have come to the city council for review.

4:40:39 PM

JUNE ROGERS, Council Member, Fairbanks City Council, advised that the Fairbanks City Council is in opposition to the legislation as written, but is supportive of the work thus far in regard to the state looking at the responsibilities for this type of activity in communities. She referred to government-granted privilege, and opined that government has responsibility for community safety, and the Fairbanks code makes certain that it is approaching the best possible environment for those who are working and using the services. She said that recently the Fairbanks City Council reviewed an appeal that was "definitely something that -- that was a decline, unanimous decline." She pointed out that circumstances can sometimes appear differently when actually working through an appeal and speaking to a person directly in order to receive total information about the person transporting children and grandchildren. Many of the individuals testified in the meeting that their children go to school in taxi cabs and precious transportation takes place when someone is transporting children to school. She said she hopes some of the information given by Joelle Hall of the AFL-CIO is given scrutiny because that is in direct conflict with state law.

4:43:09 PMs

REPRESENTATIVE SULLIVAN-LEONARD asked whether she serves on the Fairbanks City Council as does Mr. Pruhs, and if so, whether she has the full Fairbanks City Council consensus as to her testimony position.

MS. ROGERS answered yes, and she said a letter was submitted on behalf of the City of Fairbanks through the Fairbanks City Council.

4:43:41 PM

REPRESENTATIVE WOOL asked whether she was aware background checks and other sort of checks are required for a TNC driver, and that all of the requirements Mr. Pruhs listed are equally required of TNC drivers.

MS. ROGERS replied yes, however, she said that the example she brought up is a different circumstance when speaking directly with the person and reviewing more extensive records.

[4:44:29 PM](#)

MR. PRUHS advised that "What we do is, I would say the six cases that we've reviewed were granted five of them where normally they would be denied," and the Fairbanks City Council is more on the side of helping a person get through something. He acknowledged that he does not know the standards of the TNC, but would hope the TNCs would meet their standard if the bill passed. He related that the council is in favor of Uber, but wants a "tried and true a standard of safety" for the riders.

[4:45:14 PM](#)

REPRESENTATIVE BIRCH asked whether Mr. Pruhs would be able to make the opportunity to compare the City of Fairbanks standard with the TNC standard.

MR. PRUHS answered, "Of course we would."

[4:46:44 PM](#)

RYAN MCKEE advised that often Alaska is behind the Lower-48 and when it comes to rideshare, Alaska is once again late to the game. [The audio was disconnected at the Matanuska-Susitna LIO.]

[4:47:53 PM](#)

JARED CURE, Owner, Narrows Bar, advised he recently purchased the Narrows Bar, and would speak firsthand as to the effects of ridesharing on the community of Juneau. After high school, he lived in San Francisco for over ten years in the growing tech sector and saw Uber and Lyft grow out of a need for more efficient transportation solutions. In the mid-2000s, before ridesharing, underground and unlicensed taxi cab companies sprouted up in "The Sunset" area to fill the needs of neighborhood residents. This was not a perfect solution, he described, but at least they would show up and because they were unmarked no one would wave them down before they arrived at your location. When Uber launched in 2010, he switched all of his business to Uber acknowledging that it solved a problem for both customers and drivers because a person could see their driver in real time on a map, know who they were, their car, and exactly

when they would arrive. He pointed out that taxi cab companies have had ample time to adapt to new technology and respond to the needs of their riders, and rather than investing in their businesses and adding value for customers, they lobby for continued monopolies. A little competition would be a good thing, he noted. As a bar owner, he said, this issue affects him more than most because efficient access to transportation is more often than not the difference between his customers driving drunk or having a safe ride home. He related that 88 percent of Lyft users say they avoid driving under the influence because they have Lyft as an option, and 66 percent of Lyft rides take place during times of high alcohol consumption. Studies have shown that ridership increases 40-60 percent when rideshare is an option, and he pointed out that under the laws of Alaska, his business, his employees, and himself personally can be held liable for a customer's actions even if he serves them just one drink. He asked that the committee allow his customers access to safe and reliable transportation options.

[4:50:11 PM](#)

MR. MCKEE advised that the only people opposed to this legislation are the taxi cab drivers, the medallion holders, or the lobbyists hired to keep this industry out of Alaska. The users of taxi cabs and rideshares all support this legislation and paying customers are asking the committee to give them this chance. He said the Mothers Against Drunk Driving has shown how ridesharing lowers DUI rates and offers employment and income. He said he could not see why the committee would not pass HB 132 from committee.

REPRESENTATIVE JOSEPHSON commented that a legislator could be concerned with drivers working for a TNC and to be watchful of that concern. He asked whether Mr. McKee was speaking on his own behalf or for a national organization, for example.

MR. MCKEE advised he was speaking on his own behalf as he has followed this issue for a long time, and was excited for Uber when it operated in Anchorage only to have it leave when the Municipality of Anchorage basically required it to cover workers' compensation. He related that he visits the Lower-48 often and is able to enjoy the benefits of rideshare, and he would like to see Alaska join modern society.

[4:53:03 PM](#)

REPRESENTATIVE BIRCH said he understands that it is a symmetrical relationship and from his understanding of the way rideshare works, the driver also receives a rating on the perspective customer.

MR. MCKEE stated that the rating system goes both ways and the rating system matters to both the riders and the drivers because neither party wants to be obnoxious or rude and receive a bad rating. On either side, he said, once a person receives a bad rating they are not allowed to use the service.

REPRESENTATIVE BIRCH surmised that the rating aspects appeals to him because it is a two-way street.

MR. MCKEE agreed, and he said it is a good way to be held accountable and many people can attest to the fact that a problem is immediately addressed, as opposed to a taxi cab driver.

[4:56:31 PM](#)

DON CREARY, Member, Leadership Council of the App-Based Drivers Association, Teamsters Local 117, advised that he has driven over three years for Uber with 11,000 rides. He described that similar to many drivers in the Seattle area, he has gone from great enthusiasm about this company to a fair amount of anger and frustration due to the constant cutting of "our pay," which has been experienced in every other city in the country and will be experienced in Alaska. He offered that the Washington drivers have been struggling with preemption for the last three years, and Uber keeps trying to get preemption to eventually whittle away at all regulations. He explained that the App-Based Drivers Association has a good relationship with the Seattle City Council and the association can go to it with issues that these companies consistently ignore. For example, he said, drivers must explain to parents that if they do not have car seats for their toddlers, they cannot receive a ride due to safety and it is against the law. The company's' response is to thank the driver for their concern, to not break the law, other Uber drivers do it, and "you are an independent contractor, it's up to you." He cancels the ride and the next Uber driver gives the children a ride. He expressed confidence that in working with the Seattle City Council that this issue will be resolved, but he has no faith in going through these companies that the issue would ever be resolved. Preemption, he explained, would stop the drivers from addressing their local city councils with issues these companies will ignore based upon

his three years of experience, he assured the committee. He stressed that he wished he was an independent contractor even though he was referred to as an independent contractor because the only way he is an independent contractor is that he has the freedom to work whenever he desires, other than that he works to the dictates of the company in every regard.

[4:59:39 PM](#)

REPRESENTATIVE WOOL asked whether he is affiliated with the Teamsters Union or if he is is an Uber driver.

MR. CREARY clarified that he is an Uber driver, and a member of the App-Based Drivers Association under the Teamsters Local 117 umbrella.

REPRESENTATIVE WOOL opined that the City of Seattle passed an ordinance allowing the drivers to organize, and asked whether his capacity is as a teamster as an Uber driver, or something he does on the side.

MR. CREARY reiterated that he is a driver, with an association under the Teamsters Local 117 umbrella, it is not yet a union, and the teamsters advise the association.

REPRESENTATIVE WOOL surmised that Mr. Creary is not officially in the Teamsters Union.

MR. CREARY answered, "Not as of yet." In response to Representative Wool, he acknowledged that the Teamsters Union flew Mr. Cleary to the hearing today.

REPRESENTATIVE WOOL surmised that Mr. Creary was testifying as a Teamster, but he was not really a Teamster and has been an Uber driver for three years in Seattle. He asked whether he had driven for Lyft.

MR. CREARY advised that he drives for both companies.

[5:01:12 PM](#)

REPRESENTATIVE WOOL asked whether he had ever driven for a taxi cab company.

MR. CREARY said that he had worked for a taxi cab company many years ago, and confirmed that he is still a driver for Uber and Lyft.

[5:01:29 PM](#)

MR. CREARY, in response to Representative Josephson, said that he is a known critic of Uber.

REPRESENTATIVE JOSEPHSON noted that notwithstanding being a known critic of Uber, asked whether Uber had canceled his app.

MR. CREARY answered, "Not yet."

REPRESENTATIVE JOSEPHSON surmised that Mr. Creary had advised Uber that people asked him to carry young children without car seats, with Uber's response being that it was up to him, and asked what else Uber had to say.

MR. CREARY answered that he emailed Uber, and the response was that it appreciated his concerns but he was an independent contractor.

REPRESENTATIVE JOSEPHSON said he was interested in Mr. Creary's working conditions and how much money he earns, commenting that he recently read about the City of Seattle's concerns with TNCs.

MR. CREARY answered that the money will vary from approximately \$600-\$800 for 45-55 hours of work, and three years ago he would have received \$1,000-\$1,100 for the same amount of time.

MR. CREARY, in response to Representative Josephson, answered that the above-mentioned money estimates are from the same TNC. He attributed the reduced income to rate cuts because he received \$1.70 per mile three years ago and currently receives \$1.35 per mile.

[5:03:27 PM](#)

MR. CREARY, in response to Representative Stutes, clarified that he drove a taxi cab in 1982-1983.

REPRESENTATIVE STUTES related that she was intrigued as to whether or not he was an independent contractor or an employee, and asked how he was paid when he drove for the taxi cab company.

MR. CREARY responded that he would take his money home every night, pay the dispatch, and keep the remaining money.

MR. CREARY, in response to Representative Stutes, advised that he is paid by Uber or Lyft via a weekly direct deposit to his bank account. In further response to Representative Stutes, he answered that he does not handle any money.

[5:04:46 PM](#)

REPRESENTATIVE BIRCH commented that 11,000 rides in three years is approximately 10 rides per day.

MR. CREARY interjected that he is on the low side compared to other drivers because many drivers, due to these rate cuts, drive 70-80 hours per week, between 150-200 rides per week.

REPRESENTATIVE BIRCH asked the amount of money for a typical fare from the airport to downtown for one person, and the comparison of a taxi cab with an Uber fare.

MR. CREARY responded that as an Uber driver, he will receive approximately \$23 minus gas, and the charge to the customer is approximately \$28.

REPRESENTATIVE BIRCH surmised that he would pay a \$28 charge and asked whether that includes the tip.

MR. CREARY said that is a whole other issue, no tipping is allowed.

REPRESENTATIVE BIRCH surmised that it is a \$28 fare, he receives \$23, and pays for the gas, he asked whether that ratio has changed over time.

MR. CREARY answered that when he first started driving he would receive \$30 for that same ride.

REPRESENTATIVE BIRCH said he was trying to understand whether they are just trying to price the ride to meet the market and bringing the driver's cut down proportionally or whether it is the share that goes to the driver that is changing.

MR. CREARY responded that the percentage is the same and the amount he receives is less. He said it is not in keeping with the market, it is designed to undercut and drive everyone else out of business.

[5:07:36 PM](#)

CHAIR KITO commented that Mr. Creary said the goal is to drive other companies out of business, and asked whether Mr. Creary knows of companies that have been driven out of business.

MR. CREARY responded a taxi cab company in San Francisco filed for bankruptcy, except he forgot the name of the company.

CHAIR KITO cautioned that if he was making statements, the committee should be able to find out ...

[5:08:05 PM](#)

MR. CREARY interrupted Chair Kito, and in response to Representative Stutes, answered that the app tells him the cost of the fare for each ride, and he knows per trip how much money he is earning.

REPRESENTATIVE STUTES surmised that when he is paid he knows he is receiving the appropriate amount for the number of trips.

MR. CREARY said that he assumes he is receiving the appropriate amount.

REPRESENTATIVE STUTES said that if he has the amount on his app, could he not just deduct 25 percent.

MR. CREARY commented that he does not have an issue with that and is confident he is paid properly.

[5:09:14 PM](#)

REPRESENTATIVE BIRCH calculated that on the \$28 fare, \$5 goes to Uber, approximately 17.8 percent, and the driver actually gets 80 percent.

MR. CREARY answered that he receives 80 percent.

REPRESENTATIVE BIRCH said that the issue is primarily the fact that the \$28 is coming down, not that his share has changed.

MR. CREARY interjected that his share is the same, the issue is that the rate the passenger is paying keeps going down and that is a direct cut in a driver's pay.

REPRESENTATIVE BIRCH commented that it is a competitive market. Mr. Creary does not have a contract and he can go find another

job, go to a different employer, and he offered that he is trying to find out what keeps Mr. Creary driving for Uber.

MR. CREARY answered that he drove for this company at a time when it was a good job that many people enjoyed, and he believes it can be that again if the drivers organize. He states that possibly he is naïve.

REPRESENTATIVE BIRCH confirmed that Mr. Creary does not have a contractual obligation to stay at Uber. It sounds like "the 80 percent is hanging in there all right." He offered that the market can be competitive, and it is probably competing with whoever owns the train because is it about a \$2 ride.

MR. CREARY disagreed, and he said that if Uber charged another \$0.50 per mile those people would still be going to the airport. These prices are low specifically to keep other people out of the market.

[5:11:08 PM](#)

REPRESENTATIVE JOSEPHSON asked Mr. Creary to describe a system where everyone wins or comes close to winning.

REPRESENTATIVE BIRCH answered that when he first started driving for Uber and Lyft, the consensus amongst all of the drivers was that this was a "win, win, win" situation for investors, the company, the riders, and the drivers. During that time, they were receiving \$0.50 more a mile, riders would express that they really loved the service and that the drivers were making good money, so it was "really great." There was never a concern that the service was great, but the riders sure wished it was cheaper or that the ride was too expensive; oftentimes he was told the opposite, in that riders did not mind paying more. The prices being charged are not market prices, he opined, and believes they could charge higher prices and the business would continue. When he started, he described that it as an ascending vibrant market at that time wherein he offered less rides and made more money. Mr. Creary related that in January 2014, the company was valued at \$10 billion with the rates at that much higher level, and by August the rates were still 25-30 percent higher and the company was valued at \$50 billion.

[HB 132 was held over.]

[5:13:06 PM](#)

ADJOURNMENT

The House Labor and Commerce Standing Committee meeting was recessed at 5:13 p.m., to be continued at 12:30 p.m. on March 18, 2017.