

## Facing regulatory roadblocks, Uber ramps up lobbying in its home state

July 29 2015, by Chris Kirkham And Tracey Lien, Los Angeles Times

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Uber now spends more on lobbyists in California than Wal-Mart, Bank of America or Wells Fargo.

And for good reason: The 6-year-old ride-hailing company needs powerful [friends](#) as it faces two serious regulatory challenges in the state - a move to reclassify its drivers as employees, not independent contractors, and a demand to turn over to state officials data on every Uber ride.

Those are only the latest public fights threatening to slow the firm's lightning-quick international expansion. But the home-state problems pose a key test of Uber's increasingly well-oiled political machine, whose spending on Sacramento lobbyists puts it in the top 3 percent of companies and organizations.

The stakes for Uber are high. Having to treat drivers like employees would pose huge costs and headaches for a company that says it only manages a smartphone app - and could dramatically affect the startup's estimated \$40 billion valuation. Turning over troves of ride data could lead to even bigger headaches, opening the door to intense regulatory scrutiny of issues such as worker hours, traffic violations, accommodations for the disabled and service in impoverished neighborhoods.

A judge at the California Public Utilities Commission earlier this month ruled that Uber should be fined \$7.3 million and its service in California

be suspended until it hands over the trip data. Uber has resisted that demand for more than two years, since before the PUC passed regulations requiring the information.

Any suspension would crimp Uber's cash flow and could hurt its public image - to the benefit of its top competitors, Lyft and Sidecar, which provide almost identical services.

Another big issue involves Uber's drivers. Last month's ruling by the California labor commissioner's office that a San Francisco Uber driver be classified as an employee, not an independent contractor, poses additional challenges. Though the decision applies only to the one driver, it could spawn additional legal challenges that would test the company's employment model.

In an emailed statement, Uber said it already provided "substantial amounts of data" to the California Public Utilities Commission. The company declined to comment on its lobbying activities. Uber said California has been a leader in creating regulations that "ensure economic opportunity and benefit cities," and that it will "continue to collaborate with regulators and legislators to ensure a clear, common sense path forward."

Navigating the California challenges will be crucial as Uber faces increased pressure and scrutiny around the globe. In France and South Korea, Uber executives have drawn criminal indictments on illegal operations charges. "What's happening in Sacramento is a learning tool for political actors and movements across the country," said David McCuan, a political science professor at Sonoma State University. "Other jurisdictions can look to California as a model."

Uber's growth strategy works both financially and politically. The playbook can be summed up in three phases: Rush into new markets;

build loyalty among drivers and customers; use those constituencies to help fend off blowback from rivals and regulators.

The approach has worked in California for years. Even as taxis, limousine companies and city officials in Los Angeles pushed to shut down the unlicensed services, Uber, Lyft and Sidecar were able to get temporary operating permits as the Public Utilities Commission considered formal rules to address what it called "a situation not encountered before."

Uber's core argument has remained consistent, that it is a technology company, not a transportation company: Uber's app merely connects private drivers with paying passengers. So traditional rules governing such matters as insurance and commercial vehicle registration shouldn't apply.

That message has convinced many lawmakers who are conscious of Uber's immense and rising popularity among constituents.

"We're trying to fit this new model into an incredibly outdated regulatory environment," said Assemblywoman Ling Ling Chang, a Republican from eastern Los Angeles County who is sponsoring a bill that would exempt ride-hailing vehicles from being classified as commercial vehicles. She said lawmakers who want to apply more regulation have "a lack of understanding regarding this economy."

Others believe ride-hailing firms should be regulated as strictly as, for instance, [taxi](#) companies.

But the risk of appearing out of touch is a real one for politicians. State Assemblywoman Susan Bonilla, a Democrat, discovered that firsthand last year when she sponsored a bill that would have required more expensive insurance coverage for drivers - a response to the uproar after

an Uber driver struck and killed a 6-year-old girl on New Year's Eve in 2013.

Uber sent out mailers throughout her district, labeling her "anti-tech, anti-consumer choice."

Adrin Nazarian, a Democratic assemblyman, received a similar onslaught of email messages when he sponsored a bill last year that would have required random drug testing and official state fingerprint background checks for on-demand transportation drivers. Users signed a petition sent out by Uber, which generated an automatic email to Nazarian urging him to "not stand in the way of progress."

Nazarian bristled at the notion that his legislation tried to "stifle innovation," saying that his bill had nothing to do with Uber's app, only its drivers. But he acknowledged that many state politicians are hesitant to raise concerns about a wildly popular industry that was born in California.

"We have Silicon Valley, we have Silicon Beach. Technology has been a major component of what we export," Nazarian said. "So does that kind of make some folks uncomfortable? Absolutely."

As the insurance and background check bills wended their way through the Legislature last year, Uber's lobbying spending surged. Before last summer, Uber had never spent more than about \$42,000 on lobbying in any three month-period, according to state records.

But when the legislation came to a head late last summer, Uber increased its spending more than tenfold, doling out \$474,182 between July and September. The lobbying roster included the powerful firm Gonzalez, Quintana & Hunter, which also represents the Building Industry Association of California and the city of Los Angeles.

Delaney Hunter is a former top staffer from the California PUC, and Will Gonzalez was a former legislative director for state Sen. Darrell Steinberg, who recently led the Senate.

So far in 2015, Uber has paid about \$200,000 to lobbyists. That's more than 10 times the amount spent by the limousine industry and nearly four times greater than the taxi industry's trade group.

"Every single day they have lobbyists knocking on doors," said Gary Buffo, president of the National Limousine Association, who also operates a company north of San Francisco. "I have a business to run. We don't have the money to fund 10 lobbying firms with people around Sacramento all day long."

Uber also courts politicians in ways that do not have to be publicly disclosed, like campaign donations or lobbying bills.

For instance, Uber has been a major sponsor of the U.S. Conference of Mayors. That organization, for mayors of cities with a population of 30,000 and higher, meets several times a year. Uber has sponsored events at several of those meetings, including a lavish late-night reception at the Astor Ballroom in Washington, D.C.'s St. Regis Hotel last January.

In August 2014 - when cities were grappling with whether and how to regulate Uber - Sacramento Mayor Kevin Johnson, the mayors conference president, conducted a one-on-one onstage interview with Uber founder Travis Kalanick at a conference event. In January, he did the same with Uber executive David Plouffe, a former political operative who ran President Obama's 2008 campaign.

The company last October donated \$50,000 to the African American Mayors Association - a group Johnson created just a few months earlier.

Uber acknowledges the donation but declines to say how much they've it has paid to the Conference of Mayors.

Johnson declined an interview request, but his office released a statement: "Organizations like the USCM and AAMA are nonprofit organizations that typically receive support from a large number of entities that are engaged in the civic life of American cities. At conferences, which are attended by thousands of people, many organizations present and share their thoughts, ideas and perspectives."

At the moment, Uber's biggest battles involve state politicians. In this year's legislative session, bills run the regulatory gamut: One would require stronger privacy guarantees for passengers; another would allow ride-hailing companies to legally operate "pools" - where strangers ride together and split fares.

But Uber's biggest challenge yet has come from an unlikely place: the state PUC, best known for utilities regulation. The agency is just now emerging from a bruising scandal over emails showing a cozy relationship between Pacific Gas and Electric executives and the commission's former president, Michael Peevey.

When a PUC administrative law judge decided earlier this month that Uber should be fined \$7.3 million and suspended from operating in California, it struck many as a departure from an agency with a reputation for having a light touch in regulating powerful institutions.

The dispute, however, was relatively straightforward. The 2013 regulations crafted by the PUC required Uber and other on-demand transportation services to provide data on where drivers do and don't pick up customers, along with a list of suspensions and incidents involving drivers.

Uber refused to hand over all of the data. Its competitors, Lyft and Sidecar, did comply.

Uber said it plans to appeal the decision, which would eventually bring the matter before the five-member PUC, a body staffed entirely with appointees from Gov. Jerry Brown and headed by a reform-minded president, Michael Picker.

That decision could be a major test of both the PUC's new direction and the state's evolving stance on ride-hailing companies.

Picker and the other commissioners declined requests for interviews because the judge's recommendation will probably be appealed and the matter could come before the commission for a decision, a commission spokesperson said.

Experts said Uber's choice to openly flout a PUC under heightened scrutiny is a risky one.

"You would expect the Ubers of the world to be a little more sophisticated," said McCuan, the Sonoma State professor. "Just saying no and putting up a wall is not an appropriate strategy, because the PUC will be under tremendous pressure to over-regulate."

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As Uber grows in number and popularity, regulators face a new lobby group: app users who love Uber. An app company itself, Uber has proven adept at energizing its customers through their personal electronic devices, prompting them to channel Uber's message to political decision makers by the thousands.

Uber is not shy about marshalling those constituencies to lobby public

officials who have threatened moves that would hurt Uber's business.

Here's a rundown of the digital protest campaigns Uber has set in motion, almost all of which went in the company's favor, except its campaign against an insurance bill in California, where the bill was successful.

### July 2015

Uber takes a swipe at New York City Mayor Bill de Blasio by adding a "De Blasio's Uber" feature to its app. The app shows long wait times or no Uber rides. Customers are redirected to a petition opposing a cap on total Uber drivers in the city proposed by de Blasio.

### April 2015

Uber emails customers across California urging them to sign a petition against a bill requiring random drug testing and fingerprint checks for drivers. When electronically signed, the petition automatically sends pre-written email to their local assembly members.

### February 2015

After Virginia allows services like Uber to operate there, the company posts on its website the Twitter handles of key legislators who supported the bill, telling customers to send them special thank you.

### August 2014

Uber carpet-bombs residents in California Assemblywoman Susan Bonilla's district with mailers, slamming her as "anti-tech, anti-consumer choice" and "pro-special interest." Bonilla authored a bill to require Uber-like companies to carry more comprehensive liability insurance.



August 2014

Uber blasts California customers with email urging them to oppose an insurance bill it said would "kill ridesharing in the Golden State." The email, with phone numbers for every state senator, linked to a petition constituents could sign in opposition.

June 2014

Uber posts on its website the emails, phone numbers and Twitter handles of every California state senator, urging customers to oppose bills on insurance and driver background checks.

-Tracey Lien

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Citation: Facing regulatory roadblocks, Uber ramps up lobbying in its home state (2015, July 29)  
retrieved 27 April 2024 from

<https://phys.org/news/2015-07-regulatory-roadblocks-uber-ramps-lobbying.html>

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