

California regulators probing Uber's leasing program

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The California Public Utilities Commission is investigating Uber's car-leasing program for drivers, saying it could violate the 2013 law that legalized the car-booking company.

The CPUC said this week it is looking into the growing number of drivers who work for Uber, Lyft and similar companies using leased or rented cars to transport passengers. Uber last month announced a pilot car-leasing program for prospective drivers - people who want to drive for UberX, the company's lower-cost ride service, but don't own a car.

"A TNC (Transportation Network Company) permit does not authorize the use of vehicles other than those privately owned by the driver," said commission spokeswoman Constance Gordon, who confirmed that the commission is probing Uber's leasing program, as well as a number of smaller companies that offer rental and leasing options to drivers.

The commission declined to provide further information until the investigation is complete.

Transportation Network Companies are a new category of companies created in 2013 as the commission sought to regulate the then-nascent industry of smartphone apps that connect drivers and passengers. The investigation into Uber's leasing program could set up yet another regulatory battle between the state agency - the first in the nation to legalize car-booking app companies - and one of the biggest tech companies in town.

A judge for the CPUC fined San Francisco-based Uber \$7.3 million last month because it failed to provide data required by state laws to ensure that drivers are giving rides fairly to all passengers, such as how accessible vehicles are to disabled riders and the ZIP codes drivers are servicing. As of late Wednesday, Uber had not appealed the fine; it has until Friday to pay or lose its license.

Uber has said it provided the commission with as much data as it could without compromising riders' privacy; however, the utilities commission said Uber was the only company of its kind not to comply with the reporting requirements.

Should state regulators decide that drivers can't lease or rent cars, it will in fact pit the agency against several car-booking companies. Not only Uber drivers, but Lyft and Sidecar drivers also lease cars to drive for those apps, those companies said. It would also threaten the existence of startups such as Breeze and HyreCar, whose entire business model is leasing or renting cars to drivers for on-demand transportation and delivery companies.

But among the car-booking companies, only Uber has created a leasing program in an effort to accelerate its growth by more quickly adding drivers to the app. Uber has set up an independent subsidiary, Xchange Leasing, to lease cars directly to drivers. Xchange Leasing is funded by Uber, which is searching for a general manager to run the program. Xchange Leasing employees are considered completely independent from Uber, said Andrew Chapin, head of vehicle solutions at Uber.

Chapin said he could not comment on ongoing conversations between Uber and the CPUC, but he said that he did not believe the company was breaking any rules and that the [company](#) was working to ensure it is compliant with state laws.

Chapin said the biggest hurdle for people who wanted to become Uber drivers was not having the credit necessary to buy a car - or having no credit history, a challenge many immigrants face. Xchange Leasing will lease to people with a variety of credit scores and financial situations. Drivers must pay a \$250 security deposit, and if they want to break the lease, all they lose is the \$250. That's an unusually flexible lease agreement; most agreements require the driver to pay out the end of the lease, said Scot Hall, executive vice president of operations for Swapalease.com, a site where people can transfer car leases to others so they can avoid paying.

Xchange Leasing has partnerships with dealers in Los Angeles, San Francisco and San Diego, as well as cities in Georgia and Maryland. Uber said renting a 2013 Toyota Camry through Xchange Leasing would cost a driver about \$480 per month. Through Swapalease.com, leasing a similar car would cost \$275 to \$300, Hall said.

Uber also has a car rental program for [drivers](#) in Tennessee, Texas and Georgia but does not have plans to bring that to California, Chapin said.

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