

# Legislative Analysis

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## TRANSPORTATION NETWORK COMPANIES: CREATE LICENSING REQUIREMENTS

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### House Bill 5951

**Sponsor: Rep. Tim Kelly**

**Committee: Energy and Technology**

**Complete to 11-30-14**

### A SUMMARY OF HOUSE BILL 5951 AS INTRODUCED 11-12-14

House Bill 5951 would repeal the Limousine Transportation Act (PA 271 of 1990) and replace it with a new act to regulate and set criteria for the licensing of transportation network companies and transportation network company drivers. (*Uber* and *Lyft* are examples of transportation network companies.)

The Department of State would be required to issue a permit to allow a transportation network company (TNC) to operate in Michigan if the TNC meets all the requirements of the new act and pays a fee as determined by the department. The department could impose a fine or revoke a permit, after providing notice and the opportunity for a hearing, if a TNC fails to comply with the requirements of the new act.

#### **Definitions**

Transportation network company (TNC) would be defined as a person operating in this state that uses a digital network to connect riders to TNC drivers for the purpose of providing transportation. A TNC would not include a taxi service, transportation service arranged through a transportation broker, a ridesharing arrangement, or a transportation service using fixed routes at regular intervals.

Transportation network company driver would mean an individual who uses a personal vehicle to provide transportation services for riders that are matched to that individual through a TNC's digital network, regardless of whether the individual is employed by a TNC.

Prearranged ride would be defined as the period of time that begins when a transportation network company driver accepts a requested ride through a digital network, continues while the transportation network company driver transports the rider in a personal vehicle, and ends when the rider departs from the personal vehicle.

Personal vehicle would mean a motor vehicle that has been approved to be used by a TNC driver to perform rides arranged through a TNC digital platform and that meets the requirements of the bill. A TNC shall not be considered to own, control, operate, or manage a personal vehicle operated by a TNC driver providing transportation services to passengers matched through the TNC digital network.

## **Operating requirements**

To operate in Michigan, a TNC must submit annually to the Department of State (Secretary of State) an application attesting to all of the following:

- Required proof of insurance, including contingent coverage meeting certain minimum coverage requirements. (More detail provided below)
- That each TNC driver is at least 21 years of age and has a valid Michigan operator's license, and, if that driver has a vehicle with a capacity of nine or more passengers, a chauffeur's license and a commercial vehicle registration plate for that vehicle.
- That the TNC has conducted a local, state, and national background check on each of its drivers, including a search of the national sex offender database, and that none of its drivers have been convicted of any the following:
  - Driving under the influence of drugs or alcohol, if the conviction occurred within the seven years prior to the date the application is submitted.
  - Use of a motor vehicle to commit a felony.
  - A crime involving property damage.
  - Fraud.
  - A sexual offense.
  - Theft.
  - An act of violence.
  - An act of terror.
- That each TNC driver has submitted a driving history report to the TNC before providing transportation services showing that the TNC driver does not have more than three moving violations or a major violation in the three-year period before the date of the driving history report. "Major violation" means, but is not limited to, attempting to evade the police, reckless driving, or driving on a suspended or revoked license.
- That each TNC driver's vehicle has undergone a safety inspection conducted annually by a Michigan-licensed mechanic prior to providing transportation services. Each TNC driver would be required to provide to the TNC documentation of the inspection showing that all of the following vehicle components were inspected:
  - Foot brakes and parking brakes.
  - Steering mechanism.
  - Windshield, rear window, and other glass.
  - Windshield wipers.
  - Headlights and taillights.
  - Brake lights.
  - Front seat adjustment mechanism.
  - Doors.
  - Turn signal lights.
  - Horn.
  - Speedometer.
  - Bumpers.
  - Muffler and exhaust system.
  - Tires, including tread depth.
  - Interior and exterior mirrors.
  - Safety belts.

## **Insurance**

In the annual application described above, a TNC would have to attest that it maintains a primary liability insurance policy covering each TNC driver for incidents involving that driver at all times during a prearranged ride and that covers a minimum of \$1 million per incident. Documentation of the insurance coverage must be provided to the department by the TNC or the TNC driver.

A TNC also would be required to attest that it provides contingent coverage of at least \$50,000 per person for bodily injury, at least \$100,000 for bodily injury to two or more persons per accident, and at least \$30,000 for property damage per accident during the time that a TNC driver is providing transportation services. In addition, the TNC must attest that it provides contingent coverage of at least \$20,000 per person for bodily injury, at least \$40,000 for bodily injury to two or more persons per accident, and at least \$10,000 for property damage per accident during the time that a TNC driver is logged into the TNC's digital network and is available to receive requests for transportation but is not providing transportation services. These requirements could be satisfied through a combination of insurance policies maintained by a TNC or a TNC driver.

The TNC must also attest in the application that personal injury protection (PIP) insurance and property insurance are in effect as required by Chapter 31 of the Insurance Code, entitled Motor Vehicle Personal and Property Protection. (Chapter 31 constitutes Michigan's no fault automobile insurance law.)

Further, both of the following apply to the insurance policies described above:

- The insurance policy may be placed with an insurer licensed under Chapter 4 of the Insurance Code or a surplus lines insurer eligible under Chapter 19.
- The insurance policy satisfies the financial responsibility requirement described in Chapter V of the Michigan Vehicle Code

## **Other requirements of TNCs**

In addition to the above, TNCs would be required to do the following:

- Provide a customer support telephone number and email address on its digital network or website for rider inquiries.
- Provide all of the following to passengers:
  - The TNC driver's first name.
  - The make and model of the TNC driver's vehicle.
  - The method by which the TNC calculates fares or the applicable rate being charged.
  - The option to receive an estimated fare.
- Provide a receipt through electronic mail or text message to a passenger upon completion of a prearranged ride.
- Maintain a roster of drivers, categorized by geographic location, and make the roster available upon request to the department.

## **Prohibited actions**

- TNCs would be prohibited from disclosing to a third party any personal information regarding a user of the transportation network company's digital network without the user's consent.

- A TNC or TNC driver could not solicit passengers or service through a street hail or pick up or discharge a passenger at a designated taxicab stand, no stopping or standing zone, or other restricted area.

However, a TNC driver could refuse to transport a passenger if that person is acting in an unlawful, disorderly, or endangering manner.

### **Requirements of Drivers**

A TNC driver must permit a service animal to accompany a passenger on a prearranged ride. The driver must also take the most direct route to the passenger's destination unless otherwise authorized by the passenger.

If a personal vehicle is involved in an accident while being used to provide TNC services, the driver would be required to do all of the following:

- Provide proof of insurance information to the other party involved in the accident.
- Notify the transportation network company of the accident.

### **Signage**

Personal vehicles, while engaged in a prearranged ride, would be required to display at all times a consistent and distinctive signage or emblem, approved by the department, that meets the following:

- Is sufficiently large and color-contrasted to be readable from a distance of at least 50 feet during daylight hours.
- Is reflective, illuminated, or otherwise visible in darkness.
- Can sufficiently identify a vehicle as being associated with the TNC for which the vehicle is transporting passengers.

### **Local government regulation**

A local unit of government would be prohibited from enacting or enforcing an ordinance regulating a transportation network company.

### **FISCAL IMPACT:**

The bill would impose an increased fiscal burden on the Department of State by an indeterminate amount. However, the department expects the increased costs to be covered by establishing an application fee on the transportation network companies, which has yet to be determined. The overall effect should result in no increased additional cost to the department.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.