

TUT-POL CASE STUDY

Ridesourcing in San Francisco: From “Rogue” to Mainstream



Summary

Only a few years after they were launched in San Francisco, the emergence of privately owned but publicly regulated companies such as Uber, Lyft and Sidecar have dramatically changed the global urban transportation landscape, most notably by altering the expectation (and reality) that routine urban transit services for a large urban market can be readily tailored to disaggregated individual preferences via real-time mapping of locational demand. While similar to taxi services, ridesourcing has several characteristics that make it preferable for many patrons, including greater ease of summoning services with smart phones using convenient apps and higher availability in many or most circumstances. During periods of highly peaked demand, moreover, they have utilized surge pricing (a form of congestion charging) to balance supply and demand, thereby maintaining their capacity for quick, reliable response to calls for service. In San Francisco, ridesourcing companies now provide about 50,000 trips a day, more than twice the number of trips taken by taxi. These dramatic changes are largely the creation of tech-savvy private sector actors, who developed the necessary applications and business models that kept costs low by relying on drivers using their personal cars and personal car insurance. However, to enable these changes, tech companies also needed an accommodating regulatory framework, not just in the face of opposition from the city’s heavily monitored, politically active taxi operators but also under the continued threat of regulatory crackdowns by local and state enforcement agents. In finding room for

maneuver, ridesourcing firms gained support from San Francisco Mayor Edwin M. Lee, who took office in in 2011 as the “pragmatic” candidate intent on bridging the progressive and moderate factions of the Board of Supervisors. In a city still feeling the impacts of the Great Recession, Lee publicly supported ridesourcing as an embodiment of the “sharing economy.” In order to circumnavigate local enforcement requisites, Mayor Lee shifted the jurisdictional locus of debate concerning regulatory activity to the state level—specifically the California Public Utilities Commission (CPUC), which was generally viewed as a more business-friendly venue and where taxi interests typically have less

This is a story of private sector firms engaging public sector actors in a shared effort to challenge and eventually alter a series of longstanding regulatory frameworks governing personal transportation services, an outcome facilitated by the rescaling of key decision making authority about transit regulations from the local to the state level, where opposition forces had less traction and where tech firms held more sway.

influence. In turn, CPUC Chairman Michael Peevey convinced the five-member commission to begin a rulemaking process focused on ridesourcing. In fall 2013, CPUC approved regulations which would be applied to a new category of service, “Transportation Network Companies” (TNCs), which imposed obligations related to insurance, background checks for drivers, and vehicle inspections but did not require substantial changes in existing business models. These new rules and the maneuvering that produced them allowed ridesourcing to continue and grow in California. Their impact has been so great that both cities and tech firms worldwide have sought to replicate similar regulatory modifications, albeit with varying degrees of success.

Strategic Actions

Framing the potential benefits of ridesourcing through a range of priorities focused on political and economic gains beyond transport.

SF Mayor Edwin Lee voiced public support for ridesharing firms in his January 2013 State of the City address while celebrating them as alternative forms of transportation through the sharing economy. Retaining and wooing technology companies, particularly those involved in the sharing economy, was a central part of Lee’s economic development strategy for the city.

Proactive stakeholder mobilization in the service of bringing a wide array of voices into debate over transportation so as to alter traditional political fault lines of support (and opposition) for transportation change.

Ridesourcing firms used email and social media to mobilize potential supporters (a task made easier by the fact that all ridesourcing users and drivers register for the service using an email address or Facebook profile), urging them to contact elected officials, attend public meetings, and sign online petitions in support of ridesourcing services.

Shifting the locus of decision making to those regulatory levels of government least likely to be paralyzed by intractable conflicts.

In the face of pushback from local transit enforcement agencies at the local level under his jurisdiction, Mayor Lee rescaled regulatory debates about the propriety of ridesourcing to the state level—specifically the California Public Utilities Commission (CPUC), which was generally viewed as a more business-friendly venue and where taxi interests typically have less influence.

Tactical Actions

Calculated indifference to a regulatory logic that presupposed public sector control of ridesourcing services.

The leaders of ridesourcing firms initially argued that they weren’t subject to city or state regulations and could begin operating without regulatory approval since they were only facilitating connections between riders and drivers. Still met with regulators’ warnings and orders to cease operations, they simply ignored them while trying to build support and see if regulators would actually act against them. When they did, they convinced elected and senior appointed officials to support the development of new, more favorable regulations for ridesourcing.

Emphasizing the private provision of surface transportation services as a means for keeping public transit costs competitively low.

Ridesourcing in San Francisco was an entirely private, for-profit, unsubsidized initiative led by tech-savvy private-sector actors, who developed the necessary applications and business models that kept costs low by relying on drivers using their personal cars and personal car insurance.