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## **OVERSIGHT HEARING**

# **Transportation Network Companies (TNCs) in California**

Wednesday, June 18, 2025

State Capitol, Room 437

1:30PM – 3:30PM

## **TRANSPORTATION NETWORK COMPANY BACKGROUND**

While there has always been a need for and services available for personal transportation, a Transportation Network Company (TNCs) is a relatively new class of personal transportation business with roots in the California technology sector based in San Francisco. One of the distinguishing factors of a TNC, compared to other types of transportation services like taxis or chartered vehicles, is the use of personal vehicles and web-based applications to connect riders to drivers. Within the last ten years TNCs have become a significant part of California's transportation landscape, providing millions of trips per year across the state and especially in California's most populous counties. While TNC service is more ubiquitous now than it has ever been in the past, at the turn of the 2010's it was a nascent industry in California that carved a niche for itself within the existing transportation services market. At the time, TNCs were viewed as a service that was meant to "disrupt" the existing marketplace for personal transportation, and arguably it has been effective at changing consumer patterns for personal transportation. Since then, the TNC industry, the regulatory and legal landscape, the public's perception of these services, and their role in society have continued to evolve.

## **REGULATORY HISTORY**

While on one hand TNCs are a newer class of personal transportation, the concept of privately contracted or chartered personal transportation is obviously not new. For example, in 1961 the "Passenger Charter-Party Carriers' Act" was signed into law with the intent of regulating personal transportation for compensation by private entities. With limited exemptions, such as for taxis and public transportation, the Passenger Charter-Party Carriers Act applies broadly to every person engaged in the transportation of persons by motor vehicle for compensation over any public street, road, or highway in this state. Accordingly, this Act has applied to TNCs and the market the TNC industry was attempting to radically change at its beginning.

In 2009, when Uber launched its first product the concept of ridesharing was primarily reserved as an arrangement between friends, coworkers, or others with a common interest. The term transportation network company also had not been formalized in any statute or regulatory decision. The TNC industry asserted it did not fit in the existing regulatory category of a charter party carrier because unlike traditional charter-party carriers, the TNCs claimed they were not providing a transportation service, but are merely providing the platform by which passengers and drivers may connect and pay for the transportation. Initially, the CPUC resisted by sending cease and desist letters to operators and levying fines for violations of the Passenger Charter-Party Carriers Act. Eventually in 2013, following agreements between the CPUC and a lengthy public rulemaking process, the CPUC created a new regulatory category of charter-party carriers and coined the name “transportation network company”. As part of that 2013 decision, the CPUC also adopted the first regulatory and data reporting requirement for TNC services. For example, the CPUC required TNCs to obtain a license from the CPUC, for drivers to undergo background checks, implementation of a zero-tolerance policy for drugs and alcohol, insurance requirements, and also the first trip data reporting requirements.

Following 2014 until about 2020, the TNC market continued to grow across California, the nation, and the world. As TNC service has become more commonplace, other issues have continued to arise in the regulatory space particularly concerning safety for drivers and passengers, and also the treatment of trip data. Until 2021, the CPUC considered all of the TNC’s annual trip data to be confidential which left little public insight into how these companies affected the public right-of-way or the safety of the platforms. While some stakeholders have requested the CPUC regularly disclose trip and other data with the public, the companies have continued to assert their confidentiality rights. The CPUC has for years continued to wrestle with the legal issues pertaining to balancing the right of the public to obtain public information, the right of the companies to assert confidentiality to protect their economic interests, and also the interests of TNC riders to their privacy. As a result, the public has only gained access to trip data from the year 2021 and that data is heavily redacted. That year’s data has also been viewed as an outlier for understanding TNC operations in the state, as during that year demand for rides had decreased significantly as the state and the world responded to the COVID-19 pandemic.

Since 2021, the TNCs report that ridership levels have rebounded. Nonetheless, some of the regulatory questions that defined the period prior to the pandemic continue to persist and some other dynamics have changed. For example, the data transparency questions have not yet come to a full resolution and that issues continues to be a primary focus of the regulatory proceeding active at the CPUC. Additionally, in 2022 the voters passed Proposition 22 which solidified the ability of app-based transportation and delivery companies, like TNCs, to classify their drivers as independent contractors. This law put to rest some of the labor disputes that would have impacted the TNC industry. Lastly, while the passage of Proposition 22 certainly made the economics of this industry easier for the companies to contend with, competition has also grown since then from autonomous vehicles. Autonomous vehicles are also classified as TNCs according to the CPUC. In 2022, the CPUC issued the first deployment permits for autonomous vehicles in San Francisco and has since expanded those services to other areas including Los

Angeles. The expansion of autonomous vehicles poses direct competition to typical driver-operated TNCs, and could potentially disrupt this once disruptive industry.

## **LEGISLATIVE HISTORY**

In 2014, following the CPUC's 2013 decision to adopt the first TNC specific regulations under existing law, Legislature passed the first bill addressing transportation network companies. That initial legislation - AB 2293, 2014. (Bonilla) - codified the CPUC's definition of a TNC and imposed insurance requirements on TNC companies and their drivers. AB 2293 redoubled the CPUC's role as the regulator of TNCs, and also clarified insurance requirements to ensure adequate protections for drivers and riders. Prior to that legislation, a TNC driver's use of a personal vehicle created some uncertainty regarding the use of personal or commercial insurance, and when each coverage applied.

Since 2014, the legislature has passed only a few other significant pieces of legislation regarding TNC operations in the state. Broadly, California TNC legislation has addressed topics such as driver requirements and safety, accessibility for disabled Californians, mitigating environmental impacts, and authorizing a special statute for San Francisco to impose a tax on TNCs. Although TNC data, transparency and customer privacy has been an ongoing issue before the commission, the Legislature has not weighed in or provided further direction on this particular issue.

The most relevant TNC legislation is summarized chronologically below:

- AB 2293 (Bonilla. Chapter 389, Statutes of 2014).
  - Codified the CPUC's specific authority over TNCs and adopted the agency's definition of the term "transportation network company"
  - Established insurance requirements for TNC platforms and their drivers
- AB 1289 (Cooper. Chapter 740, Statutes of 2016).
  - Imposed specific requirements on background checks for TNC drivers
  - Prohibited TNCs from contracting with drivers that had committed specified crimes
- SB 1376 (Hill. Chapter 701, Statutes of 2018).
  - Established the Access for All program, by requiring CPUC to adopt regulations to ensure access for disabled Californians and wheelchair-accessible vehicles
  - Imposed a 10-cent per ride fee on TNC trips to fund the program.
- SB 1014 (Skinner. Chapter 369, Statutes of 2018).
  - Established the Clean Miles Standard Act to increase the use of zero-emission vehicles on TNC platforms and reduce greenhouse gas emissions from the industry.
  - Required California Air Resources Board (CARB) to adopt and the California Public Utilities Commission (CPUC) to implement annual targets to reduce greenhouse gas emissions from transportation network company (TNC) services and certain other types of transportation providers.
- AB 1184 (Ting. Chapter 644, Statutes of 2018).
  - A special statute authorizing the City and County of San Francisco to impose a tax on TNC rides originating in the city, until 2045.
  - SF has imposed a Traffic Congestion Mitigation Tax on TNCs since 2020.

## **ISSUES FOR COMMITTEE CONSIDERATION**

As the Committee hears updates and provides oversight related to the administration of transportation network company (TNC) operations in the state, Members may wish to inquire about the following:

- **CPUC Administration:** Has the CPUC adequately fulfilled its statutory requirements for TNCs and adequately focused its resources and attention on the most pressing issues?
- **Statutory Programs:** How has the CPUC implemented the programs for TNCs mandated by the Legislature? Are there notable successes or challenges?
- **Legislation:** Has the Legislature provided sufficient direction to the CPUC, through legislation, to adequately and appropriately regulate TNC operations?
- **State and Local Regulation:** How has state-level regulation of TNCs impacted the industry, and would more local control or input be beneficial towards public policy objectives?
- **TNCs and Local Transit:** How have TNC operations impacted local transit?
- **Data Collection:** What value can TNC data provide to regulators and the public, and has the troves of data collected since 2014 been used to advance public policy objectives?
- **Transparency and Privacy:** How should transparency and privacy of TNC data be weighed by regulators, or treated by the law?
- **Trip Data:** Which entities, if any, should have access to granular level TNC data and for what purposes? Is sharing granular level data too risky or not in the public interest?
- **Rider Safety:** What safety challenges has riders faced on TNC platforms, and how have regulators responded?
- **Accident Data:** What accident has the CPUC collected, what value does that data provide, if any, towards understanding accident trends on TNC platforms?
- **TNC Insurance:** How can regulators or policymakers assess the statutorily mandated insurance levels imposed on TNCs?
- **TNCs and Autonomous-Vehicles:** What impact will autonomous vehicles have on the transportation market, and should autonomous vehicles be regulated in the same way as driver-operated TNCs?
- **Accessibility:** Has the Access for All program positively expanded access to TNC services to disabled Californians, and is there room for improvement in the program?
- **Environmental Impacts:** How is the CPUC implementing the Clean Miles Standard program? Has the Clean Miles Standard program began to reduce emissions associated with the TNC industry, as intended?