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Senate Bill 188 (as introduced 3-9-15)
Sponsor: Senator Dale W. Zorn
Committee: Regulatory Reform

Date Completed: 3-25-15

CONTENT

The bill would add Article 2 (Transportation Network Companies) to the Limousine Transportation Act and designate the current Act as Article 1 (Limousines). Article 2 would do the following:

- **Prohibit a transportation network company from operating in Michigan unless it annually submitted an application to the Michigan Department of Transportation (MDOT).**
- **Require the application to include certain information regarding insurance, and require a transportation network company driver to notify the company to remove the driver from its roster if the required insurance were canceled, revoked, or not renewed.**
- **Require the application to verify that a driver was at least 21 years old and had a driver license.**
- **Require the application to show that the transportation network company had conducted a background check of each driver and that a driver had not been convicted of certain offenses.**
- **Require the application to show that each driver's vehicle had undergone an annual safety inspection.**
- **Provide that a transportation network company could not be considered to own or operate a personal vehicle operated by a transportation network company driver.**
- **Establish signage, emblem, and decal requirements for a personal vehicle used by a transportation network driver.**
- **Establish requirements that a transportation network company and company driver would have to meet.**
- **Require MDOT to issue a permit to allow a transportation network company to operate in Michigan if it met the requirements of Article 2 and paid a fee determined by the Department.**
- **Require MDOT to issue a decal to each transportation network company driver if the vehicle met the requirements of the Act and driver paid a \$250 fee.**
- **Allow MDOT to impose a fine or revoke a permit for failure to comply with Article 2.**
- **Prohibit a local unit of government from enacting or enforcing an ordinance regulating a transportation network company, but allow local units to issue a civil infraction to a transportation network company driver for certain violations of Article 2.**

Definitions

The bill would define "transportation network company" as a person operating in Michigan that uses a digital network to connect riders to transportation network company drivers for the purpose of providing transportation. The term would not include taxi service, transportation service arranged through a transportation broker, a ridesharing arrangement, or a transportation service using fixed routes at regular intervals.

"Transportation network driver" would mean an individual who uses a personal vehicle to provide transportation services for riders who are matched to that individual through a transportation network company's digital network, regardless of whether the individual is employed by a transportation network company. "Personal vehicle" would mean a motor vehicle that has been approved to be used by a transportation network company driver to perform rides arranged through a transportation network company digital platform and that meets the requirements of Article 2.

Operation of Transportation Network Company

The bill would prohibit a transportation network company from operating in Michigan unless it annually submitted an application to MDOT providing proof of the conditions described below.

The application would have to show that the company maintained a primary insurance policy covering each transportation network company driver for incidents involving the driver at all times. The insurance policy also would have to provide the following types of coverage:

- Residual third-party liability insurance as required under Chapter 31 (Motor Vehicle and Personal Property Protection) of the Insurance Code, with a minimum combined single limit of \$1.0 million for all people injured or property damage.
- Personal protection insurance and property protection insurance in the amounts and types of coverage required by Chapter 31.

The transportation network company would have to give MDOT documentation of the required insurance coverage.

An application would have to show that insurance of at least the amounts and types of coverage required by Chapter 31 was provided during the time that a transportation network company driver was in possession of a telephone or other dispatching technology provided by the transportation network company.

If a driver's insurance coverage required under Article 2 were canceled, revoked, or not renewed for any reason, the driver would have to notify the transportation network company to remove him or her from its roster unless the driver had obtained substitute insurance coverage without a lapse in coverage.

The annual application would have to show that each transportation network company driver was at least 21 years old and maintained a valid driver license issued under the Michigan Vehicle Code. It also would have to show that each driver maintained a valid chauffeur's license and had obtained a commercial vehicle registration plate if the driver's personal vehicle had a capacity of nine to 15 passengers.

The application would have to show that the transportation network company had conducted a local, State, and national background check of each driver, including a search of the National Sex Offender Database, and that the driver had not been convicted of any of the following within seven years before the date the application was submitted:

- Driving under the influence of drugs or alcohol.
- A violation of Chapter 11 (Assaults) of the Michigan Penal Code.
- A violation of Chapter 31 (Embezzlement) of the Penal Code.
- A violation of Chapter 43 (Frauds and Cheats) of the Penal Code.
- A violation of Chapter 52 (Larceny) of the Penal Code.
- A violation of Chapter 56 (Malicious and Willful Mischief and Destruction) of the Penal Code.
- A violation of Chapter 61 (Motor Vehicles) of the Penal Code.
- A violation of Chapter 76 (Rape) of the Penal Code.
- A violation of Section 543m of the Penal Code (which prohibits making a terrorist threat or false report of terrorism).

The application would have to show that the transportation network company had reviewed a driving history report for each transportation network company driver before he or she provided transportation services, showing that the driver had not had more than three moving violations or a major violation in the three-year period before the date of the driving history report. (As used in this provision, "major violation" would include but would not be limited to attempting to evade the police, reckless driving, and driving on a suspended or revoked license.)

The application also would have to show that each transportation network company driver's vehicle had undergone a safety inspection conducted annually by a State-licensed mechanic before being used to provide transportation services. Each driver would have to give the company documentation of the inspection, showing that all of the following vehicle components were inspected:

- Foot brakes.
- Parking brakes.
- Steering mechanism.
- Windshield.
- Rear window and other glass.
- Windshield wipers.
- Headlights.
- 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.
- Defrosting system.

A transportation network company could not be considered to own, control, operate, or manage a personal vehicle operated by a transportation network company driver providing transportation services to passengers matched through the company's digital network.

Personal Vehicle Requirements

The bill would require a personal vehicle to display a consistent and distinctive signage or emblem that was approved by MDOT at all times while the transportation network company driver was engaged in a prearranged ride. The sign or emblem would have to be sufficiently

large and color-contrasted to be readable during daylight hours from a distance of at least 50 feet; be reflective; and sufficiently identify the transportation network company with which the vehicle was affiliated.

A personal vehicle also would have to display an MDOT-issued decal signifying that the vehicle met all the Act's requirements.

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

Company & Driver Requirements

A transportation network company would have to provide a customer support telephone number or electronic mail address on its digital network or website for rider inquiries. Except as otherwise provided, a company would have to refrain from disclosing a passenger's personally identifiable information to a third party unless one or more of the following applied:

- The passenger consented.
- Disclosure was required by a legal obligation.
- Disclosure was required to process an insurance claim.
- Disclosure was required to protect or defend the terms of the use of the service or to investigate violations of those terms.

A transportation network company could share a passenger's name or telephone number to a transportation network company driver providing a prearranged ride to the passenger to facilitate the correct identification of the passenger by the driver or to facilitate communication between the passenger and the driver.

A company would have to provide all of the following to passengers:

- The transportation network company driver's first name.
- The make and model of the driver's vehicle.
- The method by which the company calculated fares or the applicable rate being charged.
- The option to receive an estimated fare.

A company would have to provide a receipt through electronic mail or text message to a passenger upon completion of a prearranged ride.

A company would have to disclose all of the following in writing to drivers providing services for the company:

- The insurance coverage and limits of liability that the company provided while the driver used a vehicle in connection with the company's online-enabled application or platform
- That, depending on the terms of the policy, the driver's automobile or vehicle insurance policy might not provide coverage while the driver used a vehicle in connection with a transportation network company's digital network.
- That the driver would have to consult his or her own insurance company or agent for information about coverage provided by his or her personal insurance policy.

A transportation network company or a transportation network company driver could not do either of the following:

- Solicit passengers or service through a street hail.

- Pick up or discharge a passenger at a designated taxicab stand, no stopping or standing zone, or other restricted area.

A transportation network company driver could refuse to transport a passenger if the passenger were acting in an unlawful, disorderly, or endangering manner.

A transportation network company driver would have to do all of the following:

- Permit a service animal to accompany a passenger on a prearranged ride.
- Take the most direct route to the passenger's destination unless otherwise authorized by the passenger.
- If an accident involving a personal vehicle occurred while it was being used to provide transportation network company services, provide proof of insurance information to the other party involved in the accident; notify the company of the accident; and notify the driver's insurance company of the accident.
- Upon request of a law enforcement official or other government official, display an electronic verification of his or her affiliation with a transportation network company or a ride in progress showing that the ride was prearranged through a transportation network company's digital network.

MDOT Requirements

The bill would require MDOT to issue a permit to allow a transportation network company to operate in Michigan if the company met all of the requirements of Article 2 and paid a fee determined by the Department.

The Department would have to issue a decal to each transportation network company driver, if the driver and his or her vehicle met all requirements of the Act and the driver paid a \$250 fee to MDOT.

After providing notice and the opportunity for a hearing, MDOT could impose a fine or revoke a permit issued under Article 2 if a transportation network company failed to comply with Article 2.

Local Enforcement

The bill would prohibit a local unit of government from enacting or enforcing an ordinance regulating a transportation network company. A local unit, however, could issue a civil infraction to a transportation network company driver for a violation of Article 2 involving any of the following:

- Failing to display the required signage or emblem and MDOT-issued decal.
- Soliciting passengers or service through a street hail or picking up or discharging a passenger at a taxicab stand, no stopping or standing zone, or other restricted area.
- Failing to permit a service animal to accompany a passenger on a prearranged ride.
- Failing to provide proof of insurance, notify the transportation network company, or notify the driver's insurance company if an accident involving a personal vehicle occurred while it was being used to provide transportation network company services.
- Failing to display verification of the driver's affiliation with a transportation network company or prearranged ride through a company's digital network, at the request of a law enforcement or other government official, if an accident involving a personal vehicle occurred while it was being used to provide transportation network company services.

MCL 257.1903 et al.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have an indeterminate positive impact at the State and local levels. The number of vehicles that would be subject to the bill's provisions is unknown.

Fiscal Analyst: Glenn Steffens

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.