

SENATE BILL REPORT

SB 5600

As Reported by Senate Committee On:
Labor & Commerce, February 18, 2025

Title: An act relating to regulation of transportation network companies during large-scale events.

Brief Description: Concerning regulation of transportation network companies during large-scale events.

Sponsors: Senators Alvarado, Saldaña, Frame, Nobles and Valdez.

Brief History:

Committee Activity: Labor & Commerce: 2/04/25, 2/18/25 [DPS, DNP].

Brief Summary of First Substitute Bill

- Prohibits a transportation network company from charging a fare for a prearranged ride provided to any passenger that exceeds 120 percent of the driver's pay for the prearranged ride during a large-scale event.
- Allows a local government where the large special event will be located to regulate transportation network companies using geofencing to create designated drop-off and pick-up zones during a large special event.

SENATE COMMITTEE ON LABOR & COMMERCE

Majority Report: That Substitute Senate Bill No. 5600 be substituted therefor, and the substitute bill do pass.

Signed by Senators Saldaña, Chair; Conway, Vice Chair; Alvarado, Ramos and Stanford.

Minority Report: Do not pass.

Signed by Senators King, Ranking Member; Schoesler.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Susan Jones (786-7404)

Background: Transportation network company (TNC) is an entity that operates in Washington State, and uses a digital network to connect passengers with TNC drivers to provide prearranged rides.

A TNC must pay a driver specified amounts, depending on the size of the city where the trip begins, and the mileage and minutes for the trip with specified minimum amounts. Each year, the Department of Labor and Industries adjusts the per mile and minute amounts and the per trip minimums by the rate of the increase of the state minimum wage to take effect on the following January 1st.

Before a passenger enters a TNC vehicle, the TNC must provide, on behalf of the driver, either the fare for the prearranged ride or the option to receive an estimated fare for the prearranged ride. A TNC must transmit an electronic receipt to the passenger, on behalf of the driver, which provides specified information, including the duration and distance of the trip, the total fare paid, including all charges and fees, and total passenger-paid tips.

During the first seven days of a declared state of emergency, a TNC may not charge a fare for TNC services provided to any passenger that exceeds two and one-half times the fare that would otherwise be applicable for the prearranged ride.

The state preempts the field of regulating TNCs and drivers. No county, city, town, or other municipal corporation may regulate TNCs or drivers, or impose any tax, fee, or other charge, on a TNC or driver. There are specified exceptions.

Special Event Assessment Rating (SEAR) Events are voluntarily submitted special events, which are sent to the United States Department of Homeland Security's (DHS) Office of Operations Coordination (OPS) by state, local, and federal officials for a risk assessment. Examples of submitted events have included the Super Bowl, Indianapolis 500, and the Kentucky Derby. OPS applies a risk-based methodology to all submitted events and assigns them a SEAR rating. This methodology considers the threat, vulnerability, and consequences for each event. The ratings are levels one to five. Depending on the rating, the federal government assists and supports state and local officials in filling in local capacity to help ensure a safe and secure event.

Summary of Bill (First Substitute): During a large-scale event, a TNC may not charge a fare for a prearranged ride provided to any passenger that exceeds 120 percent of the driver's pay for the prearranged ride. Large-scale event means a ticketed or preregistered assembly of:

- 10,000 or more individuals at an outdoor venue that has defined entrances and exits;
- or
- 1000 or more individuals at an indoor venue that has defined entrances or exits.

Event staff and volunteers are not included in the attendee count. A large-scale event does not include any assembly operated, managed, conducted, controlled, or supervised by a public or private charter K-12 educational organization or a religious or faith-based organization.

A TNC must submit transmit an electronic receipt to the passenger on behalf of the driver that lists the total amount of the driver's pay for the trip, along with other items currently required in the law.

"Driver's pay" means the compensation a TNC pays a driver for a prearranged ride but excludes pass-through charges such as driver-paid tolls and tips paid by passengers.

Violating the prohibition on charging more than 120 percent of the driver's pay during a large-scale event or two and one-half times the regular fare during a declared state of emergency, or the requirement to provide the fare to a passenger before entering the vehicle vitally affects the public interest. These violations are not reasonable in relation to the development and preservation of business, are unfair or deceptive acts in trade or commerce, and are unfair methods of competition for the purpose of applying the Consumer Protection Act.

During a large special event, one or more of a county, city, town, or municipal corporation where the large special event will be located may regulate transportation network companies using geofencing to create designated drop-off and pick-up zones. Large special event means a special event occurring in Washington State which the United States DHS has assessed at rating levels one through three.

EFFECT OF CHANGES MADE BY LABOR & COMMERCE COMMITTEE (First Substitute):

- Requires a transportation network company (TNC) to transmit an electronic receipt to the passenger on behalf of the driver that lists the total amount of the driver's pay for the trip, along with other items currently required in the law.
- Modifies the provisions related to the Consumer Protection Act (CPA) for violations of the prohibitions on charging more than 120 percent of the driver's pay during a large-scale event or two and a half times the regular fare during a declared state of emergency, or the requirement to provide the fare to a passenger before entering the vehicle. It provides that a violation vitally affects the public interest, is not reasonable in relation to the development and preservation of business, is an unfair or deceptive act in trade or commerce, and an unfair method of competition for the purpose of applying the CPA, rather than affects the public interest and constitutes an unlawful and unfair practice under the CPA.
- Modifies the term large special event where local governments would be allowed to regulate TNCs using geofencing for drop-off and pick-up zones to be a Washington special event which the U.S. Department of Homeland Security has assessed at rating levels one through three, rather than one through five.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The World Cup is coming to Seattle. We want to put our best foot forward for the fans, workers, and communities. This bill will establish fair prices for ride-share users and safe pickup zones that will help consumers, workers, and our communities during large-scale events.

When Uber and Lyft first started, the corporate fees were limited to no more than 20 percent of the rider price, and surge pricing was used in limited instances. At first, drivers got a good pay. Now, it's split 50/50, or 40 percent to the drivers and 60 percent to the company. When riders are experiencing surge pricing, there is no connection between what a rider is charged and what the driver is paid. There is no limit on how much the companies take from each trip. That is bad for consumers and drivers. During large-scale events, riders regularly complain about being overcharged while the TNCs take an increasingly higher share. The company is overcharging the customers and the drivers are getting less pay. A rider might give you a low rating that impacts the driver, eventually leading to driver deactivation. Price surging is a key tool that TNCs used to ensure enough drivers are available at times with high demand. However, reasonable caps ensure workers share in the company's prosperity.

It is important to limit these fees that are punishing people that come out to enjoy these big events. Many people plan on getting a ride home because maybe they had a couple drinks at the game or a concert. But then looked at the price and decided to take the risk and drive themselves. In a time when we are having a national conversation about price gouging at the grocery store and gas station, we should not be gouging people who are just trying to get a safe ride home.

This bill also lets local jurisdictions establish safe pickup zones during large-scale events. Having safe pickup zones helps local communities plan, plan for traffic flow, plan for creating on-the-ground economic development opportunities, improving pedestrian safety, and helps drivers navigate better.

In less than 500 days, the largest event our state has hosted since the 1962 World's Fair, the World Cup, will be held at Lumen Field with other official venues in advance planned across Washington State. There will be up to 750,000 visitors in the state. Due to the potential for multiple heads of state and attendance, higher security concerns and crowd sizes, the Department of Homeland Security has designated the World Cup matches a

special event's assessment rating level two, requiring federal resources and coordination. The planning organization hopes to resolve the planning for World Cup with the TNCs directly as it is critical to ensure safety and mobility planning continue in a timely manner.

The large-scale event definition should be limited to SEAR ratings of one through three as these all indicate a national security interest. It may be confusing to have two different definitions of large-scale events. We support adjusting the definitions so that they align.

CON: Washington has made tremendous progress in improving driver pay and benefits, especially with HB 2076, which made Washington drivers among the highest paid in the country. It is a great example of collaboration between industry, drivers, and the Legislature. However, this bill does not consider all perspectives and could unintentionally disrupt the tools that allow these platforms to operate efficiently and safely.

If the goal is to make rides more affordable, this bill would have the opposite effect. It is a common misconception to assume that the difference between what the customer pays and what the driver earns is all profit for the company. A significant portion goes towards city and state taxes, airport fees, insurance, and support fees, which the company pays on behalf of drivers. This bill will not lower costs for customers. It makes some trips unprofitable.

This legislation is not realistic and practically impossible. It would require platforms to have real time, comprehensive knowledge of every event across the state with details like attendance figures and ticketing requirements. This information is not available.

TNCs have a track record of working with governments and organizations around the world to create solutions that benefit everybody for these large events. Ultimately, the venues determined the optimal conditions for these attendees. TNCs frequently collaborate with venue operations team and city officials. Washington is the only body that wants to change the way TNCs operate without any real conversation. This is not how policy should be approached. TNCs are committed to being partners to solve this together.

The bill would decrease driver earnings and could lead to a reduction in available drivers, increase wait times, and inefficient travel to and from these large-scale events. The pricing model uses data such as the number of ride requests, number of available drivers nearby, and other trends in a given area. One company also offers features that help riders make cost effective decisions, such as scheduled rides with locked-in prices, wait and save for cheaper rides, and push notifications for price jobs on quoted rides during peak times.

If rider demand outpaces driver supply, TNCs may use prime time pricing, which in part funds more pay to drivers to incentivize them to accept rides by increasing their earnings. This bill would decrease driver earnings by setting an arbitrary cap on pricing without considering any real-time data. The bill conflicts with the carefully negotiated provisions a couple years ago that this body worked on.

Persons Testifying: PRO: Senator Emily Alvarado, Prime Sponsor; Mark Bandy, Seattle FIFA World Cup Local Organizing Committee; Peter Kuel, Drivers Union; Kyle Graham; Abdullahi Shakul; Afewerki Melaki, Eritrean Association in Greater Seattle.

CON: Nicholas Johnson, Lyft, Inc.; Vicki Christophersen, Technet; Zahid Arab, Uber Technologies, Inc.

Persons Signed In To Testify But Not Testifying: No one.