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Labor and Public Employees Committee
Testimony of Lyft, Inc. in Opposition to Senate Bill 1180
" An Act Concerning Rideshare and Delivery Driver Minimum Standards"
Submitted on behalf of Lyft, Inc. by Brendan Joyce, Public Policy Manager
March 9, 2023

Dear Chair Kushner, Chair Sanchez, ranking members Sampson and Ackert, and esteemed members of the committee,

Lyft's rideshare platform connects riders and drivers, providing riders with alternatives so they do not get behind the wheel impaired, they can find rides to work or school, and riders are able to get to their destination even when public transit is unavailable. Lyft believes in supporting the driver community, which is why Lyft continuously invests in new product features to give drivers more transparency and choice while also improving their overall experience. Through years of research, we've developed tools to best meet driver needs, and we're always working to improve. Last year we launched upfront pay so drivers can see what they'll earn before accepting a ride. Now in addition to per trip receipts and weekly earnings summaries, drivers also have access to trip details including pickup and drop-off locations, estimated time and distance, and fare information.

Lyft is committed to engagement that results in responsible and workable rules, but since Senate Bill 1180 will have detrimental effects on the industry, Lyft is opposed to this bill. Amongst the many reasons Lyft opposes Senate Bill 1180, we believe the proposed commission based pay structure would drastically increase rider fares, ultimately decreasing the overall number of rides a driver can give and directly undercutting their earnings. The bill also does not consider how much of Lyft's platform fees actually go back into the business, to provide motor vehicle liability insurance, to directly invest in drivers through financial incentives and pay, nor does Senate Bill 1180 consider how the current dynamic pricing system positively impacts driver supply during periods of peak demand.

Under Senate Bill 1180, Connecticut residents who do not own cars, and neighborhoods lacking adequate transportation options will suffer from higher fares, potentially making Lyft cost prohibitive for most riders. This would be especially harmful for the most vulnerable residents across Connecticut, considering 68% of all Lyft trips in 2022 started or ended in low-income areas, according to Lyft's most recent Economic Impact Report for the state. Additionally, 53% of all Lyft riders in the state do not own or lease a personal vehicle. Drivers are providing access to essential services, and 89% of Connecticut riders believe that Lyft increases access to transportation in their communities. SB1180, and the dramatic increase in prices it would create, also poses a unique threat to riders of color in Connecticut, given that a majority of riders (56%) in the state identify as members of a racial or ethnic minority group.

Additionally, passage of SB1180 would stymie economic opportunities for drivers and depress economic vibrancy in Connecticut. Thousands of Lyft riders travel throughout the state every day, spending more at local businesses, and staying out longer because they have a reliable ride home. 57% of local riders say they explore more areas of their city because of Lyft, 47% use Lyft to commute to work, and 59% say they use Lyft to get rides to entertainment and recreation activities all over Connecticut. Drivers' services through the Lyft app are also a critical part of the transportation ecosystem in the state. 64% of all riders have used Lyft to get to or from public transit. 50% have used Lyft to get to or from an airport, and 40% report having used Lyft to get around when public transit does not operate. Lyft is directly contributing to Connecticut's economy during a time of unprecedented economic uncertainty and increasing inflation, and SB1180, by dramatically increasing fares for riders all over the state, would severely limit this contribution.

The drastic price increase SB 1180 could trigger would also pose increased safety risks for the general public. Affordable, accessible transportation can help people get home safely from bars, restaurants and other entertainment venues where alcohol is consumed. 61% of all Lyft riders in Connecticut are aged 18-34, part of the age group (16-34) involved in nearly half of alcohol-involved fatal crashes in the U.S. in which the driver was over the legal limit. In fact, a majority of all riders in the state (55%) report they have used Lyft when they are planning to drink alcohol or use another substance that could impair driving ability. The price shocks caused by SB1180 could make choosing to request a ride through the Lyft app to get home safely an unaffordable choice for many, putting themselves and others in their community at risk.

Ultimately, drivers would suffer the most under SB1180's commission pay structure. Trips are the cornerstone of driver earnings, and skyrocketing price increases would mean lost trips—and lower earnings—for drivers. According to Lyft's national earnings report in the third quarter of 2022, active drivers gave 17% more rides on average than they did in 2019 and average US driver earnings were above $35 per utilized hour including tips and bonuses, which was also up 7% year-over-year. SB1180 would suppress driver earnings by dramatically limiting rider demand with price sensitive customers, many of whom are already making tough decisions on where to cut back due to the historic increase in inflation over the last year. This is a direct threat to the supplemental income of 96% of Connecticut drivers using the Lyft platform who say they work or are a student in addition to driving, along with the 82% of drivers who say that Lyft and other app-based work allows them to earn money while pursuing other endeavors, such as starting a new business, pursuing education, or interviewing for full-time jobs. Unfortunately, the downward pressure on total trips across the state as a result of the passage of SB1180 would have a disproportionate impact on people of color in Connecticut, as a large majority of drivers–69%–identify as a member of a racial or ethnic minority group.

Lyft also opposes using the IRS commercial mileage deduction rate of $0.655 per mile as a component of per mile compensation. The $0.65 deduction rate is calculated by the IRS based on a nationwide range of commercial vehicles, that includes heavy pickup trucks, passenger vans, and moving vehicles like panel vans. In rideshare, the most common vehicles skew towards the most fuel efficient cars, like the Toyota Prius. Multiple independent, third-party researchers at universities like Cornell and MIT have found that driver expenses are in the range of $0.19 to $0.30 per mile. The IRS itself uses a different deduction rate of $0.22 per mile for travel to medical appointments or for moving using a personal vehicle, and not a commercial vehicle. SB1180 would require TNCs to reimburse drivers for mileage at $0.98 per mile (150% of the IRS deduction rate), significantly higher than actual expenses are estimated to be, and would require miles be reimbursed for even merely logging on to the platform regardless of whether the driver intends to provide rides or is actually performing rides on another platform and earning money for that work. This will further add to the exorbitant price increases–resulting in further decreases in rider demand–that SB1180's commission pay would trigger.

SB1180 also does not consider how the current earnings structure positively impacts driver supply during periods of peak demand. Commission based pay would undermine driver incentives and dynamic pricing, which play an important role in maintaining ridesharing reliability and service equity**.** Incentives and dynamic pricing encourage drivers to offer their driving services during the times or in areas when the need for rides is the highest, helping to increase drivers' earning potential. Disrupting this system could welcome a host of unintended consequences for both drivers and the broader economy across the state.

SB1180's proposed 15% cap on what TNCs can collect from individual fares would severely limit Lyft's ability to reinvest in driver pay incentives and our business overall. Many of the fees collected by Lyft are used to fund expenses needed to maintain compliance with existing laws and regulations, in addition to business growth. Such expenses include, but are not limited to, costs associated with insurance, background checks, and operational expenses geared towards incentivizing drivers and attracting more riders (so drivers can get more rides and make more money). Insurance is an operating expense that Lyft pays on behalf of drivers, and insurance premiums and the associated price volatility have increased dramatically over the last year, a trend that is expected to continue in 2023.

Lyft does recognize the need to provide clarity to drivers about their earnings. However, we believe that SB1180, in its current form, frustrates, rather than promotes this important policy interest. Working with the driver community, we are continuing to make great strides to ensure a more transparent experience for drivers, such as with the launch of upfront pay last year.

Currently, a driver gets the following information before accepting a ride:

1. map that shows: the driver's current location, the rider's pickup location, and the riders drop off location;

2. estimated time and distance to pick up and drop off;
3. the rider's rating; and
4. the estimated pay to the driver.

Additionally, each week that a driver has earnings, they receive a pay statement that provides them with an easy-to-understand snapshot of how pay actually works and a comprehensive breakdown of their earnings, including:

- Driver totals: total number of rides; total online/booked time
- Earnings: ride earnings; tips; bonuses
- Adjustments: fees from express pay and express drive

The weekly pay statement also includes the weekly total amount riders paid, including all fees, taxes and other pass-through costs. Drivers can see how much riders paid across the week in this weekly summary. Because driver pay is decoupled from what a rider pays, we highlight aggregate earnings to encourage drivers to rely less on individual ride details (which can be misleading) and more on the larger weekly earnings picture. The weekly summary allows drivers to put individual rides into context with others to get a more accurate picture of how much on average they are earning compared to what riders are paying. We are constantly engaging the driver community for ideas on how to make the platform more user-friendly and easy to understand. SB1180 would shoe-horn drivers into an often misleading pay reporting system that would ultimately stifle further innovation & product solutions based on their feedback in the future.

Also, the additional post-ride disclosures required by SB1180 are so voluminous that the driver would be prompted to read and understand complicated information shortly after completing a trip—all while potentially driving, creating a public safety risk. Current NHTSA guidelines suggest that a device interaction should not be longer than 2 seconds, should limit unnecessary visual information, and should have as few manual interactions as possible. Here, the disclosure requirements will potentially include several layers of information and often misleading pay details which the driver could read and scroll through while potentially driving or even with a rider in the car.

Ultimately, Lyft opposes SB1180, including its approach to interstate reciprocity, which the Legislature already addressed in a thoughtful manner in 2019. We always welcome a robust discussion on how to improve Lyft's service for drivers and riders alike, and we're committed to earnestly engaging with this Committee on the important topics raised in this bill and other matters. But SB1180, as proposed, would do more harm than good for drivers, riders, and the broader economy in Connecticut. We respectfully ask that you oppose this bill's passage. Thank you for your time and consideration.

Best,

Brendan Joyce
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Lyft