



Testimony

Cutting the Ridesharing Red Tape

Testimony before the House Committee on Transportation

by Bryan Mathew, Center for Local Governance

Madame Chair and Members of the Committee:

My name is Bryan Mathew, and I am a policy analyst with the Center for Local Governance at the Texas Public Policy Foundation, a free-market research institute based in Austin, Texas. Thank you for the opportunity to address the committee today on ridesharing reform, and in particular to express my support for HB 100.

Ridesharing solves a coordination problem in transportation services by using online platforms to efficiently match drivers and passengers at the moment of demand. It is able to do so more cheaply than traditional taxi services by leveraging drivers' own vehicles for rides. The entry of ridesharing services into the market increases competition and thereby increases consumer welfare.

Texas cities have moved to regulate ridesharing more tightly in the name of public safety. These regulations have included 1) mandatory fingerprint background checks and 2) additional mandatory vehicle inspections on top of those required by Chapter 548 of the Transportation Code. Our survey of the evidence demonstrates that these regulations substantially raise the cost of providing the ridesharing service, but add little to no actual public safety benefit.

First, it is alleged that fingerprint background checks against the FBI database are a more accurate and reliable method to screen drivers than commercial searches of multistate criminal databases. However, the FBI database does not provide a full, updated case history of applicant drivers. According to a 2013 report by the National Employment Law Project, about half of the records in the FBI database do not include complete information on the ultimate outcome of the case. This means that an individual can appear on the database even if they have been acquitted, had their conviction overturned on appeal, or even if the case was never pursued.

Second, recent studies have shown that state vehicle inspection programs do not result in measurable improvements in road safety. This is why the recent policy trend has been to move away from mandating periodic safety inspections for private vehicles. In 1975, 31 states and the District of Columbia required regular vehicle inspections. Today, only 17 states—including Texas—still have such a requirement. Since ridesharing companies use drivers' own vehicles for rides, there is no need to impose additional inspection requirements on such vehicles.

Finally, any global analysis of ridesharing's impact on public safety must also note improved safety for drivers who no longer carry cash and who no longer pick up anonymous strangers, how GPS tracking of route information sent to companies can discourage wrongdoing, and the decline in DUI rates when ridesharing companies enter the market.

Accordingly, our Center is asking for the Texas Legislature to:

1. prohibit economic regulation of ridesharing through price-setting or limits on entry,
2. pre-empt municipal regulations made in the name of public safety that have anti-competitive effects, specifically through mandatory fingerprint background checks and mandatory vehicle inspections; and
3. preserve a free market that avoids favoring one business model over another.

We support HB 100 because we believe that it meets these three principles. Thank you. ★

