



COMMONWEALTH of VIRGINIA

Department of Motor Vehicles

2300 West Broad Street

Richard D. Holcomb
Commissioner

Post Office Box 27412
Richmond, VA 23269-0001

August 6, 2014

Ms. Annabel R. Chang
Lyft
548 Market Street #68514
San Francisco, CA 94104

Re: Application of Lyft Inc. for temporary authority pursuant to Va. Code § 46.2-2011.1

Dear Ms. Chang:

The Department of Motor Vehicles (DMV) has received and considered the application of Lyft Inc. for temporary authority under § 46.2-2011.1 of the *Code of Virginia*. In addition, DMV has received and considered various comments and documents provided by the Virginia Taxicab Association, Alexandria Yellow Cab Inc., and Arlington Blue Top Cabs. DMV has considered these documents, as well as information on this matter gathered during various meetings with your company and with stakeholders. The application and its supporting documentation, as well as the comments and documents provided by the opposition and summaries of the stakeholder meetings, are thus incorporated as part of this decision. DMV has carefully considered arguments made on both sides of this issue and feels the arguments and facts that have been presented by Lyft are more persuasive on this matter and that, as more thoroughly explained below, Lyft meets the statutory threshold for issuance of temporary authority. Accordingly, as provided in the statute, the decision whether to approve the application lies within the agency's discretion. In view of the strong public support for Lyft and others offering similar services, and in view of the Commonwealth's commitment to encouraging enterprise and innovation, DMV hereby approves Lyft's application and authorizes Lyft to provide, on a temporary basis and subject to the attached operating guidelines, the services proposed in its application. This authorization shall remain in effect until February 2, 2015.

Section 46.2-2011.1, under which Lyft applied for temporary authority, provides:

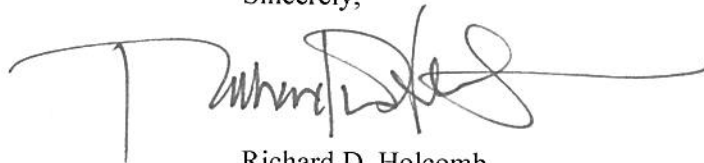
To enable the provision of service for which there is an immediate and urgent need to a point or between points in Virginia where certificated carriers are unable to perform the service, or within a territory having no certificated carrier, the Department [of Motor Vehicles] may, in its discretion and without hearings or other proceedings, grant temporary authority for such service by a carrier that would otherwise be required to obtain a certificate under this chapter. Such temporary authority, unless suspended or revoked in accordance with § 46.2-2011.26, shall be valid for such time as the Department shall specify, but for not more than an aggregate of 180 days, and shall create no presumption that corresponding permanent authority will be granted thereafter.

The phrase "immediate and urgent need" is not defined anywhere in the *Code of Virginia* or in applicable Virginia case law. However, DMV believes that the clear purpose of § 46.2-2011.1 is to enable new

business to respond to emerging demands for services from Virginia's citizens and the agency's understanding of "immediate and urgent need" is guided by this statutory purpose. Until relatively recently, those seeking passenger transportation service primarily arranged rides by street hail, telephone dispatch, or prearranged contract. The materials Lyft has provided with its application describe new modes of service delivery that leverage smart phones and other mobile devices, along with GPS technology. Using such technologies to streamline travel arrangements stimulates demand among consumers. Indeed, it appears from the information provided to DMV that a significant portion of Lyft's customers would not otherwise use for-hire transportation. In other words, Lyft users are, to a significant degree, customers of a new service market rather than customers of a previously existing service market. Furthermore, Lyft has presented persuasive information that its services may help to reduce DUI rates, enable people to obtain more timely transportation services in emergencies, and improve overall satisfaction with for-hire transportation services. Finally, Lyft's materials present a compelling case that carriers currently operating in Virginia are unable to provide the services demanded by this new market segment. In light of all these considerations, it is DMV's determination that there is an immediate and urgent need for the services Lyft provides, and that existing passenger carriers are currently unable to meet this need.

In summary, DMV has considered all documentation and comments (both oral and written) provided to it in support of and in opposition to this application.¹ After due consideration, DMV hereby grants Lyft's application for a temporary authority beginning on August 6, 2014, and continuing until February 2, 2015, provided Lyft meets, and continues to meet, the enclosed list of operating guidelines for temporary authority.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard D. Holcomb", written over a horizontal line.

Richard D. Holcomb

¹ DMV would also note that it is presently leading a study, at the request of the legislature, to find a longterm solution that addresses the services provided by transportation network companies while also assuring public safety and consumer protection and a level playing field for all for-hire transportation companies. DMV believes that in addition to the reasons cited above, that issuance of temporary authority to Lyft may further the purposes of this study and help generate a better-informed set of recommendations. For example, the temporary authority will bring Lyft into a posture of compliance with Virginia law, and make its operations more transparent in the light of DMV's regulatory oversight; DMV will have an opportunity to gauge the adequacy of measures taken by the company, and reflected in the attached operational guidelines, regarding public safety, consumer protection, insurance, and other matters; and operations during the term of Lyft's temporary authority should result in data that can be used to determine whether the services Lyft provides will have any of the incidental benefits that have been claimed in other cities and states (e.g., a reduction in DUI rates) or any of the adverse effects others have predicted (e.g., increases in traffic congestion).

Lyft Inc.
Operating Guidelines for Temporary Authority to Operate
Pursuant to Va. Code § 46.2-2011.1

The Department of Motor Vehicles hereby grants temporary authority pursuant to Va. Code § 46.2-2011.1 to Lyft Inc. ("Lyft") to operate as a Transportation Network Company or TNC. Such temporary authority authorizes Lyft to contract with third parties ("TNC Partners") who use their private vehicles to transport passengers for a fee or donation and to connect TNC Partners with prospective passengers via Lyft's digital platform.

The temporary authority is effective August 6, 2014, and shall remain in effect until February 2, 2015. The following operational guidelines provide a framework to ensure public safety and transparency. Lyft shall abide by the guidelines at all times the temporary authority is in effect.

1. Definitions:

a. "TNC Partner" shall mean an individual who uses a personal vehicle to provide transportation services in the Commonwealth of Virginia requested through a TNC Platform.

b. "TNC Partner Vehicle" shall mean a personal vehicle that is used by a TNC Partner to provide transportation services requested through a TNC Platform.

c. "TNC Platform" shall mean any digital platform offered by a TNC, currently or in the future.

d. A "Transportation Network Company" or "TNC" shall mean a company that contracts with individuals who provide transportation services using their personal vehicles and that licenses or utilizes software for the purposes of enabling TNC Partners to connect with prospective passengers.

e. "DMV" or "the Department" shall mean the Department of Motor Vehicles of the Commonwealth of Virginia.

2. The following operating requirements shall be applicable to Lyft:

a. Lyft shall maintain a registered agent in the Commonwealth of Virginia.

b. Lyft may allow TNC Partners to offer service for compensation, no-charge, or suggested compensation.

c. The software application used by Lyft to connect TNC Partners and passengers shall permit passengers to view on their smart phone, tablet, or other mobile device before the passenger enters the TNC Partner's vehicle a photograph of the TNC Partner and the TNC Partner Vehicle's license plate number.

d. Lyft shall implement a zero tolerance policy on the use of drugs or alcohol applicable to any TNC Partner, and Lyft or an affiliate shall provide notice of the zero tolerance policy on its website as well as the procedures to report a complaint about a driver with whom

the passenger was matched and for whom the passenger reasonably suspects was under the influence of drugs or alcohol during the course of the ride. Upon receipt of a passenger complaint that a TNC Partner was under the influence of drugs or alcohol during the course of a ride, Lyft will immediately deactivate the TNC Partner's access to its TNC Platforms pending an investigation of the allegations. The TNC Partner's deactivation of access to the TNC Platforms shall last for the duration of the investigation.

e. Prior to permitting an individual to act as a TNC Partner, Lyft shall obtain and review a criminal history research report for such person using the Multi-State/Juris Criminal Records Locator or other similar commercial nationwide database with validation (primary source search). Lyft shall disqualify any applicant whose criminal history record check reveals that they have been convicted of or pleaded guilty to any of the following felony offenses, within the last seven years:

- i. An offense involving fraud, as described in Chapter 6 of Title 18.2 or Chapter 5, Article 4 of Title 18.2 of the Code of Virginia;
- ii. A sexual offense under Chapter 4, Article 7 of Title 18.2, § 18.2-346, or § 18.2-370 of the Code of Virginia;
- iii. An act of violence under § 19.2-297.1 of the Code of Virginia;
- iv. Commission of any crime punishable as a felony in Virginia in the commission of which a motor vehicle is used; or
- v. Conspiracy or attempt to commit any of the crimes listed in paragraphs (i)-(iv) above.

f. Prior to permitting an individual to act as a TNC Partner, Lyft shall obtain and review Virginia's Sex Offender and Crimes Against Minors Registry and the U.S. Department of Justice's National Sex Offenders Public Website. Lyft shall disqualify a driver during any period in which he or she is a person for whom registration with the Sex Offender and Crimes Against Minors Registry is required pursuant to Chapter 9 (§ 9.1-900 et seq.) of Title 9.1 of the Code of Virginia or on the U.S. Department of Justice's National Sex Offenders Public Website.

g. Prior to permitting an individual to act as a TNC Partner, Lyft shall obtain and review a driving history research report from the Commonwealth of Virginia or the state of licensure for such individual. Lyft shall disqualify any applicant whose driving record check reveals that, within the three-year period prior to such check, they have been convicted of or pleaded guilty to more than three moving violations or any of the following offenses:

- i. A violation of any provision of §§ 18.2-51.4, 18.2-266, or 18.2-266.1 of the Code of Virginia;
- ii. Refusal to submit to a chemical test to determine the alcohol or drug content of the person's blood or breath in accordance with §§ 18.2-268.1 through 18.2-268.12 of the Code of Virginia;

- iii. Failure of the driver whose vehicle is involved in an accident to stop and disclose his identity at the scene of the accident; or
 - iv. Escaping or eluding a law-enforcement officer under § 46.2-817 of the Code of Virginia.
 - v. A violation resulting in revocation pursuant to Va. Code § 46.2-391.
- h. Lyft shall disqualify a driver if the criminal background check or driving history report conducted pursuant to paragraphs 2(e) and 2(g) above shows that the individual violated laws comparable to the offenses listed in paragraphs 2(e) and 2(g) above in any other jurisdiction within the United States.
- i. Prior to permitting an individual to act as a TNC Partner, Lyft shall determine that each TNC Partner possesses a valid driver's license, social security number, and proof of vehicle registration; maintains current automobile liability insurance that meets the minimum standards set forth in the jurisdiction where the vehicle is registered; and is at least twenty-one (21) years of age.
- j. Lyft shall maintain on each TNC Partner's behalf, or verify that each TNC Partner maintains, a liability insurance policy or policies that:
- i. Provides primary coverage of at least \$1,000,000 per accident for accidents involving a TNC Partner from the time the TNC Partner accepts a trip request until the passenger exits the TNC Partner's vehicle;
 - ii. Provides uninsured/underinsured motorist coverage of at least \$100,000 per person and at least \$300,000 per accident for bodily injury resulting from accidents involving a TNC Partner from the time the TNC Partner accepts a trip request until the passenger exits the TNC Partner's vehicle; and
 - iii. During the time that a TNC Partner is logged onto a TNC Platform, but the TNC Partner is not providing services, provides contingent liability coverage of at least \$50,000 per person and at least \$100,000 per accident, and at least \$25,000 for property damage per accident, in the event that a TNC Partner's personal insurance policy denies coverage under the terms of the TNC Partner's personal insurance.
 - iv. Includes a clause that binds the insurance company to the provisions of paragraph 2(j) until such time as the insurer provides the Department with notice of cancellation or modification of the policy, which notice shall be provided not later than 30 days prior to the effective date of cancellation or modification.
- k. The policyholder or the insurer shall provide DMV with a copy of the policy or policies maintained pursuant to paragraph 2(j).

l. Lyft shall ensure that TNC Partners only use vehicles with a maximum seating capacity of seven persons, excluding the driver.

m. Lyft shall ensure all TNC Partner Vehicles have been inspected for safety before being used to provide service and thereafter on an annual basis. The annual safety inspection shall be performed by inspection stations approved by the Virginia State Police or an inspection station in another jurisdiction that meets the standards of inspection stations approved by Virginia State Police.

n. Lyft shall maintain accurate and up to date copies of the following documents and information for all TNC Partners who operate in the Commonwealth:

- i. The background check required under paragraph 2(e);
- ii. The sex offender registry check required under paragraph 2(f);
- iii. The driving record check required under paragraph 2(g);
- iv. Proof that each TNC Partner maintains a personal automobile liability insurance policy;
- v. Each TNC Partner's driver's license;
- vi. Each TNC Partner's social security number;
- vii. Each TNC Partner Vehicle's registration card; and
- viii. Proof of inspections required under paragraph 2(m).

o. Lyft shall advise TNC Partners to consult with appropriate professionals and authorities regarding the possible financial and contractual consequences of operating as a TNC Partner, including consequences for personal income tax and tangible personal property tax liabilities, personal insurance coverage of the TNC Partner Vehicle, and financing agreements with TNC Partner Vehicle lienholders.

3. The following operating requirements shall be applicable to Lyft's TNC Partners:

a. TNC Partners shall accept only rides booked through a TNC Platform and shall not solicit or accept street-hails.

b. Each TNC Partner shall carry at all times in the TNC Partner Vehicle proof of both the TNC Partner's personal insurance and excess liability insurance.

c. TNC Partners shall immediately inform TNC of:

- i. Any change in the TNC Partner's driver's license status, motor vehicle registration, motor vehicle insurance; and

- ii. Any arrest or charge for a crime or driving offense described in paragraphs 4(f) and 4(h) or any arrest or charge that would require the TNC Partner to register on the lists described in paragraph 4(g).
- d. TNC Partners shall access and operate smartphones, tablets, and other mobile devices in a manner consistent with Virginia law and highway safety.
- e. While engaged in providing transportation services, each TNC Partner Vehicle shall display a marking, in a form approved by the Department and visible from outside the vehicle, identifying it as a vehicle operated under a TNC Platform.

4. If any person files a complaint with the Department against Lyft, one of Lyft's TNC Partners, or the operator of a vehicle providing services under Lyft's TNC Platform, Lyft shall provide, when requested by the Department, such records as are reasonably necessary to investigate and resolve that specific complaint; provided, that if a third party submits a request to the Department for records that the Department obtains from Lyft, (i) the Department, in its discretion, shall assert applicable exclusions to the request set forth in the Virginia Freedom of Information Act (Va. Code § 2.2-3700 *et seq.*) and Va. Code § 46.2-208, in an effort to protect confidential personal, business, and proprietary information, and (ii) the Department shall, before the Department's deadline to respond to the third party's request, notify Lyft that it has received a request and inform Lyft of whether it will release the document. The Department, in the investigation of a specific third-party complaint, shall not seek a list or inventory of drivers or vehicles that are associated with Lyft. Nothing in this paragraph 4 waives Lyft's right to object to the scope of documents requested by the Department and to protect its rights accordingly.

5. To ensure public safety, the Department shall conduct periodic audits of Lyft. Lyft shall provide to the Department, on request, up to one thousand (1,000) unique identification numbers, each of which has been assigned to an individual Virginia TNC Partner. The Department may at any time send to Lyft a list of up to ten (10) driver identification numbers and request copies of records held by Lyft for those ten (10) TNC Partners. Within one business day of receiving a request seeking records, Lyft shall provide to the Department, in an electronic format acceptable to the Department, the records described in paragraph 2(n) for each of the TNC Partners associated with the driver identification numbers that the Department has identified; provided, that Lyft may redact any records it produces to the Department to protect the privacy and identifying information of the TNC Partner, including the TNC Partner's name, social security number (other than the last four digits), and address. If a third party submits a request to the Department for records that the Department obtains from Lyft pursuant to this paragraph 5, (i) the Department, in its discretion, shall assert applicable exclusions to the request set forth in the Virginia Freedom of Information Act (Va. Code § 2.2-3700 *et seq.*) and Va. Code § 46.2-208, in an effort to protect confidential personal, business, and proprietary information, and (ii) the Department shall, before the Department's deadline to respond to the third party's request, notify Lyft that it has received a request and inform Lyft of whether it will release the document.