Ride-Hailing Apps offer New Way to Get Around Town

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SAN FRANCISCO (AP) — When Hesky Kutscher needed to get across town, he didn't call a taxi. He tapped a smartphone app called Lyft, which allows users to request car rides.

Minutes later, a black hatchback with a big fluffy, pink mustache on its grille pulled up. Kutscher hopped in the front seat and gave the driver a fist bump. Then they cruised over the hilly streets of San Francisco, chatting like neighbors until he was dropped off near Union Square.

Kutscher, who runs a medical data firm, said ride-hailing apps like Lyft — with its whimsical mustaches — are more convenient than cabs: "I need to get from A to B. They do it well, they do it for a good price, and the drivers are friendly."

Fed up with traditional taxis, more city dwellers are using their smartphones to request rides using GPS-enabled mobile apps that let riders and drivers find each other in real time. Ride-summoning services such as Uber, SideCar and Lyft are expanding rapidly in San Francisco, New York and other U.S. cities.

Uber allows passengers to use their smartphones to summon luxury town cars and other vehicles driven by professional drivers. Customer credit cards are charged fares based on time and distance.

Lyft and SideCar describe themselves as community "ridesharing platforms" that connect riders and drivers, who use their own vehicles. After each ride, passengers are asked for a voluntary donation based on what others paid for similar trips. The companies take a 20 percent cut.

"We started Lyft to create a system for matching up people who need a ride with people who can offer a ride," said Logan Green, co-founder of San Francisco-based Zimride, which operates Lyft.

But taxi operators say the new ride services are little more than illegal cabs that

don't have permits, pay city fees or follow regulations. The upstarts are also steering business away from cab drivers, making it harder to earn a living.

"It makes for an uneven playing field," said Barry Korengold, who heads the San Francisco Cab Drivers Association. "We're not trying to stifle technology. We're saying do it in the legal way."

Uber, which launched in 2010 and offers ride services in 18 cities, has been sued by San Francisco cab drivers and Chicago car-service companies alleging unfair business. The San Francisco-based company has also run into trouble with regulators in New York, Vancouver, Boston and Washington, D.C.

The California Public Utilities Commission last year issued cease-and-desist orders and $20,000 fines to Lyft, Sidecar and Uber for operating illegally. The agency says they are "charter-party carriers of passengers" that need permits certifying their drivers are properly screened, licensed and insured.

In December, the commission agreed to evaluate the safety of the Internet-based ride services and plans to draft new rules to regulate them over the next several months. Last week, the agency reached agreements with Lyft and Uber that allows them to operate legally until the new rules are written. It's in discussions with SideCar over its operations.

"We're not trying to put them out of business, but they cannot avoid the basics of public safety," said Frank Lindh, the commission's general counsel.

Lyft and SideCar say they're not charter-party carriers, but ridesharing platforms. They say they shouldn't be regulated like taxis or limos because rides are prearranged, payments are voluntary and the firms don't own the vehicles or employ the drivers.

"Existing regulations have not caught up with the technology," said Sunil Paul, CEO of SideCar, which launched a year ago in San Francisco and is preparing to expand to 15 other cities.

"This is a new medium, and a new medium needs a new set of rules."

Lyft and Sidecar say they have measures to ensure passenger safety. They interview drivers, check driving records, conduct criminal background checks and inspect vehicles. Drivers use their own insurance, but both companies provide additional coverage up to $1 million.

Other cities and states are also figuring out how to regulate the new transportation apps. The International Association of Transportation Regulators is working on guidelines for regulations that, if adopted, could restrict the upstarts.

Internet-based ride-hailing apps should be regulated, but regulators must be careful not to quash innovation in a transportation sector, said Daniel Sperling, director of the Institute of Transportation Studies at the University of California, Davis.

Sperling believes technology can reduce congestion, pollution and greenhouse-gas emissions by making transportation more efficient and convenient, allowing more people to live without personal cars.

"This is the first wave of what we hope will be a whole series of innovative companies and technologies that will transform transportation as we know it," Sperling said.

Lyft launched in San Francisco in June and began offering rides in Los Angeles on Thursday. It's cultivated a playful image with its pink mustaches and fist-bump ice-breakers. Users sign up with their Facebook accounts.

To maintain safety and quality, both Lyft and SideCar ask passengers and drivers to rate each other after each ride. Too many low ratings, and they're booted from the network.

Both services have attracted a diverse group of drivers. Lyft drivers include PhD students who need a break from writing dissertations, preschool teachers looking for adult conversation and artists seeking to earn extra money, said Green.

San Francisco State University student Shelby Stone, 23, drives her black Volkswagen Rabbit for Lyft four or five days a week to help pay car expenses and other bills.

"I have a blast with Lyft," Stone said after dropping off passenger Kutscher by Union Square. "All day long I'm meeting new people and getting to know the city of San Francisco."

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