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BEFORE THE HOUSE COMMITTEE ON SMALL BUSINESS
“THE POWER OF CONNECTION: PEER-TO-PEER BUSINESSES”
JANUARY 15, 2014

On behalf of Sidecar Technologies, Inc., I would like to thank the House Committee on Small Business and Chairman Graves for the invitation to speak on peer-to-peer (“P2P”) businesses and ridesharing. On behalf of Sidecar Technologies, Inc. (“Sidecar”), a peer-to-peer ridesharing company, I respectfully submit this testimony to assist in understanding how modern ridesharing as a peer-to-peer business works and the significant and varied benefits it offers governments, communities, and citizens.

Overview of Sidecar Mobile App

Sidecar is a ridesharing, or carpooling, information service that enables members to exchange information via the Sidecar smartphone mobile application (“app”) with other members to enable ridesharing in privately owned vehicles. Sidecar was founded over a year ago on the idea that private individuals would be willing to fill empty seats in their private vehicles with other private individuals seeking a ride with similar starting and destination locations. Sidecar enables carpoolers or ridesharers to find ride matches with greater convenience, security, and efficiency through its interactive app.

Sidecar is only the provider of the software and the operator of the technology platform that facilitates this peer-based exchange of information leading to a ridematch. In other words, Sidecar does not own the vehicles that are used to rideshare. Sidecar does not employ or control drivers or riders. Sidecar does not dictate hours, schedules or shifts for drivers, nor does Sidecar dispatch drivers to pick up riders. Rather, through the app, people choose to share carpool in a safer, more

convenient, and more dynamic way than other electronic networks for carpooling and ridesharing, such as Craigslist or company bulletin boards.

As a trust and safety service to its users, Sidecar facilitates driver criminal background checks consistent with federal and state laws, which screen for sex offenses, DUIs, reckless driving and other criminal convictions, and bars any driver with the enumerated offenses from participating on the Sidecar platform. Sidecar also requires prospective drivers to provide proof of a current and valid drivers' license, proof of valid personal automobile insurance as required by state law. Sidecar additionally provides a commercial liability policy that covers passengers and third parties for up to one million dollars per occurrence.

The Sharing Economy

To understand the importance of Sidecar in the modern economy, a discussion of the “sharing economy”¹ and the history of ridesharing is informative. Sharing personal assets is not a new concept; however, new technologies are facilitating the emergence of new sharing economy that enables peer-to-peer exchanges and the efficient use of underutilized assets. Other companies that are part of this sharing economy include eBay (matches sellers of goods with buyers), couchsurfing.com (matches travelers with available couches to “crash” on), AirBnb (allows home owners to share their empty rooms or homes), and TaskRabbit (matches handyman and deliverymen with individuals in need of limited support).

In this new economy, “asset owners use digital clearinghouses to capitalize the unused capacity of things they already have, and consumers rent from their peers rather than rent or buy from a

¹ In addition to sharing economy, terms such as “collaborative consumption”, “distributed capitalism” have been used. *See, e.g.*, Zuboff, Shoshanna, “Creating Value In The Age Of Distributed Capitalism”, *McKinsey Insights*, September 2010, available at http://www.mckinsey.com/insights/strategy/creating_value_in_the_age_of_distributed (last accessed January 11, 2014).

company”.² Or as Lisa Gansky, author of the *Mesh: Why the Future of Business is Sharing*, explains “[w]e’re moving from a world where we’re organized around ownership to one organized around access to assets.”³

This technology-led sharing economy, of which shared transportation is just one segment, is growing rapidly, and, despite general economic slow-down in other sectors, the United States is poised to become a global leader in this enterprise. According to a recent *Economist* article, Rachel Botsman, a leading expert on the sharing economy, estimates that just one segment of this sharing economy, the peer-to-peer rental market, is worth at least \$26 billion.⁴ The shift to such collaborative consumption benefits owners, renters, companies and the wider society for several reasons:

Owners make money from underused assets. Renters, meanwhile, pay less than they would if they bought the item themselves. And there are environmental benefits too: renting a car when you need it, rather than owning one, means fewer cars are required and fewer resources must be devoted to making them.⁵

As consumer and cultural patterns shift to broader participation in the sharing economy, established veterans in technology and e-commerce are forecasting significant change for existing businesses and for the economy at large. According to eBay’s chief executive officer, John Donahoe, often “these businesses and entrepreneurs are portrayed as disrupters,” but “[i]n many ways, you’re empowering individual

² Geron, Tomio, “Airbnb and the Unstoppable Rise of the Share Economy”, *Forbes*, January 11, 2013, *available at* <http://www.forbes.com/sites/tomiogeron/2013/01/23/airbnb-and-the-unstoppable-rise-of-the-share-economy> (last accessed January 10, 2014).

³ *Id.*

⁴ “The Rise of the Sharing Economy”, *The Economist*, March 9, 2013, *available at* <http://www.economist.com/news/leaders/21573104-internet-everything-hire-rise-sharing-economy> (last accessed January 10, 2014).

⁵ *Id.*

consumers to get what they want” and “empowering human beings to be able to create jobs.”⁶

The sharing economy model addresses this cultural and economic change by delivering greater efficiencies with fewer environmental impacts, while creating a more interconnected community. Substantial literature and research suggests that sharing economy companies have great potential to support important federal and state policy initiatives and produce demonstrable, beneficial change that will improve individuals’ daily quality of life, particularly in crowded urban areas. From housing to transportation to parking, the sharing economy marries the best of capitalist enterprise with societal and environmental consciousness.

Sharing economy companies, like Sidecar, are leading this wave of innovation, producing important changes in consumer behavior and consumption. This shift will be as profound as the Internet revolution that preceded and enabled it. Sidecar has the potential to create cascading social benefits by making car ownership and consumption more efficient, both financially and environmentally.

Ridesharing

Nowhere are the benefits of collaborative consumption more apparent than in the transportation sector. While carpooling and ridesharing have existed for decades, the shift towards cultural acceptance of peer-to-peer commerce and asset sharing between strangers has accelerated mainstream adoption of ridesharing.

Since the 1940s, federal, state and local governments in the United States, as well as non-profits and companies, have sponsored, funded, and managed carpooling and ridesharing networks to achieve critical and economic and social goals, including reducing energy consumption,

⁶ Kramer, Katie, “Take a seat with Rising Stars of the Sharing Economy”, CNBC.com, April 24th, 2013, *available at* <http://www.cnbc.com/id/100668331> (last accessed May 6, 2013).

environmental impact, commuting costs, and traffic and parking congestion. In the last thirty years, government-sponsored regional programs shifted, focusing on reducing traffic congestion and pollution, mainly by creating employer-sponsored vanpool incentives, including federal tax credits. With the advent of the Internet, this ridesharing evolved from telephone-based ridematching to online ridematching services. Today, federal, state, and local governments continue these carpool and vanpool initiatives to ease traffic congestion, reduce pollution, and reduce dependence on foreign oil.

Although federal, state, and local governments have expended resources to develop ridesharing, sustained successes have been scarce. The academic and government literature documenting these programs demonstrate that the majority of ridesharing programs are limited in scope or temporary.⁷ This is because the ridesharing market, like many markets, benefits from economies of scale. Numerous studies have concluded that sustained ridesharing success is dependent on developing a “critical mass” of participants.⁸ To transition from “casual carpooling” based primarily on repeated, common commutes to a more “dynamic” model focused on spontaneous trips, ridesharing demand must be stimulated.

The success of any ridesharing model depends on developing a critical mass of ridesharing economy participants, as discussed above. Most fledgling ridesharing trials have failed because they did not achieve the critical mass of users to sustain a dynamic ridesharing model. More plainly, if the number of participants is not high enough to support consistent and good ridesharing matches, riders will not continue using the system.⁹

⁷ See, e.g., John A. Volpe National Transportation Systems Center, “Ridesharing Options Analysis and Practitioner’s Toolkit”, Department of Transportation, Federal Highway Administration, December 2010.

⁸ “Critical Mass”, available at dynamicridesharing.org, (last accessed January 10, 2014).

⁹ Deakin, Elizabeth, Karen Trapenberg Frick, and Kevin M. Shively “Markets for Dynamic Ridesharing?: Case of Berkeley, California,” *Transportation Research Record: Journal of the Transportation Research Board*, No. 2187, Transportation Research Board of the National Academies, Washington, D.C., 2010, pp. 131-37, at 131-32.

Researchers have identified several barriers to achieving a critical mass of ridesharing participants: safety concerns; lack of comfort with technology; a preference for other modes of transportation such as conventional carpooling programs; and a basic lack of awareness of dynamic ridesharing programs. Study results found that major obstacles, however, appear to be a lack of perceived incentives such as savings in costs and time and a fear that a ridematch will not be available, leaving potential ridesharers stranded on the return commute.¹⁰

With the recent introduction of mobile, location-based services and real-time matching capabilities, there is a historic opportunity to accelerate the broad-based adoption of ridesharing, thereby producing large-scale public benefits. Regulatory frameworks and enforcement, having already long supported ridesharing goals, should support, not hinder, this opportunity.

¹⁰ *Id.*