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4 THE DISRUPTOR SERIES: HOW THE SHARING ECONOMY CREATES JOBS,

5 BENEFITS CONSUMERS, AND RAISES POLICY QUESTIONS

6 TUESDAY, SEPTEMBER 29, 2015

7 House of Representatives,

8 Subcommittee on Commerce, Manufacturing, and Trade

9 Committee on Energy and Commerce

10 Washington, D.C.

11 The Subcommittee met, pursuant to call, at 10:15 a.m.,

12 in Room 2322 of the Rayburn House Office Building, Hon.

13 Michael C. Burgess [Chairman of the Subcommittee] presiding.

14 Members present: Representatives Burgess, Lance,

15 Blackburn, Harper, Guthrie, Olson, Pompeo, Kinzinger,

16 Bilirakis, Brooks, Mullin, Upton (ex officio), Schakowsky,

17 Clarke, Kennedy, Butterfield, and Pallone (ex officio).

18 Staff present: James Decker, Policy Coordinator,

19 Commerce, Manufacturing, and Trade; Andy Duberstein, Deputy
20 Press Secretary; Graham Dufault, Counsel, Commerce,
21 Manufacturing, and Trade; Melissa Froelich, Counsel,
22 Commerce, Manufacturing, and Trade; Paul Nagle, Chief
23 Counsel, Commerce, Manufacturing, and Trade; Olivia Trusty,
24 Professional Staff, Commerce, Manufacturing, and Trade; Dylan
25 Vorbach, Legislative Clerk, Commerce, Manufacturing, and
26 Trade; Michelle Ash, Chief Counsel, Commerce, Manufacturing,
27 and Trade; Jeff Carroll, Staff Director; Lisa Goldman,
28 Counsel; Ashley Jones, Director of Communications, Member
29 Services, and Outreach; and Adam Lowenstein, Policy Analyst.

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30 Mr. {Burgess.} The Subcommittee on Commerce,
31 Manufacturing, and Trade will now come to order. The Chair
32 recognizes himself for 5 minutes for the purposes of an
33 opening statement. And good morning, and I want to welcome
34 everyone to our hearing this morning on the sharing economy.
35 We are lucky to be here this morning to be able to talk about
36 a sector of our economy that is actually putting people to
37 work.

38 All of us here on the dais endure the typical government
39 skirmishes. We spend a lot of time quibbling over the proper
40 size and the proper role of the Federal Government, so today
41 it is refreshing to remind ourselves that the private sector
42 is often working to solve problems even in spite of us some
43 days. And we are doing that--and the private sector is doing
44 so in a way that fosters jobs through innovation.

45 The opportunities sharing platforms provide are often in
46 addition to, not necessarily instead of, the streams of
47 income available through traditional employment sources. The
48 sharing economy has captured the entrepreneurial spirit of
49 many Americans already. Those who engage in freelance jobs
50 are expected to skyrocket to 40 percent of the workforce in
51 the next 5 years, and almost eight million will be
52 participating in a sharing economy.

53 The sharing economy is an excellent example of why the
54 fight exists for smaller government. I want to hear today
55 about how technology has built in accountability and built in
56 consumer protections into their platforms, because eventually
57 we must confront the question of whether and how Congress
58 responds to these types of firms.

59 Many suggest no action is warranted, either by Congress
60 or local regulators, and others are seeking direct and
61 immediate intervention both at the Federal and the local
62 level. There should be some limited government oversight,
63 particularly where safety is significant, and firms should be
64 thinking about privacy, firms should be thinking about
65 cybersecurity from the outset, lest they invite the very type
66 of regulation that they sought to avoid.

67 But generally speaking, the sharing economy companies do
68 face regulations, like most other firms, under the typical
69 patchwork of Federal and state laws, and I, for one, am more
70 concerned about existing regulations hurting new jobs than I
71 am about the need for new regulations. The CEI estimates
72 that the Federal Government already has stifled progress
73 through regulation to the tune of almost \$2 trillion per
74 year. Meanwhile, the sharing economy has generated \$15
75 billion in global revenues in 2013, and is likely to generate
76 335 billion annually by the year 2020. We should be highly

77 skeptical of interventions that take away new conveniences
78 and measurable benefits for consumers.

79 Sharing platforms are inherently good, providing
80 reputation feedback loops. As we look at any disruptor, we
81 should ask ourselves, is more regulation needed, or is
82 someone just concerned about change, and worried about change
83 of the status quo?

84 I want to thank the witnesses for participating. I look
85 forward to a lively and informative discussion. I will yield
86 back my time, and recognize the Ranking Member of the
87 Subcommittee, Ms. Schakowsky, for 5 minutes for an opening
88 statement.

89 [The prepared statement of Mr. Burgess follows:]

90 ***** COMMITTEE INSERT *****

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91 Ms. {Schakowsky.} Thank you, Mr. Chairman, for holding
92 this hearing on the sharing, some call gig, economy. This is
93 a topic absolutely deserving of our attention, discussion,
94 scrutiny.

95 Over the past few years Americans have begun to interact
96 in ways we never imagined just a decade, or even less, ago.
97 The sharing economy is one of the byproducts of technological
98 change. Today people hail rides, book rooms, hire a
99 contractor, purchase groceries, at the push of a button.
100 This is the fastest growing sector in our economy, and while
101 there is undoubtedly a convenience factor for those engaged
102 with the gig economy, there are a number of adverse
103 consequences as well.

104 For many millennials the gig economy model of employment
105 may be appealing for a time, providing scheduling flexibility
106 that many young people desire. But for many older workers,
107 who used to have full time employment, or younger workers,
108 seeking steady full time work, this transformational change
109 is not always positive. The model of this economy, where
110 people--there are people seeking economic predictability and
111 stability, also--often eliminates benefits, like health care
112 and pensions, and it means more questions about whether they
113 can make ends meet, much less save for their children's

114 education, their parents' elder care, or their own
115 retirement.

116 The gig economy companies argue that the individuals who
117 generate earnings through the use of their technology are
118 independent contractors. They claim only to operate a
119 neutral technology--technological platform, enabling
120 individuals to connect. Making that claim may enable gig
121 economy companies to avoid legal liability for much of what
122 happens as a result of the use of their platforms, may enable
123 them--enables them to avoid Social Security contributions,
124 and requirements to provide overtime pay, Workers'
125 Compensation, and Unemployment benefits. The workers are
126 atomized, and unable to collectively bargain in their own
127 interest. And this shift--many work related risks for
128 employers go to workers. However, these entities are very
129 often directly involved in almost every aspect of the
130 transactions that occur by way of their technology. They
131 maintain standards for users of their apps, and they have the
132 ability to remove users from their platforms altogether,
133 often without any mechanisms, by the way, to challenge their
134 removal.

135 In June the California Labor Commission found that Uber
136 drivers are employees, rather than contractors. That
137 determination, if upheld, would require Uber to provide

138 reimbursable expenses, Social Security, Workers'
139 Compensation, and Unemployment Insurance benefits. Many gig
140 economy businesses do not ensure that their employees met
141 licensing, tax, and zoning requirements that are in place for
142 the industries against which those businesses seek to
143 compete. I believe those companies, and their employees and
144 contractors, need to meet all existing requirements if they
145 intend to compete with other entities honoring those
146 standards.

147 It is also important that liability questions are
148 addressed by the businesses operating in the gig economy
149 space. In addition--in--is additional insurance coverage
150 needed to protect employees or customers of gig economy
151 businesses? What additional--when additional protection is
152 required, how do gig economy businesses ensure that their
153 employees and customers are adequately covered.

154 These gig economy businesses are largely data driven,
155 and there are few restrictions on how that data is used or
156 protected. Highly sensitive information, including
157 background checks, home addresses, credit cards, and
158 background--back--bank account information and travel
159 patterns is often collected by these businesses. Uber
160 recently changed its privacy policy to allow the company to
161 ask for location details when users aren't actively engaging

162 with the app. It also allows Uber to access--access to a
163 user's contact list. Most Uber users probably have no idea
164 about these policy changes, which is why greater oversight,
165 transparency, and communication are needed in this emerging
166 sector of the economy. All of these issues must be addressed
167 if we are to ensure that the sharing economy is as much about
168 improving the lives of working Americans as it is about
169 increasing the market caps of gig economy companies.

170 So I thank the witnesses for being here today. This is
171 a truly important, seminal discussion that we have right now.
172 I look forward to their testimony, and I yield back the
173 balance of my time.

174 [The prepared statement of Ms. Schakowsky follows:]

175 ***** COMMITTEE INSERT *****

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176 Mr. {Burgess.} The Chair thanks the gentlelady. The
177 Chair recognizes the Chair of the full Committee, Mr. Upton.
178 5 minutes for an opening statement.

179 The {Chairman.} Well, thank you, Mr. Chairman. You
180 know, today we are here to discuss one of the most promising
181 aspects of our recovering economy, the sharing economy.
182 Significant innovation and advances have enabled new
183 platforms to connect self-employed individuals or small
184 businesses with the consumers who demand those goods and
185 services.

186 The sharing economy is growing in leaps and bounds.
187 Believe it or not, in a decade, it is expected to generate
188 \$335 billion annually. That sort of growth cannot be
189 ignored. So this series of hearings about disruptors, and I
190 would include the Internet of things, and the vehicle to
191 vehicle communications under that umbrella as well, is so
192 important as we work to better understand how these
193 innovative companies impact consumers, job creation, and yes,
194 our economy. I am always encouraged by the creativity and
195 ingenuity that we see in America, and this hearing is a great
196 forum to learn how real people are taking advantage of new
197 opportunities to make a better life for themselves and their
198 families. I know it is true in Michigan, as it is in the

199 rest of the country, as families are glad to have new ways to
200 make ends meet.

201 One of the most intriguing aspects of this model is that
202 it is not tied to any particular industry. The press
203 regularly highlights the disruption in the lodging and
204 transportation sectors, but there is innovation in every
205 facet of the U.S. economy. And as--with any developing
206 marketplace, we must recognize the risk of stifling the
207 innovation with reactionary regulatory measures. At a time
208 when jobs are still hard to find, and balancing the budget is
209 a challenge, we should not risk job creation with hasty calls
210 to regulate. Where new technologies and competition are
211 responding to consumer needs, and doing so safely, we should
212 be asking ourselves if reducing the regulatory burden makes
213 sense. This may be true for both the new entrepreneurs and
214 incumbents. The sharing economy has also given folks across
215 the country a chance to make decisions about how and when
216 they work in a way that was not feasible even a few years
217 ago.

218 So we are familiar with high profile leaders in the
219 sharing economy, but there are many other platforms that are
220 using technology to connect niche markets that have not been
221 able to connect before, and I have seen that firsthand, and I
222 am interested to hear more about those areas of the sharing

223 economy. Our witnesses today represent a broad and diverse
224 spectrum of the sharing economy. I would like to welcome in
225 particular Michael Beckerman back to the Committee, albeit on
226 the other side of the dais this time around. I look forward
227 to hearing all your stories and experiences with the sharing
228 economy, and how we foster--we can foster an environment for
229 community job growth and community development, and I yield
230 back.

231 [The prepared statement of Chairman Upton follows:]

232 ***** COMMITTEE INSERT *****

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233 Mr. {Burgess.} The Chair thanks the gentleman. The
234 gentleman yields back. We are expecting the Ranking Member
235 of the full Committee, Mr. Pallone, to be here at any moment.
236 But pending that, let me just go ahead and introduce our
237 witnesses, and then, when Mr. Pallone arrives, we will yield
238 back to him for his opening statement. So we do want to
239 thank all of our witnesses for being here today, thank our
240 witnesses for taking time to testify before the Subcommittee.

241 Our witness panel for today's hearing will include Ms.
242 Luceele Smith, a driver-partner with Uber Technologies,
243 Incorporated, Mr. Michael Beckerman, President and CEO of the
244 Internet Association--and, you know, Michael, after you left
245 the Committee, so many people asked, what happened to
246 Michael? And people said, he went to a better place, so I
247 guess the Internet Association is defined as a better place.
248 Mr. Bob Passmore, Assistant Vice President for Personal Lines
249 Policy with the Property and Casualty Insurance Association
250 of America, Mr. Dean Baker, Co-Director of the Center for
251 Economic and Policy Research, Mr. Alex Chriss, Vice President
252 and General Manager at Intuit, and Jon Lieber, Chief
253 Economist at Thumbtack. We do appreciate all of you being
254 here today.

255 We will go ahead and proceed with the witness testimony,

256 and we may allow Mr. Pallone to give his opening statement
257 when he arrives. So we appreciate all of you being here. We
258 will begin with you, Ms. Smith. You are recognized. Each of
259 you will have 5 minutes to provide a summary of your
260 testimony and given an opening statement. Ms. Smith, you are
261 recognized.

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262 ^STATEMENTS OF LUCEELE SMITH, DRIVER-PARTNER, UBER
263 TECHNOLOGIES, INC.; MICHAEL BECKERMAN, PRESIDENT AND CHIEF
264 EXECUTIVE OFFICER, THE INTERNET ASSOCIATION; BOB PASSMORE,
265 ASSISTANT VICE PRESIDENT - PERSONAL LINES POLICY, PROPERTY
266 CASUALTY INSURERS ASSOCIATION OF AMERICA; DEAN BAKER, CO-
267 DIRECTOR, CENTER FOR ECONOMIC AND POLICY RESEARCH; ALEX
268 CHRISS, VICE PRESIDENT AND GENERAL MANAGER, INTUIT, INC.; AND
269 JON LIEBER, CHIEF ECONOMIST, THUMBSTACK

|

270 ^STATEMENT OF LUCEELE SMITH

271 } Ms. {Smith.} Good morning, Chairman Burgess, Ranking
272 Member Schakowsky, and Committee members. My name is Luceele
273 Smith, and I appreciate this opportunity to address you today
274 and speak about my experience working with Uber. I began
275 driving with Uber in June 2014, and prior to that I worked in
276 the legal field, and served 8 years in the Air Force. My son
277 is also in the Air Force, and will soon be deployed to the
278 United Arab Emirates.

279 Uber has been a great opportunity for me and many
280 others. What I like most about Uber is the flexibility. It
281 allows drivers to make money on their own time. I don't have
282 a boss to report to. I don't have to be on call. I work

283 when I want to, for as long as I want to, or as little as I
284 want to. I use Uber as supplementary income to finance my
285 travel. I am from the British Virgin Islands, and I use my
286 extra income to visit my family. And when I want to travel,
287 I don't need to ask permission. I just go.

288 Driving with Uber has also helped me to discover the
289 city in new ways, which has been very rewarding. In fact, I
290 have encouraged friends, and even riders, to become drivers
291 because I think it is a great opportunity not only to see new
292 parts of the city, but to connect with people in the
293 community. And these are people that I would never otherwise
294 have met.

295 Every rider that I have met is grateful for the choice,
296 and the convenience, that Uber has brought to their lives. I
297 particularly enjoy the people component of being an Uber
298 driver. Having traveled all over the world, I can strike up
299 conversation with anyone, and point out new restaurants or
300 new shows in town. And when it comes to my riders, I have
301 had so many good experiences. I remember I picked up a
302 couple once from the airport and took them to a Redskins
303 game, and when we arrived, it started to rain, and the young
304 lady was very concerned about her hair, so I gave her my
305 umbrella. I understood what it would be like to sit in the
306 rain and ruin your hair. So it was just a great opportunity

307 to help people in large and small ways.

308 I have worked in traditional jobs before, but there is
309 nothing else out there where you can set your own schedule
310 and your own goals. Sometimes drivers ask me, how much money
311 do you make in a week? And the answer is, you can make as
312 much as you want to. If I want to make \$500 to fly to St.
313 Thomas for Christmas, I can do that. With other jobs, the
314 only way to earn more money is to take another job, or to get
315 a promotion, and that can take years. So that freedom--it
316 removes a lot of stress from your life, and that freedom is
317 priceless, knowing you can log in anytime and make money.
318 That is incredible. It is unmatched. So it is an
319 opportunity that I enjoy, and I know many people feel the
320 same way. Thank you so much.

321 [The prepared statement of Ms. Smith follows:]

322 ***** INSERT A *****

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323 Mr. {Burgess.} The Chair thanks the gentlelady. The
324 Chair recognizes Mr. Beckerman. Five minutes for an opening
325 statement, please.

|

326 ^STATEMENT OF MICHAEL BECKERMAN

327 } Mr. {Beckerman.} Thank you. Chairman Burgess, Ranking
328 Member Schakowsky, Chairman Upton, and Ranking Member
329 Pallone, and members of the Committee, thank you for inviting
330 me to testify. My name is Michael Beckerman. I am the
331 President and CEO of the Internet Association, which
332 represents the world's most innovative Internet companies.
333 The Internet Association is the unified voice of the Internet
334 economy and its global community of users. We are dedicated
335 to advancing public policy solutions to strengthen and
336 protect Internet freedom, to foster innovation and growth,
337 and to empower the global community of Internet users.

338 Included in our membership are more than 35 of the
339 world's most innovative companies, including the sharing
340 economy platforms, such as Airbnb, FlipKey, Lyft, Sidecar,
341 and Uber. And as an advocate for these companies on the
342 local, state, Federal, and international level, the Internet
343 Association has witnessed firsthand the often heavy-handed
344 and misguided regulatory approach in markets throughout the
345 country for these platforms. These companies have an
346 extraordinary story to tell, a story about job creation,
347 about economic growth, opportunity, and life changing

348 flexibility.

349 Ride sharing and home sharing do get most of the
350 attention, but these business models are really just the tip
351 of the iceberg. Companies like Instacart, Washio,
352 TaskRabbit, GetAround, Handy, and ThumbTack, who is here with
353 us today, are changing the way we shop, do our laundry, rent
354 cars, improve our homes, and so much more. The incredible
355 consumer benefits of these platforms pales in comparison to
356 the benefits of flexible earning opportunities for those that
357 opt-in to meet consumer demand.

358 What we are seeing across the country is a tale of two
359 cities. In some communities, regulators embrace new
360 technology and competition. In these communities, consumers
361 in the local economy have seen job creation and growth.
362 Unfortunately, there are other communities where policymakers
363 and regulators have put up roadblocks that block consumer
364 choice and competition. In these areas, the community is
365 worse off when arbitrary barriers are placed on new entrants
366 to the market. Competition is stamped out, growth is
367 stifled, and opportunities are lost.

368 In my testimony this morning, I would like to outline a
369 few important principles the Internet Association thinks is
370 helpful in this policy debate. But first I would like to
371 help put the on demand, or sharing, economy into the proper

372 macroeconomic context. Sidecar, or Uber, or Lyft, they are
373 neither taxi companies nor transportation companies. They
374 are technology platforms that connect supply and demand.
375 Likewise, Airbnb is not a hotel or lodging company. It is a
376 technology platform that connects supply and demand.

377 To just give one example, back in 1980, let us say, if
378 you wanted a ride to the airport, you might pick up the
379 Yellow Pages and look up a number for a car service. Then
380 you would pick up the phone, dial the number, talk to the
381 dispatcher, and arrange for a ride. In that pre-Internet
382 age, the Yellow Pages served a similar function to what Uber
383 or Lyft does today. It connects supply, the driver, with
384 demand, the rider. But today, thanks to the Internet, and
385 advances in mobile payments and other technology, this
386 connection of supply and demand happens in real time, and in
387 a seamless way for consumers, and the same is true for the
388 other sharing platforms.

389 Based on our advocacy for the Internet industry, and for
390 the sharing economy specifically, the Internet Association
391 suggests the following principles guide the Committee as you
392 wade into this debate. First, evidence demonstrating the
393 clear benefits to consumers must be taken into account.
394 These benefits include lower prices, higher quality of
395 services, and overall increase in consumer choice. Second,

396 in weighing these benefits against perceived harms, lawmakers
397 should consider whether sharing economy services may, in
398 fact, be safer than incumbent counterparts. Third, in
399 listening to complaints against sharing economy companies in
400 local markets, assess whether these complaints capture a
401 genuine consumer protection concern, and are not merely
402 complaints against increased competition that will benefit
403 consumers. And finally, recognize the sharing economy
404 platforms already self-regulate through various mechanisms
405 that are hardwired into the technology, such as consumer
406 ratings, payment systems, and GPS tracking, not to mention
407 the intense competition between all of these platforms. And
408 I do elaborate on each of these points in my written
409 testimony, which I ask to be submitted for the record.

410 In closing, the sharing economy is an exciting
411 innovation that collapses the distance between those offering
412 services and those consuming services. The end result of
413 this arrangement is increasing quality, and lower costs. The
414 sharing economy provides clear benefits to both consumers and
415 those who wish to earn extra money, and evidence of this fact
416 must be considered before taking legislative or regulatory
417 action. Thank you for allowing me to testify, and I look
418 forward to any questions the Committee may have.

419 [The prepared statement of Mr. Beckerman follows:]

420 ***** INSERT B *****

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421 Mr. {Burgess.} The Chair thanks the gentleman. The
422 Chair recognizes Mr. Passmore. Five minutes to summarize
423 your testimony, sir.

|
424 ^STATEMENT OF BOB PASSMORE

425 } Mr. {Passmore.} Let us turn on the button first. Good
426 morning, Chairman Burgess, Ranking Member Schakowsky, and
427 members of the Committee. My name is Bob Passmore, Assistant
428 Vice President for Personal Lines Policy at the Property
429 Casualty Insurance Association of America, better known as
430 PCI. On behalf of our nearly 1,000 member companies, I thank
431 you for your invitation at--to speak today--at today's
432 hearing.

433 PCI members are at the heart of the sharing economy.
434 While innovators in the sharing economy have designed new
435 ways of using technology to improve business models, insurers
436 have been innovating new ways of providing protection for
437 centuries, and similarly will be the grease that will enable
438 the sharing economy to reach its potential. The sharing
439 economy is typically not new commercial activity, but rather
440 is a new business model that allows individuals to use their
441 personal time and resources to engage in commercial activity,
442 with the potential to provide for more efficient use of
443 resources for society, while essentially creating millions of
444 single person businesses.

445 Where the sharing economy poses the biggest challenge,

446 and the most controversy, is when they enter into a
447 commercial activity that is highly regulated when conducted
448 by a traditional business, such as a taxi company or a hotel.
449 Essentially the same activity, but on a much smaller scale,
450 but connected to a large sharing economy company. The policy
451 question becomes what is the appropriate level of regulation,
452 and does applying the same level of regulation render the
453 sharing business model impractical or impossible? Insurers
454 are certainly interested in the--understanding the answers to
455 those larger policy questions, but of primary concern for
456 insurers are critical insurance issues that are raised, as
457 these business models blur the line between what has
458 traditionally been thought of as a commercial or personal
459 exposure.

460 A prominent example of this dynamic has been evident in
461 the emergence of ride sharing, or transportation network
462 companies, or TNCs. TNCs had initially relied on their--the
463 driver's personal auto insurance policies for coverage, with
464 the companies themselves providing some coverage that applied
465 if the driver's coverage was exhausted. However, most
466 personal auto policies specifically exclude coverage when the
467 vehicle is being driven for hire, leaving TNC drivers facing
468 some significant gaps in coverage. And since almost every
469 state has a motor vehicle financial responsibility law that

470 requires vehicle owners to have--maintain some kind of auto
471 insurance coverage, disputes in coverage litigation were
472 inevitable. If these coverage disputes would result in court
473 decisions imposing coverage for driving for a TNC on a
474 personal policy that was neither intended for--neither
475 intended or priced for, this potentially shifts the cost of
476 this--of the risk associated with driving for hire onto the
477 personal auto insurance system, requiring that all bear--
478 drivers bear the cost of the activities of a relatively small
479 number of TNC drivers.

480 The good news is that TNCs and insurers have been able
481 to reach a consensus on a model law that supports the sharing
482 economy business model, while providing appropriate
483 protection--insurance protection, as well as disclosures that
484 protect drivers, consumers, and insurers. The consensus
485 model also allows for the development of different private
486 sector business solutions for personal and commercial
487 insurance coverages that can evolve over time, and has
488 already been adopted in over half of the states.

489 Over the last year it has become clear that, while there
490 are significant insurance challenges presented by the sharing
491 economy business models, solutions can be found by following
492 a few principles. First, market-based approaches are
493 preferred for both sharing business models and insurance, but

494 in some cases state laws may need to be clarified to protect
495 consumers in policy language certainty. Awareness of issues
496 is essential. Many may not be aware if they have the right
497 insurance when they enter into these activities. There needs
498 to be proactive disclosures by the sharing business of what
499 the insurance issues are, what coverage the sharing business
500 is providing, and what additional coverage one may need to
501 get prior to participation.

502 Finally, state laws and regulations need to be flexible
503 to allow for different insurance solutions. The sharing
504 economy business model creates opportunities for both
505 personal lines and commercial lines insurance products, and
506 the excess and surplus lines insurance market is where many
507 new businesses, such as the sharing economy business models,
508 find their coverage, and those avenues need to be open to the
509 sharing economy business models as well.

510 PCI's mission is to promote and protect a competitive
511 insurance market for the benefit of consumers and insurers.
512 Our members are committed to developing and providing new
513 insurance products to support commercial and consumer
514 innovation for the sharing economy. We appreciate that
515 Congress has taken an interest in these issues, and look
516 forward to continuing to work on sharing economy issues in
517 the future. Once again, on behalf of our members, I thank

518 you for inviting us to share our views, and I would be happy
519 to answer any questions that you might have.

520 [The prepared statement of Mr. Passmore follows:]

521 ***** INSERT C *****

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522 Mr. {Burgess.} The Chair thanks the gentleman. The
523 gentleman yields back. Mr. Baker, recognized for 5 minutes
524 for summarizing your opening statement, please.

|
525 ^STATEMENT OF DEAN BAKER

526 } Mr. {Baker.} Thank you, Chairman Burgess, and Ranking
527 Member Schakowsky. I appreciate the opportunity to address
528 the Committee. My name is Dean Baker. I am the Co-Director
529 of the Center for Economic and Policy Research. I want to
530 raise some general issues about the sharing economy.
531 Certainly I would agree with comments that have been made
532 that it offers great opportunities, basically, to take
533 advantage of idle resources, as Ms. Smith had indicated her
534 labor, her free time. Of course, with apartments, other
535 sorts of idle resources to put them to greater use, that is
536 the great opportunity, the great benefit of the sharing
537 economy. The great risk is that it is--it--risk undermining
538 a set of regulations at national, state, and local level that
539 have often been put in place for very good purposes. And
540 that is my real concern that I want to address here. And in
541 doing so, I want to say I strongly disagree with Mr.
542 Beckerman's comment that this is simply the Internet version
543 of the Yellow Pages. We have that. It is called craigslist.
544 We aren't talking about that. These are companies that have
545 an active role in the operations that we are talking about
546 here.

547 So very quickly, I want to outline four areas that I
548 talk about in my testimony, where regulations are being
549 called into question. First, labor regulations. Secondly,
550 consumer, both safety and quality regulations. Third, a
551 question on property rights that has come up in a lot of
552 different contexts. Fourth, anti-discrimination laws and
553 regulations. And fifth, an important issue that the
554 Committee should be concerned about, issues of tax collection
555 at all levels of government.

556 Starting with the issue of labor regulation, as Ranking
557 Member Schakowsky raised in her opening testimony, we don't
558 know that sharing economy companies will provide the same
559 sorts of protections that we expect--that Congress and state
560 and local governments have given to traditional employees.
561 So that means wage and hour laws, do minimum wage laws apply,
562 Workers' Comp laws. These are issues that should concern us.
563 We don't want to see sharing economy companies benefit simply
564 because they are capable to undermine those laws. I should
565 also point out that in many cases, perhaps most cases, this
566 is not an insoluble task. For example, Uber could very
567 easily use the information that is available to ensure that
568 all its drivers are getting minimum wage laws, and they are
569 paid in accordance with wage and hour standards.

570 The second area, consumer safety regulation, we have

571 extensive sets of regulations to ensure that, when you get
572 into a cab, that the driver is a safe driver. I abuse my
573 mother in this context. She is an 84-year-old woman who is a
574 very decent person, and she has a Washington State Driver's
575 License. I really do not think she should be driving an
576 Uber. This is the sort of issue that we should be concerned
577 about. We ensure that people who drive cabs, drive
578 commercially, have commercial driver's licenses. We want to
579 make sure that you have good drivers for Uber, or any other
580 car driving service. Cars should be safe. Again, insurance
581 issues. Insofar as those are being settled, that is a big
582 step forward, but I should point out that was not the
583 original intention of Uber. They would--that was done under
584 public pressure. In the case of--if we look at Airbnb,
585 again, are they renting rooms that are safe? You know, do we
586 know that they are--that they meet fire codes? This should
587 be an important concern. Certainly we make sure that hotels--
588 -or at least we try to make sure that hotels are not fire
589 traps. We would want to make sure the same is true of rooms
590 rented through Airbnb.

591 The third issue has to do with property rights. Many
592 leases, many apartment leases, prohibit subletting. Many--in
593 many cases, someone could sublet through Airbnb in violation
594 of that lease. Again, does Airbnb bear responsibility? I

595 would say we would want a situation where they do bear
596 responsibility. Condo associations also often prohibit
597 subleasing. Again, are people renting out rooms through
598 Airbnb, or whole units, in violation of condo laws? And
599 then, of course, it goes beyond that. Very often you have
600 rent stabilization rules, you have zoning rules. These have
601 all been called into question by Airbnb. I am not saying
602 Airbnb is necessarily wrong in these circumstances, but we
603 need clear regulation.

604 The fourth issue, discrimination. Again, we have well
605 developed sets of rules prohibiting discrimination based on
606 race, gender. We don't want discrimination against the
607 handicapped--handicapped individuals. We want to make sure--
608 case of--with Uber, we want to make sure we have handicapped
609 accessible vehicles. Again, this is something that is a
610 matter of legitimate public concern threatened by the sharing
611 economy companies.

612 The last point, we know in the case of traditional
613 employers they are obligated to take out money for taxes for
614 people, for their workers, and also, I should say, if you
615 have someone renting out a unit, that can be done through
616 Airbnb. This is a real concern. It is not a concern just
617 for purposes of tax collection. We don't want someone to
618 come to April 15 and suddenly find they owe the IRS \$5,000

619 because nothing has been taken out of their paycheck.

620 So these are very real concerns. So just to sum up, the
621 whole point, to me, of the sharing economy is that it offers
622 greater opportunities. We want to take advantage of the new
623 technology. This should not be a way where firms are able to
624 prosper simply by finding a more effective way to evade the
625 law. Thank you.

626 [The prepared statement of Mr. Baker follows:]

627 ***** INSERT D *****

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628 Mr. {Burgess.} The gentleman yields back. The Chair
629 thanks the gentleman. Mr. Chriss, you are recognized for 5
630 minutes for summarizing your opening statement, please.

|
631 ^STATEMENT OF ALEX CHRISS

632 } Mr. {Chriss.} Good morning, and thank you Chairman
633 Burgess, Ranking Member Schakowsky, and members of the
634 Committee, for providing Intuit the opportunity to be here.
635 My name is Alex Chriss from Intuit, and I am the Vice
636 President for QuickBooks Self-Employed Business. I
637 appreciate the opportunity to speak with you today about the
638 sharing economy, and I am pleased to provide some insights we
639 have gathered from close collaboration with our customers. I
640 will also outline three recommendations government could take
641 to ease the burdens of sharing economy workers.

642 As context, Intuit was founded over 30 years ago with
643 one core mission that remains today, to improve people's
644 financial lives so profoundly they cannot imagine going back
645 to the old way of doing things. We currently serve more than
646 45 million consumers and small businesses with our
647 QuickBooks, TurboTax, and Mint offerings.

648 In the past few years we have noticed an acceleration of
649 a trend that began decades ago. We believe this trend to be
650 a massive shift in employment towards a more independent, or
651 self-employed workforce. Intuit recently conducted a study
652 forecasting that self-employed will grow to represent 43

653 percent of the workforce by 2020. A very fast growing
654 segment of this new workforce is the sharing economy.
655 According to our data, 3.2 million Americans are earning
656 income from the sharing economy. Within 5 years, our survey
657 suggests the total population of sharing economy workers will
658 more than double, to 7.6 million.

659 What is not--what is often not fully appreciated is that
660 the people who are self-employed and in the sharing economy
661 are ultimately a small business of one in the eyes of the
662 U.S. tax structure. They have a unique set of financial
663 management needs. They often co-mingle business and personal
664 expenses in a single bank account, making expense management
665 and deduction tracking burdensome. They get paid a gross
666 amount, often on a weekly basis, making visibility into their
667 real income, or what is safe to spend, nearly impossible.
668 And they are often unclear about their quarterly tax
669 obligations, as this is most often a new and unfamiliar
670 requirement. It is with these unique needs in mind that we
671 created our QuickBooks Self-Employed offering. We strived to
672 make the business aspect of being self-employed simple and
673 pain free, while improving our users' cash flow.

674 I would like to outline three opportunities policymakers
675 could be taking to take action on to improve the lives of this
676 fast growing segment of the economy. The first is to clarify

677 what constitutes a record for Schedule C tax compliance.
678 Sharing economy workers find customers and income at the
679 touch of a button on a mobile device. If they are required
680 to keep paper records to verify their Schedule C deductions,
681 this requirement raises questions about the regulatory
682 definition of what a record entails. Flexibility with
683 respect to the term record would benefit the growth of this
684 worker segment. The less time people spend managing
685 paperwork, the more time they have to earn a living.

686 The second is to enable sharing platforms to give
687 guidance without triggering worker classification issues.
688 Sharing economy platforms can play a role in helping this
689 segment of the workforce meet and understand their
690 obligations. Many sharing platforms limit the advice they
691 provide to workers for fear of triggering employment
692 regulations that would characterize this workforce as
693 employees. Providing this information would be beneficial to
694 the sharing platforms, the workers, and the IRS. This
695 creates an opportunity for government agencies that oversee
696 classification guidelines. Clarity around the type of
697 communication companies can share with self-employed workers
698 will enable them to access helpful information regarding
699 financial literacy, tax obligations, and savings.

700 Finally, the third recommendation is to update

701 government programs to support the self-employed. A great
702 example is the Department of Treasury. They initially
703 released its MyRA retirement savings product to employees to
704 access exclusively through employers. They are now planning
705 to allow individuals to open accounts, but they were not
706 initially being considered, and had to wait for benefits to
707 be opened up to them. Creating a shift in mindset where
708 self-employed are considered part of the workforce is
709 something government agencies should prioritize.

710 We encourage the Committee to explore ways to adapt our
711 current structure to meet the needs of the sharing economy
712 workers so that the growth and success of this segment
713 continues. Once again, Chairman Burgess, Ranking Member
714 Schakowsky, and members of the Committee, thank you for
715 giving Intuit the opportunity to share insights from our
716 sharing economy customers, and I look forward to answering
717 any questions you may have.

718 [The prepared statement of Mr. Chriss follows:]

719 ***** INSERT E *****

|

720 Mr. {Burgess.} The gentleman yields back. The Chair
721 thanks the gentleman. Mr. Lieber, you are recognized for 5
722 minutes for an opening statement, please.

|

723 ^STATEMENT OF JON LIEBER

724 } Mr. {Lieber.} Good morning, and thank you for the
725 opportunity to testify today. My name is Jon Lieber, and I
726 am testifying on behalf of ThumbTack. We are a San Francisco
727 based technology company that matches consumer with--
728 consumers with service professionals to help them accomplish
729 projects that are central to their lives. We are honored to
730 be part of this discussion here today on behalf of our
731 growing technology companies and the small businesses we
732 serve.

733 ThumbTack's network of more than 150,000 active
734 professionals help customers get started with more than five
735 million projects each year. We are proud to say that we will
736 be putting more than a billion dollars into the pockets of
737 these professionals this year, and multiples of that in years
738 to come. Our professionals are active across all 50 states,
739 and here in the District of Columbia, and they offer services
740 across more than 1,000 categories, from dog walking to
741 bathroom remodeling. About half the service professionals on
742 ThumbTack have been in business for themselves for 5 or more
743 years, and similar numbers report that they have one or more
744 employees. Two-thirds say that the businesses they run on

745 ThumbTack is their primary form of income.

746 Our most active categories are events, such as DJs,
747 photography, and catering, home improvement, including lawn
748 care, house cleaning, plumbing, and electricians, and we also
749 offer wellness services, like personal training, and a
750 variety of lessons, from Spanish to horseback riding. And
751 though we are headquartered in San Francisco, it is only our
752 11th biggest market. We operate only in the United States
753 for now.

754 Although the hearing today is officially about the
755 sharing economy, this name is frequently misapplied to a
756 variety of new business technologies that are connecting
757 people together. ThumbTack does not consider ourselves to be
758 part of the sharing economy. We like to say we are part of
759 the real economy. Technology is enabling the businesses who
760 use ThumbTack to work--find work faster and cheaper than they
761 ever could before. And not to pile on the Yellow Pages here,
762 but while a previous generation was limited to placing an ad
763 in the Yellow Pages and waiting for the phone to ring,
764 ThumbTack directly connects these small businesses to
765 customers who are looking for their services.

766 The ease of introducing small service businesses to new
767 clients is solving one of the biggest problems that these
768 businesses have. And along with back office support tools,

769 like those offered by Intuit, is lowering the cost of
770 starting and growing a successful small business. We believe
771 that we are empowering these professionals to realize their
772 dreams of working for themselves, and the stories that we
773 hear from our pros about what ThumbTack has enabled them to
774 do are inspiring and powerful.

775 In my written testimony I discuss some of the effects
776 that technological disintermediation is having on both
777 consumers and the professionals who serve them, and I would
778 like to mention two of them now. First is that although
779 disruptive technology companies are bringing attention to
780 issues of worker classification and workplace benefits, for
781 small businesses, like the ones that use ThumbTack, to grown,
782 these issues aren't new.

783 Because Congress has passed responsibility for certain
784 elements of the social safety net onto employers through a
785 combination of mandates, tax incentives, and payroll taxes,
786 we have created a two-tier benefit system in this country,
787 one for individuals who generally work full time at larger
788 companies, and one for everyone else. The decision to go
789 work for one's self has long meant giving up the comforts of
790 traditional employment, including paid time off, and a
791 variety of tax-preferred health and retirement benefits. And
792 although Congress has attempted to extend some of these

793 benefits outside the workplace through the Affordable Care
794 Act and tax-free savings vehicles, like IRAs, there is more
795 that could be done. To the extent possible, benefits should
796 be tied to the worker, and not their place of work, or their
797 form of compensation.

798 Small businesses are also intimately familiar with
799 issues surrounding worker classification. Although many of
800 the businesses we speak with would love to bring on full time
801 workers to help them expand, the cost, not just in wages, but
802 in compliance and benefits, are often prohibitively high.
803 The decision to bring on a full time worker can frequently
804 mean with--dealing with unexpected and expensive mandates,
805 such as California's recent decision to require that all
806 employers, regardless of size, provide paid sick leave.
807 Often it is far easier to rely on independent contractors,
808 who generally don't qualify for these benefits.

809 The second issue I would like to emphasize for the
810 Committee is the need for better measurement tools. Although
811 all signs point to the rapid adoption of technology that will
812 connect people together, and allow an increasing number of
813 people to work outside of the traditional employment system
814 over the coming decades, we don't have a great count of how
815 many people are actually engaged in this kind of work. The
816 Bureau of Labor Statistics hasn't had dedicated funds to

817 study this segment of the workforce, which they call
818 contingent workers, since 2005. Private researchers and
819 corporations are attempting to fill the gaps, but the
820 government should be doing more to keep up with the pace of
821 change in the labor market by more accurately tallying and
822 releasing data on the number of self-employed and independent
823 contractors on a more regular basis.

824 Thank you again for the opportunity to testify, and I
825 look forward to taking your questions.

826 [The prepared statement of Mr. Lieber follows:]

827 ***** INSERT F *****

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828 Mr. {Burgess.} The Chair thanks the gentleman. The
829 gentleman yields back. The Chair would ask unanimous consent
830 that Mr. Pallone be allowed to give his opening statement out
831 of order before we proceed to questions. Mr. Pallone, you
832 are recognized for 5 minutes.

833 Mr. {Pallone.} Thank you, Mr. Chairman. Today this
834 Subcommittee has the opportunity to discuss one of the
835 fastest growing sectors of the U.S. economy, and that is the
836 sharing economy, which is just not millennials hailing rides
837 and renting spare rooms from their phones. In communities
838 across the country, Americans are using their computers and
839 smartphones to order a meal, find a gardener, sell homemade
840 crafts, and even request a dog sitter.

841 Just like Google and Facebook before them, businesses
842 like Uber, Lyft, and Airbnb are rapidly evolving from names
843 into verbs. One recent study predicts that the five biggest
844 sectors of the sharing economy generated \$15 billion in
845 revenues last year, and could exceed \$330 billion in a
846 decade. In my home state of New Jersey, Uber has already
847 signed up 9,000 drivers. These businesses can offer benefits
848 for both buyers and sellers. Some platforms provide
849 temporary access to goods and services that buyers might not
850 be able to otherwise afford. Consumers enjoy the convenience

851 of being able to summon a ride, request a dry cleaning
852 pickup, or order groceries from a device in their pocket.
853 And sellers can benefit from a new source of income,
854 sometimes just by renting items sitting unused in their
855 basements or garages.

856 But the growth of the sharing economy has also raised a
857 number of difficult issues. Many services track their users'
858 location, potentially putting privacy and safety at risk. To
859 verify users' identity some apps store credit card
860 information, home and work addresses, and other personal
861 information. Consumers often have no way of knowing if their
862 information is protected from a data breach, or if it will be
863 sold to or shared with an unknown third party. In addition,
864 many apps allow both buyers and sellers to view ratings and
865 reviews of past transactions. These reviews can push bad
866 actors out of the market by making sure users are trustworthy
867 and legitimate, but it can also be difficult to tell if these
868 reviews are accurate, and it is unclear whether reviews and
869 rankings alone can protect users' safety.

870 As more Americans seek to provide services in the
871 sharing economy, the question of whether they are employees
872 or independent contractors remains unresolved. Other than
873 that logo on the door, there is little obvious difference
874 between Uber drivers and cab drivers, but for the workers a

875 lot is riding on the distinctions. Unemployment benefits and
876 overtime pay are just a couple of the workplace protections
877 at stake. State and local governments across the country are
878 also grappling with the regulatory challenges posed by the
879 growth of the sharing economy, including whether companies
880 are responsible for paying local taxes, providing insurance,
881 or conducting background checks.

882 The sharing economy is about transforming innovative
883 ideas into services we depend on, but that innovation must be
884 coupled with basic protections for all participants,
885 including worker protections, privacy, data security, and
886 safety, and I am confident that we can find a balance that
887 protects consumers while preserving innovation, and ensuring
888 a level playing field for businesses. And I think the--I,
889 again, thank the Chairman for holding this hearing, and
890 giving me the opportunity to make my statement. Thank you.

891 [The prepared statement of Mr. Pallone follows:]

892 ***** COMMITTEE INSERT *****

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893 Mr. {Burgess.} The Chair thanks the gentleman, and the
894 Chair would like to remind members that, pursuant to
895 Committee rules, all members' opening statements will be made
896 part of the record. We conclude, then, our witness
897 testimony, and we thank you for your presence and your
898 testimony today. We will move to the questions part of the
899 hearing. And I will recognize myself for 5 minutes for the
900 purposes of questions.

901 Mr. Chriss, let me ask you, because the study that we
902 both reference, that estimated that almost eight million
903 people will be participating in a sharing economy very soon,
904 so--begs the question, why are so many people showing up to
905 participate in the sharing economy?

906 Mr. {Chriss.} Thank you. I think one of the things
907 that we have seen, as people are coming in, and--we actually
908 refer to this as the on demand economy. On demand refers to
909 not only the ability to push a button, as a consumer, and get
910 a ride, or have someone deliver food to you, but also the
911 idea that workers are able to come in, and push a button, and
912 get a job. I think that is where we are seeing more and more
913 people coming in, when they have the ability to--before,
914 just--literally at the push of a button, find income.

915 This is changing behavior--just as we see from

916 consumers, this is changing behavior of workers. Right now
917 we are seeing 79 percent--in our research, 79 percent of the
918 workers in on demand are working part time. Many of them are
919 coming from traditional jobs, and adding this to create
920 incremental income as well. And as they test their way in, I
921 think we will see that they continue to evolve. Many of
922 these workers right now, again, with our research, are less
923 than one year working in on demand. So while this is
924 wonderful we are having this conversation, it is so early in
925 the game right now. It will be interesting to see how it
926 evolves.

927 Mr. {Burgess.} Ms. Smith, let me ask you kind of the
928 same question. I mean, how did you arrive at the decision
929 that this was something that you wanted to do?

930 Ms. {Smith.} It--it is a great opportunity to make
931 money by one's choice. So--I have worked in traditional jobs
932 before. This opportunity to log in and earn money on any
933 schedule that I chose, for any goal that I had, is just
934 incredible. So that was very attractive to me.

935 Mr. {Burgess.} Mr. Lieber, we will probably disagree
936 about the amount of money available to the Bureau of Labor
937 Statistics, but one of the things they do is provide to
938 Congress, the first Friday of every month, to the Joint
939 Economic Committee--I am no longer on that Committee, but I

940 was, so--during the harshest part of the recession it was
941 part of my job to hear their report of--the first Friday of
942 every month.

943 And we all talk about the unemployment rate, and the U-6
944 numbers, and what the employment rate really is, but it seems
945 to me this--during--studying for this hearing, and
946 understanding better the sharing economy that--I mean, this
947 is a way for some of those people who have been chronically
948 unemployed now--may have left--may even have dropped out of
949 the labor workforce participation. But, again, you can punch
950 an app and earn some money, that is a pretty powerful notion,
951 isn't it?

952 Mr. {Lieber.} Absolutely. And what we find of users
953 of--business users of ThumbTack is many of them are leaving a
954 corporate job, and they are kind of putting their finger in
955 the wind to test out if they can actually cut it as a full
956 time caterer, or a photographer. And by lowering the cost of
957 getting these people into their own business, and by
958 delivering consumers to them, we think that we are creating
959 this opportunity that didn't exist in years past, and making
960 it easier than ever for them to start and go work for
961 themselves.

962 Mr. {Burgess.} And it is certainly not part of this
963 hearing, but having spent time on the Joint Economic

964 Committee, and hearing those figures from the Bureau of Labor
965 Statistics, and the people who were discouraged from ever
966 finding--or looking for traditional employment again, I mean,
967 this seems to be like a--it is a way back into the workforce
968 that, really, probably wasn't even available, or only
969 available on a limited basis, as the years of the Great
970 Recession began to unfold. Would you agree that this is a
971 fifth pathway, if you would, back into employment?

972 Mr. {Lieber.} Absolutely. I think this represents a
973 tremendous opportunity for people. And what is--what is
974 exciting to me is that, for people who have a skill--say you
975 are a locksmith, and you are good at locks, but you, you
976 know, haven't had a chance to build out your customer base
977 yet, this is the opportunity for you to go online, find
978 customers, and get your business started quickly, easily, and
979 start getting customers pushed to you.

980 And we have heard a lot of stories like that, of people
981 who have been down on their luck, people who just left the
982 military, people who lost their jobs, or people who, you
983 know, are looking for what next to do in their lives. And
984 they are able to come to these platforms, come online, and
985 start finding new work.

986 Mr. {Burgess.} Well, I kind of believe we are just
987 beginning to scratch the surface. Mr. Beckerman, let me just

988 ask you, because I remember my predecessor in this office, at
989 the time was Majority Leader, in the late 1990s described to
990 the Dallas Chamber a situation with--this thing was new, it
991 was e-commerce. He said Congress doesn't understand it, they
992 are very likely to try to regulate it and tax it, and when
993 they do that, they will kill it. Do you think he was correct
994 in that assessment?

995 Mr. {Beckerman.} I think this is a new area providing
996 incredible opportunity, and Congress need to be a little
997 careful not to put too heavy of a hand on this and regulate
998 it too much. Because, as we are hearing from a number of the
999 witnesses, it is providing opportunities for them that didn't
1000 exist before, and it is a great opportunity for our economy,
1001 for people to get back to work, and earn extra money for
1002 their families.

1003 Mr. {Burgess.} Very good. Thank you, and my time has
1004 expired. I will recognize the Ranking Member of the
1005 Subcommittee, Ms. Schakowsky. Five minutes for questions,
1006 please.

1007 Ms. {Schakowsky.} Thank you. Mr. Baker, I want to ask
1008 some questions, but first I want to read a piece of testimony
1009 that I would like to put in the record for--from Indir Pamar
1010 [ph], who says he has a been a professional driver in New
1011 York City for 15 years. He says, I began working for Uber

1012 because I thought I could earn more money than I had working
1013 for other black car companies. Uber's rates sounded like a
1014 good deal. When I first started working with Uber X, the
1015 minimum fare would be \$12. Uber would take 10 percent of
1016 each fare, and the rest would be mine to keep.

1017 Within just months, though, Uber changed its payment
1018 rates, and while the price of gas and my car payment stayed
1019 the same, the 10 percent commission I paid to Uber became 20
1020 percent, and the \$12 minimum fare dropped to \$8. And then he
1021 also says, the--Uber's business model is flood the streets
1022 with cars, regardless of how much work is available for them.
1023 In New York City, Uber added 20,000 new cars to have us
1024 compete with 13,600 taxis, and another 40,000 black cars, and
1025 car service liveries that were already on the streets. It
1026 says that Uber doesn't care--if there are 100,000 trips a
1027 day, those trips could be split between 10,000 drivers or
1028 30,000 drivers.

1029 And he--finally he says, Uber says they are not my
1030 employer--to the point that you made--even though they direct
1031 my every move, and control my income, and can punish me.
1032 With Uber we have no voice. I don't get to set the rates.
1033 Uber takes away my fare income if a passenger has a dispute
1034 with them over the fare they set. And if a passenger
1035 complains that I took a long route, Uber takes the money back

1036 without giving me a chance to explain myself. Friends of
1037 mine have been suspended because their passenger rating was
1038 too low, even though they had been accused of doing nothing
1039 wrong. What was too low? Less than 4.5 out of 5 stars, a
1040 B+.

1041 So I just wanted to talk to--here is somebody who though
1042 he was going to make more money, have more control, and finds
1043 that, really, Uber, that says they are just a website, or
1044 just a technological platform, is controlling their life.

1045 Mr. {Baker.} Yeah, well, I think this is very
1046 problematic, and exactly the sort of situation that I think
1047 we have to be concerned about. So just to be clear, you
1048 know, being able to order a cab over the Internet, wonderful
1049 thing. You could be on a smartphone, that is a great thing.
1050 But, on the other hand, these people, for practical purposes,
1051 are employees while they are on the job.

1052 And, again, we aren't asking a lot if we are to tell
1053 Uber that, you know, you have to make sure that your drivers
1054 make at least the minimum wage. They have the technology to
1055 do that. If they are competent enough, then they should be
1056 replaced by a company that is. I mean, that is a very, very
1057 simple thing. So extending employee-type relationships,
1058 employee-type rights, you know, for example, collective
1059 bargaining--again, people may not like it, but that is the

1060 law. It doesn't make sense that you have collective
1061 bargaining over here, but we are going to call ourselves
1062 Uber, and now you don't have collective bargaining. So these
1063 are issues that I think are very much a proper concern of
1064 Congress, and of state and local governments as well.

1065 Ms. {Schakowsky.} Let me just ask you this. So many
1066 sharing economy firms have said that they are just an app.
1067 They describe themselves not as employers, but rather as
1068 technology platforms. So how would you compare the type of
1069 work being done by workers who have traditionally been deemed
1070 independent contractors, such as electricians, realtors, or
1071 consultants, with those in the sharing economy?

1072 Mr. {Baker.} Well, traditional contractors, they
1073 control their time, they control their wage rate, they
1074 control what they do. I sometimes write a paper, you know,
1075 sometimes I will be paid on commission. Well, if someone
1076 contacts me, they say, you know, we need this in two weeks, I
1077 am going to decide what it looks like, I will decide the
1078 content. That is really not the case with Uber. They
1079 specify the rules.

1080 In a lot of ways, that is a good thing. We want to make
1081 sure that, you know, when you drive an Uber, that, you know,
1082 the car's safe, you know, other conditions are met, but that
1083 is not the situation of an independent employee--independent

1084 contractor.

1085 Mr. {Burgess.} Let me--Mr. Liber, in your testimony you
1086 seem to suggest that most sharing companies fall into one of
1087 two buckets, that those that have a mostly hands-off
1088 approach, perhaps such as Etsy, and eBay, and others that
1089 impose certain requirements on the independent contractor,
1090 such as Uber. Can you further explain those two types?

1091 Mr. {Lieber.} Yeah. The distinction there is--we think
1092 of there of being--as kind of a marketplace company, which is
1093 kind of matching buyers and sellers in a marketplace, giving
1094 them information to make informed decisions on their own, and
1095 a dispatch company, which is directly pushing a service
1096 provider to you. You know, you ask for your groceries
1097 delivered, and the groceries then come to you. And I think
1098 these are kind of two separate types of technologies that are
1099 out there today.

1100 Ms. {Schakowsky.} Okay. And so, Dr. Baker, do you
1101 agree that there are two types of sharing companies, and
1102 would the need for more or less regulation depend on which of
1103 those buckets a company falls into?

1104 Mr. {Baker.} I think that is exactly right. Inevitably
1105 there will be some gray areas, but, you know, I think Uber's
1106 a very clear side of the gray area. This is an employee-type
1107 relationship.

1108 Ms. {Schakowsky.} Thank you. I yield back.

1109 Mr. {Burgess.} The gentlelady yields back. The Chair
1110 thanks the gentlelady. The Chair recognizes the gentleman
1111 from Texas, Mr. Olson. Five minutes for your questions,
1112 please.

1113 Mr. {Olson.} I thank the Chair, and welcome to our
1114 witnesses. I am excited about the sharing economy, all this
1115 new technology, new innovation. But with regards to these
1116 changes, I asked myself, how does this impact the market? Is
1117 it good, is it bad, and most importantly, is it safe?

1118 My first question is for Mrs. Smith, Mr. Passmore, and
1119 Mr. Beckerman. Unfortunately, we don't hear a lot about eh
1120 good actors. We hear about the bad actors, stories from back
1121 home. For example, people who use the sharing economy to do
1122 harm. Back home in Houston, Texas, a driver in the shared
1123 economy assaulted an intoxicated woman. The background check
1124 missed him because he had been in jail for most of that time.
1125 My question is, who should be liable for protecting our
1126 consumers from bad actors in the shared economy? Mrs. Smith,
1127 your thoughts, ma'am?

1128 Ms. {Smith.} I believe that is an Uber policy question
1129 that I am not comfortable answering.

1130 Mr. {Olson.} Thank you, ma'am. Mr. Beckerman?

1131 Mr. {Beckerman.} Thank you. I would add, I think there

1132 are a number of safety precautions that are hardwired into
1133 the technology that provides accountability that didn't exist
1134 prior, and that does not exist on taxi cabs. And no industry
1135 is 100 percent safe, or 100 percent perfect.

1136 Mr. {Olson.} You bet.

1137 Mr. {Beckerman.} Certainly hotels are not, and taxi
1138 cabs are not. But the two-way rating system, having GPS
1139 tracking, and the background checks that all the sharing
1140 economy platforms do on the ride sharing side are very
1141 comprehensive, and they seek to have transparency,
1142 accountability, and trust for their users. And I think that
1143 goes a long way.

1144 Mr. {Olson.} Mr. Passmore, your thoughts, sir?

1145 Mr. {Passmore.} PCI represents auto home and business
1146 insurers, so I think the question gets a little bit beyond
1147 the scope of what I am prepared to answer for. But, you
1148 know, what we have tried to do is clarify the auto insurance
1149 issues to make sure that, you know, if you get involved in an
1150 accident, that there is a clear line of where the injured
1151 parties can go to collect for their damaged vehicles, and
1152 injuries, and things like that.

1153 Mr. {Olson.} And my final question is for the entire
1154 panel. Start with you, Mr. Lieber. Sadly, my home of
1155 Houston, Texas is ground zero for human trafficking in

1156 America. Interstate 10, according to our FBI, right through
1157 Houston, Texas, is the number one highway for human
1158 trafficking to come through. Girls, mostly, being sold into
1159 slavery right through my hometown.

1160 I have held several roundtables back home with law
1161 enforcement officials, local mayors, all these people
1162 involved in this. It is a real big problem. But I am
1163 concerned that the bad guys can use the shared economy to
1164 promote human trafficking. So my questions is, what can this
1165 shared economy do to stop human trafficking? Mr. Lieber,
1166 your thoughts?

1167 Mr. {Lieber.} Just speaking from ThumbTack's
1168 perspective, there is--I mean, we don't offer any kind of
1169 services that would be appropriate to be abused in that
1170 fashion. Trust and safety is the number one important factor
1171 for ThumbTack, getting you a trusted professional to do a
1172 great job for you, and marketplace integrity is something we
1173 take very seriously.

1174 Mr. {Olson.} Mr. Chriss, your thoughts, sir?

1175 Mr. {Chriss.} Providing financial management software
1176 through Intuit, I think this would be beyond my expertise to
1177 answer.

1178 Mr. {Olson.} Okay. Mr. Baker?

1179 Mr. {Baker.} I don't know of things sharing economy

1180 companies can specifically do, but the one thing I would say
1181 is that, insofar as Congress puts--or state governments, for
1182 that matter, put in regulations in place to try to crack down
1183 on human traffic, again, the point is it has got to apply to
1184 sharing economy companies as well. So if you have
1185 regulations that make it more difficult for, say, a
1186 traditional cab company to be involved in this in some way,
1187 certainly you want that to be applied to, you know, your ride
1188 sharing services also.

1189 Mr. {Olson.} Thank you. Mr. Passmore? Any thoughts
1190 about human trafficking, how--I mean, I know you are not
1191 quite directly involved, but any thoughts how--

1192 Mr. {Passmore.} Right.

1193 Mr. {Olson.} --you can influence this, make sure we
1194 separate the bad guys from the people who are getting abused
1195 by these--

1196 Mr. {Passmore.} Again, it is a little outside of our
1197 realm of expertise, but I would say that, you know, if you
1198 are applying--no, I think--I don't really think I am
1199 qualified to answer that question.

1200 Mr. {Olson.} Mr. Beckerman?

1201 Mr. {Beckerman.} Safety and security is first and
1202 foremost for all of our member companies, and, you know,
1203 those kinds of activities I think are outside of the scope of

1204 the services that our companies offer. But I think, you
1205 know, technology certainly can help, and when you look at all
1206 of these platforms, the community that they create, and the
1207 trust they create, I think could be helpful in stopping some
1208 of this.

1209 Mr. {Olson.} And, finally, Ms. Smith?

1210 Ms. {Smith.} As a driver, I have never encountered
1211 anything remotely connected to human trafficking, and so I
1212 don't feel informed enough to give a detailed response on
1213 that.

1214 Mr. {Olson.} Well, thank you. Thank you for your
1215 service, and we can agree, go Air Force, go Navy, beat Army.
1216 I yield back.

1217 Mr. {Burgess.} The Chair thanks the gentleman. The
1218 Chair recognizes the gentleman from New Jersey, Mr. Pallone,
1219 the Ranking Member of the full Committee. Five minutes for
1220 your questions, please.

1221 Mr. {Pallone.} Thank you, Mr. Chairman. In May of this
1222 year Uber updated its privacy policy to allow the company to
1223 track users' location whenever its application is open, even
1224 if consumers are not actively using the application. In
1225 other words, if I take a ride on a Monday, Uber still can be
1226 tracking my location the following Thursday. And, of course,
1227 Uber is not the only sharing economy firm to track its users.

1228 The constant collection of that data does raise privacy
1229 concerns. So I wanted to initially ask Mr. Baker, it is my
1230 understanding that most consumers do not understand the
1231 extent to which mobile applications, such as those created by
1232 sharing economy firms, can access and store data about
1233 consumers' locations. Do you agree with that statement?

1234 Mr. {Baker.} I would be inclined to agree, but I have
1235 to say, that is really not based on any data. It is just
1236 simply anecdotal. I mean, I do know people, obviously, who
1237 will use Uber. I will confess I have never used it myself,
1238 but, you know, it--I do know many people, and they have no
1239 idea of what they--what data they collect, and what they do
1240 with it. And I think it is certainly a proper concern of
1241 Congress that, you know, there be, at the very least, clear
1242 disclosure, if not actual regulation, on what they can do
1243 with it, but certainly disclosure of what their practices
1244 are.

1245 Mr. {Pallone.} Well, from a--I mean, expressing the
1246 privacy concerns that I share, but do you see any--well, I
1247 mean, what about this idea of storing location data
1248 permanently, rather than discarding it after the transaction
1249 is completed? Is there some way--I mean, obviously, from a
1250 privacy concern, you would rather see it discarded after the
1251 transaction is completed. What would be your view on that?

1252 Mr. {Baker.} Well, I think it would be totally
1253 appropriate to say that, you know, to prohibit those
1254 companies from keeping that data, because, you know, it is--
1255 well, on the face of it, you are contracting with them for a
1256 ride, and, you know, that seems to me that should be the end
1257 of the relationship, unless, you know, people consciously
1258 decide they want a further relationship with the company.
1259 But, again, you are--the understanding--I think most people
1260 are understanding, when they are taking an Uber, is they are
1261 contracting for a ride, not to give away details of their
1262 lift to third parties.

1263 Mr. {Pallone.} Okay. Now, should sharing economy firms
1264 be more up front about when, how, and why they are tracking
1265 user locations, in your opinion?

1266 Mr. {Baker.} I think absolutely. Again, I think, you
1267 know, again, issue, you know, two separate issues here. One,
1268 do you restrict what they can do? Open question, you know, I
1269 couldn't give you, you know, a well-reasoned--

1270 Mr. {Pallone.} Okay.

1271 Mr. {Baker.} --answer on that, but that is one issue.
1272 Second one, disclosure of what they are doing, and, to my
1273 mind, that has to be a clear responsibility, that there have
1274 to be clear roles so that everyone at least can know. I
1275 mean, some people may not care, and that is fine, but a lot

1276 of people may want to know that if they are taking an Uber,
1277 this information is being kept, and quite possibly shared
1278 with a third party.

1279 Mr. {Pallone.} All right. Now, some apps, including
1280 Uber, give companies access to other personal information,
1281 including users' contacts and address book. It is my
1282 understanding that most consumers do not understand the
1283 extent to which mobile applications, such as those created by
1284 sharing economy firms, can access and store data from
1285 consumers' contacts and address books. Do you agree, and you
1286 want to talk about the privacy concerns with that?

1287 Mr. {Baker.} Well, that is, you know, to my view, you
1288 know, I have heard accounts of that. I assume that they are
1289 true. But, you know, to my view, that is absolutely amazing.
1290 I mean, you know, again, you are contracting with Uber to get
1291 from point A to point B. You aren't--at least I think almost
1292 no one is knowingly contracting with them to give them access
1293 to their address book. So it is very hard to see why they
1294 would have a legitimate reason to get access to that sort of
1295 information.

1296 Mr. {Pallone.} Well, let me go to Ms. Smith. In order
1297 to use Uber, a person must download the Uber app, giving
1298 permission for Uber to collect that person's address book.
1299 Can you explain how that information is used by Uber?

1300 Ms. {Smith.} I am not sure how it is used by Uber, but
1301 when an individual does download the app, they are given an
1302 opportunity to agree to what Uber may do. And, as far as the
1303 location, I believe it is--that the information may always be
1304 collected only when the app is used--is being used, or never.
1305 And so an individual does have an opportunity to decline, if
1306 they are not comfortable. And whenever you do download the
1307 app, there is an agreement that you must agree to in order to
1308 use the app. So everyone who uses the app agrees to the
1309 conditions that are in the agreement.

1310 Mr. {Pallone.} Well, let me ask Mr. Beckerman to
1311 comment on that, and also, since there are only a few
1312 minutes--seconds left. We all know the critique, Mr.
1313 Beckerman, that privacy policies are too long and full of
1314 legalese, especially on a mobile device. But how are your
1315 members taking steps to make sure consumers are aware of the
1316 extent to which their information is collected, and sometimes
1317 is shared or sold? Or if you want to also comment on what
1318 Ms. Smith said?

1319 Mr. {Beckerman.} Yeah. Thank you for the question.
1320 First, on the tracking, if you look at the settings in your
1321 phone, it does indicate that the tracking only happens when
1322 the app is open, and you are using it. And the ability to
1323 look at the map and see where you are going is part of,

1324 actually, the safety and security features of the phone. You
1325 know, I--my wife left her purse in an Uber once, and we were
1326 able to retrieve it immediately because of some of these
1327 features. And had she left it in a cab, we probably never
1328 would have seen it again.

1329 When it comes to data security and privacy, there are
1330 laws on the books from Congress and the FTC that apply to all
1331 companies, sharing economy companies, Internet companies,
1332 brick and mortar companies, and I don't believe there are any
1333 gaps in the coverage of protections that we have.

1334 Mr. {Pallone.} All right, thank you. Thank you, Mr.
1335 Chairman.

1336 Mr. {Burgess.} The gentleman yields back. The Chair
1337 thanks the gentleman. The Chair recognizes the gentleman
1338 from Illinois, Mr. Kinzinger. Five minutes for questions,
1339 please.

1340 Mr. {Kinzinger.} Well, thank you, Mr. Chairman, and
1341 thank you all for being here. It is helpful to us,
1342 appreciate it. Chairman, thank you for holding the hearing
1343 of--that is the first of what I expect will be a great series
1344 of hearings. I think there is a lot to be excited about in
1345 the sharing economy, and I appreciate the Committee's
1346 consideration of the economic benefits, new choices for
1347 consumers, and the underlying policy impacts that have come

1348 to light.

1349 Last week Business Insider ran an article on the sharing
1350 economy that started with ``The rise of the sharing economy
1351 has fundamentally changed the business landscape, and some
1352 companies are going to have to adapt to survive.'' And I
1353 think that sentence captures some essential characteristics
1354 about the sharing economy. It is new, it is changing, and it
1355 is adapting to meet market demands. In such a dynamic
1356 economic space, I think the Committee's approach towards this
1357 regulation is pragmatic, and, frankly, the correct course.
1358 Sharing platforms have provided two apparent benefits in
1359 particular. They have given workers another source of income
1360 in addition to traditional work options, and they have also
1361 given consumers additional choices.

1362 Ms. Smith--by the way--I am an Air Force pilot, so thank
1363 you for your service. And I am still in the Air Guard. I
1364 love it, so--but I want to say thank you for your service,
1365 and for--I guess your son's as well, so that is fantastic. I
1366 appreciate your testimony, and for highlighting that many
1367 Uber driver use this service for supplemental income. Do you
1368 think this is something you are going to utilize long term?

1369 Ms. {Smith.} Yes, absolutely. Yeah.

1370 Mr. {Kinzinger.} Do you know--and what is it you enjoy
1371 about it? What is it that makes you think that this is going

1372 to be a long term process for you?

1373 Ms. {Smith.} Just about everyone that I have driven has
1374 expressed the joy, really, at having the alternative.

1375 Mr. {Kinzinger.} Um-hum.

1376 Ms. {Smith.} Whether they didn't have a car at all, or
1377 they constantly relied on others to take them from place to
1378 place, or a bus was not available where they lived, or a taxi
1379 was more expensive. Whatever their reason was, they just
1380 were so grateful to have the opportunity to have a means of
1381 transportation that is affordable and safe.

1382 Mr. {Kinzinger.} And as a user of it, I can agree. And
1383 I will tell you what is neat too is the whole idea of the
1384 surge pricing. If you don't have enough drivers, it is--it
1385 helps drivers come online, to say that there is a surge.
1386 Consumer makes a decision, the supply makes the decision, and
1387 it is--it kind of works out for everybody.

1388 Mr. Beckerman, as sharing platforms proliferate, is
1389 there a way to maintain light touch regulations in a way that
1390 promotes competition on a level playing field, and can local
1391 governments peel back some unnecessary regulations on
1392 incumbents to some equilibrium that encompasses sharing
1393 platforms to the extent that they directly compete?

1394 Mr. {Beckerman.} Thanks for the question. Yes, I think
1395 so. I mean, we have seen two different kinds of regulations

1396 in local communities. Some that were maybe written in the
1397 '70s and '80s that just couldn't anticipate any kind of
1398 Internet platform at all, and those are being peeled back.
1399 But we are seeing in some areas new regulations that are put
1400 in with the sole purpose of blocking, or discriminating,
1401 against these platforms, and those are the ones we are the
1402 most concerned about.

1403 Mr. {Kinzinger.} Okay. And, Mr. Passmore, some
1404 commenters suggest that the insurance problems are too hard
1405 to solve when a sharing platform is involved. How has the
1406 insurance company worked to solve the coverage issues in the
1407 transportation network company context? Is the insurance
1408 industry hopeful that insurance questions raised by other
1409 types of sharing platforms can be resolved?

1410 Mr. {Passmore.} Yes. As I mentioned in my testimony,
1411 we have--we worked very hard with the sharing economy
1412 companies, the TNCs, to develop a solution that would work,
1413 and is being implemented in, you know, over half the states
1414 right now.

1415 As for other sharing economy businesses, I think a lot
1416 of them have sort of observed what has happened with the
1417 transportation network companies, and sort of been more
1418 proactive about making sure that their participants, whoever,
1419 you know, whether it is Airbnb hosts, or ThumbTack vendors,

1420 or what have you, they are being more proactive and making
1421 sure that they are aware of the insurance issues, making it
1422 clear what kind of insurance they provide, and what they
1423 might have to get on their own. Those kind of developments
1424 are very encouraging.

1425 Mr. {Kinzinger.} And I think every major invention or
1426 leap in humanity, or leap in technology, or leap in any way
1427 we do business sometimes is met by resistance, and that is
1428 natural. People, you know, feel uncomfortable, they don't
1429 know what the future holds. But the great thing, I think,
1430 about a free market, capitalistic economy like ours is we
1431 have the ability to adapt. And adapting is what makes us
1432 great, and, frankly, why we continue to lead the world.

1433 So, with that, Mr. Chairman, again, thank you for doing
1434 this. This is very beneficial, and thank you to the
1435 witnesses, and I yield back.

1436 Mr. {Burgess.} The gentleman yields back. The Chair
1437 thanks the gentleman. The Chair recognizes the gentleman
1438 from North Caroline, Mr. Butterfield. Five minutes for
1439 questions, please.

1440 Mr. {Butterfield.} Thank you very much, Chairman
1441 Burgess, and Ms. Schakowsky, and members. Thank you very
1442 much for holding this hearing today, Mr. Chairman. I was
1443 just looking at the memorandum, and I think it is a very

1444 appropriate topic. It is sharing the--``How the sharing
1445 economy creates jobs, benefits consumers, and raises policy
1446 questions''. A very appropriate topic, and I thank you so
1447 very much for it.

1448 As you know, Mr. Chairman, I am now the Chair of the
1449 Congressional Black Caucus. For several months now we have
1450 been examining diversity among the Fortune 500 companies in
1451 America, and we release that taking on 500 companies at one
1452 time is a daunting task, and so we have started to target the
1453 technology companies in particular. And we have found that
1454 African Americans have been largely excluded from all levels
1455 of technology. African Americans are a missing link in the
1456 tech economy, and until we see full participation in the tech
1457 economy, America will never truly unlock its full potential,
1458 and that is why I like the topic of this hearing. That is
1459 why, as part of my role as the Chair of the CBC, I have
1460 focused on our efforts of increasing diversity within the
1461 technology sector.

1462 In May the CBC launched the CBC Tech 2020, which is an
1463 initiative to bring together the best minds in the
1464 technology, non-profit, education, and public sectors to
1465 chart a path forward to increase minority inclusion at all
1466 levels of the technology industry. The goal of CBC Tech 2020
1467 is to achieve full representation of African Americans at

1468 every level of the industry in 5 years. Over the past few
1469 months I have taken this message across the country, and even
1470 to the heart of Silicon Valley. And now I would like to ask
1471 just a few questions on a few of these subjects.

1472 Let me start with Mr. Beckerman. Thank you for
1473 participating, and thank all six of you for participating
1474 today. Mr. Beckerman, as I said, I am interested in the
1475 inclusion of African Americans and other minorities in the
1476 technology industry, both as owners and employees, as well as
1477 vendors. How many companies, if you know, are members of--
1478 well, I am sure you know, are members of your association?

1479 Mr. {Beckerman.} 36.

1480 Mr. {Butterfield.} 36. Let me write that down, 36.

1481 Mr. {Beckerman.} I am glad I got that one.

1482 Mr. {Butterfield.} All right. I have got four here, so
1483 I don't know how we are going to do on the other ones. Out
1484 of your companies, how many have African American CEOs, if
1485 you know?

1486 Mr. {Beckerman.} I would be happy to get back to you on
1487 that.

1488 Mr. {Butterfield.} All right. Question mark. Please
1489 get back. How many have an African American on their Board?

1490 Mr. {Beckerman.} I would be happy to get back to you
1491 with those numbers.

1492 Mr. {Butterfield.} All right. The reason I ask the
1493 Board question is because we found, of the top 20 technology
1494 companies, collectively they have 189 directors. And of
1495 those 189, three are African Americans, so we are
1496 particularly interested in that as well. And do you know if
1497 any of those companies have released their diversity data? I
1498 know they do the EEO-1s, but have any of these made their
1499 diversity data reports public?

1500 And now we are seeing the trend in Silicon Valley that
1501 companies are now opening up their EEO reports for the world
1502 to see, and they are making a commitment to us that they are
1503 going to work with us in trying to improve it.

1504 Mr. {Beckerman.} Yeah. I just want to say I, you know,
1505 appreciate what you are doing, and our companies realize
1506 there is a lot of work to be done, and they are making
1507 strides to improve, but I do think that these platforms do
1508 create a lot of opportunities both for direct employment, and
1509 what--the opportunities that we see on the sharing platforms
1510 that we are talking about today. But, you know, thank you
1511 for your work on this, and it is something that I know our
1512 companies are striving to do better.

1513 Mr. {Butterfield.} I really want you to pay attention
1514 to it, and I won't call up the CEO's name that I met with in
1515 Silicon, but all of you would recognize the name. He told us

1516 that there is a correlation between the bottom line and
1517 diversity, that you--that the profits are really related to
1518 diversity and inclusion, and if you can get those two in
1519 sync, you can really grow the economy, grow the consumer
1520 base, and the company can do very well. So I look forward to
1521 working with you. And thank you, Mr. Chairman. I yield
1522 back.

1523 Mr. {Burgess.} The Chair thanks the gentleman. The
1524 gentleman yields back. The Chair recognizes the gentleman
1525 from Kentucky, Mr. Guthrie. Five minutes for questions,
1526 please.

1527 Mr. {Guthrie.} Thank you, Mr. Chairman, I appreciate
1528 it. I am also a member of the Education and Workforce
1529 Committee, and we were having a meeting downstairs. Sorry I
1530 didn't hear all this on a joint employer, and the definition
1531 of joint employer. So I say that because I am from the
1532 business world as well, and labor issues are something I have
1533 worked on and understand, that labor classification issues
1534 are at the forefront of this debate.

1535 But in your--so this is to Mr. Beckerman. So in your
1536 testimony you urged Congress to consider the real benefits of
1537 the sharing economy before moving too quickly into
1538 regulations. And what are some of the most critical benefits
1539 offered by these platforms that would be affected if service

1540 providers on these platforms are classified as something
1541 other than independent contractors?

1542 Mr. {Beckerman.} Thank you for the question. I think
1543 first and foremost there is incredible flexibility, and we
1544 have heard a lot of that today from Ms. Smith and others. On
1545 all these platforms it is opt-in, and a majority of the
1546 people participating on these services are doing so part
1547 time. They are doing it to have new income, not necessarily
1548 replacing a full time job that they had before, and the
1549 ability to be your own boss. That is compelling to a lot of
1550 people, to be able to set your own schedule, and really work
1551 for yourself as a small business person, and I think that is
1552 probably top of the list.

1553 Mr. {Guthrie.} Okay. Again, Mr. Beckerman, when we
1554 consider the extent of consumer protection regulations that
1555 should exist for sharing platforms, we have heard today that
1556 reputation mechanisms, like rating systems, lessen the need
1557 for certain consumer protection regulation. What kinds of
1558 consumer protection regulation should apply to apps, such as
1559 Uber?

1560 Mr. {Beckerman.} There are a few things. When it comes
1561 to data security and privacy, I just want to note that there
1562 are laws in the books, and regulations, the FTC and other
1563 places, that apply to all platforms, online and offline, and

1564 I don't think there are gaps in that kind of coverage. But
1565 when it comes to rating systems, there is incredible
1566 transparency and accountability that really never existed
1567 before, being able to rate the driver, and have the driver
1568 rate you, and on Airbnb, and other platforms, being able to
1569 see peoples' past experiences. And I think this is a new
1570 innovation, and it is important.

1571 Mr. {Guthrie.} And what about apps for TaskRabbit?

1572 Same--

1573 Mr. {Beckerman.} Same.

1574 Mr. {Guthrie.} --situation? Well, thanks. I know on
1575 Uber you can see the picture of the driver, and understand
1576 there have been a couple instances in Chicago where somebody
1577 has pulled up, say, you looking for an Uber driver? And
1578 they--and it is not an Uber driver. So those protections
1579 seem to be in there, if somebody checks their--

1580 Mr. {Beckerman.} I think those protections are working,
1581 and what you see with all these platforms you mentioned,
1582 TaskRabbit and others, you know, trust is first, but also a
1583 community has been created where you want to have a higher
1584 level of service for your customers because you know you are
1585 being rated on an instant basis, and you are being rated many
1586 times throughout the day. And I think that helps what you
1587 are asking for.

1588 Mr. {Guthrie.} Yeah. I think in the incidents in
1589 Chicago people were getting in the car--somebody just pulled
1590 up and looked like they were looking for an Uber driver, but
1591 if somebody followed what Uber provided, either the picture,
1592 or the car, the make, the model, that wouldn't have happened.

1593 Mr. {Beckerman.} If they don't know your name, you
1594 know, don't get in the car.

1595 Mr. {Guthrie.} So, Mr. Lieber, I am going to--how much
1596 time did a person usually spend trying to track down local
1597 professional services before ThumbTack?

1598 Mr. {Lieber.} That is a great question, and we don't
1599 have a scientific answer for you, but I am sure, from your
1600 own experience, you have tried to hire a--somebody for your
1601 house, a plumber--and, you know, my parents have lived in the
1602 same house for 40 years, they still don't know who to go to
1603 to find a plumber. So they found ThumbTack is a really useful
1604 tool for them to bring somebody to their house who is
1605 trusted, and is going to do a great job.

1606 Mr. {Guthrie.} Does ThumbTack reduce the cost of
1607 looking for--I guess it is self-evident in your answer here--
1608 reduce the cost for looking for the right professional?

1609 Mr. {Lieber.} On both sides of the marketplace, we
1610 believe ThumbTack dramatically reduces the cost, both search
1611 time for the consumers--it is time you could be spent, you

1612 know, hanging out with your kids, as opposed to calling
1613 people and trying to find somebody who is right for you. And
1614 on the pro side, finding new business is a really hard thing
1615 to do. Finding a new client, you put an ad out in the paper,
1616 maybe, you know, the name of our business is ThumbTack
1617 because it is named after the, you know, pins people used to
1618 put on bulletin boards, where they would just put this up on
1619 the bulletin board, and hope that somebody called them. And
1620 that system is really outdated today, and we think that we
1621 are lowering the cost of that, finding them new customers.

1622 Mr. {Guthrie.} Thank you very much. And it is good for
1623 our businesses to have that opportunity. I always say--
1624 difference in our system in the world and everywhere else is
1625 that everybody that becomes a plumber, or skilled trades,
1626 eventually usually becomes their own boss, especially in the
1627 plumbing business and HVAC business. You see a lot of people
1628 with vans with their name on the side, my name, Inc., and
1629 they are driving around. And helping them market is a great
1630 opportunity for those who provide it, as well as those who
1631 receive it.

1632 Mr. {Lieber.} Absolutely. And a lot of these are
1633 skilled professionals who are really great plumbers, maybe
1634 don't know how to run their own business. And that is where
1635 companies like Intuit and ThumbTack come in, to help them

1636 market themselves a lot more--in a lot more sophisticated
1637 manner.

1638 Mr. {Guthrie.} Because they are very much in demand.

1639 Mr. Chriss, you had a comment on that?

1640 Mr. {Chriss.} Just to pile onto that, one of the--
1641 having served small businesses for a number of years, one of
1642 the top challenges that our small businesses face is finding
1643 customers, and many of these new platforms are now allowing
1644 them to, again, with the push of a button, find that
1645 customer, to allow the individual to spend more time actually
1646 making money.

1647 Mr. {Guthrie.} It only works because you have customers
1648 looking for them. So it is a win-win.

1649 Mr. {Chriss.} It is.

1650 Mr. {Guthrie.} Thank you very much, I appreciate that,
1651 and I will yield back.

1652 Mr. {Burgess.} The gentleman yields back. The Chair
1653 thanks the gentleman. The Chair now recognizes the
1654 gentlelady from Indiana, Mrs. Brooks. Five minutes for
1655 questions, please.

1656 Mrs. {Brooks.} Thank you, Mr. Chairman, for holding
1657 this fascinating hearing. I co-Chair what is called the
1658 Women in High Tech Caucus here. It is a bipartisan group
1659 that is about promoting women and leadership in the tech

1660 companies as well, and--so I talk with a lot of tech
1661 companies, particularly in Central Indiana, where I am from,
1662 and I can't tell you how excited the sharing economy is to so
1663 many people, and whether--particularly when we have hack-a-
1664 thons, whether it is for businesses, or whether or not it is
1665 for state governments, or Federal Government, there is so
1666 much energy and excitement about the sharing economy, and the
1667 platforms that are coming forward. And I--we also have what
1668 is called 1150 Academy in my district, which is teaching
1669 people how to code, which is so critical to all of this, and
1670 all of these new platforms.

1671 But I have to tell you, there are--there is a lot of
1672 concern, and--particularly generational, probably more than
1673 anything, when it comes to this sharing economy, and the
1674 questions about the sharing economy, so I think this type of
1675 hearing--and I hope, Mr. Chairman, there are going to be more
1676 hearings on this, because I don't think it is really cut and
1677 dry on a lot of these issues. There are a lot of questions.

1678 But I do have to ask, Mr. Beckerman, it--and I am a
1679 former deputy mayor in Indianapolis, and I know that state
1680 and local regulations can really get in the way, and I know
1681 that a lot of these platforms, and a lot of these innovations
1682 have struggled with state and local regulations. And I know
1683 that it often can be used in many ways to block competition,

1684 and to block innovation. Can you share a bit more about what
1685 we, in looking at what the Federal Government should be
1686 doing, what lessons can we be learning about what is
1687 happening maybe at state and local issues around the country?

1688 Mr. {Beckerman.} Sure, thank you. Competition
1689 obviously is important for consumers in all communities, and
1690 our companies have made great strides in working with local
1691 mayors and local city governments to make sure their services
1692 are allowed to operate in those communities. But, you know,
1693 I think the leadership of this Committee, and of Congress,
1694 talking to your local mayors, and even your governors, and,
1695 you know, taxi commissions, as appropriate, that they should
1696 allow these services to operate because it is benefitting
1697 consumers. It is providing more choice, it is lowering
1698 costs, and that is what this is really all about.

1699 Mrs. {Brooks.} And so this is an education process you
1700 are undertaking at mayor--with individual mayors, or at
1701 association meetings, or how are you doing it?

1702 Mr. {Beckerman.} Both. You know, the companies are
1703 actually working city by city, town by town, state by state
1704 in a lot of places. And you asked for some examples, you
1705 know, we have seen areas where they are putting new
1706 regulations in place, such as saying for--on the ride sharing
1707 side, you have to wait 40 minutes before a car picks you up,

1708 which obviously does not have any consumer benefits at all.
1709 It is just meant to block competition. Or regulations that
1710 say the minimum fare must be \$50, which is 10 times the fare
1711 of a taxi, which, again, has no consumer benefits whatsoever.
1712 And so those are the things we are trying to get rid of.

1713 Mrs. {Brooks.} Thank you. Mr. Chriss, there were
1714 conversations and discussions about protecting consumers'
1715 financial data, and obviously, in today's day and age, when
1716 we rely so heavily on technology for all--so many financial
1717 transactions, how is this different, if it even is different?
1718 How is the sharing economy any different than the other ways
1719 in which we transact business, or is it essentially the same?

1720 Mr. {Chriss.} I think in many ways it is still the
1721 same. The--all of our partners, including ourselves, need to
1722 think of data privacy as chief, and we need to maintain the
1723 stewardship that we have of our customers' data. When it
1724 comes to consumer protections, again, I think there isn't
1725 much difference that we have seen in the number of companies.

1726 I do want to mention, we have talked a lot about Uber as
1727 an example here today. It should be said that we have seen
1728 over 200 other platforms, sharing economy platforms, coming
1729 in that are impacting all sorts of different businesses. And
1730 so...

1731 Mrs. {Brooks.} Can you give us some examples?

1732 Mr. {Chriss.} Absolutely, and these would be ones that
1733 might surprise you. So we have talked some about food
1734 delivery, and caring for your dog, but there are some that
1735 are disrupting industries like the legal industry. So one of
1736 our partners, Up Council, has provided an opportunity for
1737 lawyers to come in, and, again, find clients that are
1738 perfectly matched to them. Or a company called Hourly Nerd,
1739 which allows MBAs to be partnered with the right Fortune 500
1740 company as well. So this is very broad, and, again, we are
1741 very early in this journey, but with over 200 now, it will be
1742 amazing to see how that grows over the next few years as
1743 well.

1744 Mrs. {Brooks.} I would be curious, Mr. Lieber, with
1745 respect--because I think one of the things that we are--we
1746 are often concerned about, whether it is with Airbnb, whether
1747 it is with Uber, whether it is with the providers that you
1748 are--or the people who are going into the homes, providing
1749 services, the safety issues that are discussed, can you talk
1750 about that a little bit with respect to ThumbTack, and how
1751 you educate your customers, as well as the people who are
1752 providing the services? What kind of safety issues are
1753 addressed, with respect to--whether it is criminal history
1754 background checks, whether it is just educating your
1755 customers about what kind of background checks have been done

1756 or not been done, and informing them?

1757 Mr. {Lieber.} Yeah. So we do background checks on
1758 every professional who is active on ThumbTack to make sure
1759 that we are delivering somebody that we can be proud of to
1760 your house. Marketplace integrity is incredibly important to
1761 us. We have a large team dedicated to that. We kick off any
1762 bad actors who we think have violated our principles of
1763 marketplace integrity, and we do everything we can to ensure
1764 that we are delivering a trusted professional to your house.
1765 Reviews are a part of that. We try to do everything we can
1766 to collect and aggregate reviews so you have the most
1767 information to make an informed decision, and we police this
1768 very, very carefully.

1769 Mrs. {Brooks.} Thank you. My time is up. I yield
1770 back.

1771 Mr. {Burgess.} The gentlelady's time has expired. The
1772 Chair thanks the gentlelady. The Chair recognizes the Vice
1773 Chair of the full Committee, Mr. Lance of New Jersey. Five
1774 minutes for questions.

1775 Mr. {Lance.} Thank you, Mr. Chairman. I apologize to
1776 the panel for being late. I was in continuing legal
1777 education over at the Library of Congress, in the hopes
1778 perhaps someday there will be a lawyer app that will employ
1779 me.

1780 Mr. Baker, I certainly understand your point. Would it
1781 be fair to say that the distinction between independent
1782 contracts and employees is an ongoing discussion in our
1783 society, and has been for quite some time?

1784 Mr. {Baker.} Sure. I mean, the issues certainly pre-
1785 date the rise of the sharing economy companies.

1786 Mr. {Lance.} For example, I sold real estate. I was
1787 not the broker. I was merely an agent, and I was treated as
1788 an independent contractor, and I think that is traditional in
1789 the real estate industry. Is that your understanding of it,
1790 as it--how it works in real life?

1791 Mr. {Baker.} To be honest, I couldn't tell you whether
1792 most realtors are treated as independent contractors or
1793 employees. I--

1794 Mr. {Lance.} I believe most salespersons are treated as
1795 independent contractors, although there certainly is
1796 significant guidance. I was trained as to how to answer the
1797 telephone. I was trained how to try to sell real estate, but
1798 definitely I was an independent contractor.

1799 You state in your testimony, regarding Uber and Lyft,
1800 that there have been several cases brought before the NLRB,
1801 and in Federal Court, arguing that those working in these
1802 companies are employees. Has either the NLRB or the Federal
1803 Courts adjudicated any of those questions yet?

1804 Mr. {Baker.} No, there has been no final adjudication
1805 on that. Those cases are still pending.

1806 Mr. {Lance.} I see. And do you expect that there will
1807 be a decision at some point in the near future?

1808 Mr. {Baker.} It depends on your definition of near. I
1809 suspect we are talking about a couple years before we get
1810 anything resembling a final decision.

1811 Mr. {Lance.} I see. And anything that is adjudicated
1812 by the NLRB then potentially could be appealed, probably to
1813 the United States Court of Appeals for the District of
1814 Columbia. Is that accurate?

1815 Mr. {Baker.} Exactly, yeah.

1816 Mr. {Lance.} Yes. Thank you. Mr. Beckerman, I also
1817 was greatly interested in your testimony, and you point out
1818 that this is a growing phenomenon in this country, and that
1819 there are internal checks regarding all of this. Could you
1820 elaborate a little greater on your point of view in that
1821 regard?

1822 Mr. {Beckerman.} Absolutely. There are certain
1823 transparency, and accountability, and trust features that are
1824 built into the platforms. Again, on the rating system, it is
1825 something that doesn't exist in--for many of the incumbents.
1826 Being able to track your location, in many cases, does make
1827 you safer. Or, if you end up leaving your purse or your bag

1828 in the car, that, you know, helps you retrieve that. And so
1829 there are a lot of things built into technology, and that has
1830 worked out very well.

1831 Mr. {Lance.} Thank you. I point out particularly of--
1832 four points that you articulated. You stated, second, in
1833 weighing these clear benefits against perceived harms,
1834 lawmakers should consider whether sharing economy services
1835 may, in fact, be safer for consumers when compared to their
1836 incumbent counterparts. And number four, recognizing that
1837 sharing economy platforms already self-regulate through
1838 various mechanisms that are hardwired into the technology,
1839 such as consumer ratings, payment systems, intense
1840 competition, and GPS tracking. I tend to agree with that.
1841 This is obviously a growing phenomenon in this country.

1842 And, Mr. Beckerman, you state that in a pre-Internet age
1843 the Yellow Pages served as a similar function that Lyft and
1844 Uber serve today. Would you explain your point of view
1845 regarding that?

1846 Mr. {Beckerman.} Sure. At the basic level, these are
1847 technology platforms that are removing friction between the
1848 transaction, and they are connecting the supply and the
1849 demand. Be it, you know, a plumber, or a driver, a home that
1850 you are trying to rent--

1851 Mr. {Lance.} Um-hum.

1852 Mr. {Beckerman.} --and having that frictionless
1853 transaction, I think, helps the economy--

1854 Mr. {Lance.} Um-hum.

1855 Mr. {Beckerman.} --and it certainly helps the
1856 individuals on both sides of the transaction.

1857 Mr. {Lance.} Thank you. Finally, in the last 50
1858 seconds, I will relate a story--when I sold real estate, the
1859 real estate broker told me that if the property was 20
1860 minutes farther west from where the potential customer wanted
1861 to live, I was to create interesting conversation in the
1862 automobile and drive as fast as I could. Thank you very
1863 much. Mr. Chairman, I yield back 27 seconds.

1864 Mr. {Burgess.} The gentleman yields back. The Chair
1865 thanks the gentleman. The Chair recognizes the gentleman
1866 from Mississippi, Mr. Harper. Five minutes for questions,
1867 please.

1868 Mr. {Harper.} Thank you, Mr. Chairman. Thanks to each
1869 of you for being here today. And, Mr. Chriss, if I could ask
1870 you a question? What has been your clients' feedback as they
1871 transitioned successfully to sharing platforms as a source of
1872 income, and then are they happy with their choice. So
1873 looking for what the feedback would be that you are hearing
1874 right now.

1875 Mr. {Chriss.} Thank you for the question. The feedback

1876 we are hearing right now is certainly a happiness factor from
1877 being able to be their own boss, and control their own income
1878 streams. The shadow to that has been--not sure that they
1879 understood they were becoming a small business when they
1880 entered into this.

1881 Again, if you think about the--for many of them the
1882 feedback was it was so easy to download an application and
1883 create income, and then I realized I now have to pay
1884 quarterly taxes, I have to track my expenses, I have to track
1885 mileage. Many of these folks are working in an app that is
1886 on the palm of their hand, and yet when you ask a driver to
1887 open up their glove box, it is littered with receipts. And
1888 so this change in mindset, of going from, hey, this was very
1889 easy to enter into this economy has been a true positive,
1890 with the shadow of, I now have a whole bunch of obligations
1891 that I wasn't sure I was set up to do.

1892 Mr. {Harper.} And has there been a change in the way
1893 that is now initiated, so that there is a better
1894 understanding from the beginning for these?

1895 Mr. {Chriss.} You know, there is, and, I mean, this is
1896 why we created the QuickBooks Self-Employed product that we
1897 have, and we have seen, you know, certainly we track our
1898 customer success metrics as well, and we have seen that with
1899 our product we put \$3,800 of tax savings back into our

1900 customers' hands.

1901 The difficulty, though, is there are still challenges
1902 when--January to April of every year, when an independent
1903 contractor receives a 1099, their first call is to their
1904 platform, who sent them the 1099, and the response from that
1905 platform is, I am sorry, I can't even answer your question,
1906 you have to go find a tax professional.

1907 Mr. {Harper.} Right.

1908 Mr. {Chriss.} So there are still some real challenges
1909 in the system that I think we could, again, create some
1910 clarity around to make things easier.

1911 Mr. {Harper.} You had mentioned in your testimony that
1912 people who provide services through sharing platforms would
1913 benefit from some guidance from the platforms on how to
1914 operate successfully, and I guess that would be the main
1915 takeaway, then, on what you are saying, is that training up
1916 front, that knowledge up front, would be the biggest benefit
1917 for them?

1918 Mr. {Chriss.} There are a number of our users that have
1919 come in that, again, didn't even know what they were getting
1920 into. They are happy to be where they are, but being able to
1921 provide some guidance from the platforms, again, not
1922 necessarily providing the answer, but at least providing the
1923 guidance would certainly be beneficial.

1924 Mr. {Harper.} So what they have to do on their income
1925 tax, but also the regulatory requirements that may go with
1926 that as well, it sometimes--can take some of the joy out of
1927 it if they don't know that on the front.

1928 Mr. {Chriss.} What we have seen from our customers is,
1929 once they know, and once they are able to do the calculations
1930 through our product, or through whatever, they are happy to
1931 do it.

1932 Mr. {Harper.} Good.

1933 Mr. {Chriss.} It is the lack of transparency, and the
1934 lack of understanding, that is the most difficult.

1935 Mr. {Harper.} Mr. Passmore, when we talk about property
1936 casualty insurance, and what that entails, what are the
1937 incentives for the insurance industry to participate in the
1938 sharing economy?

1939 Mr. {Passmore.} Opportunity. Insurers like to sell
1940 insurance, and--

1941 Mr. {Harper.} Sure.

1942 Mr. {Passmore.} --they are--these businesses certainly
1943 represent opportunities to do that by developing new
1944 products. A good example is the transportation network
1945 companies, particularly in the states where they put in place
1946 the clear insurance rules, so, you know, the rules of the
1947 road are established, and certainty is established. We have

1948 seen companies introduce a lot of different products.

1949 One--a PCI member company, Erie Insurance, was one of
1950 the first to introduce an endorsement that you could buy for
1951 your personal auto policy to provide coverage for
1952 transportation network drivers. And other companies, such as
1953 Geico, and Progressive, and MetLife and Home, have all
1954 introduced products. Some have had--some have introduced
1955 even separate policies just for TNC drivers. Some have had
1956 partnerships with some of the TNCs to develop products just
1957 for their drivers.

1958 Mr. {Harper.} So do you see the future--how would you
1959 describe the future for property casualty insurance in this
1960 economy?

1961 Mr. {Passmore.} Well, I think it is a great opportunity
1962 for insurers, as long as there are clear rules of the road,
1963 and certainty has been established. You know, with the TNCs,
1964 we have had--we had a little bit of a bumpy road, but we got
1965 there in the end, and we are making excellent progress on it
1966 now. We may not need that kind of clarification in every
1967 other kind of sharing economy model, but there may be some
1968 needs for that. So the ability to develop that certainty, so
1969 the insurance industry can grow along with the sharing
1970 economy, is going to be very important.

1971 Mr. {Harper.} And with that, I yield back, Mr.

1972 Chairman.

1973 Mr. {Burgess.} The gentleman yields back. The Chair
1974 thanks the gentleman, and the Chair wants to thank all the
1975 members, and the witnesses, for being here today. Seeing
1976 that there are no further members wishing to ask questions, I
1977 do want to thank each of you for participating in today's
1978 hearing. Before we conclude, I will yield to Ms. Schakowsky
1979 for a unanimous consent request.

1980 Ms. {Schakowsky.} Yes. I would like to add a statement
1981 of Vaughn Irmer from the New York Committee for Change into
1982 the record, testimony that I referred to earlier of Indir
1983 Pamar, a New York taxi worker, and, let us see--Uber worker,
1984 actually--testimony from the Taxi Cab, Limousine, Paratransit
1985 Association, and testimony from Working Partnership U.S.A.,
1986 San Jose, California into the record.

1987 Mr. {Burgess.} Without objection, so ordered.

1988 [The information follows:]

1989 ***** COMMITTEE INSERT *****

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1990 Mr. {Burgess.} I also want to include the following
1991 documents to be submitted for the record by unanimous
1992 consent. A statement for the record from the American Hotel
1993 and Lodging Association, a statement for the record from the
1994 Hotel Association of New York City, a statement for the
1995 record from the Texas Hotel and Lodging Association, a
1996 statement for the record from Vaughn Irmer. Without
1997 objection, so ordered.

1998 [The information follows:]

1999 ***** COMMITTEE INSERT *****

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2000 Mr. {Burgess.} Pursuant to Committee Rules, I remind
2001 members they have 10 business days to submit additional
2002 questions for the record. And I would ask our witnesses to
2003 submit their responses to those questions within 10 business
2004 days upon receipt of the questions.

2005 So, again, thanks all to everyone here. Without
2006 objection, the Subcommittee is adjourned.

2007 [Whereupon, at 11:55 a.m., the Subcommittee was
2008 adjourned.]