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CONTACT: Elizabeth Brennan at 213-999-2164

Drivers Sue to Block Uber, Lyft's Illegal Price Fixing

Antitrust Violations Prevent Rideshare Drivers from Controlling Work, While Creating an Unfair Advantage for Rideshare Platforms

SAN FRANCISCO - Three California rideshare drivers today filed a first-of-its-kind class action lawsuit in Superior Court of the State of California seeking to stop Uber and Lyft from engaging in price-fixing of the fares charged to customers, harming both drivers and customers. The lawsuit alleges that drivers earned less than they would have earned for their work if Uber and Lyft had not engaged in this price-fixing scheme, which the drivers maintain is unlawful.

The drivers also allege that Uber and Lyft abuse their power by using compensation schemes that are designed to control when, where, and how drivers work, and that are not disclosed to all drivers, and by engaging in deceptive practices including keeping important information like customer destinations hidden from drivers until a driver accepts a ride.

While true independent contractors decide what prices to charge their customers, the lawsuit alleges that Uber and Lyft fix the prices drivers must charge to customers based on hidden algorithms that are not disclosed to drivers or customers.

"Uber and Lyft have insisted that they do not employ their drivers. But if Uber and Lyft are not employers responsible to their employees under labor standards laws, then they are powerful corporations that fix prices, abuse their power, and deceive the workers who drive their profits," said **David Seligman, executive director of legal nonprofit Towards Justice.**

As gas prices surge, the harm from the control Uber and Lyft have over drivers is even more apparent. Increasing prices for consumers are coupled with increasing costs for drivers, but the lawsuit says Uber and Lyft are taking more per ride than ever before. Drivers report that on average the companies take half of the cost per ride, but it can be as high as 80 percent.

"This case alleges that Uber and Lyft have devised an illegal scheme that allows them to increase prices for consumers, push down drivers' wages, and take more profit for themselves without fear of competition," said **Marshall Steinbaum, Assistant Professor of Economics at the University of Utah**. "Rising gas prices exemplify this point. If drivers could adjust their prices to charge less on the app that took the lowest amount of profit from each ride, or could meaningfully choose which Uber and Lyft rides to accept, that flexibility would compete down the amounts that the companies could extract from each transaction, as opposed to shifting the high cost of gas onto drivers and customers."

The drivers who have brought the lawsuit are seeking to represent a class of all those drivers who have opted out of the companies' arbitration clauses. They are seeking a court order that would require the companies, among other things, to stop fixing the prices charged to customers for rides performed by their allegedly independent drivers and other anti-competitive and deceptive practices. They are also seeking damages for the compensation they say they would have earned but for the anti-competitive and deceptive practices. They are represented by Towards Justice, a non-profit workers' rights law firm, and Edelson P.C., a plaintiffs' class action firm. Marshall Steinbaum, an economist and antitrust expert from the University of Utah, is a consulting expert on the litigation. Rideshare Drivers United worked with Towards Justice to investigate the practices challenged in the lawsuit.

"We absolutely support drivers in their courageous fight to hold companies accountable. If we are indeed independent contractors, we need control over our work lives and compensation," said Nicole Moore, president of Rideshare Drivers United.

Taje Gill, one of the plaintiffs in the case and a driver in Southern California, described a ride at the end of his shift that took him from Los Angeles International Airport to Six Flags Magic Mountain in Valencia, a 40-mile trip that left him about 70 miles from his home in Orange County. He had to "deadhead," meaning drive without a passenger and therefore without pay, to get back home.

"The work is not flexible. Drivers are controlled by Uber and Lyft. We are not independent because we cannot choose what rides to take and I cannot set my own fare. We are not able to do that," Gill said.

Ben Valdez, another plaintiff and an experienced driver, recalled a ride that took him to San Diego from Los Angeles in the middle of the night, more than 120 miles from his home. The entire trip took more than seven hours and Valdez was only paid for the time a passenger was in his car.

"If I had known where the passenger was going I would not have accepted the ride," Valdez said.

The lawsuit alleges that drivers frequently don't know the destination or how much they will earn from the rides they are offered, and customers are kept in the dark about how much of their fares actually go to their drivers. Uber and Lyft have steadily increased their average "take rates," or the amount of the customer fare the companies keep. They can get away with that, the lawsuit alleges, because of the unfair limits the companies place on driver independence, which stifle competitors who would be able to offer higher wages to workers without raising prices for consumers. In 2019 the take rate was estimated at approximately 35 to 40 percent and in 2021 it appears to range from approximately 30 to 70 percent of the passenger fare.

“When I started driving it was much easier to make a living. Now we are driving more hours for the same pay. Uber and Lyft hook you in and offer you incentives to keep driving, but they maintain all the control,” said Esterphanie St. Juste, a long-time app-based driver.

In 2020, Uber and Lyft spent hundreds of millions of dollars to pass Prop 22. Prior to Prop 22’s passage, Uber and Lyft told California drivers that the law was needed to preserve their independence and autonomy. Instead, as this lawsuit says, after its passage the companies exercised ever-tighter control over drivers, with Uber eliminating its policy of independent fare-setting and returning to its price-fixing scheme.

“Uber and Lyft cannot have it both ways. They cannot on the one hand say that their drivers are independent contractors while on the other hand fixing prices and otherwise denying their drivers the independence and autonomy that comes from independent contractor status,” said **Rachel Dempsey, an attorney with Towards Justice**.

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About Towards Justice
Towards Justice is a nonprofit legal organization that uses impact litigation, policy advocacy, and collaboration with workers and workers’ organizations to build worker power and advance economic equity.