

U.S. NEWS

# California Takes On Silicon Valley Giants

State is confronting tech firms on privacy rights, labor benefits and net neutrality

BY SEBASTIAN HERRERA AND ABIGAIL SUMMERVILLE

California, the birthplace of the American tech industry, is emerging as a great foe.

On Monday, the state legislature resumes work and will consider a bill that, if passed, could classify drivers for ride-hailing companies like Uber Technologies Inc. and Lyft Inc. as employees, entitled to better wages and benefits.

The bill, along with state laws pending or passed on issues ranging from privacy to net neutrality, could reshape companies across the tech sector, many of which are based in the Silicon Valley area where local ordinances targeting tech are also taking hold. The push by policy makers against local companies is an unusual turn that is setting a precedent throughout the country.

The state has witnessed both the promise and the perils of technology firsthand. The tech sector accounted for about 19% of California's economy last year, according to CompTIA. While that has helped increase owners' property values and contributed to tax revenue, it has also helped the Bay Area become one of the country's least affordable regions as nearby Silicon Valley companies have prospered.



One proposed bill could classify drivers for ride-hailing companies like Uber and Lyft as employees.

The median price for a single-family home in the area has nearly tripled to \$940,000 from \$327,000 since 2009, according to the California Association of Realtors.

Broader controversies over consumer-privacy breaches and the outside power of some tech giants have prompted California lawmakers to act, even as federal regulators are just beginning to probe some tech companies, including Facebook Inc., Alphabet Inc.'s Google, Apple Inc.—all based in northern California—and Seattle-based Amazon.com Inc. to examine their market power.

The state is set to roll out a law next year that will give consumers privacy rights un-

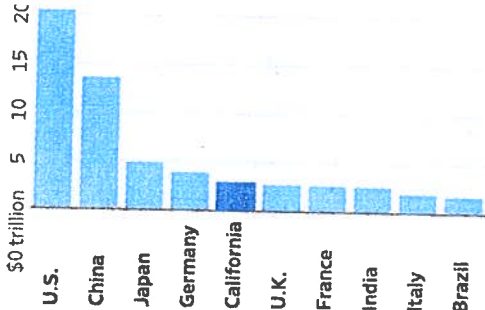
precedented in the U.S. Passed last year, the California Consumer Privacy Act broadens the definition of what constitutes personal information and will give California residents the right to prohibit the sale of personal data to third parties, and to opt out of sharing it altogether. Corporate lobbyists are pushing bills that would put in place certain exemptions.

The legislation has reverberated throughout the country. New Jersey, Massachusetts, Hawaii, Rhode Island and a handful of other states introduced similar privacy bills after the CCPA passed. In April, Massachusetts Democratic Sen. Edward Markey introduced a bill in the U.S. Sen-

ate that borrows from both the CCPA and General Data Protection Regulation, or GDPR, passed three years ago in Europe, which has been Big Tech's most aggressive international regulator.

California also boasts the strongest net neutrality law in the country and recently enacted a law requiring online bots—applications that do automated tasks over the internet—to reveal their “artificial identity.” California is home to what is known as the gig-economy bill, officially titled Assembly Bill 5, that would affect Uber and Lyft drivers. That bill is working its way through the legislative process.

California's GDP is larger than some major economies' around the world.



Note: GDP in current U.S. dollars. Source: Bureau of Economic Analysis (California); World Bank (other countries)

feudalism all over again.”

Spokesmen for Uber and Lyft said the companies are proposing changes to state labor laws that would give drivers more benefits without officially classifying them as employees, arguing most drivers don't want to lose the flexibility of being contractors.

Rigorous business regulation has come to define California, where Democrats control every statewide office and a supermajority in the legislature.

Silicon Valley is overwhelmingly liberal and regularly elects Democrats to local office and the state legislature, including officials who support the privacy and gig-economy legislation.

California's regulatory action toward its flagship industry is the kind of self-aim not commonly seen. States are typically quick to champion economic engines, as Michigan does with the auto industry. But the rapid rise in living costs as tech jobs have surged has led to growing wealth disparity that some residents resent, prompting policy makers to respond.

Some tech companies are bristling, said Bradley Tusk, a former Uber consultant who helped the company oppose minimum pay and other ride-hailing rules in New York. “They feel like, ‘We’re creating jobs, we’re creating a huge amount of revenue, we’re the golden goose, and you’re turning us into the whipping boy,’” said Mr. Tusk.

—Alejandro Lazo contributed to this article.

don said, “it’s f—king