PREDISTRIBUTION INITIATIVE

Predistribution AI Lab Discussion Paper Series – Part III

Prototype A:

Driver Equity Transition Stakes (DETS)

A Predistributive Prototype for AI- and Automation-Driven Worker Displacement

Prepared by

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1 The Predistribution AI Lab Discussion Paper Series

The Predistribution Initiative's (PDI) *Predistribution AI Lab* discussion paper series:

- Models the macro-financial risks of labor displacement driven by Artificial Intelligence (AI) and automation (collectively referred to in this paper as AI);
- Considers safety and cognitive risks posed by AI under current corporate governance models; and,
- Proposes predistributive interventions that could prevent declines in incomes and safety issues from becoming systemic crises.

The first paper analyzes four scenarios, modeling the cascading effects of income erosion and unemployment on consumption, tax revenue, mortgage markets, corporate debt, equity values, pension systems, and insurance assets when workers lose income at scale. Safety, blind spots, and cognitive bias risks are also reviewed.

The second paper considers practical models for broadening equity ownership and corporate governance participation to include workers, communities, and content creators to avoid such risks. The report contextualizes the current technological transition in the broader backdrop of decades of declining returns to labor versus capital and corporate governance that is more strongly oriented toward shareholders versus other corporate stakeholders. At the core of the paper is a recognition that the economy and productivity have been advanced in recent history through the contributions of workers (formally and informally employed), communities who host infrastructure and natural resources projects, and content creators and others who provide data which has advanced technology. Each of these stakeholder groups has supported corporate growth and productivity, creating material financial value and taking significant risks. However, with financial capital being prioritized by corporate governance over human, social, and natural capital, these other stakeholders have not been compensated in a manner that keeps pace with financial capital, resulting in rising inequality, disenfranchisement, loss of trust in institutions, polarization, and domestic and geopolitical conflict.

AI is poised to accelerate and deepen these trends. One of our central findings is that the timing of predistributive mechanisms is critical. In the context of the workforce for instance, workers who hold stakes in companies adopting productivity-enhancing technology *before* it eliminates their roles can participate in the gains and sustain the aggregate demand on which GDP growth depends.

This paper presents the Predistribution Initiative's **Driver Equity Transition Stakes (DETS)** proposal as a worked prototype of that principle for US jurisdictions. Rideshare drivers are perhaps the first large US workforce for whom the displacement timeline is partially visible in advance: autonomous-vehicle (AV) technology is being deployed now, in real cities, under active regulatory oversight. The AV operating permit is a concrete regulatory chokepoint that exists today through which pre-displacement protections could be attached.

DETS makes driver ownership a permit condition. Platforms deploying AVs contribute a percentage of gross fare revenue into a cooperative trust governed in part by drivers (and/or displaced drivers), with stakes structured to not only offer current income, but also participation in the equity appreciation that automation will generate, as well as having the support of complementary diversified investment accounts.

The proposal is included here because it is one of the most detailed prototypes we have developed to answer, "what would a workable predistributive mechanism actually look like in legislation, in trust documents, in board-meeting agendas, and on a driver's quarterly statement?" We review rate sensitivity, governance enforcement, multi-jurisdiction portability, and a three-pillar hybrid structure:

- Pillar 1: revenue sharing distributed as current income for displaced drivers;
- Pillar 2: platform equity participation to share equity upside; and,
- Pillar 3: diversified wealth accounts to balance risk for drivers.

The three-pillar architecture can be adapted for other contexts, such as delivery workers, freight drivers, warehouse workers, and ultimately any workforce facing automation displacement. The model can be adapted for workers who remain employed, as well as communities hosting infrastructure or data-center projects and for content creators whose output is used to train AI. Indeed, these structures can help align incentives of corporate stakeholders with executives and investors to ensure that each stakeholder group taking risk and creating value benefits from the upside of those contributions.

The DETS prototype also offers a broader corporate governance toolkit that the main report builds from. Worker participation in corporate governance—alongside the inclusion of communities, content creators, and other stakeholders who take risk and create value—is not only a matter of distributive fairness; it is also a question of decision-making quality. Workers hold direct line-of-sight into emerging operational, safety, and reputational risks at the point where those risks first materialize, often well before they reach the board through management channels. Empirical evidence from European co-determination regimes (notably Germany and the Nordic countries), as well as a growing body of research on stakeholder governance more broadly, suggests that incorporating worker voice is consistent with—and in some cases supportive of—long-term financial performance, capital discipline, and workforce stability. In the AV transition specifically, driver perspectives are likely to surface insights about safety edge cases, fleet operations, rider experience, and local political dynamics that internal teams may not see in time. Embedding that voice strengthens rather than constrains the quality of corporate decision-making—and helps build the legitimacy that AV deployment will require to scale through contested urban political environments.

Importantly, these proposals are not intended to be prescriptive but are offered as a practical starting point to be workshopped further by companies and their stakeholders, including workers, communities, consumers, suppliers, providers of capital, specialists, and policy makers and regulators.

On attribution: Material in this paper should be attributed to the Predistribution Initiative. The PDI team welcomes engagement on fine-tuning and implementation.

2 Context

The **Predistribution Initiative (PDI)** focuses on investment structures that share ownership, profits, and governance with workers, communities, and other stakeholders who take risk and create value alongside executives and investors in the value creation process that shapes the economy. We believe that such approaches:

- Align incentives of these various actors, thereby strengthening the performance of companies and projects;
- Ensure prosperity is shared with those who contribute to it, in turn reducing the systemic risks of vast economic inequality; and,
- Restore trust in institutions, particularly by preventing workers and communities from being left behind, both economically and in terms of voice in society.

Predistribution means fixing the economic system through which productivity occurs in the first place so that there is less dependence on redistribution after the fact. It promotes agency, dignity, respect, and civic participation, whereby actors from all corners of society are valued for their contributions and have input into societal decision making.

PDI's team has deep experience in finance, law, business, economics, and labor. Alongside our efforts to broaden equity-linked compensation and corporate governance participation to include workers and communities who take risk and create value, PDI also centers living wages, freedom of association and collective bargaining, and grievance mechanisms. PDI makes the business and investment case for these reforms and is a co-founder of the Taskforce on Inequality and Social-related Financial Disclosures (TISFD).

Most recently, PDI's work has focused on AI-driven economic and systemic risks, including comprehensive modeling of what happens to consumption, tax revenue, mortgage markets, corporate debt, equity values, pension systems, and insurance assets when workers lose income at scale. Our macro-financial analysis points to a consistent finding: **the timing of predistributive mechanisms is everything.** Workers who hold stakes in companies adopting productivity-enhancing technology—whether or not it eliminates their roles—can participate in the gains, sustaining the aggregate demand required for GDP growth. Workers who receive support only after displacement compete for shrinking fiscal resources in a contracting economy. Decisions about distributions after wealth has become more concentrated are also subject to challenges by those who already hold disproportionate wealth and power.

Rideshare drivers are among the first large US workforce for whom the displacement timeline is partially visible in advance. AV technology is being deployed now, in real cities, under active regulatory oversight. A regulatory chokepoint exists today—the AV operating permit—through which meaningful pre-displacement protections could be attached before the transition eliminates the option. This proposal outlines a solution leveraging predistributive principles in a concrete, pilotable context, with the intent

that lessons inform policy responses to AI-driven displacement across the broader economy. Additionally, the concepts discussed in this paper can be adapted for other contexts, including workers who remain employed, communities who host infrastructure and natural resource projects, and content creators and others whose work or data is used to train AI and technology platforms.

2.1 Executive Summary

Driver Equity Transition Stakes (DETS): Turning Autonomous Vehicle Deployment Permits into Worker Ownership.

> *DETS would require rideshare platforms and AV operators to contribute a percentage of gross fare revenue, profits, or shares into a driver-owned "equity trust"—structured and funded before autonomous vehicles displace drivers, and with governance participation—so that drivers share in the productivity gains that replace their jobs and have influence over their futures.*

The AV transition will eliminate or substantially reduce income for thousands of rideshare drivers, while platforms become significantly more profitable as human labor costs are replaced by fixed capital. DETS proposes attaching a driver ownership contribution requirement to AV operating permits issued by cities to platforms like Waymo, Uber, and Lyft. Platforms deploying autonomous vehicles would contribute a percentage of gross revenue (or profits or shares—to be tested via stakeholder engagement, modeling, and research) into a Driver Equity Trust (DET), structured as a tax-efficient driver-owned and governed cooperative fund. Current and recently active drivers would hold proportional stakes, earning cash distributions, and capital appreciation. Ideally, the intervention would include driver representation on the corporate board to ensure their valuable perspectives help inform the strategic direction of the company.

DETS is self-financing from the perspective of public budgets—funded by platform contributions, not tax appropriations. This helps remove a bureaucratic and intermediated layer of intervention that would otherwise be a core component of redistribution. AV deployment eliminates driver compensation that previously equaled at least half or more of gross fares. After considering internal AV capex reinvestment, a platform revenue contribution rate of 15% represents a fraction of the labor cost savings captured through automation, leaving ample room for increased profitability which can be reinvested and/or distributed as dividends to external shareholders.

Illustrative scale. If a major metro generates $1,500 million in annual rideshare revenue from 6,000 drivers, a 15% contribution rate generates $225 million annually—approximately $37,500 per driver, comparable to what some drivers currently earn. (Below we present formal sensitivity tables using PDI's later, more refined metro-level revenue and full-time equivalent (FTE) estimates.) This income can help

avoid cascading crises from displacement. The structure recognizes drivers for the value they create for companies and helps ensure a smooth transition.

What would change. Rather than experiencing the AV transition as abrupt income loss, drivers would hold rights to upside from the very platforms replacing them. Long-tenure drivers would hold the largest stakes. Depending on structure (revenue, profits, shares), Trust income may not replace full wages immediately, but it provides a durable income floor tied to platform growth and gives drivers a governance voice in how the transition proceeds.

2.2 Why This Is a Good Idea for Drivers

Rideshare drivers are classified as independent contractors, excluding them from wage protections, severance, retraining programs, and other statutory protections. DETS addresses this by creating an ownership right rather than an employment right, bypassing the classification debate entirely.

Various types of drivers benefit across a tiered structure. Driver participation would be based on a tiered eligibility system that balances recent activity with long-term contribution. Full allocations would go to drivers with substantial recent engagement (roughly half-time to full-time participation), while regular part-time drivers would receive proportionally reduced allocations. Drivers with more limited but still meaningful participation would receive a minimum floor allocation to ensure inclusion. In addition, long-tenured drivers with significant lifetime contributions could retain eligibility even if their recent activity has declined, recognizing the value they created in building the platform's customer base, ratings system, and operational data.

What security this provides. Trust distributions provide ongoing income regardless of driving status, scaling with platform growth—meaning drivers who hold stakes before displacement benefit from the same productivity improvements that eliminate their jobs. This is the pre-displacement timing principle PDI's macro modeling identifies as the mechanism that narrows the income gap without unsustainable fiscal transfers. Critically, drivers receiving Trust distributions are receiving a return on value created through their labor, not assistance—with implications for tax treatment, social insurance interactions, and political durability. Trust governance (distinct from the potential of participation on the corporate entity's board) gives driver-owners representation on distribution and investment decisions, including the ability to direct Trust assets toward transition support (retraining, health insurance, vehicle buyback programs), giving workers agency over their own transition.

2.3 Why This Is a Good Idea for Municipalities

PDI's modeling demonstrates that when displaced workers lose income, effects cascade: consumption falls, housing markets soften, municipal tax revenues contract, and in this case even rideshare revenue

can decline as the local economy and consumer patronage stagnates. Even a partial income bridge preserves spending that stabilizes surrounding businesses and city budgets.

2.4 Why This Is a Good Idea for Companies

For platforms, DETS addresses the contested social license that AV operators currently face in every major US city where they seek to operate. Visible, structural sharing of automation gains with the workers whose labor built the platform's network meaningfully changes the political coalition arrayed against deployment. It aligns incentives of advocacy organizations, municipal labor coalitions, and city council members to support the success of the rollout, and it gives platforms a credible, third-party-validated story to tell about who benefits from autonomy. Beyond regulatory and reputational risk, drivers themselves bring perspectives that platforms increasingly need as fleets shift from human to autonomous operation: frontline visibility into safety edge cases, rider behavior, fleet operations, neighborhood-level demand patterns, and the lived experience of the road that synthetic data does not fully capture. Finally, the macroeconomic point matters at the firm level too. Rideshare demand is a function of disposable income in the metros where platforms operate; mass driver displacement without an income bridge weakens the consumer base that pays for AV rides, eroding local market size precisely as platforms ramp deployment. A predistributive mechanism that sustains driver-household spending therefore preserves the demand environment platforms need to make AV deployment economically viable at scale.

2.5 Why This Is a Good Idea for Investors

For investors—particularly institutional investors with diversified, long-term portfolios—DETS addresses risks at two distinct levels. At the firm level, predistributive mechanisms reduce idiosyncratic exposure to legal, regulatory, and reputational shocks. Political and legal challenges can delay deployment, force unfavorable settlements, or trigger preemptive regulation. A visible, cooperatively-governed worker-ownership structure addresses many of those scenarios upstream, narrowing the range of adverse outcomes that flow into firm-level cash flows and valuations.

At the portfolio level, the argument is stronger still. PDI's macro-financial modeling—detailed in the *Modeling Beyond Ghost GDP* report—shows that mass AI-driven displacement without offsetting wealth-sharing mechanisms can produce cascading impacts across consumption, credit performance, equity markets, housing markets, municipal tax revenue, and ultimately the cash flows of the listed and private companies that universal owners hold across nearly every sector. For pension funds, sovereign wealth funds, insurance asset pools, and other long-horizon investors whose returns depend on the health of the underlying economy, the cost of unmitigated displacement is borne portfolio-wide, even when individual platforms benefit. DETS and analogous predistributive structures act as a hedge against that systemic

erosion. By giving displaced workers durable equity and diversified wealth exposure rather than only a cash bridge, they also help repair the capital-labor wealth divergence that is itself a structural source of macro-financial fragility and protect the long-term return assumptions on which portfolio-wide allocations depend.

3 How Implementation Would Work

3.1 Establishing a Driver Equity Trust in Each Jurisdiction

Each jurisdiction would establish a Driver Equity Trust (DET). The project would evaluate the optimal structure—whether funded via revenues, profits, or an equity stake—considering factors including near-term income accessibility, liquidity, complexity, capital appreciation potential, tax treatment, and governance participation. The structure would be developed through consultation with drivers, companies, and local authorities via interviews, roundtables, and town halls. In this paper we present some foundational proposals from which to build.

3.1.1 Illustrative Revenue-Based Structure

Platforms receiving AV permits contribute 15% of gross fare revenue to the DET from the date of first permit issuance.[1] Drivers completing a threshold of trips within 24 months are eligible, with stakes proportional to verified lifetime trip history and a floor allocation for lower-volume drivers.[2] The Trust is governed by a board with majority driver representation, an independent financial fiduciary, and a city-appointed observer. Corporate board representation would also be explored, with pipeline development and training for Trust and corporate board representatives to ensure proper oversight and break through barriers that have kept working people outside corporate governance. Annual distributions are paid from net investment returns and platform contributions; stakes are non-transferable but heritable. Up to 20% of annual contributions may be directed to driver transition programs (reskilling, vehicle buyback programs, etc.), subject to member vote.

3.1.2 Authority

Cities and counties have the most immediate authority since AV permits are issued at the municipal level. Based on preliminary analysis, San Francisco, Phoenix, and Austin are among the most active permitting jurisdictions. State-level action could scale the model; federal coordination could eventually standardize it. The detailed proposal envisions staged implementation, with several initial pilots in major cities.

3.1.3 Requirements

- Trip data access via data-sharing agreements to establish eligibility and stake proportionality (precedent in California's AB 5 enforcement and Chicago's TNP reporting ordinance).
- A Trust legal structure under state cooperative corporation law.
- Revenue contribution enforcement conditioned on AV permit renewal.

[1] Our modeling includes scenarios with higher and lower revenue contributions for sensitivity analysis.
[2] Drivers with 5,000+ verified lifetime trips who fall below the 24-month activity thresholds could remain eligible, recognizing the cumulative value created by long-tenure drivers who built the platform's ratings infrastructure, route optimization data, and customer base—even if their recent activity has declined.

- Permanent governance infrastructure.
- Initial set up fees (see the section on Financing below).

Several complementary policies can support the DETS structure:

- AV deployment pace controls (permit caps, phase-in schedules) allowing Trust assets to build before displacement peaks.
- Vehicle transition support addressing stranded capital obligations from vehicles purchased for rideshare work, designed to avoid conflicts of interest between Trust members.

3.2 Financing

DETS is self-financing from the perspective of public budgets (see Executive Summary). Startup costs for trust formation, governance infrastructure, and data systems would require initial seed funding—estimated at $2 million per pilot jurisdiction, structured through philanthropy or blended finance. Platforms have reason to welcome this: a driver-owned Trust providing income continuity reduces political and regulatory risk to AV deployment, currently the largest uncertainty platforms face, and helps ensure a sufficient local consumer base for rideshare services.

4 Rate Sensitivity Analysis

4.1 Methodology and Assumptions

This analysis models the total contribution envelope—the percentage of gross fare revenue that platforms are required to contribute to the DET. Gross fare revenue is the recommended contribution base because it provides the most transparent and auditable mechanism, avoiding the accounting complexity of profit-based models (where platforms can shift costs to reduce reportable profits) and any illiquidity problems of share-based models (where drivers depend on corporate buybacks, repurchases, recycling, or secondary markets, though we propose approaches for drivers to realize equity-linked value via Pillar 2 of the hybrid compensation structure).

Gross fare revenue also aligns the contribution base with the economic value that automation displaces: when an autonomous vehicle replaces a human driver, the full fare continues to be generated—only the driver's share (we model this at 73% of gross fare) is eliminated.[3] A contribution levied on gross fare therefore scales directly with the revenue stream from which drivers were historically compensated, and from which platforms will capture labor cost savings post-transition.

To balance considerations relating to displaced drivers' need for income, the upside of capital appreciation, liquidity, and diversification, PDI recommends a hybrid model in which the total revenue contribution is allocated across three pillars (detailed later):

- **Pillar 1:** current income (revenue sharing);
- **Pillar 2:** platform equity participation (phantom equity or direct shares to capture potential capital appreciation attributable to valuation multiple expansion); and,
- **Pillar 3:** diversified wealth accounts (diversification benefit).

The sensitivity tables in this section show total per-driver value at each contribution level, while we later break down how that value is distributed across pillars.

[3] The 73% net retention rate reflects the share of gross driver earnings retained after vehicle-related expenses. This is based on an independent study of New York City Uber driver economics conducted by HR&A Advisors for Uber Technologies, which found that a full-time NYC Uber driver earned $72,839 annually and incurred $19,966 in vehicle-related expenses (fuel, depreciation, maintenance, insurance, TLC licensing, and financing costs), yielding net annual pay of approximately $52,900—a retention rate of 72.6% (HR&A Advisors, "New York City Uber Driver Earnings and Expenses Study," November 4, 2024). NYC driver economics differ from other metros due to the city licensing requirements, higher insurance costs, and the prevalence of drivers who purchase or rent vehicles specifically for rideshare work; in metros where drivers use pre-existing personal vehicles, the expense burden may be lower and the effective retention rate higher. Note that in California, Proposition 22 requires platforms to reimburse drivers $0.36 per engaged mile for vehicle expenses and offer a healthcare subsidy to highly active drivers, which would partially offset these costs and increase the effective retention rate for California-based drivers. However, the Proposition 22 reimbursement applies only to engaged miles (not deadheading or waiting) and is roughly half the IRS standard mileage rate of $0.70/mile (2025), suggesting it covers only a portion of actual vehicle costs. PDI plans to develop metro-specific expense estimates as part of the financial model supporting pilot jurisdiction negotiations.

4.1.1 Key Assumptions and Sources

Metro-level gross fare revenue estimates are derived from national per-capita rideshare spending, calculated by dividing total US rideshare gross bookings by US population.[4] This figure is then applied to each metro's population and adjusted by a conservative metro-specific intensity factor that accounts for local rideshare penetration and tourism-driven demand.[5]

Driver counts reflect active full-time-equivalent (FTE) drivers, not total registered accounts. Uber reports 8.8 million drivers and couriers globally as of Q2 2025 (Uber Q2 2025 Earnings), with California alone accounting for approximately 209,000 drivers per quarter (Ridester analysis of state-level data).[6] Lyft reports over 500,000 weekly active drivers (Lyft company data via Backlinko, 2025).[7] However, total registered drivers vastly overstate the active full-time workforce: approximately 94% of Lyft drivers drive fewer than 20 hours per week (Lyft Economic Impact Report, 2022), and annual driver turnover on both platforms is high.[8]

Metro-level FTE estimates are derived top-down from gross fare revenue rather than from registered driver counts, which are not available at the metro level. The calculation divides each metro's estimated gross fare revenue by the annual gross fare revenue that a single full-time driver would be expected to generate.[9] This produces FTE estimates of approximately 19,766 (SF Bay Area), 12,188 (Phoenix), and 3,578 (Austin).

[4] Total US gross bookings (the total fare value paid by riders before platform commissions, driver payouts, taxes, and fees are allocated) are inferred from Lyft's FY 2025 gross bookings ($18.5 billion; Lyft FY 2025 Results) and market share data (Lyft ≈ 24%, Uber ≈ 76%; Bloomberg Second Measure, March 2024), yielding an implied US rideshare market of approximately $77 billion and national per-capita spending of approximately $230. Uber's FY 2025 global figures—$193 billion in gross bookings, $52 billion in revenue (Uber Q4 2025 Earnings Press Release, SEC Form 8-K, Feb. 4, 2026)—serve as a cross-check: the implied Uber US rideshare share ($58.6 billion) represents approximately 30% of Uber's global gross bookings (which include delivery and freight alongside mobility), a plausible ratio given that US & Canada accounts for approximately 58% of Uber's total revenue (Uber FY 2025 10-K).

[5] The intensity adjustments used—1.50 for the SF Bay Area, 0.70 for Phoenix, and 0.75 for Austin—reflect an estimation of each metro's rideshare spending relative to the national per-capita average of approximately $230. The SF Bay Area adjustment above 1.0 is consistent with the metro's high urban density, tech-sector commuter base, and significant tourism volume. The below-average adjustments for Phoenix and Austin reflect the lower rideshare penetration typical of car-dependent Sun Belt metros, partially offset by tourism demand. PDI plans to refine these intensity factors assuming further access to data.

[6] Uber Q2 2025 Prepared Remarks, August 6, 2025: "a record 8.8 million active drivers and couriers (up 20% YoY); Ridester, "How Many Uber Drivers Are There In 2026?": "California has the most Uber drivers among US states, with a reported 209,000 drivers per quarter."

[7] Backlinko, "Lyft 2026 User and Revenue Stats."

[8] Lyft 2023 Economic Impact Report (covering 2022 data).

[9] To estimate per-driver gross fare revenue, we begin with a median full-time driver wage of approximately $80,000, $40,102 and $66,000 per year respectively for San Francisco, Phoenix and Austin, consistent with reported earnings in major metros; Glassdoor "How much does a Uber Driver make in San Francisco, CA?"; Salary.com "Uber Driver Salary in Phoenix, AZ"; Glassdoor "How much does a Uber Driver make in Austin, TX?" We then gross this figure up to account for the platform share of gross revenue (we assume drivers earn ~70% of passenger payments after external fees, which is the amount that Lyft has committed to guaranteeing, though the overall industry average may vary (Lyft, Inc., Form 10-Q, Q1 2024). We also gross-up to account for external fees (government-imposed taxes, tolls, and regulatory surcharges, estimated at approximately 15% of total gross bookings), yielding approximately $134,000 in gross bookings generated per FTE driver annually. PDI plans to refine these "top-down" FTE estimates with more granular a bottom-up analysis using the reported distribution of weekly driving hours (applied to metro-level registered driver counts), should such data become available.

4.1.2 Eligibility Tiers

As previously noted, we propose that current and recently active drivers would hold proportional stakes with a floor allocation for lower-volume drivers. This principle is operationalized through a three-tier structure assessed over a 24-month lookback window:

- **Tier A (Full proportional stake):** Drivers completing 2,500+ trips within 24 months (~25 trips/week), representing half-time to full-time platform dependence.
- **Tier B (Reduced proportional stake at 50% weight):** Drivers completing 1,000–2,499 trips within 24 months (~10–24 trips/week), representing regular part-time drivers with meaningful platform income.
- **Tier C (Floor allocation):** Drivers completing 500–999 trips within 24 months (~5–9 trips/week), could receive a minimum floor allocation (for instance, no less than 50% of the mean per-driver distribution) regardless of proportional calculation.
- **Legacy eligibility:** Drivers with 5,000+ verified lifetime trips who fall below the 24-month activity thresholds could remain eligible at Tier B, recognizing the cumulative value created by long-tenure drivers who built the platform's ratings infrastructure, route optimization data, and customer base, even if their recent activity has declined.

Thus, proportional stake calculations within each tier are based on verified lifetime trip count. A tiered approach avoids the arbitrariness of a single binary cutoff while still concentrating the largest stakes among drivers with the greatest platform dependence and displacement exposure. However, for illustrative simplicity, per-driver distributions in this phase of analysis assume equal allocation.

Additional notes on modeling include:

- All figures are annual and pre-tax.
- Trust operating costs (estimated at 3–5% of annual contributions) are deducted before distribution. We apply a 4% midpoint.[10]
- The sensitivity tables below show gross per-driver distributions before any allocation to driver transition programs (reskilling, vehicle buyback programs, etc.), which would be subject to member vote.
- Investment returns are only modeled at a high level; the tables included in this document reflect uninvested cash. Thus, the total value of each driver's interest in the Trust can be assumed to be greater than what appears in the tables. High-level analysis on the potential for these returns is discussed later in this document.

[10] Note: the 3–5% operating cost estimate is illustrative and will require refinement as the Trust's asset base and operational complexity become clearer. Operating costs typically exhibit economies of scale; smaller Trusts face higher per-dollar administrative costs than larger ones.

4.2 Metro Market Tiers

San Francisco, Phoenix, and Austin are among the most active AV permitting jurisdictions. This sensitivity analysis uses those three metros as representative market tiers.

Table 1: Illustrative Market Revenue and Driver Participation by Metropolitan Area

Market Tier	Representative Metro(s)	Est. Annual Gross Fare Revenue	Est. Eligible Drivers (FTE)
Tier 1—Large	SF Bay Area, CA	$2,658M	19,766
Tier 2—Mid-Size	Phoenix, AZ	$821M	12,188
Tier 3—Emerging	Austin, TX	$397M	3,578

- Tier 1 estimates reflect the combined SF Bay Area rideshare market; Waymo already holds an estimated 20–27% market share within its SF (city) operating domain, making displacement dynamics most advanced here.[11]
- Phoenix is a longstanding Waymo deployment market, with extensive mapped operational domains.
- Austin is a newer but rapidly growing AV deployment market.

4.3 Sensitivity Matrix: Annual Trust Contributions and Per-Driver Distributions

The tables below show per-FTE-driver distribution analysis across four contribution rates for three tiers of metro areas. Distributions would be higher for Tier A drivers and decline for drivers who have worked less with the platforms.

4.3.1 Tier 1—Large Metro (SF Bay Area)

Table 2: Tier 1—Large Metro (SF Bay Area)

Contribution Rate	Annual Trust Inflow	After Operating Costs (4%)	Per-Driver Distribution
5%	$132.9M	$127.6M	$6,454
10%	$265.8M	$255.1M	$12,908
15%	$398.6M	$382.7M	$19,361
20%	$531.5M	$510.3M	$25,815

[11] Meeker, Mary et al. *Trends – Artificial Intelligence*. Bond Capital, May 30, 2025. https://www.bondcap.com/reports/tai

4.3.2 Tier 2—Mid-Size Metro (Phoenix)

Table 3: Tier 2—Mid-Size Metro (Phoenix)

Contribution Rate	Annual Trust Inflow	After Operating Costs (4%)	Per-Driver Distribution
5%	$41.1M	$39.4M	$3,235
10%	$82.1M	$78.9M	$6,470
15%	$123.2M	$118.3M	$9,705
20%	$164.3M	$157.7M	$12,940

4.3.3 Tier 3—Emerging Metro (Austin)

Table 4: Tier 2—Emerging Metro (Austin)

Contribution Rate	Annual Trust Inflow	After Operating Costs (4%)	Per-Driver Distribution
5%	$19.8M	$19.1M	$5,324
10%	$39.7M	$38.1M	$10,649
15%	$59.5M	$57.2M	$15,973
20%	$79.4M	$76.2M	$21,297

4.4 Interpretation

The 5% rate generates meaningful but insufficient income replacement—approximately $3,200–$6,500 per driver annually across the three metro tiers. This functions more as a supplemental income floor than a transition mechanism. It may be politically easier to enact but risks being dismissed as tokenistic by drivers and advocates.

The 10% rate produces $6,500–$12,900 per driver—roughly 22% of median full-time rideshare net driver earnings (estimated using a 73% net retention rate after vehicle expenses in major metros, derived from HR&A Advisors' New York City Uber driver economics study).[12] This represents a more substantive income

[12] The 73% net retention rate reflects the share of gross driver earnings retained after vehicle-related expenses. This is based on an independent study of New York City Uber driver economics conducted by HR&A Advisors for Uber Technologies, which found that a full-time NYC Uber driver earned $72,839 annually and incurred $19,966 in vehicle-related expenses (fuel, depreciation, maintenance, insurance, TLC licensing, and financing costs), yielding net annual pay of approximately $52,900—a retention rate of 72.6% (HR&A Advisors, "New York City Uber Driver Earnings and Expenses Study," November 4, 2024). NYC driver economics differ from other metros due to the city licensing requirements, higher insurance costs, and the prevalence of drivers who purchase or rent vehicles specifically for rideshare work; in metros where drivers use pre-existing personal vehicles, the expense burden may be lower and the effective retention rate higher. Note that in California, Proposition 22 requires platforms to reimburse drivers $0.36 per engaged mile for vehicle expenses and offer a healthcare subsidy to highly active drivers, which would partially offset these costs and increase the effective retention rate for California-based drivers. However, the Prop 22 reimbursement applies only to engaged miles (not deadheading or waiting) and is roughly half the IRS standard mileage rate of

bridge that, combined with other transition supports, could prevent the worst displacement outcomes. It is the minimum rate at which DETS functions as a credible predistributive mechanism.

The 15% rate—the illustrative figure in the original proposal—generates $9,700–$19,400 per driver, approaching or matching a third of net driver earnings in many markets. This is the rate at which DETS begins to deliver more meaningful compensation. However, it represents a larger share of platform revenue and may face industry resistance.

The 20% rate provides the strongest income replacement but is likely to trigger the most aggressive legal and political opposition and could affect platform pricing competitiveness.

Based on the sensitivity analysis above and strategic considerations around political feasibility, it may be most practical for pilot jurisdictions to begin at 10% with a statutory escalator to 15% over three years, conditioned on AV deployment milestones (e.g., when autonomous trips exceed 25% of platform trips in the jurisdiction). This phases in the full contribution as the labor cost savings from automation materialize, aligning platform capacity to pay with the contribution obligation.

4.5 Context: Platform Cost Savings from AV Transition

To anchor these rates against platform economics: driver compensation currently represents approximately 55–60% of gross fare revenue for major rideshare platforms.[13] AV deployment eliminates this cost category and replaces it with fleet capital expenditure, maintenance, and technology licensing. Assuming for instance that this could be estimated at 20–35% of gross fare revenue at scale (to be verified in future stages of work), the net labor cost savings from full AV transition therefore could be approximated at 20-40% (with a midpoint of approximately 30% of gross fare revenue).[14] A 10–15% DETS contribution captures roughly one-third to one-half of these savings, leaving platforms with substantial margin improvement from automation even after Trust contributions.

$0.70/mile (2025), suggesting it covers only a portion of actual vehicle costs. PDI plans to develop metro-specific expense estimates as part of the financial model supporting pilot jurisdiction negotiations.

[13] Driver compensation as a percentage of total gross bookings (inclusive of all fees, taxes, and surcharges) is estimated at 55–60%, consistent with Lyft's February 2024 driver earnings commitment guaranteeing drivers at least 70% of passenger payments after external fees (Lyft, Inc., Form 10-Q, Q1 2024, SEC filing) and Uber's GAAP Mobility revenue margin of approximately 30% of gross bookings (Uber Q4 2025 Earnings Press Release, SEC Form 8-K, Feb. 4, 2026), assuming roughly 15% of gross bookings allocated to pass-through taxes, tolls, and regulatory surcharges. See also Mishel, 'Uber and the Labor Market,' Economic Policy Institute, 2018.

[14] The net labor cost savings range is derived as follows: driver compensation (55–60% of gross bookings) is eliminated and replaced by AV fleet operating costs (estimated at 20–35% of gross bookings). The low end of the savings range (20%) results from the lowest driver compensation estimate minus the highest AV cost estimate (55% − 35%= 20%). The high end (40%) results from the highest driver estimated compensation minus the lowest AV cost estimate (60% − 20% = 40%).

5 Governance Enforcement Mechanisms

5.1 Board Composition and Term Structure

Composition. A **seven-member Board of Trustees** is proposed**:**

- **Four driver-elected representatives (majority),** elected by eligible Trust members through one-member-one-vote elections. At least two must be (potentially full-time) drivers—or former full-time drivers displaced by AV deployment—at the time of election. (The full-time versus part-time distinction may be important to consider to avoid the governing body disadvantaging part-time drivers or displaced part-time drivers.)
- **One independent financial fiduciary,** selected by the driver-elected majority from a shortlist of candidates vetted for cooperative fund management experience. This individual must have no financial relationship with any rideshare platform, AV operator, or their investors.
- **One city-appointed observer** with voice but no vote, serving as a transparency liaison to the permitting authority.
- **One driver-advocacy or labor organization representative,** nominated by a coalition of recognized driver organizations and confirmed by driver-elected board members.

Term limits. All elected and appointed positions carry two-year terms with a maximum of three consecutive terms (six years). After a mandatory two-year cooling-off period, former members may stand for re-election. Staggered terms ensure no more than half the board turns over in any single election cycle.

5.2 Removal and Accountability

- **Removal for cause:** Any Trustee may be removed by a two-thirds supermajority vote of the full Board for breach of fiduciary duty, undisclosed conflicts of interest, or failure to attend a certain number of consecutive quarterly meetings. The permitting authority may also petition for removal of the city-appointed observer.
- **Recall by members:** Trust members may initiate a recall vote for any driver-elected representative upon petition by 10% of eligible members. The recall succeeds with a simple majority of votes cast, provided at least 20% of eligible members participate.
- **Vacancy filling:** Vacancies in driver-elected seats are filled by special election within 90 days. The Board may appoint an interim Trustee from among eligible Trust members during the vacancy period.

5.3 Conflict-of-Interest Restrictions

- **Prohibition on platform affiliations:** No Trustee may hold employment, consulting, or board positions with any rideshare platform, AV operator, or their direct investors during their term or for two years following departure. Immediate family members of Trustees are subject to the same restrictions.
- **Financial disclosure:** All Trustees must file annual financial disclosures covering holdings in platform companies, AV operators, and related entities. Disclosures are publicly available to Trust members.
- **Recusal requirements:** Any Trustee with a material interest in a matter before the Board must disclose the interest and recuse themselves from deliberation and voting on that matter. Failure to disclose is grounds for removal.
- **Anti-revolving-door provision:** Former platform executives, lobbyists, or senior employees are ineligible to serve as Trustees for five years following their departure from a platform company.

5.4 Transparency Requirements

- **Public reporting:** The Trust shall publish quarterly financial statements (contributions received, investment returns, operating costs, distributions paid) and annual audited financials, both available to all Trust members and the public.
- **Meeting transparency:** Board meetings are open to Trust members. Meeting agendas are published at least 10 days in advance. Minutes are published within 14 days. Executive sessions (limited to personnel matters, pending litigation, and contract negotiations) require a recorded vote to enter and a summary of topics discussed published afterward.
- **Distribution methodology disclosure:** The formula for calculating individual stake allocations and annual distributions must be publicly documented, with any changes subject to member vote.
- **Independent audit:** An annual independent audit should be undertaken by a firm with no business relationship with any platform company, selected by the driver-elected board majority.

5.5 Driver Representative Power: Blocking and Affirmative Rights

Nominal majority representation is insufficient if critical decisions can be made outside the Board or if driver representatives lack the procedural tools to exercise power. The following provisions ensure substantive authority**:**

- **Supermajority requirements for major decisions:** Changes to the contribution rate, Trust dissolution, investment policy changes exceeding 25% portfolio reallocation, or any amendment to the Trust charter require a five-of-seven Board supermajority—meaning at least one driver-elected representative must approve even if all non-driver Trustees agree.

- **Driver veto on existential matters:** Trust dissolution, merger with another entity, or waiver of platform contribution obligations require approval by both a Board supermajority and a direct member vote (simple majority of votes cast, 25% participation threshold).
- **Protected allocation provisions:** The tiered eligibility structure—including the floor allocation for Tier C drivers and the proportional stake methodology—is embedded in the Trust charter, not set by Board policy. Changes to the allocation formula, the floor percentage, or the tier thresholds require a charter amendment (Board supermajority plus direct member vote). This prevents a Board dominated by high-volume Tier A drivers from reducing floor allocations for lower-volume members, or vice versa. The Trust charter should also include explicit anti-discrimination provisions ensuring that eligibility criteria and stake allocations are fair. The independent audit should include a review of allocation outcomes across demographic groups where data is available.
- **Agenda-setting power:** Any two driver-elected Trustees may place an item on the Board agenda. The Board chair shall be elected from among the driver-elected representatives.
- **Independent legal counsel:** The Trust shall retain legal counsel selected by the driver-elected majority, independent of counsel used by the city or platforms, funded from Trust operating costs. Driver-elected Trustees may consult this counsel without Board approval.

5.6 Governance Training and Candidacy

To ensure that elected Trust representatives have the competence to govern effectively—and to allow candidates to demonstrate commitment and aptitude before standing for election—the Trust establishes a structured candidacy program.

Candidacy training program. Any eligible Trust member seeking a driver-elected board seat must first complete a 40-hour governance training program covering corporate and Trust-level fiduciary duties, cooperative governance principles, financial statement literacy, investment policy basics, conflict-of-interest rules, and parliamentary procedure. It should include case studies and guest speakers to introduce real-world experience into the curriculum. Completion of this program qualifies the member to stand for election. The program should be offered on a rolling basis (at least twice per year) to maintain an adequate pipeline of qualified candidates. A limited number of seats should be available on a first-come-first-serve basis to avoid bias and limit expenses (waitlists can be maintained for candidates who do not enroll on time).

Training providers. Training is provided by independent cooperative development organizations (e.g., the Democracy at Work Institute, the US Federation of Worker Cooperatives, or equivalent) and independent corporate governance programs—not by platform-affiliated entities. The curriculum should include both cooperative and Trust-relevant corporate governance, as well as traditional corporate governance fundamentals (e.g., board fiduciary duties under state corporate law, financial oversight, securities law basics, board-level strategic decision making, and executive compensation practices). This ensures that driver representatives can engage effectively with conventional corporate governance structures if they

serve on platform company boards. Training programs could potentially be extended to longer or additional periods for candidates interested in joining corporate boards.

Candidacy demonstration period. Candidates who complete the training program participate in at least one board meeting as a non-voting observer before their names appear on the ballot. This provides candidates with direct exposure to board operations and allows the broader membership to assess their readiness. Some provisions could be structured to allow the existing Board to shape the slate for the ballot so as to ensure screening of qualified candidates.

Ongoing education. Each Trustee completes a minimum of 12 hours of continuing corporate and trust governance education annually. The Trust budgets for this as an operating cost.

Compensation for service. Driver-elected Trustees receive compensation for Board service (for instance equivalent to 20 hours of median driver earnings per month) to ensure participation is accessible to working drivers (or former drivers working other jobs) and does not impose a financial penalty. This compensation, along with governance training, independent legal counsel, and audit costs, would be funded from Trust operating expenses (estimated at 3–5% of annual contributions) and, during the pre-contribution startup phase, from the $2 million per-jurisdiction seed funding identified in the original proposal's financing section.

5.7 Avoiding Isolation of a Single Worker Representative on Corporate Boards

A single worker representative on a corporate board faces structural isolation—the risk of being marginalized, outvoted on every issue, or co-opted through social pressure. The Trust charter should therefore specify that at minimum two non-traditional board seats be sought in negotiations with platforms. For instance, this could be one worker representative and one consumer/community safety advocate. This reflects PDI's broader work on diversifying corporate governance to better include the perspectives of workers, communities, and consumers alongside those of shareholders. The rationale is that these stakeholders have frontline visibility of emerging risks and opportunities and can bring critical information into board strategy and decision making.

Even a second non-traditional board member substantially changes the dynamics: two voices can reinforce each other, share information, balance perspectives, and resist co-optation more effectively than one. The Trust charter should specify that corporate board nominees are elected by Trust members through the same one-member-one-vote process used for Trust board elections. A provision would need to be negotiated with the platform company as to how these candidates proceed through a corporate board nomination process.

6 Multi-Jurisdiction Portability and the Coordination Problem

6.1 The Prisoner's Dilemma: A Real but Bounded Threat

If DETS is adopted city-by-city, there is a risk that platforms may withdraw from or reduce service in adopting jurisdictions and concentrate operations in non-DETS cities. This creates a classic coordination failure where no individual city wants to move first, even if all cities would benefit from collective adoption.

However, several factors limit platform leverage:

- **Market size constrains exit.** San Francisco, New York, Los Angeles, Chicago, and Phoenix are among the highest-revenue rideshare markets in the country. Platforms exiting these markets forfeit substantial revenue, market share, and network effects. Exit from a top-five metro is qualitatively different from exit from a mid-tier city. These major markets should be actively engaged either in the pilot or as near-term expansion targets beyond the initial pilot cities.
- **AV deployment is geographically constrained.** AVs require regulatory approval, mapped operational domains, and physical infrastructure (maintenance facilities, charging stations). Companies cannot quickly relocate AV fleets. Waymo's SF operations represent years of investment in mapping, permitting, and fleet deployment that cannot be replicated overnight elsewhere.
- **Competitive dynamics cut both ways.** If one platform exits a DETS jurisdiction, competitors have an incentive to stay and capture its market share—particularly if DETS contributions are a modest fraction of revenue savings from automation.
- **Consumer and political backlash.** Platform exit from a major city generates negative publicity and political mobilization. Platforms marketing autonomous vehicles as a public benefit face reputational costs from abandoning cities that ask them to share that benefit with displaced workers.
- **Cities have an incentive to institute these programs.** DETS counters macroeconomic systemic financial and market risks from job and income displacement. There is a strong incentive for cities to protect themselves, tax revenue, and the consumption power of their populations. It is already evident from the data center backlash that states are being responsive to their constituents' concerns by implementing moratoria; this is a parallel example.

Nonetheless, potential mitigants to these risks could include:

- **Simultaneous adoption pacts.** Pilot jurisdictions could negotiate a coordination agreement similar to the Regional Greenhouse Gas Initiative (RGGI), in which seven governors signed a 2005 Memorandum of Understanding to jointly implement carbon emissions caps, with each state adopting individual program elements based on a shared Model Rule in 2006 (RGGI later expanded to ten states). The US Climate Alliance, formed in 2017 by California, New York, and Washington and now including 24 members, provides a further precedent for multi-state coordination on policy

goals without requiring formal congressional consent. For DETS, a minimum of three to five major rideshare cities would agree to adopt DETS simultaneously, with implementation triggered only when a threshold number of signatories have enacted enabling legislation. This eliminates first-mover disadvantage.

- **State-level enabling legislation.** The most durable coordination mechanism is state-level law requiring DETS as a condition of AV deployment permits statewide. California, Arizona, and Texas—the three states containing the priority metros (SF, Phoenix, and Austin respectively)—are primary targets. State-level adoption eliminates intra-state jurisdiction shopping entirely and provides a stronger legal foundation than municipal ordinances.
- **Federal floor.** In the medium term, National Highway Traffic Safety Administration (NHTSA) rulemaking or congressional action could establish a federal minimum DETS contribution as a condition of AV safety certification or interstate operation. This is a longer-term goal, but the pilot phase should explicitly document the coordination problem as an argument for federal action.
- **Escalator provisions tied to deployment.** DETS ordinances should include provisions that increase the contribution rate if a platform reduces service volume in a DETS jurisdiction relative to the metro-wide rideshare market (e.g., if a platform's trips decline more than 15 percentage points faster than the overall market year-over-year). The relative benchmark is critical—an absolute trip-decline trigger would penalize platforms during recessions or demand downturns that reduce rideshare volume across the board, potentially harming both the company and the Trust. By measuring performance relative to the broader market, the escalator targets only strategic withdrawal while remaining neutral to organic demand fluctuations. This converts strategic service reduction into a self-defeating tactic without creating perverse incentives during downturns. Separately, permit caps and phase-in schedules remain essential—the escalator addresses strategic withdrawal, while pace controls address the timing risk of displacement outrunning Trust asset accumulation.

6.2 Portability for Multi-Jurisdiction Drivers

Drivers whose trips span multiple jurisdictions (e.g., a driver operating across SF, Oakland, and San Jose) need a seamless membership experience. An approach to addressing this can be:

- **Primary jurisdiction assignment.** Each driver is assigned to the jurisdiction where they complete the plurality of their trips. Their Trust membership and stake accrue in that jurisdiction's DET.
- **Reciprocity agreements.** Participating jurisdictions execute reciprocity agreements ensuring that trips completed in any DETS jurisdiction count toward eligibility and stake accumulation in the driver's primary jurisdiction. Platform trip data reporting (which has precedent in California and Chicago) provides the verification mechanism necessary to initiate reciprocity agreements.[15]

[15] California's CPUC has required all Transportation Network Companies (TNCs) to submit comprehensive annual reports covering trip-level data—including trips completed, driver information, and vehicle records—as a condition of operating in the state, pursuant to Commission Decisions D.13-09-045 and D.16-04-041, and updated under D.24-08-010. This infrastructure provided the evidentiary foundation for

- **Future consolidation.** If DETS scales to state-level adoption, jurisdiction-level Trusts could be consolidated into a single state-level DET with local governance chapters, simplifying administration while preserving local driver representation.

California's misclassification enforcement action against Uber and Lyft (filed May 2020 by the California Attorney General and city attorneys from Los Angeles, San Diego, and San Francisco). Note that the trip data reporting framework predates AB 5—it was established by the CPUC's TNC rulemaking beginning in 2013—and was drawn upon in AB 5 enforcement rather than created by it. See: California Public Utilities Commission, "Required Reports for Transportation Network Companies," https://www.cpuc.ca.gov/regulatory-services/licensing/transportation-licensing-and-analysis-branch/transportation-network-companies/required-reports-for-transportation-network-companies; CPUC TNC Data Portal, https://www.cpuc.ca.gov/regulatory-services/licensing/transportation-licensing-and-analysis-branch/transportation-network-companies/tnc-data-portal; San Francisco County Transportation Authority, "TNCs 2020: A Profile of Ride-Hailing in California," April 2023, https://www.sfcta.org/tncs-2020.

Chicago has required TNPs to submit monthly trip-level data—including trip start and end times, origin and destination, driver details, vehicle information, and fare data—as a mandatory condition of licensure since the TNP Ordinance (Chapter 9-115 of the Municipal Code of Chicago) took effect on September 2, 2014. The technical data reporting specifications are set out in Rule TNP2.02 (amended August 10, 2020), issued by the Department of Business Affairs & Consumer Protection. All trip data reported under this ordinance is published on Chicago's Open Data Portal. See: City of Chicago, "Chicago Transportation Network Providers (Ride-Hail Companies)," https://www.chicago.gov/city/en/depts/bacp/provdrs/vehic/svcs/tnp.html; Chicago TNP Reporting Manual (technical specifications), https://chicago.github.io/tnp-reporting-manual/; Chicago Rule TNP2.02 (full rules text, amended August 10, 2020), https://www.chicago.gov/content/dam/city/depts/dol/rulesandregs/TNPRulesAmendedeff81020.pdf; City of Chicago Open Data Portal, "Transportation Network Providers—Trips (2023–2024)," https://data.cityofchicago.org/Transportation/Transportation-Network-Providers-Trips-2023-2024-/n26f-ihde; City of Chicago Open Data Portal, "Transportation Network Providers—Drivers," https://data.cityofchicago.org/Transportation/Transportation-Network-Providers-Drivers/j6wf-834c.

7 Hybrid Compensation Structure: Revenue, Equity Participation & Diversified Wealth Accounts

7.1 Limitations of Revenue Sharing Alone

A revenue-only DETS structure provides displaced drivers with an income floor—but it leaves the fundamental wealth asymmetry of the AV transition unaddressed. When autonomous vehicles replace human drivers, platforms capture two distinct categories of value:

- **Operational savings** (the difference between driver compensation and AV operating costs), which flow to operating margins and ultimately to earnings. A revenue-sharing mechanism partially recaptures this.
- **Equity appreciation** (the capitalization of those higher margins into share prices and valuations), which accrues exclusively to shareholders. This is where the exponential wealth divergence occurs. A platform that doubles its operating margin doesn't just double its earnings—public markets may assign a higher earnings multiple to a company with lower variable costs and higher scalability, compounding the valuation effect. Shareholders benefit twice: from higher earnings and from higher multiples on those earnings.

A revenue-sharing structure alone creates a scenario where drivers receive a linear income stream while capital owners capture exponential wealth growth. Over a decade, this divergence could dwarf the income replacement DETS provides. For example, a driver receiving annual cash distributions from the Trust while the platform's market capitalization grows by tens of billions is experiencing predistribution's ceiling, not its promise. This is compounded in a monetary policy environment where cash is depreciating while asset values overall rise.

A solution can be a three-pillar hybrid structure that gives drivers exposure to all three value streams: current income (revenue sharing), platform-specific equity upside (synthetic equity or direct shares), and long-term diversified wealth accumulation (a portable capital account).

7.2 Overview of Pillar Allocation

Under the hybrid model, the total platform contribution (e.g., 15% of gross fare revenue) is allocated across three pillars:

Table 5: Three-Pillar Benefit Structure Overview

Pillar	Allocation	Purpose	Liquidity
Pillar 1: Revenue Sharing	50% of contribution	Current income replacement	Quarterly distributions
Pillar 2: Platform Equity Participation	25% of contribution	Capture equity upside from automation	Medium-term (3–7 year vesting/liquidity)
Pillar 3: Diversified Wealth Account	25% of contribution	Long-term wealth building & retirement	Long-term (retirement or hardship withdrawal)

All three pillars are valued at the time of contribution based on the same gross bookings revenue base and contribution rate—for instance, a 10% contribution on $100M in gross bookings produces $10M in total value, of which $5M is distributed as cash (Pillar 1), $2.5M is issued as platform equity (Pillar 2), and $2.5M is deposited into Diversified Wealth Accounts (Pillar 3). The per-driver distribution figures in the sensitivity tables presented previously reflect the total *(uninvested)* cash value across all three pillars, not Pillar 1 alone.

These ratios are illustrative and should be tested through driver engagement. The key design principle is that drivers access current income immediately (Pillar 1) while simultaneously building wealth that compounds over time (Pillars 2 and 3). The allocation can also shift over the transition timeline—early years may weight more heavily toward Pillar 1 when income replacement is most urgent, transitioning toward Pillars 2 and 3 as the Trust matures.

7.3 Pillar 1: Revenue Sharing (Current Income)

Fifty percent of the platform's contribution flows directly into the Trust's operating account and is distributed quarterly to eligible driver-members based on their proportional stake.

At a 15% contribution rate in a Tier 1 metro ($2,658M revenue, 19,766 drivers), this pillar alone generates approximately $9,700 per driver annually. While meaningful as a supplemental income stream, the cash component represents roughly 17% of estimated median full-time net driver earnings of approximately $58,400 (based on a median gross wage of $80,000 and a 73% net retention rate after vehicle expenses); the total (uninvested) contribution across all three pillars represents roughly 33%.

While Pillars 2 and 3 are anticipated to benefit from capital appreciation (not yet captured in this analysis, but estimated at a high-level below), overall, this underscores that DETS is designed as a predistributive cushion and wealth-building mechanism, not as full income replacement. Its value is immediacy and predictability: drivers see cash distributions from the first quarter of Trust operation. This can support transitional periods between types of work.

7.4 Pillar 2: Platform Equity Participation (Capturing Automation Upside)[16]

This pillar addresses the exponential wealth gap directly. There are several structural options.

7.4.1 Option A: Direct Equity Contribution

Platforms contribute actual shares (or share equivalents) to the DET, either through new issuance or open-market purchases. The dollar value of the contribution is converted into a number of shares based on the platform's fair market value at the time of issuance—market price for publicly traded companies (Uber, Lyft), or an independent 409A-compliant valuation for any private platform operator that may enter the market. Total shares held by the Trust would be limited to a cap, such as 15% of the total outstanding share issuance; once the cap is met, the contribution can revert to Pillar 1. The Trust holds these shares on behalf of driver-members, with the independent fiduciary managing the position.

Advantages: Drivers hold real economic exposure and dividend rights, with capital appreciation potential.

Challenges: Dilution will likely be a concern to corporate boards and shareholders. For private companies (Waymo/Alphabet subsidiary), valuation and liquidity are more complex. Securities law compliance adds administrative cost.

Tax treatment: The cooperative trust structure may qualify for tax advantages under Subchapter T of the Internal Revenue Code (which governs cooperative taxation), potentially allowing the Trust to deduct patronage dividends distributed to members.[17] ESOP-style tax treatment (deductibility of contributions, tax deferral for participants) provides an additional model, though extending such treatment to a non-employee cooperative would likely require legislative action. This is an area where the emerging portable benefits safe harbor legislation (see Pillar 3) may open new pathways.

7.4.2 Option B: Phantom Equity / Synthetic Equity

Rather than contributing actual shares, platforms can issue phantom equity units to the DET (with comparable limits to Option A). These units track the value of the platform's stock but are settled in cash

[16] This proposal specifies a cooperative trust structure under state cooperative corporation law—not an Employee Stock Ownership Plan (ESOP). This distinction matters both legally and strategically. The cooperative framing is central to the proposal's legal defensibility: DETS is structured as a permit condition creating a driver-owned cooperative, not as an employment benefit that could trigger classification disputes or ERISA obligations. While ESOP frameworks offer useful precedent on tax efficiency, valuation methodology, vesting schedules, and governance design, the DET itself is a cooperative entity, and any equity held by the Trust is held under cooperative governance principles (one member, one vote) rather than ESOP rules. ESOP precedent is referenced periodically in this section for its instructive value on implementation mechanics, not as the proposed legal structure.

[17] Subchapter T of the Internal Revenue Code (I.R.C. §§ 1381–1388) governs cooperative taxation. Under I.R.C. § 1382(b), a qualifying cooperative may deduct patronage dividends paid to members from its gross income, avoiding double taxation by passing income through to members rather than taxing it at the entity level. To qualify, the cooperative must operate on a cooperative basis—satisfying democratic control, subordination of capital, and proportionate allocation of profits based on patronage activity. See: 26 U.S.C. Subchapter T, https://uscode.house.gov/view.xhtml?path=/prelim@title26/subtitleA/chapter1/subchapterT&edition=prelim; 26 C.F.R. § 1.1382-2, https://www.law.cornell.edu/cfr/text/26/1.1382-2. Whether platform contributions distributed to independent contractor drivers qualify as patronage-sourced income under I.R.C. § 1388(a) is untested and may require legislative clarification. ESOP tax benefits (deductible employer contributions under I.R.C. § 404; capital gains deferral under I.R.C. § 1042) are structurally analogous but legally restricted to employees under ERISA-qualified plans and therefore unavailable to independent contractors without congressional action. See: IRS, "Employee Stock Ownership Plans (ESOPs)," https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title26-section401&num=0&edition=prelim; National Center for Employee Ownership, "ESOP Tax Incentives and Contribution Limits," https://www.nceo.org/articles/esop-tax-incentives-contribution-limits.

upon a triggering event (vesting date, change of control, or scheduled redemption windows). Drivers receive the economic upside of equity ownership without the platform issuing actual shares. The dollar value of the contribution is converted into a number of phantom equity units based on the platform's fair market value at the time of issuance—market price for publicly traded companies (Uber, Lyft), or an independent 409A-compliant valuation for any private platform operator.

Advantages: Phantom equity can be granted to independent contractors under existing law—there is clear legal authority for this. It avoids ownership dilution (no new shares issued, no voting power transferred), which removes a major source of platform resistance. It avoids securities registration requirements that would apply to actual share issuance. Section 409A of the Internal Revenue Code governs the structure, and compliance pathways are well-established. The Trust's independent fiduciary would manage the valuation and redemption process.

Important note on economic substance: While phantom equity does not dilute ownership, it is booked as a compensation expense on the platform's income statement, and cash settlement at redemption directly reduces earnings. Phantom equity therefore effectively dilutes earnings per share and shareholder value—the economic cost is real, it is simply borne through the income statement rather than through the capitalization table. In practice, the distinction matters for political feasibility: platform resistance to an operating expense (especially one framed as a permit compliance cost) may be less intense than resistance to actual share issuance, even though the economic transfer may be comparable. This framing should be deployed deliberately in negotiations with platforms and their investors.

Design specifics for DETS:

- Phantom units would be granted annually based on each driver's proportional stake in the Trust.
- Units would vest over three years to encourage retention and discourage gaming.
- Redemption windows would open annually after vesting, with the Trust converting phantom units to cash at fair market value (determined by independent 409A-compliant valuation for private companies, or market price for public companies).
- The platform's cash obligation on redemption would be a deductible compensation expense.
- "Full value" units (tracking total share price, not just appreciation) are recommended so that drivers benefit even in flat markets.

Challenges: Phantom equity is a cash obligation for the platform, not actual ownership. If the platform's valuation grows dramatically, the cash settlement liability grows correspondingly—which platforms may find unpredictable. A cap-and-convert mechanism could address this: if aggregate phantom equity liability exceeds a threshold (e.g., 3% of market capitalization), the platform converts excess phantom units into actual shares, transitioning to Option A.

7.5 Pillar 3: Diversified Wealth Account (Long-Term Capital Accumulation)

Pillar 3 creates a portable, diversified, individually owned capital account for each driver-member—functioning as an automation-era wealth-building vehicle designed to distribute not just assets but genuine financial autonomy.

7.5.1 Structure: The Driver Capital Account (DCA)

Each eligible driver holds an individual **DCA within the Trust**. Twenty-five percent of the platform's contribution is allocated to DCAs based on each driver's proportional stake. The accounts are:

Individually owned and portable: The DCA belongs to the driver and moves with them if they change jurisdictions, leave rideshare work, or the Trust eventually winds down. This is a wealth asset, not a benefit that disappears with the job. It is also portable out of the Trust itself. After a one-year initial holding period (to allow the Trust to manage cash flow), a driver may roll their DCA balance into a qualifying external account—a self-directed individual retirement arrangement (IRA), a brokerage account, a credit union investment account, or any other vehicle the driver chooses—without penalty. The Trust is a default custodian, not a mandatory one. This preserves driver autonomy and prevents the Trust from becoming an institution that concentrates financial power over captive capital. It also enables the driver to make independent investment decisions which suit the driver's preferences (agency) and build diversified strategies into the capital markets.

Self-directed with a professionally managed default. The DCA is not a sovereign wealth fund model where a centralized fiduciary makes all investment decisions. Instead, it follows a structure closer to the Thrift Savings Plan (TSP) or Australia's superannuation system:

- **Default option:** Drivers who take no action are enrolled in a diversified "lifecycle" allocation managed by the Trust's fiduciary, with target-date rebalancing based on the driver's age. This ensures that drivers who lack the time, interest, or financial literacy to manage investments still receive competent, low-cost portfolio management.
- **Self-directed option:** Drivers who wish to manage their own assets may choose from a menu of low-cost investment options curated by the Trust, or—after the one-year holding period—roll their balance out to a self-directed account entirely. This is essential: predistribution aims to distribute power, not just assets. A driver who wants to invest in a small business, a local real estate cooperative, community development financial institutions (CDFIs), or an equal-weighted fund should have that option. Locking capital into a centralized pool managed by institutional investors replicates the very concentrated power dynamics and market structures DETS is designed to disrupt.

7.5.2 Diversification Guidance and Responsible Default Design

The default portfolio design requires careful attention to a well-documented tension between individual portfolio returns and broader market functioning. Capitalization-weighted index funds—the dominant vehicle for passive investing—allocate capital in proportion to firms' existing market capitalization,

directing the most investment toward the largest companies. As passive fund flows have grown to represent a significant share of market activity, academic research has identified two related concerns:

- **First,** passive investing disproportionately inflates the stock prices of the largest firms. Jiang, Vayanos, and Zheng demonstrate that flows into passive funds raise the stock prices of the economy's largest firms more than smaller firms, making the size distribution of firms more skewed, and that these effects can cause the aggregate market to rise even when flows represent investors switching from active to passive funds rather than new capital entering equities.[18] Passive investing systematically biases stock market valuations toward overvaluation of mega-cap firms, further contributing to monopsony dynamics and market power held by the few.
- **Second,** the resulting common ownership patterns—where a small number of institutional investors become the largest shareholders of most publicly traded firms—may reduce competitive incentives across industries. Azar, Schmalz, and Tecu, published in the Journal of Finance, found that in the US airline industry, accounting for common ownership implied market concentration increases larger than what antitrust authorities consider presumptively problematic, with material fare increases.[19] While subsequent research has debated the magnitude of these effects, the structural concern remains that cap-weighted indexing concentrates both capital and governance power in a small number of mega-cap firms and asset managers.

These dynamics are partially about wealth inequality. But they implicate the functioning of capital markets themselves: price discovery, competitive behavior across industries, and the allocation of capital to productive uses. In an AI-driven economy where automation may concentrate economic value in fewer firms and direct capital flows according to similar patterns, cap-weighted indexing amplifies that concentration by mechanically directing passive flows toward the largest beneficiaries of automation.

Nonetheless, the DCA's independent fiduciary has a duty to its driver-beneficiaries' financial interests. If cap-weighted indexes outperform equal-weighted or fundamentally-weighted alternatives—which they have in many recent periods, partly because of the very concentration dynamics described above—then steering DCA assets entirely away from them could harm drivers' returns. *Displaced drivers should not be asked to subsidize better market structure with their retirement savings.*

The Trust might therefore consider a default portfolio that balances market exposure with responsible capital allocation (ultimately decisions about the allocation of capital should be left to the Trust and its governance processes):

- **A blended core allocation:** approximately 60% in broad market exposure (accepting some cap-weighting to fulfill fiduciary obligations to beneficiaries) and 40% in equal-weighted, fundamentally-weighted, and small/mid-cap strategies that distribute capital more broadly. This provides drivers

[18] Jiang, Vayanos, Zheng (2025): Jiang, Hao, Dimitri Vayanos, and Lu Zheng. "Tracking Biased Weights: Asset Pricing Implications of Value-Weighted Indexing." NBER Working Paper No. 28253.
[19] Azar, Schmalz, Tecu (2018): Azar, José, Martin C. Schmalz, and Isabel Tecu. "Anticompetitive Effects of Common Ownership." *The Journal of Finance*, vol. 73, no. 4 (August 2018), pp. 1513–1565. https://doi.org/10.1111/jofi.12698

with meaningful participation in overall market returns while tilting the allocation toward broader capital distribution.

- **Community investment allocation:** a portion of the non-cap-weighted sleeve directed toward CDFIs, cooperative investment funds, and local infrastructure bonds—vehicles that circulate capital through the communities where displaced drivers live and work.
- **Explicit underweight of the specific platforms** contributing to the Trust, to avoid the circularity of drivers' wealth accounts being invested in the companies that displaced them and duplicating exposure from Pillar 2.
- **International diversification** to reduce dependence on US market concentration dynamics.

This blended design acknowledges honestly that if cap-weighted indexes continue to outperform, drivers in the default portfolio will earn somewhat lower returns than a pure index benchmark. The above allocation strategy is not a strong recommendation, but one important to consider. The Trust's governance training program should equip board members and driver-members to understand and debate this topic and come to their own decisions. Should the Trust choose this allocation strategy, it should be communicated clearly to drivers and potentially voted upon through a membership vote. Drivers who prefer maximum market exposure could retain the option to roll their DCA balance into a self-directed account and invest as they choose.

7.5.3 The Systemic Dimension: Why DCA Portability Matters Beyond Individual Choice

The DCA's portability out of the Trust (after the one-year holding period) is not only about individual driver autonomy. It also addresses a **systemic concern**: concentrating large pools of capital under centralized institutional management—whether in sovereign wealth funds, mega-cap index funds, or a scaled-up Trust fiduciary—creates correlated investment behavior, reduces independent price discovery, and amplifies systemic risk. If DETS scales across metros and sectors, aggregate DCA assets could grow into the tens of billions. Concentrating that capital under a single Trust fiduciary would replicate the institutional concentration dynamics that the academic literature identifies as problematic. Portability ensures that driver capital can be dispersed across multiple managers, custodians, and investment approaches, supporting the decentralization and diversification that capital markets require to function effectively.

7.5.4 The Role of Pension Funds

With that said, public pension funds—which already manage large pools of assets on behalf of workers, have established governance infrastructure, and in many cases invest in community development and infrastructure—may be natural partners for DCA administration. A state or municipal pension board could serve as the default custodian for DCA assets, leveraging existing fiduciary expertise and investment infrastructure while reducing Trust startup costs.

This approach would need to address governance concerns (pension boards may not be responsive to driver-specific needs) and political risk (pension funds are subject to legislative interference), but it offers

an alternative to building fiduciary capacity from scratch within the Trust. Pension fund partnerships could also be explored for the Trust's overall investment function, not just DCAs. Ultimately, the question of how displaced workers' capital is invested is itself a predistributive question. The DCA's default design is an opportunity to model responsible capital allocation at scale, but addressing market concentration systemically requires policy action (antitrust enforcement, index methodology reform, stewardship standards) that goes beyond what any single cooperative trust can accomplish through its portfolio choices alone.

7.6 The Portable Benefits Pathway to Tax Advantage

The traditional obstacle to creating tax-advantaged retirement-style accounts for independent contractors has been the reclassification risk: if a platform contributes to a worker's retirement account, regulators might treat that as evidence of an employment relationship. Importantly, this obstacle is dissolving.

Six states—Utah, Alabama, Tennessee, Idaho, West Virginia, and Wyoming—have already enacted portable benefits safe harbor laws that explicitly provide that voluntary benefit contributions to independent contractors cannot be used as evidence of employment status.[20] As of early 2026, at least nine additional states have introduced similar legislation. At the federal level, the Cassidy-Scott-Paul legislative package (introduced July 2025) includes both a federal safe harbor for voluntary contractor benefits and the Independent Retirement Fairness Act, which would allow independent contractors to participate in pooled employer plans and single-employee pension IRAs.[21]

Alabama's framework is particularly instructive. Under SB 86, platforms can deduct 100% of contributions to contractor benefit accounts as a business expense, and workers pay no state income tax on the value received. This creates a tax incentive structure comparable to employer 401(k) contributions for independent contractors (applies to Alabama state tax only, not federal).[22]

[20] Portable benefits safe harbor laws enacted before 2026: Utah (2023), Alabama, Tennessee, Idaho, West Virginia, and Wyoming (all 2025). At least eight additional states have introduced similar legislation. See Georgetown Center for Retirement Initiatives, "Portable Benefits" (March 2026), https://cri.georgetown.edu/portable-benefits/.

[21] Federal Cassidy-Scott-Paul package (introduced July 7–9, 2025): includes the Unlocking Benefits for Independent Workers Act (S.2210) and the Independent Retirement Fairness Act (S.2217). See Senate HELP Committee, July 7, 2025, https://www.help.senate.gov/rep/newsroom/press/chair-cassidy-scott-paul-release-legislative-package-empowering-independent-workers-to-access-portable-benefits; S.2210, https://www.congress.gov/bill/119th-congress/senate-bill/2210/text.

[22] Alabama SB 86 (signed April 10, 2025; effective December 31, 2025): hiring parties deduct 100% of contributions as a business expense; contractors exclude contributions from Alabama state taxable income. Applies to Alabama state tax only, not federal. See SB 86 text, https://alison.legislature.state.al.us/files/pdf/SearchableInstruments/2025RS/SB86-eng.pdf; Fisher Phillips, https://www.fisherphillips.com/en/news-insights/alabama-launches-first-in-the-nation-tax-friendly-portable-benefits-for-independent-contractors-and-gig-workers.html.

The DETS Pillar 3 design leverages this emerging framework:

- In states with portable benefits safe harbor laws (or once federal legislation passes), DCA contributions would be structured as tax-advantaged portable benefit contributions—deductible to the platform, tax-deferred to the driver until withdrawal.
- In states without safe harbor laws, DCA contributions would be structured as taxable Trust distributions earmarked for the DCA, with the Trust electing investment structures that minimize tax drag (e.g., index funds in tax-efficient wrappers). Advocacy for safe harbor legislation becomes a complementary policy priority.

The DCA is not an employer-sponsored retirement plan (which would implicate ERISA and the employee classification issue). It is a driver-owned account held within a cooperative trust structure, funded by permit-conditioned platform contributions. This is a novel legal category—but one that the portable benefits movement is actively constructing the scaffolding for.

7.7 Potential Withdrawal Rules

- **Standard withdrawal at age 59½** (aligned with traditional retirement account conventions), with distributions taxed as ordinary income if the account received tax-advantaged contributions.
- **Heritability.** Consistent with the original proposal's provision that "stakes are non-transferable but heritable," all three pillars pass to designated beneficiaries upon a driver-member's death. Pillar 1 stake allocations continue generating distributions for beneficiaries. Pillar 2 phantom equity units vest immediately upon death and are redeemed at current fair market value. Pillar 3 DCA balances transfer to the beneficiary's own account. Platform stakes remain non-transferable during a driver's lifetime—they cannot be sold (unless back to the Trust, which would require provisions to manage redemptions), assigned, or pledged as collateral—to prevent predatory buyouts of vulnerable drivers' positions.
- **Hardship withdrawal** permitted for qualifying events (medical emergency, disability, housing displacement), subject to a 10% early withdrawal penalty waived in cases of permanent disability.
- **Transition withdrawal**—a provision unique to the DETS context: if a driver is fully displaced by AV deployment (defined as platform trip availability falling below a threshold in their jurisdiction), they may withdraw up to 50% of their DCA balance without penalty, regardless of age. This converts long-term savings into transition support precisely when needed.
- **No loans against the DCA.** To prevent erosion of long-term wealth, DCAs would not permit borrowing against the balance. The Trust may establish a separate emergency fund (from Pillar 1 reserves) for short-term liquidity needs.

7.8 Illustrative Hybrid Model: Tier 1 Metro at 15% Contribution

Table 6: Illustrative Year 1 Per-Driver Benefit Breakdown by Pillar

Component	Annual Amount (per driver)	Value Proposition
Pillar 1: Revenue Sharing (50%)	~$9,700	Quarterly cash income
Pillar 2: Phantom Equity (25%)	~$4,850 in phantom units	Tracks platform valuation; redeemable after 3-year vest
Pillar 3: Diversified Wealth Account (25%)	~$4,850 contributed	Compounds in diversified portfolio; driver-controlled and portable
Year 1 Total	**~$19,400 in (cash, uninvested) value**	

Over a 10-year horizon, assuming 8% average annual returns on Pillar 3 assets and moderate platform equity appreciation on Pillar 2, a driver who entered the Trust at inception would hold:

- Approximately $97,000 in cumulative Pillar 1 cash distributions received.
- A Pillar 2 phantom equity position whose value depends on platform performance (potentially significantly more than the $48,500 in contributions if the platform's valuation grows substantially post-AV deployment).
- A Pillar 3 DCA balance of approximately $70,000 (assuming $4,850/year contributions compounding at 8%), held in a self-directed account the driver fully controls—either within the Trust's default managed portfolio, in a curated menu of diversified options, or rolled out to the driver's own chosen investment vehicle.

A 10-year comparison with the revenue-only model. The total 10-year value under the hybrid model (~$216,000 in combined cash, equity, and account balance) is roughly comparable to what a revenue-only model would deliver in cumulative cash distributions (~$194,000 at the same contribution rate). Over a 10-year horizon, the hybrid model does not produce dramatically more *total* value—it produces a *different composition* of value: less current cash, more equity exposure, and a compounding wealth account. Even modest equity appreciation in Pillar 2 begins to produce divergence: assuming 10% annual platform equity appreciation (plausible given the margin expansion from AV deployment), the hybrid model would deliver approximately $244,000 over 10 years versus $194,000 under the revenue-only model—a 26% advantage.

The case for the hybrid model emerges over longer time horizons:

First, trajectory matters. Over 20 years, the compounding in Pillars 2 and 3 significantly widens the gap. At the same assumptions, the Pillar 3 DCA alone would grow to approximately $222,000, and Pillar 2 phantom equity could be worth multiples of its contribution basis if platform valuations grow as

automation expands margins. Total 20-year hybrid value could exceed **$500,000–$700,000** depending on equity appreciation, versus ~$388,000 in cumulative cash from a revenue-only model.[23]

Second, wealth vs. income. Revenue-only cash is typically spent on living expenses as it arrives—it replaces income but builds no lasting asset (unless invested immediately, but if valuations rise from the wealthy having greater capacity to invest, then cash-based revenue will lose purchasing power over time). Furthermore, under monetary, fiscal, and trade policy regimes of recent decades, cash has devalued while asset valuations have climbed. Pillars 2 and 3 create durable wealth that persists beyond the transition period, can be inherited (consistent with the non-transferable-but-heritable provision), and provides financial security independent of any ongoing platform relationship.

Revenue sharing alone leaves the capital-labor wealth gap intact. Drivers receive a stream; shareholders capture an appreciating asset. Compensation ratios grow, and with it, the system-wide wealth gap. The hybrid model is more complex and delivers less immediate cash, but it is the structure through which predistribution's promise—workers sharing in the wealth, not just the income, generated by automation—is actually fulfilled. Over time this can systematically help narrow economic inequality.

7.9 The Systemic Macro-financial Risk Problem

PDI's modeling shows that mass displacement without wealth-sharing creates cascading risks across credit markets, housing, pension systems, and tax revenue. A hybrid DETS structure that gives workers exposure to equity appreciation and diversified capital accumulation helps individual drivers, but importantly also creates a stabilizing buffer that reduces the probability of systemic economic disruption from the AV transition.

The rideshare sector is a proof of concept. The three-pillar architecture—current income, sector-specific equity participation, and diversified long-term capital—can be adapted for delivery workers, freight drivers, warehouse workers, and eventually any workforce facing automation displacement. It can also be adapted to communities hosting infrastructure or mining projects and content creators like writers and musicians whose productivity is used to train AI. Ultimately these populations may overlap—a displaced driver may also live near infrastructure from which they can benefit from a trust and may shift to content creation from which they can benefit from a trust, thereby resulting in exposure to three distinct trusts that cumulatively result in material value.

[23] The 10% annual equity appreciation rate for Pillar 2 is an illustrative assumption. The $500,000–$700,000 range reflects two scenarios: the low end assumes Pillar 2 phantom equity is held at cost with no appreciation, while the high end applies 10% annual appreciation to accumulated Pillar 2 balances. Both scenarios assume 8% annual returns on Pillar 3 DCA assets.

8 Key Open Questions

8.1 Structure, Funding, and Allocation

1. **Structure and funding.** Should the DET be funded via revenue, profits, or shares? At what percentage? What patronage allocation methodology best serves drivers, and what are the tax implications?
2. **Pillar allocation ratios.** Should the 50/25/25 split be fixed in the Trust charter, or adjustable by Trust board vote within a defined range (e.g., Pillar 1 never below 40%, Pillar 3 never below 15%)? Driver engagement will be essential—some drivers will prioritize current income, others long-term wealth. The allocation may also need to shift over the transition timeline, weighting toward Pillar 1 in early years when income replacement is most urgent.
3. **Phantom equity valuation.** For private companies (e.g., Waymo), who conducts the independent valuation, how often, and what methodology applies? Precedent exists in 409A valuations for private company equity compensation, as well as with ESOP companies, but scaling this to a cooperative trust context is novel.

8.2 Trust Adequacy and Income Replacement Design

A central challenge for DETS is balancing three objectives that may at times be in tension: providing meaningful income support to displaced workers, maintaining equitable treatment across beneficiaries, and preserving the long-term solvency of the trust. The appropriate balance among these objectives will depend on the scale and pace of displacement, the size of trust contributions, and the allocation rules governing Pillar 1 distributions. Several design questions require further modeling and stakeholder consultation before definitive recommendations can be made.

1. **Income replacement and trust adequacy.** Should Pillar 1 distributions be allocated strictly in proportion to beneficial ownership, or should displaced workers receive preferential distributions during periods of unemployment or reduced earnings? If preferential treatment is adopted, how should it be funded, how long should it last, and what safeguards are needed to ensure trust solvency under higher-displacement scenarios?
2. **One-time severance equity allocations.** Should displaced workers receive an accelerated grant of beneficial ownership at the point of displacement? If so, how should the allocation be calibrated to recognize prior contributions and transition risk without creating excessive dilution for remaining workers or undermining the trust's long-term sustainability? Should permanent ownership enhancement and temporary income support be treated as separate mechanisms rather than combined into a single allocation formula?
3. **Differentiated treatment of employed and displaced beneficiaries.** To what extent should ongoing distribution rules distinguish between workers who remain employed and those who have experienced displacement? How should displacement status be defined, verified, and

monitored? Should any enhanced benefits phase out over time as workers return to employment or alternative sources of income?

4. **Work incentives and behavioral effects.** How can the trust provide meaningful income protection without weakening incentives to remain attached to the labor force? What combination of ownership allocations, transitional income support, eligibility requirements, and phase-out provisions best preserves work incentives while maintaining an adequate income bridge during periods of displacement?

These questions are particularly important under the High and Aggressive displacement scenarios modeled in Part I and will be explored further through simulation, stakeholder engagement, and pilot implementation.

8.3 Investment Policy and Market Structure

1. **Pillar 3 investment policy and market structure.** The DCA's blended default (60% broad market / 40% equal-weighted and community investment) represents PDI's current recommendation, but the optimal blend requires further analysis. How should the default portfolio balance fiduciary obligations to beneficiaries against the systemic risks of cap-weighted concentration? What role should community investment vehicles (CDFIs, cooperative funds, local infrastructure) play? Should the Trust set an explicit cap on exposure to the platforms contributing to DETS? How is the financial literacy component of the candidacy training program designed to equip board members to make informed investment policy decisions? Could public pension funds serve as administrative partners or custodians for DCA assets, leveraging existing fiduciary infrastructure?
2. **Liquidity and financial literacy.** What liquidity structures (redemption windows, holding periods) balance driver needs against Trust stability? What financial literacy infrastructure should be embedded to help drivers understand redemption timing, tax consequences, long-term value, and wealth concentration risks?

8.4 Eligibility, Phase-in, and Scope

1. **Eligible driver population and per-driver distribution trade-offs.** The tiered eligibility model (Tiers A, B, C, plus legacy eligibility) significantly expands the eligible population beyond the FTE estimates used in the sensitivity analysis. More inclusive eligibility is consistent with the proposal's values but proportionally reduces per-driver distributions. The sensitivity analysis should be supplemented with scenario modeling across different eligible population sizes.
2. **Eligibility design.** What trip count and recency thresholds balance inclusion against gaming? How should stake proportionality reflect tenure without over-concentrating ownership?
3. **Trust phase-in —contribution triggers, transition timing, and AV operator scope.** A critical design question is when DETS contributions should begin relative to AV deployment—particularly for platforms like Uber and Lyft that will operate mixed fleets of human drivers and autonomous

vehicles during an extended transition period. Starting contributions at first AV permit issuance risks the objection that platforms are paying twice (compensating active drivers through fares while simultaneously funding the Trust) but waiting until drivers are fully displaced forfeits the predistributive timing advantage that is central to the proposal's theory of change. One way to address this is a phased contribution trigger tied to the AV share of platform trips within a jurisdiction: a reduced initial rate could be modeled from the date of first AV deployment under permit, escalating to the full target rate when AV trips exceed a defined threshold. Early-phase contributions would be weighted toward Pillars 2 and 3 (equity participation and Diversified Wealth Accounts), building compounding long-term assets while drivers still earn active income, with the allocation shifting toward Pillar 1 (cash distributions) as displacement materializes and income replacement becomes urgent.

4. **The "slow squeeze" scenario.** This phased structure also addresses the likelihood that Uber and Lyft will not formally terminate drivers but will instead gradually reduce trip availability until driving becomes economically unviable—a "slow squeeze" that is harder for drivers and policymakers to detect and respond to than a discrete displacement event. The proposed escalator provisions should be extended to address this scenario: if average trips-per-driver in a jurisdiction decline by more than a defined percentage year-over-year while total platform trip volume holds steady or grows (indicating AV substitution rather than demand decline), the contribution rate should automatically escalate to the next phase, independent of the formal AV trip percentage threshold.
5. **On AV operators without prior driver relationships:** A distinct question concerns AV operators like Waymo that never engaged human gig drivers and therefore have no legacy labor relationship with the affected workforce. The case for including such operators in DETS rests not on a prior employment or contractor relationship—which does not exist—but on the permit externality framework: every AV operator, regardless of corporate history, reduces demand for human driving in the jurisdictions where it operates and therefore imposes labor market displacement costs that the permitting authority has a legitimate interest in mitigating. This is analogous to developer impact fees, which attach to the activity and its effects on the community rather than to any prior relationship between the developer and the affected population. Critically, exempting pure AV operators from DETS while applying it to Uber and Lyft would create a competitive distortion that penalizes precisely the platforms that have legacy obligations to drivers, incentivizing the wrong outcome. PDI therefore recommends a uniform contribution rate applied to all AV-generated gross fare revenue in a jurisdiction, with the legal and political justification grounded in the permit condition framework rather than in any firm-specific labor history. The Trust would distribute to eligible drivers based on verified trip history with any platform operating in the jurisdiction.

8.5 Legal and Tax

1. **Legal enforceability.** Can permit-linked contribution requirements survive challenges under the Federal Aviation Administration Authorization Act (FAAAA) preemption and California's Prop 22? What is the strongest constitutional framing?
2. **Federal legislative strategy.** The Cassidy-Scott-Paul package and the state-level portable benefits wave create an opening. Should PDI advocate for DETS-specific federal provisions, or build on the existing portable benefits framework and argue that DCA contributions should receive the same treatment as the emerging safe harbor structures?
3. **Interaction with public benefits.** How do Pillar 1 distributions and Pillar 3 account balances interact with means-tested programs (Medicaid, SNAP, housing assistance) that some drivers currently rely on? Asset-limit exemptions for DCA balances (similar to exemptions for retirement accounts) may need to be advocated for at the state level.
4. **Tax considerations.** The tax treatment of DETS distributions is unsettled and will require further legal analysis. Existing tax regimes provide useful analogies but do not squarely address the proposed structure. ESOPs offer a legislative precedent for using tax incentives to broaden participation in productivity gains and capital ownership, but their statutory benefits are generally limited to employees through ERISA-qualified plans. The tax treatment of a cooperative-style trust established for independent contractors displaced by technological change would depend on its ultimate legal form, governance, funding flows, and distribution mechanics, and may not fit neatly within existing cooperative, trust, partnership, or employee-benefit tax frameworks. Accordingly, the precise federal income tax treatment would require further analysis and, depending on design, could benefit from regulatory clarification or targeted legislative action.

Within that broader uncertainty, the likely treatment under current law varies by pillar:

- **Pillar 1 cash distributions** would most likely be taxed as ordinary income in the year received.
- **Pillar 2 phantom equity** is generally not taxed until settlement under Section 409A—deferring the tax event until redemption, but at ordinary income rates rather than the preferential capital gains rates that would apply to actual equity.
- **Pillar 3 DCA contributions** depend critically on the portable benefits safe harbor legislation. In the six states that have enacted safe harbors, platform contributions may be deductible to the platform and excludable from driver state income—resembling 401(k) treatment.

Poorly designed tax provisions could erode a significant portion of DETS value, while favorable treatment—particularly federal extension of the portable benefits safe harbor to Pillar 3, or targeted legislation extending ESOP-style tax benefits to cooperative trusts serving independent contractors—could meaningfully increase the after-tax value of the hybrid model. PDI recommends that pilot jurisdictions consider tax issues early in the legislative drafting process and that tax treatment be a central topic in stakeholder engagement with both platforms and driver organizations.

8.6 Deployment Pacing, Portability, and Scalability

1. **Deployment pacing.** Should DETS be coupled with mandatory phase-in schedules, or designed to function across a range of deployment speeds?
2. **Multi-jurisdiction portability.** How should membership and stakes handle drivers whose trips span multiple jurisdictions (primary jurisdiction assignment, reciprocity agreements, and future consolidation)? How should the prisoners' dilemma or tragedy of the commons situation be managed where rideshare companies choose to operate only in cities without DET requirements?
3. **Non-driving income replacement.** How should a comprehensive transition package address vehicle depreciation, benefits purchasing power, and schedule flexibility alongside DETS?
4. **Scalability beyond rideshare.** What is the template for applying analogous mechanisms to delivery, freight, last-mile logistics, and eventually AI and automation deployment in other industries? For the broader AI displacement framework, what replaces the "AV operating permit" as the regulatory chokepoint? Possibilities include AI deployment impact assessments, automation tax triggers, or sectoral bargaining frameworks. Each requires its own regulatory hook, but the three-pillar financial architecture remains constant.
5. **Further applications.** PDI is also considering how the model can be applied to communities hosting data centers and natural resources projects, as well as content creators (artists, writers, musicians) whose content is being used to train AI. Ultimately, if communities and other types of stakeholders also receive equity-linked compensation or revenue distributions, some of these populations may also be displaced drivers, thereby further diversifying displaced drivers' income and wealth-building accounts.

Attribution

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Attribution: Please attribute any public references to this work to PDI. The PDI team welcomes the opportunity to engage in discussions related to the fine-tuning and implementation of this proposal further. The concepts in this paper are not intended to be prescriptive, and PDI recognizes that further co-creation will likely result in improvements.

Accompanying Materials:

Interactive Excel model (forthcoming) with all equations, sources, and adjustable parameters.

Please see www.predistributioninitiative.org for additional papers from the Predistribution AI Lab. Future papers are anticipated to refine this prototype and adapt it to other contexts.