

New woes may put brakes on Uber, ride-share growth

December 10 2014, by Rob Lever

Uber, the ride-sharing service and Silicon Valley superstar startup, has hit problems around the world which threaten to put the brakes on its spectacular growth.

Uber has long drawn scorn from established taxi operators in many cities, and regulators from New Delhi to Portland, Oregon, have been clamping down on its operations. At the same time, the company has seen its image tarnished by executives' gaffes and concerns on privacy.

Even as Uber has raised a fresh \$1.2 billion—which gives it an eye-popping value of \$40 billion—it has run into roadblocks, even in its home state of California.

A judge in Spain banned Uber's ride-sharing on Tuesday, saying it violated laws on fair competition. A day earlier, the city government in New Delhi banned Uber from operating in the Indian capital after a passenger accused one of its drivers of rape.

Thailand also ruled Uber illegal, and the service has hit regulatory hurdles in locations from Germany and the Netherlands to San Francisco, where a driver has been charged in an accident leading to the death of a six-year-old girl.

On Tuesday, San Francisco and Los Angeles officials sued Uber for misleading consumers about fees and background checks.

"Uber continues to put consumers at risk by misleading the public about the background checks of its drivers and its unwillingness to ensure that correct fares are charged," Los Angeles District Attorney Jackie Lacey said, while announcing a settlement with rival ride-sharing service Lyft.

A Dutch court this week also ruled illegal the Uber system in which non-professional drivers offer trips in their own cars at half the price of a regular cab.

"Drivers who transport people for payment without a license are breaking the law," said the decision from the Hague-based Trade and Industry Appeals Tribunal.

Authorities in Denmark and Norway have also filed complaints against Uber.

Regulatory quandary

"The so-called sharing platforms like Uber and Lyft are concerning to regulators because they represent something different," said John Breyault of the National Consumers League.

"They don't fall neatly into the regulatory buckets we've seen in the past century. So it's difficult to see how to deal with events like in what happened in New Delhi, and to know where liability lies."

Breyault said Uber is a prime example of a "disruptive" business model which provides a new service by taking advantage of technology.

But he said regulators need to take a close look at issues relating to insurance, liability and criminal [background checks](#) for drivers.

"I don't think we should be concerned that consumer protection

regulation is going to kill Uber," he told AFP. But he said any regulations should promote competition, and not be designed to protect entrenched interests.

"We should not have regulations that keep out competition, that hurt the next Uber," he said.

Some Uber advocates say the system is effectively self-regulating, because users post reviews that help the better drivers and weed out the poor ones.

But Breyault of the consumer group said reviews "can play a powerful role in weeding out the good guys from the bad guys, but it doesn't replace robust consumer protection regulation."

The smartphone app from Uber and similar services can allow people to get rides that were otherwise impossible, and to allow people to use vehicles which might be otherwise idle to earn cash and even a living.

Uber is operating in 250 cities in 50 countries, according to a blog by founder Travis Kalanick last week.

"We are six times bigger today than 12 months ago—and grew faster this year than last," he wrote. "This progress is remarkable, but it is in the coming years that Uber truly scales and the impact in cities becomes visible."

Uber offers several classes of service including a "black car" ride, and other options where individuals use their personal vehicles.

Kalanick said Uber will create one million jobs in 2015. But he noted that the sudden growth "has also come with significant growing pains" and has shown "that we also need to invest in internal growth and

change."

In the United States, Uber has been the target of protests in several cities, and has had tenuous relations with local regulators. It was recently ordered to halt service in Las Vegas, but the city of Washington passed a bill legalizing Uber and similar services.

'Sharing economy' challenge

Uber also hired a team of privacy experts amid concerns that it may be spying on riders, and got a black eye when an executive was quoted as proposing the creation of a team of researchers to investigate reporters to counter bad press.

Arun Sundararajan, a New York University economist who follows Uber and other "sharing economy" startups, said the regulatory issues for these firms will need some time to be sorted out.

"We are transitioning to an economy where more people are providing a service using a platform" such as Uber, he told a forum in Washington this week.

"We need to see what the market provides so that any government intervention is surgical. So it is not there when the market is taking care of itself."

Uber has consistently said it wants to provide more options for consumers by disrupting the entrenched [taxi](#) industry.

"History shows us that every truly revolutionary innovation was faced with stiff opposition from incumbents and rearguard actions by regulators," an Uber spokesman said in an email to AFP.

"Despite a few individual, country-specific setbacks, the future is bright for Uber and the sharing economy."

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