

Uber steers anti-taxi idea to become global phenomenon

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Unlike many American startups, Uber was not founded in someone's garage, but was conceived instead on a cold night in Paris, when two tech entrepreneurs could not find a taxi.

Uber chief Travis Kalanick and co-founder Garrett Camp were attending the technology conference Le Web in late 2008, where they were brainstorming ideas for a new venture—in Kalanick's terms, "jamming" like jazz musicians.

"There are two cities in the world that I think are the worst to get a cab—Paris and San Francisco," Kalanick, now 38, said at a 2012 presentation in Chicago.

"The idea of pushing a button and getting a ride was a magical one," he said at another event.

The plan that began as a "timeshare limousine" service using luxury vehicles has allowed San Francisco-based Uber to grow into one of the world's largest startups, valued at some \$40 billion, with operations in more than 200 cities in 54 countries around the world.

But Uber's growth has also generated frictions with existing taxi operations, and posed challenges for regulators.

While the idea began as a way for Kalanick and his friends to get a high-class ride, Uber and its chief now see their venture as a crusade against

an entrenched taxi industry that, according to the startup, fails to serve consumers.

In cities around the world, the regulated taxi industry "feels threatened by our high quality service and quick response time," Kalanick said in a 2013 interview with AFP.

In most areas, "the taxi industry is used to being protected by rules and lobbying efforts that shield them from competition," he said.

Disruptive force

Uber does not employ drivers or own its vehicles, but instead uses independent contractors with their own cars. As such it has become a key player in the "sharing economy", which allows the drivers to operate their own business, along with its risks and profits.

A study commissioned by Uber and led by Princeton economist Alan Kreuger found Uber drivers "generally receive higher earnings" than taxi drivers—about \$6 per hour more in the United States—but that comparison is difficult because Uber drivers must pay certain expenses.

The study concluded that "most driver-partners do not turn to Uber out of desperation or because they face an absence of other opportunities in the job market... but rather because the nature of the work, the flexibility, and the compensation appeals to them."

Uber allows consumers to use a smartphone app to locate a driver—in some cities with several classes of service—and instantly book a ride. The company motto vows to be "everyone's private driver".

Since launching in 2010, Uber has also been the prime example of a "disruptive" economic force. Taxi drivers in dozens of cities have staged

protests against Uber, and regulators in many cities have sought to shut it down.

New Delhi banned Uber from operating in the Indian capital after a passenger accused one of its drivers of rape. South Korea indicted Uber's founder for operating illegally.

The company has also seen its image tarnished by executives' gaffes, and concerns about privacy.

Critics argue that Uber has fallen short on issues such as liability insurance and criminal background checks. In December, Uber said it would step up its safety measures.

John Breyault of the National Consumers League said firms like Uber "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."

Despite that uncertainty, Uber raised a fresh \$1.2 billion in venture funding in December to push its market value to \$40 billion, and it now looks to continue expansion around the world.

Math and logistics

While a number of taxi and ride-share apps are also competing in the market, Kalanick said Uber has succeeded because of its investment in technology.

"People see they can push a button and a Town Car magically appears, but they don't realize all the math and logistics in making that occur," he told AFP.

Kalanick says Uber has been a positive force, and in 2015 "will generate over one million jobs in cities around the world." He brushes aside criticism of its business model.

In Europe, where Uber faces numerous regulatory issues, Kalanick claims the company can take 400,000 cars off the road and create 50,000 jobs in the next year.

"When you do something successful, not everybody is happy, and the older the industry you are tackling, the more protected it is by corruption or by government or by both," he said at a 2012 event at Stanford University.

"I'm not sure who gets hurt from this other than a particular incumbent industry."

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