TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI

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Is ride-sharing really as novel as it claims - Understanding Uber and its supply-side impacts in New Zealand

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Content

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3 Executive summary

In recent years, the emergence of multi-sided platforms has allowed peer-to-peer networks to grow exponentially, allowing individuals to form a collaborative economy by the sharing of underutilized resources. Within the realm of sharing economy, ride-sharing is the social phenomenon of allowing drivers and riders to congregate through a web-based platform to match the demand and supply sides in real time. The ride-sharing industry has posed as a major disruption to taxi industries worldwide. This paper seeks to investigate the industry dynamics surrounding Uber, a global ride-sharing company, in the New Zealand context, with main focus on the implications it has on the supply-side players (i.e. taxi companies and drivers) to evaluate if it has a sustainable competitive advantage in the market.

Uber is the first ride-sharing company coming to New Zealand, established originally in San Francisco. Due to various differences in the market and legal factors, Uber has adapted its business model to suit this unique environment. Although it does not position itself as a ride-sharing business in New Zealand, but rather a private hire service company, Uber is using the same tools and resources to pool drivers and riders together under its multi-sided platform. The main competitive advantages Uber brings are the convenience, flexibility to drivers and the lower cost to consumers. While more and more ride-sharing and taxi-booking apps join in the competition; while taxi companies begin to innovate to create a stronger differentiating factor; and while regulators start to narrow the gaps in the regulations where Uber is deemed to have been given unfair advantages; Uber is facing stronger competition and challenges in the New Zealand market incrementally.

Keywords: Sharing economy, Ride-sharing, Uber, Taxi market, New Zealand, Transport Review

4 Introduction

Since the 90s, the Internet has enabled the concept of sharing to proliferate, kicking start a new era where consumers are increasingly adopting the culture of sharing and leasing, rather than buying and owning new products (Matzler, Ceider & Kathan, 2015). Pioneering sharing-economy firms, like Ebay, Craigslist and Napster, provide platforms to enable peer-to-peer sharing and exchange of goods and services. In recent years, “the emergence of multi-sided technology platforms has enabled individuals to collaboratively make use of underutilized resources via sharing” (Penn, Wihbey, 2015). These new waves of sharing-economy startups have largely grown from the social media culture, which allowed peer-to-peer networks to grow exponentially through the power of platform dynamics and network effects. The assets targeted are broad, from sharing spare time for everyday tasks (TaskRabbit, Fiverr) and professional services (Uber, Elance) to the sharing of physical assets like spare rooms (Airbnb), household items (Streetbank, SnapGoods/Simplist) and even money (Lending Club, Harmoney) (Cusumano, 2015).

Although consumers are enthusiastic about the increased values these “sharing” firms bring, these businesses are often criticised for their longer-term negative impacts on the economies. The implications of the so-called “sharing economy” have been hotly debated in media, but because business models under the umbrella of sharing economy are very diverse and they tend to adapt to different locations in the world, it is extremely challenging for academic research to derive conclusive findings across all sharing economy firms.

Current researches have sought to find uniting characteristics amongst different sharing economy businesses at a higher level, leaving a research gap in the more in-depth analysis of each type of sharing economy firm within its unique business context. As such, this paper shall focus on the ride-sharing business model in relation to the New Zealand context. Uber, the largest global ride-sharing company, will be investigated pertaining to its operations in the New Zealand business environment. Through analysing the empirical evidence obtained, this research shall evaluate the impacts of ride-sharing to the traditional service providers in New Zealand context and evaluate if the firm has a sustainable competitive advantage in the market.

5 Literature Review

5.1 Understanding sharing economy

The continued consumerization of digital technologies suggests that we may be on the 'cusp of a fundamental "reengineering" of consumption' (Sundararajan 2013), a choice of access over ownership facilitated by the widespread adoption of peer-to-peer shared access models, which could fundamentally alter economic demand models based on ownership, and supply models based on corporate production (Sundararajan, 2013). The sharing economy is the response to the "legacy economy" (Orsi, 2013), driven by the aspirations including fair allocation of value that are more democratically organised, reduction of carbon footprints, and the social calling to bring people together in new ways (Schor, 2014). The value lies in creating new marketplaces and new markets that allow sellers (owners of capital and labor) and buyers to transact in a way they could not before. These firms are "simply using technology—and fairly mundane technology at that—to increase efficiency by reducing barriers to entry, search costs and information asymmetries" (Rothschild, 2014).

"Sharing economy does not have a sharing definition at all" (Botsman, 2010). Sharing economy is also commonly known as the "collaborative economy," the "peer-production economy" or the "peer-to-peer economy"(Coopman, Mitchell & Thierer, 2014). According to Juliet Schor, Professor at Boston College (2014), there is "great diversity among activities as well as baffling boundaries drawn by participants" (Schor, 2014). However, what these businesses have in common is that they share the ideals of collaborative consumption (Botsman & Rogers, 2010), where individuals can take part in the marketplace to offer and share their underutilized resources in new ways. Nevertheless, it is important to remain clear of the distinctions between sharing-firms and firms that merely use mobile technologies "as a remote control to efficiently access things in the real world" (Botsman, 2015) in order not to misuse the term.

5.2 Controversies around sharing economy

Sharing economy firms utilize efficient web-based platforms to congregate and match the demand and supply sides in real time. However, as the shared resources can differ widely, the main motivation for the existence of sharing economy is often left opened to debate. Some scholars believe that sharing economy arises from the motivation around better economic efficiency whereby "consumers (or firms) grant each other temporary access to their under-utilized resources ("idle capacity")," in exchange for money. There is also another group that feels that sharing economy firms have primarily grown out of a social motivation to connect and share as a community (Dilahunt & Malone, 2012). This includes websites that promote recycling or tool-sharing. Finally, by giving people an opportunity to use others' cars, apartments, and other properties, sharing allows underutilized assets or "dead capital" to be put to more productive use. As such, some scholars feel that the main motivation of sharing economy is to achieve the ideals of sustainability by reducing unnecessary wastage tied to the idea of ownership. This is also commonly marketed as the core motivation of ride-sharing as it reduces the need for car ownership.

<u>Economic dimension</u>

Some scholars contend that sharing economy maximises utilisation of available resources, creating more competitive and efficient markets (Coopman, K& Thierer, 2014). With services and corresponding technology platforms rapidly developing in both commercial and non-profit variants, this phenomenon creates new opportunities to enable more efficient markets, maximizes utilization of available resources, and enables novel localized crowdsourcing modalities (Lampinen et. al, 2015). In the model of a multi-sided platform market, boosting demand sets off a positive feedback loop, creating more income-earning opportunities.

Conventionally, commercialising idle resources in a secondary market comes with high transaction costs that would not make any economic sense. The idea of sharing economy is to provide a platform supported by a community with the aims to lower transaction costs by diminishing asymmetric information and barriers to entry significantly. Although sharing firms seem to promote better market efficiency, some pundits believe that this phenomenon is ultimately driving costs down at the detriments of the supply markets (Schor, 2014). The concept of renting rather than buying would also take a toll on economies as less spending typically leads to less economic growth. In addition, consumers also become more risk-averse, and think twice before getting into any debts (Boesler, 2014).

Peer-to-peer sharing businesses also seek to re-distribute value by streamlining traditional businesses models, democratizing the consumers’ and suppliers’ access to goods and services and increasing market competition, especially against traditional businesses. However, sharing economy may not be the answer to increasing competition in a long run, as technology companies, fuelled by the power of social-media and cult-culture, are well-known for ending up with a ‘winner takes all’ market structure (Stewart, 2014), “awarding the lion’s share of the rewards to a very few elite participants that emerge at the top (Frank and Cook 1996). When that happens, we would arrive at the antithesis of competition as the few surviving sharing-economy firms rise to the top and dominate the markets globally (Agyeman, 2014). It is also predicted that “the more the platforms are backed by integrated large organisations with strong financial backing, the more committed these companies would be in generating profits. Hence, when these companies monopolises the markets, it is unlikely that value will flow to providers and consumers (Schor, 2014).

Social dimension

As sharing-economy has grown out from the social media culture, many believe that one of the key motivations for sharing is our innate desire for affiliation. Coyne (2012) contends that “the Internet is leading to a global community of sharing, communicating, and giving, with a free flow of information providing equality of access”, which represents true altruism and a return to tribal society in a digital age. However, many also debate if sharing is “likely to produce more fights or profits” (Mathews, 2014) due to our innate “craving to possess objects” (Bawden, 2015).

In many literatures, sharing economy is hailed as “stranger sharing”, which facilitates trade between people who do not know each other (Schor, 2014). For example, Zipcar, a peer-to-peer car rental platform is done entirely without any human contact. However, there are also some platforms, like “Couchsurfing” and “Homestay” that succeed to some extent in promoting connections. Despite that, studies have shown that users have become disenchanted by relationships made from sharing economy platforms (Parigi, 2014). While the Internet helps strangers meet, communicate and link them up in the physical world, “the extent to which people are connected to each other is lower than what humans need" (Tanz, 2014). In other words, many of the sharing economy firms are not here to build social capital, but rather, facilitate pure economic relationships.

Although some sharing firms are primarily driven by social motivations, the social-sharing narrative is proven to be much less appealing to consumers than an economic one (Tanz, 2014). Some sharing firms, like Lyft, that pitch their social-building aspects as the business priority, do not do as well as their competitors (Tanz, 2014). Also, as the businesses become more funded by investors, there is increase pressure in promoting growth. This changes the nature of these firms from focusing on the people, to improving their bottom lines, diluting their original motivations that they were set up to create in the first place.

Environmental dimension

Sharing firms have often projected "sustainability" as one of their core selling points. The main argument is that sharing of existing idle resources reduces the need for consumption of new resources. "The ecological benefits of sharing are often seen as obvious: secondary markets reduce demand for new goods, so footprints go down" (Schor, 2014). In a study, Hernando de Soto (2014) estimated there is over "$9 trillion in dead capital globally" (Rothschild, 2014). U. S. Census data also shows that America has about 1.5 bedrooms for every person, representing a huge resource of underutilised capitals that people own but have not yet leveraged upon (Rothschild, 2014).

Although some sharing firms are genuinely motivated towards sustainable causes, there has not been any documented results substantiating the effects of sustainability from any such practices. In fact, in cases of car-sharing and ride-sharing, it has been found that many of the practices are simply engaging in "greenwashing", as they generate more demands that were not present previously, leading to more consumption instead of promoting real sharing

(Martin and Shaheen, 2010). In New York, Uber has also been collaborating actively with financial institutions to induce higher car ownership to increase and upgrade its driver pool (Tiku, 2014). At the end of the day, companies cannot have it both ways - creating new economic activities and reducing carbon emissions.

Legal and regulatory controversy

Many sharing firms have been accused of operating around regulatory loophole, enjoying unfair advantages over traditional firms that have to satisfy more stringent requirements set by authorities. For example, Airbnb, a peer-to-peer lodging website, has run into troubles in parts of Europe and the U.S. because of its undercutting of prices (Coldwell, 2014), made possible due to the lower overheads on administrative and running costs that traditional firms like hotels and hostels need to bear. Uber is also banned in many countries and cities due to its unique business model, creating a stress to legal systems and traditional taxi industries.

Some argue that “municipal governments are attempting to impose older regulatory regimes on these new services without much thought about whether they are still necessary to protect consumer welfare.” (Koopman, C., Mitchell, M. D., & Thierer, A D., 2014). However, the opposition side feels that the sharing-economy firms are taking advantage of the gaps in the legal systems and are attempting to do away the most basic regulations that have been in place (evolved over time) for the greater good for the peoples. “It takes time to balance conflicting needs, but sharing is growing quickly” (Malhotra & Alstyne., 2014). While these firms go global, it is worth noting that their legal statuses differ from one location to another, so do their responses to legal challenges.

5.3 Uber and the ride-sharing business model

Ride-sharing business models have existed for decades (Orsatto & Clegg, 1999). However, recent enhancements due to improved information and communication technologies have made it possible for them to match supply and demand at an unprecedented scale and efficiency (Cohen & Kietzmann, 2014). In its essence, ride-sharing is aimed at achieving better economy of idle-resources of personal vehicles by matching owners with spare capacities with riders who need to get from one point to another.

In dense urban cities, governments often face challenges in terms of growing population and congestion problems. There are high costs involved in upgrading public infrastructures and even more costs in negotiations in such large projects and in addressing citizens' activism (e.g. not-in-my-backyard mentalities), limiting the transit capacity (Cohen& Kietzmann, 2014). Also, public transport systems are often stringently regulated with a high barrier of entry, leading to the limited growth and innovations in these niche monopolistic and oligopolistic markets. This situation provided the right opportunity for the rise of ride-sharing businesses, which are primarily focused on providing an alternative to public transport systems in urban cities. According to the founder of Uber, Travis Kalanick, the idea for the business came from his personal frustration from not being able to catch taxis on the streets (Chokkattu. J., & Crook. J., 2014).

The main merits of ride-sharing to consumers include better pricing, more choices in the marketplace, and more convenience (PricewaterhouseCoopers, 2015). Due to the advantages these businesses bring to the market, emerging ride-sharing models have gained massive market share within a short period of time, challenging their direct competitors – the taxi industries – in different parts of the world. Ride-sharing companies typically position themselves as an intermediary platform solution that facilitates P2P transactions, which allows them to bypass regulatory requirements that highly regulated traditional firms like taxi companies have to abide by. The lower overheads has caused the taxi industries around the world to protest vehemently against these firms, arguing that the competition is not on a level playing field (Stuff.co.nz, 2015). In the case of Uber, the firm typically does not identify itself as a taxi company, but instead, occupy “the strange space between a chauffeur service and a tech company” (Khosla, 2015). By pitching itself as a peer-to-peer business, Uber foregoes the need for a taxi license, of which taxi drivers can take years to obtain.

The biggest impact of regulatory conflict happens where cities and countries have a highly regulated taxi industry whereby the numbers and taxi fares are controlled. With the advent of ride-providers from Uber and the likes, the disruptions in these markets are catastrophic. This is shown in the drastic erosion of the values of medallions in the U.S. (TheStreet, 2015), causing major protests by the taxi drivers (Schor, 2014).

Another heated controversy around regulatory issues is that ride-sharing apps position themselves as an intermediary, taking little to no responsibilities for the contract between drivers and riders, and treating drivers as contractors rather than employees (Smith, 2015).

In the case of Uber, it is clearly stated in the terms and conditions that Uber regards itself as a “match-maker” between “third party drivers” and “riders” who are connecting and carrying out their contracts using its platform.

> Excerpt from Uber’s Legal terms (Uber, 2015)
>
> “Uber does not guarantee the quality, suitability, safety or ability of third party providers. You agree that the entire risk arising out of your use of the services, and any service or good requested in connection therewith, remains solely with you, to the maximum extent permitted under applicable law.”
>
> “Uber's services may be used by you to request and schedule transportation, goods, or logistics services with third party providers, but you agree that uber has no responsibility or liability to you related to any transportation,

> goods or logistics services provided to you by third party providers other than as expressly set forth in these terms."

This differs from traditional taxi companies that have contractual obligations to riders as well as drivers. As Uber is not contractually liable for damages from rides it facilitates, it leaves a significant risk to both riders and drivers to settle any disputes should accidents occur. Moreover, ride-sharing companies like Uber have also been facing backlashes about their contracts with their drivers. While they treat drivers as contractors rather than employees, they maintain significant control over the drivers in a similar way an employer would have (CNBC, 2015), leading to another ambiguous legal situation for ride-sharing companies. In the case of Uber, the firm sets the rules and prices for the services, and has the liberty to change the drivers' commissions anytime to respond to demand (CNBC, 2015). Anthony Kalamar (2013) has called out "sharewashing" in which ride-sharing platforms shift risk onto employees under the guise of "sharing". Not long ago, California's labour commissioner ruled in favour of an Uber driver, declaring that the driver was, in fact, qualified to be viewed as an employee of Uber, ordering the company to reimburse her expenses (Levine, 2015).

5.4 New Zealand business and regulatory environment in relation to Uber

Although ride-sharing businesses have generated much negative sentiment across the global taxi industries, their business models are highly efficient, popular amongst the consumers, and a potential solution to growing commuting problems faced by governments of dense cities. Many public transport users have long been underserved by their existing public transport system and they have craved for this change to come (Cohen& Kietzmann, 2014). In consideration of varied local situations, governments all round the world have come up with different measures in response to the rise of the sharing economy trend. Some countries in the world have regarded ride-sharing as anti-competitive and illegal under laws, and have taken actions to ban or restrict the service (Khosla, 2015). However, some countries, like New Zealand, are strong supporters of technological innovations and recognise the inevitability of the growth in sharing economy. In New Zealand, the regulators are currently collaborating with the industry players and updating the regulatory framework to provide a better coverage to govern the rising trend of ride-sharing businesses (Ministry of Transport, 2015).

Uber in New Zealand

Uber is the largest and fastest-growing ride-sharing app company in the world, valued at more than $50billion (WSJ, 2015), operating in over 58 countries and 300 cities as of May 2015 (Wikipedia, 2015). Originated in San Francisco, Uber has expanded its operation to different parts of the world, while adapting its business model to suit different business and regulatory contexts. In New Zealand, Uber is currently the first and largest ride-sharing app provider, having started its operations in Auckland in May 2014 (Stuff.co.nz, 2015). Its operations has quickly expanded to Wellington in late 2014 and it is currently expanding further into Christchurch and Queenstown. (Stuff.co.nz, 2015).

Uber's compliance issues in the New Zealand context

The taxi industry in New Zealand has been deregulated in 1989 to promote better competition (NZ Herald News, 2014). The deregulation has removed the limits on the number of taxi licenses and the set fare, resulting in a huge increase of taxi companies. However, despite the fact that supply has far outstripped demand growth, the taxi fares have not gone down over the years (NZ Herald News, 2014).

To operate in New Zealand, Uber's business model is adapted such that instead of being a ride-sharing business, Uber has declared itself as a Private Hire service under the licensing by the New Zealand Transport Authority (NZTA) (Uber, 2015). Uber drivers are required to possess a Passenger endorsement (P-endorsement) license as well as a Passenger Service Licence (PSL), which is similar to the requirements for taxi drivers to become qualified to drive (Ministry of Transport, 2007). With these regulatory requirements, Uber drivers are, in fact, professional commercial drivers who have gone through government licensing process, security checks and have put in necessary investments to join the field. This is different from the original Uber concept, whereby regular people are able to use the app freely to share their spare capacities.

In addition, another on-going controversy is about Uber's positioning as a private hire service under the regulations. Based on Section 6 of Land Transport Rule 2007 of New Zealand (Ministry of Transport, 2007), "a driver of a private hire vehicle may not use a taxi meter to determine a fare" and "a driver of a private hire vehicle may only charge a set fare or an hourly rate agreed with the prospective passenger at the time of booking". Uber charges its riders through a GPS "meter" instead of basing on an agreed fare, which makes it more like a taxi service than a private hire. The disgruntled taxi community has "voiced concerns over Uber operating a taxi service with fewer compliance requirements such as in-vehicle cameras" (NZ Herald News, 2015). In February 26 2015, a SPSV transport review is initiated to look into revising the existing licensing law applying to small passenger service vehicles (SPSV) (Ministry of Transport, 2015).

6 Research design

Following last chapter, which summarized the existing literatures around sharing economy, ride sharing and the New Zealand business environment, this shall outline the research design.

6.1 Research objectives

This research investigates into one specific sharing economy firm, Uber, limiting the scope to the New Zealand context because Uber has adjusted its business model significantly in its operations in New Zealand. This is an inductive research that seeks to uncover the dynamics between the market players following Uber's entry, with special attention to the market players in the traditional taxi industry. The aim is to evaluate the impacts that Uber has on traditional taxi service providers, the labour market and the regulators in New Zealand. With the analysis, the research will move on to evaluate if Uber is truly a disruptor in the New Zealand environment or is it merely a novel substitute of conventional taxi services.

6.2 Research methodology

According to Kerlinger (1986), "research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance." Bell (1999) states "a case study approach is particularly appropriate for individual researchers because it gives an opportunity for one aspect of a problem to be studied in some depth within a limited time scale". In order to understand the more in-depth aspects of the sharing economy, this research is designed as a case study to look into Uber's business against its local context in New Zealand.

This inductive study seeks to gather specific observations to make broader generalisations around the Uber business model. A descriptive research methodology will be applied for this research to unravel the strategic, industry and regulatory factors around Uber, the business in question. As current literature is lacking in in-depth analysis of this multifaceted "sharing economy" phenomenon, that gap drives this research to provide a detailed view on the specific firm to provide descriptions that are fundamental and unique to the study of sharing economy. In addition, as this is a relatively new trend and a research into ride-sharing is unprecedented in New Zealand, this research would add to our cognizance of the current and future states of our society immeasurably.

The basic understanding of the broader issues surrounding sharing economy has been enabled by desktop research, focusing on the ideologies, concepts, current affairs, literatures and news articles of sharing economy in the global context. This includes primary as well as secondary sources of information, data and interpretation of information.

The second part of the research relies on collection and analysis of empirical evidence. Due to the nature of the research, a qualitative approach has been selected. The research would explore different perspectives of Uber by way of interviewing the key players of the existing industry. Focusing on the supply-side dynamics and regulatory aspects, these key players shall include the taxi companies, regulation body (NZTA), Taxi Federation and Uber driver-partners.

Respondents for the interviews

To conduct the interviews, an invitation email was first sent out to the following parties:

	Invitations to interview		**Response**
1	Taxi companies	Wellington Combined Taxis Ltd	Chief Executive
		Green Cabs Ltd	Managing Director
		Capital Taxis Ltd	-
		Kiwi Cabs Ltd	-
2	New Zealand Taxi Federations (NZTF)		Executive Director
3	New Zealand Transport Agency (NZTA)		Senior Operational Policy Adviser

Table 6.2.1 List of interview respondents

While NZTA and NZTF agreed to the interviews through written invitations, the interviews carried out with Uber driver-partners have been done by taking Uber rides in Wellington and Auckland personally and seeking for the approvals from the drivers during the rides. A total of 16 interviews have been conducted with Uber drivers between July and October 2015.

<u>Interview nature</u>

Due to the inductive nature of the research, the interviews conducted were primarily unstructured. All of the questions targeted an open-ended answer and they were run as a guided conversation. Unstructured interview method was chosen due to its flexibility to adapt and change depending on the respondent's' replies. This also falls in line with the main objective of the research in searching for descriptions of experiences with Uber, rather than seeking for tangible and technical answers. Unstructured interviews have helped create the qualitative data that allows a full appreciation of the interviewees' viewpoints. Also, they have increased validity for this type of research because it allowed for probing and steering towards the right information needed as the interviews unfolded.

<u>Main interview scopes</u>

<table>
<tr><th></th><th>Interviewee groups</th><th>Scope of questions</th></tr>
<tr><td>1</td><td>Wellington Combined Taxis Ltd</td><td rowspan="2">- What is the company's organisational structure and contractual agreement with its drivers?
- Do taxi drivers have high bargaining power over the companies?
- What are the key overheads of a taxi operation and the typical margin of a taxi business?
- What is the significance of the role of taxi companies?
- Has there been a drop in business after Uber?</td></tr>
<tr><td>2</td><td>Green Cabs Ltd</td></tr>
</table>

		- What needs to be changed to level the playing field?
3	Taxi Federations New Zealand	- How is the industry shaped by the deregulation? - What are the key overheads of a taxi operation and the typical margin of a taxi business? - How has Uber affected the market (Drop in taxi businesses)? - What are the responses from taxi companies to this new entrant?
4	New Zealand Transport Agency (NZTA)	- How has the deregulation of taxi industry happened? - What is the attitude /standpoint of New Zealand regulators towards Uber? - Where are the shortfalls in the regulations? - What is the response from the regulatory body?
5	Uber driver-partners	- What motivated you to join Uber? - What is your main profession? - Do you enjoy driving for Uber? Will you continue or increase commitment in Uber?

Table 6.2.2 Main interview questions for each group of interview respondents

For qualitative interviewing, the key for the researcher is to balance between subjectivity and objectivity. The data collected should not become the researcher's own perceptions, or experience but instead it is the interpretations of the participants in the study. However, this research method carries the inherent limitation of errors and biases too. While it provides deeper understanding of the issues at hand, the reliance on a relatively small pool of representatives of each industry player group results in data that contains many subjective opinions that may not represent the voices of the group the interviewees represented, making the results prone to biases and errors of judgments.

Analytical method

Bryman and Bell (2011) identified that an issue with qualitative research method is that it generates large, cumbersome database as the data collection relies heavily on interview transcripts etc. Hence, in an open-ended questionnaire, it can be challenging to come up with the conclusions, especially when views could be conflicting from one point to another. Therefore, for this study, a coding process was used to review the transcripts and field notes, giving labels to parts that seem to be of potential theoretical significance or can relate to the parts of research area. As defined in (Bryman & Bell, 2011, pg. 586) “Open coding is a process of breaking down, examining, comparing, conceptualizing and categorizing data”. Each interview will be transcribed and main data will be coded to develop themes and categories in the transcripts that can be linked back to the literature. As there are areas of conflict between the interview results, constant comparisons were carried out and more interviews were made incrementally until common themes of the phenomenon began to emerge.

After arriving at common patterns in the findings, the results were compared against practitioners’ viewpoints and grounded theories from existing literatures. Finally, two strategic frameworks were used to analyse the macro-environmental factors and the internal resource and capabilities of Uber in New Zealand context. To analyse the external environment, PESTEL (Political, Economic, Social, Technological, Environmental and Legal) framework was used to analyse Uber and its relationships with its operating environment under these aspects. To complement that, a VRIO (Valuable, Rare, Inimitable and Organisationally-supported) framework will be used to assess qualitatively and introspectively the sustainability of the competitive advantages of the business model of Uber in New Zealand.

7 Research data

7.1 Insights on the New Zealand taxi industry

New Zealand taxi industry had been deregulated since 1989 where statutory taxi fares and the cap on number of taxis on the roads were removed. According to Senior Operational Policy Adviser of NZTA, the deregulation came about at the time when New Zealand government had an ideological shift in political thinking. Several other industries like telecommunications and railway were also deregulated around that period of time.

According to researched data presented earlier, following the deregulation, taxi supply has increased tremendously to the extent that “taxi numbers rose from 2,700 to 7,000 a decade after deregulation” (Te Ara Encyclopedia of New Zealand, n.d.). Executive director of NZTF mentioned that this market phenomenon did not cause prices to move down, contrary to what was predicted before the deregulation. Instead, many taxi companies were ultimately squeezed out of competition, leaving behind a small group of taxi companies in the monopolistic competitive market, each trying to establish its unique value propositions.

Dynamics of taxi businesses

There are over ten taxi companies within the Wellington regions. Wellington Combined Taxis has the largest market share amongst them, with over 500 taxis, or 53% of the taxis on the Wellington roads. NZTF shared that most taxi companies in New Zealand operate in the model of franchising or similar; with owner-drivers and contracting drivers who are supported by the taxi firms with job dispatching and problem resolution functions. In this model, drivers must either purchase their taxi vehicles, or lease from shareholders or franchisees who own taxi vehicle(s). Taxi companies do not have an employment relationship with their drivers, but rather, a shareholder, a franchisee, or independent contractor relationship typically.

According to Combined Taxis, being the largest fleet in Wellington has a huge advantage as the company is able to collaborate with corporations and the government in large contracts. This makes Combined Taxi the most desirable place for taxi drivers to work for. As compared to Green Cabs, which is of a smaller scale, Combined Taxi drivers have a relatively lower bargaining power over how the company is run, and there is a consistent strong demand of drivers who want to join the largest fleet in Wellington.

7.2 Uber's effect on the taxi industry

As mentioned earlier, Uber has created a wave of negative sentiments in the taxi industries around the world for stealing the jobs of taxi drivers and in circumventing stringent taxi codes. An interesting finding is that since Uber's entry into the New Zealand market in 2013, there has not been any heated reaction from the New Zealand taxi industry. On the contrary, the taxis' businesses have actually grown, likely due to population and economic growth. According to NZTF, the Federation's taxis have undertaken one million more trips than in previous years (Dominion Post, Uber should face same safety standards as taxis Sep 22 2015). In comparison, Uber has grown by about 100,000 trips in the past 18 months. From the interviews with Combined Taxis and Green Cabs, it is found that both companies have experienced a growth in their businesses in the past year after Uber's entry.

Uber has not experienced the same explosive growth in New Zealand like in the U.S. regions. According to NZTF, Uber occupies 5-15% of the Australian market while Uber's market share is only about 0.5% in New Zealand, likely due to the difficulties of getting drivers on-board. The New Zealand taxi companies are not very much affected by Uber's entry into the market, contrary to the major disruptions the firm has caused in overseas taxi markets.

<u>Taxi companies' strategic actions</u>

Most taxi companies are found to have anti-competitive clauses with their drivers in a way that drivers can only serve the taxi companies exclusively. However, as mentioned by the executives of both taxi companies interviewed, Capital Taxis in Wellington has a special contractual relationship with its drivers, which does not restrict them from using their taxi vehicles for ‘private jobs’. Hence, many of the Capital Taxis drivers are also part-time drivers for Uber. In the interview with Uber drivers, about one in three of the Uber rides taken were driven by Capital Taxis drivers. The other taxi companies have been more vigilant in enforcing their single-homing rules. According to Chief Executive from Combined Taxis, drivers found ‘moonlighting’ will have their contracts terminated immediately and are disallowed from joining Combined Taxis in the following two years.

Besides ensuring drivers’ commitment, taxi companies also have different attitudes and approaches towards their business outlooks with the rise of the ride-sharing trend. Chief Executive of Combined Taxis expressed that the company has been in process of developing an improved mobile booking app that can potentially function beyond what Uber is currently doing. Also, the company is looking at a new robust training programme for its drivers to further improve its customer’s service as a means to differentiate itself from the more price-focused entrants so that it can attract more corporate businesses. On the other hand, Green Cabs’ Managing Director firmly believes that ride-sharing firms are creating a race-to-the-bottom momentum to the taxi labour market and should be stopped before it is too late. Green Cabs has revealed that it would not be making any change to its existing business because there has not been any real impact on its business so far. Moreover, based on the current situation, it appears that Uber is struggling and it may not survive in a long run.

While Combined Taxis intends to use Uber as a prototype to improve its customers’ experiences, firms like Green Cabs do not feel compelled to make changes. What these two firms’ attitudes show is that there is a general absence of urgency to reinvent their businesses in face of the rise of ride-sharing. Taxi companies are making little to no change to their business models in response to Uber's entry.

7.3 Regulatory issues surrounding Uber's entry

According to NZTA, the attitude of the New Zealand regulators is generally positive towards the concept of ride-sharing as it is seen as an inevitable change propelled by communication technology. The advent of Uber in New Zealand has provided a new injection of competition and has raised the bar for the traditional industry players, encouraging innovations to the benefit of consumers. Uber has better transparency with its feedback system, a more convenient user interface and make better economic sense for both consumers and drivers. NZTA recognises that there are some shortfalls in the current regulations, which is why Ministry of Transport has initiated a Small Passenger Services Review for the regulations around the taxi and private hire areas, where Uber is currently straddling in between. The regulators understand that Uber is has a number of resemblances with taxi businesses as it provides on-demand services and uses a meter in essence.

Also, Uber does not have an in-car camera requirement for its fleet, which is mandatory for taxis. NZTF has commented that the installation of cameras is an effective measure in deterrence of crimes but Uber is arguing that its system is able to capture riders and drivers identity along with the GPS information, making it even more secure for both parties. During the interview, NZTA expressed that the Uber system, with its user feedback function, has a self-regulating effect, providing an accurate quality assurance of each 3rd party service provider. That said, the methods of achieving safety are vastly different and both parties have raised some valid points around the issues, making it a controversial area for the government to consider for its review.

In terms of employment classification, Uber drivers in the U.S. had successfully sued Uber for damages for classifying them as independent contractors when their contract design suggests that they were more of an employer-employee relationship. In New Zealand, as most of the taxi drivers are already operating under an independent contracting or franchising relationship with the taxi companies, the Uber arrangement does not make it any different for the drivers so it is unlikely to be a problem in New Zealand.

Despite all the factors in favour of Uber, the company faces a major challenge in the regulatory aspect as drivers need to be properly registered as commercially-fit drivers (e.g. PSL, P-endorsement), which limits the number of drivers that can work for Uber. This has the strongest effect in limiting the network effect for Uber to take off in New Zealand. For that, NZTA feels that that is a necessary step to provide basic assurance that the drivers are professionals who are qualified to provide the service. Also, in view of the much heavier commitment that taxi drivers have to put in for their businesses, Ministry of Transport is currently looking at ways to level the playing field between the ride-sharing firms and traditional taxis.

According to the Chief Executive of Combined Taxis, one area that the regulations should change is around merging the requirements of private hires and taxis because they are basically similar in nature. The argument is that if cameras are mandatory for taxis to provide safety to consumers, private hire services should not be excused from it.

As for Green Cabs, the Managing Director feels that one of the unfair advantages of driving for Uber is that it offers the flexibility of driving anytime. In contrast, taxi drivers are only allowed to drive a maximum of 13 hours straight, based on the NZTA regulations (NZTA, n.d.). This limits the ability for drivers to capture the two blocks of peak hour periods that are around either ends of the 13 hours window, resulting in the systemic inefficiencies as there is an over-supply of taxis during off-peak hours but they are not able to serve the peak hours sufficiently. A more flexible way of computing the 13 hours limit should be implemented to level the playing field between Uber and taxi companies.

Based on a recently published interview with Uber's New Zealand General Manager Oscar Peppitt, Uber has some expectations around the Small passenger services review as well (Stuff.co.nz, 2015). In the current system, drivers need to obtain licenses before driving Uber and that could take up to three months and $2000 up-front administrative cost. Uber would love to streamline the registration process to $100 to align it with industry standards from other countries (Stuff.co.nz, 2015).

As shown, there are some gaps in regulations and the industry players have very different viewpoints surrounding the existing regulations. While the taxi community and regulators recognise the merits of the service offerings by Uber, the immediate concern is the gap in regulatory coverage, resulting in the ambiguity of legality of Uber. To future-proof the regulations, NZTA and Ministry of Transport have also had dialogues with the industry players to balance the interests from different parties to level the playing field.

7.4 Uber driver-partners – Who they are and what motivates them

Under the current regulations, Uber drivers require similar registration process as a taxi or commercial driver, and the high barrier of entry is limiting the number of drivers who can join Uber. "In New Zealand, Uber had more than 1000 drivers but in Australia, where there was less red tape in getting registered, Uber had more than 15,000 drivers." (Stuff.co.nz, 2015).

Of the Uber drivers that are interviewed, the main motivation cited is the flexibility that Uber offers. As there is no fixed car rental duration each day, drivers can drive as and when they want. Also, for contracting drivers, they can choose to be on vacations without having to worry about the taxi rental agreements. There is greater autonomy around their schedules, making it a favourable alternative to driving for taxi companies.

The second reason Uber drivers are drawn to the business is that they can take advantage of the extra hours they have after their main jobs to earn extra incomes. This includes not only taxi drivers, but also some workers with day jobs during the regular office hours. Having a good four to five hours to drive Uber as a part-time job is a good way to supplement their incomes.

From the sixteen interviews conducted with Uber drivers, it is found that eleven out of sixteen are, in fact, taxi drivers picking up extra businesses during their down-time. There are also three drivers who were unemployed taxi drivers who are driving full time for Uber during the period. There are only two drivers who are of other professions, which form the minority in the sample. This shows that Uber is perceived not only as a substitute option for taxis in consumers' eyes, but also a substitute career option for taxi drivers.

7.5 Discussions

From the series of interviews, Uber's business interactions within the New Zealand context is vastly different as compared to that in some of the overseas markets. In this section, Uber New Zealand will be analysed using a PESTEL framework that assesses the environmental influences and interactions Uber has in New Zealand (Makos, J., 2015) and then move on to a VRIO analysis that analyses the firm's internal resources and capabilities to find out if it has a sustainable competitive advantage in New Zealand (Jurevicius, 2013).

PESTEL analysis of the macro-environment

- Political factors

- New Zealand is a highly deregulated market with an oversupply of taxis to begin with. In addition, the cities are less dense as compared to places like New York and Chicago, hence making it more difficult for the ride-sharing network to build up the critical mass.
- According to NZTA, the political attitude towards Uber is rather optimistic and forward-looking. Unlike the approaches taken by governments of France and Germany (BBC, 2015), the regulators believe that ride-sharing and multi-sided platform technology businesses will continue to grow in various parts of the economy. As such, the approach of having the Small Passenger Services Review to fix the current shortfalls in the regulations is a proactive move to reduce and possibly eradicate future conflicts.

- Economic factors
    - New Zealand taxis are at the top in terms of pricing as compared to taxis around the world (Pearson, A., 2014). This is disproportional as compared to the income level of New Zealanders as compared to the world.
    - The pricing of taxis in New Zealand is somewhat fixed at a high level despite the over-supply of taxis. According to Green Cabs' Managing Director, the market has settled at the current price point in its equilibrium and his early attempt in dropping the taxi prices did not manage to result in a higher profitability.
    - The small group of taxi companies in Wellington works in a monopolistic competitive way where taxi companies each have their unique value proposition beyond merely offering a ride.
    - In order for Uber's multi-sided market model to work, there must first be sufficient drivers to create a knock-on effect generating a positive feedback

loop. In the current situation, there is quite a high barrier of entry for drivers to join the Uber business. Also, majority of the taxi drivers in New Zealand are shareholders or franchisees who have invested hefty amounts into their taxi businesses and hence, they are locked-in into their businesses and there is little incentive for them to switch over to Uber and risk losing the sunk cost they have already put in. For companies like Combined Taxis, there is also a policy of two-year cool-off period for any driver who leaves the company so it would be a great risk for the drivers to switch to Uber. As for contracting drivers, they are typically locked into a non-competitive contract, which forbids them from driving Uber or other competitors. All these factors made it difficult for Uber to acquire more drivers, which forms the key factor that limits its growth in New Zealand at this point.

- Social factors
    - Executive Director of NZTF pointed out that taxis in New Zealand are culturally perceived differently from how they are in many other countries. Unlike being seen as a utilitarian commodity within the public transport system, due to the evolution of the deregulated taxi industry in New Zealand, taxis are generally perceived as a premium service offering that are taken when there are special reasons. Most taxi companies have their unique brand strategies, with well-maintained cars not older than five years old and the drivers are trained to deliver a high service standards for an elevated customers' experience. As consumers do not have the same culture of riding in taxis for common commuting, Uber's application of its low-price model does not have the same effect of switching the existing New Zealand consumers to Uber.

- Technological factors
    - According to Uber drivers interviewed, there is a group of price-sensitive, IT savvy consumers, mostly students and young adults in the twenties, who have shown great interest in the Uber application. As Uber has campaigned heavily in the social media, allowing users to award free rides through referrals, the main user group currently are the active participants of social media.
- Environmental factors
    - One of the main reasons Uber is welcomed by governments is the potentials of solving environmental issues. As mentioned in the research earlier, ride sharing is also deemed to be a possible solution for the ever-growing ownership of vehicles in dense cities and the fact that governments are not able to keep up with in their public transport systems and infrastructural upgrades.
    - In the overseas market, Uber's environmental message is much stronger as the company does originate with the core value proposition in sharing rather than owning. However, in New Zealand, due to legal boundaries, Uber can only establish itself as a commercial service provider, changing the core values of the business.
    - Uber has also been encouraging drivers to take up loans to upgrade their cars and to draw more drivers into its pool, which is opposite to the core values it is projecting. As such, Uber and the drivers' businesses are driven by economic reasons rather than environmental or social reasons of sharing.
- Legal factors
    - Uber's original business model in the U.S. is about enabling typical people to share their personal vehicles during their spare time. However, that model has

not been transferred here in New Zealand due to the limitations around regulations.

- Uber is sitting in an awkward space between a taxi and private hire, as it functions like a taxi while enjoying the incentives of being less regulated in a private hire category. That regulatory gap is likely to be covered in the current Small Passenger Services Review. If and when more stringent requirements are introduced to make ride sharing in line with the requirements imposed on the taxi industry, Uber may face bigger difficulties than it does today.

<u>VRIO analysis of the internal resources and capabilities</u>

There are three main competitive advantages Uber has, as compared to its competitors in the New Zealand context. First, Uber offers great convenience to both riders and drivers. Traditional taxi companies provide their drivers a dispatch function, connecting taxis with the customers. However, that has long been done in an inefficient manner, with outdated booking systems and bug-filled apps. Uber's app provides its functions from "hailing" a car, to providing details of the route and destination, to calculating and settling payment for the rides smoothly, creating a seamless and comfortable customers' journey. In the case for drivers, the app provides an automatic fare calculation and GPS navigation function that helps work out the best routes, which mitigates potential disputes that can happen when drivers drive based on their local knowledge. Also, upon reaching the destination, both riders and drivers do not have to stay for the payment process as it is done digitally. Drivers also do not need to physically go back to their headquarters to cash out any digital payments, as they would have to under a taxi company. Hence, Uber has brought great convenience to both riders and drivers with a far more efficient process.

Second significant advantage that Uber brings is the flexibility it gives to the drivers. Despite the high barrier of entry, all the drivers interviewed for this research have expressed that the biggest draw for them driving Uber is the full flexibility of determining when to work, without being penalized. Uber drivers have the liberty to work at the time to suit the demand or to fit into their personal lives. As there is no lease agreement and car rental controlling their work commitment, they are able to go on holidays without worrying about losing their jobs. As pointed out by Managing Director of Green Cabs, the current regulation stipulates that taxis can only drive for a 13 hours straight, which limits the ability for any taxi to fully capture the two peak hour periods, leading to the inefficiency in the industry. In the case of Uber, this regulation does not apply and hence Uber drivers can modify their behaviors to maximize productivity and economic gains.

Last but not least, the third advantage of Uber is efficiency in its operations, allowing it to keep its prices significantly lower while providing similar level of income to drivers. One of the reasons Uber has an efficient operating model is that there is a lower regulatory expenditure for it at this point.

During the interview with Uber drivers, majority of the drivers have commented that Uber income is similar to what they have been receiving from driving for taxi companies. In their personal experiences with Uber, the business is more frequent as compared to taxis and drivers who work as both a taxi and Uber driver benefit the most as they are able to utilize their idle time to pick up more jobs.

Consumers also benefit from the lower pricing, as it is one of the main draws for consumers to use Uber in the first place. New Zealand has long established a reputation for being amongst the top countries in terms of taxi fares. The significantly lower fares by Uber has drawn a new segment of customers who do not usually take taxis to commute and it has also encouraged a higher frequency of ridership.

To carry out the VRIO analysis, each of the three competitive advantages are compared against the four dimensions: value, rareness, imitability and organization's support.

In terms of the first competitive advantage - convenience, the Uber platform brings a revolutionary way of connecting between the riders and drivers. This practice is not currently present in the New Zealand taxi industry, hence making this asset incredibly valuable and rare in the market. However, like most online platform businesses, Uber can be easily imitated by its competitors. In foreign markets where Uber has set foot on for a longer period of time, there are similar apps that come up with similar value propositions competing with Uber in the market. In China, Kuaidi and Didi, Uber's largest competitors, decided to merge their operations to compete with Uber for market share (Forbes, 2015), causing stress for Uber to continue its operations in China. Despite that, Uber's strategy to keep expanding to new market has not slowed down at all. In New Zealand, Uber has taken over Auckland and Wellington in one short year and has been moving its marketing initiatives into Christchurch and Queenstown. This shows that the organization is highly supportive of their key value proposition and is keen to upscale its operations aggressively.

The main benefit for Uber drivers is the inherent flexibility of having full control of one's own schedule. This is a valuable advantage as it deviates from the conventional model of going into a lease agreement, which limits the driver's ability to plan their time and maximize profitability. This advantage is also rare in the New Zealand context due to the nature of rigidity in typical taxi drivers' work arrangements.

However, this advantage of flexibility can also be easily copied by competitors, especially in new sharing firms. Most sharing economy firms celebrate the idea of a "free-lance" market where services and buyers can come and go freely without long-term commitments. While this flexibility can be attractive to some, the lack of commitment from sharing companies can also become problematic for some. In the States, Uber drivers have successfully sued for damages, claiming that they were misclassified as contractors when they should be receiving employees' benefits. Hence, the idea of flexibility can also be a double-edged sword. Nevertheless, flexibility is one of the main reasons Uber is able to keep its costs down and it is a defining characteristic of a peer-to-peer market business.

Finally, low price of Uber is one of the most well-known advantages to consumers, brought about partially by having less regulatory overheads. Although it is a valuable characteristic, providing cheap rides for commuting is not considered rare, as there are many substitutes that consumers can go for to achieve the same objective. Also, this advantage can be easily imitated by other apps with similar cost structures, or by taxi companies should the regulations change in favour of them. When that happens, Uber may not have the same advantage it is enjoying now. Uber has strong control on the pricing model and has in the past raised and lowered fares and fees to boost its profitability. Hence, having low pricing on fares is definitely not one of the characteristics that it is committed to.

8 Conclusion

This research has provided the first comprehensive analysis of Uber in New Zealand, based on interview from industry players, Uber driver-partners and the regulating body, with many of the findings worthy of emphasis and exploring in future research.

From the PESTEL analysis, we see that the New Zealand government believes in the potentials of the sharing economy concept, and it is trying to firm up the regulatory framework to respond to the ride-sharing trend. Although the New Zealand consumers do not have the same habit of commuting via taxis, the lower prices and added convenience are significant draws to consumers, leading to the creation of a new group of target audience in the industry. It appears that the environment is very supportive of the growth of the ride-sharing industry.

Uber has created a unique value proposition that is welcomed by consumers and drivers due to the convenience, flexibility and pricing advantages. However, from the VRIO analysis, it is found that based on the current environmental factors, these competitive advantages are not sustainable in a long run as the business model can be imitated easily, as it has already been happening in many parts of the world. In New Zealand, new apps like Zoomy and Chariot have already emerged in the past year with slight differences from Uber to compete in the same market.

In conclusion, ride-sharing potentially holds a significant promise to changing our consumption pattern from ownership to sharing, making our cities and our lives more economically efficient and creating a more sustainable community altogether. However, because Uber is very profit-driven and the current New Zealand regulations limit its potentials, these ideals are far from being achieved. From the analysis, it is predicted that if the regulations become more stringent, ride sharing may lose a significant portion of its competitive advantages when other industry players catch up with the technology. The business environment is not static and Uber, its competitors and regulators will constantly change in response to one another. Given the rapid growth of sharing economy globally, it is likely that the sharing economy concept will continue to grow in New Zealand, and the regulations will keep evolving to allow sharing businesses to exist safely in the economy.

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11. Appendix

11.1 Interview script – NZTA

1. How have the regulations come about?

- Taxis were regulated before 1989 in terms of the pricing and numbers. (Similar to New South Wales and New York today). In the past at around 1983, limousines and other types of vehicles wanted to become taxis. so, there was a review which led to a deregulation in 1989. It was also the time the government decided to deregulate for a lot of other trades like electricity and rails. Mainly the deregulation came about because of the ideology change in the government at around that time.

2. What are the principles and viewpoints from the New Zealand regulators? Is Uber a disruptor in the New Zealand industry?

- Uber is seen as an inevitable change, propelled by the technology we have today. If it is not Uber, it would be another ride-sharing company. Uber is definitely a disruptor to the taxi industry. It has more transparency with the feedback system, and is way more efficient than taxis.

3. Do you think that the current regulations are short in regulating businesses like Uber? Or is Uber playing with the loopholes of the regulations? Where are the shortfalls if that is the case? How can the shortfalls be addressed?

- Uber is sitting as a private hire service under NZTA. This section typically applies to limousines and special vehicles where users can book in advance to arrange a time and cost before using the services. As such, Uber has a much lower requirement than taxis for registration. One of the shortfall brought up by disgruntled taxi drivers is the camera requirement. Uber has lower compliance cost because it does not need to have in-car cameras.

3a. Taxi drivers disgruntlement - How to address the loss of businesses for the taxi drivers who have put in investments into the business based on the current state of law?

- Whenever there is a disruption in the business environment, it is only natural that one party or more will be affected / sacrificed. Taxi drivers and the federation have been lobbying with the government but it is not the government's intention to favour one party over another.

3b. Barrier to entry for taxi market - Uber runs on the model of having drivers to use their private cars during the idle hours to make the extra income. It has very low overheads and liabilities. In comparison, barrier to entry for taxi companies is much higher, given that there needs to be proper training, a more formal contractual agreement between the firms and the drivers, insurance, security cameras ...etc. How would the regulations respond to the stark disadvantage that taxi companies currently face.

- Ministry of Transport is currently doing a review on the existing regulations to try to level the playing field between ride-sharing businesses and taxis.

3c. Possibility of monopoly if Uber gets bigger - It is probably still early to say but there are strong trends in different parts of the world and in history that technology companies tend to end up with a 'winner takes all' situation. We see that in many sharing economy firms like eBay, Facebook and all. How can the regulations respond to the possibility of Uber controlling the economy through a monopoly?

- It is currently not a concern to the government because Uber is not monopolising. Also, it is predicted that taxi companies and other upcoming app companies will raise their competition and control Uber from monopolising.

3d. Insurance / safety concerns - Understanding that all Uber drivers are mandated to have a p-endorsement license to get into the business, what is the regulators' take on the rest of the differences between Uber and taxi companies: e.g. requirements on insurance / safety for Uber rides?

- Uber has a transparent system that allows feedbacks to be given to individual drivers instantly after each ride. It is easier to keep track of which drivers are doing their jobs well and it provides reference and assurance for other riders. Also, it has a GPS system that can tell where the car is, along with the identifications of the contractual parties. Uber is using a different ways of responding to safety issues from taxi companies and it is not about Uber being slack in terms of safety. The regulators need to take into consideration the balance of safety and compliance costs so that the business can survive.

3e. Employment classification issues: Uber contractors are deemed as employees in the eyes of the laws in California, U.S. because it exercises sufficient controls over its contractors. Where does New Zealand stand in this?

- That employment classification issue only applies to the U.S. law and does not have direct implications to New Zealand Uber drivers. Currently, most of the taxi drivers are independent contractors so it would not be much different between that and Uber drivers.

4. What would you like to see in the future for New Zealand? Do you think that Uber will be morphed into a similar model as current taxi companies eventually?

- Taxi companies will catch up with technology and innovate to stay in the competition.

11.2 Interview script – NZTF

1. History of regulations and deregulation of taxis

- Taxi in New Zealand is deregulated 15 years ago.
- Removed cap on number of cabs and fixed fee
- Taxis rose from 2000- 7500 thereabouts

2. What are the regulations around taxis? What role does TaxiFed play?

- Maintain a certain standard for taxis
- TaxiFed only represent 50% of the taxis in New Zealand, but by maintaining a high standard, the taxis under TaxiFed represent ⅔ of the revenues earned by all taxis.
- Example of quality assurance: Higher than standard requirements on service quality, & regular camera checks. TaxiFed taxis use less than 10 years old cars. (Airport taxis requirement: less than 5 year old)
- Insurance requirement is stated by government. Average of $250 a month, paid by drivers. Drivers also pay levy and for the in-car cameras to use the taxis. (Some taxi companies operate differently)

- Taxis usually have about 0.5% complaints coming in. Of which, most of the complains are of minor issues or originate from misunderstandings. Taxi companies would resolve the complaints accordingly.
- TaxiFed also acts as the voice between taxi drivers and the companies, and the government

3. <u>What are the most significant overheads of a taxi company apart from insurance and cameras?</u>

- Marketing and running cost for dispatching service
- For drivers, mostly the levy or franchise fee to pay for

4. <u>Uber and the need for insurance.</u>

- Uber's insurance only provide protection when there is a passenger in the car. It is a legally grey area because drivers are not protected when they are on their ways to pick passengers up.
- (How many incidents past years, and what is the problem resolution rate - unanswered)

5. <u>With the introduction of Uber, is there a drop in taxi business?</u>

- Not much is felt in New Zealand yet.
- In Australia, Uber occupies 5-15% of the market while in New Zealand, Uber's market share is only about half a percent. In the past 18 months, Uber has grown by 100,000 trips while there was an increase of a million trip by the taxis in New Zealand.
- Uber does not have the same effect in New Zealand

- Uber plays with pricing to try to acquire more businesses but the consumer's perception for taxi is not about pricing but more of convenience and quality. Uber does not have enough drivers to make sure the supply is enough to provide for consumers. That is not convenient.
- New Zealand has never been lacking taxis. Taxis are of higher quality and about the same price. The draw of Uber is not strong.
- In other countries, 70% of the Uber drivers are non-commercial drivers and the sharing model work better. However, in New Zealand, all drivers require p-endorsement. The company is not big on sharing. (Side track: Uber is currently lobbying in the government to remove this requirement)
- New Zealanders do not have the propensity to accept the new concept of ride-sharing yet (even if it truly happen). It is too distant from the local culture. At courtenay place, different taxis wait in a row and allow consumers to select the most optimal taxi to them. Taxis are not commodities but distinct brands of quality transport vessels.

6. <u>What is the response from taxi companies towards Uber's entrance?</u>

- Taxi is deregulated and New Zealand welcomes the competition, provided Uber tweaks its business to rectify some of the issues they have, operating in New Zealand context. Example is the need to put in cameras in cars.
- Taxi companies are learning the good things from Uber like the technological advancement in communicating with and serving customers.
- Taxi drivers are a little worried about how regulations or this competitor may evolve over time.

7. Other information

- Capital Taxis are not under the umbrella of TaxiFed. They do not have a dispatch centre and taxis are only by hailing. Their policy is that taxi drivers can drive for Uber anytime as long as drivers pay their levies.
- Uber raised its cut to 33% in Auckland. It also controls when the surge pricing starts. Drivers are in the disadvantage due to the lack of control in pricing or profit margin.
- Non-commercial drivers are unlikely to take part in Uber because of the costs of making just a small handful of trips.
- Taxi companies in New Zealand are generally run under the contracting (co-op) models with the drivers. They run into the same problem as Uber in terms of landing in a legally grey area of whether the contract of drivers are sufficient to be regarded as an employment contract. This is still not clear.
- In-car cameras are very important because it deters crimes, and also provides clear footage of crime should they happen. After the installation of cameras, there is a drop of 40% in-car crimes in taxis. Uber prides itself in the use of GPS to track where and who the driver is. However, without real life footage, disputes can potentially drag on for months because of the lack of clear evidence (he says she says scenarios).

11.3 Interview script – Combined Taxis

1. Tell me a little about your company. How do taxi drivers typically get into the industry and why do they work for you?

- Wellington Combined Taxis is the largest carrier in Wellington. There are 503 taxis, taking up 53% of the taxis on the Wellington roads. Next competitor has 130 taxis.

Market leader in Wellington. Taxi drivers are on a waiting list to be part of Combined Taxis.

- Wellington Combined Taxis owns 45% of blue bubble. (Auckland co-op owns 45%, Christchurch blue star owns 10%) Currently there are a few ways customers can book. There is a call centre, a blue bubble app, as well as an upcoming blackberry app. The blue bubble app has undergone a round of improvement and is going to incorporate more functions than the uber app.
- Wellington Combined Taxis owns 35% of taxi charge, a settlement company that allows taxis to receive credit payments.

2. <u>Do taxi drivers typically have high bargaining power over the taxi companies? Do people move from one employer to another?</u>

- Not really. Taxi drivers have very little say over the taxi companies.
- Taxi drivers tend not to leave the company unless they are kicked out, there are training programmers focused on the technical knowledge.

3. <u>What is the contractual arrangement between drivers and the company? What liabilities are there?</u>

- Shareholders-drivers need to own their own cars, specified by the company. Franchise system where 50% of the shareholders are also driver. The rest of the shareholders lease their cars to professional taxi drivers. There are about 400 shareholders in the company.
- Cars need to be less than 7 years old, in order to go to the airport. Drivers need to wear uniforms. There are trainings for drivers to get into the profession.

- There is a long line of drivers waiting to work for Wellington combined. Drivers often get 'sacked' when there is any wrongful behavior. the company is strict about that. Once a driver leaves Combined Taxis, he / she cannot go back to Combined Taxis within two years cool off period.

4. <u>As we all know, there are some basic requirements to run a taxi business in New Zealand. Insurance and cameras are two that I know of. Are there other requirements that differentiate taxis from a private hire?</u>

- Drivers can only work 14 hours a day at maximum, by law. The 14 hours is counted continuously from the time drivers start work in a day.

5. <u>Roughly, how much is the turnovers, and what are the key overheads for a taxi business?</u>

- Turnover is low. Largest and strongest company in Wellington. Lease, insurance and petrol.

6. <u>Problem resolution rate: What is the significance of the role of the taxi company in the taxi ride contract? Are there many issues in the past that require the taxi company to step in to mediate or control for? How many claims are successful or how many problems are resolved?</u>

- There are 61 complaints in August whereby all are resolved. Taxi companies need to report the complaints back to NZTA. By law, taxi companies need to have such a dispute resolution process.

7. <u>How much do taxi drivers typically earn per month, and how busy are they? Do they have a lot of downtime?</u>

- There is a significant divergence between the good drivers and the leisure drivers. Some drivers know their way around well and know where to capture business. Many of the drivers (about 150 of them) are retirees who just want to take it easy. The good ones can earn about $100,000 per annum.

8. <u>With the introduction of Uber, has there been a drop in taxi business? Do you foresee a drop / further decline? What is your company's response to Uber?</u>

- There is an increase of business (YoY). Taxis are about quality here, which is a different market from Uber's target audience. In New Zealand, the competition is different from other countries. There is no limit to entry for taxis and no price restrictions. It is already existing in a naturally competitive state. There is an estimate of 85 uber cabs in Wellington. The number is not growing much and Uber has been having difficulties starting its operations in Christchurch.
- The company is looking at new training programme to improve its customer's service as a means to differentiate itself as the market leader. It is also developing an improved version of its existing app that is meant to improve beyond what Uber app can do. Uber app is really very convenient and there are good lessons learnt from there.

9. <u>Do you think there are drivers in your company that would moonlight or quit the company to join Uber?</u>

- The drivers from Combined Taxis signed anti-competitive agreement and are not allowed to drive Uber. In Wellington, the city is quite small and each car has a GPS that monitors where the taxis are. It also serves as a checking mechanism to see if the drivers have breached the maximum driving hours allowed by law. In addition, it is rather easy for drivers to spot another driver getting an uber job on the roads, so enforcement is relatively uncomplicated.

- Uber rides are typically about 50% in terms of price for each ride. Combined Taxis has a good reputation being the largest taxi company in Wellington. It has many corporate and government contracts and private hire requests that the dispatch system would offer to the drivers. Taxi drivers are typically unwilling to switch to Uber from Combined Taxis. There has been no increase in taxi drivers quitting after Uber came along.

10. <u>What do you think about Uber, and if given a choice, where would you like to see change in? (Regulations, taxi industry… etc.)</u>

- Regulations to have a level playing field. Uber currently has lower compulsory business costs despite operating similar to a taxi.
- Private hire or taxi: they should have the same requirements if the regulations on taxi are meant to protect consumers. Should not have any difference.

11. <u>Do you think Uber is just another taxi company in disguise?</u>

- Uber prides itself as a technology company or a private hire company. But essentially for consumers, they ask for an uber car and one turns up in matter of a few minutes. Consumers decide the location and there is only agreed rate (not price) beforehand. That is the whole idea of how taxis operate.

11.4 Interview script – Green Cabs

1. Tell me a little about your company. How do taxi drivers typically get into the industry and why do they work for you?

- Green Cabs is a taxi company that has strong values in upholding a sustainable business practice. It is currently operating in Auckland, Queenstown and Christchurch.
- There are about 80 cars in Wellington. Drivers are all independent contractors who have to own their own taxi car in order to operate. Green Cabs specifies hybrid cars.
- It does not believe in buying carbon credit to offset environmental impacts. It believes in doing tangible work towards the environment. As such, the company invests money into agroforestry programmers to rehabilitate forests.

2. Do taxi drivers typically have high bargaining power over the taxi companies? Do people move from one employer to another?

- Taxi drivers have to follow the rules set forth by the law and by the company in general. They do not have high bargaining power over the taxi companies and they do not tend to switch. However, when Green Cabs tried to lower its prices hoping to attract more customers, many drivers became hesitant to work for Green Cabs as the lower prices was seen as a threat on their take-home wages.

3. What is the contractual arrangement between drivers and the company? What liabilities are there?

- Similar system as other cab companies, independent contractors who need to own their cars. The company acts as a dispatch centre by taking calls and online bookings to distribute to individual drivers.

4. <u>As we all know, there are some basic requirements to run a taxi business in New Zealand. Insurance and cameras are two that I know of. Are there other requirements that differentiate taxis from a private hire?</u>

   -

5. <u>Roughly, how much is the turnovers, and what are the key overheads for a taxi business?</u>

   -

6. <u>How much do taxi drivers typically earn per month?</u>

- Taxi drivers earn about 50 to 110k per annum.

7. <u>With the introduction of Uber, has there been a drop in taxi business? Do you foresee a drop / further decline? What is your company's response to Uber?</u>

- There is an increase of business (YoY). Green Cabs will not be doing anything to 'fight' Uber although it recognizes the convenience the app provides for consumers.
- The company believes that Uber is a service company that uses technology as a platform and it can expand to a large variety of services. Uber drives prices down and promotes capitalism in its more efficient form. If companies like Uber continues to operate and automate, we will have a larger income gap as the lower income group will get increasingly poorer.

- The company does not support the ideology of the businesses like Uber and does not want Green Cabs to go into that position. Also, Green Cabs do not think it needs to compete with Uber as they are serving different market audiences. NZ market is deregulated and there isn't a massive gap for Uber's value proposition to make a difference in.

8. Do you think there are drivers in your company that would moonlight or quit the company to join Uber?

- Drivers are not allowed to work for other companies when they are driving Green Cabs, and so far, there hasn't been drivers quitting more after Uber entered the market.

9. What do you think about Uber, and if given a choice, where would you like to see change in? (Regulations, taxi industry… etc.)

- Taxi companies should look into trimming the inefficiencies. One is that drivers can only drive a maximum of 14 hour straight. This limits the ability for drivers to capture the two peak hours periods, resulting in having too many taxis idling during off peak hours and too few taxis to handle the peak. There should be a way to use data to better manage the number of taxis on the road.
- Using a more efficient way of monitoring demand, taxi drivers can reduce work time from 14 to 12 hours but still deliver the same service in the community (eradicate the non-productive waiting time for taxi drivers). A way to do that is to allow drivers to break their hours into 6 hour shifts to give more flexibility to them.

10. Do you think Uber is just another taxi company in disguise?

- Uber is a platform business that can be replicated for a number of other fields. If it grows bigger, it will not only be confined in the transportation sector. The idea is the same and the platform can be easily replicated for other services.

11.5 Combined interview script – Uber driver-partners

1. Are you a taxi driver? What motivated you to join Uber?

   1) Yes. Extra time after shift.

   2) Yes. Idling time.

   3) Yes. Extra time. Have driven for almost a year now.

   4) Not anymore. Can go on holiday anytime you want.

   5) Not at the moment. Took a long vacation from work due to an overseas family visit and have yet to get back to drive taxi.

   6) Yes. Extra time to pick up some money.

   7) Yes. Extra money to be earned.

   8) Yes. Extra source of income. Easy to take down the signs and do the additional business.

   9) Not really. Used to be a taxi driver but is currently jobless. He was working for Uber as the main source of income.

   10) Yes. Idling time.

   11) Yes. Extra hours from taxi driving. And the added flexibility is very good.

   12) No. Drives a construction vehicle by day and have extra hours to spare.

   13) Yes. Good money from Uber. Better than taxi.

   14) No. IT administrator as a day job. Extra income.

   15) Yes. Taxi company not getting enough jobs in.

16) Yes. Just trying out the new thing. Have only joined for a month.

2. <u>Do you enjoy driving for Uber? Do you think you will continue driving Uber or increase your hours?</u>

   1) Yes. Uber helps fill up the time that is otherwise just wasted. Will continue to drive Uber.

   2) Yes. Only if time allows. There are limits to the time a taxi driver can be on the roads.

   3) Yes. Uber helps fill up the time that is otherwise just wasted. Capital Taxi company allows its drivers to drive for Uber as and when they want so it is a win-win situation for the drivers.

   4) Yes. Definitely. Have already converted to drive Uber full-time. (Retiree)

   5) Maybe. Will hope to do Uber as a side-line and have taxi as the main job.

   6) Yes, but the earning is very low on Uber. In consideration of the commuting time to and back from a job, it does not seem to be worth the time. May try it for a while more and give up on Uber if it does not make economic sense.

   7) Yes. It is very convenient for riders and this is the future of taxis. He will definitely look at converting to full time Uber.

   8) Yes. Not enough jobs from the taxi company. Will continue Uber as a part-time.

   9) Not really. Once I find a job I will stop driving for Uber. It does not earn enough.

   10) Yes. Stay as a part time.

   11) Yes. Stay as a part time. Enjoy the flexibility of being able to earn extra money from taking side job.

   12) Yes. Stay as part time and work as and when there is time off work to spare.

13) Yes. Will continue with Uber. It is more advanced than Taxi companies. Very convenient to use.

14) Yes. It gives an amazing income. Will convert to Uber full-time in the near future.

15) Yes. Have already invested in the Taxi business so Uber will continue as a side-line.

16) Yes. Not sure. The rides are quite cheap but the flexibility over schedule is a big draw.