

## **Overview of Private Hire Company “Uber”**

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### **1. Summary**

This report has been prepared to provide information to Members of the Strategic Licensing Committee on the American based private hire company that trades as Uber. The company trades in the UK and around the world. There is increasing publicity surrounding the activities of this company which operates an online booking service for private hire vehicles.

### **2. Recommendations**

Members are asked to note the content of the report.

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1 There is currently no indication that Uber want to extend their operations into Shropshire. However, Uber and similar companies are expanding their operations across the UK. If an application was made to Shropshire Council it would be considered in line with Shropshire Council's Hackney Carriage and Private Hire Licensing Policy 2015-19.
- 3.2 The significant risks presented by this type of operation are in relation to the ability to sub-contract bookings to other operators licensed in a different district. These arrangements have been allowed by the Deregulation Act 2015. An operator licensed by Shropshire Council can now sub-contract its bookings to an operator licensed by for example, Telford and Wrekin Council. Previously, sub-contracting could only take place between operators licensed in the same

district. This is not unique to companies such as Uber and sub-contracting can occur between existing traditional companies.

- 3.3 This change to sub-contracting arrangements has been implemented without the accompanying safeguards deemed necessary by the Law Commission's review of taxi licensing. For example, a requirement for the firm with whom the booking is made to advise the customer if it is being sub-contracted. In addition, officers are strongly of the view that the risks associated with sub-contracting could have been mitigated by, for example, requiring the consent of the hirer before passing on the booking and empowering enforcement officers within licensing authorities to take action against drivers who are operating in their areas even where they are licensed by another authority.
- 3.4 Whilst there are grounds to support sub-contracting arrangements such as ensuring a supply of licensed taxis or private hire vehicles, sub-contracting should only be permitted if all safety risks to passengers are robustly addressed. There is a strongly held view across licensing authorities and within the LGA that the current legislation does not permit officers to take action against a driver/operator who is licensed by another authority. Whilst it is not necessarily the view held by officers of this Authority, at best it can only take place where there are complex delegated authority arrangements in place between different local authorities and even where this is achieved, the risk of legal challenge around the vires of any enforcement action is significant.
- 3.5 This has particular relevance to the Shropshire and Telford & Wrekin areas because of the high level of cross-border working that is currently undertaken by private hire vehicles across these two authorities. In practice, it is a reality across many local authorities, particularly around geographical borders.
- 3.6 There have also been concerns raised regarding the fees set by Uber and the amount of commission they require which leaves many drivers working excessive hours leading to safety risks for the public.

#### **4. Financial Implications**

- 4.1 Concern has been raised by the trade that Uber presents unfair competition and will have a detrimental impact on the ability of hackney carriages to operate.

#### **5. Background**

- 5.1 Uber Technologies Inc. is an American international transportation network company and its headquarters are in San Francisco, California. The company develops, markets and operates the Uber mobile app, which allows consumers with smartphones to submit a trip request which is then routed to Uber drivers who use their own cars. Essentially it is an online booking service for private hire vehicles.
- 5.2 Using GPS, it detects the customer's location and connects them with the nearest driver. The customer can also request a specific type of car if they

prefer - such as a luxury ride or a straightforward private hire vehicle. The app texts the customer when the driver arrives and they can check the identity of the driver against who actually shows up.

- 5.3 The service is reported to be available in 56 countries and 200 cities worldwide<sup>(1)</sup>. The service is well established in London, Manchester, Leeds and Birmingham.
- 5.4 Uber is not the only smartphone app to have been developed to help connect passengers and taxi / private hire service providers. Other examples operating in the UK include Hailo, Addison Lee, Kabbee and Gett.
- 5.5 The activities of Uber have sometimes provoked controversy with questions raised about the fairness and legalities of their operating model. However within the UK it appears that Uber are operating lawfully within the private hire licensing regimes provided for in London by the Private Hire Vehicles (London) Act 1998 and in the rest of England and Wales under the Local Government (Miscellaneous Provisions) Act 1976.
- 5.6 The Uber website at [www.uber.com/legal/gbr/terms](http://www.uber.com/legal/gbr/terms) states that Uber is the holder of Private Hire Vehicle Operator licences in each of the jurisdictions in which it operates, and accepts at its registered address and/or operations centre, private hire bookings made by the Uber App.
- 5.7 The controversy surrounding Uber's operations in London relate to the way that the fares charged to passenger using the Uber app are calculated and also the fact that they are generally cheaper than those charged by London's world famous "Black Cabs."
- 5.8 The fares charged by Uber are calculated via GPS and in London it has been argued that this is basically the same as using a taximeter which, in London, only licensed hackney carriages can use as a result of section 11 of the Private Hire Vehicles (London) Act 1998.
- 5.9 The controversy has led to protests from taxi drivers in London but Transport for London (TfL), which regulates taxi and private hire vehicles in the City, has taken legal advice and has concluded that Uber is not operating unlawfully and that the calculation of a fare via GPS is not the same as using a taximeter.
- 5.10 This is not necessarily the end of the matter however as the London Taxi Driver Association (LTDA) has apparently issued summonses at Westminster Magistrates Court to a number of Uber drivers whom it is seeking to privately prosecute for offences under section 11 of the Private Hire Vehicles (London) Act 1998.

<sup>(1)</sup> <http://uk.businessinsider.com/where-is-uber-launching-in-the-uk-2015-4>

- 5.11 It is important to recognise that the legal challenges to the way Uber operates in London are not replicated in the rest of England and Wales, as private hire vehicles are allowed to utilise taximeters outside of London as there is no equivalent provision to section 11 of the Private Hire Vehicles (London) Act 1998 in the Local Government (Miscellaneous Provisions) Act 1976.
- 5.12 Uber has now expanded its operation in England and Wales beyond London and the company now has licences to operate in Manchester, Leeds, Birmingham, Bristol, Newcastle and Sheffield. The company's expansion has been rapid and indications are that it will continue to grow and will seek to expand its services into other towns and cities throughout England and Wales.
- 5.13 As with all licensed private hire operators, Uber can dispatch vehicles and drivers to carry out work anywhere in the country, providing that the vehicle and driver that is allocated the booking is also licensed with the local authority that issued the relevant private hire operator licence.
- 5.14 Due to the relaxation on sub-contracting rules for private hire vehicles that came into effect on 1st October 2015, Uber can also sub-contract bookings to other licensed private hire operators in other local authority areas so that operator can dispatch an appropriately licensed vehicle and driver.
- 5.15 As bookings are made via the smartphone app, it is difficult to see how it can be proven precisely in which local authority areas Uber is "making provision for the invitation and acceptance of bookings for private hire vehicles" and therefore where it needs to obtain licences from.
- 5.16 The emergence of Uber and other smartphone taxi booking apps has highlighted the urgent need for reform of the badly outdated taxi and private hire legislation that struggles to cope with regulating this service due to modern technological advances like smartphones and the internet, which were not around in 1976.

## 6. Additional Information

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

- Deregulation Act 2015

**Cabinet Member (Portfolio Holder)**

Portfolio Holder for Regulatory Services, Housing and Commissioning (Central)  
Councillor M Price

**Local Member**

All

**Appendices**

n/a