

Case #8b. Uber Battles to Stay in France

Synopsis: Case #8b invites you to apply the power analysis framework of Module 8 in analyzing the on-going challenge Uber faces in trying to establish operations in France.

Uber Dealt Setback After European Court Rules It Is a Taxi Service

By LIZ ALDERMAN, DEC. 20, 2017 New York Times

The European Union's highest court on Wednesday declared that Uber was a transportation business, not just a technology platform, another blow to a company already grappling with scandals and regulatory setbacks.

Uber had positioned itself as digital marketplace that connected drivers with riders, which tend to face a lighter regulatory burden. The ruling will now force Uber to comply with the bloc's rules for taxis and other transport companies, meaning the company could face stricter licensing and other requirements.

The ruling applies only to the European Union, but it is likely to be scrutinized by regulators looking more broadly at the gig economy. Policymakers worldwide have been struggling with how to frame rules for this growing part of the work force, in which people operate as freelancers or on short-term contracts as opposed to holding permanent jobs.

Legislation in many countries has not kept up with the atypical work arrangements that companies use to cut costs. Regulations for decades have been formulated around traditional 9-to-5 jobs.

The uncertainty has fueled a wave of litigation, leaving the courts to create a patchwork of regulations and rules.

"It's normal that authorities don't know what to do — they can't just issue regulations anytime somebody claims to operate a new business model," said Valerio De Stefano, a law professor at the University of Leuven in Belgium. "The litigation will lead authorities to better understand what is the reality of the work in the platform economy."

The Uber case before the European Court of Justice centered on a complaint brought by a taxi group based in Barcelona, Spain. The group argued that it was unfair that Uber did not have to adhere to the same rules in the city. Uber ran a peer-to-peer service there called UberPop, which linked nonprofessional drivers with riders.

The service has since been disbanded in Spain and several other countries. And Uber said it now used only professional drivers in the vast majority of the European Union.

In the decision, the court determined that Uber, which connects drivers with riders through a smartphone app for payments, “must be regarded as being inherently linked to a transport service.” The 28 member countries in the European bloc will have to regulate “the conditions under which such services are to be provided,” the court added.

The ruling comes at a crucial time for Uber. The company’s new chief executive, Dara Khosrowshahi, has said he wants to take the company public as early as 2019. But he must remake a corporate culture marked by internal strife, accusations of sexual harassment in the workplace and the brash style of his predecessor, Travis Kalanick.

Mr. Khosrowshahi also faces a raft of legal and regulatory challenges. London recently stripped Uber of its operating license, citing safety and security concerns, while a British tribunal ruled it could not treat drivers as self-employed contractors. Just last week, court documents showed that federal authorities in the United States were pursuing at least one criminal investigation into the company.

In a statement on the Wednesday ruling, Uber said that it was already operating under the transportation law of most European countries in which it did business, and that the ruling would have little impact. It added that it would continue a dialogue with cities across Europe for its services.

The case may provide a benchmark for countries seeking to regulate independent workers, who make up as much as 30 percent of the working-age population in the United States and Europe, according to the McKinsey Global Institute. Some worry, though, that such a group could soon become an underclass.

For policymakers, the challenge is to strike a balance between imposing labor protections and heeding warnings that tighter regulation will increase costs and thwart innovation. Revenue from sharing businesses in the region reached an estimated 28 billion euros, or \$33 billion, in 2015, the European Commission, the executive arm of the European Union, reported.

But such numbers may mask the precarious side of atypical work. In Spain, for example, the government reported that 18 million temporary contracts were handed out last year, compared with 1.7 million long-term jobs...

French Parliament Approves Bill to Tighten Car-Service Rules

Bill would be the second law in France since 2014 aimed at reining in Uber and similar firms

Sam Schechner July 20, 2016 Wall Street Journal

PARIS—The lower house of France’s parliament, **National Assembly** Wednesday approved a new bill that would tighten licensing rules for car-service drivers in the country, the latest government step to rein in car-service apps like Uber Technologies Inc. that have rattled the taxi industry.

The new bill, which passed the **National Assembly** with a voice vote, would impose new regulations on car services like Uber and essentially eliminate an entire category of professional driving licenses used by roughly a third of their drivers.

The bill -- which heads to the French senate for debate -- taps into a broader fight between technology firms and governments about how -- and whether -- to regulate the digital economy. The fight has been particularly pitched where new apps like Uber or Airbnb Inc. offer cheaper services that compete directly against heavily regulated transportation and lodging businesses.

Proposed by a lawmaker, Laurent Grandguillaume, whom the government appointed as a mediator after a taxi strike in January, the bill would be the second law since 2014 aimed at reining in Uber and similar firms. It comes after French prosecutors used the prior law to win criminal convictions and fines last month against the company and its two top executives in France.

The French government argues that Uber in particular has sidestepped local laws and that this latest legislation closes a license loophole companies have used to flood the market with drivers, driving down fares and wages.

“We cannot accept a technological wild west, a law of the jungle without any regulation,” said Laurent Grandguillaume, the legislator behind the bill.

Uber and other car service firms argue that France’s approach risks strangling their businesses that create jobs to protect taxi businesses that haven’t kept up with technology.

“If this bill is approved, France will be slowing down the development of these businesses -- and possibly killing some of them,” said Yves Weisberger, co-founder of car-reservation app Snapcar, and chairman of an **Association of French car-reservation apps**. “This is even worse than the last law.”

Another group of car-service apps, including Uber, have banded together into an association, publishing ads in the French press, decrying the law. They have launched a social media campaign emphasizing how they employ thousands of people under the hashtag #laissezlestravailler, or “Let them work.”

On Wednesday, the Uber-backed association said it “denounces the government’s hastiness and incoherence” with the bill, which it said would “put an end” to the “on-demand transport ecosystem.”

The law in question would, among other things, restrict one easy-to-obtain type of license so that it only applies in cities when driving large vehicles with 10 or more seats—essentially making it unusable by Uber and other car services.

The government argued Uber and others had misused that type of license which is currently restricted to reservations for at least two passengers—even though the firms often carry only one passenger. The companies say their use of the licenses was legal.

Uber and Its Executives Are Fined in France

By MARK SCOTT, New York Times, JUNE 9, 2016

As part of the continuing global backlash over the popular ride-sharing service, Uber and two of its senior European executives were convicted and fined nearly \$500,000 by a **French Court** on Thursday for running an illegal transportation business.

In its push to expand around the world, Uber, the fast-growing start-up that is now worth \$62.5 billion, has become a target in many of the 300 cities where it operates. Traditional taxi drivers in France and other European countries have fought to restrict the company, saying that Uber does not comply with local rules and, in some cities, may represent a threat to public safety. The company denies these accusations.

The latest ruling in France — the result of a lengthy legal process that dates to early last year — relates to UberPop, the company's low-cost service, in which drivers do not have professional livery licenses. After a series of strikes by the **taxi driver unions** and the banning of UberPop in France, Uber eventually suspended its low-cost service in the country last summer.

As part of the **French court's** ruling on Thursday, Uber will have to pay a fine of \$906,000, though half of that figure was suspended. Pierre-Dimitri Gore-Coty, the company's head of Europe, the Middle East and Africa, and Thibaud Simphal, Uber's general manager in France, must pay an additional combined penalty of \$28,500.

The two executives were convicted of deceptive commercial practices and complicity in operating an illegal transportation service. They were cleared of some related charges linked to privacy complaints.

“The judgment does not impact our service in France today — which now connects more than 12,000 professional drivers with 1.5 million passengers — but we will appeal,” Gareth Mead, an Uber spokesman, said in a statement on Thursday.

Despite the French court's penalties, the fines were significantly less than what the judge could have imposed. Uber could have been forced to pay up to \$1.7 million, and its executives could have faced up to five years in prison and a \$340,000 fine each. **French taxi unions** had also called for the Uber executives to be barred from working in the transportation industry, pleas that were ignored by the French court.

Uber's French Resistance

In cities from New York to New Delhi, the car service Uber has faced threats and bans from regulators but usually comes out on top. Has it met its match in Paris?

By LIZ ALDERMAN, JUNE 3, 2015 New York Times (**excerpt**)

In almost every market that the app-based car service Uber has entered, it has been met with some form of resistance. This has been especially pronounced in Europe over the past year, after the introduction of UberPOP, an inexpensive version of the service, comparable to UberX in the United States. Uber's flagship product is a high-end black-car service that happens to function over an app. But UberPOP is different. It enables drivers without any kind of professional license to freelance as cabbies. (In France, confusingly, Uber also offers a service called UberX, but there it is the app's black-car service, equivalent to the service known as UberBLACK in the U.S.)

In Uber's eyes, it is merely a marketplace for labor, linking people who want to earn money with people willing to pay for a ride. But France, home of the 35-hour workweek and one of the most protective regulatory regimes in Europe, sees it differently. UberPOP, with its nonchalance about regulation and its gig-economy boosterism, is radically un-French. Late last year, Parliament passed a law essentially making the service illegal. Now Uber is contesting the constitutionality of certain aspects of the law, leaving UberPOP in legal limbo. Uber is telling its drivers to keep working in the meantime, which has provoked the Boer crackdown.

Seven years ago, on a cold winter night in Paris, two entrepreneurs named Travis Kalanick and Garrett Camp couldn't find a cab, no matter how hard they tried. They were in town for LeWeb, a tech conference, and their experience led to a conversation about how awful the cabs were back home in San Francisco. They hit on a ridiculously simple idea: What if you could get a ride anytime, anywhere, just by tapping a button on your phone?

They began testing their app in New York a year later. That summer, they introduced UberCab in San Francisco. Funding started to pour in — and so did the legal challenges. San Francisco authorities issued a cease-and-desist order, objecting to the use of the word “cab” in the company's name. But Kalanick, who became CEO, fought back and rolled out Uber across the United States, drawing city and state injunctions just about everywhere it went. Despite all this, Uber now operates in 58 countries and is estimated to be worth \$50 billion.

When Uber expanded to Europe, Kalanick decided to unveil the service in France first. But the country made for what an H.R. manager might call a “bad cultural fit.” France is known for shielding workers, strategic industries and a variety of professions from “*concurrence déloyale*,” or unfair competition. Completely altering the landscape in which businesses operate is not viewed as positively in France as it is in Silicon Valley.

Until recently, French taxis faced almost no competition. The state strictly regulated the number of medallions available, keeping the fleet small. Though the government issues medallions to drivers at no cost, this scarcity makes them outrageously expensive on the secondary market. In Paris, the going price is about 200,000 euros, or \$219,000. Today, the city has just 17,702 taxis, only a few thousand more than it had before the Nazis invaded. Yet virtually every time the government tries to expand the fleet, irate **French taxi drivers** protest with a form of strike they call Operation Escargot, in which cabbies inch along thoroughfares, snarling traffic all over the capital.

In 2009, the government authorized a new category of transport, called *Véhicules de Tourisme Avec Chauffeur* (V.T.C.), to increase supply. These were mostly black-car services that couldn't be hailed in the street, so they seemed to pose little threat to the taxi monopoly. But when Uber's black-car service came along in 2011, the market for V.T.C.s exploded. Taxi drivers were never happy about the V.T.C. law, but they grew enraged when Uber arrived. In January 2014, they set up highway blockades and checkpoints, vandalizing Uber cars, smashing windows and slashing tires, frightening passengers in the process.

Last year, the government passed legislation known as the Thévenoud Law, which requires all chauffeurs to have a professional license and prevents V.T.C. services from using geolocation software to show the whereabouts of their cars. It was widely seen to be an attack on UberPOP. The French courts are weighing the validity of the law, but the French state has made its wishes clear.

In March, French police conducted a morning raid as part of its investigation into Uber's operations. They scoured the place for about eight hours, Simphal said. "They took computers, documents and even connection kits for drivers," he said. "They wanted data and information on UberPOP in particular." France is hardly alone in its disdain for UberPOP. Courts in Spain, Italy, Germany and the Netherlands recently banned the service from operating.

However, not everyone in the French government is part of the backlash. The **French economy minister, Emmanuel Macron (and now French President)**, a young, liberal-minded technocrat, has cited Uber as an example of how a more modern French economy could work. Recently, Macron sparked an outcry in his ruling Socialist Party by pushing for legislation to ease certain regulations, in an effort to stimulate growth and alleviate youth unemployment, which still hovers around 25 percent. The reforms are relatively modest, but despite that, not uncontroversial. They include a provision that makes it easier to become a notary public, another to deregulate the intercity bus industry and another that would allow shops in tourist areas of Paris to open on Sundays once a month. (They are currently allowed to open five Sundays a year.)

Despite police surveillance, Uber advertises UberPOP on popular radio stations and on its website, beckoning listeners to sign up as drivers with the promise of making up to 200 euros a day.

In the wake of Uber's regulatory troubles in France and elsewhere in Europe, the company has increasingly turned its attention toward new markets, particularly in the Middle East and Asia.

Uber Executive Talks Tough on Europe

By [Mark Scott](#)

July 20, 2015 New York Times

LONDON — In its continuing regulatory standoff with European policy makers, Uber, the ride-booking company, is not backing down.

That was the message on Monday from Mark MacGann, Uber's head of European policy, who stressed that the company would continue to take legal action against countries that tried to ban some of its services.

"If governments take decisions that we believe are contrary to European law, then of course we will have to decide what to do next," Mr. MacGann told reporters on Monday when asked about future legal action. "Regulation in some countries was written decades ago before we all carried smartphones in our pockets."

Mr. MacGann's comments came days after a case about UberPop, the company's low-cost ride-booking service, was referred to **Europe's highest court, the European Court of Justice**. The pending legal case could clear up much of the legal uncertainty surrounding Uber's business in the region.

The legal case, which the judges will not rule on for at least 18 months, could provide a pan-European ruling on whether UberPop is legal across the 28-member European Union — a decision that could potentially overrule several national and citywide bans of the service. It was referred to the **European Court of Justice** last week by a Spanish judge.

Uber, which allows drivers to connect with potential passengers through a smartphone application, has been facing a number of regulatory hurdles across the European Union.

In late June, French taxi drivers held violent protests in many cities against the rise of UberPop. The company later agreed to shut down the service temporarily.

Other European cities and national governments, in the Netherlands, Germany and Spain, among other countries, have banned some of Uber's offerings, saying they represent unfair competition for taxi drivers.

Many global policy makers also have taken a negative view on Uber, which is now valued at more than \$40 billion. Most recently, New York officials have proposed capping the number of cars that the likes of Uber can have on the road, in a bid to reduce traffic congestion.

In addition to waiting for a decision from Europe's top court, Uber has filed legal cases against France, Germany and Spain over bans on its low-cost service. It also has asked the **European Commission, the executive arm of the European Union**, to weigh in on whether national governments have the right to ban the company's offerings.

And Mr. MacGann told reporters on Monday that the company would consider further legal action against governments that tried to clamp down on Uber's services.

"There are outdated rules used across Europe to squash competition," Mr. MacGann said. "Uber completely supports regulation. But rules need to be based on what's good for users and drivers, not existing taxi companies."

Uber Update

By MARK SCOTT MAY 11, 2017 New York Times

Uber suffered a setback to its global expansion plans on when a **senior adviser to Europe's highest court** recommended that the ride-hailing company comply with the region's tough transportation rules, potentially hobbling growth of its service across the Continent.

The nonbinding opinion comes as Uber faces growing pressure worldwide after a string of missteps by its executives angered regulators and raised questions about the leadership of Travis Kalanick, the company's chief executive.

The European case centers on whether Uber should be considered a transportation service or a digital platform that merely connects independent drivers and potential passengers. By designating Uber a transportation service, **Maciej Szpunar, an advocate general at the European Court of Justice** in Luxembourg, said on Thursday that the company should comply with European countries' safety rules, as well as with other legislation that applies to the traditional taxi associations that are Uber's main rivals across the region.

"Uber cannot be regarded as a mere intermediary between drivers and passengers," Mr. Szpunar wrote in an opinion that will be reviewed by the European Court of Justice, which is expected to make a final ruling by late summer.

"It is undoubtedly transport which is the main supply and which gives the service meaning in economic terms," Mr. Szpunar added. "The service amounts to the organization and management of a comprehensive system for on-demand urban transport."

The opinion represents a bloody nose but not a full knockout for Uber in its ongoing fight in Europe, a region still crucial to the company despite rapid expansion in emerging markets like India. Uber has gained traction across the Continent, despite some restrictions or outright bans on some of its services, including on UberPop, its low-cost offering.

The European Court of Justice typically follows the recommendations of its senior advisers, but it may still rule in the company's favor.

Uber has doggedly defended its right to operate freely across the Continent, telling Europe's highest court in November 2016 that it was helping the region's digital economy grow and that it should not be regulated like traditional taxis.

In many European cities, the ride-hailing company already operates services that comply with existing transportation rules that apply to rival taxis. But some of Uber's other services, particularly those that do not require drivers to acquire a government-backed taxi license, have been banned in certain countries, notably in France where local opposition to Uber has often turned violent.

"Being considered a transportation company would not change the way we are regulated in most E.U. countries," Marloes van der Laan, an Uber spokeswoman, said in a statement on Thursday.

“It will, however, undermine the much-needed reform of outdated laws which prevent millions of Europeans from accessing a reliable ride.”

“Uber is a company whose main activity is transportation,” said Montse Balagué, a lawyer for the Spanish taxi association that filed the original complaint, in an interview on Thursday. “Justice is done. We agree 100 percent with the advocate general’s opinion.”

In a separate case referred to that court by a French judge, Uber again defended its position as a digital platform in April 2017 after a French law clamped down on illegal taxi services. Two Uber executives fell afoul of that law last year, and were fined. A ruling in that case also is expected later this year.

Despite its problems, Uber still has a market valuation of nearly \$70 billion, making it one of the world’s most valuable privately held technology companies.

Appendix A. Uber ban in London:

Firm to continue operating in London after filing appeal

Josie Cox Business Editor , The Independent, 13 October 2017

Transport for London (TfL)'s decision to stop Uber from operating in its current form, announced on 22 September, was largely based on concerns around user safety.

Uber has officially appealed Transport for London's shock decision last month not to renew its licence in the city, meaning that it will continue to operate indefinitely.

“While we have today filed our appeal so that Londoners can continue using our app, we hope to continue having constructive discussions with Transport for London,” the company said in a statement.

“As our new CEO has said, we are determined to make things right.”

The company provided no indication of how long the appeal process is expected to take. A first hearing is likely to happen on 11 December and a person with knowledge of the matter said that the whole process could take several months and “perhaps longer”.

A spokesperson for TfL said: “We note that Uber has submitted an appeal. No further comment will be made pending the appeal hearing.”

TfL's decision to stop Uber from operating in its current form, announced on 22 September, was largely based on concerns around user safety.

The transport authority said at the time that it determined Uber not to be “fit and proper to hold a private hire operator licence”. It said that it considered the company's approach and conduct to “demonstrate a lack of corporate responsibility in relation to a number of issues which have potential public safety and security implications”.

An estimated 3.5 million people use Uber in London and around 40,000 people are licenced to drive for it in the city, making the capital an important market for the company that was founded in 2009. An online petition to save Uber in London has garnered more than 850,000 virtual signatures.

Immediately after TfL's announcement, Uber's global chief executive Dara Khosrowshahi admitted that the company had “got things wrong” and apologised in an open letter.

In an email to its London customers on Friday, Uber thanked users for their support.

“We're determined to make things right and keep this great city moving,” it said.

Uber loses EU court case in fight against French criminal charges

April 10, 2018 - France is entitled to bring criminal proceedings against local managers of ride-hailing app Uber [UBER.UL] for running an illegal taxi service, the EU top court ruled on Tuesday, dealing the Silicon Valley start-up another legal setback.

Uber's loss follows an earlier one last year where the Luxembourg-based Court of Justice of the European Union (ECJ) classified the company as a transport service rather than a digital one, which stripped it of protections against undue national regulation that digital services enjoy under EU law.

The latest case concerned Uber's use of unlicensed drivers as part of its UberPOP service in France, which has since been suspended there and in several other cities. Uber still uses its service with professional licensed drivers in France, which is not affected by the ruling.

"Member states may prohibit and punish, as a matter of criminal law, the illegal exercise of transport activities in the context of the UberPOP service, without notifying the Commission in advance of the draft legislation," the ECJ said in a statement.

Uber had argued that France should have sought the European Commission's approval for a new taxi law, which contained measures on taxis and mobility apps, including one that said only official taxis could use geolocation technology to show available cars.

As France did not seek the Commission's approval Uber argued that criminal charges brought against two of the company's French managers were not valid.

"This case is about whether a French law from 2014 should have been pre-notified to the European Commission and related to peer-to-peer services which we stopped in 2015," a spokeswoman for Uber said. "As our new CEO has said, it is appropriate to regulate services such as Uber and so we will continue the dialogue with cities across Europe."

Uber recently adopted a more conciliatory approach, voluntarily suspending its services in some cities to comply with local legislation.

It has also been forced to quit countries such as Denmark and Hungary.

Under EU law, national legislation affecting digital services needs to be pre-notified to Brussels to ensure it is not distorting the single market.

The ECJ said that since Uber was offering a transport service under EU law the obligation to notify the Commission in advance did not apply.

Last year, London deemed Uber unfit to run a taxi service and stripped it of its license to operate. Uber is appealing against the decision.

The **Computer & Communications Industry Association (CCIA)** - which represents major technology companies, including Uber - said the importance of the case went beyond the ride-hailing app.

“It is about the Commission’s effective oversight powers, and we regret to see those being curtailed after today’s judgment,” said Jakob Kucharczyk, Vice President, Competition & EU Regulatory Policy at CCIA.

“Unfortunately, the Court has given member states more room to thwart the Digital Single Market through restrictive, disproportionate and unjustified measures at national level.”

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Uber Regains Its License to Operate in London, a Win for Its New C.E.O.

By Adam Satariano

A version of this article appears in print on June 26, 2018, on Page B1 of the New York edition with the headline: Uber, on Appeal, Regains London License.

- • LONDON — Uber won an appeal on Tuesday to regain its taxi license in London after agreeing to stricter government oversight, a crucial victory for efforts by its new chief executive to revamp the company’s grow-at-all-costs culture.

The closely watched case could serve as a template for other cities looking to extract concessions from Uber, the ride-hailing service that has upended the taxi industry worldwide, often by ignoring the concerns of regulators. The company suffered a major setback with that approach last fall, when the transport authorities in London — its most lucrative European market — withdrew its license. It has been able to continue to operate through the appeals process.

The court case has been a test for the conciliatory approach toward regulators taken by Dara Khosrowshahi, Uber’s chief executive. Mr. Khosrowshahi replaced the famously combative Travis Kalanick last year, and he has made it a priority to show officials throughout the world that the San Francisco-based Uber can comply with local rules.

On Tuesday, a judge at Westminster Magistrates’ Court in London bolstered Mr. Khosrowshahi’s campaign, reissuing Uber’s license, albeit for 15 months — less than the five years that is typical for taxi licenses. Uber had agreed to install new leadership in London, adopt rules to report incidents to the police, keep tired drivers off the road and share traffic data with the city. The company also named a new independent board to oversee British operations.

In reading a statement, the judge, Emma Arbuthnot, laid blame for Uber's misdeeds at the feet of former managers who had a "gung-ho attitude" to "grow the business come what may."

Judge Arbuthnot added that the 15-month license required Uber to prove its cultural changes were lasting. "The question," she said, "is whether Uber can be trusted."

The mayor of London, Sadiq Khan, whose office oversees transportation in the capital, declared victory in a statement. Along with the relatively short license, Uber was ordered to pay court costs for London's transport authorities.

"Uber has been forced to overhaul the way it operates not just in London but across the world, including completely changing its global governance structures and implementing new systems for reporting alleged crimes," Mr. Khan said.

Tom Elvidge, Uber's general manager in Britain, said in his own statement that the company was "pleased with today's decision" and would work with city officials to "address their concerns and earn their trust."

With more than 3.6 million people who use the service at least once every three months, London is one of Uber's most lucrative global markets and biggest success stories outside the United States. The appeal removes a black eye as Mr. Khosrowshahi scales back in Asia and prepares for an initial public offering as early as next year.

But the company's size also makes it politically risky for government officials to take its cars off the road. Uber says it provides millions of rides per week in London, and with roughly 45,000 drivers, its fleet nearly doubles the number of black cabs. More than 850,000 people signed a petition supporting Uber after the ban was announced last year.

Steve McNamara, general secretary of the Licensed Taxi Drivers' Association, which represents about half the city's 23,000 cabbies, criticized the city for allowing Uber to become "too big to fail." The union lobbied to prevent Uber from regaining a license, and some of its members were in the audience during the hearings.

Uber's experience in London tracks closely with its experience in other major cities. It gained popularity among customers who enjoyed the app's convenience and comparatively low prices, and Uber's strategy was to grow as quickly as possible so that it became indispensable.

But with its growth came criticism over poor treatment of drivers, inadequate passenger safety and harm to incumbent taxi industries. In September, frustrated by a raft of global scandals, London revoked Uber's license. Transport for London, which regulates ride-hailing services in the city, said Uber was not a "fit and proper" business, a designation required to operate in Britain.

"We've had five years of a very difficult relationship where Uber has felt it didn't require regulation," Helen Chapman, Transport for London's director of licensing, regulation and charging, said during testimony on Tuesday.

The initial decision to revoke Uber's license focused attention on the fast-changing dynamics of London's taxi industry. Drivers of the British capital's iconic black cabs are predominantly white, and have to pass an exacting exam, known as the Knowledge, by memorizing thousands of city streets over the course of several years. Uber drivers, by contrast, are mostly immigrants and are quickly able to sign up and navigate London's streets with the help of smartphones and GPS software.

The two-day trial in London allowed regulators to make their case. Uber managers were questioned about the use of software to avoid government oversight. The software, called Greyball, was developed in part to aid entrance into markets where the company's service was not permitted. The tool allowed Uber to deploy what was essentially a fake version of its app to duck law enforcement agencies that were cracking down on its service.

Image

The managers were upbraided over instances in which sexual assault allegations against drivers were not reported to the police. And they were criticized for a data breach that exposed millions of customers but that was not reported to the authorities for months.

In each instance, company representatives accepted blame and outlined the changes made under Mr. Khosrowshahi to address those issues.

Mr. Elvidge said regulators had been right to revoke the company's license given its past behavior. Over several hours of testimony on Monday, he called decisions made by the previous leadership team "entirely regrettable," "a bad idea," "not appropriate" and "fundamentally wrong."

"It was really clear that the corporate culture of the previous leadership had to change," Mr. Elvidge told the court.

Testimony during the trial described an unrestrained company culture, where leaders in San Francisco made decisions that managers in London had to explain to regulators. When a data breach was reported last year, Mr. Elvidge said, he learned about it from news reports. He first told British regulators that only one driver had been exposed, but several hours later shared that in fact information from 2.7 million people in Britain had been taken.

Uber said it had created new rules for reporting problems to regulators, including an unusual policy to notify government officials when the company is aware of potentially negative news coverage.

To address safety concerns, the company also worked with London's Metropolitan Police to create a policy for reporting possible crimes by drivers. In the past, Uber left the decision about

reporting wrongdoing to customers. The company also said it would be more aggressive about barring drivers when riders complain.

London is not the only area where Uber has made changes under Mr. Khosrowshahi. The company has settled a protracted legal battle with Waymo, owned by the Google parent, Alphabet, over self-driving car technology. It has offered drivers new insurance protections in some markets. And it proposed a fee on ride-hailing services to pay for a “hardship fund” for struggling taxi drivers in New York, where Mayor Bill de Blasio and the City Council are under pressure to adopt stricter policies against ride-hailing services.

Laurel Powers-Freeling, appointed last year as chairwoman of Uber’s independent board in Britain, testified that Uber was seeing major cultural changes.

“I’ve seen a real will to take on a new set of values,” she said.

The actors in the case are in bold in the text above.

A. Uber

B. Uber allies

- 1. Uber Customers**
- 2. Association of French car-reservation apps which includes other Ride-sharing Services**
- 3. Computer & Communications Industry Association (CCIA)**
- 4. French President Emmanuel Macron**

C. Uber Adversaries external to the government

- 1. “Taxi drivers and taxi companies” (including Taxi Drivers’ Associations)**

D. Governmental Hierarchy, from lowest to highest (Actually, these are two parallel hierarchies (judicial and legislative branches of government), but for purposes of this first diagram, you may use the following (or, if you prefer, show them two hierarchies separately):

- 1. European Commission, the executive arm of the European Union legislative**

2. President of France legislative (As President and with his party in control of the French National Assembly, Macron would now dominate the National Assembly)
3. The National Assembly in France legislative
4. Europe's highest court, the European Court of Justice judicial
5. Maciej Szpunar, an advocate general at the European Court of Justice judicial
6. The French Court judicial

Case 8 Questions:

1. (1) How does Uber define its social contract? (50 words maximum)
2. (7) Draw a power diagram for the case, following the model shown in Exhibits 8.1 and 8.2.
3. (3) Summarize your power diagram in less than 150 words (**Summary means summary! Do not simply repeat what is in your diagram. Summarize key elements. Your summary should conclude with a statement about Uber's position, positive or negative.**)
4. (2) Using your summary as a beginning point, and considering how Uber sees its social contract, provide argument that either
 - (a) Uber remain in France
 - or
 - (b) Uber withdraw from France
5. (2) Identify one significant environmental signal (explain why it is "significant" on the three-dimensional framework of Module 7-- strength, timing, and potential impact) that could emerge to threaten your decision to remain or withdraw.