

TRANSCRIPT

STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

Subcommittee

Inquiry into ride sourcing services

Melbourne — 8 September 2016

Members

Mr Joshua Morris — Chair

Mr Khalil Eideh — Deputy Chair

Mr Nazih Elasmr

Mr Bernie Finn

Ms Colleen Hartland

Mr Shaun Leane

Mr Craig Ondarchie

Participating member

Ms Samantha Dunn

Staff

Secretary: Ms Lilian Topic

Witness

Mr Matthew Denman, general manager, Uber.

The CHAIR — I declare open the Standing Committee on the Economy and Infrastructure public hearing and welcome everyone present here this morning. Today the committee is hearing evidence in relation to the inquiry into ride sourcing, and the evidence today is being recorded. All evidence taken today is protected by parliamentary privilege, and therefore you are protected for what you say here today, but if you go outside and repeat the same things, those comments may not be protected by the same privilege.

Welcome, Mr Denman. Thank you for coming along this morning to provide some evidence to the committee. At this juncture I might hand over to your good self. You might introduce yourself and state your role within the organisation and then move into any introductory comments. We will then have some questions from the committee to follow. Over to you.

Mr DENMAN — Good morning. My name is Matthew Denman. I am the general manager of Uber in Victoria, so I am responsible for managing the operations across the state. I appreciate the opportunity to be here today. I want to start by saying that we have welcomed the effort of the Victorian government and opposition in delivering reform to the point-to-point transport industry recently. This should help to grow the market for transport, giving people more choice in how to get around. Importantly it has also created more earning opportunities for thousands of Victorians. These reforms have only been possible due to the efforts of all sides of Parliament. We would particularly like to thank Fiona Patten and Matthew Guy for their efforts in delivering this reform that has led to more choice for the travelling public.

I know some of the committee members are very familiar with Uber, but I would still like to take this opportunity to take a minute to talk you through what ridesharing is and how it came to Victoria. At first Uber was an app exclusively for hire car drivers, giving them an extra tool to keep busy between their regular bookings. Using the app was a great means of increasing their earnings, and as people took to the simplicity of the technology and the ease of using the app to earn a bit of extra money, it took off.

Building on this momentum, we launched the ridesharing service uberX in Melbourne in April 2014. As I am sure many of you will remember, this has been a bit of a game changer. UberX provides safe, reliable and affordable rides, with high-quality service, at the tap of a button. The ease of using it, coupled with it being safe, reliable and affordable, meant we saw an explosion in popularity with travelling Victorians. This is what has now led to the regulatory reforms that are to be implemented.

However, when we first began, none of this was certain. Back in 2014 Uber Victoria consisted of me and a few others working seven days a week out of a co-working space in St Kilda. Today we have a fully-fledged office in Cremorne, housing over 50 of the best and brightest talent in Victoria, and that number is growing every week. I am also proud to say that we are making a significant investment here in Melbourne and are on the cusp of opening a new support centre to assist our driver partners to get on the road, help them through the new regulatory processes and support them after that.

The reason why Uber has been so successful in Victoria is that it brings the benefits of innovation to hundreds of thousands of people every day. For the first time ever, students, mums and dads, teachers and retirees are able to earn an income using their own vehicle on a schedule that suits their lives. People drive for every reason you can imagine and come from all walks of life. I have met parents who drop their kids off at school and pop the app on for a couple of hours to make a bit of extra income. Some of our best partners are seniors. They often have a great car, love to drive and love the social interaction that the platform provides. The benefits for riders are being able to easily get a safe, reliable and affordable ride from A to B, and for drivers it means being able to access flexible income at the push of a button using your personal vehicle.

We have expanded Uber from Melbourne into Geelong and the Mornington Peninsula over the summer months, and we are now actively looking at launching in other regional centres like Bendigo and Ballarat. There are over 600 000 people in Victoria catching rides through the Uber platform, with more than 14 000 drivers partnering with us to provide those rides.

You are likely to hear me refer to ‘our partners’ when discussing the Uber platform today. Let me quickly explain why. We call the drivers who use the Uber app our partners — that is, they partner with our platform to connect with riders. Partners have full control of when, how often and for how long they drive. They are able to log in and out of the app whenever they choose, and there is no minimum time that a partner needs to drive on the platform. They can choose to drive on multiple platforms like GoCar, which has launched in New South

Wales and Queensland and will come to Victoria very soon, or a local Melbourne start-up like Shebah, which some of you may have recently heard about.

Partners can choose to take one ride and not share a ride for months or ever thereafter and, equally, could mix between doing different days and nights on different days or weeks depending on the circumstances of their lives. Flexibility ensures ridesharing partners enjoy being able to fit their driving around their personal commitments.

Ridesharing has also opened the door for more choice and access for people with a disability. Last year we were proud to launch uberASSIST, which allows a rider to request a vehicle on demand that can accommodate folding wheelchairs, walkers and collapsible scooters. We also welcome the opportunity to work with government to deliver expanded services for people requiring wheelchair-accessible vehicles as well.

On behalf of the thousands of Victorians who rely on Uber for income and the over half a million who use it to get around, I am excited to see this recent recognition of ridesharing. This is of course just the beginning, and I look forward to working together to make sure Victoria can make the very most of these opportunities. On that note I will conclude, and I am happy to take any questions.

The CHAIR — Thank you very much, Mr Denman. We have certainly heard a lot already from different witnesses, so we are very pleased to be hearing from you this morning, but I was hoping to move to the government's announced regulation of ridesharing in Victoria. I am hoping you might be able to enlighten the committee about the consultation process that was gone through by the government prior to their announcement.

Mr DENMAN — Obviously it is fair to say that the reform process to get to this point has taken some time. The government had a process that they went through and they were pursuing. Last year there was a ministerial forum, which we were glad to participate in, and I guess that has led us to the reforms that were announced a couple of weeks ago. At this stage the consultation has been satisfactory.

What is really important, I think, for us and for, I guess, the committee to appreciate is that obviously we have got an announcement. What is really important now is over the coming months and years, as we look to implement these reforms, that we have high levels of engagement right across the industry to ensure that when it gets right down to a process level we are unlocking all of the benefits that ridesharing can bring. So we are really excited to participate as fully as possible in that process. We believe we have great experience both in other jurisdictions in Australia and certainly all around the world. We operate in over 500 markets. We believe we have experience in technology that will be very beneficial in informing the design of this industry in the coming months and years.

The CHAIR — Yesterday we heard from the VTA, and we heard some similar comments with regard to the consultation — that the consultation was adequate — and yet there was fairly severe criticism of the outcome of the proposed regulation. I am wondering if you are in the same position. Was the consultation — what was actually gone through — adequate but then the announcement at the end not in keeping with the views that were expressed during that consultation period?

Mr DENMAN — Obviously I am the operations manager in Victoria, so as far as consultation on this process has gone I can probably only speak to my experience here. I think probably we would share the view of the VTA that it was adequate in that sense. In terms of, I guess, the final package, it is really important to note that at this stage what we have is an announcement with a kind of proposed future model. There is a lot of detail to be worked through, and for me as the manager of the operations here in Victoria it is the detail that really impacts on my business and my capacity to deliver the level of service that we would love to bring to Victoria and the benefits that we know not just our company but new entrants into this market can bring to this industry.

Obviously the proposed outcome is relatively in keeping with what we would desire. Clearly there are parts of the total announcement that we might have some issues with, but ultimately I think the direction is right. The question is: what does the implementation look like from now?

The CHAIR — Indeed. One might assume that the \$2 levy, or tax, per trip is one of those areas of concern. Does Uber in any way support \$2 on every Uber trip, taxi trip and hire car trip in the state of Victoria as a result of this announcement?

Mr DENMAN — We have been very consistent in our comments that anything that makes transport more expensive for consumers is something that we cannot support, so to your question, Chair, naturally we obviously do not support the \$2 levy. The intent of the reform as announced is to increase competition and to bring more innovation to this industry in the hope that will deliver benefits to our consumers, and that is an admirable aim. It is very hard for us, as we move into a new regulatory setting, to reconcile that objective against the decision to impose such a levy, such an impost, on the consumer from the outset.

The CHAIR — Does Uber have a view on compensation for taxis? Obviously the \$2 levy on each and every trip is intended in some way to go towards compensation for taxi licences. What is Uber's view on that?

Mr DENMAN — We have made arguments in our submission to this committee as to why we do not believe there is necessarily any legal or economic requirement for compensation. It is certainly for the government to take a position that they believe compensation is necessary, and that is up to them. All we would ask is that if they are going to take that position, we have a full, open and transparent debate so the analysis and economic modelling that should be underpinning that proposal are fully released to the public and we can have a debate on the merits of any package that is being proposed. Then thereafter I think the Victorian taxpayer will be in a better position to make a decision on whether or not the compensation is justified. At this stage we are just calling for full transparency in the process, which it is probably fair to say we have not had at this stage, but of course the reforms have only just been announced.

The CHAIR — Yes, that is right. All we really have is a media release to this point. With regard to the \$2 levy, I note that there have been other states in Australia who have considered introducing a levy but decided not to as a result of the inefficiencies in collecting the tax — that a \$1 tax may indeed cost \$1 to collect and therefore be of very little net benefit. If that were to be similar in Victoria, if we were to have a tax of \$2 per trip that was costing \$1 to collect, what impact is that going to have?

Mr DENMAN — Well, I think obviously that is less a question for me or Uber and really one of, I guess, policymaking. So the question for all sides of the debate, I understand, is: if we agree following a full and transparent debate on the compensation that there should be one, how are we going to fund it? Certainly questions, of course, of that nature can be raised about the cost of administration on the levy, and at this stage I think it is a valid question. It is not one that we have detail on, but I am sure the committee would have views on the benefits of a levy 50 per cent of which was going towards the administration of the levy, and I am sure those views are probably more well founded or understood by others than by me as the Uber operations manager, I guess.

The CHAIR — You mentioned regional Victoria, and the committee actually travelled to Bendigo to hear some of the views from the taxi cooperative as well as hotel operators and tourism operators in Bendigo. We heard of some of the challenges that are facing regional centres. You did mention that Uber is looking at launching in Bendigo, Ballarat and those types of places. Are there any time frames around when that may occur?

Mr DENMAN — Obviously we are really keen. Uber's mission is to bring transportation to everyone and make it reliable and affordable, so that obviously includes regional centres, and we are acutely aware of the issues around availability of transport in most regional centres around Victoria and around Australia generally. We are also aware of many of the problems — that there are challenges — around under and low employment in those areas, so bringing economic opportunity to these centres is certainly something we would love to do, and certainly particular challenges around drink-driving and so forth that we know Uber can have a really positive impact on.

And certainly we are seeing some regional centres reaching out to us, particularly around major events, where they have a small number of taxis that during the week, I guess, service demand but every Friday and Saturday night simply cannot keep up with the demand in those cities, and then when you have, say, the Ballarat races, they are completely not fit for purpose. So having a dynamic and a flexible supply base of drivers who can come on to the Uber platform at these peak times to really help keep the city moving, and particularly support the tourism industry, which is so vital in these regional centres, is something that we want to be a part of.

At this stage we need to understand what the process of bringing a driver onto the platform looks like, so it is fair to say that the higher the barriers to entry and the more restrictive the regulatory process is around that, the harder it is for us to launch quickly in those regional markets. So certainty around that process is key to us, and

once we have that clarity, and hopefully once we have a process that enables that speedy accreditation of a new driver, we would love to launch everywhere. There is no reason why we should be bounded by anything. The beauty of our technology is it can be launched anywhere. Where we struggle is when we have to interact with bureaucracy that might make it difficult to launch quickly.

Mr LEANE — Thank you for your time today. Just going to your verbal submission, you mentioned that it was you and two other people who started the Uber company in Melbourne. Were you interacting with the US? Were you interacting with the parent company to be able to do that?

Mr DENMAN — Uber is a global company, so the technology is developed out of our headquarters in San Francisco.

Mr LEANE — So headquarters are in San Francisco. So who is Uber? Who is at San Francisco? Who is the board? Who actually owns Uber?

Mr DENMAN — Uber is a private company.

Mr LEANE — Yes. So who is the private company?

Mr DENMAN — I do not know all of our investors off the top of my head, but there are a wide range of investors in the business. Like most early-stage start-ups — and it is important to note that obviously Uber is still only six years old — it is a young company. The business is funded by venture capital, and so there are a range of private investors in the business.

Mr LEANE — So is there a board, or is there — —

Mr DENMAN — Yes, there is a board. I manage, obviously, the operations here in Victoria. If there are specific questions about how Uber is managed, subject to any confidentiality requirements, I am certainly more than happy to — —

Mr LEANE — Can you take that on notice?

Mr DENMAN — We can, yes, and get back to you.

Mr LEANE — Because it would be good to know who the board is and who the chair is and, I suppose, who the main players are.

Mr DENMAN — Yes, sure. I am not completely sure. As a private company obviously there is not the same governance requirements as exist for a publicly listed company, but obviously we have to have — a company of Uber's size has to have — internal governance to make sure we function effectively.

Mr LEANE — Yes, and I suppose the buck has to end somewhere. It has got to end somewhere, doesn't it?

Mr DENMAN — Yes, absolutely. Our CEO is one of our co-founders, Travis Kalanick. He has been with the business from the start. We are arranged like any other company; we are just not publicly listed, and that is the same as many private companies that exist in Australia and all around the world.

Mr LEANE — I am not too sure why Uber would even buy into the compensation argument or debate for taxi licence drivers. I understand that you have been operating in Melbourne for a while, so you, along with us, would see that taxi licence owners are concerned about the deregulation, and their grief of what that might mean to them is real. It is real. Would you agree with that — that there are people who are actually very concerned with what the deregulation will do?

Mr DENMAN — I understand that others have opinions on things. Obviously I cannot comment on the views of others. Clearly there have been statements made to the media, and I am sure to this committee, to that effect, but I am not in a position to comment.

Mr LEANE — I am just surprised. Why would Uber be bullish about this? Why would they want to get into this space?

Mr DENMAN — Into compensation?

Mr LEANE — Into the space where there should be no compensation.

Mr DENMAN — I think, as I mentioned, we in our submission made arguments about compensation. I think, simply put, as a participant in this industry it certainly falls on us to make evidence-based arguments about the rationale behind any particular policy decision in this industry, because naturally that will have flow-on effects to the rest of the industry, and it is one that we are clearly a significant participant in.

To the question that was asked previously by the Chair, I guess our position is that if the government choose to have a compensation package, that is for them to decide. However, in the due course of public debate, it is important, we believe, that when money is to be transferred from either the public purse or from the consumer there be a full and transparent debate on that. Clearly as a participant in that debate we stand on the side of the Victorian taxpayer and the Victorian consumer, and in that sense I think we have an obligation to be involved. But, at this stage, really our main concern is just ensuring that there is a full and transparent debate and that the justification for any compensation is made.

Mr LEANE — So operating the way you have been, how much Victorian tax does Uber as a company pay?

Mr DENMAN — Uber pays all of its applicable taxes in Australia.

Mr LEANE — Taking the answer to the Chair's question about the levy and your argument against it — that that would increase travel — would you argue against the GST? Would you say the GST should be lifted as well?

Mr DENMAN — Our suggestion is that when we are creating a new market with the express purpose of increasing competition, making the market more accessible, particularly for people who are of a lower socio-economic status, imposing a flat levy can only have the impact of reducing demand for that service. We know that there is potential over time, if this industry is properly handled and if innovation is allowed to come to it, for huge benefits.

We have a significant congestion problem here in Melbourne, and that is a problem that is only going to get worse, and so Uber has technology such as uberPOOL, which you may or may not have heard of, and that would allow multiple riders who are travelling on broadly the same route at the same time to actually share that ride and split the cost. The net impact of that is to put more people in fewer cars. With that product, when you split the cost of that fare, you actually will start to see that the fare for each individual starts to get quite low — we are talking down to potentially single digits. If you were to put a \$2 levy on that fare, we are talking about a 20 or 25 per cent impost on an activity that surely all of us can agree is beneficial to the community. Carpooling is something that governments of all stripes have been trying to encourage for generations. For us it is about making sure that we are encouraging a market to grow that we know will benefit the city at large.

Mr LEANE — Given that answer, how does Uber justify the surge pricing that you apply?

Mr DENMAN — Uber aims to be the cheapest, most reliable ride at all times. The reality is that if you have a fixed price, quite simply put there will be times when you cannot keep up with demand. The purpose of dynamic pricing is to match supply and demand, so at periods where there are a lot of people looking to travel, dynamic pricing may come into effect. And this has two effects: it both encourages more drivers to be online and to be in the areas where that demand is so high, but it also causes riders to think about whether they really need to travel at that particular time.

We actually have a function in our app that a rider, when dynamic pricing is in effect, can actually press a button that says, 'Notify me when the pricing reduces to normal levels', because you will find that people are out to dinner or they are at their friend's place and were going to go now but, because the dynamic pricing is in effect, they say, 'I can stay an extra half an hour and wait for it to balance out'. What we see is that dynamic pricing matches the supply and demand on the network. It is no different to airlines charging vastly different rates for airfares at various times of the week or the year.

Mr LEANE — In your submission, and in your verbal submission too, you mentioned that you were working with the government around accommodating accessibility to people with disabilities. Is it 11 000 drivers at the moment?

Mr DENMAN — Fourteen thousand.

Mr LEANE — Out of the 14 000 drivers, how many of their vehicles are geared to accommodate people with a disability that means they need to use a wheelchair?

Mr DENMAN — As I mentioned, we are committed to providing accessibility services. We have the uberASSIST product, and that accommodates more than 70 per cent of riders with a disability. You are right to mention that the question of wheelchair-accessible vehicles is certainly a pertinent one, and it is one that we are very interested in solving. What is good about Victoria in particular, but actually all Australian jurisdictions, is that we have fairly generous subsidy schemes in place to support people who require at this moment a wheelchair-accessible taxi. However, I think the government admitted in its multipurpose taxi program inquiry that it began last year that the disability community are not happy with the level of service that they receive from the MPTP at present, and our conversations and engagement with the disability community would confirm that.

This is something that we are really interested to solve, and it is a real challenge. My job is to bring transport to as many people as possible, and so we are committed to doing that. What we know from our work — and we have had people do some preliminary analysis internally about what it would take to bring a wheelchair-accessible vehicle product to market, and we have had conversations with the disability community — and I think this committee has had submissions from members of the disability community to this effect, is that they like Uber but unfortunately they do not have access to the MPTP subsidy, which is a problem for them.

Where we keep coming back to is that there is this subsidy in place. It is quite generous, and the government pleasingly have announced that they will increase the level of that subsidy following the reforms a couple of weeks ago. However, the subsidy is only made available at this stage for use in a wheelchair-accessible taxi. Simply put, even if we had a fantastic wheelchair-accessible vehicle product, the subsidy could not flow to it. If you were someone who had access to that subsidy, as a matter of common sense if you had two choices — one of them received a 50 per cent subsidy and the other one received zero — quite simply you would take the one that got the subsidy.

As far as we are concerned, this is a challenge that one company, Uber, cannot solve by itself. It is one that is going to require government and industry working together not just taking what we currently do and moving it to a new provider but actually saying, ‘We’re committing this level of funding to provide this service. What is the most effective way of delivering that?’. We have some ideas that we think might be helpful in that space, and we are truly excited to be given the opportunity to work closely with government on delivering that service to get the disability community the service that obviously they want and the one that they deserve.

Ms DUNN — Thank you, Mr Denman, for your submissions this morning. I just wanted to pick up on a question Mr Leane asked in relation to how much tax you pay. I know that you acknowledge that you pay all the taxes that you should be paying in Victoria and Australia, but I am just wondering if you could take on notice and get back to the committee on how much that is and the revenues attached to that as well.

Mr DENMAN — Absolutely. As I have said, I do not have that knowledge.

Ms DUNN — I do not expect you to have it on you; that is fine. I just wanted to pick up also on people with a disability having transport that they can access across the range. You said that uberASSIST accommodates 70 per cent of people with a disability. I am just wondering what your thoughts are on how the other 30 per cent might be able to participate in this market, because it does not appear that there is an avenue for them to do so at the moment, setting aside the fact that there are some regulatory issues around subsidies.

Mr DENMAN — To return to the comments that I was making just previously to the honourable member, at this stage we are looking at this and would certainly love to be able to participate in this market, but we do not want to do it in a tokenistic fashion. In order to deliver a reliable service, you need to have enough wheelchair-accessible vehicles on the platform at any given time that, regardless of wherever you are in Melbourne, you can reliably access a vehicle. I suppose I reiterate the comments I said before. The question is: how do we actually increase the demand for those services to such a point that you can actually have a reliable network of vehicles on the platform? At this stage those who have access to the MPTP subsidy can only use it on a wheelchair-accessible taxi; they cannot use it on Uber. Without them having the choice to use it on Uber, it is very hard to see why they would, and therefore it is very hard to see how a market can be created to support them.

Ms DUNN — Thank you. In terms of uberASSIST and the drivers who participate in that program, I would imagine when they pick up their rider that has the potential to take a little bit longer if there is folding up of wheelchairs or assisting that passenger into the vehicle. In terms of your income structure to that driver, is there any recognition that that takes more time and therefore essentially affects their capacity to earn?

Mr DENMAN — At this stage the way a driver partner would actually become an uberASSIST driver as well is after they have completed a certain number of trips on the platform, and if they have a suitable car and their rating and feedback and so forth are very good, we invite them to become an uberASSIST partner as well. I think one of the truly great things about my job has been the interactions that I have had with thousands of Victorians who drive on the Uber platform. By and large they genuinely love the opportunity to be able to help people get around. UberASSIST is purely voluntary, and these drivers choose to become uberASSIST partners, and they do not receive any extra financial compensation for doing so. They do it because it is a good thing to do and it is the right thing to do.

Ms DUNN — They are committed to it. In terms of Uber drivers — and you said there are 14 000 of them now, I think — do you have an idea of the average hours those drivers would work and an average income of those drivers?

Mr DENMAN — Coming back to my initial statement, these drivers come from all walks of life, and they use the app in very different ways. For instance, well over 50 per cent — approaching 60 per cent — of our partners drive less than 10 hours a week. We have a very small percentage of partners who drive full time, but certainly we value their contribution.

In terms of the earnings on the platform, obviously like most of the point-to-point industry, they vary by hour of day and day of week, so clearly at midnight on a Saturday the earnings are going to be much higher than they are in the middle of the day. So a partner's earnings are very much dependent upon which hours they choose to drive, and of course it is important to emphasise again that they have complete control over which hours they do drive. When we see at the moment average hourly earnings across the week, it is important to note that we know when a partner is online. To go online a partner simply needs to press a button, so a partner could go online and sit at home. Are they technically working? It is hard to say that someone sitting on the couch watching TV is working, but that hour then gets added to the total pool of hours when we go to actually think about what earnings are. Average earnings in Melbourne per hour are well over \$30 at the moment for partners.

Ms DUNN — Do you have any instances or are you aware of any instances where drivers might be working to the extent of 13 to 14 hours?

Mr DENMAN — Not off the top of my head. We obviously discourage — clearly discourage — drivers driving fatigued, and we are actually using technology to try and manage some of the safety concerns that might come about from that. The problem with necessarily putting in specific certain hourly restrictions, which might seem to be the solution to the problem you are reaching at, is that for the drivers who partners with Uber — as I say, the overwhelming majority of them — this is not their primary income, so whilst we can monitor how many hours they are on the Uber platform, we do not know what they are doing outside of the Uber platform, so simply crudely looking at how many hours they are online with Uber is probably not the best way to manage fatigue.

The beauty of technology is that we can actually deploy solutions which are far more rigorous. We have pilots running around the world which, using telematics technology, can monitor what is actually happening in real time on the app, so if someone is accelerating too fast or braking too hard or if they are too close to the curb, the telematics can allow us to identify that and then actually in real time deploy solutions to that. So we might say, 'Hey, are you a bit tired, should you take a break?', et cetera. These are the really exciting things that can happen when you obviously embrace innovation. We have a whole team of engineers in San Francisco looking for ways to further improve safety on the app.

Ms DUNN — So is that telematics, in terms of tracking when vehicles are moving and what they are doing, still in development and not actually operational yet?

Mr DENMAN — There are many pilots in place. I am not sure of the exact time frame off the top of my head. I can certainly get more information on it for you.

Ms DUNN — That is great — —

The CHAIR — Ms Dunn, sorry to interrupt you. I am just conscious of time, so I might head over to Mr Bourman. I am sure there are plenty of questions we might be able to put on notice to Mr Denman towards the end.

Mr BOURMAN — Thank you, Chair. Thank you, Mr Denman. You mentioned earlier that ridesharing is going to potentially reduce congestion. Why wouldn't more taxis just do the same thing?

Mr DENMAN — More point-to-point transport in general would do the same thing. The benefits of ridesharing and the technology that Uber has are that through uberPOOL, which we would love to bring to Melbourne in the not-too-distant future, you can actually put more people in the same car, so people can actually share that ride. In a sense, if uberPOOL was fully functioning in Melbourne and everyone was using uberPOOL, then you would at least cut the number of vehicles on the road by half and sometimes maybe even more than that if you were to get three people in the car. That is obviously a hypothetical scenario. At this stage I have not seen technology that could accomplish that with taxis.

Mr BOURMAN — Working on the uberPOOL thing, given the problems that normal, non-fee-charging people have with carpooling, what makes you think something like uberPOOL would work any better than that?

Mr DENMAN — Well, I guess firstly the fare. There is a regulated maximum that you can charge for essentially a car pool trip at the moment, so uberPOOL — —

Mr BOURMAN — I will just interrupt. Even free ones seem to have difficulty taking off, like a bunch of people from the same office.

Mr DENMAN — Yes, and I guess the reason is that there is no economic incentive, I think, for people to use those products and no easy way to connect to riders. Carpooling at the moment in the traditional sense would probably rely on you and me living near each other and knowing each other and agreeing to carpool. But what happens on the occasion where you have got a late start or I have an early start? The carpooling arrangement is probably not going to work. With uberPOOL, once you have enough riders and enough drivers on the platform at any given time and you are making that request in real time, there is a far higher likelihood that we are going to see a match and therefore we are actually going to have the pool trip conducted. In San Francisco — it is our first market generally but also our first market to launch uberPOOL — nearly 50 per cent of all trips are uberPOOL trips.

Mr BOURMAN — Fifty per cent of Uber trips?

Mr DENMAN — Yes.

Mr BOURMAN — Okay. Has it had any measurable effect on cars on the road, to your knowledge?

Mr DENMAN — It has certainly had an impact on the number of Uber vehicles on the road for the number of trips completed — that is for sure — so in that sense I guess it has had an impact on cars on the road. I think we also need to make sure — and let us take Victoria as an example — that the government is trying to create a regulatory setting not for today or for tomorrow but for the next generation. If we take the long view on this, as the technology develops and as we get the right processes in place to enable it and as we get more competition and innovation in this market, we would hope to see such products as uberPOOL. UberPOOL is just an example; there are plenty of other applications for this sort of thinking. Once innovators are allowed to actually flourish, which hitherto the markets have probably meant they have not been able to, they can gradually have this impact over time. I am certainly not suggesting that congestion can be solved overnight — clearly it cannot — but the sooner we put ourselves in a position where we can enable these sorts of innovations to take hold, the sooner we will get those benefits.

Mr BOURMAN — Regarding dynamic pricing, I went over to America earlier this year, and I actually happened to be in Nevada by chance. I took Uber, seeing as how it is legalised over there. Kind of knowing this was coming, I asked a lot of the drivers some questions, and the impression I got was that after an introductory period not only do the prices for Uber go up for the consumer but the return to the driver is reduced. What do you have to say to that?

Mr DENMAN — I cannot speak directly about what is taking place in Nevada. What I would say is that in the two and half years I have been working with Uber and working in this market the prices have reduced considerably for riders and earnings for drivers have gone up considerably. The reason that is is that what we are creating here I guess is a marketplace that requires lots of drivers and lots of riders, and as that marketplace grows the pick-up times decrease, because you are always going to be closer to your next rider, and the reliability increases, which means that more people are likely to use Uber more often. As a result the drivers are kept busier, as in they do more trips in every hour, and their earnings go above where they were, even notwithstanding changes in the pricing.

Mr BOURMAN — Once it becomes legal, though, the whole paradigm shifts. At the moment in Victoria there are 14 000 people technically doing it illegally. Wouldn't it be fair to say, though, that once it becomes legal, assuming it does, more people will use it and it will be easier for the company to change the pricing structure or the return-to-driver structure or anything like that?

Mr DENMAN — Clearly the reforms are targeted at increasing competition in this sector. Obviously at this stage Uber appears to be the only ridesharing participant in this market, but as I mentioned we would expect GoCatch to launch their ridesharing product in Victoria.

Mr BOURMAN — Or Lyft, or one of those other people as well.

Mr DENMAN — Very soon. Uber has a number of large, well-funded, highly capable global competitors, so if the market is viable here, then there would be no reason why they would not want to enter it, and that is before you look at any homegrown innovators that might want to develop our market. I think the history of, I guess, the world of business is that companies that treat their consumers poorly are living on borrowed time. Uber have a great incentive to not do that, simply because we want our company to be sustainable.

The other thing I would note is that at this stage it is easy to look at the existing point-to-point transport market and think that it is a zero-sum game. Broadly speaking when we talk about uberPOOL what we are trying to accomplish is making it possible for more and more people to not own a car, and so the market opportunity for that is ginormous. So there is no reason for us to be looking to change our pricing in any direction other than going down, because ultimately that only attracts more customers.

Mr BOURMAN — One thing I picked up about the dynamic pricing in America — and you said that it possibly makes people review the need to take a trip — was that it was put to me there that it is actually price gouging. People want to go at a certain time — hence why it is peak period — so they have got two choices: take Uber or Lyft or whatever it might be, because I think they all run similar pricing schemes, or a taxi. My experience with Uber in America was far better than with the taxis there. It was chalk and cheese; there is no disputing that. But it was said by a number of people to be nothing more than price gouging. What have you got to say about that?

Mr DENMAN — As I said previously, dynamic pricing exists to help balance supply and demand. The lion's share of every Uber fare, it is really important to note, goes to the driver; it does not go to Uber. That includes the lion's share of any surge price trip. We have the highest number of drivers online on our platform at midnight on a Saturday every single week. That is a time when, ideally, they would probably be home with their families. They are not online for their health; they are online because they know that the likelihood of high demand and potentially dynamic pricing is higher, and so what is happening is that the market is responding to that flexible pricing structure. If it was just a fixed fare at all times, then why would anyone drive on a Saturday night?

Mr BOURMAN — Fair enough. So with dynamic pricing, if the pricing goes up, the return to the driver goes up.

Mr DENMAN — Correct. So their share of the fare, the percentage share, remains the same regardless of whether dynamic pricing is in effect or not.

Mr BOURMAN — One last thing: 14 000 drivers are possibly driving a commercial vehicle illegally. What sort of insurance flows are you aware of of people having an accident? Because unless they have got commercial insurance, as I understand it, if they have an accident whilst doing an Uber trip, they could potentially be left hanging in the breeze.

Mr DENMAN — Firstly, it is important to note that every Uber ride is insured. Uber has a commercial liability policy, an umbrella coverage.

Mr BOURMAN — Sorry to interrupt. Is that for the car as well, like normal car insurance?

Mr DENMAN — Yes. Firstly, that is third-party bodily injury cover that covers the rider and the driver involved in any particular accident, and obviously the TAC has similar coverage.

Mr BOURMAN — I am thinking more along the lines of property damage. No-one gets hurt, but you have done a few thousand dollars worth of damage to your car.

Mr DENMAN — Obviously we require all drivers to have third-party or comprehensive cover. Certainly it is fair to say that when the majority of those drivers are doing less than 10 hours a week, the car is still primarily being used for personal use. The level of insurance cover the driver has is ultimately a question for them. We make sure that they do have cover, though. What we are seeing is that the market, the insurance market — and it is similar to the regulatory reforms that we are seeing from the government, this is a changing industry — is clearly responding, so there are multiple insurers who have publicly stated that their cover explicitly covers drivers. So this is a market change like any other, and we would expect that to continue over time.

The CHAIR — Thank you, Mr Denman, for your appearance here today. I am sure there are many more questions that the committee have, and we would be very pleased if we could provide those to you on notice and if you might be able to provide written responses to those. We would be very thankful for that. At this juncture I will thank you for your attendance here today. You will receive a copy of today's transcript for proofreading, and those transcripts will ultimately be made publicly available on the committee's website. Once again, thank you for your attendance today.

Mr DENMAN — Thank you. I appreciate your time.

Witness withdrew.