

Case #8. Uber Battles to Stay in France

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 Weisselberger, 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 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 a candidate for the French Presidency)**, 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."

NOTE: There may be are continuing developments in this case. However, you must limit yourself to the case as presented here.

The actors in the case are in bold and underlined.

They are:

1. **Uber**
2. **The French Court**
3. **The National Assembly in France**
4. **Association of French car-reservation apps which includes other Ride-sharing Services**
5. **Uber Customers**
6. **"Taxi drivers and taxi companies" (including Taxi Drivers' Associations)**
7. **Europe's highest court, the European Court of Justice**
8. **European Commission, the executive arm of the European Union**

Draw a power diagram for the case and summarize it in less than 150 words as part of a recommendation for Uber to (a) remain or (b) withdraw from France.