

Uber Technologies Inc

09:00 27 Aug 2018

A 'short' history of Uber's controversies

On Wednesday, ride-hailing app giant Uber proposed the payment of US\$1.9mIn to settle a dispute with around 56 of its current and former workers who have claimed they were victims of sexual harassment.

The episode marks the latest tribulation in what has been a controversial history for the company since it was founded in 2009, raising questions around what can happen when a company expands at such a breakneck pace.

2010

In October, a mere year after its official founding, Uber (then known as Ubercab), received its first cease and desist letter from the San Francisco Metro Transit Authority and the Public Utilities Commission of California, claiming it was operating an unlicensed taxi service.

This was followed by a company name change to the simpler 'Uber', and the company remained operational despite the C&D.

While the PUC fined Uber US\$20,000 and issued another C&D in 2012, an interim agreement was reached in 2013 to reverse the actions.

2012

In 2012 Uber was hit with its first wave of price surge complaints, the first following New Years Eve when prices were raised to between three and six times the normal rate, the second in November when the firm was accused of doubling its prices during Hurricane Sandy which put most of New York City's public transport out of action.

2013

The first class action lawsuit against Uber by 350,000 of its current and former drivers in California and Massachusetts was filed in August, with drivers claiming that the company should treat them as employees rather than independent contractors, which would mandate Uber pay them minimum wage and provide benefits such as health insurance.

The case was settled out of court in 2016 for US\$100mIn, however this was not approved as the sum was judged to not be "fair, adequate, and reasonable".

The company also saw a lawsuit from the family of a 6-year old girl who was killed when one of its drivers ran into a San Francisco crosswalk.

According to Uber, the driver was not covered by the company insurance at the time, because while he did have the Uber app open and was waiting to book a ride, he hadn't accepted a fare and had no passenger in the car (meaning he wasn't technically working for Uber at that moment).

The incident raised serious questions regarding how and when ride-hailing companies could be held liable for the actions of their drivers.

Share Information

Code: UBER

Listing: PRIVATE-NA

Sector: Software & Computer Services

Website: www.uber.com

Company Synopsis:

Uber is evolving the way the world moves. By seamlessly connecting riders to drivers through our apps, we make cities more accessible, opening up more possibilities for riders and more business for drivers. From our founding in 2009 to our launches in hundreds of cities today, Uber's rapidly expanding global presence continues to bring people and their cities closer.

Author:

Proactive Investors Ltd

+44 (0)207 989 0813

action@proactiveinvestors.com

2014

Then Uber chief executive and co-founder Travis Kalanick attracted criticism when he referred to the company as "Boober" in an interview with GQ magazine about the apps rising popularity with women.

Following the incident, Uber's offices in Lyon, France, also came under fire for a promotion with an app that promised to match riders with attractive female drivers.

Another bout of issues appeared in January when it was reported that top uber staff in New York City were creating accounts with rival taxi app Gett to call and cancel rides and poach the frustrated drivers for its own company. The tactic was exposed again in August when it was revealed to have been used against Lyft, another of Uber's rivals.

In July, the company was threatened with legal action by district attorneys from San Francisco and Los Angeles if it did not change its process for vetting drivers, calling its existing model "a continuing threat to consumers and the public". This followed several incidents of Uber drivers attacking or abusing passengers that first came to light in September 2013.

It was also revealed around the same time that Uber had a so-called "God View", which allowed it to track user's locations, raising privacy concerns after a manager accessed the rider profile of a reporter without her permission. The company paid a US\$20m fine as part of a deal with the New York Attorney General in 2016 to limit the use of the tool by employees.

In December, the firm saw its first high-profile ban from the Delhi region of India after a passenger said she was raped by one of its drivers, raising further questions about the efficacy of its vetting procedures.

2015

The California Labour Commission ruled that Uber drivers are employees, rather than contractors, although this was not a direct effect of the case brought in 2013 by drivers in the state.

Meanwhile, French taxi drivers accused Uber's business model of "economic terrorism" and attacked alleged Uber drivers in Paris, causing a legal crackdown on the company.

2016

In May, Uber ended its services in Austin, Texas after it failed to overturn a stringent set of guidelines which included fingerprint-based background checks for drivers.

The company was also ordered to remove self-driving cars in California after it launched a pilot scheme without permits, followed by a litany of vehicle failures including the running of red lights.

Allegations around the company's 'God View' also re-emerged after former Uber forensic investigator Ward Spangenberg sued the company alleging age discrimination and whistle-blower retaliation, adding that it was still easy for Uber staff to access passenger information using a new version of the 'God View' programme, now known as "Heaven View".

2017

In February, the company was forced to pay US\$20m to settle allegations that it duped people into becoming drivers with false promises about earnings, with the Federal Trade Commission claiming most of Uber's drivers earned far less than the rates it published online in 18 major US cities.

Meanwhile, former Uber engineer Susan Fowler published a blog post in which she accused Uber of fostering a misogynistic corporate culture, leading to an independent assessment of the company by the then US attorney general Eric Holder.

The report, published in June, was damning with its recommendations including a limit on Kalanick's responsibilities at the company as well as the creation of an independent chairman and oversight committee. The report led to the firing of

more than 20 employees from the company.

In March, it was also revealed that Uber has been using a tool, known as "Greyball", to evade authorities in cities such as Boston, Paris, and Las Vegas and other markets where it was banned or resisted by law enforcement.

The year also saw a string of high profile resignations, beginning with senior executive Amit Singhal, who left Uber after he failed to disclose a sexual harassment allegation filed against him at his previous company, Google.

He was followed by Eric Alexander, the head of Uber's Asia business, who was fired after it was revealed he illegally obtained private medical records of the 2014 rape victim in India, which were then shown to Michael and Kalanick.

Michael left the company shortly after, followed by Kalanick who resigned as the head of Uber following pressure from five of its largest investors, including venture capital firms Benchmark, First Round Capital, Menlo Ventures, and Lowercase Capital, and the mutual fund Fidelity Investments.

Kalanick was replaced by former Expedia chief executive Dara Khosrowshahi, while Michael was replaced by the company's vice-president of strategic initiatives, David Richter.

A few months after the departure of most of its senior team, Uber also lost its licence to operate in London, citing the use of the "Greyball" tool and its checks on drivers.

However, an appeal by the company resulted in a 15-month probationary license being granted in June 2018 to prove it had improved its practices.

Issues around privacy also resurfaced with revelations that Apple had given the firm "unprecedented" access to features such as iPhone screen recording, as well as revelations that Uber company had tried to cover up a cyberattack that exposed the personal data of 57mln of its users.

2018

The first quarter of 2018 for Uber seemed positive, with the firm reporting a US\$2.45bn profit in the period, a turn around from the previous three months when it was US\$1.1bn in the red.

The company has also managed to fill the position of chief financial officer, vacant since 2015, with former Bank of America Merrill Lynch CEO Nelson Chai.

However, the company is still attracting controversy to its brand, with one of its autonomous cars involved in a fatal crash in Arizona in March.

The group is also struggling somewhat with its overseas operations, having sold its Southeast Asian ride and food delivery service to a Singapore-based rival.

The latest headache for the company, as mentioned at the start, is the new US\$1.9mln sexual harassment lawsuit, which will sit atop the long pile of legal disputes the company has already racked up in its 9 years of existence.

There are signs of hope though, with the company managing to fill the position of chief financial officer, vacant since 2015, with former Bank of America Merrill Lynch CEO Nelson Chai.

2019 and beyond

With the company having seemingly turned a corner, particularly in its highest echelons, the next hurdle for Uber will be meeting its self-imposed deadline for an initial public offering (IPO) in 2019.

If the deadline isn't met, transfer restrictions on will lift on the firm's shares and could result in a mass trading, with investors having voiced concerns over the recent lack of a CFO as it will become a crucial position for not only conducting the IPO but also operating a business with Uber's size and scale.

Chai may also have his hands full convincing investors to back the company in its IPO, as despite a positive first quarter 2018's figures are still overshadowed by a more than US\$4bn loss the year before.

--Adds information on 2019 IPO and new CFO recruitment--

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

No investment advice

Proactive Investors is a publisher and is not registered with or authorised by the Financial Conduct Authority (FCA). You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential, advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products, and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made. However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.