Business, Innovation and Skills Committee

Oral evidence: The Digital Economy, HC 571-ii

Tuesday 24 November 2015

Ordered by the House of Commons to be published on 24 November 2015.

Witnesses including written evidence where submitted:

At 9.15 am

- Andrew Byrne, Head of Public Policy in the UK and Ireland, Uber
- Alex Depledge, Chief Executive Officer, Hassle.com
- Ben Williams, Head of Operations, AdBlockPlus

At 10.15 am

- Richard Massett, Chairman, Licensed Taxi Drivers Association
- Charlotte Holloway, Head of Policy and Associate Director, techUK
- Steve Chester, Director of Data and Industry Programmes, Internet Advertising Bureau

Watch the meeting

Members present: Mr Iain Wright (Chair), Paul Blomfield, Richard Fuller, Amanda Milling, Amanda Solloway, Jo Stevens, Michelle Thomson, Kelly Tolhurst

Questions 67-190

Witnesses: **Andrew Byrne**, Head of Public Policy in the UK and Ireland, Uber, **Alex Depledge**, Chief Executive Officer, Hassle.com, and **Ben Williams**, Head of Operations, AdBlockPlus, gave evidence.

Q67 Chair: Good morning. Thank you for attending the Business, Innovation and Skills Select Committee inquiry on the digital economy. It might be helpful if you could introduce yourself and also give an indication of the company that you represent and the business model in which that company operates. Mr Byrne, can we start with you?

Andrew Byrne: I am Andrew Byrne and I am in the Public Policy team at Uber in the UK. Uber is a smartphone application that allows you to press a button and get a private hire or taxi. We operate in 13 cities around the UK and we are expanding quickly.

Alex Depledge: My name is Alex Depledge. I am the CEO and founder of Hassle.com. Hassle.com is Europe's largest on-demand cleaning marketplace. I am not sure there is anything else to say.

Ben Williams: I am Ben Williams. I work as the Operations manager at AdBlockPlus. The company behind AdBlockPlus is called Eyeo. We are centred in Cologne and we are a product that allows users to block ads on their browsers and their smartphones. We have over 60 million active users worldwide.

Q68 Chair: Thank you very much. Mr Byrne, may I start with you? In terms of describing your company, you said you were a software technology app.

Andrew Byrne: Yes, a smartphone app.

Q69 Chair: Can I probe that further? What are you? Are you a software company or are you a company that facilitates private hire of vehicles?

Andrew Byrne: We do class ourselves as a software company, a smartphone app, but we are also licensed as a private hire operator in every jurisdiction that we operate in. In London that means that we apply to Transport for London to be a private hire operator, and they went through a certain amount of due diligence, and that means that we take on a number of obligations in the discharge of private hire, effectively. That means that we take on the responsibility for customer service.

Q70 Chair: But does the fact that you are classed ostensibly as a technology company not mean that you can undermine and ride roughshod over regulations that keep customers and passengers safe?

Andrew Byrne: I do not think so. Being a software company does not really matter in the sense that we are licensed as a private hire operator, so we have to abide by every single regulation that a more traditional private hire company operates under, and some of the new technology that comes with our software means that we can provide what we think is a safer service for individuals who want to get a taxi or a private hire. That means our software allows a customer, when they are booking, to see a picture of the driver that is coming to collect them and the registration number of the car. It also allows them to have a live map of their progress and share their route with friends and family. They are the sort of things that provide extra comfort to people when they get in the car, and our software facilitates that.

Q71 Chair: We might come on to public safety in a moment, but I was interested in a quote from your submission to us where you said that policy and law should be technology-neutral. Do you think the current regulations are technology-neutral, and what can be done in order to make sure we can facilitate additional quality, choice and better value for the consumer?

Andrew Byrne: What I was trying to get at there is simply the fact that no one can predict where technology is going to go over the next five years. Even as a software company, we still struggle to figure out where things are going to go. The principles of regulation should be more about customer safety and customer protection, and that means the regulations should look at setting a number of clearly defined quality and safety standards rather than defining how a service is delivered. That means that there is no technology that is provided. If you look at the Transport for London consultation that is happening at the moment, they are consulting and one of the proposals is to provide a mandatory booking line—a telephone booking line for individuals. That is a good example of somewhere that technology is moving away from landline communication between these sorts of things, and customers are moving towards app-based communication. Regulation should not look to be prescriptive in that sort of area. It should look to say that customers should have the facility to book and seek redress on a customer service basis.

Q72 Chair: Some of the charges against Uber are that the drivers do not have sufficient insurance, they do not have to undertake the knowledge, and your company is undercutting well established, quality providers in the capital and elsewhere. How do you answer that?

Andrew Byrne: All of our drivers do have the relevant insurance. We have the documents to prove that. Uber also has a background—

Q73 Chair: Do you carry out checks to ensure that they are always constant and up to date?

Andrew Byrne: Yes, we do. Uber also maintains a background insurance policy that covers the liability of anybody who gets in an Uber car, just in case, because that is something that we do as good corporate due diligence. It is true that our drivers do not take the knowledge. Our drivers are not licensed taxi drivers; they are private hire, and that is something that is slightly different. One of the things that the industry needs to think about going forward is what place a qualification like the knowledge has. The knowledge is a wonderfully culturally iconic qualification that has served London fantastically over the last 150 years, but there has been the advent of GPS systems and mapping technology and smartphones; smartphones have made a real difference to our lives and have made things that were previously impossible possible. It is how we think of a regulatory environment that reflects some of the changes in technology and the possibilities moving forward.

Q74 Chair: How many drivers work for Uber?

Andrew Byrne: So an Uber driver is someone who is self-employed; they are someone who chooses to drive through Uber.

Q75 Chair: On that basis, are they allowed to use other platforms as well?

Andrew Byrne: Yes, exactly. Uber places no requirements on how often or how much someone drives. It is worth saying that the vast bulk of all private hire drivers have traditionally been self-employed, but unlike traditional private hire companies Uber does not place a radio fee, whereas in a more traditional private hire company you might pay £500 at the start of the week to start driving. Uber places no charge and no mandatory number of hours and things like that, so people can genuinely drive when and how they want and as much as they want. That might be one hour a week or one hour a month, or it might be as a full-time professional job. The average number of hours for an Uber driver in London, for instance, is around 25 per week, so lots of people use it as a flexible environment. They fit their profession around their life and not the other way around.

Q76 Chair: The number of drivers using Uber is growing quite quickly. In terms of laws of basic economics and demand and supply, does that not undermine what the driver's revenue is?

Andrew Byrne: Yes, it is absolutely true to say we have grown quickly in the last three years since we have been in London, particularly, and in other cities around the country. What we have found, and the core business proposition of Uber, is that our technology allows us to match supply and demand effectively, and that means that we can keep drivers busier more often. Through the course of a five-hour shift, for instance, a driver does more trips with Uber because there are more journeys and there is more demand. That has allowed us to lower the cost to customers, and that has unlocked an awful lot of unmet demand in the market. One of the things that we have seen almost everywhere we operate is that previous estimates of the total available market that exists in cities—whether it is London or Manchester or Leeds or Sheffield—have been on the small side, because there are lots of places around cities where previously you went on to the street to hail a taxi and you might not necessarily have been able to rely on one, or there are lots of individuals who perhaps might not have been able to afford to get a black cab or a minicab before and Uber facilitates them doing it.

There is also the convenience of a smartphone app that means you can just press a button and a car normally arrives within five minutes. That has a lot of different use cases to the people who used to use a more traditional service. The big-picture ambition of where Uber wants to go is we want to end—this might sound slightly ridiculous—car ownership in London. We want to force people to stop relying on owning their own car, which is a really inefficient way of getting around, and rely on services like Uber, which are reliable and cheap enough and affordable enough to make them able to press a button and get a ride. When they need a car they can rent one from Zipcar or another one of those brilliant, innovative firms around the city.

Q77 Chair: What cut do you take from your drivers?

Andrew Byrne: It varies slightly. We take 20% on existing drivers in London, and we have just announced recently that we are moving that to 25% for new drivers.

Q78 Chair: That is a big cut, is it not? Is that on a par with what private hire firms do?

Andrew Byrne: As I mentioned before, it is slightly different in the sense that most people operate a radio fee, which is an upfront fee, which is much more harmful to a driver's freedom and security because they start the week almost owing their private hire operator £500. The difference with Uber's cut is that it is something that is taken on every ride, so a driver can choose when and how they work. You can see from the growth of 20,000 drivers or so that we have in London that it is an extremely popular service with partners, and the vast bulk of those guys are referrals. They are normally people who have been referred by somebody who is already working on the platform. You can see that some of those individuals are being brought to the platform by recommendations, which I hope is a good testimony to the fact that people like the service.

Q79 Richard Fuller: I apologise to the other two guests. I am also going to ask questions to Uber.

Chair: Don't worry. We are coming to you.

Richard Fuller: Did the Law Commission's review of private hire and taxis just completely miss technological change?

Andrew Byrne: One of the key things that the Law Commission tried to do was come up with a technology-neutral solution, and that is what they were very explicit about. From our perspective it happened just before the real proliferation of apps and new services in the market. In that sense, it is a great start to what a regulatory framework might look like, but it probably needs to be looked at and tweaked in the context of the growth of app-based services like Uber and others.

Q80 Richard Fuller: One of the Law Commission's recommendations was to continue this difference, which goes back to horse-drawn vehicles, between hackney and private hire. You do not want that to continue, do you? You challenge that.

Andrew Byrne: We do not think we do, actually. There is a difference between private hire and taxi; Uber does not want to operate a taxi service. It does not want to be hailed off the street, for instance. It does not want to go in bus lanes, particularly in London. The fundamental difference is that Uber works on providing customers with more information to make their decision and having upfront pricing information and knowing exactly what their route is and things like that, which is fundamentally different to taxis, and that is something we want to preserve. Frankly, the London taxi is a wonderful service and the knowledge is a fantastic qualification, but a future regulatory structure for taxi and private hire probably needs to be tweaked to allow taxis more room to compete in the market. That means that having a really expensive vehicle—and doing the qualification that takes four years, the financial value of which has probably diminished in the age of GPS—is probably not sustainable. We urge the Government to look at ways of making a more level playing field.

Q81 Richard Fuller: I accept your point of view. However, the points that you made in your response, valid though they are, seem to me to be a crushing blow to the distinction between private hire and hackney. Let me just ask you a question about vehicle types. So one of the advantages of hackney carriages is there are the same regulations about vehicles type—certainly in my home town of Bedford there are—that mean that people who have disabilities or are in a wheelchair can access a vehicle. Is there any way that your service provides that?

Andrew Byrne: That does depend on the specific market. If you look at Brighton, for instance, private hire does have regulations that sit upon it providing a certain proportion of wheelchair accessible vehicles. There are 300 licensing jurisdictions in the country and the regulations that sit on those change slightly in each one. Uber in London has just launched a product called uberASSIST, which involves specifically trained drivers who are trained to assist people with disabilities and mobility impairment, with the charity

Transport For All. That is a separate option on the bottom of our app that you can get. It is fair to say that we do not offer wheelchair-accessible vehicles in London or anywhere else yet, but we hope to remedy that early next year. While there is no regulatory obligation on us as a business to offer that service—

Q82 Richard Fuller: Would you welcome a regulatory obligation on you to provide a proportion or all of your vehicles to have equal access for disabled people?

Andrew Byrne: We recognise that once you reach a certain scale you should be delivering a service that is available to all of London, and that is what we plan and hope to do.

Q83 Richard Fuller: Can you tell me whether it is in the producer interest or the customer interest that TfL's consultation regulation says that it wants people to wait at least five minutes to get a lift home later at night, in the rain, when they are on their own on a dark street?

Andrew Byrne: Frankly we are slightly puzzled by some of the aims of Transport for London's regulations review. The idea that private hire would be forced to wait five minutes between booking and picking up someone, on the basis that it is in the interests of public safety, will stop people getting in the wrong car and enable drivers to plan their route more effectively, is frankly more about protecting a distinction and protecting the interests of London taxi drivers. That is a relatively legitimate regulatory aim but they should at least be explicit about what that means. The public safety implications of things like five-minute wait times we would definitely argue are negative. Forcing people to wait on streets for five minutes artificially, when the car might be in front of them, is something that we would argue is absolutely not a public good and is not in the interests of public safety. You might have seen an online public petition that we have asked Londoners to sign; 191,000 Londoners have signed that petition agreeing with us on that and a couple of other points relating to the London regulations review.

Q84 Richard Fuller: If TfL move forward and implement that regulation, would your desire be to see the national Government change the regulation?

Andrew Byrne: Yes, that particular regulation. It is worth saying that there are lots of other regulations or proposals that we are opposed to in the Private Hire Regulations Review, in terms of forcing Uber to remove showing the cars that are visible on the app that provide comfort for people knowing where they are. The seven-day landline booking service would be a significant problem for the efficiency of the service. The five-minute wait time we have worked out would cost our drivers about £19 million a year in wasted bookings. As I explained to the Chair earlier, the core of the service is the ability to match supply and demand more effectively so that drivers are kept busier, and if there are artificial wait times introduced into that service, then that is money that is just being taken out of drivers' pockets, effectively.

Q85 Jo Stevens: I have a question leading on from Richard's about regulation, first to Andrew and then to Alex. You said, Andrew, that you have 25,000 drivers in London self-employed. How many people do Uber employ themselves?

Andrew Byrne: In London we have around 125.

Q86 Jo Stevens: So when you take these drivers on to your books, do you ever meet any of them?

Andrew Byrne: Yes, every single one comes into our office in Aldgate East.

Q87 Jo Stevens: You see them personally.

Andrew Byrne: Yes, we see them, interview them and go through all of their documentation—their private hire documents, their driving licence.

Q88 Jo Stevens: Do you do a DBS check?

Andrew Byrne: Transport for London do the DBS check. So, how the licensing process works in the UK is that it is the regulator who licenses a private hire driver, and that means that every private hire driver in the country goes through an enhanced DBS check, which is exactly the same as a taxi driver or anyone who is seeking to work with children or anything like that as well.

Q89 Jo Stevens: Do you require your drivers to undertake any medical assessments or driving assessments?

Andrew Byrne: Yes. Again, as part of the licensing process a driver has to undergo a medical assessment by a GP and they have to be certified as fit to drive for a living by a general practitioner. In terms of a driving assessment a driver has to take what is called a topographic test; this is certainly by no means the knowledge, but it is something that tests their ability to navigate London effectively. While it is not about every single backstreet and things like that, it is looking at whether they can know where the main trunk roads of London are, and whether they know how to get to Heathrow and the main train stations and things like that. One of the things that we do support in the TfL London Private Hire Regulations Review is making that slightly harder and beefing up some of that system for drivers.

Q90 Jo Stevens: What about standards of spoken English? Do you have a minimum level of spoken English test, so the passengers can communicate effectively with whoever is taking them to wherever they are going?

Andrew Byrne: We do not test that explicitly, but we do test that in the course of the other things that we test. For instance, the topographical test is done through both spoken and written English and things like that, so it is tested as part of that. Again, we have come out in support of an English language requirement during the Private Hire Regulations Review, although it is worth saying the slight nuance in our perspective on that is that we do believe that that test should be focused mostly on spoken English rather than written English, because it is more about communicating with customers and passengers rather than being able to write a paragraph on Lord Nelson or anything like that. That is the only slight difference that we have with the current proposals.

Q91 Jo Stevens: You mentioned good corporate due diligence. Can I just ask you about Uber's tax position? You made a UK profit of over £850,000 but you paid just over £20,000 in UK corporation tax. Can you explain how that is the case?

Andrew Byrne: Yes, we did. Corporation tax is paid on profit, and the nuance here this year was that that corporation tax was written down against losses we have incurred in previous years.

Q92 Jo Stevens: But you have only been operating for how many years?

Andrew Byrne: We have only been operating for three years, exactly. In the last 18 months we have gone from a business that operates in one city to one that operates in 13 and has licences to operate in 33 different jurisdictions around the country.

Q93 Jo Stevens: You must have been making very, very significant losses in previous years.

Andrew Byrne: I am afraid the business does make very significant losses globally. We are very much still in the investment phase.

Q94 Jo Stevens: But in the UK.

Andrew Byrne: In the UK our corporation tax profit was the one we recorded there, and we have made significant losses in the past where we have invested; we plan to bring new products to the market over the next 12 months as well, where we continue to invest in the service in the UK.

Q95 Chair: Can I just ask, following up from Jo: do you transfer losses from overseas into the books of the UK group so that you do not pay tax in the UK? Is that what happens?

Andrew Byrne: Absolutely not. We invest in the business in the UK to grow the business in the UK. On a global scale, it is absolutely true that we are investing heavily in other markets. As far as I am aware, our tax position is that we do not split up some of those different jurisdictions that we operate in. In that way, the business has revenue and it uses it to invest in growing the business globally.

Q96 Chair: Following on from Jo's point about public safety, you will be aware of the allegations from Sarah Lacy, the editor of Pando; she was talking about the Uber branch in Lyon in France, where Uber were offering to set up passengers with "hot chick" drivers. You are just a seedy backstreet minicab firm, are you not? This is not disruptive technology. This is *Carry on Cabby*.

Alex Depledge: Sorry, can I interrupt? Sorry, Iain. Number one: this feels very much like a lack of disruptive technology and more about Uber. But secondly—

Chair: Actually, it will not be.

Alex Depledge: I have read a lot of Sarah Lacy's stuff and I know her well, and she is just as inflammatory on both sides, so that is very much a gossip blog and a piece of gossip—just to keep this intellectually credible.

Q97 Chair: That is very helpful, Alex. In terms of the minicab principles, and the worst excesses of minicab principles, this is not something we want on the streets of Britain, is it?

Andrew Byrne: Certainly what happened in Lyon was a completely ill-judged marketing stunt and is nothing to do with the operations in the UK. We have over 1 million customers in London. We have created effectively 20,000 new economic opportunities for partners in the UK; that is something that is really genuinely positive, and that is a contribution we have made to the city of London and we hope to bring to other cities around the UK, and that is something that should be applauded. If we were a steel plant, for instance, that had created 20,000 new economic opportunities in the city in London, people would be applauding the business. You will find that when you talk to some of our customers and our drivers, we are a service that has really revolutionised their lives and has changed in a small way how they get around London. That is something that really should be welcomed—this contribution that we are making to cities around the country.

Q98 Chair: Alex, can I come to you on the issue of public safety? People that you employ are going into people's homes. People want to feel safe.

Alex Depledge: We do not employ. Sorry, just to correct.

Q99 Chair: In terms of facilitating, the new sharing economy business model matches customers with domestic cleaners. How do you ensure it is not a race to the bottom and there are adequate checks in place to keep people safe?

Alex Depledge: First of all, let us address the definition of "sharing economy". "Sharing economy" really does us a disservice, because what is going on here is new models of operating and technology-disrupting third-party agencies. We have adopted this phrase, "the sharing economy", that suggests a level of altruism, which is not necessarily there in every case. We are very much commercial ventures.

Secondly, much like Uber does, how do we ensure trust? We meet every single cleaner in person in our offices, which span Germany, France, Ireland and the UK. We do a background check, we do conversational English, they do a cleaning test and then we ring three of their previous clients. After that, they are ring-fenced on our platform, where they can take up to three new customers, and after every single clean they do for those new customers we call them to check that they are satisfied and that there is no cause for concern. Once they have passed that ring-fence trial they are then allowed to take as much work as they want. We do not mandate that they take any work and we do not restrict how much work they take. They can turn themselves off and on and pick their working hours as they want to.

Why is this not a race to the bottom, as you said about the third point? What you have to do is look at what we are instead of, and right now the estimate is that between 80% and 95% of all domestic cleaning takes place in the black market, which is unsafe, untaxable and not transparent. We are instead of that. The alternative to them working in the black market is that they go to work for an agency, which very much regulates their hours and pays the minimum wage. On our platform they get at least 35% more than that.

If I may also add, when it comes to spoken English, in our experience most of the cleaning agencies that operate in London—and I am not saying all because I am not being slanderous towards some of them—are immigrants that do not speak any English that are driven around in vans. There is no certainty that the person entering your house has the right to work in the UK. We check that and we check it every single year as the visas come up for renewal.

Q100 Chair: I have read an interview by you, Alex, where you say precisely that: that your business model is now transforming a market that was haphazard, informal and possibly illegal, into one with much more transparency and better quality. How can regulation and government support, not just in your industry but elsewhere, facilitate ensuring that that happens?

Alex Depledge: That is a great question. Since the 1970s we have been moving away from this idea of structured employment. Workforces—not just my own but traditional workforces—need a much more flexible workforce. With our current welfare system, the structure is set up to privilege the employed, and I do not see why self-employed people cannot access the same levels of pensions, sick pay, maternity, and holiday pay by paying into mutuals and things like that. Do I want to see that come via the Government? Not necessarily. We are entrepreneurial enough in this country to create those services ourselves, and I see that starting to evolve. Ultimately, I do not want to end up like the French. No disrespect to the French, but they have created an economic underclass that platforms like mine are starting to break down, because to get a permanent job in France is practically impossible, so you find these people working very much like day labourers with no access to any benefits whatsoever. I do not want to see that happen in this country. I do not know the exact statistic but I will send it in: the rise in self-employment before the arrival of the on-demand economy was about 15% and it is upwardly rising, so this is something we need to address.

Q101 Chair: You talked about the race to the bottom. Previously, if I were a cleaner, I could be employed by a company and I would have holiday pay and terms and conditions that would be protected by law. I do not have that if I am self-employed. Are we not racing to the bottom in terms of employment rights?

Alex Depledge: I do not believe so, because if you worked for that agency where you got sick pay and you got the other array of benefits, you would be paid minimum wage and have to work a set number of hours. Of the people who work across my platform gaining work 85% are women, and they are typically women who have children or women that are trying to advance their career and need a flexible working model. Most of the women on our platform work an average of 16 to 25 hours per month. What they do with that is they look after their children in the morning, they take them to school, they go to clean a few houses and then they pick them up. There is no need for childcare. If their child is sick they can work around that. They can up their hours in the school holidays, or decrease them as they see fit. We are empowering people to work and have a lifestyle that they deserve. What we need to do is open up the opportunities for them to have sick pay, maternity pay and holiday pay, just like anybody else, and not privilege those people that are employed in traditional jobs.

Q102 Chair: Do you not worry that, in terms of a triumvirate between producers, consumers and workers, the sharing economy or the gig economy—whatever you want to call it—and disruptive technology is undermining the power of workers?

Alex Depledge: I do not believe so, because if I look at the cohorts of cleaners that have worked across our platform for the last two and a half years, those that wanted a full-time job did it for a little while and then they got a full-time job. Those people that like the flexibility are still with us today. The one thing that I get slightly irritated about—and excuse the passion creeping into my voice here—is that at no point does anyone go out and ask the people working on these platforms themselves. Instead we run around getting anecdotal evidence of disgruntled Uber drivers, of disgruntled cleaners, who you can always find. You should ask people why they are choosing to work, and they are choosing to work. That is why Uber is growing. That is why my company is growing. That is why many other companies are growing. People have agency. They are not victims here. They make a choice.

Q103 Paul Blomfield: The picture you describe of the cleaners who you put in touch with customers is pretty much the same as any employment agency or any cleaning agency, is it not? Is the fundamental difference between your business model and the business model of a conventional cleaning agency that you do not employ?

Alex Depledge: I am not sure I wholeheartedly agree with that statement, simply because of the amount of margin that is taken away that goes to the agency. Also when you are employed you do not have a choice over whom you work for, when you work for them, at what times and how much work you do.

Q104 Paul Blomfield: Lots of women working for cleaning agencies are able to adjust their hours in discussion with the agency.

Alex Depledge: Not generally, because typically most agencies will do overnight work in big commercial office-cleaning or they will do very early morning working, and that is not very practical.

Q105 Paul Blomfield: There are lots of agencies that do domestic work and those cleaners have the opportunity to negotiate their hours in exactly the way that you describe for the people that you work with, do they not?

Alex Depledge: What would be interesting would be to talk to those traditional agencies about the attrition rate that they find. What typically happens is, if I am a cleaner and I come to your home and we get along the first couple of times, I am being paid £6 an hour, you are paying £12 to the agency and you start to wonder, “Where is that £6 going?” You said to the cleaner or the cleaner says to you, “Do you want to just leave me £10 cash on the table and we will take this arrangement offline?” and then they go into the black market, which is why the black market is so big.

Q106 Paul Blomfield: You are characterising some cleaning agencies that that may be true of; others it might not be true of. I guess you would acknowledge that there would be perfectly responsible cleaning agencies working in the market. Is the fundamental difference of your business model, though, that you do not employ?

Alex Depledge: We empower them with the tools to run their own businesses.

Q107 Paul Blomfield: No, not empower with the tools to run their own businesses. You do not employ and therefore are you not just outsourcing risk to those individuals?

Alex Depledge: I do not believe we are outsourcing risk, no, because we encourage all of the cleaners to have their own insurance, and if they do not have it we backstop it. We also run educational classes, so we are in partnership with a lot of the colleges around London.

Q108 Paul Blomfield: So you encourage them to have their own insurance. That means that you are stripping out costs that a conventional cleaning company would have.

Alex Depledge: A self-employed person would have insurance.

Q109 Paul Blomfield: Yes, but a conventional cleaning company would take that insurance responsibility on, so you are stripping out costs and you are outsourcing risk.

Alex Depledge: If they want to go to work for a traditional cleaning agency they can. The reason that customers do not go and purchase cleaning through a traditional agency is that the prices are much, much higher, and so again they go into the black market.

Q110 Paul Blomfield: I am not comparing you with the black market because you are also instead of cleaning agencies, because you are trying to win customers from cleaning agencies. You also said a moment ago that you think that people who work through you ought to have the same access to pensions, sickness benefits, maternity pay and everything else that people in conventional employment do. I guess you mean, therefore, that that should be covered by the state, from public funds.

Alex Depledge: No. I added on there that—

Q111 Paul Blomfield: So who should be providing the pensions, the maternity support and the sickness benefit that a conventional cleaning company might?

Alex Depledge: We should create schemes that self-employed people can pay into, like mutuals, that are not state-funded; they are funded by the self-employed for a rainy day.

Q112 Paul Blomfield: You are wanting to outsource those costs that conventionally sit with an employer on to the individuals?

Alex Depledge: Excuse me for being so frank but you are missing the fundamental point here, which is that the traditional cleaning agency is broken. If it was not they would not have such a problem recruiting supply and they would be able to retain them and everyone would be getting a cleaner through them. Instead what happens is it goes into the black market. What we are offering is a third way that benefits all members that are involved: the consumer, because they are getting very reasonable rates, and also the cleaner, because they are able to set their own hours and earn more money.

Q113 Paul Blomfield: Do you have any evidence that the people who come to you are using you instead of the black market, as opposed to you winning customers from conventional cleaning agencies?

Alex Depledge: Yes. Both happen.

Paul Blomfield: You have that evidence.

Alex Depledge: I have anecdotal evidence because we do not track it when it comes in.

Q114 Paul Blomfield: So you have no evidence then really.

Alex Depledge: Anecdotal evidence is the same as being told that 300 Uber drivers are protesting out of how many thousands.

Paul Blomfield: You were fairly dismissive of that, so you have no evidence.

Q115 Richard Fuller: Just a quick point of rebuttal on Paul, Alex. How many cleaners do you compel to work for your company and for your customers, and how many make that choice themselves freely about how they want to work?

Alex Depledge: All of them. I cannot exercise any power over them whatsoever. They can leave when they want and go and get a traditional job if they want to. I understand people's potential frustration, but this comes from not understanding the context in which we are working and what we are instead of. I am not some kind of crazy capitalist here that is trying to make millions and millions of pounds off the back of poor people. It is actually the opposite. I care much less about consumers and much more about the people working across my platform.

Paul Blomfield: I was not in my line of questioning trying to suggest—

Alex Depledge: Some of the language is quite emotional, if you do not mind me saying.

Paul Blomfield: I do not mind you saying at all. What we are trying to explore is what this business model that you have developed represents and what the wider impact of it is, and that is why we are pursuing that line of questioning.

Q116 Amanda Solloway: I would just like to continue what Paul has been talking about, just so that I can get clear. First of all, I really get the flexibility. That is a really good thing. In terms of the black market I get that as well. I am just concerned: we have a minimum wage, which you have been talking about, but also we are going to a living wage as well, which is something that is significant. When somebody is self-employed—and I genuinely do not know the answer on this—through your business, by the time they have paid for their pension, if they choose to, by the time they pay for insurance, when you factor in holiday pay and sick pay, do they hit that, first of all, minimum wage, as you talked about, and then living wage, or is self-employed a worse option?

Alex Depledge: We pay living wage. We have not quite got to the £9.15, which is the London Living Wage, although we are moving towards that. The answer is yes, they always stay above minimum wage.

Q117 Amanda Solloway: We are talking about the living wage. What do they get? I looked on your website.

Alex Depledge: £8.50 an hour.

Q118 Amanda Solloway: They get £8.50 an hour. Out of that they have got to take pension, national insurance—all that themselves.

Alex Depledge: True, yes, but most of them do not hit the tax bracket, so they do not earn £10,000. Also they are not paying for their childcare, so it is a slightly more complicated picture when you are trying to compare apples and apples.

Andrew Byrne: If it helps, we have just done some work on this on our own back. I can perhaps send the Committee the work that we have done. We worked out the average hourly payment for a partner driver in London as around £16 an hour. Yes, that is less significant costs after that, but on average that works out at around £11 or £12 an hour. I can send the Committee that information.

Q119 Chair: Thank you. Mr Williams, can I come to you?

Ben Williams: Absolutely.

Alex Depledge: Finally.

Ben Williams: I have been waiting quite a bit here.

Q120 Chair: People want free content on the internet. People do not want to see adverts. You provide a valuable service. Is that correct?

Ben Williams: That is correct. We provides a service that began as one developer's hobby back in 2006. It was basically used by just techies at the time, and it developed into something that has become mainstream. There are now over 200 million people, some reports estimate, who choose to block ads. They are not just choosing to block ads. They are choosing to block tracking online; they are choosing to block malware; they are choosing to take control of their internet experience.

Q121 Chair: Are you not stifling innovation and ultimately the business model of the internet in which the website can defray the costs of free content that will be paid for through advertising? You are going to undermine free content on the internet, are you not?

Ben Williams: We are trying to spur innovation. We came to the same problem in 2011 and we introduced something we call the Acceptable Ads initiative. This is just a series of criteria that we set up with our users after doing polls with our users and speaking to our users in forums and so on and so forth. We set up a series of criteria for better ads. The way that it works is if a company or blog or website wants to apply with their particular ads and they fit those criteria they can be whitelisted.

Q122 Chair: What will those criteria be? What is classed as "better ads"?

Ben Williams: I could deliver a complete list.

Q123 Chair: Is it just how much I pay you?

Ben Williams: No, quite the opposite. It is basically based on format. What we have found in talking to our users is that people do not accept ads when they blink, when they pop up, when they take too much space on the screen or when they are duplicitous—in other words, when they are not labelled as advertising. There are many standards, as I say, and I would be happy to deliver the specifics. The basics are that ads are not supposed to be intrusive and they are supposed to be honest with the user about their intention. What we have found in the meantime is that since 2011 we have several people on the list. We have over 700 entities on the list, which accounts for a lot of web traffic. Users who are able still to block all of the ads if they choose to do so overwhelmingly choose not to do so. The opt-out rate on it is in the low single digits on our program. Our vision is to encourage better advertising online, advertising that even a picky ad-block user will accept.

Q124 Chair: So you are trying to improve advertising online. What links do you have with the advertising industry to come up with a common framework for or a common regulatory approach by the industry? How does that work, or is it just that you are this disruptive influence that will undermine the choice that I want on the internet?

Ben Williams: In several ways. We talk to advertisers, people involved in the ad tech industry, and the publishers at every turn, but probably the most exciting news we have is that up until this point these criteria had been things we developed with our users. Starting in the middle of the next year, we want to give control over these criteria to an independent committee. This committee will be made up of publishers and people from the advertising business, as well as consumer groups and non-profits, to get an even mix, so that we can be more transparent with these criteria, so more people can have a stake in them, and so the idea can be scalable. In other words, the idea that blocking some ads is better than blocking all ads can then extend in to other ad-blockers.

Q125 Chair: You talk about better quality and more transparent criteria. Do you publish the criteria?

Ben Williams: We do.

Q126 Chair: So what is the problem? If I know what the criteria are I can just apply directly, can I not?

Ben Williams: We want to give more people a seat at the table to develop those criteria. The criteria have to be developed. They cannot stay the same forever because ads will develop over time as well, so what we need is insight and input in how to develop them better.

Q127 Chair: Can I override those criteria by paying you a lot of money?

Ben Williams: No, you cannot.

Q128 Chair: Not at all? So if I have deep pockets I cannot come to you and say, "Please ensure that ads come on my website please."

Ben Williams: Absolutely not.

Q129 Chair: That is absolutely guaranteed?

Ben Williams: Absolutely.

Q130 Chair: I just want to finish, before I bring other colleagues in, about innovation and about how technology can really provide great choice for the consumer making sure that they can be liberated in terms of new business models. I love music. Spotify is an interesting phenomenon. Spotify has 75 million users and three-quarters of those users access the free service. You are going to undermine innovation and choice for how I access music, are you not?

Ben Williams: Spotify is an app, and it does not work on an application.

Q131 Chair: But the principle of the case study; you know what I mean in respect of that.

Ben Williams: What we want to do is encourage better advertising. The idea is that just as the music industry had to adapt about 10 years ago, and just as other industries had to adapt, so does the advertising industry, because at the end of the day it has an acceptance problem if 200 million internet users are saying "No" to typical ads they are seeing online.

Q132 Richard Fuller: The last Government published a paper on the sharing economy. You have all spoken with great passion about what you do, and it has been wonderful to hear. Do you think the Government understand that passion?

Ben Williams: Do you have an ad blocker?

Richard Fuller: I am talking generally. Ad blocker and whatever.

Alex Depledge: I am often accused of being a bit too theoretical and academic in this, but I honestly think that what we are going through now is exactly what we went through in the industrial revolution. The way that we work, the way that we socialise, the way that we move around cities—all of those things are changing, and they are changing because of globalisation and they are changing because of the smartphone. The smartphone became mainstream in the space of three years. To answer your question, it is scary and people are scared of change, particularly change that they do not understand. It is not just Government. It is wider than that. We are in its infancy and it is difficult to educate people.

Q133 Richard Fuller: I understand your points, but generally for your businesses would you not want to be in a regulatory environment where the Government was saying, "Come on. You are the challengers. We are here to help you because we can see the benefits to customers, the lower prices that people can pay and the more efficient use of assets that otherwise would lay idle." Do you feel the Government has done enough or is doing enough to support those changes and this big change you have talked about?

Alex Depledge: The Government needs to go back to existing legislation—a lot of it was created before the inception of the internet—and revise it. Things around taxis and certain statuses, and the whole thing, need careful looking at. Do I want you then to layer on new things on top of that? I do not necessarily think regulating something that is so young, in its infancy, right now is the right answer, but we definitely need to update some of the stuff that is in existence.

Q134 Richard Fuller: For Ben and Andrew, do you think that regulatory updating is needed?

Andrew Byrne: For our part we have been really encouraged by the Government recognising the role that the sharing economy has to play in increasing productivity, job creation, employment opportunity, changing people's lives and delivering new services for customers. More widely, for the Government—and to a certain extent we are all guilty of this—it is very difficult to appreciate the value that a flexible working platform has for individuals that take advantage of it. There are 20,000 people, and every day outside our offices in Aldgate there are nearly 100 people that queue outside of our door and try to come to work for the Uber platform and work on the Uber platform. They are individuals who might not have had employment opportunities before. They might have been doing something else. The change from having to fit your life around your job to fitting your job around your life is a huge one. Hopefully some of you might consider using the Uber service over the next few weeks. If you do please talk to—

Richard Fuller: Let me put the ad blocker on that.

Andrew Byrne: Yes, indeed. Please talk to a driver and ask them why they do it. Some of the stories you will get, whether they are students funding their medical studies, someone putting their kids through university or someone fitting their time around their childcare or caring for an elderly relative, are hugely powerful. It is difficult for individuals who have previously had very typical careers, working full-time in a business, to appreciate just the fundamental change that can be for someone's life chances.

In terms of regulation, technological neutrality needs to be the most important fundamental principle. All that means is Governments and legislators should stop trying to predict how things will be delivered; rather, they should regulate the safety and consumer protection standards, about why they are delivered. Fundamentally, this is about delivering something customers want and like, and making sure that they are not ripped off and they are kept safe while doing so. Trying to define how that system works is something that will only end up being out of date in a few years, when technology changes again in a way that none of us could really foresee.

Chair: I might come onto that point later on, but I would like to bring Michelle in if I may.

Q135 Michelle Thomson: It follows on from what you have been saying, Andrew. I suppose my question is about the extent to which, particularly for yourself and Alex, this type of business is really a reflection of the real unemployment rate rather than a desire for flexible working patterns in society, which I also recognise.

Andrew Byrne: It is difficult to get hard statistics on this, but we survey our drivers every once in a while. We are about to do that again, so towards the end of the year we could probably supply the Committee with that information when we get it. We ask those sorts of questions. It seems to us that about 48% of Uber drivers have come to the platform from another type of work, so they have actively moved over from doing something else. That represents and reflects a genuine desire for flexible working. You are absolutely right to say that most of the Uber drivers in London, for instance, come from constituencies where unemployment is over 10%. That is also reflective of these drivers figuring out what they can do for their families to earn good money, and we are one of their options. So you are absolutely right: it is a bit of both. We do not quite know the answer to what the split is and things like that, but in both senses it is an additional choice for someone who needs to earn.

Q136 Michelle Thomson: Do you collect any data around that arena, Alex?

Alex Depledge: One thing I would say is about the Sharing Economy UK trade body, which was set up off the back of the white paper that was delivered this year and of which I am a founding board member. One of the initiatives that we are working with—I always get the universities mixed up, but I think it is Oxford. If it is not, it is Cambridge. The reason I do is because we are also in the trademark and that is with the other one, so I get quite confused. We are trying to do an index, so we are doing a huge survey—a qualitative and quantitative survey—asking who is in the sharing economy as both a consumer and a supplier. How much do they cross platforms? How much are they earning there? That is all of the data that people are craving to really understand what this phenomenon is.

I would echo Andrew's point of view. When we first started, the sharing economy had not been coined as a term and also we did not have "Silicon Roundabout" and all of the "Tech City" stuff over there, so Jules and I were a bit naive. We just wanted to start a business and we knew it needed technology, so we did not track a lot of this stuff. Last year, when we pulled a survey down, what we found out was that again predominantly a lot of the people on our platform were women who had either been working in the black economy or had been working in hotels or for agencies, not earning the minimum wage. I do not know if you know that a lot of hotels charge you to clean by the hour per room. You have to do £2.50 per room, for instance, at a very well-known hotel, so you have to do three rooms in an hour, which is physically very taxing.

Some have come from being long-term unemployed. I do have some data that I can submit to the Committee from working with the job centres, where we have managed to get quite a few long-term unemployed people back into work. That is really important, because if you are out of work for a long time, either through maternity or because you have been on benefits for a long time, you do not have the confidence, potentially, to go into a formal workplace and understand punctuality and dealing with lots of different people. A lot of people have used us as a springboard to then go back into work. We have many case studies of people going on to much better jobs. I do not think for a second that cleaning is everybody's aspiration, and we are certainly not trying to keep people there.

Andrew Byrne: The key point is you need to think about the barrier to entry in these sorts of models. How can you empower someone who wants to earn a bit of extra money to be able to do so and to be able to do so easily? Apps are a very good way of doing that, and being able to connect people where there is demand with people who are willing to provide that service. That is the core business value proposition that apps like Hassle.com and Uber offer.

One of our big barriers to entry is, for instance, the time that it takes to get a DBS check in this country. That can often be six weeks, for example, for someone who wants to be a private hire driver in London, and that is a very significant barrier to entry. We work with the job centre in Newcastle, for instance, to try to get people out of long-term unemployment and into driving as a solution and way of earning money. One of the big barriers is an individual who wants to do that says, “Hey, can I come and drive with Uber”, and things like that, but we have to say, “No, you have to wait six weeks to get your criminal record check and for someone to get back to you”, and things like that. Those barriers to entry are some of the ways that people are stopped from being able to earn money that they want to be able to earn.

Q137 Chair: This question is directed at Alex and Andrew. Alex, you have talked about skills a number of times. What provision does your company give the people who work for you—I know what “work for you” means in this regard—in respect of skill and up-training. How do you incorporate and facilitate higher-value skills?

Alex Depledge: Because we do not employ them we obviously do not train them. One of the things we have been quite proactive in doing is linking out to other colleges that offer things like an NVQ in cleaning. I know it is not the dizzy heights of a degree or anything, but it is quite good for a lot of them and gives them a lot of confidence that they have something worthy to put on their CV. We also work with a charity—forgive me, I cannot remember the name—that specifically focuses on upskilling immigrants. We run things like CV-building workshops in our office that are free for them to come to. We reach out and offer them things like Pockit, which is a solution for the unbanked, so we work with people who cannot get a bank account in the UK because they have not got the relevant paperwork and things like that, to try to give these guys just the basics to life. Like I said before, we have lots of case studies about people that have, for example, been doing their accountancy or law transferring degrees that come, clean on the platform for six or eight months and then go off and they get a job once they are qualified. We are certainly huge advocates for the men and women who work across Hassle.com to try to climb the ladder, for want of a better word.

Q138 Chair: Do you provide something similar, Andrew?

Andrew Byrne: We do provide training for our drivers. When drivers want to come and work with the app, they start and we provide them training on how the app works and customer service training as well. Also we are starting to use new products that provide them training. uberASSIST, the product that I mentioned earlier, is where we provide drivers with disability training. That is something we want to keep getting better at. For instance, we are talking to dementia charities about how we can provide drivers with training in dealing with people with dementia, so drivers are empowered to know that when they are picking someone up with a disability or a mobility impairment, they can provide that sort of service. That is something that we want to do lots more of and change the sort of products that we offer as well, so there are new products hopefully coming down the line that will mean that we do not even necessarily move people; we move things and we move different things. That will come with different training requirements for drivers, and that is something we are very keen on doing. We have link-ups with job centres around the country. I am particularly thinking of Newcastle, where we do provide more of a coaching service to help get them through the licensing process and things like that. It is something we want to do more of in the future.

Q139 Chair: I worry that digitisation and disruptive technology facilitates a business model that emphasises a race to the bottom and emphasises low skills. I cannot see how you justify raising your cut from 20% to 25%, given what you have said about skills and training. Am I wrong in my approach to that?

Andrew Byrne: I genuinely do not think that we are in a race to the bottom. The fact that we provide something at a more competitive price is something to be applauded, because that is something that provides a service to more people. It gives access to more people and is used differently. The idea that lower price means necessarily a lower quality of service is just not correct. If you download and use the Uber app to book a private hire car, you will see that perhaps unlike a taxi, unlike a traditional private hire firm, it comes with a ton of extra safety features. What we have brought to the market is this idea that when you book a private hire car, you get a photo of your driver. You can see his contact details. You can see your GPS track. There are no anonymous journeys anymore. You can seek a 24/7 redress from a customer service function. You can also press a button to share your ETA with a loved one or a friend, so they know exactly where you are going. Those sorts of extra services we deliver, whether they are public safety or whether they are convenience, do not represent a race to the bottom. Frankly, they are additional services that we are delivering to consumers.

We are about to launch, hopefully in the next few months, a very major new product in London called uberPOOL, which is a sharing matching service, working on licensed drivers, that will figure out someone going in the same direction and will allow people to share a ride. That will hopefully reduce price even further for customers because they will be in the same car as someone else going a similar way. Again, that does not represent a race to the bottom. That represents technology being able to do something and revolutionise an industry, and will have far-reaching benefits for the way people access services, but also for the way that cities move around, and we can reduce pollution and congestion, because there will be more people in fewer cars. Sorry, that is probably a bit of rant, but I do not think that represents a race to the bottom.

Alex Depledge: Can I offer a different view or way of looking at this? What we are making people do is up their game. Part of the reason that I am not so pro-regulation is because bad actors cancel themselves out of this market. Let me explain. I am not sure about Uber, but I know a lot of companies intimately in this space. I can speak very much for Hassle.com: we are supply-constrained. We are not consumer-constrained. If you gave me 4,000 cleaners tomorrow, I would have every single one of them booked up by the end of the month. In order to do that and attract the best supply, I have to be doing the right things by those people. That is why Hassle.com is the market leader. There have been many people in this space competing with us, but we have won because we have put the supplier at the heart of everything that we do. We are making other people up their game.

Andrew Byrne: That is a really good point. If you look at it in terms of a race to the bottom, in terms of Uber's entry into the market three years ago we were not the first app-based service in the taxi and private hire market in London, but you can see a proliferation of app-based services in a much more highly competitive market. You can see apps like GetTaxi that have changed the way that black cabs can collect passengers on the street. They have also changed their fare structures to incentivise longer journeys to the airport and change the way they charge. Encouraging people to take cards has previously been something the industry has struggled to enforce, and that is something that is starting to change. They are very clearly services that the customer is very genuinely and very clearly getting a benefit from.

Q140 Chair: Alex, this is directed at you. We have not talked about finance for disruptive companies. In terms of venture capital, what is your experience of raising money? Is Britain a good place for companies like you to set up?

Alex Depledge: What we have done in digital over the last eight to 10 years has been fantastic in terms of government support-wise from the different Governments. We have done a phenomenal job at making the UK open for business. For digital businesses right now it is very easy to raise a seed round. A seed round is £100,000 to £500,000, say. An A-round is around £3 million to £5 million, let us say. Even those are getting easier for a good business to attract. Beyond that, if you need £15 million to £20 million to grow, we are just not that mature in our ecosystem of finance to fund that. That is a gap before you get to the private equity level, where you are asking for a check of £30 million or £40 million, which we can do again. We have this gap in the middle, and the reason it is there is just the maturity in the ecosystem. I have found it very hard to raise money in Europe, and that is why a lot of our very promising businesses choose to incorporate in the US and go there to raise money. I am not sure what the answer is or how the Government can help, but it is a problem.

Q141 Chair: I do find it astonishing that down the road we have the world's premier financial centre, and yet there seems to be an astonishing mismatch between exciting new disruptive business models that require finance and the means by which finance can be allocated to them. I was going to ask whether you have any practical recommendations, based upon your experience, that can solve that mismatch?

Alex Depledge: One of the things I would say is that we need to educate people around what a scale-up is and what they look like. A scale-up is a fast-growing that grows. The definition is 20% a year, and that is rubbish. I was growing 100% a year. It is fast growth but it is also not profitable. I have never turned a profit. I have not turned a profit because my venture capitalist would never want me to turn a profit, because my ambition is growth. We need to get that message out there. When we are talking about tax returns not being filed and us investing in R and D and writing down those losses, that is part of the problem. I am not passing judgment on Amazon or Starbucks or any of those other people—just scale-up companies. Educating people is the first.

There is a lot of off-balance cash swimming around companies right now that people are not investing. I do not know why we are not creating forums that bring some of these more traditional corporates to the table so that they understand the risk profiles of companies like mine, companies that are growing. That might be one. That is literally just something I came up with five minutes ago, so if it is rubbish—it is televised as well, so I am on record.

Q142 Chair: Ben, I have a couple of quick questions to you: does your business model make Google vulnerable, and what are they doing to combat you?

Ben Williams: Our business model is that our product is completely free. With the whitelisting process I was talking about before, if a company abides by the criteria then the top 10% of the companies on that list pay a servicing fee.

Q143 Chair: That is where you make your money?

Ben Williams: Exactly. It is quite a bit of work on our end, but the fact that 10% pay means that 90% do not have to pay. That means that if you are a small blog or if you are most news sites, you can come on us just by meeting the criteria.

Q144 Chair: I talked to you earlier about the free quality content on the internet and how I want that to continue because I think that sparks innovation, and there are players in publishing and elsewhere that are valuable. I also asked about the link-up between yourselves and advertising and advertising bodies. Should there be a media levy placed on companies to ensure that this free content can continue while seeing an absence of advertising revenue caused by technology that you provide?

Ben Williams: How do you mean a media levy?

Chair: I do not know. Should there be some sort of levy provided in some way from, say, you, or from companies that provide you the service charge, in order to make sure that that free content continues. Otherwise, you are risking that free content that I want on the internet.

Ben Williams: That is precisely the reason that we set up our initiative and that we decided that some ad-blocking is the solution, because essentially, when you have so many people out there and they are voting with every mouse click, with every download—we are averaging right now 3 million downloads per week and we are just one ad-blocker—when you have that level of uptake from consumers the message is very clear. The way that advertising has developed—the pages that are packed with trackers following you around the internet—is not something that your average consumer is willing to accept.

There is a place for companies like ours. If you see the publisher/advertiser relationship, it is no longer very clear. You do not just take out an ad in the *Evening Standard* and go directly to the *Evening Standard* for that. There are networks of people that deliver that ad to the page based upon a lot of very abstruse information. There is certainly room for something like us in there, and there is certainly room for other companies who represent users, because the will of the users is clearly being exercised here and it says, “We do not accept the ads that are out there”, so we are that voice for users. Quite honestly, I do not know if the industry would have ever listened if the growth of ad-blocking had not happened.

Q145 Chair: I have a final quick question to all of you, because I am conscious of time. It is a short question but it is quite a big question as well. What are the principles regarding a regulatory framework that can be futureproofed and that can be technology-neutral? What do you think those principles should be to encourage new players and encourage choice and competition in different sectors in the economy? Andrew, I am going to come to you first.

Andrew Byrne: For us, there are probably two things. It is about certainty. It is about having a framework in for the long term, that being in place and you knowing that you have the capacity to invest and grow a business in somewhere and you will be able to get the returns further down the line, because, as Alex says, high-growth businesses are really very much in the investment stage much longer than perhaps traditional businesses.

The other one is outcomes and standards, not "how". It is the idea that you do not regulate how something happens. That is the space that you almost leave open for people to be able to innovate. What you do regulate are the quality and safety standards that protect the general public.

Alex Depledge: What he said. The only thing is—just really quickly because it is the end—skills. We have a huge skills problem. If you are looking at the whole of the disruptive economy, I am not afraid of regulation; I am afraid that we will not be able to grow the economy because we do not have the requisite skills in the UK.

Q146 Chair: Are you talking about digital skills?

Alex Depledge: Yes, absolutely.

Q147 Chair: Very quickly, because that is an interesting point, what particular aspects of digital skills are we lacking?

Alex Depledge: Pretty much everything, but particularly engineering talent and data scientists. The Government have done some stuff there. I have had engineering posts open for six months that I cannot fill. We have to look beyond our borders to Europe and then beyond that too. Next year, 12% of the GDP is in digital and creative industries; I am worried about that. One million jobs in London in the next 10 years in the digital and creative industries; I am also worried about that. I am worried about how we make this grow as it is intended to and has the potential to if we do not have the right skills. I know it is a wider conversation. I just wanted to throw that in like a bomb at the end. I should not say that.

Ben Williams: I am going to seize on that bomb at the end. Education is a good place to start. We have 40 people in our company, and if there is one thing the Government can do it would be to encourage people to have better technical skills. It is always engineers that are needed and we are always looking all over the world for those.

The other thing is just creating investment opportunities. It is no secret that Europe as a whole lags far behind Asia and America when it comes to big venture capitalist rounds. Just creating that atmosphere where people are free to develop creative ideas is the best that the Government can do.

Chair: Thank you very much. I speak for the whole Committee when I say we enjoyed that. Your insights and experience are very valuable.

Examination of Witnesses

Witnesses: **Richard Massett**, Chairman, Licensed Taxi Drivers Association, **Charlotte Holloway**, Head of Policy and Associate Director, techUK, and **Steve Chester**, Director of Data and Industry Programmes, Internet Advertising Bureau UK, gave evidence.

Q148 Chair: Thank you for attending our inquiry about the digital economy. Could you state for the record who you are and the organisation you represent?

Richard Massett: I am Richard Massett. I am from the Licensed Taxi Drivers Association.

Charlotte Holloway: I am Charlotte Holloway. I am Head of Policy at techUK. techUK is the trade body representing over 850 technology companies operating in the UK. Two-thirds of our members are SMEs.

Steve Chester: My name is Steve Chester. I am the Director of Data and Industry Programmes at the Internet Advertising Bureau, which is the UK trade body for digital advertising.

Q149 Chair: Perhaps I may begin with you, Richard and Steve. You may have heard, in the previous session, Alex saying that this disruption we are seeing, in terms of digital, being unprecedented since the industrial revolution—that third wave of what we are seeing. She also said that people are scared of change. As incumbents and as established players in the marketplace, you are just frightened of new providers. Is that fair?

Richard Massett: Not as far as we are concerned—not at all. The licensed taxi trade has always embraced new technology. Over the years we have had digital radio. We had the first apps that there were in the trade. They are very similar to the one that Uber use now. Hailo were the first into the market. We have embraced those and we will continue to do that. Taxis will shortly all accept credit cards and, come 2018, we will start having zero emission capable vehicles. We welcome new technology and we do not fear competitors.

Chair: Steve.

Steve Chester: No, not at all. Our entire industry online is based on disruption. Look at the transition that newspapers are having to go through at the moment, having to transition their revenues from traditional to digital and then from digital specifically onto mobile as more people move onto mobile. The whole industry is predicated upon constant innovation and constant change. I think it was Mark Zuckerberg that said unless you innovate within six weeks you are dead. That basis of having to have constant innovation and trying to provide better service for consumers is part of what digital advertising is all about.

Q150 Chair: You may have heard the comments from Ben from AdBlockPlus. Is the ad-blocker a real threat to the internet?

Steve Chester: It is a threat to free content and services at the point of access, because there is no doubt that a lot of people are downloaded ad blocker. Adobe recently published a report with a company called PageFair. They specifically looked at ad-blocking on the market and measured it. As Ben referenced, about 200 million people worldwide have downloaded an ad-blocker, and specifically in the UK, based on our research, we are seeing about 18% of the population actively using one.

Q151 Chair: So the market has decided. They do not want to see ads on the internet. It is a pain in the backside, so the market should deal with that, should it not?

Steve Chester: There are different reasons about why different people download ad-blockers. Our research has shown a variety: some people do not want to see some advertising; some people do not want to see advertising on specific sites; sometimes people have cited concerns about privacy. There a number of different reasons. There is no doubt that we need to constantly make sure that advertising is delivering value and that it is delivering a good experience. Essentially that is what we at the IAB are focused on. We have created our standards for years.

I will give an example of that. We have not backed the pop-up, which was rife in the early 2000s, as a format for nine years. We have advised all of our members against using it. Consequently we saw a move away from that. We do believe in a good ad experience and delivering people a good overall web experience. However, there is a lack of understanding among consumers about what advertising offers, which helps deliver content and services free at the point of access. That same research showed that over half of people—56%—when asked, "Did you realise that website providing you with that free service could lose money?" said, "No, we did not realise that", so they did not make a connection.

Q152 Chair: Do you have an added role, which is to tell people about what happens and that there is a direct correlation: "You see adverts online and therefore you have free content"? What steps are you taking to raise public awareness of that?

Steve Chester: Specifically we work with our members who both sell advertising and buy advertising and the intermediaries in between, to then make consumers aware of just that fact, but also making sure that they are aware that there is a basis where all of the significant players in the market—all of our key members—will abide by strict ad guidelines providing a good experience. We are doing just that and working on specific ad guidelines that deliver a better experience across all devices including mobile, because as more people go onto mobile we need to make sure the standards on that are ever improving.

We are doing just that with the standards, but also giving people education about how advertising works, and specifically about what it offers. Already we have made good moves in this space. You may have seen a lot of adverts with the blue icon in the corner—a blue triangle. That is now in 33 countries around the world and it gives people the ability to understand how targeted advertising works, where specifically a company may then give you an advert based on the fact that you have gone to the website. A website called Your Online Choices (www.youronlinechoices.ue) also gives you all of the information about how that works and gives you the ability to control how your data are accessed and used, so you can specifically then control that. Moves are already afoot to do so, but we need to do more work in the area.

Q153 Chair: Richard, can I turn to you? You have said that you have embraced competition and you have embraced innovation in terms of other apps. However, in terms of what Uber does, that very good match between me as a potential passenger and somebody as a potential driver is exactly what consumers want. Why are you so scared of Uber?

Richard Massett: We are not scared of Uber. First of all, we do offer exactly the same service through taxi trade apps. Hailo and GetTaxi are the two largest ones. What has affected us most of all from Uber is the congestion that they cause. London has the worst traffic congestion at the moment it has ever had, and a lot of this is down to Uber. Ten years ago, one vehicle in every 100 on London's roads was a private hire vehicle. That has now gone up to one in 10. In April 2013 there were just under 50,000 private hire vehicles in London. That is now 91,000. That is continuing to increase, and if it continues down the same route pretty soon nobody will be able to move at all on our roads.

Q154 Richard Fuller: Richard, is that not an argument for having a limit on the number of people who can have a private hire licence?

Richard Massett: Yes, indeed.

Richard Fuller: Not an argument against Uber.

Richard Massett: Indeed. That is what I said. We are not frightened of Uber. As far as we are concerned, Uber is another private hire company and we have been dealing with private hire companies, or minicabs as they used to be known, since 1959. There has been healthy competition. We think we have competed very well.

Q155 Richard Fuller: Do you therefore support TfL's points in its consultation about forcing people to wait five minutes to pick up a taxi and requiring everyone to offer a seven-day booking period?

Richard Massett: The difference between taxis and private hire is that taxis offer an immediate booking service. Private hire should be pre-booked. We have a two-tier system in London.

Q156 Richard Fuller: Why?

Richard Massett: The Law Commission has stated, when it studied this last year, that we should retain the two-tier system, and that is taxis ply for hire and private hire vehicles do not.

Q157 Richard Fuller: But the Law Commission also said that the distinction between the two was quite vague, and has technology not really proven that that distinction, historical thought it is, is not really sustainable in the long term?

Richard Massett: What is not sustainable is the present congestion that is being caused. That is the number one priority: to bring that under control. As far as we are concerned, we welcome most of the regulations that TfL are proposing to bring forward. On the five-minute one, they would be much better served if there was a proper definition of plying for hire and for pre-booking. That needs to be done first of all.

Q158 Richard Fuller: The other day, Chairman, I was talking to one of Richard's members. I will not embarrass him by giving his full name; his name was George. He spoke with passion about London. He knew exactly where he was going. He was amiable. He was positive. Do you think Uber cares about those sorts of things with its drivers?

Richard Massett: Uber probably cares more about profit than anything else. As far as taxi drivers are concerned, they have invested about four years of their life in doing the knowledge of London. Most drivers, like George that you mentioned, are very passionate about their trade and about London.

Q159 Richard Fuller: How much would someone like George have invested to purchase the hackney carriage?

Richard Massett: He has probably paid about £35,000 for his vehicle or he may be renting it for, say, £200 a week. He has to keep it pretty well immaculate and he has to have it tested every year, or twice a year. It is a lot of financial input into doing that.

Q160 Richard Fuller: If someone like George—I do not think George would do that—were to put themselves on Uber, could they possibly support that type of vehicle? Would they be forced to provide an inferior type of vehicle?

Richard Massett: Uber does offer an option for taxi drivers to join them. I believe that there is a probably a handful that have done, mainly in the suburbs. Uber drivers generally drive much cheaper vehicles—cheaper to buy and cheaper to run. That is really what we are competing with. Uber has a really low-tech business model: it floods the market and then undercuts prices. That is not a high-tech solution at all.

Q161 Richard Fuller: Can I just ask one more question? I put a submission in to the Law Commission review on taxis, and it was about safety in taxi cabs. I felt that for too long taxi drivers in particular were treated as second-class citizens in our public transport system. There is no regard for their safety, and, in a very trusting relationship, no regard to the passenger's safety. It is a very trusting relationship where you have a driver and a passenger in a single vehicle. The Law Commission has come forward saying that there should be national minimum safety standards, perhaps in the form of CCTV, etc. Do you agree with that sort of regulation to protect our drivers and to protect our passengers, and do you think models like Uber—disruptive technologies like that—that would be able to facilitate that as well?

Richard Massett: Certainly we welcome protection both for drivers and passengers. Safety is paramount, as everybody says. Uber tends to use the cheapest model of vehicle that it can use and that is not its priority at all. While the current situation continues, that is not going to change.

Q162 Chair: Could I ask about the knowledge? In the era of satnav, is it not somewhat quaint and just not conducive to good, efficient business operations? Why do we need the knowledge in 2015?

Richard Massett: Satnav is very good at getting you around if you are not in a particular hurry. There have been lots of tests carried out by the media putting taxi drivers against satnavs, and taxi drivers win hands-down all the time. They know the roads like the back of their hand. They know where they are going and they want to get there as quickly as the passenger does. As good as satnav is, it is nowhere near as good as the taxi driver's brain.

Q163 Chair: But is it not an argument that there will be different segments within the marketplace? If I want a high quality service with a driver who is professional, like George, and who knows London like the back of his hand, I will pay for that and I will possibly pay a premium. Alternatively, I might use the Uber app and get something that is instant, gratifying but ostensibly low-cost. In terms of airlines, is it not comparing easyJet with Singapore Airlines?

Richard Massett: Not particularly. You get very good value in taxis anyway. As far as Uber is concerned, it is affecting the local minicab more than anything. All of these drivers—these 91,000 drivers that are now licensed for private hire—are not going to the local minicab company anymore; they are joining Uber and they are flooding into central London. So if you wanted to use your local minicab office, say in Tottenham, the chances are you would get a worse service now than what you would get before, because all the drivers flock into central London.

Q164 Amanda Solloway: Just following on from that—I am sorry to just stick with this for one second—just talking about congestion, one of the things that Uber was saying was around the fact that they wanted to be car-free almost, in terms of private passengers, so that there is an availability of either taxis or private hire or whatever. I just wonder whether on-demand—i.e. your phone—helps towards that, because instead of just driving around looking for business, I am assuming that if you are calling that might help towards that. What is your vision to combat the congestion issue?

Richard Massett: First of all, it would be to limit the number of private hire vehicles. There has to be more effort from the local authorities to keep traffic moving. At the moment local authorities are closing roads, they are pedestrianising, and they are putting longer green phases onto traffic signals. There needs to be more emphasis on keeping traffic moving and then we need to decide what traffic is essential. Traffic is needed to move people around—buses and taxis—but there is also goods and services. A vast amount of traffic out there is made up of white vans and, these days, construction traffic. We need to decide what traffic is essential and then do our best to keep it moving.

Q165 Chair: Charlotte, can I come to you? In your submission, you say that "the UK has a fantastic opportunity to be a world leader in the digital economy". Could you tell us what needs to be done to achieve this?

Charlotte Holloway: Sure. The conditions for the UK's digital economy to continue to be a global leader and to be the best in the world are down to many, many different factors. We can look first at the strengths of the tech sector as a core. We perform very strongly—by different measures, between 10% and 15% of GDP. We can then look more broadly at the adoption of digital technologies across other sectors and other industries. The example of transport and the London example is a classic example where we are seeing the adoption of digital technologies driving productivity and new innovations in other markets.

When we look specifically at the tech sector, our submission refers to a number of areas where we see there are barriers to growth now and also looking at the future. One key area that is absolutely important to get right is around data; all of this innovation, all of this growth, and all of this future potential for the UK economy as a whole is driven by how we use data. The digital economy is a data-driven economy. It is really important we look seriously about the environment in which data rules operate. We talk in our submission about some current negotiations going through at a European level at the moment, where member states are broadly in a good place about how we get the environment for data right. It is something called the General Data Protection Regulation.

Q166 Chair: Could I ask you about that, because this is very, very important? What do you think the updated General Data Protection Regulation should look like?

Charlotte Holloway: That is a difficult question to answer quickly and succinctly. It is the most amended piece of regulation in the history of the European Union. It has had about 3,500 amendments. There are some key areas we can get right—areas around how companies have limitations on how their data can be used, and things around consent. There is something called explicit consent. Every time you want to do something ever so slightly different, even though your user and consumer is clicking on an app showing they want to do it or do something in a slightly different way, we think that is unambiguous consent for a consumer wanting to do it in that way. If we have explicit consent it is very hard and very detrimental to user experience. We talk about this in our submission. We would be happy to give further points on this. More broadly, Alex, in the previous session, spoke about skills. Absolutely the digital skills shortage is one of the biggest issues facing the digital economy.

Q167 Chair: Alex said that we are basically failing in every single aspect of digital skills. Would you agree?

Charlotte Holloway: We see the three most pronounced shortages being in cyber security specialists, in big data analysts and in senior developers, so these are not necessarily entry level routes. They are routes that require more training, more skills and more expertise. Alex's comments reflect those. I hear from companies of all sizes day in, day out. We need to be thinking about how we develop the domestic pipeline, where there have been some positive moves of late around the computing curriculum. It is really important that we look at how we get the delivery of that curriculum right, and teachers in the right place to do so. However, there are broader issues around that talent taking a lot of time to come through—five to 10 years to come through. How do we think about the broader talent that we need? The migration environment and changes around the tier 2 visas are posing a lot of challenges to our members.

Q168 Amanda Solloway: That is really interesting, and I was just wondering whether we have been a victim of our own success in terms of advancement. I wonder if you had anything we could do. In a way, you are talking about people with high-level skills, but to get those high-level skills you need to have a certain level of experience as well. Have you got a solution to how we address that?

Charlotte Holloway: The companies we represent work very closely with universities and with schools. Some of our members invest in things like Code Club. There are various different interventions across the chain of the skills pipeline where there are concerted efforts being made. The Government are looking at this issue. We think there is a role for Government in addressing where we need to get to. There are lots of different pockets of good things that are going on, but how do we know that collectively they are going to move the dial to fill the 1 million or 1.5 million new jobs that are going to be created by the digital economy? I think that is a really big question. Our members are looking at it. They have some great schemes that we talk about in the submission, which look to address some of these issues. We need to know the scale of the problem, and we are already working collectively in partnership, as Government and industry, to meet the scale of that challenge?

Q169 Jo Stevens: Could I just follow up on something you said, Charlotte, about the tier 2 visa requirements and an issue around that? What would you recommend? What would you like to see, in terms of a tweak to the current policy, to help that skills shortage?

Charlotte Holloway: We have had some recent positive developments that should take effect, with the Government adopting the Migration Advisory Committee's recommendations to add some digital roles to the shortage occupation list. They should start taking effect soon.

Q170 Jo Stevens: Will that solve the problem?

Charlotte Holloway: We do not think it will in its entirety. There are issues around the salary increase on the tier 2 visa that particularly harm smaller firms wanting to get talent into their companies from outside of the EEA. There are also issues around the cap; as part of the Government's broader moves, they have brought in skilled migration to be part of the overall "tens of thousands" objective, and we have found that that cap, which was reached earlier this year, has had a detrimental impact. Companies want to fill their orders; they want to grow; they want to be part of the wave of growth that we are talking about, but if they cannot get that talent in quickly, and we have reached a cap, then there is a problem.

Q171 Jo Stevens: Are there other countries that are addressing this in a different way that is working, so that they do not have that skills shortage, that you know about, that could help?

Charlotte Holloway: The UK's digital economy is, by its very nature, global. A lot of the talent goes around the world. This is the kind of world in which we now operate. When we looked at other countries, and places like Tel Aviv, Singapore and Silicon Valley, we see a much more business-friendly approach to the migration environment, but this is one of a number of things that we need to think about in detail. If we want to do things like meet the productivity challenge and look at how we create high-growth jobs for the future in the digital economy here in the UK, we need to get wealth creators in, and people who fill and fuel that future growth of nascent new firms that are locating here in the UK and need the talent to grow.

Q172 Paul Blomfield: Very briefly, on that specific point in relation to tier 2, what you said echoes what I have heard from engineering employers. One other dimension of their concerns is about the closure of post-study work opportunities for international graduates from UK universities. Is that an issue as well?

Charlotte Holloway: It is certainly something that has been raised by a number of our members. We would encourage the Government to look again. Maybe it is not about of doing things in the same way as they were before that was closed. When we talk to companies that work quite closely with universities, they say this seems slightly odd. You bring international students here—the best in the world—they learn about the UK, they learn about the culture and what we are doing, and then if they are not able to stay and get involved through the post-study work visa, then are we effectively training our competitors to out-compete us when people return or go elsewhere to do things? This is particularly acute with STEM degrees.

Q173 Chair: This is directed at you again, Charlotte? Is access to finance a problem?

Charlotte Holloway: We talk about it in our submission.

Q174 Chair: If I may interrupt on that, one of the things that was positive was that you state in your submission that of the 15 unicorns created in the last year in Europe, nine come from Britain. That is fantastic. What are the conditions that allow that to happen, given what Alex said, which is that access to finance remains a problem? How do we address this, to ensure that in the next year we are going to have an even greater proportion of unicorns coming?

Charlotte Holloway: There has been a broad positive change in the last few years, in particular for the earlier stages of funding that Alex alluded to. It is something we still need to look at. Is it the number one issue on our members' lists when they talk to us about problems that they are facing? Not anymore. It used to feature as something that would come up more regularly for rapidly growing firms. It is not something we hear so much, and that is echoed by YouGov's survey for the scale-up report, which we also cite in our evidence.

Q175 Chair: So the ecosystem is working for digital and tech companies.

Charlotte Holloway: It is working better. There is still more to be done. We see that there are opportunities around the British Business Bank and the Business Growth Fund, to look at the nature of this. We also see banks themselves doing more to recognise why these firms are so valuable and why they are creating so much value in the UK economy. Barclays, for example, has launched a decent fund recently looking at exactly the challenge that Alex has cited.

Q176 Chair: Banks using loan finance—I would have thought it would be VC and private equity using equity finance in order to scale tech companies. Is that not right?

Charlotte Holloway: There is a combination; I think you are right on the focus there. I am not a finance expert. I would be happy to put in further evidence on this. The direction of travel is positive, but there is still more that needs to be done.

Q177 Chair: Charlotte, I want to continue with you if I may. You mentioned earlier about how we encourage adoption of new technologies, so not just a focus on tech companies in Silicon Roundabout, but on how, in the traditional economy, new technology is embraced? I have two questions on that. How do we encourage that? What do we need to be doing in terms of practical steps? Secondly, is Government doing enough to change how it operates, in order to make sure that we can adopt innovative new technologies?

Charlotte Holloway: Taking your first point about broader adoption across the economy, the reason many companies think, "Yes, I want to do business here in the UK", is we have a fantastic savvy consumer base. We have the highest rates of e-commerce, as has been shown by various studies. Individuals in the UK are very good at adopting and trialling, getting involved with new types of digital technology. That said, we do have an issue with those who are not online, who are not digitally included. We see from our members that, looking at the digital inclusion issue, not only is it good for solving other government priorities, like getting more people accessing public services online, but it also acts as a consumer driver in creating more consumers who are accessing and interacting with services online.

On digital adoption across wider economies, we do see SME adoption of technologies as a problem. We see statistics from Go ON UK and others saying that only 17% of SMEs have the ability to transact online. We do need to look quite seriously at the SME adoption issue. We know that if we want to tackle things around the productivity challenge that is absolutely where those gains can be made. Think-tanks such as ITIF in the US have said that this is the number one area; SME adoption of digital technologies will drive economic growth. In terms of the Government's role, I think it is, first, about creating a positive regulatory framework. If new technologies come along, they need to make it easier, not harder, for companies to adopt them and to level the playing field in terms of keeping that regulation up to date.

It is also about Government acting as a driver and adopter in itself, so when we look at how the Government buy technology, that it is understanding the very latest in the market and that it is able to see the full richness, from a rapidly growing start-up to new innovations happening in bigger companies. The Government themselves buying smartly is a really good way to look at that. Government's role also applies to having pilots and tests of where new technology is coming through. A couple of examples where we worked closely with the Government, and which we would applaud, would be around the driverless cars pilot in Milton Keynes. There are really big regulatory challenges. How do you do that? How do you get into a market when there is traditional planning, and roads? Piloting that, with Government and industry working in partnership, is a good example. Secondly, there are things like Internet of Things pilots. We applauded the Government in their £40 million push to look at how we can really introduce the Internet of Things at the level of the city and how we create smarter cities. They are good moves that we can do. Can more be done? I would say more can be done to look at how we maximise this.

Q178 Chair: Such as what? What more can be done?

Charlotte Holloway: We continuously need to be vigilant to the latest disruptions and new things coming through in the sector. We also see concerns around the role of science funding as part of the broader tech development pipeline. Through the combination of private companies doing innovation research and our universities also driving new technologies and new innovations, those in tandem are powering what is coming live, and what will come new down the line. For our members there is a sense of concern around the pipeline of science funding in the current fiscal environment. If we harm the UK's international science base, that will affect indirectly our ability to succeed at the adoption, development and growth from these disruptive technologies.

Q179 Chair: You have mentioned science funding, and tomorrow is the Spending Review. What are techUK's asks from the Government in order to help us become leaders in the digital economy?

Charlotte Holloway: We want to see continued importance and ring-fencing placed on the science budget, and on research and development more broadly. We want to see focus on making sure teachers are able to teach the computing curriculum. If this curriculum is going to drive jobs for the future, we need teachers that are able to do that. There are things around the SDSR that was announced yesterday. We want to make sure that we have a continued focus on innovation, tech and data-driven expertise as part of that. We have a list of asks that we can come back with, but consistently it is about being smart with the way we are using the UK's capabilities and strengths in the digital economy and applying them across other areas of government objectives, whether that is increasing productivity, reducing the deficit through smarter use of tech and more effective and efficient public services, or creating high-value jobs here in the future. We think that tech and digital technologies are the only way that we can achieve some of these very broad economic challenges we face as a country.

Q180 Chair: And is Government smart?

Charlotte Holloway: It is a tough question, Chair. I think there have been some very positive moves. The Government have made some really good progress, which has been welcomed by our industry over the last five years. We want to see that approach continued. Moves around the smarter state present some interesting challenges from Cabinet Office on what we can do there. What happens to the Department for Business in the Spending Review, and how you make sure companies get the support they need that is targeted on rapidly growing firms, is very important. I will leave it at that.

Q181 Chair: I have a question for Richard and Steve, although Charlotte may want to come in. I am interested in the role of regulation in encouraging innovation, competition, choice and quality. What does good regulation look like for your industries?

Richard Massett: Regulation is always needed to protect the consumer. There is public safety. We need to ensure that vehicles offering their services for hire are properly insured. We need to ensure that drivers can speak English so that they can communicate effectively with their passengers, and that people with disabilities can be carried without undue difficulties in getting in and out, and that sort of thing. We also need to address the regulation concerning congestion. That would cover pollution. Also on accidents, we need to make sure that everything is safe and people are looked after.

Q182 Chair: Steve?

Steve Chester: Regulation that is responsible but appropriate. I reference the data protection review that is coming up, which we definitely believe in. Last time it was reviewed was in 1995, and a lot has changed in that time in the way that data is used. We are concerned with the over-prescriptive nature of the proposals at the moment, which asks for explicit consent and treats all data in the same way. So to give you an example, any interest on a site you may have as a consumer, being put in the same bracket as your name, address and financial data, and then saying that you need to seek explicit consent for each and every action. That potentially will manifest itself in terms of people being asked and having pop-ups or having things on websites saying, "Do you give permission for this to be taken and for it to be used in this specific way?" We think that unfortunately that will be a bad user experience, but also it will make sure that the really important decisions about data may get lost within that. For instance, with healthcare data, people may get so bombarded with messaging that they may not distinguish between the really important data that is personal, and that that is not.

The current proposals are over-prescriptive. Certainly we would encourage good responsibility. We have a good track record within digital advertising, particularly in leading that, like the Your Online Choices initiative. It needs to be appropriate for the industry. We are in danger of, because of the way the data is treated and considered regionally, overriding appropriate changes required, which could stifle innovation.

Q183 Chair: I was going to push you on that. I am interested in how digital advertising works, and I thought one of the great strengths of digital advertising on the internet would be in the use and incorporation of data and how it can be adapted to personal circumstances. Sending me lots of stuff about the Stone Roses would be something I would really encourage, and I would look at that; I might not look at other things. If you have a problem with digital advertising, is the fault not that the advertising is not as personal as it should be?

Steve Chester: It is improving bit by bit. It already goes a long way, anyway. There are certain limitations, of course, in terms of people giving permission to say, "This is what I am willing for you, as the advertiser, to know about me, so I can then tailor that". Inferences are currently made about sites that you browse. It is not specifically who you are or where you live, but sites that you may browse. It may be a music site like NME. You may have looked at Stone Roses and they can make a good inference that you like the Stone Roses.

Chair: I am more than happy to admit that, yes.

Steve Chester: For instance, if you just went to Yahoo and generally browsed on the site, and it did not necessarily have any information about your browsing behaviour, it would not necessarily know that you liked Stone Roses. It would need to know that you had surfed on these different sites. It can be better, depending on what the advertising knows about you or can infer from your browsing habits.

Q184 Chair: Can I push you, using the Stone Roses as an example? I have just bought tickets to go to see them in Manchester in June 2016. I would have thought that, given my activity online now, people would be saying, "Do you want a hotel in Manchester? These are great restaurants you could go to in Manchester." I am seeing none of that. Digital advertising is failing in that regard, is it not?

Steve Chester: It is not failing. Certainly in that respect, you might have, it depends on what information digital advertisers have access to. If they have access to the fact that you have booked the Stone Roses, then the person that has delivered you that service—presumably Ticketmaster—would need to work with a third party, maybe a hotel provider, in order to give you that information.

Q185 Chair: How do you ensure that that works, so that my personal information is not compromised but I can be given opportunities in terms of future purchases that are relevant and related to my interests?

Steve Chester: The data about who you are and where you live is not collected. Rather, it is looking at your interests or potential interests online, and inferences are being made from that. We have talked already about big data and the ability to take data about a person, and the advertiser, the person who is advertising to you, taking what they know about you, and then the place where you are actually seeing the advertising, looking at data inferences made about you as a consumer and matching the two to try to give you a better experience. We have already seen big developments in those areas, and continued development with the ability to buy advertising in real time, essentially. It will make those inferences in a split second and deliver you, hopefully, a relevant piece of advertising. Conversely there are some people who do not like that, and say, "Just because I have purchased something or I have been to this website, I do not necessarily want to be retargeted with this advertising." The Your Online Choice initiative is a first step in terms of giving people control. It is about giving users education and choice, and saying, "Do you want appropriate advertising which is targeted based on your behaviour, based on your interests?" You can say, "Yes", or you can say, "No, I want to switch it all off". It is about giving consumers choice, because it is not a one-size-fits-all approach.

Q186 Chair: With regards to the rise of ad-blocking technology and the compromises that entails with regard to free content online, what does that mean in terms of what the internet will look like and the content that is online for free? Does that increase the power of the BBC, for example?

Steve Chester: I do not think it necessarily increases the power of the BBC. Obviously that is under review at the moment—the licence fee, and whether people continue to pay the licence fee or a subscription cost. The BBC is having to go through changes itself. I think there is a greater realisation that the BBC is not free. People do pay for that, and when they go online they are already paying for that service. What we are seeing already is a change in the way that content providers' websites that provide content are having to protect their ability to do so from the revenues that they make from advertising. Examples of this would be ITV and Channel 4. *City A.M.* is the first newspaper to do so, blocking access to content for people who have ad-blockers turned on. It is educating, saying, "We make money via advertising to support the services, by giving you free access. We need to continue to do so through the use of advertising. Are you willing to accept that, or possibly would you be willing to pay for it?"

Q187 Chair: You mentioned that the BBC is not free, and it is not; you pay through a licence fee. I asked Ben, in the previous panel, whether some sort of media levy that can combat this is the answer to ensure that I can still see free content. What would your view be on some sort of media levy?

Steve Chester: How would that work?

Chair: I do not know. For example, if I paid my provider, I would pay an additional top-up fee in order to make sure that I could still access free content, and that would be distributed to the owners of the websites. I do not know. It is a question: have you thought about it?

Steve Chester: You raise a good point. Google has an initiative called Google Contributor where it works with publishers whereby someone can access those websites. You pay a fee to Google, which distributes a slice of that to those publishers, and in exchange they do not show advertising on those sites. We have not seen the exact results of that. I think the uptake is quite limited. What we do see is that in various reports, such as Reuters who publish an annual report on the state of news and digitisation and how it is changing, they found that only 6% of people in the UK currently pay for news, at an average of about £10 a month, which is about 30p a day. Of the 94% that do not, 75% of those said they would never pay under any circumstances. They would not pay for content. That is the challenge we have. Some people do not want advertising on the sites, but they also do not want to pay for content. We think it is about presenting them with a choice and education, and saying, "Make your choices accordingly, knowing this". It is about giving people choice, and saying, "You can pay for this service and not have any advertising, or you can perhaps accept the status quo, but knowing that key players in the industry who buy and sell advertising, such as Google, Facebook and others, have responsible advertising, and this is how they do it." It is about educating people, and giving them the choice.

That statistic I referred to earlier on—that over half the people who blocked did not know they were stifling and withholding money from the websites that were offering them a free service—is of great concern. Ad-blockers are easy to install. It took me 20 seconds to install one ad-blocker, Ben's product, purely for testing purposes. That is how easy it is. People do not understand the impact of what that means, in giving continued access to free content, but also subsidising; do not forget people like the *FT* offer a subscription service. That subscription would have to go up if advertising did not exist.

Q188 Chair: My final question is to Richard and Steve, and is about the current regulatory framework and the enforcement of that regulation. Is the current enforcement regime working for your industry?

Richard Massett: Absolutely not, no. If you wander around London late at night—and some people here may do—

Chair: What are you trying to say?

Richard Massett: You may be going to a Stone Roses concert.

Chair: You came back from that very well.

Richard Massett: It is pretty lawless out there, I am afraid. There are all sorts of people doing taxi work. Taxi ranks are getting blocked. There are not sufficient resources for the level of enforcement that is required.

Steve Chester: Our regulatory environment is good. There is a good understanding from the Government broadly about the opportunities that digital advertising supports and delivers.

Q189 Chair: And enforcement is good.

Steve Chester: Enforcement is good. We have a good track record particularly on self-regulation. We need to continue to develop that. We support the general data protection review, in terms of its development. It has been 20 years since it was last reviewed, so we definitely believe it needs to be developed. However, our big concern, which I will come back to again, is the fact that, from a regional perspective across all 28 markets, there are very different views about how data should be treated. Amongst all of this, the Edward Snowden affair has coloured people's views about how data is used. So, people—particularly new European policymakers—thinking about exploitation of the consumer, and confusing commercial use of data and state surveillance, is a big danger. We think there is a slight, potentially anti-US sentiment in some parts of Europe that is leading to over-regulation, which would be a very bad thing and would stifle innovation in this country.

Q190 Chair: Charlotte, you wanted to come in.

Charlotte Holloway: I would agree with the final points, on the broader European approach. I just wanted to end by talking about the overall approaches of regulation that you are referring to. We have spoken today about specific examples of disruptive technology and what the instincts and reflexes can be to those. These are going to be challenges that we will continue to face again and again. We are only partway through this wave of digital growth. We will see these kinds of challenges across many different types of industries. Policymakers need to look quite closely and think quite closely. What are your instincts to that innovation? What are your instincts to these new drivers of competition and new business models?

This is a global issue. The UK is in a good place to be a leader in this issue. Companies that I have spoken with welcome the comments that Sajid Javid made to this Committee previously around this not being about having instincts to go in with heavy-handed regulation. If you go in too early around these quite nascent developments you are going to hurt the UK's ability not only to be a world leader, but to shape and move the social and economic outcomes you want from these new technologies. To be a leader in these areas, we also need to think about how we can best shape regulation. If there are things and externalities we want to preserve—around, say, the continued life of the London cabdriver, whatever these things look like—then we should be clear that those are externalities we want to preserve, but also be very clear about evidence when it comes to harms and benefits of new technologies. It is only by being positive about the UK's digital economy and these disruptions that we can shape them and create a positive UK as a world leader in this stuff, because it is a global competition.

Chair: Charlotte, gentlemen, thank you very much for your time. We appreciate it.