



HOUSE OF LORDS

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Internal Market Sub-Committee

Inquiry on

ONLINE PLATFORMS AND THE EU DIGITAL SINGLE MARKET

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Witness: Michael Galvin

USE OF THE TRANSCRIPT

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Members present

Lord Whitty (Chairman)
Lord Aberdare
Baroness Donaghy
Lord Freeman
Lord German
Lord Green of Hurstpierpoint
Lord Liddle
Lord Mawson
Baroness Randerson
Lord Wei

Examination of Witness

Michael Galvin, Head of Regulatory Affairs, Addison Lee

Q176 The Chairman: Hello, good afternoon and welcome. We have brought you in a bit early. Thanks for being co-operative. Thanks also for being co-operative about the change of date, and for your written evidence. There are just a few formal things to go through. The interests of the members of the Committee are all on our website. This is a formal evidence-taking discussion. There will be a full transcript and we will send you a copy, which you can amend if necessary. It is all on the public record. It is also being webcast live. Please make sure that you speak up—this room is not entirely acoustically attuned. There is one possible disruption in that there may be a vote within the next half-hour, in which case most of us will disappear to record our opinion, but we will try to conclude the session, so if you would not mind hanging about for 10 minutes we would be grateful. We would not like to lose any of your time. The bells will go off to signify that. It is not a fire alarm. If it is, it is an incredible coincidence.

I will kick off. Clearly you are concerned about the operation of Uber as a platform, but we have heard from consumer organisations, at the European level in particular, that these so-called collaborative economy platforms offer huge benefits to consumers and address failures in markets due to the more traditional way of doing business, which led to inefficiency, high costs and inconvenience. What is your view of that?

Michael Galvin: Lord Chairman, thank you very much for your time this afternoon. I really appreciate it. It is an honour to be here. Our position is that we believe in consumer choice. We are certainly advocates of the two-tier system in London. We believe that people

generally use a portfolio of transport options when travelling, and platforms, traditional taxis, private hire and public transport fulfil that need. Generally, we are in favour. We are certainly in favour of technology, both as a company and an industry. I have been in this industry for 35 years, initially as a black-taxi driver in London. Then I worked for 19 years for Computer Cab—now known as ComCab. I had a brief period, five and a half years, with TfL, and now I am with Addison Lee, so I have seen pretty much all the industry. During that period, there has been huge investment in technology. The taxi and private hire industry has been at the forefront of pushing technology forward. When I was initially involved with computerising Computer Cab, we had a room about this size full of computers; we had to take a wall down to get them in there. The second one that came along the chap carried under his arm and it was twice as powerful. We have all been pushing away at technology for many years, making those kinds of investments. The purpose of it has been to enable us all to scale up but also to improve our service. I use the phrase that over the years we have all fought like dogs over a bone for every journey that we carry out, so we are well used to competition. Technology has certainly helped that to happen.

The Chairman: Nevertheless, your view of the latest operation of technology is not entirely positive.

Michael Galvin: One has to separate technology from business practice. The technology is fairly neutral. We all have technology. We all have apps. We had the first app in a private hire company back in 2009, so apps are nothing new to this industry. Every day another one seems to come on to the market. What we are not so happy about is that regulation, the enforcement of which TfL is responsible for these days, has been put to one side. We have seen new entrants, particularly offshore app companies, come into the industry, and they have been allowed by TfL to pretty much do what they like. Our view is that from time to time regulation needs to be updated, reformed, changed and so on, but there is a method of doing that. Walking into a meeting at TfL and having the chief operating officer overturn the long-standing interpretation of legislation and regulation on the spot is not the way to do it. The issue is more about being clear that setting yourself up as a technology platform does not enable you to just ignore the regulations for that industry. Very few organisations are just pure technology. Generally they are involved in some vertical market. We believe that the regulations on that vertical market should be followed. If they need changing because

technology is changing, that is fine, but you go through the normal due process to make that happen.

I do not think our argument is particularly with Uber. Uber and others have come into the market. They have been very competitive. Nobody can blame them for that. But where things have fallen down somewhat is that regulations regarding private hire are not being followed—however it likes to dress itself up, it is a private hire company; it is registered and licensed as a private hire company in London, it provides private hire journeys and therefore it should follow the private hire regulations. We are particularly concerned that it has managed to subcontract most of the functions that should be carried out as a licensed London operator to Uber BV in Holland. This has been done for a number of reasons, including what is termed nowadays as tax efficiency. We believe that the regulations as they stand are that licensing is carried out locally. TfL has been set up as the regulator in London and it should be regulating anybody who is offering private hire or taxi journeys in London.

I remember the dark days prior to the 1998 Act, when a fairly unpleasant slogan, or mantra, was used, which was that there was more than one rape a week in private hire vehicles—because anybody could go along to a private hire company any day they liked with their family saloon and within an hour or so they were out picking up members of the public. It was a great cover for people who wanted to engage in those kinds of practices. When the 1998 Act came in, London became a much safer place. There is clear evidence of this. The number of sexual and other assaults in private hire vehicles in London has reduced considerably. Over the past 10 or 15 years, people—and their wives and children—have been able to happily use private hire and taxis in London, knowing that they are a safe form of transport. With the advent of this almost third tier coming into play, we are in danger of those benefits being eroded. That would be a—“pity” sounds a bit weak—retrograde step for London.

The Chairman: I should declare an interest as the Minister who brought the 1998 Act through this House. Lord Aberdare?

Q177 Lord Aberdare: Thank you, and good afternoon. You have begun to address the question I was going to ask about the balance of regulation between the EU and member states, and how that should apply to collaborative economy platforms such as Uber. In its own evidence to the Committee, Uber argued that it should be treated as an information society service and therefore should benefit from the principle of freedom to provide

services in EU law, arguing that it should be regulated under EU law and that local measures were essentially protectionist. What is your view of how that should work?

Michael Galvin: Well, I suppose they would say that, wouldn't they? My understanding is that passenger transport has been excluded from Europe and the intention of Europe was that it should be dealt with locally. If you look at the towns, cities and territories up and down the country, they differ quite a lot. I live in a very rural part of Bedfordshire, where there are very different issues from, say, London, Manchester or Edinburgh. The current situation where licensing is dealt with locally is a good one. It appears to have served the public fairly well. I am not picking up many vibes from customers—okay, if it is the busiest week of the year and it is raining, they want more taxis or private hires, I guess—and the level of customer satisfaction is fairly high. I put that down to the local licensing regulations. For instance, London was one of the first cities in the country to have disabled-access taxis, which was a good thing. We were the last to have a private hire licence, which was not so good. Generally, local licensing rather than a Europe-wide attempt at licensing is much better. If I was in Uber's shoes, I would be wondering why I wanted the licensing done in Europe as it is banned from so many European countries, whereas it is allowed to operate in many other cities in the UK. I believe that local licensing is better.

I do not want to criticise TfL. We have a great relationship with TfL as an industry. We regularly meet TfL. I was there this morning with the director of service operations, dealing with some issues around signage. It is relevant to what is going on in London, rather than the rest of Europe, so I definitely think that local licensing is the way forward. There should also be some commonality. It would be ridiculous to have completely different legislation or regulations in individual cities, so there is an argument for national minimum standards. The Law Commission's recent work, when it drafted the Bill, recognised that and thought there should be minimum national standards. But I certainly think that local licensing is good, and it makes people accountable to the local community as well.

The Chairman: Lord Mawson, you have a follow-up?

Lord Mawson: My experience of TfL is that it has taken me seven years to get it to move a bus stop and it has still not achieved that. Innovation matters to customers—progress and change have to happen in a modern enterprise economy. You are right: safety also matters to customers. I understand that. What evidence is there that Uber is less safe?

Michael Galvin: I am not keen to personalise everything against Uber. It has been convicted in the past year of not having any insurance on its vehicles. It was prosecuted by Transport for London. I think it was fined £8,000 for not having insurance. Once again, I question TfL's efficacy in these matters, because it is starting to take a proportionality approach to insurance with Uber on the basis that it has 17,000 or 20,000 vehicles—however many it is nowadays—and you cannot expect every single one of them to be insured, which I think is disgraceful. That is clear evidence of it not being so safe. There are lots of anecdotes about Uber. No doubt some are true and some are not. But not having insurance is a serious matter and TfL should be taking that much more seriously than it is. We are advocates of fleet insurance: if an organisation is a licensed operator in London, it should provide insurance for the fleet. It can pass that on to the drivers but it ensures that all the vehicles are properly insured. That is the approach we take: we have a fleet insurance policy.

The Chairman: I was about to call Baroness Randerson, but there goes the Bell. Please excuse us. You can stay here. Those who wish to will go and vote. It will be 10 minutes, I am afraid, at least.

The Committee adjourned for a Division in the House of Lords.

The Chairman: We need to make up time, so if you would not mind, Lord Freeman.

Q178 Lord Freeman: Good afternoon, formally, Mr Galvin. Perhaps you could help us: which regulations serve to protect the public interest in your sector?

Michael Galvin: The way the licensing was set up in London—I am talking about the private hire legislation—where there is a licensed operator, licensed vehicle and licensed driver, all three of those provide protection and safety to the public. At the very top end of it, having the licensed operator with obligations to ensure that the bookings are taken in the proper way and they are passed only to licensed drivers in licensed vehicles is all-important. One of the issues with platforms—clearly, Addison Lee operates a platform; we can provide services worldwide through our platform—and the way they are being used at the moment is that they have tried to remove the licensed operator from the equation. So it is a case of putting the public directly in touch with the driver. That is fine in a perfect world, but unfortunately at times the world is not perfect. There is a big danger of the obligations and requirements that are placed upon the operator being lost in that equation and bookings being made

simply on a technology platform and then going to a licensed driver and a licensed vehicle—hopefully, but who knows? That is a serious flaw in the way things are going at the moment, with the so-called third tier—this kind of disintermediation of the service.

Although we are certainly not advocates of onerous requirements on every booking, there is a set of data that we need to take so that the driver knows where he is picking up and can plan his route; private hire drivers have not done the knowledge of London as the black taxi drivers have, so they need to plan their routes. The customer should know what the fare is going to be. Whether it should be mandatory that it is given out at that point is a question, but I certainly think that if the customer asks for it they should be given a price at that point. Then there are contact details and so on. We feel that having those three tiers in the private hire system works really well and ensures the safety of the passenger.

Obviously, taxis are slightly different because the public are interacting with the driver directly—normally, unless they go through someone like ComCab or Radio Taxis—but that is fine because the vehicles are regulated to a very high standard; likewise with the driver. There is clear signage on the vehicle with the licence number and so on. Generally, that is a pretty safe situation. With private hire, we are really against the removal of the operator, because we think that that provides a safety net for the customer.

Q179 Lord Wei: We have heard that rating and review systems offered by collaborate platforms can sometimes be an effective substitute for regulation. What is your view on that?

Michael Galvin: Rating and review systems are great from the point of view of trying to gauge what customers think generally. Obviously, there are examples of false submissions and so on, but I think those can be addressed. As for replacing regulation is concerned, I am far from convinced on that subject. You are almost going back to the situation prior to the 1998 Act when pretty much anybody was driving a vehicle. It is a bit late after something unfortunate has happened for somebody to give the driver a one-star rating. There need to be the upfront checks and balances that we have in place. What used to be called the CRB—it is now the DBS—checks on criminal records, which is really important. The operator has a role in ensuring good customer service and addressing the rating and review situation, but that does not take over the purpose of regulation.

Our view on regulation is that it is there for one purpose: to ensure public safety. It was an important move when regulation was brought in. It is fairly light-touch. Private hire

regulation is not particularly onerous. It is not like the requirements such as the knowledge of London for taxi drivers. Until fairly recently, the regulation worked well. The industry has thrived and grown. Customers appear to be satisfied. TfL carries out surveys and so on and the satisfaction with private hire is always way above public transport—as you would expect. Regulation cannot easily be overridden by reviews and ratings.

Lord Wei: Just to clarify, with the regulation in place—you also hear sometimes of people masquerading as private hire and problems to do with insurance and other issues—is there data to show that the number of incidents is lower statistically compared to some of these newer platforms with regard to some of the abuses that can happen?

Michael Galvin: The evidence available is that travelling in licensed private hire is much safer than it was before we had regulation. We had really shocking statistics before that. I am not aware of any surveys or data concerning platforms versus, if you like, bricks-and-mortar companies. It is important not to confuse the issue of illegal touting with licensed private hire.

One of the areas we have been pressing TfL to be more active in is enforcement. We feel that enforcement has been sadly lacking. Happily, this year, TfL has taken notice of those concerns and launched Operation Neon, which deliberately targets known touts. These are people who are either in an unlicensed vehicle, going out to see who they can pick up off the streets, which is really dangerous, or licensed or unlicensed drivers in licensed vehicles who are not going through a licensed operator but are just hanging around outside clubs and the West End and city generally, looking for people who are looking for a taxi, and trying to persuade them to travel with them. The incidence there of problems or offences is very high. Clearly, they have no insurance, but they also are a cover for people who are out to rob people or are sexual predators. That area is very concerning. But as I said, TfL's enforcement section has started to take that quite seriously. It is working hard on it—at last.

Q180 The Chairman: Leaving aside the completely illegal things and the issues of enforcement there, technology and practices move on. It is not that long ago that the advent of the likes of Addison Lee was being deeply resisted by black-cab drivers. Eventually it has been regulated and standards applied. Is not the operation of the Uber platform and similar platforms just one further stage, or is it different in kind?

Michael Galvin: No, I do not think it is. The authorities have been slow to recognise that. We brought out our first app in 2009 in London. We have had an app for close to six years now.

Nothing has been done in regulation to address that. What has happened is that due to the scale of what Uber and others are doing, all of a sudden it has become a headline feature. The authorities should have been more agile in dealing with the regulation and possibly legislation that is necessary to address these issues. Once people are operating outside the jurisdiction of Transport for London, things get slightly more difficult. TfL is not going to go over to Holland to check on whether Uber is registered with the Information Commissioner, how it is handling bookings or whether bookings are being allocated to licensed drivers. The regulators need to be far more agile in identifying trends in the industry. They have lots of interaction with the industry. They are well aware of things that we are doing. There could be a duty on operators to provide more information on that kind of thing, such as any upcoming technology or practice changes. They should be addressed at that point. I think they have been slow on this, really.

Lord Mawson: Is it not also possible that organisations—look at the Tube—can hide behind regulation, health and safety and all those things, which makes things far more expensive for the customer? People in poor communities cannot afford to use these things. Might it not be true that the whole point about innovation is that it will reduce costs for the punter who wants to use the service?

Michael Galvin: That is a genuine concern. We could probably all point to examples of that. For the private hire industry, the regulations that have been put in place are fairly light-touch, as I said earlier. As far as costs are concerned, drivers are allowed to keep vehicles for up to 10 years. There is no requirement for drivers to learn the knowledge in London or that kind of thing. The barriers to entry are fairly low. If somebody wants to set up a private hire company in London, it is pretty much an administrative exercise. It costs less than a couple of thousand pounds for a five-year licence. Nowadays, with the access to technology, which is becoming cheaper all the time, I do not think that that really applies in this industry. I do not think that the established operators are asking for barriers. We are asking for a level playing field. That is not to put obstacles in the way and try to preserve our position as far as costs and so on are concerned.

Until fairly recently there were 50,000 or 60,000 private hire cars in London. Obviously, there are a lot more now: there are just over 90,000 at the moment. Among that group there are people driving round in 10 year-old cars, doing local bookings from the station; at the other end, there are really high-end limousine companies; and there is everything in

between. There are something like 2,500 to 3,000 operators in London as well. From a customer's point of view, particularly in London—we can speak about the rest of the country, but London is the area I know best—there is a huge choice of different standards of vehicles, different standards of service and different costs, all under the umbrella of the regulations.

Companies such as Uber are certainly cutting costs, and that is coming from two directions. One is that costs are being driven down by their access to venture capital money, so they are able to give out lots of vouchers and guarantee driver wages, which has kind of distorted the market. Also, recent changes to driver commission levels and driver pay have had quite a serious impact on the income of the drivers who work for such companies. I was in Manchester a couple of weeks ago—this is factual, not tangential—and I was in an Uber car because obviously we try out the service wherever we go. The driver told me that he had waited 45 minutes for a journey. The journey came to £3 and he gave Uber 60p. He was going to a meeting a following week because Uber wanted to put the commission charges up. This was quite a nice vehicle driven by a man with a family, and you think, “£2.40 an hour is not really a living wage in this country”. With the kind of information we are getting back—and we are seeing lots of drivers coming back to work for us because they feel that the pay is better—I question whether forcing prices down to levels where you have people earning below the national minimum wage is a good or sustainable situation. There is also the avoidance of tax, the VAT. We charge 20% VAT—we pay our VAT in the UK. These offshore app companies are operating in other jurisdictions where there is no VAT or the VAT is 6%. That also has an impact on price. There is a big picture to look at here, really.

The Chairman: Thank you very much. That is much appreciated. I will have to finish at this point because we have a couple of Ministers waiting to come in. Thanks very much for clearly expounding on your view of this, and for your written evidence.

Michael Galvin: Pleasure. I thank everybody for their time. I appreciate it.

The Chairman: Cheers.