

Case ref: ME/6548/15

Witness statement of Martin
Walker

On behalf of: Sheffield City
Taxis Limited

Statement dated: 25 September
2015

**Competition and Markets Authority Investigation
into the completed acquisition by Sheffield City
Taxis Limited of certain assets and business of
Mercury Taxis (Sheffield) Limited.**

**WITNESS
STATEMENT OF
MARTIN WALKER**

1. I, Martin Walker of 205 Kingshurst Way, Birmingham B37 6EA, am Operations Manager of Star Cars and Coaches Limited which operates from 718 Chester Road, Birmingham, West Midlands B23 5TE and is a private hire operator.
2. The facts and matters set out in this statement are within my own knowledge unless otherwise stated and I believe them to be true. Where I refer to information supplied by others, I identify the source of the information. Facts and matters derived from other sources are true to the best of my knowledge and belief.
3. I have been requested to make this witness statement by Sheffield City Taxis Limited in relation to its ongoing discussions with the Competition and Markets Authority. I have not been a party to these discussions and I am not aware of the nature of the discussions nor the substantive detail. I have been requested to comment on the impact of UBER operating in Birmingham and what effect I believe it has had on the market.

4. Birmingham is a large city of over a million people, and is surrounded on all sides by other councils of the West Midlands: Sandwell, Solihull, North Warwickshire, Walsall, Warwickshire, and Worcestershire. The history of the taxi and private hire market is determined by the large area covered, and the geography. The City centre core is well served by the hackney carriage trade; the suburbs are served by many private hire operators which operate in local neighbourhoods. Until UBER arrived, Birmingham did not have one taxi or private hire company that covered the whole of the Local Authority area.
5. UBER was granted a licence at a private sub committee hearing of the Council (with a quorum of two councillors) on 12 February 2015, and at that hearing UBER was also able to achieve a number of exemptions from the standard conditions in its licence. They launched two days later on 14 February 2015 (Valentine's Day).
6. UBER offered incentives to existing licensed drivers to move over to its platform. There is currently a difficult process to license new drivers in the City and from 2008 to date the Council halved the number of available licensed drivers in the City. Therefore the only drivers available to UBER were those already working for the traditional operators. There were approximately 97 operators in Birmingham.
7. Incentives for drivers included a £1000 cash bonus on joining, three months free commission (usually 20% of the fares), a £100 "recommendation" fee when introducing drivers (this rose over the first weeks to £200, then £300, and up to £350 per recommendation), and a "minimum earning guarantee" of up to £15 per hour, essentially paying the driver when legitimate fares were not available. UBER importantly also told the drivers it accumulated that they could only legally work for one operator at a time. This made it all the more difficult for traditional operators to encourage drivers to come back even when UBER's incentives and subsidies expired.
8. Drivers swarmed to UBER for their incentives. Within two weeks of the UBER launch, Star Cars had lost almost 20% of its drivers, although drivers would not indicate they had gone to UBER. Drivers made excuses, and still do, as to why they could not come to work for Star Cars. A great number of drivers have been seen driving for UBER whilst they were "on holiday" or "off sick". FOI Data from June 2014 provided by Birmingham City Council showed that Star Cars was marginally the single largest operator in the City, though no company had market dominance.

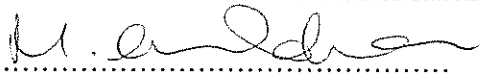
9. Many operators including Star Cars were impacted, and found themselves trying to compete with a completely new business model. Within only three months, by the end of May 2015, UBER had attracted circa 1,200 drivers, equivalent to more than a third of the Birmingham licensed fleet, to its platform. This number came from a number of colleagues in the industry and was confirmed by a senior licensing officer. It is fair to assume that drivers work for UBER and a traditional operator at the same time, without necessarily the knowledge or permission from either operator.
10. UBER adopts a tactic of increasing its prices when it determines that there is a shortage of drivers. It does this to "lift" the drivers' earning potential with UBER to a level significantly higher than the traditional operators might be able to achieve for them and accordingly attract more drivers to work for it. The customer, in the belief that he is paying a premium to effectively jump a queue at peak times, does not realise that this process pulls the driver away from the traditional market, and plants him in UBER's availability.
11. UBER continues to periodically offer incentives to drivers. To date it has done this three times since commencing operations in Birmingham.
12. As well as offering incentives to drivers, UBER also aggressively targets passengers using the following tactics:
 - 12.1 offering customers free fares, for example recently UBER sponsored a weekend at Gatecrasher, Birmingham's largest nightclub accommodating 3,500 revellers. UBER offered a free ride home for everyone in an UBER vehicle;
 - 12.2 offering abusively low fares, enabled by the fact that UBER operates outside the UK tax regime. UBER collects the fare electronically from the customer, deducts tax (in the Netherlands), deducts the drivers 20% commission, and pays the balance of the fare into any account anywhere in the world for the driver from its account in the Netherlands;
 - 12.3 operating an app which is integrated with Google maps. A visitor to Birmingham (or indeed a resident of Birmingham) using Google maps to obtain directions is offered the option of walking, taking a bus or taking an UBER. There is no way traditional operators can compete with this as Google is a significant investor in UBER and the arrangement is exclusive.
 - 12.4 rewarding people for downloading, using and recommending the UBER app by offering free credit on their account for use with UBER.

- 12.5 by signing up to UBER, new customers accept the companies terms and conditions, one of which enables UBER to download a copy of the users contacts within their smartphone in order to allow UBER to market their entire address book. This is likely to be unknown by the user, as it is buried within the companies terms and conditions, which there is no requirement to read, only an assumption that the user accepts by continuing to sign up.
13. Birmingham City Council's Education Transport department, probably the largest in Europe, (Birmingham City Council being the largest Council in Europe), transports over 4,000 children daily to and from schools in licensed Private Hire vehicles which they engage through an EU tendering process. An officer within Birmingham City Council has told me that since February 2015 they have increased its cost of procuring these services by more than 30%, as the effect of UBER takes drivers away from the traditional operators fulfilling those contracts. The traditional operator has to commit to pay drivers more to be able to retain them, which increases the cost to the Local Authority. The Local Authority currently has to revisit these contracts every six weeks as the market continues to be effected by UBER.
14. UBER is also licensed in neighbouring Solihull, and have applications pending in Sandwell, Dudley and Walsall. The UBER driver app tells the driver where his greater earning potential is, irrespective of council boundaries. Birmingham is experiencing significant numbers of UBER Solihull licensed vehicles parking up "available" in Birmingham City centre.
15. Birmingham does not allow its licensed operators to accept bookings "without a specified destination". In the UK, the majority of private hire companies improve efficiency and accessibility by accepting bookings quicker through mobile apps and automated phone systems, and populating the destination with the GPS co-ordinates of the location the driver drops off at. UBER's app allows customers to book without a specified destination, and the Apple Watch UBER App does not have the facility to ask for a destination. Birmingham City Council is "writing to them again". In my view a traditional operator who adopted this approach would be taken to court. Star Cars has spent three years trying to secure an exemption from this condition, so far without success.
16. UBER is paying drivers without having any fares (customers), and convincing them that they can only work for UBER. UBER is offering incentives to drivers for exclusivity. UBER is offering incentives/features to customers which traditional operators cannot offer (whether due to economic or regulatory factors). It appears to be UBER's objective to "starve" the traditional trade of supply (drivers) and demand (passengers).

17. The effect of UBER's tactic will be increasing market share for UBER and the exit from the market of traditional operators. To date four companies in Birmingham have sold up and left the market as the drivers (where the operator gets his income) had left in sufficient numbers that both the income for the operator, and the ability to service the customer demand were fatally compromised. It is my view that these driver defections were caused by UBER.

STATEMENT OF TRUTH

I believe that the facts stated in this witness statement are true.

Signed

Martin Walker

Dated this 25th day of September 2015

