Online peer-to-peer platforms make it easier for communities of buyers and sellers to transact with confidence. Platforms are springing up for services as disparate as commuting, work, accommodation, finance and ideas. People use them to put assets to work, to share costs, and to find collaborators. Peer-to-peer platforms are controversial. They foster new businesses and disrupt existing ones. They add value to some assets and can devalue others – including those, like taxi licences, sold by governments. In markets for labour and skills, they create new opportunities and new pressures from outsourcing and offshoring. Policymakers around the world are struggling with how to respond to the peer-to-peer economy, while some incumbents seek protection. The new platforms challenge regulatory approaches designed for an earlier era.

Jim Minifie, Grattan’s Productivity Growth Program Director, hosted an exceptionally well-qualified group for brief presentations and a panel discussion on Regulating the Peer-to-Peer Economy.

JIM MINIFIE: Welcome to tonight’s Policy Pitch on Regulating the Peer-to-Peer Economy. It’s so great to see a big crowd here. My name is Jim Minifie, I run the Productivity Growth Program at the Grattan Institute, and I’d like to extend thanks to the State Library of Victoria, our partners and hosts. We’re really delighted to be partnering with you in hosting this Policy Pitch series of events. I’m also really thrilled to have three speakers who between them cover some fascinating aspects of the peer-to-peer economy. Let me quickly introduce them and I’ll tell you a little bit about the model for this evening. Each of the three will speak for about ten minutes and then we’ll open up to discussion.

First on my left is David Plouffe. Now David, it’s terrific to have you here, we understand that you’ve just flown in from elsewhere in the Asia-Pacific. David joined Uber as the Senior Vice President of Policy and Strategy in September 2014. And David, you’ve got a very interesting background in running Obama’s first winning 2008 campaign and I’m sure there are many stories about that experience as well, although they’re not the prime focus for this evening. So thank you so much for joining us. And next to David’s left is Matt Barrie, now Matt runs Freelancer. Freelancer is a firm which links together people who’ve got specialised skills and their potential hirers across a whole diverse range of fields. Matt has been Entrepreneur of the Year in 2011 for BRW and, again, has got a wealth of experience in the start-up space, so Matt terrific to have you here. And then finally on Matt’s left, Stephen King, Professor of Economics at Monash University and one of Australia’s foremost competition policy experts.
So I think between the three of you I look forward to an engaged discussion on the peer-to-peer economy, what the opportunity is, why it’s so disruptive, what policymakers need to consider in getting the most out of this innovative field for ordinary Australians.

So thanks for joining and if you’re comfortable kicking off David, you’ve got 10 minutes.

DAVID PLOUFFE: Thanks for having me and it’s great to be with all of you. I thought I’d start off by asking how many of you have used Uber or a service like it? Okay, a good amount, I’ll do a little less remedial then. But I thought I’d just start off for those of you who haven’t used it or aren’t familiar with it. So Uber, actually, the idea was born in Paris by our two co-founders, but the service started in San Francisco and it certainly wasn’t meant to be a big idea, it was just an idea for it to make sure a group of friends could push a button and get a ride because they were frustrated by the transportation service at the moment in Paris and San Francisco.

So how Uber works is you download an app, Android or iPhone, and you press a button and here in Melbourne it’s less than three minutes, in most cities it’s two, three or four minutes, a driver comes, you’ve already pre-loaded your credit card so there’s no cash payment, you put in a destination and tell the driver where you’re going and they take you there. I think why it took off is it’s consistent with how people are living the rest of their lives, they’re banking that way, they’re doing research that way, that’s how they keep up with the world. A lot of work is done now on smartphones. I mean, here in Australia I think it’s the second-highest smartphone penetration in the world, a place that invented Wi-Fi.

So there’s so much early adoption of innovation here in Australia, so we think it’s a particularly great market for Uber. But it was just consistent with how people live their lives and so what you’re seeing we’re now in 283 cities around the world, in over 50 countries, Australia is one of our largest markets internationally and really growing. And it just started out as an idea of convenience basically and I think what’s happened is you see uptake around the world where here in the state of Victoria we already have over 2,500 drivers and the new government that just came into power, I think they had a pledge of 10,000 drivers. And we think we’re going to contribute a lot of that number because we have every week in Australia more than 100 drivers who apply to be on the Uber platform.

And first of all the drivers, I’ll fill you in a little bit on them. It’s a little bit different than traditional transportation. Some have obviously been professional drivers, we have plenty actually who’ve come over who might have driven for taxis, some still drive a taxis full-time and drive a few hours on Uber, but it’s also a lot of people who may be students, they may be retirees, it may be a stay at home parent, it may be someone who’s caring for an elder parent, and it gives them complete control in a way that’s very unique in our economy. Meaning so usually a car they own - cars are only utilised 4% of the time by the way, so it’s an underutilised asset - they decide when they’re going to drive, how long they’re going to drive, if they’re going to drive; they press a button, they go on the platform, they may drive for a few hours, they may drive for an hour. They may say, “Today my goal is to make $50” and they make it in an hour-and-a-half and they turn it off. So it’s complete control and so it is probably the most flexible way out there to either make a full income, and our drivers bring home a lot of money comparatively, but also to supplement an income. And so I think what you’re starting to see around the world is in the beginning it wasn’t too long ago that Uber was a strange idea, it still may be to some people.
Now you’ve had over 25 cities around the world actually pass four regulations if you take into account Rideshare. Obviously we have competitors, but that would allow Uber and our competitors to - and what’s great about it is it enshrines in law things like background check regimes, other safety regimes, inspections, insurance and so it lifts up the whole industry in many places. And I think the reason you’ve seen large cities in the USA, Kolkata in India, we’re obviously in discussions here in Victoria and other places in the region and we think we’re going to have a lot more municipalities move forward in countries in the coming months and years, is because they’re seeing the effect.

First of all, it was covered often in the media as wow, this is sort of a choice between taxi drivers or the taxi industry and Uber and that’s not what you’re seeing. In market after market it’s really additive and so it’s an extra alternative for people. The taxi industry is still going to be very viable in cities, but it gives more opportunity to those taxi drivers. What we see, for instance, in San Francisco, people will be driving for a taxi company, they’ll be driving for Uber, they may be driving for our competitor Lyft; it just gives them multiple opportunity to make the most money, whichever service is going to allow them to make the best living. But you also see the other benefits, which are reduction in drunk driving.

Now people don’t have to make a plan, a designated driver; they just press a button and they’re not driving home drunk which protects them and other people on the road. It’s cutting down on distracted driving, which is something that’s particularly a problem with younger people. You’re seeing a real public safety benefit because every ride is GPS tracked and so we’re able to cooperate with law enforcement when there are incidents. We’re starting to discuss with municipalities job training programs because it’s a really easy way for people - here in Victoria we over-index in terms of where our drivers come from in places of high unemployment. So that’s another place, we have a lot of people who this may be their second job, it may be that they’re a professional driver. We have a lot of people who lose their job but they have a car payment, they have a mortgage, and this allows them after they’ve gone through a background check to get on the road and make real money.

So I think what you’re starting to see around the world is elected officials and regulators are saying, “Okay, this new service can complement the taxi service, public transportation, people obviously still driving themselves”. We also think ultimately it’s going to have a huge impact on congestion and emissions. We have a product we’re really excited about, it’s a carpooling project product called UberPool and it’s now operating in San Francisco, Paris and New York, and we hope to bring it to as many cities as we can. What that means is let’s say you want to go from here to the airport or here across the city. You’re basically able to go for half the price of what an UberX ride would be. So I see that exit sign back there, if I’m going to that exit sign and one of you in the second row is going to the same direction and you’re within two minutes, so it can’t take you out of your way, but you say, “I’d like to UberPool if someone can match with me”. You hop in that car and you’re basically going in the same destination.

So it’s much less expensive for you to take that ride. The driver makes a lot more money because they’re always on a trip. A lot of professional drivers aren’t driving 60 minutes out of 60 minutes; they’re driving 10/12 minutes. This keeps our drivers really, really busy and that’s really when you see the effect of taking cars off the road and reducing congestion, and basically every city in the world is dealing with an epidemic of congestion and it’s only going to get worse. Some people have described it by the middle of the next decade the world’s going to be facing a Carmageddon. So every
municipality is thinking about how can we get more cars off the road and with UberPool you begin to see that. In San Francisco we’re really starting to see a lot of people who might have taken traditional UberX, which is just somebody driving a Prius, or Uber black, which is the luxury black car service. Now they’re UberPooling because it basically maybe takes them an extra minute or two, but they’re able to save money, there’s a good social dynamic, and a lot of people feel good about contributing to lower congestion.

So we’re really excited about that project in terms of our vision and we think we’re going to bring that to a lot of cities in the coming months and years, and then you really get the economic benefit of job creation and income generating opportunity, safety benefits, and you begin then to get real congestion benefits. So we’re excited about the future and obviously we want to work with governments in a cooperative way about a way forward and I think that what that requires is most transportation regulations were written well before cell phone technologies, flat screen TVs, cable TV, smart phones, they didn’t envision these types of technologies and service.

So what we’ve been able to do around the world is really have regulators and elected officials look for how can we re-fashion regulations in a way. And I think there’s been a little bit of a misconception out there that Uber doesn’t want to be regulated and we do. I mean, we’re in the room every day trying to help governments figure out how to move forward in a smart way with modern regulations that don’t have a lot of barriers to entry, so people can get on the road and start making money; that really does provide competition and choice. So consumers have choice, it’s one more choice in terms of how they get around their city, but drivers then have choice. If you’re a professional driver now you have multiple potential platforms to choose from.

So we think the benefit for cities is going to be profound in the long run and so we’re hopeful that most cities and most countries where that’s appropriate, most states find a way forward, so there’s modern forward-looking regulations and we think there’s a lot of benefit for a city also in the spirit of data. We struck our first deal with data with the city of Boston in the United States, a city that has really modern, forward-looking ride-sharing regulations, and that is great information for a city about the trips that are happening in their city, when they’re happening, congestion, traffic patterns and that’s going to enable cities to make really smart decisions, but also save a lot of money because it’s probably going to become the best picture they have about how people are moving around their cities in a way they’ve never had before.

So we think ultimately this a really good opportunity for cities. I’m motivated about it because one of the real challenges in my previous life was how do you get enough income opportunities for the broader segment of the population? And Uber and services like it really provide a great, either full-time, so people can earn a living wage and take care of their family, or to supplement that income to allow them to really provide for their family. So we think it’s an exciting opportunity and we think if you look here in Australia and in a lot of countries around the world over the next two or three years, Uber and services like it are probably going to be responsible for a lot of the jobs and income producing opportunities and we’re excited for what that means, for the environment, for the economy for knowing and being smarter about city planning, but also in terms of what that means for cities. There’s going to be a lot more people now coming into the city core because in a lot of places where you’re not in an urban core, really the choice is am I going to drive in or not? Now you have an opportunity where you press a button, within two minutes the ride’s there, you go into the city and you
know whenever you’re ready to come home after dinner or whatever, after the show, you’re going to press a button and it’s going to be reliable. That’s the other core principle of Uber: it’s got to be affordable, it’s got to be safe, but it also has to be reliable and when you get white times down to two or three minutes then people know they can count on it. To get to their job, to come home and relieve the babysitter, to go out to dinner, they know they can count on it. There’s not going to be any question of is it going to be here in 10 minutes or 15 minutes or 20 minutes or is it going two show up at all? It’s going to be there and they’re able to rate their driver and the driver’s able to rate the passenger. So there’s a great feedback mechanism of accountability.

So we look forward to more questions, but I wanted to give a quick overview of Uber as we see it here in Australia. Thanks.

JIM MINIFI: David, terrific thank you so much. Well Matt let’s move on, you run a very different business in terms of its subject matter, but some of the underlying platform characteristics are the same. So tell us a bit about Freelancer.

MATT BARRIE: So what we do is we run the world’s largest online freelancing and crowd sourcing marketplace, and basically in layman’s terms it’s eBay for jobs. We connect up 14.4 million people around the planet and two types of entrepreneurs. Entrepreneurs who are small businesses and we help them turn that spark of an idea about you’re building a business or creating a business or changing a business or building a new product or service to actually turn that dream into a reality and we take away the time, the cost and the hassle of getting that done, because there’s people all around the world that could do the job for you any time of day. We also empower entrepreneurs in the developing world and these are people who, as the internet is proliferating through the development world, are going online and raising their income levels by working in technical jobs that otherwise for the most part are unable to them in the location they’re in.

So fundamentally there’s a number of really big globally macro themes that I think maybe will resonate through tonight’s talk, but the themes that we built Freelancer on are the fact that, it’s pretty hard to understand this, but there are 7.1 billion people on the planet, 4 billion people are not connected yet. So most of the world’s population, 60% of the world’s population have not joined the internet, but they’re coming in at a dramatic pace, they’re coming in double digit rates. Already if you look at the top ten US consumer internet websites globally, 81% of the traffic is non-US traffic, so it’s coming from all around the world, not from the US. The internet started very much in the US, but now it’s a lot more inclusive. Online education is proliferating around the world, so if you have an internet connection, no matter where you live, if it’s the Philippines or Bangladesh or Vietnam, you can now go online and access at a very low cost, high quality education, so you can self-train and self-tool yourself. And finally what we’re doing is we’re allowing people to come along and go online and basically increase the prosperity in their lives by working in jobs for anyone all around the world.

We’re an Australian company. We floated on the Australian Securities Exchange in November 2013. We are very much like Uber in the fact that we’re an online marketplace, so where buyers and sellers come together and get things done. I think fundamentally, just to maybe explain a little bit for a minute or two about the sharing economy and what the sharing economy or the rental economy or the collaborative economy basically is, is that due to advances in the internet and in software and devices like mobile phones it’s allowed more official utilisation of resources and, even more importantly, more efficient marshalling of those resources. So I think David mentioned that people have cars sitting
around in their garage all day used 4% of the time, well with Uber you can get those cars out there and get them more efficient and, as a result, solve a lot of problems around pollution, congestion and so on.

With Freelancer there are people all around the world with all sorts of different skillsets but they may be stuck in a certain location where there are no jobs available in that particular area. So let’s say I want to be an expert in mobile phone app development for healthcare and I’m somewhere in Bangladesh, there’s probably no jobs for me and if there are jobs they’re very, very low paying. But now I can go online I can work for a global client base and I can actually go find a job and work in that particular area. Or maybe I’m retired, maybe I used to be an accountant and I worked a full-time job and now I live out in the country somewhere. Now I can go online and I can work as an accountant maybe one day a week or two days a week and so forth. Maybe I’m young, I’m studying at school, I have a few hours here or there to fill in time, either maybe I’m starting a business on the side and have a bit of a passive cash flow coming in, I can do that at a very, very low cost now because we remove the time the hassle and the cost of going and starting your own business, or maybe if there’s a skillset I want to work in I can go work in that skillset. For people who want to change careers, maybe you’re stuck in a job that you really hate nine to five, you can’t really make the big leap into a new career instantly because you’ve got no experience, but maybe on the side, on the weekends, maybe after hours, you can come and play in a new area and learn a new skillset and work online and build it up and earn an income at the same time.

So we’re doing a whole bunch of, I think, a lot of good around the world. In the western world primarily our users are employers, they’re people who hire people to get things done. Typically like your small business owner, a café owner, they want to build a website, they’re busy all day, they don’t have a lot of money, they look around and try and get a web designer to help them to design a website, it may cost them $5,000 or $10,000, they can’t really afford that, but maybe they can afford $300 or $400. So we really help them go online and actually grow their business and compete in the modern world, which is hypercompetitive and hyper-connected, and in the developing world it’s really helping people to get work.

So in terms of policy issues really affecting the space, obviously the internet’s quite disruptive and new business models are disruptive etc. and I think, particularly in the sharing economy, there’s a lot of regulation that exists that’s kind of archaic and it’s old and it belonged to a time before the internet, the time before we had mobile phones, before software came along and was in everyone’s hands. I think that a lot of that regulation is just outdated. Now of course, a lot of the time the government comes in and tries to set rules in certain industries and certain ways in which things need to be done, it can create discontinuities and distortions in the market where incumbents who are protected by that regulation maybe can reap the benefit of that and windfall profits as a result, and then when something new comes along that threatens that there’s obviously a lot of vested interest that come out of the woodwork to say, “Well no, this is really bad for ABCDEFG”. But at the end of the day, the sharing economy is all about better use of resources, better marshalling of those resources, and that leads to a whole bunch of really positive benefits for economies globally”.

Whether it’s Uber or whether it’s Airbnb, whether it’s something like Freelancer or any of the many, many other models that have come up. And the great thing about the world today with the internet is the rate of innovation is fantastic and, as a result of that, you can deliver products and services to
market a lot quicker that are fantastic services. I used Uber for the first time a couple of years ago and let me tell you, I was hooked. This is a service that is so much better than what’s out there, it is just so much easier to get a car. You pull out a phone, you hit a button and you can see the car arriving. It’s quite simple in terms of concept, but the cars are great, they’re modern, they’re clean, you know exactly where the car is. No longer are you waiting on the phone and waiting for is the taxi going to turn up or is it not going to turn up or who knows etc. and the quality of the drivers in my experience has been a lot better as well. They tend to know where they’re going, they’re friendly, the cars are quite modern etc. I have a little funny story, I was one of the first guys to sign up for Uber for business and they said, “We’ll come around and we’ll come and do a little thing” and I said, “Could I actually sign up as an UberX driver? That would be fun.” And I actually filled in an application form and I was rejected and I have a very nice new car, but the problem was when I was a student in 1991 I lost my licence for three months for speeding, you know, a little bit over the limit, and as a result I’m banned from being an Uber driver. So it’s like a little bit frustrating.

DAID PLOUFFE: Commercial votes for the service and for how great our background checks works, and we got that on film I think.

JIM MINIFIE: Can I ask whether you qualify on your own platform?

MATT BARRIE: Well, my platform’s a little bit different. I have root access to my platform, but I don’t pass a lot of the certification. We have a self-certifying system and a self-governance system on Freelancer. So the way it works is, luckily we don’t really experience a lot of regulation because most of our jobs are small jobs, they’re cross-border, so someone overseas is doing a small job for you that lasts maybe a few days or a few hours or a week or two. The main issues we have around regulation is just getting payments to someone, so getting a payment to someone in Bangladesh or a payment to someone in India. All around the world you’ve got to deal with all these different countries and all the regulations that change every day in that respect.

But the way our marketplace works is the more jobs you do, the better the job you do, the more you get paid and the better the feedback is from the users, you crowd source the feedback, the higher you gain what we call reputation. And that reputation builds over time and that determines how high you appear when you bid on a job and the organic listings or when you’re in the directory, and we order you from the top to the bottom. The top guy has done the most jobs, been paid the most, got the best feedback; the guy at the bottom is unrated basically, we don’t know anything about that person. If you do something really bad, like something egregious, then it goes to a support team and we’ll look into it and potentially kick someone off the platform, as Uber does and all the other online marketplaces do as well. But it’s that whole thing about self-governance, it’s self-regulating, and the great thing about the sharing economy is it has really driven down the cost of actually finding resources, transacting with those resources, whether it’s staffing or cars or houses or whatever it may be, and ultimately I think it’s better for everyone.

JIM MINIFIE: Well that’s the sell proposition and I’m sure that we’ll be able to take the devil’s advocate questions further, but thank you Matt. Now Stephen, you’re a, I hesitate to say a regulator at heart, but you’ve fought pretty hard about the right role for regulation. It would be terrific to hear your thoughts about what role regulators might have in this brave new world.
STEPHEN KING: Okay, thanks Jim. I guess let me start by saying, I think Uber, Freelancer, Airbnb, they are just great, they are transforming the economy, but my role here is to be the wet blanket. So you’ve had the flames of passion that we’ve seen in the last few minutes, I’m going to turn them into a bit of smoke because there’s at least three concerns that we need to deal with from a public policy and a regulatory perspective with the peer-to-peer economy, the sharing economy, these new services. And they are, how do they fit into our competition laws and regulations; how do they fit into our consumer laws and regulations and how do they fit in with incumbents? So let me run through those three.

Now first off, let me start off on the competition side. The key thing to realise about the peer-to-peer economy, the sharing economy is that we have seen lots of this before. So there are similar services that have been around that have raised the same sort of issues for a long time. Credit cards, for example, are a classic example of a platform that raises those issues, merchants on one side, consumers on the other, the banks and the systems in the middle. Shopping centres are another classic example of a platform, they bring together a range of retailers and they bring together the consumers. Amazon is just an online shopping centre advertising in the media, same sort of thing. So we know a lot about these, so we know a lot about the problems they can raise and there are two key ones when we’re talking about the sharing economy and that is the issue of multi-homing and of tipping. Well, what do they mean? Put up your hand if you have more than one credit card in your wallet or purse right now, put up your hand? I’d be amazed if there’s more than a few people without their hands up, most of you have more than one, you are multi-homing. In other words, when you reach into your pocket you can choose VISA, MasterCard, NAB, Westpac, whoever it happens to be, you’ve got a choice there in real time and so does the merchant. Almost every merchant takes a range of credit cards, maybe not all of them, but they’ll take a range. That’s multi-homing.

Tipping. How many of you remember the Yellow Pages, put up your hand if you remember the Yellow Pages? Yes, there are enough old people here, thank you. Yellow Pages was a paper directory and there was only one of them, despite attempts to enter, because there was a tipping effect. All businesses wanted to be in the Yellow Pages, why? Because all consumers looked at the Yellow Pages. All consumers looked at the Yellow Pages, why? Because that’s where all the businesses were. Now they raised competition issues, why? Tipping leads to market power.

If Uber’s there, if Lyft’s there and there are a whole bunch of alternatives, that’s great because Uber will be kept honest by the competition. But if Uber are the only guys out there with a ride-sharing service it’s not going to be too long, you know, David may have walked under a bus because I’m sure he’s well-meaning, but his successors may not be as well-meaning and they may say, “Damn, I’ve got a profit opportunity here, let’s push up the prices. Everybody’s with us, all the drivers have to be on Uber because that’s where all the customers go, all the customers have to be on Uber because that’s where all the drivers are”. You’ve tipped. They’re the sort of competition issues that we deal with in these platforms and we’ve seen then. For example, why did ALDI have such problems coming into Australia? Because there were exclusive arrangements between the shopping centres and guess who, Coles and Woolworths. They disappeared after the 2009 ACCC Inquiry because of pressure put on them. If we see those same sort of exclusivity arrangements coming out of Uber or Freelancer or Airbnb or Trip Advisor and so on, we have a problem. So if Uber allows their drivers to multi-home, to be an Uber driver and Lyft driver and perhaps a regular hire car or taxi driver, that helps get rid of the problem. But if they don’t we may have a problem going forward. That’s the first one.
Second one, consumer concerns. There was a real issue here and it’s already sort of partly come up in our discussions about who is responsible and who is liable for issues relating to consumers. It’s fine to talk about self-regulation. I was in India over the New Year and there was a rape in Delhi by an Uber driver. The driver was caught rapidly because of Uber’s processes, but that’s one rape too many. If it’s security issues, no matter what service you have providing rides, but the question is, is Uber responsible for that rape or is somebody else response? It’s not just an economic question, it’s not just a moral question, it’s also a political question because the politicians have to deal with the pressure. So who is liable?

For example, if Google runs misleading and deceptive ads, are they liable for those advertisements? Channel 9 isn’t liable if it runs a misleading and deceptive advertisement because it is a publisher, is Google a publisher? The ACCC bought an action against Google on that basis, there was no doubt the ads were misleading and deceptive because the advertisers had rolled over already and paid the fines. Google fought that all the way to the High Court. The High Court decided Google was an advertiser, they were not responsible. Interestingly, Trip Advisor has had effectively the reverse in Italy. Trip Advisor was found guilty of misleading and deceptive behaviour because they could not guarantee that the advice provided, the reviews were independent, and the claim was that Trip Advisor were claiming they were independent. So they were found to be guilty in Italy.

We’ve had Google in Europe being told that they’re responsible for the content on websites that can be found through their search engines if that information relates to an individual and that individual believes that that information is no longer relevant to them, the “right to be forgotten” decision. I think that’s a mad decision, it’s the Europeans. So we have the law being created in real time. We have to ask who is responsible and how do we deal with real legitimate issues of safety, and I think there’s a range of legal issues here that simply cannot be left to the market. I’d love it if the markets worked so well, if the reputations worked so well, that we did not have to have any consumer protection law, but we have hundreds of years of experience showing that that is not reality. And even if you doubt the economics of that, the political reality says you will have these regulations.

The third part I want to talk about is the incumbents. It’s really easy for us to get up here, and Matt’s done it, and say We’ve got outdated outmoded regulation. Let’s go back before the Fels Inquiry. If you’re someone in Victoria who paid $500,000 for a taxi licence, that was the price about four or five years ago before the Fels Inquiry, and Uber comes along, the government changes the rules and your licence now becomes worthless, is that just tough? The government had the rules, do we just say, “Huh, stuff off, you paid your money, you change the rules, go away”? Is there a moral responsibility there? I don’t know, it’s a tough question. I’m an economist who’s been involved in at least two different taxi industry inquiries recommending deregulation and every time the key question is that’s fine, but what do you do about the people who have just bought a taxi licence, who have sunk their life savings into buying this business and you’re about to make it worthless? It’s a real question, that’s why we still have a taxi regulation here and in many countries around the world, because that’s a question that is really hard to answer.

So getting rid of regulation, allowing these guys in is great, it is an improvement to the economy, there will be growth, there will be more jobs, there will be better utilisation of capital, all of that is true, but do we have an obligation to look after the incumbents? And what are the incumbents going to do? They’re not going to take this stuff lying down, they’re going to be out there fighting a legal battle as
well as out there on the streets. And the legal battle can hurt, just ask Napster. We often talk about “first mover advantage”. In these areas where you’re fighting incumbents who have hundreds of thousands and millions of dollars, in many cases, tied up in these in industries, they will fight you through the courts and they will fight you hopefully until they win from their perspective. Napster was bankrupted by various legal suits by copyright owners. You could argue that copyright laws, things like the Disneyland exemptions, are pretty silly, but the first mover got wiped out. I’m not sure if Uber’s going to do a Napster at any time soon. So we also have to think about the incumbents and the regulation and whether we are responsible for them.

Thanks.

JIM MINIFIE: To all three of you, thank you so much for kicking off with those provocative remarks. Let me just step back and if you look, David, at the diversity of regulations around the world. Now this session isn’t just about Uber, if we had any number of other verticals represented we’d discuss those challenges, but what do you see as the most successful jurisdictions in terms of managing some of the issues that Stephen’s brought up.

DAVID PLOUFFE: Well I will just say is the partners who drive for Uber can drive for anyone and many do. They may be taxi drivers, they may drive for Lyft, in other countries we have other competitors and so the truth is it’s not just choice for consumers it’s choice for drivers. Wherever they’re able to make the best living, in some cases during a day they’ll drive for all three, it’s terrific for drivers. I think what we’ve seen is, as it relates to Uber, we just had ride-sharing regulations passed in Kolkata, India, we’re making a lot of progress in Manila in Thailand, and we’ve had good discussions here in Victoria. So I think you’re going to see more and more, but the rest of the world is basically a year/a year-and-a-half behind where the United States was.

So a year ago there wasn’t a single city even in the United States that had passed ride-sharing regulations, not a single one, and now you’ve had over 25. And most of our major cities we’ve got regulations in California, in Chicago, in Boston, in Washington DC, in cities in Texas. And so I think what really helped there was time because some of these questions about well, is this zero sum game between the existing transportation industry and Uber and Lyft? Is it going to be good for taxi drivers or not? What about the safety regimes? What about the insurance regime?

So what you’ve been able to see is elected officials in those major cities say, “Well, wait this is a lot of jobs”. I mean, in many cases you’re seeing, like in Washington DC we have over 11,000 drivers, in Chicago over 15,000, even in big cities like that, that’s like a massive company just dropping into the city and setting shop and, given our growth projections, we’re only going to see that increase. So they see where people are struggling with job creation and income opportunity, this is a terrific thing for the city and we can enshrine things in safety where we have very stringent background checks, in the US much more stringent than many in the existing transportation industry and we reject a lot of people. We do have zero tolerance for driving infractions or for DUls, which is pretty unique in the space. You can enshrine in things like insurance so that there’s very, very strong mandatory insurance requirements, vehicle inspections.

So I think that’s what we’ve seen, but I think it takes time because in the very beginning, and this isn’t just for Uber it’s for anybody in this space, it’s a big change and there are questions about what happens to people in the space currently and how does this serve the public or not? So time helped
us more than anything else and just education and the truth is to most people Uber is not a tech company in San Francisco. Here in Victoria in New South Wales, in cities in China, in London and Chicago, Uber is the local drivers and riders. It is that local marketplace. And so I think what’s happened is elected officials and regulators have heard from our drivers and from our very passionate writer base, and we have almost 200,000 people signed up for our platform here in Victoria alone, it’s really growing, and so they hear that and it’s made a big difference. You hear from people in the business community who say, “I’ve got more customers now because Uber is dropping them off there” particularly if they’re not on a public transportation line. You see people who care about public transportation saying, “Wait, we see a lot of the trips begin and end at public transportation”. Uber has a great and our competitors have a great last mile effect.

So I think you’re starting to see cities around the world, I mentioned some but a lot of it comes from knowledge and experience and them getting exposed to the product and, again, that this is not a zero sum game, that Uber and services like it are a complement to people who are pedestrians to public transportation, to people who use taxis, to people who drive themselves. But I think particularly for young people in urban cores, a lot of them aren’t purchasing vehicles and so it gives them a great opportunity where they have complete control over that transportation choice. And so I think, more than anything else, it’s been the people who drive on the Uber platform and the riders who’ve made the regulatory difference, who’ve really been out there telling the story, and that’s really I think been the most powerful asset we’ve had.

JIM MINIFIE: Matt, let me ask you a question. Do you feel that you’ve got market power that needs to be regulated? Come on, you’ve got 14million people.

MATT BARRIE: There are 3billion people on the internet. We’re a minnow at this point, absolute minnow. Look, the question about all that regulation stuff, I think people have to ask themselves what sort of world do they really want to live in because in Australia, I’ll talk about the Australian example. I’ve just been overseas, I came back from the UK and we are just so regulated in this country now it’s out of control. It’s illegal now to sell an egg at a market unless it’s stamped by a National Egg Regulator. I didn’t know there was a massive problem with eggs, but somehow someone decided it’s good legislation. I think it’s illegal to sell a boat on a Sunday in Australia. I love coming down to Melbourne and Victoria because some special bureaucrat in New South Wales or a series of bureaucrat have decided to tell you what time of day you can go out at nighttime, what size glass you can drink out of, what the glass is made of, what liquid you can pour in at what times of night, and what time you need to go home etc. and so on.

It is just out of control the regulation that is going on. It is just, it’s nuts and, anyway, I was just in the UK and people were outside a pub parked the wrong way in the street, drinking out of a glass, went across the street, came back and no-one died. Right, I mean, like, and I come back here and I had some guys come out from Hong Kong just recently, it’s just out of – it’s illegal to have a scotch on the rocks in Sydney now after midnight. In the city of Sydney it’s illegal to have a scotch on the rocks after midnight, it’s just nuts, it’s out of control. Anyway, that’s my little torrid about regulation and I can go on forever.

Fundamentally some of your arguments, you said, “Oh, these marketplaces get big”. Well yes, online marketplaces do tend towards winner takes all and buyers go where the sellers are, the sellers go where the buyers are. The reason why is because they become more efficient. I want to find a
Hungarian translator with experience in the automotive industry to do an app for me, the bigger the marketplace is the better it is to actually find someone, the easier it is to find someone. So they do tend towards that. Now if you look at some of these online marketplaces, look at eBay for example in Australia. eBay's number one, who's number two in Australia after eBay?

MALE: Gumtree

MATT BARRIE: Gumtree's owned by eBay. No-one died, it’s all okay. I don't know if you've caught an Uber recently, but the drivers in Uber, there’s like four phones: there’s GoCatch, Ingogo, there’s Uber, there’s whatever. I mean, fundamentally Uber’s a fantastic service it’s growing really, really fast, but at the end of the day there’s no lock-in. I just want a driver, I want a good nice clean car coming as soon as possible. I don’t really care which particular car turns up, although occasionally if I’m feeling special I can click over to UberLUX and get a stretch limo or something crazy like that which is great. But at the end of the day, there’s no lock-in for the drivers, they’ve got all the phones there, they can do whatever they want on those phones and likewise for the customer, there’s no lock-in for the customer.

The other day Google, I don’t know whether it’s sparring prior to maybe a discussion around whether Uber will come under the Google family or not and you won’t be able to comment on that at all, but there was a bit sparring the other day, Google’s invested a huge amount of money in Uber and they’re saying they’re going to come out with their own service. Who knows, maybe Apple will come out with their own service. It’s a highly competitive world and I don’t think we need a lot of regulation to come along and just stifle innovation.

JIM MINIFIE: Stephen, right of reply would seem to be in order.

STEPHEN KING: I suspect some of our biggest companies when they were starting off would have said, “Look, we’re small, what's the problem?” And the problem doesn’t necessarily exist today, but the problem exists when you become large, when the tipping occurs and you control your own rules. I mean, Freelancer for example controls its own rules. There was a really nice interview in the newspapers over the weekend, I can’t remember if it was the Fairfax Press or the other press, talking about the rules that you have on Freelancer with regards to being able to bid for jobs and the idea of it well, you don’t want it to be run down to the guy who’s willing to do it for five cents an hour, that wouldn’t be a good outcome, so you'll put a difference process to some of the other platforms.

MATT BARRIE: But the market doesn't work like that. People go for quality, they go for the service they want delivered. The marketplace is not the lowest cost wins.

STEPHEN KING: No, but all I’m getting at is you’ve got current rules on Freelancer which actually control the way people can bid on Freelancer.

MATT BARRIE: Yes, but they’re the rules that we’ve set.

STEPHEN KING: Of course.

MATT BARRIE: And if we didn’t do a good job self-regulating ourselves or self-governing ourselves, then people wouldn’t use our service.
STEPHEN KING: Okay, let's say we've tipped to Freelancer and Freelancer's wiped everyone else out, what's to stop you changing your own rules?

MATT BARRIE: That's just a fantasy world. I would love it happen. It's never going to happen. What is it, like 7 billion people have to work through my website, that would be -

STEPHEN KING: Okay, let's say Uber in Melbourne is now the dominant right sharing platform, Lyft hasn't come in. Lyft is about to come in, you change the rules and say, “Well sorry, if you're an Uber driver you can't be on Lyft. As soon as you're on Lyft we exclude you from being a driver”. There is no law stopping that, there is no contract stopping that, we rely on your goodwill and I'm sure you have goodwill at the moment, your successors may not.

DAVID PLOUFFE: Yes, I think that what makes this so attractive for drivers, and that's not going to change, is that they have ultimate control just like the passenger does. I think I come at this from a unique perspective. I worked for a Democratic President in the United States and in our country that means you are believer in all things regulation, according to the opposition. And I was involved in, President Obama said, “I want to look through all the regulations on the books in the entire government” and it was fascinating. And I actually believe as a progressive if you believe that there are rules that makes sense and smart regulations, you're the first person that has an obligation when one doesn't make sense or is outdated to raise your hand, and we found hundreds of them. Things like different agencies regulated cheese pizza and pepperoni pizza and spilled milk was treated like an oil spill in some places. I mean, it was just stuff that I can't imagine any of that made sense at any time, a lot of it made sense at the time. And so I do think it's very important for government, and this is hard to do, I worked in government, but to stay ahead of the curve a little bit and to have regulations that yes, protect consumers and yes, enshrine in things like safety, but make sure that it doesn't throttle the ability for people to make a living.

So I think at the end of the day, listen, we're going to have competition all over the world, we already do, there's only going to be more of it and that means that it's going to keep us on our toes and we have to deliver both our driver partners and our riders. But I think that is something that across the world you are starting to see regulators and elected officials really wrestle with it, particularly in their transportation space. I mean, we have some cities around the world that have things like return a garage, what does that mean? That means if someone's out and they take a fare to a hotel or a business they've got to go back to their base before they pick up another fare. It makes no sense at all. And so you look at these things and, again, I'm not sure when that made sense, it certainly makes no environmental sense, no efficient sense.

So we have to make sure that there's regulations - and you and I may have a little disagreement about this - which is we're actually okay with and not just okay with, but are seeking a regulatory pathway forward to local governments, but in a way that does not stifle the ability to make a living that's good for consumers, that's good for the local economy. And so I think, at the end of the day, there are a lot of reasons just to say no to things, but at a time when you've got basically congestion afflictng cities all over the world, you've got huge economic imperative to actually add income and create jobs, you've got a huge imperative to make transportation more safe, cities have to say yes to this and more and more of them are.
JIM MINIFIE: Let me add just a few more of the implemented or proposed rules that ride-sharing has been presented with: cap the number of ride-share cars on the road; 24 hour window on pre-booking, in other words you cannot book within 24 hours; make booking ride-share by GPS illegal; cars have to be newer than four years; no drop-offs at the airport; ban surge pricing; minimum time for a ride in a private car is one hour. Now, all of these rules would have the effect of protecting incumbents, but all of them are very, very inefficient. And I think there are lessons that we can derive from successful processes of microeconomic reform, both in Australia and elsewhere, about how to get the efficiency upside while still achieving an acceptable outcome in terms of distribution or the transition fee incumbents.

Stephan, what are the lessons you would draw from Australia’s microeconomic reforms in the ‘90s about how to get that efficiency dividend without giving up on the people who happen to be caught in the crossfire?

STEPHEN KING: So first we can all come up with our silly regulations, there are lots and lots of silly regulations. The question here isn’t about whether we support a whole bunch of silly regulations or regulations that involve vested interests and incumbents trying to stop Uber from competing; the question is, what are the appropriate regulations for Uber, for Freelancer, for Airbnb, for a range of these different platforms that are emerging? And we’ve got to make sure that we don’t stop them emerging because you’re dead right, this is a positive sum game, there are overall winners from this process, but we have to work out the best way to ensure that the guys who become the ultimate winners don’t start making the rest of us losers, and that’s a threat.

Now, maybe we can leave it to competition law. So answering Jim’s question, there are a whole bunch of areas where we can say, “Look, we just have general rules about market power and about taking advantage of market power, about mergers, creating market power and maybe we can just leave the sharing economy there”. Maybe we can say, “Okay, look Freelancer, yes, the chances are that you’re not going to dominate the world. If you do then we’ll worry about you then and we’ve got general laws to deal with that” and that’s fine, maybe that’s one solution. Maybe another solution that we can have for Uber is to say, “Well you know, what we don’t need any of this regulation. We should just deregulate taxis and hire cars and all of that stuff, this is all silly regulation”.

Now New Zealand actually tried that for a brief period of time. Interestingly, it actually didn’t work and they had to bring regulation back in. Some of the regulations that they had was that if you wanted to be a taxi driver you had to join an approved taxi organisation, you had to have a booking service, you actually had to display your prices because there was a period of time there where if you jumped in a taxi in Auckland it could be a very, very average car - and I know because I went in a couple of them - and you basically bargained with the driver about what the prices were and hoped the driver didn’t change their mind on the trip. So you had a great situation there of complete deregulation and them sort of saying, “Actually, this doesn’t work. This creates a whole lot of problems for consumers and we’ll bring back a little bit of regulation”.

So the lessons are some stuff we can leave to the general competition laws, and yes, Freelancer, I probably think you’re one of those, other stuff we’ve seen experiments of total deregulation and they’ve said, “Actually, that doesn’t work very well” and we need to think a bit more carefully about what the regulations have to be. So we’ve got experience from around the world.
JIM MINIFIE: Let me just push a little harder though because one in a hundred start-ups is a success, so what to you is an acceptable return on equity for the ones that do get there? And there’s a different way to think about competition which is not we’ve got to drive everybody down to their absolute marginal ex-post opportunity cost. The view would be let’s make sure that we get rapid innovation, and that’s going to result in some ex-post “monopoly” rents, but thought about in the dynamic context you’d be all for those because that is what drives innovation. So to my mind any “monopoly” rents I’m seeing in the ride-sharing or other sectors looks like pretty much part of that dynamic efficiency.

STEPHEN KING: So if Uber gets “monopoly” rents because the customers love it, the drivers love it, but there’s nothing stopping the drivers and the customers from saying, “You know what, Uber’s raised its prices, it’s not providing as good a service, we’re going across to Lyft”. If they’re making money then good on them because they’re making money out of competing better than anyone else, but if Uber starts doing things such as saying, “Gosh, Lyft is on the way in, an Uber driver cannot be a Lyft driver” - and I recognise that’s not the case at the moment, so I’m not saying this is the case, I’m dealing with a hypothetical, but it’s a hypothetical that may arise in the future. And as soon as they step over the line there then there is a legal issue that they have to face, they are abusing market power and that is a regulation that is out there to protect Australian businesses and Australian consumers and make sure that it is a positive sum game.

JIM MINIFIE: Do either of you have comments? And then I’ve got a whole set of fascinating questions from the audience to run through as well.

DAVID PLOUFFE: I just think that the end of the day we’re looking a little bit at sort of ghosts in the shadows. I think that what is clear and this is what’s happening today, so this isn’t theoretically, and will continue today and tomorrow, is that this is right now and, again, there are competitors here in Australia, in China, in India, in the US, in Latin America, there’s only going to be more. So this is a marketplace and the riders will vote based on where they’re getting the best service, where they feel the safest, where they like the drivers the best, where they get the best price, where the wait time is the least. And the drivers obviously and are right now, as Matt said, many of them here in Victoria, if you go to the US you land at San Francisco Airport, a lot of them are driving Uber, Lyft, taxi. And, again, let’s look at where the world was not too long again. These drivers didn’t have any other option, now they have a lot of different options and also the barrier to being in the transportation sector was extraordinarily high. Now someone who’s got a car who might have lost their job needs a little extra money, they pass a background check they get on the road. Now if they’re not doing a good job they’re not going to get good ratings and they may not stay on the road, but they’re doing a good job providing a good service.

So that is something that should be, I think, nourished because, again, we’re at a place right now where one of the central economic challenges facing almost every country is how do we get incomes up? In some cases there’s still a pronounced a job creation issue, but even where unemployment is, it’s really not great anywhere but where unemployment is satisfactory, you still have too many people and Uber and services like it are providing an enormous opportunity for people to earn both a good living if that’s their sole job, but their ability to really augment that income. So I think at the end of the day this is an extraordinarily competitive sector, it’s only going to get more competitive, and I think particularly as more cities and countries pass a way forward and there’s clarity on the regulatory front, they’re going to see even more people get in this space.
JIM MINIFIE: Matt?

MATT BARRIE: Look, you can’t fight progress and you can’t fight technology and you can’t fight the internet, and I just wish we lived in a world, in a country where the debate amongst people in government and our political leaders was how can we terraform the economy to be more proactive around technology, innovation, science, engineering, all these sort of things, what we can do in this country as opposed to what we can’t. And let me tell you every day, and living in Sydney it’s a very special place because every day there’s a new regulation of what I can and cannot do - maybe I’ll move to Melbourne one day - there are so many things that we can do with this amazing explosion in innovation and the technology that’s out there that I really think that the government needs to step back. The sharing economy is all about better utilisation of resources, lowering the costs, better marshalling of those resources, it’s great in so many different ways. And I think where Uber is now is not really what the end game is.

I want to tell a story that I think there’s an even bigger issue down the track, and whether it’s Uber or Google or whatever, someone’s going to do it is what happens when automation all comes into this industry? So down the track, Google’s got self-driving cars, they’re safer, they’re more fuel efficient, they’ll reduce congestion on the roads. If you have a household with a family you won’t have to have two or three or four cars anymore, the husband will go to work in the morning, it’ll come pick up the wife, drop the wife off etc., go pick up the kids, take the kids to school etc. and so on. That’s going to be so good for so many different reasons in terms of dealing with congestion and this that and the other and efficiency and, as I said before 96% of cars are just idle most of the time. I think the bigger issues are well, what happens in the world down the track - and it is going to happen whether people like it or not, it will happen - in terms of how do you re-skill the economy so that all the people involved in jobs and transportation etc. and so forth actually move into other jobs? Because all technology does disrupt, it does take jobs away down the track, but also will create new jobs. I think that they’re the broader issues.

I posted a job for a computer science graduate and I maybe get one or two applicants a day come through and I’m home by the metric ton. I posted a job for an office manager I had 350 applications per day coming through. The first thing I saw when I got all the office manager applications was wow, I don’t want really want to look through all these CVs; the second thing I thought was well gee, I wouldn’t want to be an office manager; and the third thing I thought was well, who’s going to re-train all these office managers to go out there and do something new? I think the bigger issue is down the track, we should be really thinking about not in terms of GDP of the economy, not the old world industries, but what the new world industries are and how we can move the economy towards that.

STEPHEN KING: Okay, two responses. First off, whilst I’ve been running a theoretical with Uber and Freelancer up here, it’s not actually theory in the real world because we have seen Google in court in Europe and in Australia, we have seen Trip Advisor in court in Europe, we have seen, for example, in Australia internet mergers stopped by the ACCC. Now whether you think they were right or wrong, they stopped, for example, Car Sales and the Trading Post merging because they felt they were the two biggest internet platforms for car sales and the ACCC stopped that. So we are actually seeing these issues real time in real life in Australia and around the world. So, yes, you guys don’t have market power at the moment or I’d be amazed if you did in any country where you’re operating, but
you may have it tomorrow and that doesn’t mean we can say, “Hey, life’s fine because you don’t have it today”. We have to think ahead towards tomorrow for our regulations.

The second point is I’m going to come back on the “Oh God, we’re all going to be ruined because nobody’s going to have any jobs tomorrow” bit. I think that is complete nonsense. Technology will hurt people, okay, and Uber’s simple micro-example with taxi owners, technology and jobs is a macro level one and maybe all university professors will be out of work in three years’ time because all our students will be streaming in classes from, I don’t know, Larry Summers in Harvard and Paul Krugman at Princeton. So I’ll be out of a job and I’ll be on Freelancer looking for some odd jobs and perhaps fixing some doors.

MATT BARRIE: I’ll be watching for your account.

STEPHEN KING: History shows us that it is positive sum, history also shows us that more jobs will be created that are destroyed over the longer term. The developed world has been an amazing job creation machine for at least the last 200 years; it has made far more jobs than it’s destroyed. That includes in recent times. People forget, back in the 1960s most women in Australia did not work, now we have reasonable levels of female participation, I think it could be higher, but that’s a whole bunch of new jobs that have been created. Where are the new jobs going to come from? That’s always the next question and Stephen you’ve told us that new jobs are going to appear, where are they going to come from? I wish I knew because I could become really, really rich by getting there first and investing in those industries, but history over the last 250 years has shown us they will come, but we can’t predict where in advance. But some people will lose in the short term and the question for us as a society is how do we make sure those positive sums get spread around?

MATT BARRIE: I think we’ve just swapped sides in the debate.

JIM MINIFIE: Let me turn it over to questions from the audience. To my mind, one of the real striking things about peer-to-peer is the exploitation of reputation and information that was previously hidden. One of the questions is where else can we use this model? For example, in the public sector, have any of you thought about models which might not be disruptible by a private firm, but which could be applied by the public sector? Is it health, is it education?

MATT BARRIE: Absolutely, but you get sued for defamation. Someone leaves a negative review on a doctor in Australia and you’re gone. There are plenty of things you could do, but it’s just not possible thanks to how we set the laws up.

DAVID PLOUFFE: I think it’s interesting, when I was in Government in the US this was a topic of discussion because people’s expectations are rising. They don’t discriminate and say, “I expect a different level of speed or efficiency because you are a small business or you’re an education institution or you’re a government”. People expect the same level of speed whether they’re on BBC or Amazon and YouTube. And so that’s a test for government is that you have to make sure over time that you press a button and you can reach somebody or you get an answer or you are able to provide feedback.

So I can’t speak authoritatively that it’s happening here in Australia, but in the US they brought in a lot of really great innovators from Silicon Valley to try and re-fashion the US government, which will...
probably take 312 years, but basically it is inconsistent right now at how people are living the rest of their lives. It’s too slow, it’s too burdensome, particularly young people. I learned this from political campaigns, if a young person couldn’t find out in a minute, maybe even less than that, how to register to vote or where to vote or where to get information, it was hard to ever get them back; you lost them. And so with government right now I think the bar- and I think this place where government, they need to obviously figure out regulations that foster innovation and competition and job creation, but just from a service stand point and boosting confidence and that customer experience they have so long to go. But, again, I’m getting a bit on my soap box here, but if they fall too far below the private sector, and they’re already really far below, that’s going to continue to make people sceptical I think and a erode trust.

So in the US that was how can you get to the point where people are able? And if you look at like the healthcare website which was obviously a global joke, but it is better than what was there before now, where people can easily compare plans and shop. Nowhere near where it needs to get in simplicity, but a lot of city governments have to deal with that which is if you want to go on there and re-register your licence or figure out how to order a new trash can, it take forever and that’s not acceptable. So I think what you see is smart mayors, smart elected officials are trying to figure out how can we bring our service and that customer experience at least in the same vicinity of how people are experiencing the rest of their digital life? And I think that’s a real, real challenge for government in the coming years.

JIM MINIFIE: Other thoughts?

STEPHEN KING: Health, education, welfare. Think of where the government spends the money, all of those could be improved by better adoption of technology. In some cases it’s vested interest internally, you mentioned the doctors, Best Union in Australia, that oppose change, in other cases it just seems to be it’s slow, the incentives aren’t there, they don’t face the competitive pressures that these guys face, so there isn’t the incentive to innovate and bring in new technology.

DAVID PLOUFFE: I think what’s interesting there’s just a simple test which is if someone’s gone onto the Uber app or to Amazon or to BBC or Freelancer they kind of look forward to the experience. And so before most people had to say, “Oh, I’ve got to interact with the Motor Vehicle Department” or “I want to find out where a job...” they just dread it because they know it’s going to be a burdensome thing.

JIM MINIFIE: One more question from the list and then let’s open it up. I think this question touches on the deep origins of peer-to-peer. If you think about it from the point of view from a computer scientist, peer-to-peer has no centre, internet protocol doesn’t have a platform. So the question is as follows, what do the speakers think about peer-to-peer economic exchanges that are truly distributed, maybe even with no money? I think what we’re now touching on is maybe Bitcoin, maybe something non-monetary. Matt, any thoughts?

MATT BARRIE: So I don’t know how many of you actually know what Bitcoin is, the block chain, as opposed to Bitcoin the currency and a lot of the press you see out there it talks about BTC, which is the currency of Bitcoin which goes up and down in value. But effectively there’s been a breakthrough with Bitcoin in solving a particular problem in computer science called the Byzantine Generals’ Problem which is basically, in layman’s terms, if I have four Generals and the four Generals want to
attack a city and they all have to attack at the same time the city in order for this attack to be successful, but the only way they can communicate with each other is by sending a messenger and the messenger has to go through the city who of course will capture or substitute and so forth.

So it's a solution to that particular problem which is how do you get consensus in a distributed fashion? And in the case of Bitcoin it's consensus over who owns what, it's a distributed asset register, there is no trusted third party in the middle, there is no bank, there is no government; literally there's an algorithm which all the parties who are actors in this network can participate which consensus on something. Over time people have come up with all these really neat applications of using the Bitcoin network to do other things. Crowdfunding, there are algorithms to crowdfund using the Bitcoin network, there's algorithms to issue shares and take in equity if it was legal in countries to do so. There are ways in which people can issue dividends, deliver interest. There are social welfare policies that are Bitcoin. So there's welfare distribution in terms of taxation and income supplementation and people have figured out how to build marketplaces using the Bitcoin network that don't use a Freelancer in the middle or an Uber in the middle, where literally the people can actually go and reach consensus over the reputation of people and the transfer of money to people.

So it's pretty exciting and there's a lot of innovation that will happen there and this one of the many things that keeps me up at night.

JIM MINIFIE: Great, let me open it up now to the floor.

AUDIENCE: We've avoided a macro policy issue here. For tax purposes, where is Uber domiciled and how much tax does it pay in Australia? And what are the public policy implications over peer-to-peer and the lack of taxation erosion that it causes?

DAVID PLOUFFE: Well it's interesting because I think it differs by country obviously, but the transportation industry generally has been a heavy cash industry and I think what you see is Uber and its services really bring a lot of that out of the shadows. So you're going to have a lot higher degree of compliance, it's a cashless exercise, and so you see - and we're different than a lot of tech companies in that we're not an advertising company, we are a local company. So Uber is, we've got local teams of people running the local operation, we've got a lot of local drivers, as I spoke about over 2,500 here in Victoria alone, and all that money is staying in the local economy. And part of our discussion with governments is obviously around issues of tax and finance around the world, but I think the impact in terms of the budgetary impact for the local governments, I think it's a big addition to the pie which was missing before. I think a lot of that money was not disclosed and I think that because it is staying in the local economy it is a different model than most tech companies in a way that we think is very beneficial locally.

AUDIENCE: There's no GST on Uber fares.

DAVID PLOUFFE: I believe what the law here in Australia is is that at a certain income level the GST kicks in.

STEPHEN KING: So if an Uber driver is making more than $50,000 a year they should register for GST, but it's not currently Uber's responsibility. So there is a question about tax as to who is responsible. So, for example, Amazon is now charging sales tax on sales within the US to certain
states. Now previously within the US if you walked across into Maine bought something and wandered back into Massachusetts, formerly the individual was responsible for the sales tax payment. Now of course nobody ever did that, which was great for the shopping malls in Maine.

That’s an open question, but it’s not just a new economy question. Companies have been transferring money around the world and using fancy transfer systems to minimise tax payments for a long time. So there are open questions about the sharing economy, but there’s open questions about other questions too.

AUDIENCE: Thanks, I’ve just got a couple of quick questions for David. I’m just wondering, you were talking about Uber drivers wanting their families, why does Uber not then treat their drivers like employees and give them benefits like expenses and things like that? Secondly, I was just wondering since you’ve come on-board, I noticed lately Uber’s taken the shoot first, ask questions later approach in terms of giving their drivers money to pay for fines and things like that. Has the approach changed since you’ve come on-board at all or are you going to continue that approach worldwide?

DAVID PLOUFFE: We stand by our partner drivers when there are fines and issues like that, but I think there has been a misconception about the shoot first, ask questions later. We are, as I said, actively engaged with trying to build partnerships with government. Some of that is on a regulatory pathway forward as we’ve done in many cities around the world. It is working on job creation, income opportunities, programs around congestions. We are doing a lot of great work in the disability community where transportation options always haven’t been terrific for people in those circumstances.

These are independent contractors and I think what’s important to know, like here in Australia the average Uber driver drives 19/20 hours a week, most of them have additional income. We just did a big seminal study in the US about our drivers with a Princeton economist, Alan Krueger, who used to be the Council of Economic Advisors Chairman at the White House and it was a fascinating look into our driver population. In terms of in the US too most of our drivers are driving on UberX, they’re driving 18/19 hours, they desire flexibility above all else. Most of them had a full-time income, so were doing this supplemental or their spouse might have a full-time job and they were driving to augment the family income. I think the proof is in the number of people that are signing up for the platform every day around the world. There is huge demand, in part because it’s a good income opportunity, in part because it’s most flexible thing I think out there in the economy, and it allows people to utilise an asset that’s underutilised in a way that’s completely consistent with how they want to live their lives.

So we think it’s a model to work, but again here in Australia we do have full-time drivers for sure who are driving 35/40 hours a week, but you’re seeing more and more of the business model move to people who are part-time and, again, those are people we should I think from a regulatory standpoint make sure that yes, there have got to be standards on background checks and insurance and inspections, but that the barrier to entry is reasonable so that those people can augment their income and make a good living. I think that’s what you’re seeing, it’s opening up the transportation sector to a wider segment of the population.

AUDIENCE: I just wanted to ask in regard to regulations, we see that companies like Uber are coming to the market and then governments are like, “Oh well, how can we regulate these guys or how can we introduce de-regulation?” But is there any government or any instance where we’re going the
other way around, like saying, “Oh, how about we go and see the start-up guys, talk to them?” What are the barriers to entry for those who start-up? So rather than working one step in the market, are there any governments working with them previously so if there are very, like say with their licence for taxis that is really expensive, are there any governments that are working before having this out there?

JIM MINIFIE: So to repose the question, let me check if I’ve understood it. Are there governments who’ve reached out to entrants to say, “How can we help you enter this market and introduce competition into the market”? Matt do you get that?

MATT BARRIE: Not that I know of in Australia. I mean, there are governments that are very technology forward around the world that do very positive things all the time. Like Chile, for example, has done a whole bunch of things in terms of Start-Up Chile, Class of Visa to get entrepreneurs in from Silicon Valley into Latin America. They give them $40,000 with no strings attached, just come for six months, work with Latin American entrepreneurs, go back home and form linkages, there’s all sorts of things like that in a lot more progressive countries out there. But in Australia we’ve actually gone backwards in most of the things that have to do with technology. We cut funding to the grant programs for both start-ups, we cut that and also to venture funds, we’ve taken away one of the main remuneration schemes which is around granting of equity to employees, which is basically transferring wealth from owners to workers in businesses we’ve really caused a huge issue there and in fact I made a submission on Friday around the changes in taxation which are said to be rolling it back but aren’t really.

I think pretty much all the things I can think of, I can’t really think of really anything positive in Australia that’s actually happened recently. I’m being honest, if someone has an example I’d be glad to know about it.

JIM MINIFIE: David?

DAVID PLOUFFE: We are starting to see more governments around the world sort of lean forward and say, “Okay, how can we actually accelerate some change to allow?” I think, first of all, they’re particularly enamoured of the job creation and the income opportunity, but I think a lot of people are really excited about UberPool, the carpooling service I talked about, their eyes light up. When they think about, given our congestion problems, if we can play a role in cutting that down in a way that makes transportation more affordable, which has huge economic benefit for people particularly lower income, it saves them money in terms of commuting to work and we’re creating jobs, it’s kind of a great trifecta.

So I think you’re starting to see more people lean in, but not enough. I made a joke about the regulatory look back I was involved in in Washington and there were some funny examples. But the reason that happened was the President had heard enough from the business community about regulations, and some if it’s just ideological debate, less versus more, but he’d heard enough specific examples. He said, “I really want to look into this because if there are things on the books that are really old and outdated, that really don’t serve any purpose, that are actually complicating the ability for people to grow and create jobs I want to know”. And we found a lot. And I think what happens is a lot of governments these regulations go in the books and it’s the old saying, “It’s a lot harder to get rid of a law than to pass one” and so things just stay on and they sort of ossify and I do think
governments again - I'm not in government anymore - but governments would be well served as quickly as the world is moving, as quickly as the economy is changing to make sure with some frequency you're reviewing things. Now ideally it would be to say, “Let's step back and say what could we do to really foster innovation and investment?” but ideally doing no harm.

AUDIENCE: Yes, Matt you've actually been on our Facebook page and left very quickly when you asked you the hard questions. We're from Victorian taxi families. When we asked you, you've been told by the Insurance Council of Australia your passengers are not insured, you left. When we asked you why you don't pay commercial insurance you couldn't answer.

JIM MINIFIE: Could you please get to the question.

AUDIENCE: Please explain to me when we've all registered with Uber, there is no criminal background check, why? And number two, nobody is allowed to register with your company with an ABN, why is that? Why, when as a second income they should be paying a 40% tax and they're paying none and we can provide you with at least 500 examples where you've just lied openly to all these people.

JIM MINIFIE: Do you have a response?

DAVID PLOUFFE: I'll try and be civil in my response. We background check every driver.

AUDIENCE: You don't, clearly we've registered.

DAVID PLOUFFE: Well, we do and actually we end up rejecting...

AUDIENCE: [inaudible]

DAVID PLOUFFE: In fact, we are involved here in Victoria in an accreditation process with the government so all those drivers are accredited by the government. I think, the commercial liability policy here is $5.8million. So the point is that from an insurance standpoint, from a background check standpoint, from riders not having an anonymous experience for knowing whose car they're in, for the rider being about to rate the driver, the driver being able to rate; it's the safest way for people to get around the city.

MATT BARRIE: Can I make a comment? Last time I caught a taxi in Sydney I was at the casino and I said, “Can you take me to the Opera House?” and the taxi driver didn’t know where the Opera House was. I took a taxi from downtown and I said, “Take me to Bondi Beach” and they said, “Which direction is that?” and I said, “The water”. This is my opinion. Uber is a much better service than what we have now. It’s more reliable, the cars are better.

AUDIENCE: They're all about ex-cabbies, because you promised them the world and delivered nothing and they're making $4 an hour, and we can prove it to you.

JIM MINIFIE: Thanks.

AUDIENCE: I'm interested in who's liable when things go wrong? So if my freelancing work doesn't get done and my website's not created and I miss out on a big business opportunity, will Freelancer
pay up and compensate me? If my Airbnb apartment is cancelled just before I want to check-in, will Airbnb recompense me with a hotel suite?

MATT BARRIE: We’re just a marketplace. So you find someone to design a logo for you, if there’s a problem with the logo no, we just provide the connection between the buyer and the seller, we don’t get in the middle.

JIM MINIFIE: Just to expand on that, different markets have different degrees of depth when it comes to that risk management and those things I think are legitimate policy questions. As long as there’s clarity to the consumer you get a lot of the way to the right answer. As long as the buyer understands what would happen in that eventuality then you get some direction. Stephen, do you have anything to add to that question?

STEPHEN KING: I think it’s a bit naive actually your response there Jim because you’re sort of saying, “Well, it will be okay as long as the consumer understands”. So I book an Airbnb apartment in Salzburg. I go there, I find out it’s been completely misrepresented on the website and in fact it’s a terrible place, I’ve done my do...ugh. It’s fine for you to say, “Well, you knew that was a risk there and you can always take legal action under Austrian law”. I have no idea what Austrian law is like, far less taking action under there. So the idea, “I’m just a platform” or Airbnb is just a platform, “It’s got nothing to do with this” that sort of washing my hands type approach, I’m not sure that’s going to be a long term viable solution. And similarly with the ABNs, I go to a bank and I want to open an account I have to show various identification, I need to give a tax file number or they withhold tax at 40%. How come the platform doesn’t have to do that for the drivers that it’s hiring?

So these are real regulatory questions that need to be addressed. I don’t think there is a simple one right answer and I think we need to have the debate.

AUDIENCE: I’ve used Uber, I use Freelancer every week and also Airbnb. I think just the general tone of a couple of the questions here certainly don’t reflect my usage. I think a lot of people are getting great use and the fact that there was a mention that we should think about potential problems about some of these issues that may be in the future I think is just silly. So anyway, I just wanted to make a comment more than anything.

JIM MINIFIE: Thank you.

DAVID PLOUFFE: Well, thank you.

STEPHEN KING: Can I just respond? Let me reiterate my first line, these are fantastic services. Thank God I’m alive now because we are seeing change on an unprecedented basis of all these great things that we can do that 10 years ago we couldn’t do. And my God, it’s fantastic, but at the same time we have to do this with our eyes open and it’s just all too easy to pop on the rose-coloured glasses and say, “We are in the best of all possible worlds and life is good, thank you internet”. And I think if we do that we’re going to look stupid in five or 10 or 15 years. We need to work the law. The regulations and the internet have to move forward together.

JIM MINIFIE: Thank you. Look I think we’re right out of time. So thank you so much for the excellent interactions. David, thank you, Matt, Stephen and the audience, I found this fascinating and I hope you have too. If I can thank, on behalf of the Grattan Institute, the State Library of Victoria for hosting us, thanks again.

END OF RECORDING