

Uber (company)

Date Founded: 2009

- **Industry:** Transportation, Mobile technology
- **Corporate Headquarters:** San Francisco, California
- **Type:** Private

Uber is a popular app-based ride-hailing service. Uber functions much like a standard taxicab service, in that clients request transportation to a specified destination in exchange for payment. Despite this "vehicle-for-hire" aspect, however, Uber is not officially recognized as a taxi service by local, state, or national government agencies, which is advantageous to Uber but has generated controversy and tensions with taxi drivers and government agencies.

Since its founding in March 2009 by tech entrepreneurs Travis Kalanick and Garrett Camp, Uber's popularity has surged. As of July 2017, the company provides services in 81 countries and 632 cities worldwide. In late 2013, the company averaged approximately 121,000 trips daily; by December 2014, that estimate had increased exponentially, to one million trips per day. Uber had more than 162,000 drivers in December 2014. The company was valued at \$68 billion in early 2017, although that amount had decreased to around \$50 billion by June, due in part to a series of scandals the company faced in the first few months of 2017.

Kalanick served as the CEO and codirector of Uber until his resignation in June 2017, after which a fourteen-person executive team took over executive duties until Dara Khosrowshahi was named the new CEO in late August. Camp remains with the company as its chair. Ryan Graves, who served as CEO from February to December 2010 before being replaced by Kalanick, served as senior vice president of the company's global operations until August 2017, when he stepped down, although he subsequently retained a position on the board. In 2018, Uber filed for an initial public offering.

Background

The idea for a mobile-application-based [passenger transportation](#) service was reportedly born when Kalanick and Camp had difficulty hailing a taxi on a cold, snowy night in Paris after attending a 2008 conference. This incident prompted Kalanick and Camp to contemplate similar difficulties riders sometimes face in hailing taxis in their city of residence, San Francisco. Kalanick and Camp aimed to create a [mobile application](#), or app, that would enable riders to request a vehicle for hire on demand, and their company was established in March 2009 as UberCab. In January 2010, Camp and Kalanick conducted a test run in New York City, which consisted of three cars cruising through the streets of Lower Manhattan while a small number of customers summoned a car through a mobile app. Uber fully launched service in San Francisco on July 5, 2010, with Graves at its helm, and during its first several months of operation, the company primarily focused on gaining a strong foothold in the Bay Area of Northern California. Initially, Uber used only black Lincoln Town Cars as its vehicles and hired limo drivers to operate its vehicles. The company changed its name from UberCab to Uber Technologies, Inc., in October 2010, in response to a cease-and-desist order from the San Francisco Municipal Transportation Agency and the California

Public Utilities Commission on the grounds that Uber was not an officially licensed taxicab service.

As Uber's popularity and revenue grew, service expanded to other cities throughout the United States and eventually internationally. Uber established service in New York City in May 2011, and in December of that year, the company began its first overseas operations in Paris. Uber services launched in China and India in August 2013. By 2016, Uber operated in more cities in these two nations than in any country other than the United States.

Initially, Uber rides were slightly more expensive, on average, than taxi fares (as a result of both the higher costs of operation incurred by a startup company and the higher costs of operating its high-end Lincolns). Then, in July 2012, Uber launched the UberX service option using ordinary passenger vehicles, such as the Toyota Prius, and relying on nonprofessional drivers. Consequently, UberX prices were about one-third the cost. By 2016, Uber offered more than six different grades of service, each featuring different classes of vehicles, ride-sharing criteria, pricing, and professional or nonprofessional drivers. In addition, the company introduced UberPOOL, a hybrid carpooling and taxi service that picks up and deposits multiple customers during one trip, with all of the riders' destinations along the same route. In certain areas, UberTAXI hails conventional taxis for customers but allows for app-based payment.

Uber also brought its on-demand approach to the [delivery industry](#). Using its independent drivers and real-time tracking capabilities, UberRUSH (est. 2015) features pay-as-you-go, one-way-trip pricing for businesses sending packages, while UberEATS (est. 2014) delivers food to customers from an array of local partner restaurants.

Overview

Uber has become an important mode of transportation in numerous cities across the United States and, increasingly, in large cities of other nations as well. However, as Uber's presence and popularity has grown, so has the controversy and criticism directed toward the company. Major objections to Uber have been voiced by [taxi drivers](#) and taxi unions, as well as elected officials, in nations throughout the world. Other questions surround Uber's treatment of its drivers, safety measures, and the extensiveness of its pre-employment background checks.

Because Uber offers urban transportation from a point of origin to a predetermined destination in exchange for a fee (making it, essentially, a taxi-like enterprise in terms of service rendered), taxi drivers and their unions generally view Uber unfavorably as siphoning business away. Some consider Uber an illegal enterprise. US taxis are required to obtain medallions (official licenses issued by local or municipal governments to legally operate), which in major metropolitan areas can cost several hundreds of thousands of dollars. However, because Uber is not officially designated a "taxi" company, it has not yet been required to purchase medallions. Similarly, taxis may be required to meet more stringent regulations regarding vehicle operation, driver background, and taxation.

Furthermore, most taxi drivers drive as their full-time occupation, while most Uber drivers only drive part time. A company-sponsored study published in 2015 found that Uber drivers earn higher hourly median wages than taxi drivers and limo chauffeurs in major US cities. Those higher wages derive, in part, from Uber not having to pay licensing fees, local taxes, vehicle maintenance, insurance, fuel, or employee benefits. Because the drivers are

responsible for some of these costs, their net income is sometimes lower than that of a regular taxi driver despite the higher wages.

As a result of these issues, numerous cities and nations have taken action to either impose fees or implement restrictions on Uber. For example, in January 2016, a court in Paris fined Uber \$1.3 million to compensate taxi unions for Uber's violation of French transportation laws. In India, Karnataka banned Uber and its major competitor there, Ola, from engaging in surge pricing (hiking rates in response to higher levels of demand). However, a federal judge dismissed a case brought by Boston taxi companies in which they had asserted that the failure to regulate Uber according to the same standards as taxi companies was a violation of the right to equal protection. Later, in December 2017, the European Court of Justice ruled that Uber was in fact a transport service, rather than (as the company had argued) an information society service, and was thus subject to local transport regulations in [European Union](#) (EU) member states; the case had arisen after a Barcelona-based taxi group filed a complaint that Uber did not have to adhere to Barcelona laws regulating taxicabs.

Uber has also faced criticism regarding customer safety. Although the company conducts pre-employment [criminal background checks](#) for drivers, critics claim that these checks are not as thorough or stringent as those taxi drivers must undergo. This concern intensified after an Uber driver in Kalamazoo, Michigan, killed six people in a February 2016 shooting spree. There have also been numerous allegations of sexual assaults by Uber drivers both in the United States and elsewhere.

The status of Uber drivers as contracted rather than full-time employees has continued to cause consternation among drivers and critics as well as legal battles. In January 2017, Uber agreed to a settlement of \$20 million after the Federal Trade Commission (FTC) filed a complaint with the federal court in San Francisco claiming that the company, specifically between the years 2013 and 2015, knowingly made false statements regarding the amount of money that drivers could make and how much it would cost drivers to finance a car to participate in the service. FTC investigations revealed that the majority of Uber drivers were making far less than the median income Kalanick had claimed on the company's website.

In the first few months of 2017, Uber faced a series of controversies that ultimately led Kalanick to resign from the company in June. First, in January, in response to newly elected US president [Donald Trump](#)'s executive order banning travelers from seven countries with majority Muslim populations from entering the United States, a New York City taxi drivers' union announced they would be stopping service from John F. Kennedy International Airport for one hour in protest. During this hour, Uber continued ferrying customers from the airport and turned off surge pricing. Opponents of the travel ban viewed Uber's actions as strikebreaking, and the hashtag #DeleteUber began trending on [Twitter](#) as activists called for customers to delete the Uber app from their phones and discontinue use of the service. Next, on February 19, 2017, former Uber engineer Susan Fowler published a blog post in which she revealed that her direct supervisor at the company had [sexually harassed](#) her, and that her complaints to Uber's human resources department were ignored. Fowler's report prompted other former and current employees to come forward with reports of a hostile workplace culture, including threats, slurs, and other incidents of sexual harassment from various managers, and top executives—allegedly including Kalanick—who knew about

their complaints but did nothing. Just a few days later, Waymo, a Google-affiliated self-driving car company, filed a lawsuit accusing Uber of stealing proprietary technology to develop its own self-driving cars. (A judge ruled in May that Uber had to immediately return the stolen files but could continue developing its own technology.) Then, at the end of February, a video was released showing Kalanick arguing with an Uber driver in the driver's car and being dismissive about his concerns about drivers' wages. Following the latter incident, Kalanick sent out a company-wide apology letter that was later posted on Uber's blog. March, however, brought more revelations of wrongdoing, as the *New York Times* published an investigative report about Uber's use of the software tool Greyball in order to evade authorities who were building a case against the company for operating illegally and without regulation.

Following Fowler's allegations, Uber hired the law firm Perkins Coie to investigate the claims, and also hired former attorney general [Eric H. Holder Jr.](#) to conduct a broader investigation of the company's culture. The Perkins Coie investigation led to the firing of twenty employees in early June, some of whom were senior executives. Holder's report on his investigation included a list of recommendations, which Uber's board "unanimously voted" to adopt in full; among those recommendations was the departure of (then) senior vice president Emil Michael, who had been involved in a number of controversies with the company in the past few years. The report also recommended limiting Kalanick's duties and responsibilities. In response, Kalanick announced he would be taking an indefinite leave of absence. The following week, a group of five major shareholders demanded that he resign fully from the position of CEO. He did so, although he remained on the company's board.

After Kalanick's departure, a group of fourteen executives was formed to temporarily oversee the day-to-day running of the company. In August 2017, the board selected then-Expedia CEO Dara Khosrowshahi to take over as CEO of Uber. In November, Khosrowshahi issued a new set of cultural values for Uber, including one that states, "We do the right thing. Period." An Iranian immigrant, Khosrowshahi has also spoken out publicly against Trump's travel ban.

In 2018, Uber temporarily paused testing of self-driving vehicles after pedestrian Elaine Herzberg was killed by one of Uber's self-driving vehicles in March. While authorities disagreed on whether the vehicle was at fault, Uber settled with the victim's family and did not face criminal charges. Uber did not resume self-driving vehicle testing until December 2018, under more restrictions. The same month, Uber filed for an initial public offering—the process to begin selling stock to outside investors—seeking a valuation between \$90 billion and \$100 billion.

In 2019, three California-based women sued Uber for negligence regarding attacks against passengers. The lawsuit states that between September 2016 and February 2018, nine people were sexually assaulted by people posing as Uber drivers in Los Angeles and that Uber was not proactive enough about warning customers about the dangers of fake Uber drivers. In addition, the number of reported assaults, kidnappings, and murders committed by ride-sharing drivers or people posing as ride-sharing drivers grew in the late 2010s, leading many to call for added security measures to be taken by both passengers and Uber drivers.

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