

Student ID:

Compliance – “Flying Cars Ltd”; Disruptive Innovation v Compliance

Background

Uber, the transportation network company (TNC), has faced several legal and regulatory challenges in the markets it operates in. These have attracted it negative attention from a number of different professional, government, and private groups.

Here are some key compliance issues:

1. Worker Classification Disputes:

- Uber categorizes its drivers as **contract workers**, allowing the company to avoid laws that would impose a minimum wage and require employee benefits such as health insurance.
- However, this classification has led to disputes over whether Uber drivers should be considered employees entitled to benefits and protections.

2. Safety Concerns:

- Uber has encountered safety-related challenges, including incidents of **assaults, accidents, and security lapses**.
- Ensuring passenger safety and driver accountability remains a critical compliance issue for the company.
- Questions raised around safety for Uber drivers that will work a normal 9-5 job, then work further hours as an Uber driver when potentially tired.

3. Unfair Competition with Traditional Taxis:

- Traditional taxi services and local government authorities have raised concerns about Uber’s business model operating outside existing regulatory frameworks.
- Allegations of **unfair competition** have arisen due to Uber’s disruptive impact on the taxi industry.
- Taxis drivers in NZ are required to hold a “P – Passenger” endorsement on their drivers license, additional inspection of their vehicles for safety, maintain logbooks, have specialist video recording equipment, etc. Uber drivers not originally needing these was seen by taxi drivers as creating an unfair advantage at

the same time as their income was decreasing due to covid and Uber.

- The Government was potentially seen initially as slow to respond to rebalance the playing field.

4. Taxation & National Revenue Loss:

- There have been some concerns raised regarding NZ Uber driver generated revenues going back to Uber overseas rather than staying in NZ.

Despite these challenges, Uber continues to operate globally, expanding its services beyond ride-sharing to include food delivery (Uber Eats) and freight transportation (Uber Freight). The company's market capitalization remains substantial, reflecting its popularity and value in the market.

Scenario

You are part of a product development team in a startup called "Flying Cars Ltd"

For your initial product, you are aiming to create a very similar service as Uber, however instead of road cars you plan to enable private pilots to use their small aircraft to take people from township to township. Pilots would carry out grass landings in farming fields or at existing airstrips to pickup and drop off passengers very close to their homes and destinations.

You have worked out a way to make these private aircraft "rides" cheaper than a normal commercial airliner flight and with a lot more convenience. You are further subsidizing the passenger ride costs through carrying and delivering goods (food and products) people have ordered in a very similar way as UberEats.

Before launching this product however, you and the team want to ensure that you fully understand what compliance related matters have to be managed. The worry is that failure to proactively manage these items could result in a very expensive and complex remediation in the future once your service is popular.

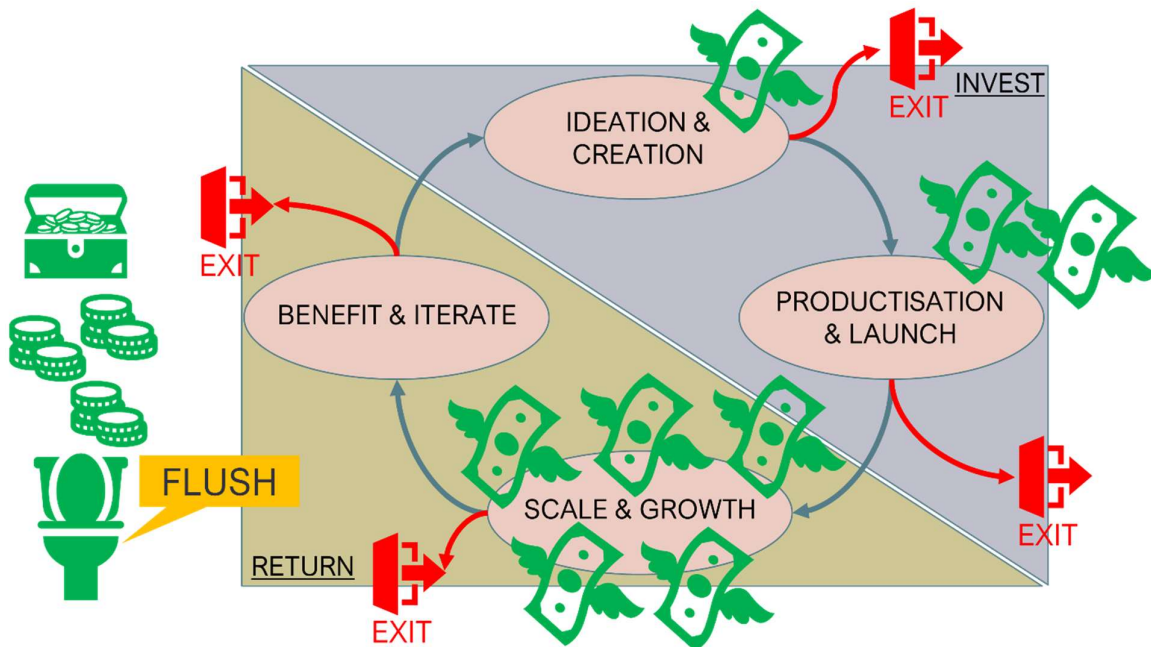
The closest thing the team can think of to your business model is Uber. So you have been tasked with looking into the compliance issues that Uber ran afoul of and build up a plan to prevent this (ideally) happening to you.

PLEASE NOTE – We are not expecting you to be lawyers, policy advisors, or regulatory specialists. You don't need to be 100% complete

on listing compliance areas, policies, or regulations. The intent of this exercise is to get you thinking critically about different dimensions of compliance and identify a few requirements in each.

Potentially useful information

Here is the Hybrid Entrepreneurship Cycle model overlaid with a heuristic estimate of the relative costs of remediating compliance issues at each stage.



Here are a few links to problems that Uber has had, and what they are doing about it. These are just to get you started, you should search out additional information as needed

- <https://www.newstalkzb.co.nz/news/business/nz-taxi-federation-wants-uber-compliance/>
- <https://sprintlaw.co.nz/articles/legal-essentials-for-uber-drivers/>
- <https://www.nzta.govt.nz/media-releases/transport-agency-clarifying-passenger-transport-rules-for-uber-drivers/>
- <https://www.complianceweek.com/regulatory-enforcement/ubers-former-security-chief-charged-in-data-breach-cover-up/29343.article>
- <https://www.complianceweek.com/risk-management/how-uber-toes-the-line-between-compliance-and-innovation/30556.article>
- <https://knowledge.wharton.upenn.edu/podcast/knowledge-at-wharton-podcast/can-uber-overcome-regulatory-obstacles/>
- <https://www.youtube.com/watch?v=csjdPUrk0g4>

Here is a link to the NZ Legislation pages, through which searching may be helpful as part of identifying compliance needs

- <https://www.legislation.govt.nz/>

Activities – Individual & Group Work

For each of the questions/tasks below, have each member in the group first answer individually with their own opinions, then pool and discuss each others answers in your group.

Consider as an individual again whether you want to incorporate any other group members' ideas into your answer before moving onto the next task (many tasks are interrelated, so great opportunity exists to build and expand your thinking with the help of peers at each step)

Task #1 Identify the Public, Private, and Industry Compliance areas that are applicable to carrying paying passengers whether in a car or in a light aircraft. You don't necessarily need to identify and name a specific piece of legislation, it's enough to list the 'intent' of a legislation/policy item. Include a rationale for why you have picked out that specific item.

Task #2 Which of the compliance related items you have listed above also would apply to Uber and were breached by them? Do you think they could have proactively prevented that breach from occurring? If so why, and if not why not.

Task #3 Assign your relevant compliance items from Task #1 to one or more of the stages in the hybrid productisation cycle model they apply to (i.e. – one item may appear against more than one cycle-stage). Do this for both the “Uber” historical situation (identified in Task #2), and again for your “Flying Cars Ltd” planned company. Consider verbally in your group if there are differences or similarities.

Task #4 You now have a list of items that must be complied with for “Flying Cars Ltd”, and the stage(s) in the lifecycle that they are relevant for. Use this list of stages and items to briefly describe the remediation activities that would be needed to address non-compliance for each (e.g. – “*privacy act breach during productization & launch stage would mean*”). Include some relative indication of the associated cost using “Very high, high, medium, low, very low”

Task #5 For the “item/stage” assessments you carried out for item #3 and item #4 that related to Uber as well as “Flying Cars Ltd”, consider whether their remediation response matched the response you came up with, and if not make a note about why you think that is.