

What's Exactly Wrong With #Uber

Imagine you walk into a hospital for treatment and after your appointment with the doctor, you feel disappointed and you decide to talk to the hospital's management. You get the shock of life when management kicks you out of the office claiming they are not running a hospital but a mere aggregator to connect doctors with patients.

You get another shock when management further informs you that they do not maintain any record of doctors operating via their platform as they are not their employees.

To rub salt into your wounds, management has the audacity to throw it on your face that they don't even have any protocol in place to ensure whether they are real doctors or not, they just go by their words without conducting any due diligence.

Now you don't even desire to think about issues like what happens in case of medical negligence, how does healthcare insurance work, and stuff like that!

Welcome to new age businesses, replace doctors with cabbies and here comes Uber.



Context

Before reading further, please note that I have been a Uber user myself and hence would try to make this article balanced, both from the perspective of consumer and an external observer.

Consumer's Perspective – Utmost Satisfaction

Talk to any Uber user and all you will get to hear is praise about the awesome experience. Well, that's true but at the same time, problems associated with Uber cannot be swept under the rug. I would rather prefer to highlight those so that the same can be solved to evolve Uber as an actual disruption rather than an international offender breaking numerous laws and regulations.

Disruptive Business vs. Conflict of Interest – Uber’s Real Problem

In simplest terms, **Uber’s real problem is conflict of interest**. Uber operates (or pretends to operate) and legally structures itself as a technology company but ends up providing taxi services, without obtaining required licenses and permits as required by local laws of each city.

Here, have a look at Uber’s Wikipedia page, the first line states:

Uber is a rideshare and taxi service headquartered in San Francisco, United States (U.S.), which operates in multiple international cities.

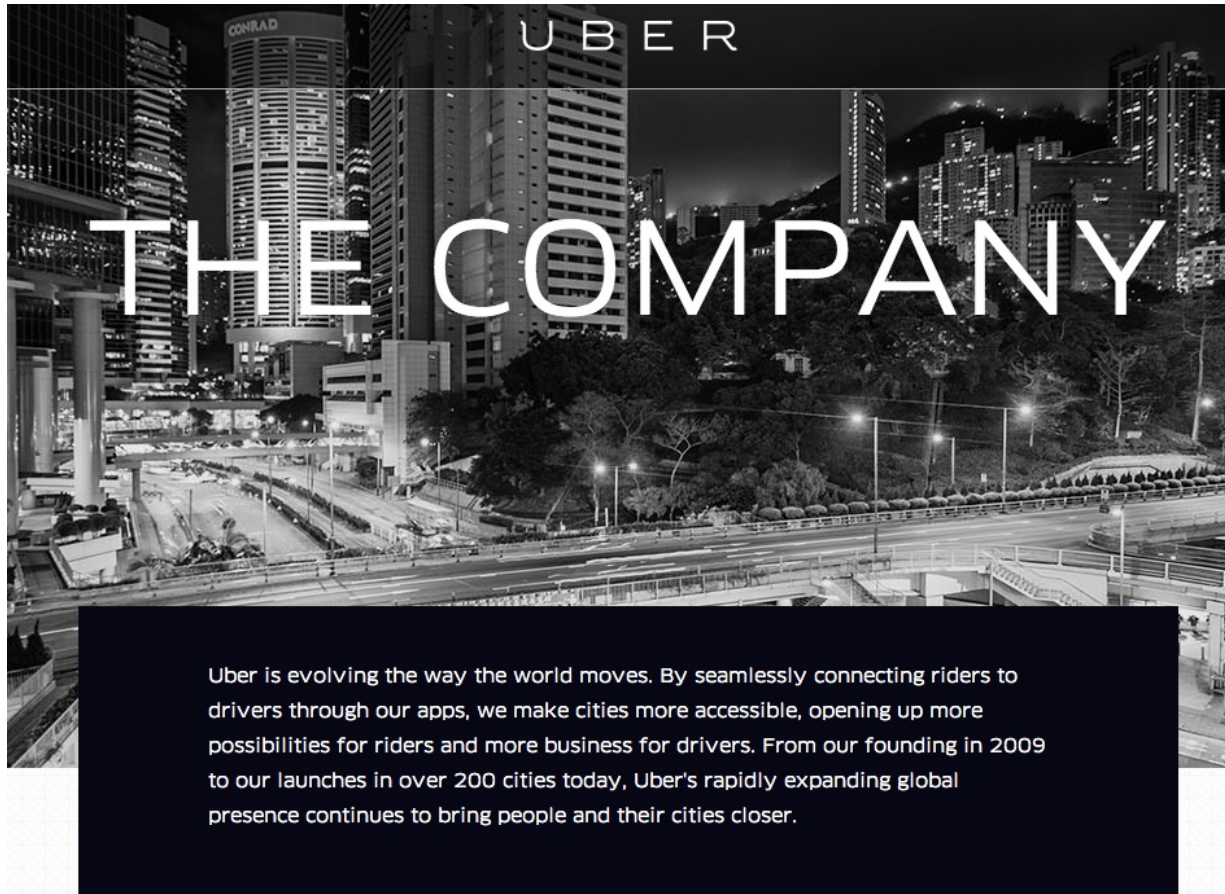


Image taken from Uber’s [website](#).

Now, what is baffling is that **Uber provides ridesharing and taxi service without even owning a single taxi or without hiring a single driver, beat that!**

All it does is provide tech in the form of a mobile app to connect demand side with supply side. From a business side, it can be applauded, but from a consumer’s side (and regulatory perspective), it is utter nonsense that **user ends up paying for a service to a company which is not permitted to provide said service anywhere in the world!**

This leads to another set of complications arising from taxation, perspective, foreign direct investments (FDI), and the like.

Uber’s Legal Breaches in India

Consider this example in India, cab services are subjected to service tax. So if you ride through a licensed radio cab operator, you end up paying tax over the fare that goes to government via the company operating said cab. Few months back, there was an issue with [Uber regarding service tax](#), wherein the service tax department sought clarifications from Uber as to who is liable to pay taxes, the company or the drivers. At that time, **Uber did not even have an office in India and officials had to communicate with Uber's office in Netherlands!**

Uber responded to government's service tax demand saying since it is not into the business of providing cab services, drivers are liable to charge (and subsequently deposit) service tax. **Till date, Uber has not paid any service tax, unlike its competitors.** Imagine the losses faced by the government all this while considering differences in tax liabilities of individual drivers and a company. However, as per recent report, [Uber has agreed to pay service tax in India.](#)

Operating Without Office!

After a recent case of horrific crime committed by Uber's driver in Delhi, [Delhi police could not locate details of Uber's office in Delhi.](#) It is shocking to know that **police officials had to first download the Uber app, upload money in prepaid wallet, book a taxi ride, and then finally they reached Uber's office through the driver.** Although I can't confirm this, some reports said Uber was operating through a temporary office (hotel room) in Gurgaon (Haryana), which is not even in the jurisdiction of Delhi. This is difficult to believe that Uber is providing services without having any local presence (office, call center) to answer to the issues faced by the consumers or law enforcement agencies. However, this is not surprising considering the **three employee policy** followed by Uber, wherein the [company hires only three employees in each city.](#)

Uber's \$40 Billion Valuation – Boon or Bane

While [Uber's valuation swells up by billions of dollars](#), it has simultaneously achieved a rare feat of [reportedly hiring a lawyer per month to its legal team!](#)

\$40 Billion Success Story Or A Dangerous Scam

This was recently pointed by Robert Reich (American politician, academic, writer, and political commentator) in a facebook post. Details can be seen [here.](#)



Robert Reich

December 7 at 9:37pm · 🌐

👍 Like Page

Uber, the car-share service company, announced yesterday it got more money from venture capitalists this year than any other company, putting its value at around \$40 billion -- higher than American Airlines. Yet Uber employs only 1,500 people directly. The rest of its “employees” – the drivers who use their own cars -- take on almost all the cost and risk. In fact (as the New York Times revealed yesterday), Uber demands drivers handle any and all damage claims themselves through their own personal car insurance, even though those insurance companies don't cover commercial activity. Which means Uber drivers aren't insured to drive others for money. Which means Uber riders won't collect if there's an accident.

So is Uber a \$40 billion success story or a dangerous scam?

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👍 Jeremiah Owyang and 14,216 others like this.

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Following text has been copied from his post verbatim:

Uber, the car-share service company, announced yesterday it got more money from venture capitalists this year than any other company, putting its value at around \$40 billion — higher than American Airlines. Yet Uber employs only 1,500 people directly. The rest of its “employees” – the drivers who use their own cars — take on almost all the cost and risk. In fact (as the New York Times revealed yesterday), Uber demands drivers handle any and all damage claims themselves through their own personal car insurance, even though those insurance companies don't cover commercial activity. Which means Uber drivers aren't insured to drive others for money. Which means Uber riders won't collect if there's an accident. So is Uber a \$40 billion success story or a dangerous scam?

Conclusion – Way Forward

Well, no one intends to ban Uber outright but blatant ignorance towards laws of land and repeated breaches of regulatory protocols will do no good both to Uber and to the consumer. There is a strong demand and Uber seems smart enough to cater to the growing demands, but all it requires is to have legitimate operations and take adequate compliance steps as mandated by the law enforcement agencies. So, let's hope sense prevails and **#UberGate** ends forever.

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