



**UBER submission to the 2017
Tasmania Pricing Policies Investigation**

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Foreword

Uber appreciates the opportunity to contribute to the 2017 Motor Accident Insurance Board (MAIB) Pricing Policies Investigation. The Investigation is a timely opportunity to ensure that the Compulsory Third Party (CTP) insurance framework in Tasmania accommodates new transport models such as ridesharing.

Uber welcomes the sensible and proactive approach taken to the regulation of ridesharing by the Tasmanian Government. Among other things, the Government took action to ensure that ridesharing is contained within the private vehicle class for the purpose of CTP insurance. Likewise, Uber is pleased to see the forward-thinking recommendations tendered by the MAIB in its preliminary submission to the Investigation.

These approaches to CTP insurance will help to ensure that ridesharing is regulated appropriately over the coming year, opening up flexible economic opportunities to the everyday Tasmanians who choose to rideshare.

Recommendation

Uber recommends to continue classifying ridesharing vehicles as Class 1 private vehicle. Existing evidence suggests that ridesharing has a risk profile comparable to private vehicles. The class can be readily assessed over time to confirm these characteristics.

In this respect, Uber fully supports the recommendation of the MAIB:¹

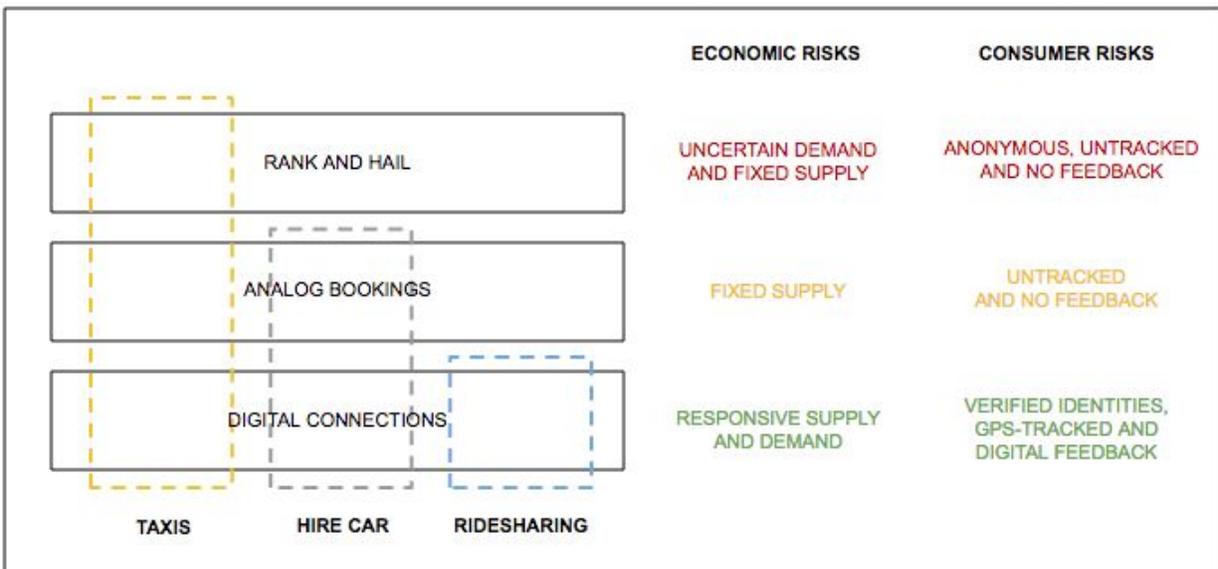
It is currently recommended not to create a new vehicle class for RSOs [ridesourcing operators]. Without capturing additional information, allowing ride-sourcing vehicles to remain as a Class 1 vehicle is the most pragmatic solution and allows a new industry to develop.

This is our preferred option for the next four years. The creation of a new premium class needs to be evidence based and until such evidence is available, it is preferable not to create a new premium class, especially if it locks MAIB into premiums which do not align with the class's level of actual risk.

Overview

Taxis, hire cars and ridesharing are distinct models with distinct usage and risk profiles. These distinctions must be reflected in appropriate vehicle injury insurance regulations.

Technology offers new solutions to safety, accountability and efficiency



¹ Motor Accidents Insurance Board, *Tasmanian Economic Regulator Submission 2017*, 30.

The relative risk profile of ridesharing is comparable to the risk profile of private passenger vehicles. Ridesharing:

- Deploys underutilised personal vehicles; and
- Offers a flexible source of income through occasional part time driving.

This means that vehicles will generally engage in ridesharing only when they are not otherwise occupied. Ridesharing is ancillary to the primary application of the vehicle. By way of illustration, ridesharing is a secondary source of income for 88 per cent of Uber partners surveyed in Australia, and fewer than 5 per cent of those partners identify as commercial drivers.

It is inappropriate to attribute to these vehicles the risk characteristics of a vehicle dedicated to full time hire car or taxi operations. Speculative insurance treatment would impose additional costs and administrative burdens on ridesharing drivers unsupported by clear reasoning or actuarial injury data. These costs would make ridesharing unviable in Tasmania.

Risk profile of ridesharing

Private classification is appropriate given the risk profile of ridesharing, and given the dominant intended purpose of ridesharing vehicles.

(A) Time on the road

Ridesharing vehicles are both designed and intended for predominantly personal use. Half of Uber partners in Australia drive for well less than ten hours per week. Many drive for one or two hours.

The ridesharing supply and demand model depends on these “part time” drivers. With real-time demand mapping, Uber partners can log-on in response to emerging demand, and log-off when demand subsides to pursue other activities. Ridesharing smartphone technology helps to ensure that vehicles are on the road when needed, and off the road when they are not required. That efficiency translates into reliable and affordable rides for consumers.

Marginal work of this kind does not relevantly distinguish ridesharing from private vehicles. Established CTP private vehicle classes already accommodate extreme variations in on-road hours. Indeed, these classes recognise certain types of incidental commercial usage such as couriers, real estate inspections, trade vehicles, and cost-recovery carpooling. A few hours of incidental ridesharing falls well within that range of vehicle use.

By comparison, profit maximisation is the dominant intended purpose of commercial vehicles such as traditional hire cars — not incidental income. Commercial vehicles such as traditional hire cars and taxis operate with rotating driver shifts across the week, every week. As dedicated vehicles, they have no alternative purpose. They are shared between multiple drivers through

bailment or cooperative ownership arrangements to ensure maximum operating time and profitability. In addition, taxis must drive to both deliver passengers and to locate or ply for their next passenger. The average Australian taxi drives 155,300km per year, compared to 13,800km for private vehicles.²

(B) Carriage of passengers

Personal vehicles frequently carry passengers. Incidental ridesharing work does not materially change this risk profile. As personal vehicles, maximum passenger capacity is limited in practice to four: significantly less than the 16 seat commercial buses in CTP class 16, for example.

(C) Driver quality

Uber only partners with drivers who meet rigorous state and company standards. Ridesharing partners with Uber must obtain an Ancillary Certificate from the Registrar of Motor Vehicles, which includes a criminal and driving history check. Furthermore, Uber partners must be aged 21 years or older with at least 12 months of Australian driving experience, ensuring that the highest risk class of drivers (17-20 years olds) are removed from the pool.

Uber riders provide feedback about their driver at the conclusion of each trip via a five-star rating system. Riders can also leave written feedback on any matter including driving behaviour. Uber partners must retain a high star rating. Poorly rated partners or those with an emerging record of unsound driving are quickly removed from the platform. In Tasmania, Uber partners hold an average star rating of 4.88 (as measured over a partner's previous 500 trips), implying an exceptionally high level of service.

In this way, ridesharing drivers as a class are likely to be among the safest on the road. The initial pool of drivers already excludes those who have a record of high risk driving behaviour. The pool is then actively monitored and "filtered" to eliminate drivers who subsequently exhibit high risk or otherwise questionable driving behaviour. Existing private and commercial classes do not filter drivers in this way.

(D) Reduced moral hazard

Uber partners must be listed explicitly on the property damage insurance policy of their vehicle. They take a corresponding level of care in operating the vehicle, mindful that high risk driving will impose personal financial costs in the form of higher premiums and/or policy excesses. The overwhelming majority of partners own the vehicle they drive for ridesharing.

By comparison, dedicated commercial vehicles are generally owned by a person other than the driver. The division of ownership and operation gives rise to a well-recognised moral hazard

² Australian Taxi Industry Association state and territory statistics for 2014; Australian Bureau of Statistics, *Survey of Motor Vehicle Use, 12 months ended 31 October 2014, 2015.*

problem that encourages higher risk behaviour among such drivers. Claim rates do not impose personal financial costs on these drivers, generally encouraging a lower standard of care.³

(E) Vehicle age and safety

Uber requires vehicles to meet high quality standards, consistent with the high expectations of riders. One consequence of these standards is that ridesharing vehicles are modern and safe as a class of vehicles. They are characterised by a high prevalence of driver and passenger airbags, stability control, and other latent safety features only present in newer passenger vehicles.

(F) Regulatory classification

The regulatory treatment of a vehicle does not relevantly affect its risk profile. The existing Tasmanian CTP scheme discriminates between private vehicles, taxis and other “public passenger vehicles”. However, the mere classification of vehicle as a “public passenger vehicle” does not change its real-world risk profile, nor does it accurately capture the full range of intended or actual usage. Other factors are more determinative.

The Government recognised that whilst ridesharing constituted a “public passenger service” for the purpose of driver and vehicle accreditation, that regulatory classification did not accurately reflect the risk profile of the class. The *Economic Regulator (MAIB Premiums) Amendment Order 2016* clarifies that ridesharing vehicles will be treated as private vehicles for the purpose of CTP insurance. The distinction was based on relevant regulatory characteristics including:⁴

- Vehicles may only be requested through “ride-sourcing software” (not via other booking channels, and not via street or rank hails);
- Prescribed software must generate a digital record of each trip and enable passengers to register driver feedback; and
- Partners must notify the Registrar of their intention to operate a specified ridesharing vehicle.

These features relevantly distinguish ridesharing from other types of public passenger services. Any decision to re-classify vehicles for CTP should be firmly based on actuarial data rather than a “bulk” legislative classification of a vehicle or other arbitrary criteria.

Conclusion

Major Australian insurers have acknowledged these distinctions in relation to private vehicle insurance. These insurers understand the inherently low risk profile of ridesharing, and understand the importance of accommodating these emerging vehicle applications. NRMA Insurance, part of IAG, took the first step to recognise ridesharing this way in August 2015. In July 2016, Allianz

³ NSW State Insurance Regulatory Authority, *Discussion paper: Review of CTP motor vehicle insurance for point to point transport vehicles*, 2016, 6.

⁴ Exemption Notice, 2016 issued under the *Passenger Transport Services Act 2011* (Tas).

moved to offer ridesharing domestic car insurance to UberX drivers nationally with no additional premium loading. Other Australian car insurers have since followed suit. QBE Insurance, RAA (in South Australia), RACQ (in Queensland) and RACT (in Tasmania) all now offer rideshare coverage alongside their private car insurance offerings.

Given the diverse personal applications for ridesharing vehicles, the dominant intended application of a vehicle should determine its personal injury insurance treatment. For ridesharing vehicles, the dominant intended application is personal use. The characteristics of ridesharing make private classification for CTP insurance appropriate.

Table 1. Summary of comparative risk profiles

Risk profile of class				
Insurance risks	Ridesharing (Uber)	Personal	Hire car	Taxi
Dominant intended purpose	Personal	Personal	Commercial	Commercial
Time on the road	Variable and low	Variable and low	Moderate (bookings) Full time commercial drivers	High (bookings and plying for hire) Full time commercial drivers
Carriage of passengers	Variable	Variable	Frequently	Frequently
Driver background	21+	16+	20+	20+
Driver accountability	Not anonymous	Not anonymous	Not anonymous	Effectively anonymous
Driver behaviour	Digital feedback after every trip	Informal feedback	Ineffective feedback	Ineffective feedback
Usage	Pre-requested No street hails	Personal	Pre-booked No street hails	Spontaneous street hails
Moral hazard	Driver generally owns vehicle Driver always explicitly listed on insurance	Driver generally owns vehicle Driver covered by insurance	Driver sometimes owns vehicle	Driver rarely owns vehicle
Appropriate CTP classification	Class 1	Class 1	Class 6 or 16	Class 6

Annex: Uber partners in Australia

Low barriers to entry are essential for ridesharing to operate effectively. Ridesharing partners use their personal vehicles to generate flexible income: to support their families, overcome barriers to economic participation, provide income in between careers, or fund new ventures. That is unviable when regulations impose unnecessary costs.

“Why I drive” — Uber partners in Australia

Supporting family

My daughter has been identified as having learning difficulties which requires specialist tutoring. My earnings from Uber will be paying this. Without Uber, we wouldn't be able to do this.

- Jason

I am a single mother trying to pay all my bills. I pay bills for my parents as well.

- Ambreen

I finished my job last year so that I could help care for my father who was suffering Motor Neuron Disease and wanted to remain at home... Driving Uber with flexible hours allowed me to earn some income and allowed him to stay at home, saving the government tens of thousands of dollars a month.

- Peter

I'm married with one child who has special needs, so having the flexibility to finish early and spend more time after school makes a huge difference. I'm also honoured to be part of the uberASSIST program which allows me to assist those with accessibility needs...

For various reasons and to better look after a family member diagnosed with cancer, I decided to leave my full time job in the corporate world. I now run my own health, lifestyle and promotions business and drive for Uber on a part time basis. Driving for Uber helps me to keep doing what I love.

- Andrew

I drive for extra income... It was important for me to be able to send [my children] to a good school.

- Samuel

Work that suits

I was born with spina bifida and I really should not be here (alive) to write this... I am a chef by trade, but due to my condition I had to retire. Uber has now given me the opportunity to supplement my average wage to the point that I may continue my studies.

- Paul

I am a qualified paramedic and drive for that job too. I Uber to earn extra cash when I have time. It fits well into my shift work schedule.

- Lani

I started driving during school holidays and now drive on the weekend when I'm not teaching.

- Wendy

I'm an ex-police officer... I'm a leukaemia survivor, after having a bone transplant in 2008.

- John

Transition

I was unemployed for a year before I found Uber. I decided to join Uber because I wanted to do something during the day while I was looking for a job. It was really hard for me to find another job because of my size, but with Uber nothing like that matters. Joining Uber was the best decision I've ever made.

- Jordan (lives with achondroplasia)

Thanks to Uber, I can support my family and pay the bills. My industry is quiet and Uber has helped me through.

- Peter

I have been looking for work since last September but didn't find anything until Uber because of the age factor... I used to drive taxis long ago but it was very stressful.

- Waisake

New opportunities

Uber has given me a flexible way to earn money while building a business. At my age, it is very hard to get work that is this flexible. Thanks Uber!

- Andrew

Uber has been a great support for my small business. It is a totally 100 per cent flexible income stream while your own business gains traction.

- Jarrod

Uber enabled me to continue to work setting up my own software company.

- Ben