



Writing the Laws of *The Sharing Economy*

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A great many laws, regulations and societal norms that were developed over many decades have had to evolve to meet the demands of the internet era. Looking back, it was often the major online suppliers who took the lead in establishing new practices and understandings. For example, the rapid rise of Amazon overpowered those who wanted to tax internet sales during the early dot.com years; the business models of Yahoo (and then Google) are based on the idea that it is 'fair' to make huge profits by linking to the work of others without sharing any of the rewards; Apple determined that the price of a song should be 99 cents.

As technology advances, new norms are continually needed. Today, many of the most heated debates revolve around Uber, which has emerged as the de facto leader in controversial areas such as the use of free agent workers, job licencing credentials, and, perhaps most importantly, dynamic pricing – all vital to the future of the *sharing economy*.

Not surprisingly, most of the Uber press coverage has focused on its impact on the traditional taxi industry. As one London black cab driver said to me recently, "I am 50 years old and share a one-room flat with two other drivers; the last ~~missing~~ thing I need is ~~missing~~ing Uber." Hence the fierce protests in Paris, Ireland, Germany and elsewhere. It's hard not to feel sympathy for all the London cab drivers who spent years preparing to pass 'the knowledge' only to see this expertise commoditized into a free smart phone app. In contrast, few people felt much sympathy for disrupted journalists and record company executives.

Unfortunately for traditional taxi drivers, the odds of going back to the pre-Uber world are slim. Large urban areas need to reduce traffic, parking and pollution, while improving their ability to cope with peak-load and emergency situations. Agile and intelligent car sharing services can be of great help toward these ends. Current worries about driver background checks, insurance coverage ambiguity, freelance worker rights and car maintenance standards are all valid, but will prove manageable over time. If a final trump card is needed, Uber can rightly claim that in a time of high unemployment, it is a net jobs creator.

Uber's pricing raises more nettlesome issues. Of course, airlines, hotels, ticket sellers, trains, rental cars, parking lots and many other businesses have long used dynamic pricing, often ranging up to five or ten times the standard price. But Uber's surge pricing is a bit different. While consumers can choose not to take a flight or book a hotel, when it is 2am and you need to get home, even a five-fold increase can be hard to decline. If public transport systems behaved this way, people would be up in arms. On the other hand, during the huge snowstorms in Boston this year, when most cars could not be shovelled out and the mass transit systems broke down, Uber was up and running, and the higher prices were useful in both increasing supply and reducing demand. Thus, there does seem to be a real need for balance. We expect that as Uber becomes a major part of many urban transportation systems, it will accept at least some public interest constraints.

A direct offshoot of Uber's pricing strategy is that the company is learning how price-sensitive each of its customers is. No doubt, Uber is already tracking how often we accept or reject various surge price multipliers, and thus it must be tempting to use this information, not just to balance supply and demand, but to optimize revenues and profits. Does Uber do this? Should it do this? Should this be allowed? These will be important issues in the years ahead.

The bottom line is that Uber is a disruptive force, and with disruption comes controversy, especially when quasi-public areas such as healthcare, education and transportation are affected. But even in these industries, the best defence against the possible downsides is not banishment and strict regulation, but competition and transparency.

If Uber is the only ride-sharing game in town, the temptation to maximize profits and maintain secrecy will be strong. But freelance drivers and car sharing apps are not rocket science, and taxis are not a natural monopoly. Cities and towns should seek to foster competitive ride-sharing environments for their citizenry, where the rules of the road are clear to all. Not every internet market needs to be *winner take all*.

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