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Platform Capital and the City

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Summary

This paper analyses the regulatory responses of Buenos Aires and Greater Manchester to the arrival, and expansion, of platform Transportation Network Companies (TNCs) like Uber.

Drawing on original case study material, the authors, Mathew Johnson and Angel Martin-Caballero, explore the complex and dynamic nature of local regulatory responses, highlighting the important interactions between the competencies of local regulatory actors, the power of different interest groups, and the legitimacy of institutional rules. They argue that balancing these three components is crucial to effectively manage the increasing embedded nature of platforms within local transportation markets.

Introduction

The rapid growth of platform operations, particularly in ride-hailing, has posed numerous challenges for regulatory actors at local, national and international level. One of the most widely known "regulatory headaches" has been the misclassification of riders and drivers as "self-employed" contractors, which often excludes them from minimum wages and social protection systems. But other issues include the avoidance of tax, the potential for unfair competition due to fare subsidization, increased air pollution and traffic congestion, and public safety concerns arising from weak driver and vehicle background checks.

While platforms like Uber have been willing to ignore, subvert and lobby against regulations, leading some to perceive the state as "powerless", their entry into specific local markets has often been chaotic and uneven, prompting similarly varied responses from state and non-state actors. These responses have ranged from outright bans and "cease and desist" orders through to restrictions on digital payments, enhanced driver and vehicle licensing standards, and efforts to extend minimum employment standards to platform workers. Interestingly, despite initial resistance and threats to quit cities where regulations are enacted, Uber often (reluctantly) adapts to local rules, resulting in a heterogeneous operating model across different locales.

In order understand variation across cities, we proposed a three-fold analytical framework consisting of competencies, power, and legitimacy —to understand how cities have attempted to govern platform capital.

Competencies

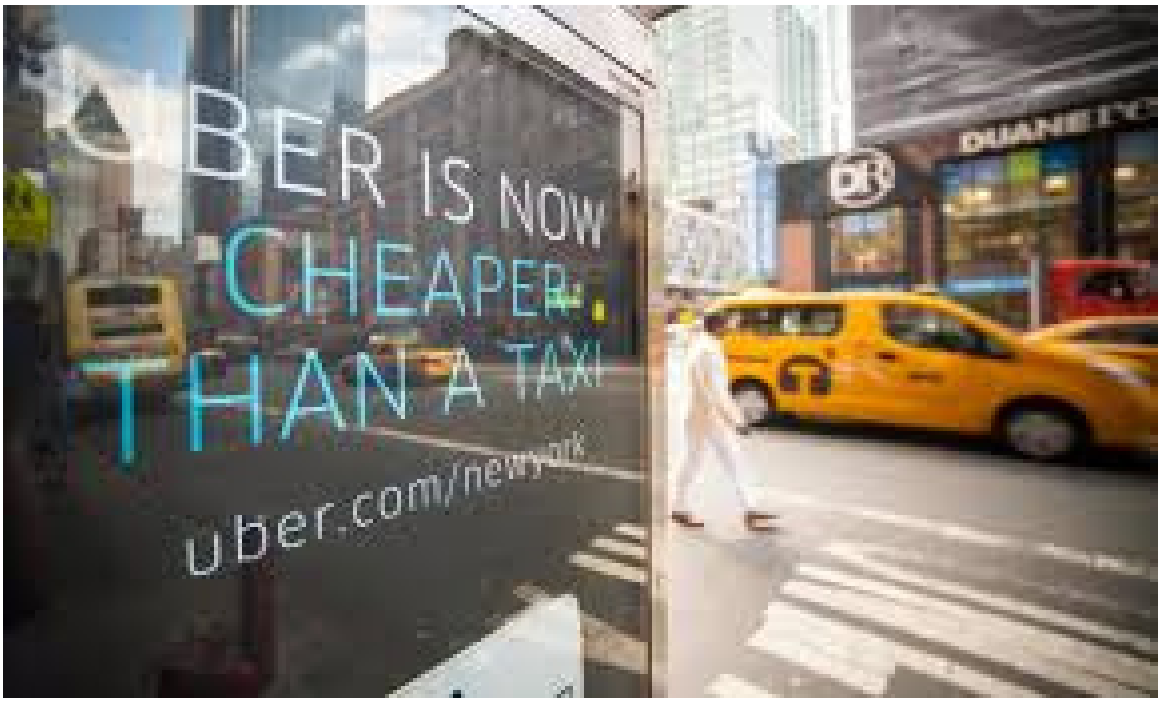
Competencies refer to the ability of local actors to enact and enforce rules. The transnational nature of platforms often transcends multiple jurisdictions, creating a complex patchwork of rules. City responses reflect the delegated competencies of local actors in areas like taxation, data, public safety, minimum wages, and social security.

A key distinction is made between political competencies, tied to electoral cycles and public debate, and technical competencies, possessed by municipal administrators and agencies in governing transportation systems. This issue is increasingly important in the US where there have been examples of "pre-emption", where higher levels of government have prevented municipalities from setting enhanced labour or licensing standards.

Power

Power reflects the issue that platform regulation is an intensely politicized struggle between different interest groups. Platforms often act as both "insiders" and "outsiders," using lobbying to influence formal decision-making while mobilizing consumers and drivers to shape public debate. Uber, for example, has portrayed strict regulations as antithetical to free competition and customer choice, and has also sought to cultivate "bottom-up" legitimacy by emphasising their diverse driver and customer base. The variation in licensing standards across cities also creates scope for "regulatory arbitrage," allowing TNCs to choose locations with the most favourable arrangements.

However, threats from Uber to withdraw from markets are increasingly seen as performative rather than genuine structural power, and cities have adopted a "wait and see" approach. This has led to "contentious compliance," where TNCs work within specific regulations while continuing to contest the broader regulatory framework, thereby establishing themselves as essential transportation providers.



Legitimacy

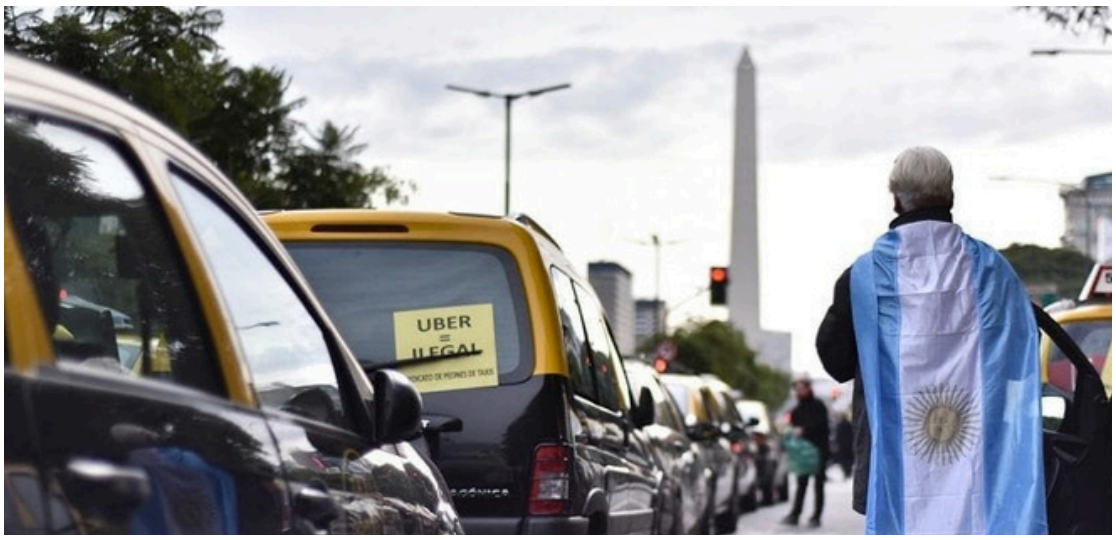
Legitimacy is crucial for understanding how platform TNCs establish themselves within specific markets, and how patterns of resistance and adaptation unfold. Uber has sought to cultivate moral legitimacy by emphasizing mutual gains for "driver-partners" and customers within the "sharing economy," and by claiming to extend affordable transportation to underserved communities. This is complemented by the pragmatic legitimacy of financial value creation and "more efficient" services. A common framing device for TNCs has been to challenge existing taxi "cartels," arguing that state licensing inflated prices without guaranteeing service quality or safety. However, there is growing evidence to suggest that public opinion is becoming unfavourable towards "exploitative" gig economy businesses. The disastrous IPO of Uber in the U.K. in 2019 underlines the increasingly fragile economic and moral legitimacy of the company.

Buenos Aires

The case study of Buenos Aires reveals how ambiguous competencies, and shifting power resources, led to regulatory "turf wars" between the national and local level of government. Uber's arrival in 2016 immediately triggered reactions from both local government and trade unions, with accusations that Uber was operating illegally and failure to meet existing taxi regulations.

A Buenos Aires court suspended Uber's operations within 24 hours, leading to raids on its headquarters and attempts to block its website. However, these efforts were hindered by fragmentation across regulatory domains and jurisdictional levels, as a city-level ruling could not easily block a national app and website.

The fragmentation of worker power was also evident; while taxi drivers protested initially, their collective power was limited by internal divisions within unions and declining membership, as many "peones" (drivers) switched to driving for Uber for greater flexibility and lower costs. Despite multiple rulings declaring Uber illegal, there were few material consequences, allowing the company to steadily gain market share. Ultimately, a surprising 2020 ruling by the Superior Court of Justice affirmed Uber's legality, shifting the focus towards strategies of "accommodation" and modernizing traditional taxi services in order to compete with platforms.



Greater Manchester

In Greater Manchester (GM), the approach to Uber was different, and was largely characterized by the interplay of technical and political competencies.

Taxi licensing in the U.K. was historically a technical affair, with Hackney carriage (black cab) and Private Hire Vehicle (PHV) licenses. Uber and Bolt entered Manchester relatively late (2017/18) with a low-key rollout, often facing less initial public resistance compared to London, and relatively simple compliance with local licensing standards (that mostly relate to driver and vehicle background checks). The main issue in the UK is "license shopping," where drivers obtain licenses from boroughs with quicker, cheaper, and potentially less stringent, processes which potentially undermines higher standards in other areas, and can lead to an oversupply of drivers.

Attempts to harmonise standards across the ten boroughs of GM were resisted by drivers and customers pointing to a lack of legitimacy for these new rules. For example, while these standards covered safety, vehicle quality, and driver conditions, they were also linked with plans for a clean air zone across GM (which would see drivers charged for travel into central area) and lacked any meaningful provisions for labour standards such as minimum fares or working time.

Consultation revealed concerns about increased costs for drivers and whether the standards would genuinely improve safety or simply encourage drivers to quit or license elsewhere. Despite weakening demand and growing competition from other platforms, Uber has continued to increase its driver base post-COVID and drivers face low earnings due to "smart pricing" strategies, leading to unofficial strikes coordinated by unions and drivers themselves.

Conclusion

In conclusion, we argue that understanding cities' responses to platform capitalism requires recognizing the fragmented system of rules governing TNCs and the diverse range of actors involved.

While previous research has questioned the willingness and ability of local regulators to push back against platforms, the case studies demonstrate that cities, trade unions, workers, and citizens are actively seeking to shape transportation markets.

In both Buenos Aires and GM, local actors, despite lacking formal competencies to directly regulate platform businesses or set binding employment standards, have experimented with traffic regulations and enhanced driver and vehicle licensing standards in order to temper some of the negative externalities created by platform TNCs. Clearly, the process by which minimum standards are agreed upon and their perceived legitimacy are as crucial as their technical scope.

Indeed, legality is not synonymous with legitimacy, they often operate without prior approval but quickly seek to build trust among drivers and customers.

Conversely the increasing compliance of Uber with legal rules does not wholly insulate it from changing customer behaviour, weakened investor confidence and competition from other providers. Rather than attempting to simply close the loopholes exploited by platforms, local actors should experiment with broader measures to benefit all low-wage workers, such as raising minimum wages, expanding social protection, investing in labour inspection, and fostering collective participation in decision-making.