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Carlos Navarro

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Uber Transportation Service Expands to 14 Cities in Mexico

by Carlos Navarro
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The smartphone-based transportation service Uber, which has caused major controversy in the United States, Europe and some countries in Latin America (NotiSur, March 4, 2016), is also creating quite a stir in Mexico. As has been the case in other nations, Uber has drawn major opposition with the traditional taxi industry, which has lost significant business to its upstart competitor, and from municipal governments, which are threatened by the loss of potential revenue from licensing fees and permits.

Uber launched operations in Mexico in August 2013, beginning with service in Mexico City, and expanding to Guadalajara, Monterrey, and Tijuana in subsequent months. In less than three years, the company started operations in 10 other cities: Toluca, León, Puebla, Querétaro, Mérida, Hermosillo, Mexicali, San Luis Potosí, Aguascalientes, and Cuernavaca. In the latter six cities, the service began in March. “All these cities have more than 1 million residents, and they are places where we see an important economic opportunity,” Uber regional director Francisco Sordo said in an interview with the daily business newspaper El Financiero. Under the Uber model, users can request a car via their smartphones and have the vehicle arrive in the minimum amount of time possible. The company uses GPS and Wi-Fi applications on the client’s cellphone to establish a pickup location, but customers can also enter an exact address. The cost of the ride is automatically charged to a credit card that customers have provided to the company. The service is convenient for passengers, who don’t have to worry about using cash to pay for their ride. The tip is already included in the cost of the service.

Eliminating the need to handle cash is important in Mexico, as taxi drivers have been known to overcharge passengers. Similarly, Uber drivers become less of a target of criminals than taxi drivers because they do not carry cash. “For drivers, Uber is fabulous,” one Uber driver in Mexico City said in an interview with the online news site Latin Correspondent. “Especially since we don’t have to deal with cash. Here, you know, someone will kill you for 100 pesos (about US$5.75). But with Uber, everything is transacted automatically with a credit card—no cash. You want my car? Take it. It’s insured.”

Taxi drivers unhappy

The company’s entry into the Mexican market has been less than smooth, however, with traditional taxi operations offering major resistance. Taxi drivers in Mexico City and other cities complain that they have been put at an economic disadvantage because drivers employed by Uber and a competing service in the Mexican capital known as Cabify are not obligated to pay licensing costs and other fees. In Mexico City, taxi drivers are required to pay a one-time fee of 80,000 pesos (US $4,600) for permits, to acquire special insurance and to cover the expense of painting their cabs in a pink-and-white color scheme.

On average, Uber drivers in Mexico earn a little more than US$5.20 (90 pesos) per hour, compared with hourly rates of almost US$19 for counterparts in New York and $23.20 for drivers in Paris, according to a study conducted by the daily newspaper Excélsior.
No comparisons are available for current earnings for taxi drivers in Mexico. However, a study conducted by the Universidad Autónoma Metropolitana (UAM) in 2010 concluded that cab operators in the capital earned between 100 and 300 pesos daily (US$5.80 to US$17.40) that year.

As expected, taxi drivers have rebelled in every city where Uber has set up operations. In most cases, they have shown their displeasure by blocking streets to send a message to authorities to rescind the Uber permits or to require the new competitors to submit to the same regulatory guidelines that they are required to follow. A demonstration in Guadalajara in March involving 2,000 taxi drivers became violent when the demonstrators turned against motorists on a public street. A police officer was injured and 47 demonstrators were arrested following the incident.

On the day taxi drivers were protesting in Guadalajara, Uber offered a promotional code giving its users free rides between 10 a.m. and 7 p.m. “As today is a difficult day to get around, we’ve decided to give away Uber rides to all users in the city, because if Guadalajara doesn’t stop, Uber doesn’t either,” said the company in a press release.

In Cuernavaca, state officials sided with the taxi drivers. On the day when Uber started operations in that city, the Morelos state transportation ministry (Secretaría de Movilidad y Transporte) issued an order requiring authorities to seize all vehicles affiliated with the transportation company. Secretary Jorge Messeguer explained the decision by pointing out that Uber lacked the necessary permits to operate in Cuernavaca. However, the secretary invited representatives of the company to meet with him so they could resolve the dispute. “We aren’t opposed to new options for the users of public transport, but all should be done in a regulated manner,” Messeguer said on Twitter.

In San Luis Potosí, members of the Frente de Auténticos Operadores, an organization of taxi drivers, said they planned to seize the Uber vehicles themselves, even if they had to resort to violence. However, there were no major incidents reported on the first day of operations in that city, which was March 9.

Protests also occurred in metropolitan areas where the company does not operate, such as the city of Oaxaca, the capital of the state with the same name. Taxi drivers in that city were protesting plans by municipal authorities to modify the city’s transport law, which could open the door for Uber to operate in that community.

Even though authorities in Cuernavaca initially took a hard line against Uber, officials in states where the service has begun operations have worked with the company to implement regulations. In Jalisco, for example, state authorities are requiring Uber to obtain an annual permit and pay a one-time fee of 1,600 pesos (US$92) per vehicle providing the service. Additionally, the company would be required to give drivers benefits and a contract. An important change is that Uber users in Guadalajara and any other cities in Jalisco where the company intends to operate should have the option of selecting their form of payment, including cash.

**Business groups support Uber**

Still, despite the increased regulatory efforts, some officials and business chambers view the entry of Uber into Mexico as a benefit for tourism and for business. “For members of the business community, the arrival of Uber is a sign that ours is an important city,” said Raúl Martínez Jiménez, president of the Cámara Nacional de la Industria de Transformación (the manufacturing industry chamber, CANACINTRA) in San Luis Potosí.
“At first, there was a lot of resistance on the part of the [Guanajuato] government and state legislature to provide concessions for a service that is important to the city of León, a service that is safe, professional, and clean,” said Víctor Román Flores, president of the León chamber of commerce (Cámara Nacional de Comercio, Servicios y Turismo). “As a business organization, we insisted that the concessions be provided. We want a government that facilitates, not one that presents obstacles. I had a personal conversation with Gov. Miguel Márquez, and he reassured me that he definitely supports Uber.”

Other observers noted the benefits of promoting free enterprise and competition. “Do authorities favor the development of new alternatives or a position that hurts consumers and benefits the taxi cab unions who refuse to compete, giving up their own advantages?” columnist Salvador Camarena wrote in El Financiero.

The opposition and regulatory debates in Guadalajara, Cuernavaca, San Luis Potosí, and other cities replicates the experiences of Mexico City almost a year ago. Cab drivers in the Mexican capital argued at the time that Uber and Cabify were no different from the pirate taxi operations that steal their business. “Impunity, corruption, and crime travel through the entire city in Uber, Cabify and pirate taxis with total freedom and the protection of the [Mexico City] government,” a cab driver said in an interview. The cab drivers expressed their displeasure with Uber and Cabify in May 2015 by blocking traffic in the Mexico City capital. They parked their cabs in key intersections and marched along the main thoroughfares, demanding that the local government get Uber and Cabify cars off the streets.

Officials originally agreed on enforcement actions against Uber and Cabify, but later proposed public forums on the issue instead, a decision that angered the taxi drivers. They reiterated that Uber and Cabify create “unfair competition” to the detriment of the established taxi industry.

“We don’t want to think that there is a power vacuum in the city that allows for anarchy,” said Daniel Medina, a spokesperson for Taxistas Organizados de la Ciudad de México, an organization of taxi drivers. “[Uber and Cabify] take advantage of technology to flout the law in various countries and promote criminality.”

Authorities in the capital eventually agreed to allow Uber and Cabify to operate, but in July 2015 they announced a set of regulations that the companies would have to follow. Those include a 1.5% levy on rides, a yearly permit of 1,599 pesos (US$93) per vehicle, and a minimum value of 200,000 pesos (US$11,600) for cars used to provide the service.

**Innovative services**

Despite the restrictions, the presence of Uber has represented a significant benefit for Mexico City. This year, the company announced the introduction of its car-sharing service UberPool to Mexico City, allowing people with similar routes to work to hire the same vehicle. This same service is available in 15 cities around the world, including London, Paris, Delhi, San Francisco, New York, Los Angeles, Miami, and Washington, DC.

UberPool became very useful during a period of environmental contingency in Mexico City on March 15-18. During those four days, authorities imposed severe restrictions on the circulation of vehicles because of high concentrations of pollutants in the atmosphere. Mexico City had not imposed emergency environmental restrictions of this nature since 2002. Demand for UberPool
increased significantly during the four-day period, with 30,000 people requesting the service. Uber took advantage of the environmental emergency to promote its UberPool service, providing some free rides.

Still, the launch of the car-sharing program was a resounding success, prompting Uber officials to tout the company’s part in protecting the environment in the Mexican capital.

“During the first 15 days of operation, we helped reduce emissions of CO2 in the capital by about 352 tons,” Uber said in its Web page. “Together we can do much more.”

Uber is being creative with the manner in which it is offering other services in Mexico and around the world. Also in March, the company announced a plan to launch UberPassport, providing transportation for passengers seeking to travel from San Diego to Tijuana and other nearby sites in Baja California. Passengers must have a passport and other required documentation to cross the border in an Uber. “This is the first time an Uber trip will cross international borders,” said Ryan Graves, Uber’s head of global operations.

The company estimates that a trip from downtown San Diego to the Tijuana International Airport would cost about US$100. As part of the service, Uber provides insurance for cross-border rides. All drivers are commercially licensed. According to the San Diego Regional Chamber of Commerce, 70,000 workers cross the border each day from San Diego into Mexico. “UberPassport is a new way to promote business opportunities on the border through the use of accessible and trustworthy transportation from San Diego to Tijuana,” the company said in a statement.

Authorities have devised other ways to promote an easier flow of people from San Diego to Tijuana. In December 2015, Mexican and US authorities inaugurated the Cross Border Xpress (CBX) terminal, a 400-foot bridge connecting the US border with the Aeropuerto General Abelardo L. Rodríguez in Tijuana. To use the bridge, passengers must present an airline boarding pass for a flight either departing Tijuana airport within 24 hours or having arrived within four hours of their border crossing time. The CBX terminal, known as the “Tijuana Airport terminal in San Diego,” is targeting an estimated 60% of Tijuana airport passengers who cross into the US, about 2.6 million travelers in 2014.

For Uber passengers, there are some restrictions and complications at the San Diego-Tijuana crossing. The company does not offer the same service from Tijuana to San Diego because of immigration restrictions. The best option in this case is for Uber passengers to hire a vehicle to take them to the border, where they can walk across the pedestrian lane into the US.

In addition, there are safety concerns. “Recruiting drivers to make the trip into Tijuana could be difficult for Uber,” said the television station KPBS. “When [our reporters] asked Uber drivers if they’d be willing to ferry riders across the border, their answer was a resounding no.”

“Safety in Tijuana is definitely an issue,” one Uber driver told KPBS, citing footage of taxi drivers in Tijuana surrounding and confronting an Uber driver. “Why would I jeopardize my own safety?”

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