Why Blablacar breaks up the game (09.12.2015)

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In Spain Blablacar won the first round against the association of public bus companies, also because the service does not generate profits. Hence technology innovation and the power of individual needs are clearly stronger than regulation. Consumers and new potential disputes.

Scant sharing, plentiful selling

The first round of the dispute started in Madrid between public bus companies and Blablacar has been won by the latter. Confebus (*Confederación Española de Transporte en Autobús*), the lobby of the local transport companies sued Blablacar – the famous community platform for intercity carpooling - for unauthorized practice of public service but the judge did not agree with the legal claim. So as to put the dispute in the right perspective, very similar to what happened to Uber – further clarification of two definitions used to describe these phenomena is needed.

The first one, Sharing Economy, is the most (ab)used by media. Blablacar, Uber, Airbnb and Gnammo (in Italy) and other platforms do not share absolutely anything: a driver who gives a lift to a hitchhiker, migrants hosted for free by a family, these are examples of genuine sharing. Uber and his brothers instead, enable dormant assets (i.e. unused assets such as houses, places in cars, time, food skills) owners to match the service demand of strangers willing to pay for it. Peer-to-peer technology is the alarm clock that is waking up those sleepy assets, thus promoting a dormant assets economy.

The second buzzword is indeed public service. Essentially a service can be defined public when the market alone can not supply it efficiently, ensuring equity and accessibility as well. In other words, health and education system, water sanitation, waste disposal and other services are directly managed or regulated by a public body because we do not trust markets. Therefore a service is not public because legally defined as such or because somebody has been authorized to provide it exclusively or not: content is what matters most, not the container.

By constantly regulating objects and containers, rather than needs and content, the public administration has built strongholds where individuals and organizations defend rights and exclusivity. Technology innovation and the power of individual needs are stronger than regulation.

Blablacar, 20 million users in 19 countries and €180m revenues in 2014, prospers on the intercity transport demand (the carpooling platform is not meant for urban mobility). The supply is generated by thousands of drivers who offer places on a daily base in car rides already scheduled for personal need to people wishing to go along the same route. Blablacar enables the match of demand and supply: the driver suggests a fare based on the platform guidelines and the revenues will grow according to how many seats will be taken. Blablacar of course manages the cash-flows, with a 10% service fee. It is not easy to fully understand how much the fares recover the operational costs, but it is reasonable to assume that the service does not generate profits, apart from the unlikely scenario of continuous offer, all seats occupied by guests and using a car - maybe even fueled with LPG - already totally amortised.

A mutual reviewing system (not synchronous as in the Airbnb platform, thus open to collusion and abuse) enables both drivers and guests to rate each other, discouraging unfairness and building trust between community members.

The table below shows some data related to the supply of car rides from the 7th of October 2015 to the 7th of November 2015 on some major routes: it is a non negligible supply, although very different indeed from the transport volumes seen in public railway lines.

Table 1

Route	Places offered	Journeys	Maximum revenue per person [EUR]	Average Blabla fare per person [EUR]	Average fare per person on public transport lines (train/bus) [EUR]
Turin-Milan	2,253	755	112	9.50	18.77
Turin-Rome	204	93	120	36.09	69.56
Paris-Berlin	235	85	110	53.62	86.21

Source: Blablacar platform data, elaboration of the Turin School of Local Regulation, November 2015

The blame game

Road transport public companies affirm that Blablacar is not compliant with the public authorization needed for collective passenger transport: Confebus, employing private detectives, discovered that Airbnb drivers take out AXA liability insurance, a feature of a regular and well-organized activity. Blablacar covered on average 2,162 routes in 2014/2015 winter, against 6,182 routes covered in the same timeframe by Madrid public transport companies, hence Confebus claims that the Blablacar market share is around 33%. In Europe, always citing Confebus, the Blablacar platform made 700,000 journeys possible in 2014. The Blablacar defence argument is twofold. Firstly, the company refers to its own operations as resulting from an online-community of "friends". According to Blablacar no market and no business is involved, therefore the unfair competition attack is deeply flawed. Secondly, the carpooling firm says that "my drivers are not profit seeking", in fact large people carriers such as vans or minibuses can not be used not to expose the firm to unfair competition claims. A consultancy employed by Blablacar confirms that on average the drivers post on the platform less than two journeys every month, with an average income of 50 Euros.

A weak point in the defense argument of Blablacar is certainly related to the semiprofessional engagement of drivers and the statement related to their nature as a social network. Nevertheless the company's growth must be considered in the framework of an unstoppable market expansion process enabled by technology. On the other side, the reiterating protection of public transport concessions by the road public transport companies hardly seems to be the best reaction possible.

To be continued

Similar disputes are coming up in other sectors. Airbnb has been critized for non being compliant with hospitality industry standards, guests do not pay the tourist tax and the utility (water, waste, electricity) contracts of house owners are meant for households, not business facilities. Gnammo in Italy matches demand and supply to dine out, it has been watched closely by traditional restaurant owners and recent administrative decisions in Turin, Italy, go in the direction of a controversy which may become larger in the future. It is not clear why, but it seems that online reputation built through the reviews of online users – apparently the real key behind the success or failure of most companies - is somehow worthless without some sort of approval from the local public health authority. Anybody can be a delivery man for one day with Amazon Flex that promises one-hour deliveries, surely traditional couriers will be furious and a whirlwind of controversy about the gig-economy is on its way. Meanwhile, those who challenged the traditional banking system have won the game: billions of euros flow through P2P finance platforms online.

It's certainly not a good sign for bus, railway, taxi, hotel companies and the food industry, but it might be for consumers.

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