

# Driving Change in São Paulo

## *Epilogue*

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As of February 2019, 88 percent of São Paulo’s eighty-five departments used the ride-hailing app. About 11,000 employees across ranks took an average of 12,000 to 27,000 trips per month. (See Appendix 1 and 2 for adoption rates.) The program saved R\$93 million per year, the equivalent cost of annual childcare for 15,000 children in the city.<sup>1</sup> In addition to these savings, Ana Mori of the health inspections department reported “a shift in the mindset, but one hard to quantify.”<sup>2</sup> However, there had also been a political shift. Former Vice Mayor Bruno Covas, who took over after Mayor Joao Doria stepped down, had different priorities.

## Driving into Turbulent Tides

About eighteen months earlier, in August 2017, Paulo Uebel and Yuri Batista faced a challenging situation: how to respond to a press article blaming the administration for the health department’s alleged inability to perform key inspections. After an early morning caucus, they moved rapidly to investigate and found that the health department had let their leased car contract expire, seriously impairing their ability to perform key inspection services. The article reported that Health Secretary Wilson Pollara had blamed contract non-renewal on the mayor’s decision to change from a reliance on leased cars to using ride-hailing app services. Pollara was quoted: “We are checking if other departments can lend some cars for the inspection services.”<sup>3</sup>

This was the opposite of what Batista had been negotiating with the health inspections department (as well as with many others): a planned transition pushing towards the new model but grounded in data. The bad press had the potential to be a significant blow to the implementation process, still in its second month. “I think it was on purpose,” recalled Uebel. “There was no other way that the newspaper would find out, otherwise. ‘They are trying to boycott us,’ I told the mayor. I had the mayor’s trust and we had solid evidence to back up our positions. But it could have been the end of the project. Or my end.”<sup>4</sup>

The aftermath of the crisis was tense. “We had many meetings, and I felt like they wanted my head. I always consulted with the city attorneys prior to the meetings to be sure I stood on solid legal ground. I had data from them and other departments showing that they could reduce the leased fleet and use the app for many services,” Batista noted. “They just claimed that it was undoable, but they had no data to support it. And I knew some of them used the leased cars to go back and forth from home because I have friends at the health inspections department.”<sup>5</sup> The administration department asked

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them to rush the opt-in for the ride-hailing app contract in an attempt to solve the problem. “I had to reach out for my contacts inside the department to get the 99 contract signed faster,” says Batista.

### *A New Executive Order*

In mid-September 2017, the administration department issued an executive order to mandate proper use of the ride-hailing app within all the departments.<sup>6</sup> Despite Doria’s drive to fully adopt the new model, the executive order kept some elements of the old hierarchical protocol, allowing cabinet members, deputy secretaries, and chiefs of staff to be classified as “frequent users,” permitted to use the app for rides to and from their homes. To keep things simple, the new system was not allowed for trips outside the city limits, even if work related. Finally, the executive order mandated that the remaining leased cars keep a more detailed log of rides, allowing for data collection of where the cars went, with whom, for whom, and why.

### *Taking Stock and Another Leak*

In October of 2017, Batista began an evaluation of the new system’s performance in its first three months, and the findings were positive. Savings were considerable, as expected, but the new data also pinpointed some irregular use of the service. The report was meant to show evidence of savings and to correct for misuse, such as trips to and from employees’ homes, rides with the same driver, or outings that took several hours. A set of improvement recommendations were made, and Batista’s superior was pleased. Uebel was also impressed with the results and wanted to weed out instances of abuse. The report was sent to all cabinet members so they could take appropriate measures.

A few days later, the report was leaked to the press who reported only the misuse and omitted the savings. “When I saw the newspaper with a photo of the cover of my report, I thought all the work might be jeopardized,” recalled Batista. The Audit Court formally questioned the city, challenging the findings on misbehavior. The city responded that the improper behavior was identified *because* of the new system; without it, they would not have been able to name the offenses. They also highlighted the savings and recommendations for addressing the problems. “In the end, it turned out as a good thing. All our suggestions got implemented faster than I predicted, except for one, which required greater IT resources. I don’t think they would be all implemented, and as fast, without the unintended press coverage,” said Batista.

### **A New Owner for 99Taxi**

As 2018 opened, the next surprise came not from across town but from across the world. By late 2017, 99’s market share had tripled and, in January 2018, Chinese TNC Didi Chuxing (Didi), which operated in 400 cities in China and was known for driving Uber from the Chinese market, invested in 99.<sup>7</sup> By the end of March it had control of 99 in a deal that valued 99 at \$1 billion.<sup>8</sup>

In February and March, the app used by City Hall experienced a great deal of instability, once going down for an entire day. (See Appendix 4.) “During a few months my routine felt like Russian roulette. Some days I would come in and all would be fine. Others, I would arrive at work with many post-its on my table with messages taken from different departments complaining that the system was not working,” Batista recalled. This started to impact public services on all levels. The number of

complaints skyrocketed and endangered the continuity of the model. The service eventually stabilized within a few weeks.

Some units used this transition period as an excuse not to utilize the app. “I know that, due to the nature of their work, they could adopt the app for all the services they provide. Their job has no singularity that entitles them to keep leased cars,” Batista explained. Meanwhile at the health inspection service, Mori noted that after a few months many employees figured that they could use the app to attend training sessions or to commute between municipal departments. An employee noted that despite the reduction, the remaining leased car fleet was idle on many occasions.

This was a particularly critical time for the project. With Doria out of office to run for governor and Uebel no longer in his position as administration secretary, Batista was having a harder time enforcing city regulations across departments: “Despite the ordinance and the numbers, without leadership coverage for the top-down approach, I can’t get as much done.”

### *Updating the Ordinance*

In October of 2018, the administration department issued a new executive order to address the shortcomings, setting new directives and rules to address problems to date, especially those identified in the leaked evaluation report.<sup>9</sup>

The executive order listed prohibitions explicitly, but exemptions could be authorized by each department’s chief of staff. “We wanted some flexibility, but we had to build in some formal procedures to deter ill-intended users,” explained Batista. For example, recurring trips with the same driver were not allowed unless there was a specific need and the chief of staff authorized it. He elaborated, “It has to be ‘impersonal’ to avoid moral hazard where the driver could ‘pay back’ the rider part of his gains.” The order also listed eight pre-set categories. Lastly, it required that users submit basic information including full name, email, and ID. “At first people would register as ‘John’ and no other type of identification, making it harder to identify the user,” recalled Batista.

## Lessons Learned

By May of 2019, the city had returned almost 1,000 leased cars and produced significant savings for the city treasury. Another gain was eliminating bottlenecks; despite many leased cars being idle for a significant amount of time, teams would find there was no car available at peak work hours, imposing an unintended delay or cancellation of activities. There was also a reduction in expenses during certain seasons; the department of education staff did not travel much during holidays, for example. (See Appendix 7 and 8 on seasonality.)

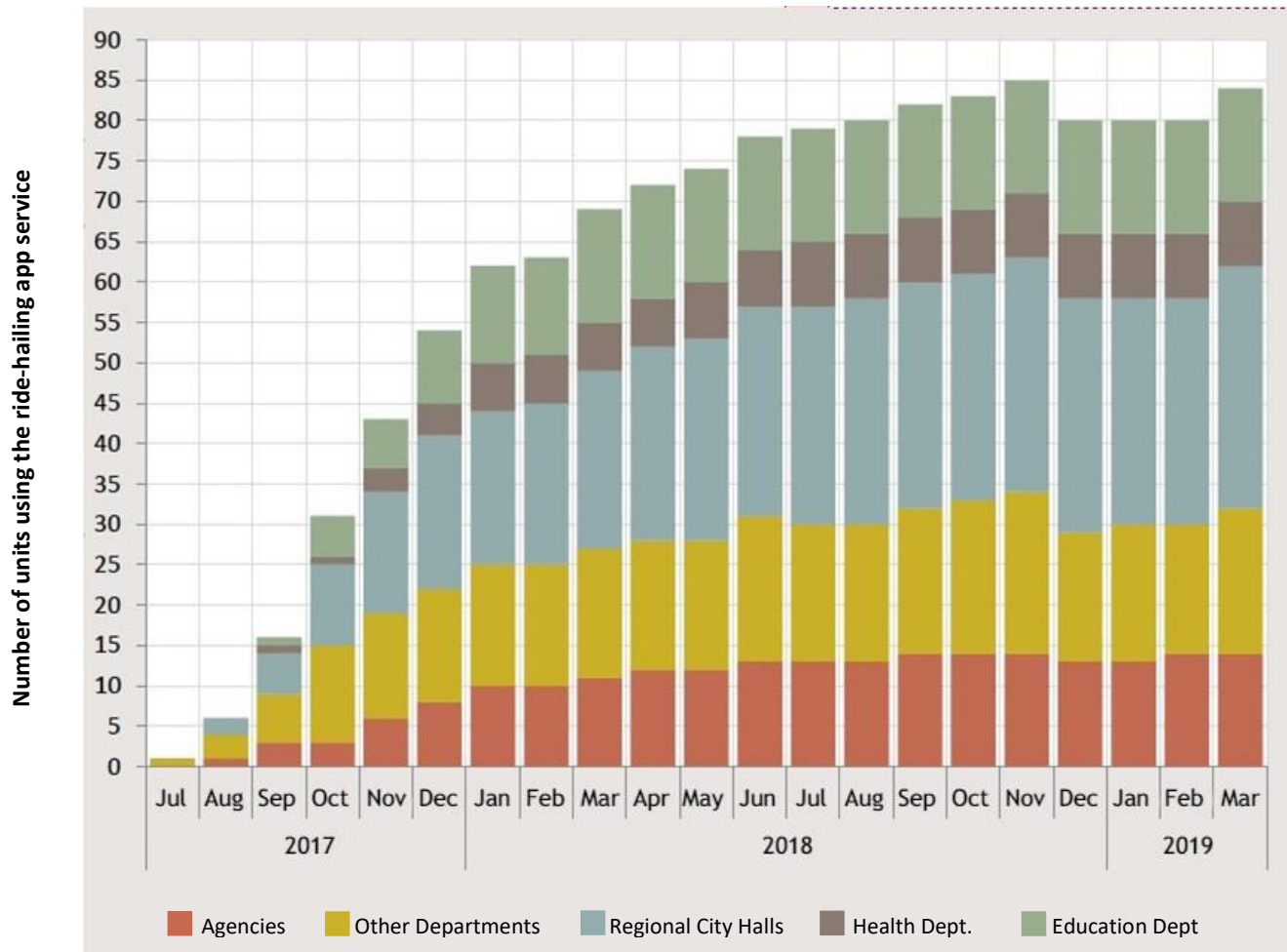
In addition, while many teams still claimed that the new model had harmed their work capacity, none could show supporting data. On the contrary, data gathered had showed consistent service levels and, in some instances, improvements. For example, the school meal inspections department had done 14 percent more inspections than had been possible with the leased car model. (See Appendix 5.) Regional City Halls also saw the number of violation notices increase by 20 percent. A May 2019 report confirmed that service had improved with the new service.

The expertise developed by the city was adopted by the state government and the regional electoral courts in the monitoring of services during the elections. Batista summed up his learning: “The first is human nature. People’s expectations change with a service like this. At first, people were like, ‘woah it’s fast!’ Now it’s like ‘geez, two minutes?’ Also, people complained that the cars were late in rainy weather, but so would a leased car be because the entire city slows down. People blamed the app for fallacies. Second, I am a very inclusive person and like to consult widely but at some point, some discussions are not objective and at the end of the day, data will help us make decisions, not impressions and arguments and convictions, and ‘-isms.’ Third, people are worried about change and will claim that things are working, even if they might not be. This is where the strong leadership direction is essential. Finally, having political support: without this being an explicit priority for the mayor and having Uebel’s coverage for my work, we wouldn’t have gone this far in that amount of time.”

In terms of process, speed was not the only factor. Batista explained, “It was also key to have allies everywhere. Due to my previous work in City Hall, I knew colleagues with similar values in many departments, and I keep in touch with them. This allowed me to informally access information, impressions, and warning signs. It also enabled me to have a better understanding of the work of the departments and gauge requests.”

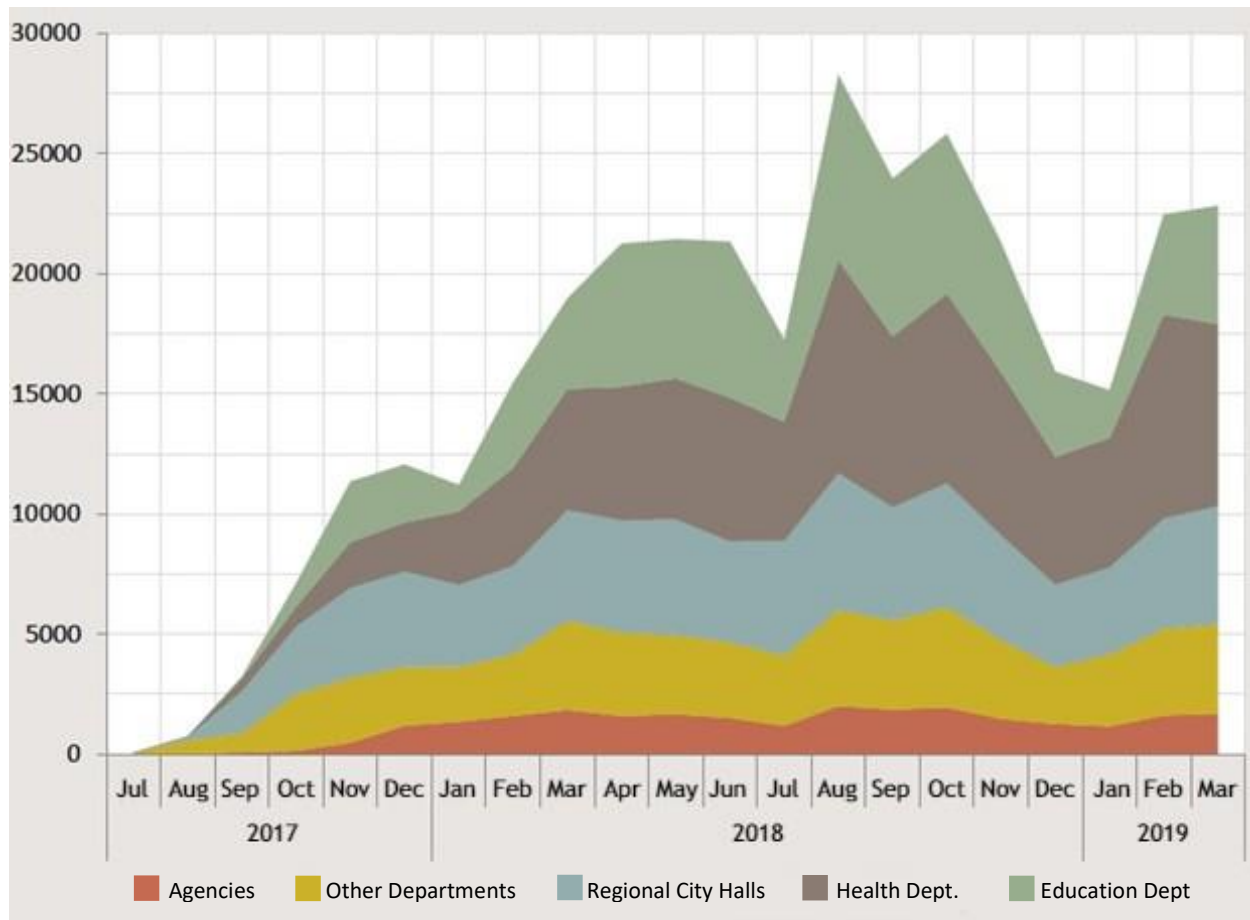
## Appendices

### Appendix 1 Number of Units That Opted Into the Ride-hailing App Service



Source: City of São Paulo 2019 report

**Appendix 2**      Number of Trips (Jul 2017-Mar 2019)



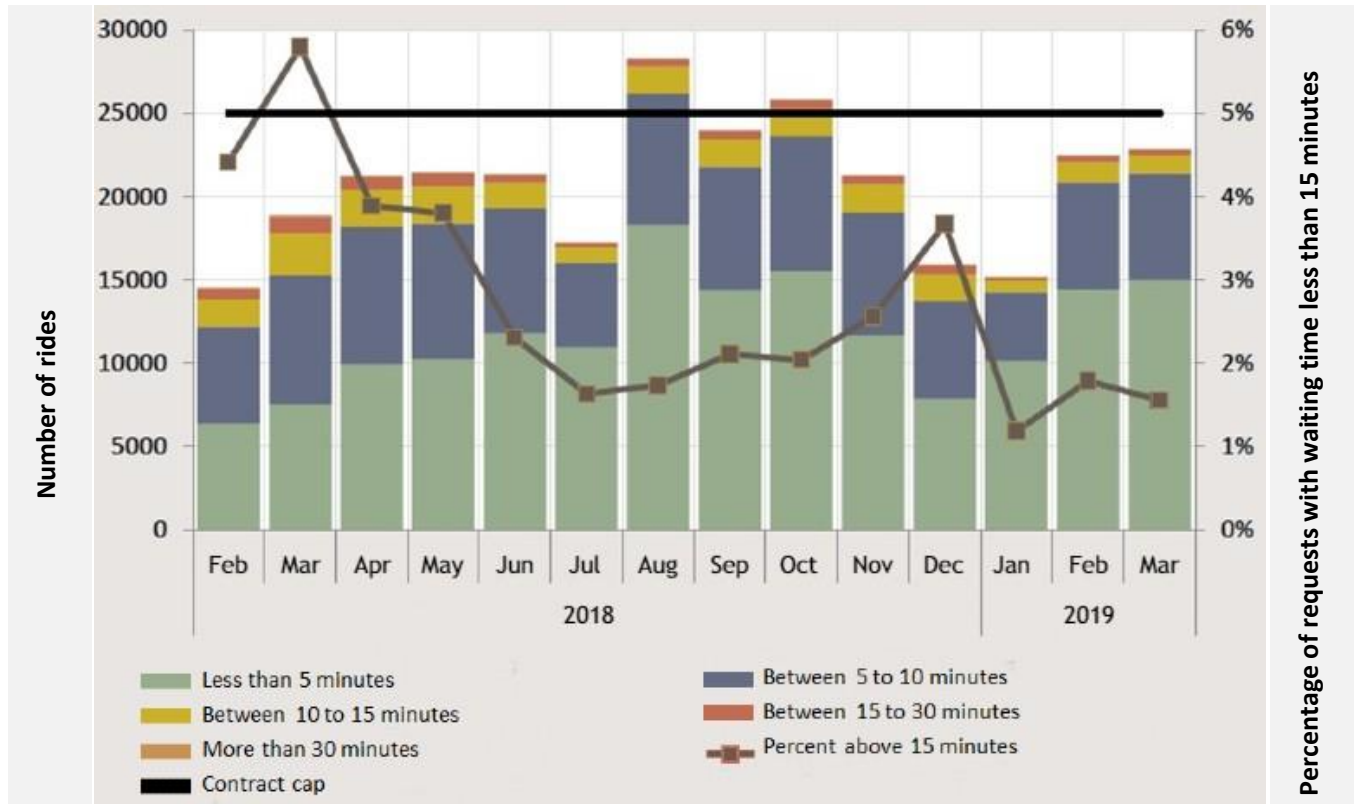
Source: City of São Paulo 2019 report

**Appendix 3** Savings from 2016 to 2018 (selected from larger data set)

Department / Regional City Hall (RCH)	Spending (2016)	Spending (2018)	Savings	Opt-in date
Rch Pinheiros	0,66	0,06	90,40%	Aug/17
Rch Jabaquara	0,48	0,06	88,00%	Oct/17
Rch-Sé	3,24	0,49	84,90%	Aug/17
Rch Itaquera	0,97	0,15	84,60%	Sep/17
Persons Disabilities/Reduced Mobility Dept	1,51	0,29	80,70%	Sep/17
Rch Vila Maria/Vila Guilherme	0,74	0,16	78,80%	Apr/18
Human Rights & Citizenship Dept (SMDHC)	5,48	1,4	74,40%	Sep/17
Rch-Ipiranga	1,59	0,46	71,40%	Nov/17
Arts & Culture Dept	1,79	0,57	68,50%	Oct/17
Administration Dept (SGM)	0,42	0,15	64,60%	Jul/17
Rch-Parelheiros	0,84	0,33	61,40%	Not yet
Education Dept	13,12	5,12	60,90%	Dec/17
Rch-Aricanduva	0,4	0,16	59,20%	Sep/17
Rch-Socorro	0,66	0,33	49,70%	Oct/17
Internal Affairs (CGM)	0,17	0,1	41,30%	Nov/17
Sub São Mateus	0,83	0,53	36,60%	Nov/17
Rch-Campo Limpo	1,24	0,8	35,50%	Nov/17
Rch-Vila Prudente	0,98	0,67	31,70%	Dec/17
Environment Dept (SVMA)	0,4	0,29	28,90%	Oct/17
Sports & Leisure Dept	1,53	1,09	28,80%	Dec/17
Labor & Entrepreneurship Dept	2,61	1,87	28,50%	Oct/17
Rch Perus	0,55	0,4	28,10%	Nov/17
Finance Dept	0,38	0,27	27,60%	Aug/17
Urban Cleaning Company	1,3	0,94	27,30%	Nov/17
Government Dept	2,1	1,53	27,00%	Oct/17
Rch Casa Verde/Cachoeirinha	0,4	0,33	16,60%	Feb/18
Rch-Sapopemba	0,48	0,42	11,80%	Nov/18
Social Assistance Department	19,64	18,32	6,70%	Not yet
Urban Mobility Dept	8,9	9,09	-2,10%	Oct/18
Rch Cidade Tiradentes	1,01	1,14	-13,60%	Aug/18
Rch-Butantã	0,75	0,88	-18,10%	Not yet

Source: City of São Paulo, 2019 report

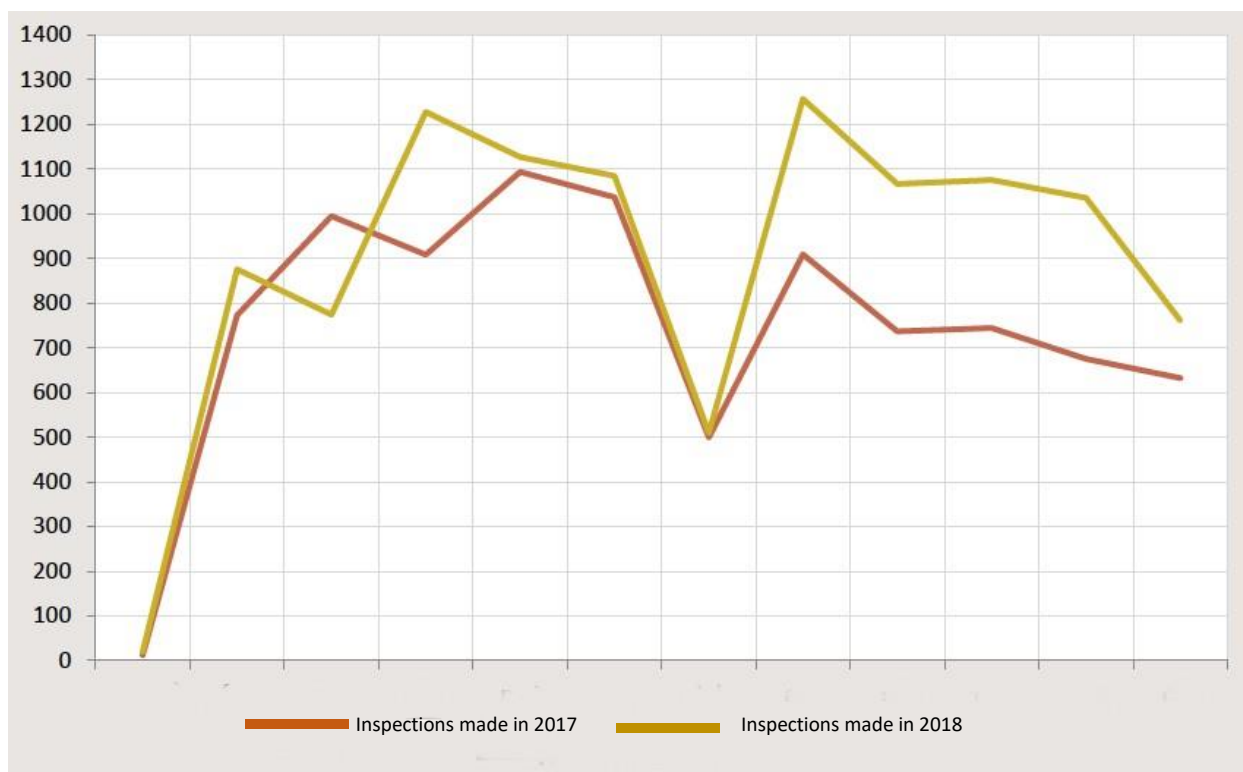
**Appendix 4** Average Wait Times for Ride-Hailing Service



Source: City of São Paulo 2019 report

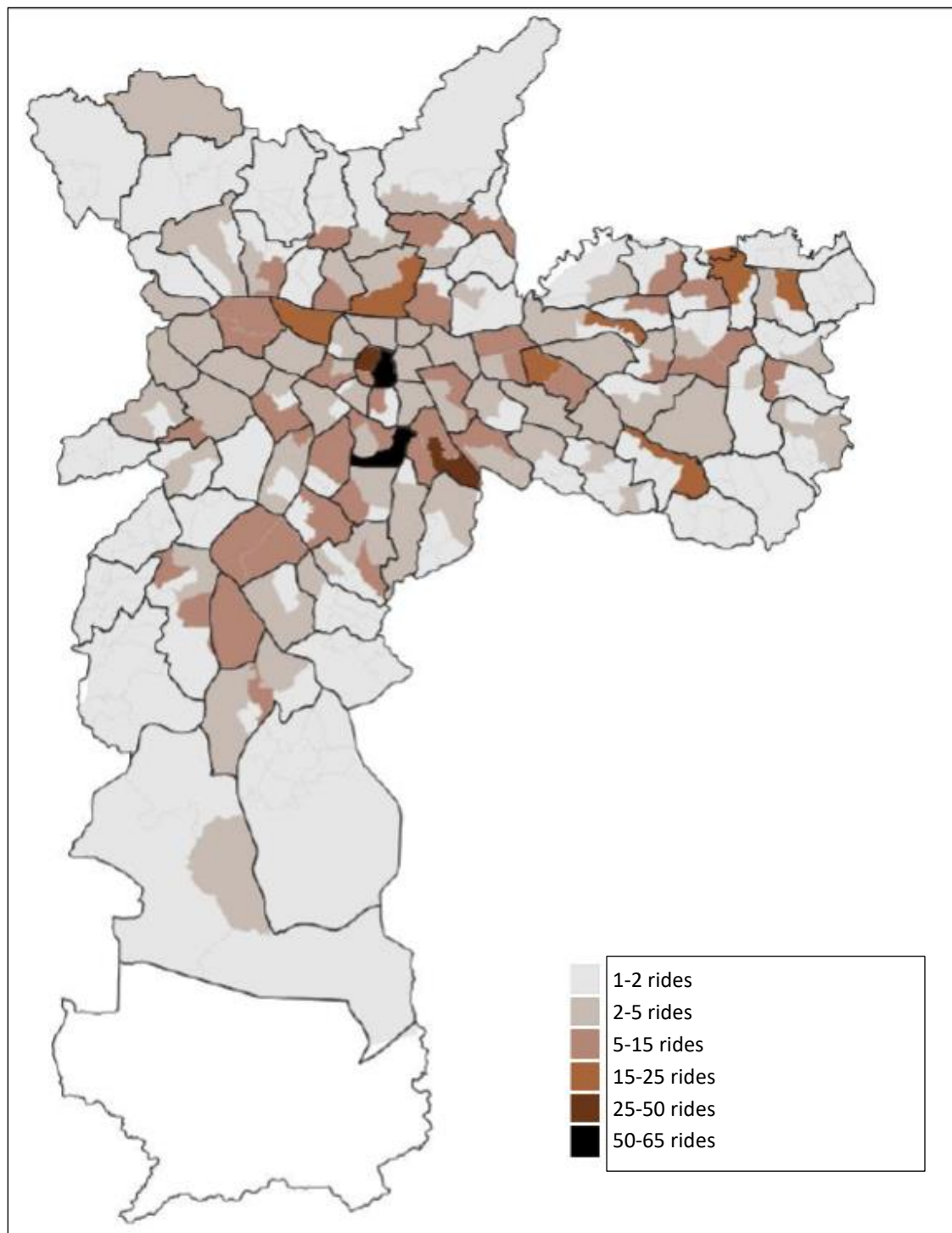


**Appendix 5** Number of School Meal Inspections (2017-2018)



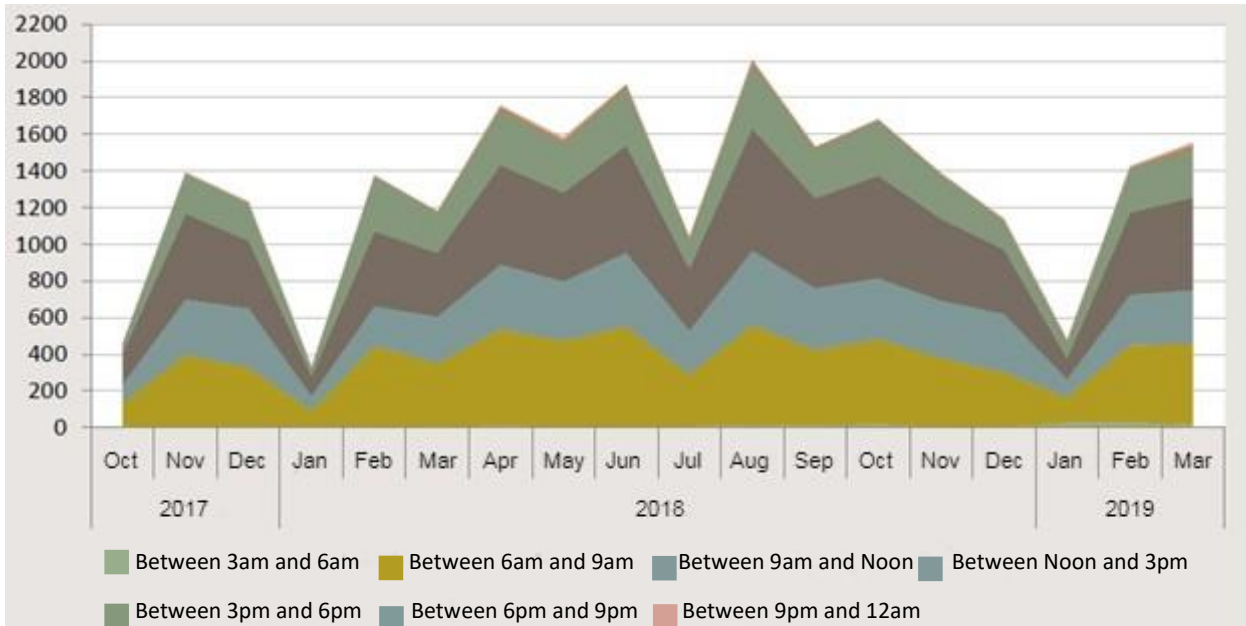
Source: City of São Paulo, 2019 report

**Appendix 6** Average Number of Calls on a Weekday



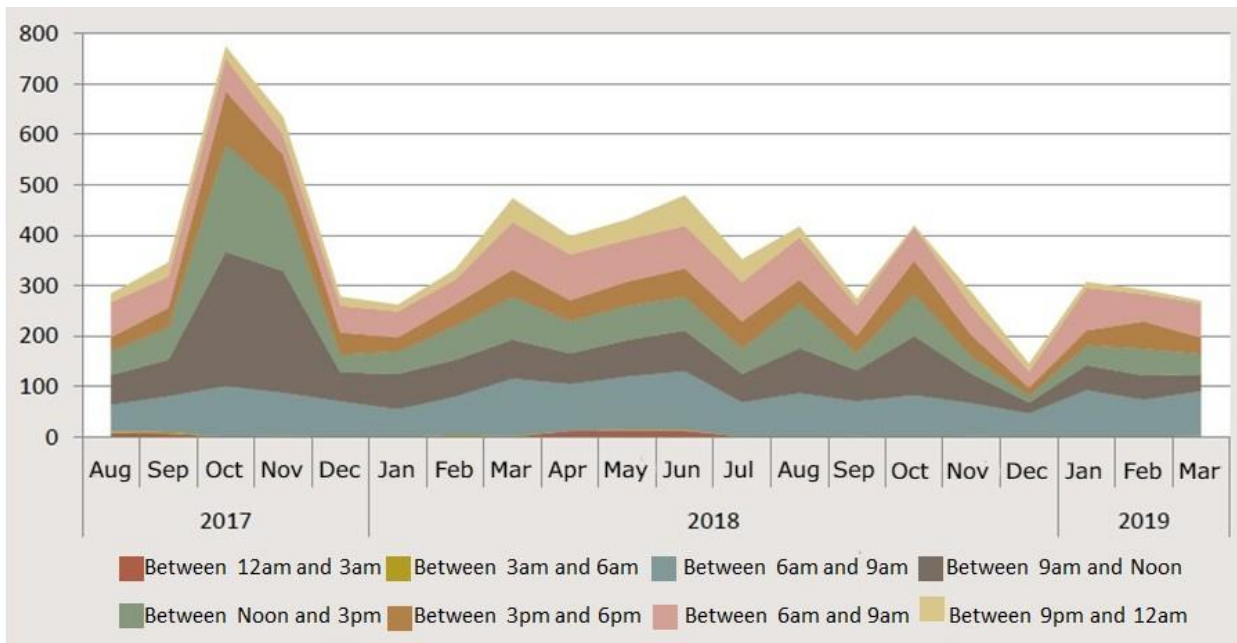
Source: City of São Paulo 2019 report

**Appendix 7** Car Rides at the School Meals Inspections Department



Source: City of São Paulo 2019 report

**Appendix 8** Car Rides at the Financial Department



Source: City of São Paulo 2019 report

## Endnotes

<sup>1</sup> City of São Paulo, May 14th, 2019, “Transporte Interno por Serviços de Aplicativo na Prefeitura de São Paulo - Relatório de Formulação, Implementação e Avaliação,” [“Employee Transportation through Car-hailing App for the City of São Paulo - Report on Planning, Implementing and Evaluation.”]

<sup>2</sup> Ana Claudia Mori, interview by Carlos Paiva and Carin-Isabel Knoop, February 8, 2019. All further quotes by this individual from this interview.

<sup>3</sup> Leonardo Fuhrmann, “Prefeitura não dá prazo para Vigilância Sanitária ter carro,” [“City Hall does not set a deadline to give cars for the Health Inspections Department”], *Agora*, August 17, 2017, <http://www.agora.uol.com.br/saopaulo/2017/08/1910602-prefeitura-nao-da-prazo-para-vigilancia-sanitaria-ter-carro.shtml>, accessed March 2019.

<sup>4</sup> Paulo Spencer Uebel, interview by Carlos Paiva and Carin-Isabel Knoop, February 8, 2019. All further quotes by this individual from this interview.

<sup>5</sup> Yuri Camara Batista, interview by Carlos Paiva and Carin-Isabel Knoop, February 7, 2019, and additional interview by Carlos Paiva in February and March. All further quotes by this individual from these interviews.

<sup>6</sup> Executive Order from the Administration Department Regarding Ride-Sharing Platform Program, <http://legislacao.prefeitura.sp.gov.br/leis/portaria-secretaria-municipal-de-gestao-smg-96-de-14-de-setembro-de-2017>, accessed March 2019.

<sup>7</sup> Juro Osawa and Yunan Zhang, “How Didi Launched a Brazilian Beachhead in Uber’s Backyard,” *The Information*, May 10, 2018, <https://www.theinformation.com/articles/how-didi-launched-a-brazilian-beachhead-in-ubers-backyard>, accessed January 2019.

<sup>8</sup> Juro Osawa and Yunan Zhang, “How Didi Launched a Brazilian Beachhead in Uber’s Backyard,” *The Information*, May 10, 2018, <https://www.theinformation.com/articles/how-didi-launched-a-brazilian-beachhead-in-ubers-backyard>, accessed January 2019.

<sup>9</sup> São Paulo, October 8, 2018, “Portaria 76/Smg/2018,” <http://legislacao.prefeitura.sp.gov.br/leis/portaria-secretaria-municipal-de-gestao-sg-76-de-8-de-outubro-de-2018/detalhe>, accessed July 2019.