



**COMMENTS ON THE DRAFT CHANDIGARH ADMINISTRATION ON-DEMAND TRANSPORTATION
TECHNOLOGY AGGREGATORS RULES, 2016**

1. Background

The Chandigarh Administration has issued draft of the Chandigarh Administration On-demand Transportation Technology Aggregators Rules, 2016 (Rules), inviting comments from public. The Rules intend to regulate the operation of on-demand information technology based transportation aggregator platforms operating in the Union Territory of Chandigarh, with the objective of promoting and ensuring compliance with law and safety of passengers. The Rules have been issued under the Motor Vehicles Act, 1988.

Consumer Unity & Trust Society (CUTS International) is a 33 year young economic policy research and outreach organisation leading evidence based reform interventions in the areas of competition, regulation, governance, consumer protection, and trade.¹

Comments from CUTS International on the Draft Rules are provided in the following sections.

2. Comments on Draft Rules from CUTS International

Provision	Comment	Suggestion
4(i) - The applicant must be a company registered under the Companies Act, 2013, or a firm registered under the Indian Partnership Act, 1932.	The objective of the Rules must be to regulate the function of taxi aggregation, without prescribing any unnecessary conditions on the form of entity undertaking such function. Prescribing the form of entity has the potential to impose avoidable costs on market players, create entry barriers and suppress competition. Competition has the potential to increase efficiency, quality of services provided, reduce and enhance consumer convenience.	Delete Rule 4(i). In any case, Rule 3 provides that no person (irrespective of the form of entity) is eligible to undertake taxi aggregator business without a licence under the Rules. Consequently, the form of operator need not be specified.
4(vi) – The applicant must have a fleet of minimum 100 taxis either owned or through an agreement with individual taxi permit holders.	Minimum number of taxis appears to have no relation with the objective of regulation, which should be focused on ensuring availability of taxis at affordable prices with enhanced user experience. The limitation of owing/ entering into agreements with minimum of taxis acts as entry barrier for small taxi aggregators, who might not have arrangements with such number of	Delete Rule 4(vi).

¹ For more details, please see www.cuts-international.org

Provision	Comment	Suggestion
	<p>taxi operators, and would be in a position to expand the number of taxis within their network, only after they start to operate.</p> <p>The Rule, in its current form, favours large taxi aggregators who are already operating, thus in a position to meet the prescribed eligibility criteria. Such rule limits the supply of taxi aggregators in the market and thus the options available with the customers.</p>	
<p>4(vii) – The applicant is required to have facilities for monitoring the movement of taxis with help of GPS, GPRS, along with a control room facility.</p> <p>6(iv) – The taxis should be capable of being tracked continuously with GPS/ GPRS facility.</p> <p>6(v) – The taxis should be fitted with GPS/ GPRS capable vehicle tracking unit.</p>	<p>The objective of the Rule is to ensure monitoring of movement of taxi. While GPS technology has been standard for this function in the past, several new and advanced technologies are being developed. These include the NAVIC positioning system developed by ISRO in India.</p> <p>Consequently, the Rules should not specify the type of technology which could be used for monitoring the movement of taxis, but specify the standards which the applicants should be required to comply with.</p>	<p>Insert “or similar technologies” after GPRS</p>
<p>6 (vii) – Every taxi, for the purpose of inclusion in the license, is required to be fitted with a yellow coloured display board with words “Taxi” visible both from the front and the rear. The board shall be capable of being illuminated during the night hours.</p>	<p>As indicated earlier, the Rules intend to regulate the operation of on-demand information technology based transportation aggregator platforms. Taxis are booked using such platforms through channels such as internet or mobile phones and are expected to reach pick-up location. The users typically get message regarding driver and taxi details for identification purposes.</p> <p>Consequently, the requirement of a yellow coloured display board with words ‘Taxi’ appears not to serve any useful purpose, as customers are expected to be already equipped with sufficient modes of identification of the relevant vehicle. On other hand, such requirement has the potential to impose avoidable costs on the taxi operators, which</p>	<p>Replace the rule with requirement that consumers should be able to easily identify the allocated taxis for their travel.</p>

Provision	Comment	Suggestion
	<p>could be passed on to consumers, resulting in increase of burden on consumers.</p> <p>In addition, information technology based transportation aggregator platforms have the potential to promote usage of unused taxis/ cars, during idle time, and enable them to register as taxi operators. The requirement of display boards has the potential to discourage such usage, thus reducing the supply of taxis in the market, and harming consumer interest.</p>	
<p>7 (iii) – The driver is required to be resident of Chandigarh, or any neighboring state, i.e. Punjab, Haryana and Himachal Pradesh, for the last one year.</p>	<p>There appears limited justification for considering residence as one of the eligibility criteria for drivers.</p> <p>The only justification could be the requirement to know routes. However, in case of web-based taxi aggregator services, drivers are expected to be technologically aided to determine the route for travel, and need not be conversant with the topography.</p> <p>On the hand, the Rule limits mobility of labour and restricts the number of drivers available for taxi services, which could result in consumer inconvenience.</p>	<p>Delete Rule 7 (iii).</p>
<p>9 (xiv) – The licensee is required to get CCTV installed in the vehicles which should be linked with control room established by licensee and also to maintain such data for atleast one month</p>	<p>The rationale behind requiring licensee to install CCTV within the vehicle is to facilitate customer protection and avoid harassment of customers.</p> <p>However, installation of CCTV operational at all times might create inconvenience to consumers, who might not be willing to be under CCTV vigil at all times of their travel. Installation of CCTV also raises privacy related issues for customers, as their actions might be recorded without their consent by private parties.</p> <p>In addition, installation of CCTV</p>	<p>Delete Rule 9 (xiv) and require licensees to provide adequate measures for customer safety. Such measures should be disclosed to the government and customer, who could choose between different service providers on the basis of measures put in place.</p>

Provision	Comment	Suggestion
	<p>increases the cost of operation for licencees. It could be reasonably expected that such cost will be passed on to the consumers.</p> <p>Further, the regulations prescribe several mechanisms to prevent customer inconvenience and ensure customer protection. These include panic button, route tracking, helpline etc. Requiring additional features with similar objectives might prohibitively increase the cost of operating and using taxi aggregator service, resulting in customer inconvenience.</p>	

In addition to specific provisions as highlighted above, the draft Rules imposes several onerous conditions on the taxi aggregators and taxi operators, compliance with which might be difficult to monitor and ensure. These conditions include cap on maximum price, physical GPS etc. While the conditions might be uniformly applicable to all taxi operators (whether or not connected with taxi aggregators), significant resources will be required to be incurred by market players as well as government agencies to ensure compliance. Such costs will eventually be passed on to the consumers, resulting in consumer inconvenience.

3. Conclusion

Innovative and disruptive technologies and like web-based platforms and aggregators are changing the face of traditional sectors like taxi operators, retail sale, banking, hospitality, et al. These technologies provide immense value to consumers as they offer high quality services instantaneously and at affordable prices.

Consequently, such technologies need to be conserved and promoted and should not be subject to unreasonable burden which might hinder their growth. It must be realised that such technologies cannot be treated at par with traditional service providers at all levels, and thus selective differential treatment will be necessary. Consequently, a complete overhaul in regulatory mindset will required while dealing with these technologies.

Adoption of regulatory impact assessment (RIA) framework could go a long way in designing optimal regulatory framework for such technologies. RIA involves in-depth estimation and comparison of impact (costs and benefits) of different regulatory options on economy in general, and stakeholders in particular. RIA framework, when correctly implemented, can help in selection of such regulatory option which could result in maximum net benefit to the economy.
