



Comments on

Draft Madhya Pradesh Aggregator for the Hire of Motor Cab, Auto rickshaw and Motor Cycle Rules, 2017

CUTS International¹ welcomes the Government of Madhya Pradesh notification of draft rules for hire of moto cabs, auto rickshaw and motor cycle through aggregators (draft rules). Considering the disruption the aggregator business model has brought to the conventional business models, it is important to create a facilitating environment for all variants/competitors and also clear the regulatory ambiguities, with the objective of enhancing consumer welfare. The draft rules make an attempt to bridge the regulatory imbalances between the conventional businesses of hire of motor cabs, auto rickshaw and motor cycle, and hire of such services through the taxi aggregator platforms. On the draft rules, CUTS puts forth its viewpoint, with the objective of making them more efficient and beneficial to all stakeholders, especially the consumers. The comments are given below:

Rules	Draft Rules	CUTS Remark
4(2)	Separate application shall be made for grant or renewal of licence under rule 6 for motor cab, auto rickshaw and motor cycle category.	This rule mandates the licensee to obtain three different licenses to provide similar services. This might not be in consonance with India's recent efforts to trim red tape.
4(3)	Separate application shall be made for grant or renewal of licence under rule 6 for each city	Therefore, CUTS recommends that there should only one license for motor cab, auto rickshaw and motor cycle and the licensee fees should be aggregated and modified accordingly. However, the licensee should intimate the authorities at the time of applying license about the category (motor cabs, auto rickshaw, and motor cycle) of vehicles with which they would like to start their operations. Moreover, they should intimate the authorities well in advance, if they launch any new service in the city.

¹CUTS International is a 33 year young non-profit, non-government economic policy research and outreach organisation. More details are available on www.cuts-international.org

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		<p>Similarly, the mandate to obtain city-wise licensee might not be in line with the spirit of government agenda of “minimum government and maximum governance”. A better alternate could be to provide an integrated application form with different cities and the freedom for applicant to choose different cities it might like to offer services in.</p> <p>This becomes pertinent in line of recently released Ease of Doing Business Report² (EoDB) by the World Bank, wherein India moved down by one rank in the indicator “Starting a business”, from 155 in 2017 to 156 in 2018.</p> <p>In the light of the above, CUTS recommends that there should one license for Taxi Aggregators applicable in all the cities in the states. This approach is also adopted by other state such as Maharashtra.</p>
5(3)	Applicant shall have minimum 25 vehicles of the category mentioned in application either owned or attached through an agreement.	<p>The requirement to attach with at least 25 vehicles at the time of application might put undue restrictions on potential taxi aggregators and may impede the entry of aggregators. The new start-ups might find it difficult to adhere to such conditions. The condition might hinder the attainment of objectives of the Central Government campaign of Start-up India³.</p> <p>However, one understands the need to ensure that only genuine firms operate in the market. Therefore, it is recommended that such condition of attaching with a minimum number of vehicles might need to comply with in a pre-defined timeframe from the date of grant of approval (such as, one year from the date of grant of</p>

² <http://www.doingbusiness.org/reports/global-reports/doing-business-2018>

³ https://www.startupindia.gov.in/uploads/pdf/imp_MPIncubation&StartupPolicy.pdf

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		approval).
11(4)	Licensee shall maintain the updated MIS report of the fleet as specified in Form-4 on its website and which shall be accessible to the Licensing Authority and traffic police along with the facility of being downloaded in excel form at any time.	The information related to fleet is sensitive business information for an aggregator and the licensing authority and traffic police must be obliged to protect the confidentiality of such information through putting in place relevant data protection requirements..
11(5)	The licensee shall maintain a MIS report specified in Form-5 on its web portal of each trip aggregated for hire and which shall be accessible by licencing authority and traffic police with facility of being downloaded in excel form at any time.	<p>In addition, the trip related information could be extremely personal and confidential to the driver partner such as (name and mobile number), who might not be interested to share the same if any party, without express and informed prior consent of the driver. The driver partner should be informed about the aggregator plans to share the information, and the data protection mechanisms put in place by the aggregator and relevant third parties, including government.</p> <p>The government agencies must also put in place relevant data protection mechanisms to ensure the information is secured.</p> <p>However, we understand that such information could be useful for transport department to chalk out traffic management plans and the police department to plan safety of citizens. Therefore, it is recommended that aggregator could be obliged to periodically share snapshot of such information based on certain indicators/ information at an aggregated level, with the Regional Transport Department and relevant Police Stations. In exceptional circumstances, user/driver level information might be shared with such stakeholders directly.</p>
11(8)	Fare charges for any vehicle being operated under these rules shall be prescribed by State Government.	The Taxi Aggregators have a unique pricing model. It works on the principles of demand & supply. Thus, fare being prescribed by the

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		<p>government might affect all relevant stakeholders' taxi aggregators, driver-partners and consumers at different levels. A base fare might exclude a section of consumers not in a position to afford such fare and a cap on fare might prevent servicing a consumer in a position to pay such fare.</p> <p>The market forces ideally result in optimal fares, owing to competition, and the Competition Regulator must be in a position to prevent anticompetitive practices like predatory pricing.</p> <p>Consequently, the State Government should not prescribe any minimum or maximum fare charges. It can however, require the aggregator to suspend dynamic pricing in emergency circumstances to ensure customer interest is served.</p> <p>In case the State Government would prescribe fare charges, it must only regulate maximum fares regulate the maximum fare to strike a balance between the law of economics and consumer welfare. Even for the maximum fares, the authority should come out with a value which incentivises the situations of low supply. Since the dynamic pricing, in taxi aggregator business, generates new supply, it is advisable to keep the incentives alive.</p> <p>An article⁴ written by Pradeep S Mehta and Udai S Mehta, from CUTS International also highlights the relevance of surge pricing in taxi aggregator business.</p>
11(13)	The licensee shall develop such facility in its application that each vehicle operated under these rules should be	Despite noble intentions, it appears that this rule is out of sync with ground realities. Most of the vehicles in the state and likely to

⁴ Light touch guidelines to control surge, available at: <http://www.deccanchronicle.com/opinion/columnists/311016/light-touch-guidelines-to-control-surge.html>

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	driven on clean fuel i.e. Unleaded petrol or CNG or hybrid or battery.	<p>be interested to attach themselves to the taxi aggregators run on diesel fuel. As the rule does not provide any transition period for moving to clean fuel, such vehicles will be of limited use. The car owners will not be able to obtain reasonable return on investments, which would adversely impact financial institutions offering vehicle loans.</p> <p>Further, the cities of Madhya Pradesh have inadequate infrastructure to support CNG fuel based vehicles. This would adversely impact consumers and taxi business to a great extent.</p> <p>In the light of the above, CUTS recommends that the conversion from diesel fuel to clean fuel should be done in a phased manner. This time would help the State Government in developing required infrastructure.</p>
11(19)	The colour of the vehicle, being operated under these rules shall be specified by the Transport Commissioner and allowed to display the advertisement as per guide lines issued by the Licensing Authority from time to time.	<p>Taxi aggregator platform allows for a part time job avenues for citizens. In such cases, mandating a colour scheme would take this incentive away.</p> <p>Mandating a colour of vehicle is unlikely to add any value to the consumers and will most likely increase cost of taxi operators, who do not currently comply with the colour scheme. The mobile application based taxi aggregator platform allows users to obtain driver details, make and number of taxi beforehand, while booking the cab. This facilitates identification of taxi rendering separate colour scheme of little use. Consequently, this rule doesn't add value to the mechanism and hence may be relaxed.</p>
11(20)	Vehicles being operated under all India Tourist Permits (AITP) issued under sub section (9) of section 88 of the Act shall not be allowed to operate under these rules.	Most of the vehicles associated with taxi aggregators in different cities operate with AITP. This permit gave the driver partner flexibility to do business within city as well as undertake outstation trips.

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		<p>Hence, CUTS recommends that existing AITP diesel taxis may be allowed to operate till the expiry of the current permit and to be replaced by clean fuel vehicles such as CNG, on the expiry of existing AITPs. This was further supported by the recently published Khatua Committee Report⁵ on Fare Structure of Taxis and Auto Rickshaws in Maharashtra State.</p>

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⁵ <https://transport.maharashtra.gov.in/Site/Upload/GR/Part%201.pdf>