



COMMENTS ON

DRAFT MAHARASHTRA CITY TAXI RULES, 2016

CUTS International¹ welcomes the Government of Maharashtra notification of draft rules for City Taxi Services. 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. The draft rules make an attempt to bridge the regulatory imbalances between the conventional taxi business and 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:

1. Rule 5(2) stipulates the minimum engine capacity for taxis as 980cc. This virtually eliminates cars such as Renault Kwid, Maruti Alto, Hyundai Eon, Datsun Redi Go, Mahindra Supro, and Tata Nano, to be plied as taxis in the state of Maharashtra. There is no rationale provided to set 980cc as a condition. The above listed cars, being the cheapest options available, provide an opportunity for individuals to turn into entrepreneurs. As consumers can directly procure such cars, limited justification exists to indirectly keep them out of customer reach. If the safety/crash rating (such as by NCAP) of such cars (on which such cars might not fare satisfactorily) were the reason to exclude them from taxi services, there is no reason why such cars should be available to consumers directly. To enable consumers make an informed decision, cars below 980cc should be separately indicated by the aggregator, along with disclosure of comparable safety features cars above 980cc. For a car which is allowed to be sold in the market, despite having poor crash ratings should also be allowed to be accepted as taxis. Thus CUTS recommends this clause to be deleted.
2. Rule 5(2) also mandates the aggregators to have at least 50 percent of cars above 1400 cc, in their fleet. Considering the case of taxi aggregators business, which has flourished in numerous states, has most of its registered cars under 1400cc. The aggregators should be allowed to have a mix of vehicles, which suits their business models. Moreover, the taxi aggregators already have certain conditions for vehicles like maximum age of 3 years at induction, car models etc. This is also dependent on consumer preferences for certain type of cars. Imposing such a condition is regressive and has a potential to impact the aggregator businesses negatively. Thus, CUTS recommends removal of this clause and let the market forces and consumer choice determine the type of car to be inducted by taxi aggregators.

¹ CUTS 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

3. Rule 5(2) also bars the non-hard top or fiber top vehicles, to be registered as taxis. However, this is to understand that on the aspect of self-driven taxi hires, where the consumers may demand for such vehicles. Hence, the rules should not condemn such vehicles, as it limits consumer choice. It may be added to the clause, that such vehicles may only be inducted for self-driven vehicle hires and not for regular taxis.
4. Rule 5(3) notifies the requirement of conversion of permits granted under Section 74 to “app based city taxi permit”. This would require the taxi owners to surrender the existing permit and apply fresh for the new permit. This would mean another cumbersome process for the car owners, associated with high monetary implications. Thus, the State should ensure a hassle free, low-cost and quick process of conversion. Alternatively, the State can also synchronize with the Central Government for the amendment of the rules for All India Tourist Permit, which shall not require any conversion of the existing permits.
5. Rule 5(5) mandates the taxis to have temperature control device (air-conditioner) in working order. If non-air conditioned cabs facilitate a lower fare model, then this clause will act as impediment for service providers as well as consumers. Since this clause is also not applicable to black-yellow taxis, this should also not be applicable to other variants of taxis. However, the application/platform should upfront inform the consumer about the existence of air-conditioner in the taxi or not.
6. Rule 5(6) mandates the conversion of already existing working vehicles to clean fuel, within one year of commencement of the rules. One year is too less for the changes, considering the 5 years given to Diesel taxis in NCR. It is impractical to convert diesel cars into CNG or LPG or Electric vehicles. This would mean the car-owner selling/scraping the diesel vehicle within one year of purchase, which will impose a heavy burden on the owners. Moreover, Mumbai lacks infrastructure to support CNG, with limited CNG stations available. It is thus advisable to provide the car owners, more time for the changes to be applicable.
7. Rule 5(10) mentions for a separate colour scheme for taxis. Taxi aggregator platform allows for a part time job avenues for citizens. In such cases, mandating a colour scheme would take this incentive away. In addition, driver details, make and number of taxi is available beforehand to consumer, 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.
8. Rule 5(15) mandates Public Service Vehicle (PSV) Badge for all drivers. The conditions for grant of a PSV badge are quite stringent. It requires a person of state domicile (15 years) with one year of driving experience, a minimum age of 20 years and education till 8th standard. Added to this, the process of obtaining a PSV badge is tedious and takes about 6-12 months. Considering most of the drivers come from outside the state in search of jobs and become drivers, it goes against the core value of right to employment. A thorough background and police verification should ideally ensure if the driver has a criminal history. It should not restrict drivers based on their place of domicile. Thus, the requirement of PSV badge should be relaxed from the list requirement to be a driver.

9. Rule 5(23) mandates a roof light for all the cabs. The objective appears to facilitate identification of taxis. However, in a scenario wherein the consumers get details about make, number of taxi and driver details, the roof light might not add value to the mechanism and may be done away with.
10. Rule 7(2) requires the drivers to have adequate knowledge of the roads and routes to avoid inconvenience to passengers. Like the domicile clause for PSV Badge, this requirement would restrict the entry of drivers from different regions. The taxi aggregator's cars are already equipped with a GPS navigation device, which can be easily used to navigation and to track the car location by the aggregators. Since, there are alternatives to the drivers having knowledge of the routes themselves and hence, this requirement should be relaxed. Moreover, there is no fool-proof way of assessing the drivers on their knowledge of roads and routes. Thus, the rule's implementation in itself is questionable.
11. Rule 9(1) sets fee for the grant of permit to the individual taxis. The fee is kept at INR 2.61 Lac for vehicles above 1400cc. This fee would have huge financial implications on the taxi owners. This could further make it unfeasible to the individual car owners to pay such a huge fee for the permits. This will also hinder new taxis inductions on the aggregator platform. Thus, these fees should be kept highly affordable to promote the business. The current and future regulation should be more focused on facilitating the promoting the sector and not setting hurdles.
12. Rule 10 provisions for a bank guarantee of Rs. 50 lacs per 1000 vehicles or part thereof. There is no explanation on why such a huge sum was deduced for the bank guarantee. Moreover, its application per 1000 vehicles again doesn't provide any rationale. CUTS strongly emphasizes that the uniform bank guarantee disproportionate to number of vehicles is unjustified. The alternate way of deducing bank guarantee may be based on individual cabs, e.g. Rs. 1000 per cab. This doesn't impose unnecessary bearing on smaller players having a smaller fleet. Consider a situation where there are only 10 taxis for a startup, but the bank guarantee remains the same at Rs. 50 Lac. Also, some aggregators platforms, do not own any taxi themselves. For such aggregators, imposing such a high bank guarantee is not feasible.
13. Rule 11 states that the licensing authority shall prescribe the minimum as well as maximum rates for fare. There is absolutely no requirement of a minimum fare cap, as the market should push for least possible fares, owing to competition, without resorting to anti-competitive practices like predatory pricing. Even for the maximum fares, the authority should come out with a value which incentivizes the situations of low supply. Since the dynamic pricing, in taxi aggregator business, generates new supply, it is advisable to keep the incentives alive. Thus, the maximum cap should carefully strike a balance between the law of economics and consumer welfare. A recent article written by Pradeep S Mehta and Udai S Mehta, also highlight the relevance of surge pricing in taxi aggregator business.²

² Light touch guidelines to control surge, available at:
<http://www.deccanchronicle.com/opinion/columnists/311016/light-touch-guidelines-to-control-surge.html>

14. Additionally, the Rule 11 also exempts vehicles with engine capacity of more than 2000cc, from any fare capping. Majority of the aggregator fleet vehicles are below 2000cc category and very less vehicles which cross the 2000cc mark. If the idea is to differentiate between luxury and non-luxury vehicles, the rules should exempt all vehicles above 1000cc from fare capping. The vehicles above 1000cc may be classified as luxury vehicles for which the fares can be higher. The rationale for this is that all vehicles above 1000cc are either sedan or premium hatchbacks, whereas all the vehicles below 1000cc mark are capable of providing the basic taxi services.
15. Rule 13(1) provides for suspension/cancellation of licenses of the aggregators if an employee of the aggregator or driver of a vehicle, attached with the aggregator, is found guilty of misbehavior or misconduct with any passenger. Such instances are not entirely controllable by the aggregator, who can only ensure due diligence of the driver through police verification and background check. In case any undesired event happening, the driver (or the car owner, if he/she himself is the driver), should be prosecuted and the taxi permit should be cancelled. There is no point of cancelling/suspending the aggregator platform, unless the aggregator is careless on its due diligence. Thus Rule 13(1) should focus more on the due diligence and punishing the drivers, not the aggregators.

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