



COMMENTS ON

DRAFT RULES FOR ON-DEMAND TRANSPORTATION TECHNOLOGY

AGGREGATOR PLATFORMS

CUTS International welcomes the Government of Rajasthan notification of draft rules for on-demand transportation technology aggregators. 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 and also clear the ambiguities. The draft rules looks carefully drafted and seems to cover all important aspects. CUTS puts forth its viewpoint on the draft rules, to make them more efficient and beneficial to all stakeholders, especially the consumers. The comments are given below:

1. Considering the disruptive and evolving technologies, keeping the rules future ready through their applicability to “advanced” technologies, shows the vision of the government.
2. Section 4(1), mandates a bank guarantee of Rs. 10Lacs. This results in creating an entry barrier for prospective new entrants, especially small and medium players. Also, there is no rationale provided for setting the quantum of the bank guarantee so high. Thus, the bank guarantee should be kept as low as possible and should be based on strong rationale, which the rules should highlight as well.
3. Section 4(2) stipulates the need for seeking approval by the licensee, from the licensing authority, on the event of change in office address and branches. Since the licenses are provided for a period of five and half years, there is no need to seek “approval”, which can inflict unnecessary delays. The licensee should just be mandated to intimate the licensing authority in writing, on the changes, within 15 days of such changes.
4. Section 5(vi) states the need for 500 motor cabs and 25 non-motor cab vehicles, as eligibility criteria, to apply for license. Needing 500 cabs to enter the market, raises the entry barrier substantially and will eventually allow only deep pocket entities to enter the market. Since, it would be good to have more players entering the sector, which in turn promotes competition and thus, consumer welfare, the requirement of 500 cabs needs to be lowered. Karnataka and Chandigarh too have stipulated the requirement as minimum 100 cabs, which can also be adopted for the State of Rajasthan.¹
5. Section 6 mentions that “no application for license shall be refused by the licensing authority unless the applicant is given an opportunity of being heard and reasons for such refusal are

¹ CUTS was invited for the meeting by the Chandigarh Administration to discuss the on-Demand Transportation Technology Aggregators Rules, 2016 on September 14, 2016. The minimum number of cabs, for taxi aggregator entity, was also deliberated. Finally, after stakeholder consultation, the number was decided as 100 cabs.

recorded in writing by the licensing authority”. This is a welcome clause since it makes the licensing procedure more transparent and inclusive.

6. The section 8(1)(g) mandates air conditioner for all motor cabs, except two and three wheeled motor cabs. If for non air-conditioned cabs, the fare can be lower than that of air-conditioned cabs, the consumers/aggregators should be left with this choice. Hence, this clause is suggested to be removed from the list of rules.
7. Section 8(1)(l) states an equipment to be fitted in the motor cabs to track physical location and also to measure fare and time of travel. This clause needs to be clarified, if the rules prescribe for physical meters/devices, apart from the mobile handset with drivers with the aggregator app, to be installed in the cab (like in the conventional cabs). Since an additional device, will be duplication of the information that the driver and consumer would already possess, it would add to unnecessary costs. CUTS recommends against mandating additional physical meters/devices in the cab as they do not add value to the operations, rather creates a cost implications on the car owners and drivers.
8. Section 8(1)(n) is not applicable to aggregator services. The aggregator services are, in all states limited to city limits and do not operate inter-city. Hence, there is no question of the cabs being operated in the National Capital Region or requirement of cabs being CNG ready. In any case, owners of cabs with All India Permits are exempted from the Supreme Court’s order banning all non-CNG cabs from plying in the NCR.
9. The rules, at numerous places stipulate police verification of the drivers, to check for a criminal/offensive track record. However, the rules do no mandate the background check document, for the driver, in the list of documents (Section 8(3)(d)) to be kept on records by the taxi aggregator company. CUTS strongly recommends that the aggregator company should also have the police verification document for the driver on records as well.
10. Section 8(3)(d) states the requirement for the driver to have a bank account. Considering the different payment mechanisms that exist today such as prepayment instruments and wallets, this requirement is suggested to be relaxed. The driver might wish for the payments to be credited to its wallets. The basic requirement should be more focused on the proper KYC for the driver and not for the payment destination.
11. Section 8(10) subjects the aggregator services to a maximum cap on the fares. However, CUTS suggests having a differential capping regime for cab services. Since the taxi aggregators have differentiated services on luxury parameters, it is advisable to have capping for only the “upto 1000cc cabs”, which offer services to common man. For all cabs, over the capacity of 1000cc, may be considered as luxury services, for which the fare capping mandate may be relaxed.
12. Section 9(3) needs to be amended by “Shall not” rather than “Shall”.
13. An auditing mechanism may also be prescribed in the rules, which can ensure accountability on the part of aggregators, on compliances.

For any query, please contact Udai S Mehta (usm@cuts.org) or Rohit Singh (rhs@cuts.org)