REGULATING INNOVATION IN URBAN MOBILITY
INNOVATION BENEFITS CONSUMERS

Uber India retweets the Amul ad
BUT ADVERSELY IMPACTS INCUMBENTS
NEED FOR REGULATORY CONVERGENCE

- Retaining benefits of innovation
- Addressing the risks coupled with innovation
- Taking into account concerns of incumbents

The Maharashtra City Taxi Rules, 2017 were issued with these objectives
IS CONVERGENCE LIKELY?

Key questions:

• Are the objectives likely to be achieved?

• Is manner of achievement such that costs to stakeholders are significantly outweighed by the benefits?

Methodology:

• Survey of 1,000 (750 + 250) drivers, 1,000 riders, and Key informant Interviews

• Understanding plausible changes in behaviour of key stakeholders i.e. riders and drivers

• Analysing experience, perception, preference and constructing possible scenarios
KEY PROVISIONS OF THE RULES
MINIMUM ENGINE CAPACITY OF 980CC

- **Objective**: Rider safety and comfort
- **Survey**: 46% users have used small taxis. 99% of such riders did not face any discomfort.

Willingness to pay for taxi comfort = INR 120 i.e. notional inconvenience cost

Change in rider preference

AC Bus

Compact Hatchback Taxi

Hatchback Taxi

B/Y Taxi

Change in rider cost

AC Bus: 35

Compact Hatchback Taxi: 155

Hatchback Taxi: 155

B/Y Taxi: 155

Change in rider cost

AC Bus: 25

Compact Hatchback Taxi: 25

Hatchback Taxi: 13
FLEET COMPOSITION

- At least 30% fleet should have engine capacity of 1400 CC or more
- **Objective:** Preserving high end taxi market
- **Survey:** High end taxis comprise 5% market, sufficient to cater prevailing rider demand

![Graph showing Fleet Composition Analysis](graph.png)
PERMIT AND PERMIT FEE

- Need for City Permit with Fee of INR 2,61,000 as against existing permit costing INR 1,500.
- **Objective:** Level playing field between high end taxis. (Figures in INR)

<table>
<thead>
<tr>
<th>Cost heads</th>
<th>Existing cost</th>
<th>New cost</th>
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<tbody>
<tr>
<td>Cost</td>
<td>900000</td>
<td>900000</td>
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<tr>
<td>Permit fees</td>
<td>1500</td>
<td>261000</td>
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<tr>
<td>Interest and processing fee</td>
<td>265783</td>
<td>342289</td>
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<tr>
<td>Repair and maintenance</td>
<td>338880</td>
<td>338880</td>
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<tr>
<td>Insurance and taxes</td>
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<tr>
<td>Additional tax</td>
<td>60000</td>
<td>7150</td>
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<tr>
<td><strong>Total cost</strong></td>
<td>1728328</td>
<td>2011484</td>
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<tr>
<td><strong>Per day cost</strong></td>
<td>947.03</td>
<td>1102.18</td>
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</table>

Change in driver preference

Change in driver daily fixed cost
# Snapshot of Aggregate Impact

<table>
<thead>
<tr>
<th>Rules/ Stakeholders</th>
<th>Minimum Engine Capacity</th>
<th>Fleet Composition</th>
<th>Permit and Fee</th>
<th>PSV badge</th>
<th>Clean fuel</th>
<th>Colour standardisation</th>
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<tbody>
<tr>
<td>Consumers (actual)</td>
<td>-39.89</td>
<td>-30.77</td>
<td></td>
<td>-25.33</td>
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<tr>
<td>Consumers (inconvenience)</td>
<td>-76</td>
<td>-20.94</td>
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<td>-80</td>
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<tr>
<td>B/Y taxi</td>
<td>122.23</td>
<td>27.87</td>
<td>128.67</td>
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<tr>
<td>Compact Hatchback taxi</td>
<td>-950</td>
<td>-950</td>
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<tr>
<td>Hatchback taxi</td>
<td>114</td>
<td>707.08</td>
<td>1.26</td>
<td>-0.05</td>
<td>-31.24</td>
<td>-26.03</td>
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<tr>
<td>SUV taxi</td>
<td>-2106.09</td>
<td>-7.75</td>
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<td>-1.64</td>
<td>-1.37</td>
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<tr>
<td>A/C Bus</td>
<td>22.16</td>
<td>5.05</td>
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<td>23.33</td>
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<tr>
<td>Permit/ Fee (Govt)</td>
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<td>0.8</td>
<td>0.1</td>
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<td>Aggregators</td>
<td>-36.1</td>
<td>-4.62</td>
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<td>-41.54</td>
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<tr>
<td><strong>Net impact</strong></td>
<td>-843.6</td>
<td>-1421.6</td>
<td>-5.69</td>
<td>-944.82</td>
<td>-32.88</td>
<td>-27.4</td>
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</tbody>
</table>

**INR per day**

**Negative**
KEY RECOMMENDATIONS

• Allow taxis with engine capacity of at least 600 CC to link with app based aggregators. Explore alternatives like power to weight ratio to foster rider safety and comfort.
• Replace fleet composition with periodic market assessment to determine the need and timing of regulatory prescription.
• Allow taxis with All India Tourist Permits to operate. Rationalise permit fee for all permits.
• For all drivers, requirement of Public Service Vehicle Badge can be replaced with references and alternate authentication documents.
• Transition period to comply with clean fuel requirement should be rationalised. Consider regulating emission standards in stead of type of fuel.
• Colour standardisation requirement for all taxis can be replaced with sticker of logo of service provider.
• Regulatory Impact Assessment should be institutionalised in regulation making.
THANK YOU

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