

Developing Optimal Regulatory Framework for Taxi Aggregators in India

Background and Rationale

In a much-expected step, Central Government ratified Motor Vehicle Amendment (MVA) Bill 2019 which now recognizes Aggregators as a separate entity, defining them as digital intermediaries or marketplaces which can be used by passengers to connect with a driver for transportation. Within the Act framework, the Centre now plans to formulate a binding common umbrella guideline for regulating aggregators on aspects such as permissible vehicles, dynamic pricing, safety, ownership and liabilities etc.

Two cardinal issues, pricing mechanism and safety standards with respect to taxi aggregator regulations have received mixed response from different stakeholders and have remained matters of wider debate in policy circles. Riders have been concerned about imposition of dynamic pricing whereas aggregators see it as an effective instrument to manage demand and supply apart from providing other benefits. Though central government has been deliberating to put a cap on surge pricing, three times to the basic fare, realizing its adverse impact, its premier think-tank NITI Aayog has argued for refraining from any such cap or floor price.

In context of safety, the MVA Act 2019 sets provision for penalizing a driver in case of using a handheld communication device while driving. Given that these services are heavily dependent on such devices, applicability of such provision (interpretation of the term “use”) remains a question. Moreover, given that existing taxi aggregators have set benchmarks for safety standards in the industry, it must be ensured that additional safety related obligations do not act as deterrent for entry of new drivers and growth of overall taxi aggregator network. Provided the ambiguity and divergence of opinions and understanding on these issues, an initiative is proposed to take up research and advocacy based on secondary literature and stakeholder interactions, to inform policymakers of optimal regulatory solutions.

Methodology

A holistic 5-step methodology is proposed for the initiative with following details:

1. Research

It is suggested to undertake in-depth secondary research on experiences in other jurisdictions, suggested best practices, and unintended consequences of sub-optimal regulation with respect to pricing and safety standards. Best practices, including enhanced transparency and stakeholder engagement, would also be identified based on learnings from other

countries with mature stage of taxi aggregator regulations. Two draft policy briefs would be prepared, one each for the specific issues related to pricing and safety.

2. Focused Group Discussion/ Key Informal Interviews

Inputs from experts will be considered to fine tune the policy briefs. In addition, to the extent possible within the given timeframe, we could undertake key informant interviews with select

stakeholders, particularly drivers and driver associations, to understand their perspective on these issues. Select interactions may also take place with riders on their experiences regarding assured availability and safety standards practiced by taxi aggregators. Possible recommendations on alternate better mechanisms to achieve regulatory objectives will be designed. The findings at this stage will be documented in the draft policy briefs in the form of case studies.

3. Dissemination roundtables

The draft policy briefs will be presented in two roundtables attracting participation from key stakeholders, including policy influencers, experts, think tanks, media, academia, aggregators, government, driver associations, etc. The objective of the roundtables will be to discuss key issues, pricing regulation and safety standards in particular, with stakeholders, and build a narrative for optimal regulation.

4. Dissemination of Policy Briefs

Based on discussions at the roundtables, the policy briefs will be finalised and submitted to the government. It will also be disseminated through social media, and could be converted

into short pieces/ articles for dissemination through electronic media.

5. Engagement with government

In-person representations with key findings and recommendations will be made to the government, particularly the Ministry of Road Transport and Highways. In case the draft aggregator guidelines are released for public consultation, we would make a detailed submission to the government and engage with it for enabling optimal regulation in the sector.

Outputs

1. Two Policy briefs on identified issues (pricing and safety standards).
2. Op-Eds and media articles.

Expected Outcomes

1. Better understanding of unintended consequences of sub-optimal regulation and better ways to address concerns towards pricing and safety standards.
2. Future course for policymakers on research and pathways for better service delivery.

