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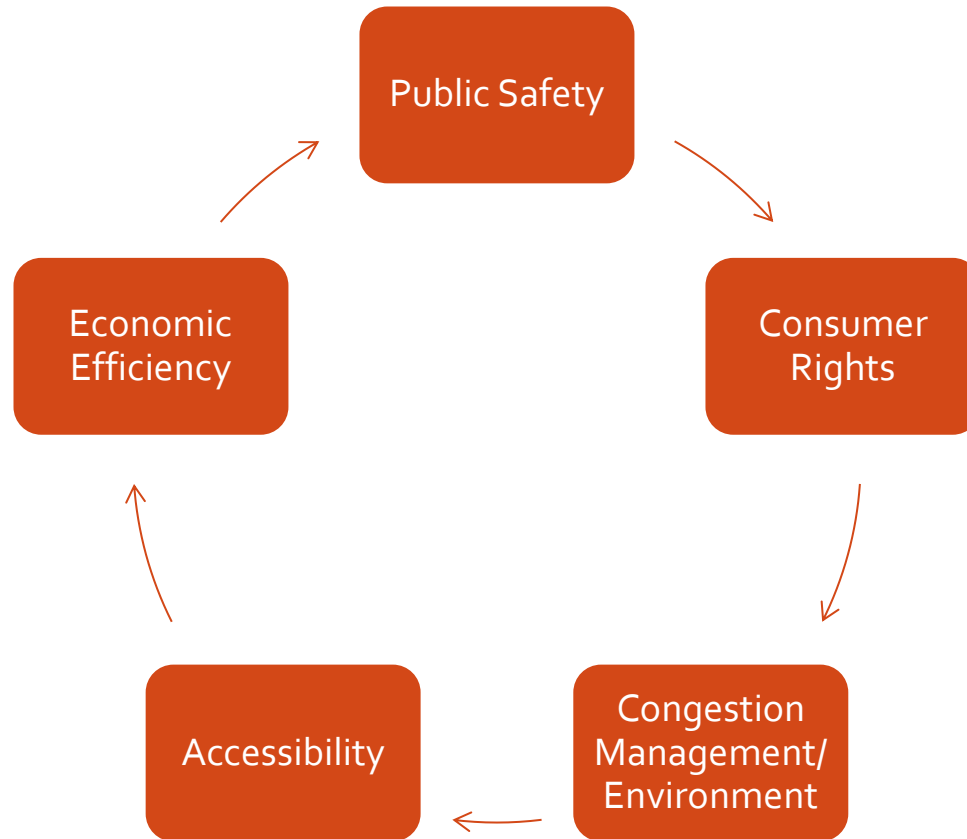
New Regulation for Taxi Services in the Age of Collaborative Mobility

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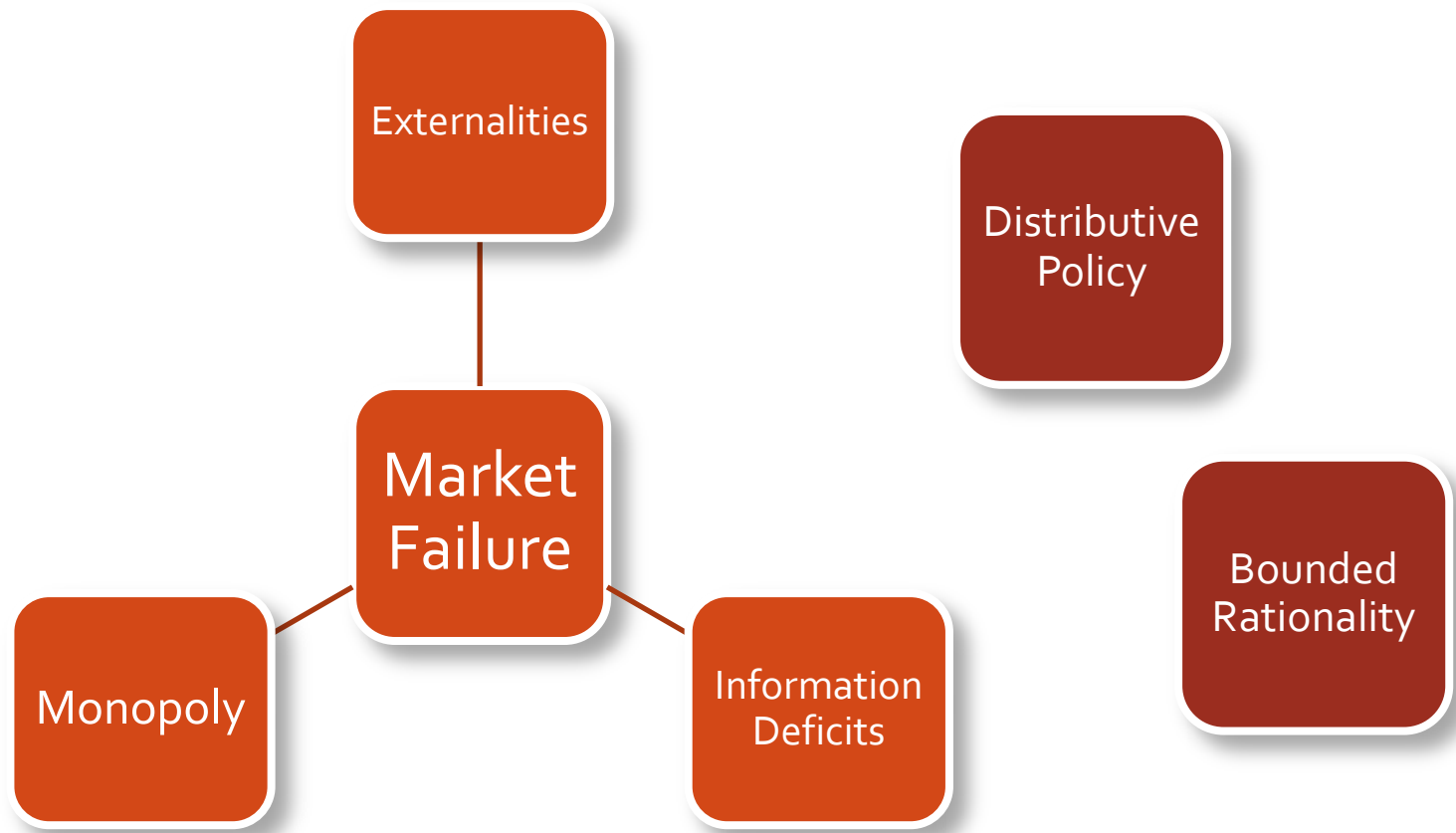
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Why Regulate Taxi Markets?



Reasons for Market Intervention in General



Innovation

- New taxi platforms link drivers and passengers directly and render dispatching centers redundant
- Lower transaction costs for both drivers and passengers
- Web 2.0 rating systems
- More flexible pricing mechanisms
- Tighter customer relation

Improved Consumer Information

New technologies eliminate information asymmetries:

- Web 2.0 rating systems reduce e.g. search costs
 - Quality is controlled by the market: Cleanliness, friendliness, knowledge of local area
- Apps provide better price transparency and control

In these cases deregulation should be considered.

Persisting or New Information Deficits

A lack of consumer information persists regarding:

- Professional competence (e.g. driving license)
- Financial situation (e.g. driver's insurance coverage)
- Repute (e.g. driver's criminal record)
- Vehicle safety (increased requirements for professional passenger transportation)

In these cases specific regulation may still be justified to maintain the level of protection.

But: Do we still need the same regulatory instruments, or might minor interventions serve the same purpose?

Persisting or New Information Deficits

Further cases of information deficits:

- Apps may also reduce price transparency
- The closer the customer relation the more data protection issues may arise

In these cases general regulation should be sufficient: Unfair Competition Law, Data Protection Law

Different Needs for Different Sectors



- Only phone/app booking services profit from new technology.
- Still, all three kinds of service compete with each other.
- How to ensure equal treatment before the law?

How to Ensure Equal Treatment?

- The law must treat the same equally **and difference according to its nature.**
- If certain information asymmetries only persist for taxis hailed out in the street or taken at a taxi stand, we should not regulate phone/app booking.
 - E.g. fare regulation, service quality
- As far as information asymmetries persist for the booking sector as well, regulation may still be justified.
 - E. g. public safety matters

Old Monopolies - New Monopolies

New technologies tear down market entry barriers but also create new ones:

- Platforms and apps lower transaction costs.
- Lower market entry barriers lead to more competition: old monopolies are disrupted; quality is supposed to rise, prices to drop.
- **But:** The devil is in the details. Real life often disproved theoretical propositions.
 - E.g. fare deregulation resulted in higher fares and lower quality due to atomised market structure

Characteristics of Taxi Platform Markets

Will self-employed taxi drivers become dependent from platform operators?

- Platform markets are two-sided markets and tend to tip to one operator due to network effects
- But: Taxi platforms are significantly less complex than hotel booking platforms. Multi-homing is possible for both sides. Market entry barriers for new taxi platforms are lower than for, e.g. hotels.
- Only empiric analysis will provide clarity.

Further Policy Questions

- Shall we lower the protective level of the law to make services like UberPOP possible?
 - Insurance, Vehicle Safety, Knowledge
- Is fare regulation still an option?
- Direct vs. indirect market barriers
- Is the living standard of taxi drivers at stake?
 - New monopolies on platform markets?
 - Will we face ruinous competition in taxi markets?
- Do we need a conveyance obligation for booking services?

General Advice to Regulators

- Treat different sectors differently
- Consider two-tiered regulation with taxis on one and private hire vehicles on the other side
- Treat rural and urban markets differently
- Do not trust theoretical models or ideology – act cautiously and respect empirical research
- Beware of rent seeking pressure groups
- And, above all: Grab the chance to review outdated regulation!

How about Uber?

Given the fact that regulation is unlikely to disappear, but has to be reviewed in the usual political process:

Was it smart to...

- ignore Europe's political traditions by rudely ignoring established laws?
- violate people's sense of fairness by surge pricing in inappropriate situations?