

# Research on Regulatory Issues and Paths of Online Ride-Hailing

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**Abstract:** the rapid development of Internet has brought a lot of convenience to our life, network about car is one of them, its advantages such as low cost, convenient travel is deep people favour, but at the same time, it also led to a series of threats passenger safety, reveal the passenger information, such as malignant social events, the situation of the “market failure”, make the government's regulatory faced with new challenges. However, the government is not experienced in the supervision of the new traffic service industry such as online car-hailing, and the legal norms are not perfect enough to improve the market governance of online car-hailing, and the reform of government supervision has become a new problem of The Times.

## 1. Introduction

In August 2018, the General Office of the State Council issued a working document on the reform of delegating power, regulation and services, which also pointed out that the development of emerging industries should be supervised more prudently and treated differently on the premise of adhering to the bottom line of safety and quality<sup>[1]</sup>. Specifically, for those industries which are in the same direction of development but are in great difficulty, guidance and correction must be carried out in time. Rapid and decisive action must be taken when the potential risks of the industry are high and have a significant negative impact on society.

## 2. Overview of Online Car Hailing

### 2.1 The Concept of Online Car-Hailing

According to the provisions of Article 2 of the Measures for the Administration of Online Ride-hailing, the business service of online car-hailing refers to the business activity of building a service platform based on Internet technology, integrating supply and demand information, using qualified vehicles and drivers, and providing non-cruising taxi booking service<sup>[2]</sup>. In other words, the driver receives the booking information of the passengers through the Internet platform, selects the orders received, picks up the passengers and sends them to the destination according to the location information of the passengers, pays the fare through the platform at the end of the trip, and the passengers and the drivers score each other.

### 2.2 Features of Online Car-Hailing

#### 2.2.1 Convenient and Efficient

Online ride-hailing can directly communicate with passengers on the platform. Passengers can place orders anytime and anywhere, and drivers can choose passengers closer to them to take orders<sup>[3]</sup>. This greatly improves the docking efficiency between passengers and drivers, and saves a lot of time for both passengers and drivers. In addition, ride-hailing passengers can choose to complete the transaction through electronic payment, which allows them to get off the bus first and pay later. Makes transactions faster.

#### 2.2.2 Humanized Service

The service industry of online ride-hailing is more humanized. Many drivers will take luggage and provide drinking water for passengers. Some drivers will also recommend some tourist attractions and web celebrity hotels to passengers, providing personalized, diversified and high-quality services to improve passengers' satisfaction.

### **2. 2. 3 Social Hidden Dangers of Online Car-Hailing**

Disclosure of passengers private information

To facilitate the monitoring of online vehicles, ride-hailing platforms require drivers and passengers to register with their real names and keep a large amount of user information. Some platforms, lured by huge profits, pack and sell the personal information of vehicle owners and passengers, which infringes the privacy of the public and damages the interests of users.

Threatening passengers' personal safety

In recent years, incidents of online ride-hailing drivers threatening passengers' personal safety have occurred frequently, triggering a series of discussions. Some passengers increase tips by threatening passengers' safety, some drivers "hold out their hands" to female passengers, and some Didi Shunfeng owners even discuss "sex" with female passengers in the industry group. The online car-hailing platform is in chaos, and the letter needs to be rectified.

## **3. Theoretical Basis**

### **3. 1 Market Failure and Government Failure Theory**

Market failure refers to the phenomenon that the market mechanism plays a full role but still cannot achieve the optimal allocation of resources<sup>[4]</sup>. The market economy is not always able to produce the most effective results, and its spontaneous operation has great limitations. It is often accompanied by periodic economic crisis, monopoly, environmental pollution, unfairness and other phenomena that harm the society and public interests. The preconditions for government regulation of the market and

The basis is market failure, and the government has an important role to play in filling the gap.

Government failure refers to the fact that in modern parliamentary democracy, individuals' demand for public goods cannot be met, the public sector abuses and wastes public resources, which leads to the increase of public expenditure or the decrease of administrative efficiency, and the government's administrative decisions and measures make economic development inefficient and fail to improve economic efficiency.

### **3. 2 Public Interest Regulation Theory**

The theory of public interest regulation assumes that the government is a moral person and regards the government as the representative of the public interest<sup>[5]</sup>. It believes that the main purpose of supervision is to correct the market failure and market unfair behavior, the government must be involved in the microeconomic main body, in order to safeguard the public interest, improve the overall welfare level of the society.

## **4. Government Supervision Experience of Ride-Hailing in Other Countries**

### **4. 1 American Experience**

Establish transportation network company, clear legal status. California has launched a new transportation network that uses Internet technology and platforms to connect passengers and drivers to provide transportation services. The California Public Utilities Commission has also issued laws enforcing a series of rules regarding specific eligibility, transaction prices and insurance for companies.

Allow private cars to enter the online car hailing industry, lowering the transaction threshold. In order to better regulate the ride-hailing market, the California Public Utilities Commission has proposed that drivers only need to apply to the administration for a license to operate a

transportation network company. This special permit costs \$1,000 in California and is valid for up to three years after the expiration of the license, which can be renewed in cash, simplifying immigration procedures and greatly reducing immigration costs.

#### **4. 2 British Experience**

Establish the legal status of online car hailing. Transport for London (TfL) has confirmed the legal status of ride-hailing services by declaring that smartphone taxi hailing apps do not fall under the category of taxi meters. The London regulatory model adopts a dual-track management framework, and online car hailing is also included in the traditional management of car hailing. The differentiated management is implemented under the unified management framework, but the standards of entry and approval procedures are lowered.

Clarify the responsible party of online ride-hailing service. The British government requires platform companies and drivers to buy commercial insurance and assume corresponding commercial liabilities. To protect the legal rights of consumers and prevent potential safety hazards, drivers must submit a health check report and proof of personal information before applying for a driving license. Regulators also stipulate that in the process of online ride-hailing, to close

Note the travel problems of vulnerable groups, shall not refuse to carry disabled passengers.

### **5. Problems in the Supervision of Online Ride-Hailing by the Chinese Government**

#### **5. 1 Insufficient Legislative Guarantee**

The latest laws and regulations have established the legal status of online ride-hailing and laid down relevant rules, but the applicability of the regulations is still up for debate. At the same time, there is still a lack of corresponding legal protection for the insurance system related to driver safety, conflict resolution between users and platforms, and the regulation of online ride-hailing transactions. When the rights and interests of consumers are violated, the dangerous things that happen to users cannot be dealt with

Therefore, provide due protection. Therefore, the legal provisions related to the regulation of online ride-hailing are not perfect enough, and the healthy development of online ride-hailing is still unable to be effectively guaranteed.

#### **5. 2 The Threshold of Admission is Too High**

The Chinese government adopts the method of gradually monitoring the whole process. The assessment of the work certificate of the drivers of online ride-hailing and the approval of the applicants of online ride-hailing platforms are all managed by the government, which not only leads to the increase of administrative approval procedures and administrative costs, but also reduces supervision. In addition, the actual level of development varies from place to place, and the government's macro policies cannot be effectively targeted

In practice, strict appointee mechanisms do not delegate specific detailed responsibilities to the local area.

#### **5. 3 The Rights and Interests of Consumers Are Not Protected**

First of all, the evaluation feedback mechanism of the platform is distorted. Due to various reasons such as the requirements of drivers, many passengers' scores are not objective. Online ride-hailing platforms have not yet established a transparent and detailed evaluation and complaint feedback mechanism to protect the rights and interests of users. Secondly, there are no specific provisions on passenger relief in the relevant laws related to online ride-hailing. Moreover, online ride-hailing often leads to illegal disclosure of passenger information out of interest, and consumers are obviously in a weak position.

### **6. The Government's Optimization of the Regulation of Online Ride-Hailing**

#### **6. 1 Improve Relevant Laws and Regulations**

A sound legislative system is a strong guarantee for the standardized and healthy development of the emerging industry of online car hailing. To improve laws and regulations, the legislative level should first be upgraded. The administrative regulations and laws formulated by the State Council should clearly stipulate the specific content of online ride-hailing services, and local governments should adjust the legal form in time according to the actual situation in their respective regions. Secondly, it is necessary to standardize the legislative procedure, improve the public participation mechanism, promote the openness and transparency of legislation, and promote the democratization of legislation. Government departments can adopt multiple ways to broaden the channels and improve the public feedback mechanism. Finally, specific laws and regulations should be improved. The platform should improve the protection mechanism of users' privacy information, establish a special insurance system for drivers, and strengthen the supervision on the quality and details of online ride-hailing.

## **6. 2 Lowering the Barriers of Local Governments to Admission**

The Administrative Licensing Law of our country clearly stipulates the scope of administrative license and market licensee. Excessive strict registration standards of ride-hailing platforms will increase the registration costs of enterprises and government administrative costs. The registration standards of ride-hailing platforms can be lowered by applying for unified administrative approval from higher authorities according to the actual situation of different regions. Secondly, the standard of registration of online taxi drivers can be lowered. For those part-time drivers, it is not required to sign a labor contract with the ride-hailing platform, but to strictly control the driver's driving qualification and working experience, so as to form a guarantee for the safety of passengers. 3. The vehicle registration standard of online ride-hailing can also be adjusted appropriately. According to China's new online ride-hailing policy, once the vehicle is operated, its nature will change.

In addition, it is stipulated that the operating period of vehicles is 8 years and they will be scrapped after the term expires, which will result in idle and waste of vehicle resources. Safety and quality supervision of online ride-hailing is the main factor in the regulation of the qualified persons of online ride-hailing. Vehicles that do not meet safety standards should be inspected regularly to avoid resource waste and unsafe operation of vehicles.

## **6. 3 Establish a New Regulatory Model of “Government + Enterprise”**

In order to protect the legitimate rights and interests of consumers, the government has reached cooperation with ride-hailing platforms. The government takes advantage of the information advantage of the ride-hailing platform to improve the regulatory efficiency and conduct supervision and inspection on it from time to time, and the two sides work together to prevent unsafe incidents. In addition, platform companies should assume social responsibilities instead of unilaterally seeking maximum profits and harming the public interest, let alone in the name of innovation

To circumvent regulations and government oversight. The government should also strengthen its own social responsibility, and guide all subjects to adhere to the principle of fairness and equality when participating in social and economic activities, and on the basis of enjoying corresponding legal protection and rights, be able to undertake its own social responsibility. The joint efforts of the government and enterprises can effectively promote the ride-hailing network Supervision of information services to protect the legitimate rights and interests of consumers.

## **7. Conclusion**

Online ride-hailing not only solves the problem of public travel, but also greatly stimulates the economic growth. Although most governments have confirmed the legal status of online car-hailing and taken a series of positive measures to promote the development of online car-hailing, they still cannot relax their supervision. Only with a good grasp of this degree can online car-hailing develop in a healthy and orderly way.

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