

# *Regulation of Car-hailing against the Background of “Internet Plus” in China*

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**Abstract**—The era of “Internet Plus” has come. Against the background, car-hailing has been emerging rapidly and developing constantly. Based on the review and analysis on rules and regulations for online car-hailing services by the government, this paper indicated the relatively high safety risk for the passenger transportation of online car-hailing services in China. It’s nearly impossible to guarantee the personal privacy and information security, as well as various negative externality problems. The rules and regulations by the government make the platforms of online car-hailing services that should be open and unified be divided mechanically. It’s far beyond the full competition and the related supporting facilities have not been established. The conclusion can be drawn that it is essential to improve and complete the related supervision legislation, innovate the supervisory pattern and management approach, assign and strengthen the responsibilities of platforms of online car-hailing services for the rules and regulations of online car-hailing services.

**Keywords**—*Internet Plus; car-hailing; legal regulation; supervision*

## I. THE EMERGENCE AND DEVELOPMENT: INTRODUCTION OF CAR-HAILING IN CHINA

Report on the Work of the China Government in 2015 pointed out that we will develop an “Internet Plus” action plan to integrate the mobile Internet, cloud computing, big data, and the Internet of Things with modern manufacturing, to encourage the healthy development of e-commerce, industrial networks, and Internet banking, and to guide Internet-based companies to increase their presence in the international market. “Internet Plus” means that the function of optimization and integration with internet on the allocation of social resources should be entirely developed by utilizing information communication technology and internet platform to so that internet can be deeply integrated into traditional industry, thus creating a new pattern of economic growth that regards internet as an infrastructure and an implementation tool [1]. Under such background, all works of life are no longer restricted from traditional commercial mode and get the fast train of internet one after another to attain in-depth integration and coordinated development with internet. The reform and innovation of enterprise relies on resource growth, instead innovation-driven much more. The status of market

entity is changing and individuality often possesses double status with consumer and producer. Against the background of “Internet Plus”, the Rules of Procedure and discourse power are also changing, which makes the governance on virtual society more and more important. The era of “Internet Plus”, as an open era, connects everything and stresses resource sharing and resource conservation where car-hailing emerges at the historic moment.

Reserving taxi online, or car-hailing for short, is a product of car-hailing business, which is a kind of sharing economy in essence. Sharing economy establishes a P2P online trade platform by such a way that on-line platform integrates individual off-line idle goods and labor service to provide some trade opportunities such as commodity or service for both supplier and demander, which relies on mobile equipment, online payment, evaluation system and so on to match the supplier and demander accurately, thus greatly reducing transaction cost, improving efficiency and saving resource. Car-hailing, a new mode of car rental is distinguished from traditional cruise taxi. The Ministry of Transport and Ministry of Industry and Information Technology and other seven ministries and commissions define that car-hailing depends on internet technology to establish service platform, receive vehicles and drivers who are qualified and offer non-cruise car-hailing service by integrating supply and demand information. Car-hailing can acquire operation qualification on the condition that it is identified by the government and chauffeured car platform, and then customers can get commuting service by reservation and payment on mobile phone and other mobile equipment. Car-hailing is a transport service organized specially at passengers’ demand, which will pick up passengers at the appointed place at upon passengers’ request and then send them to the destination. Although car-hailing uses this kind of new car reservation technology of internet, it is still a car rental that provides displacement service for passengers in essence. The Ministry of Transportation also will apply the management policy for taxi to car-hailing according to the law.

Analysis International first launched “chauffeured car” service in Beijing in May 2010. In 2012, car-hailing app---Didi and Kuaidi came into operation successively. In 2013, car-hailing app entered into a period of rapid growth, because

there were about 40 car-hailing apps in China. As a result, all kinds of service platforms began a crazy price war to seize markets. In 2015, Uber entered into the Chinese market and was involved with the tangled war. The absence of supervision in the market attracted much attention. For example, the Department of Transport Administration from various places regulated on car-hailing. The policy was issued to strictly limit the use on car-hailing app in many places. What's more, some provinces urged the driver of car-hailing to download car-hailing app. All these made the development of car-hailing into the period of stagnation [2]. On January 7, 2015, Chenchao, a car owner of car-hailing from Jinan, used car-hailing app---Didi to pick up passengers. As a consequence, he was fined 20000 Yuan by the Department of Transport Administration, but Chenchao refused to accept the result and initiated legal proceedings, which was called "the first case of chauffeured car". In this case, car-hailing was first acknowledged by the Department of Transport Administration, thus improving the development situation of car-hailing. The Ministry of Communications externally issued A Guidance on Promoting a Sound Development of taxicab industry about deepening reform (Exposure Draft) and Interim Regulations on the Business Service Management about Booking Taxicab Online (Exposure Draft) on October 2015, and incorporated car-hailing into the supervision system of taxi. Interim Regulations on the Business Service Management about Booking Taxicab Online was officially published on July 28, 2016, which finally enabled the legal status of car-hailing to be acknowledged.

The emergence of car-hailing exerts a tremendous impact on traditional taxi industry. The traditional taxi conveys passengers in a way of cruising street, where the supply and demand information will spread highly between passenger and driver, as a result, the two sides need to undertake much time and search costs. However, car-hailing platform can integrate the supply and demand information between passenger and driver based on internet technology, so the passengers can make a reservation by mobile phone and other mobile equipment and choose commuting time, route and level of chauffeured car in a planned way, and then the driver can seize the list rapidly to finish matching the supply and demand information [3]. Compared with traditional cruise taxi, car-hailing has the following advantages. First, it is unnecessary for the passengers to wait vehicles in the road, which saves commuting time for them. Second, unique function of valuation system possessed by car-hailing can adjust the cost in real time in line with the supply and demand situation between passenger and driver. Meanwhile, the passenger can estimate the cost ahead of time through the system of cost valuation, thus selecting chauffeured car with different levels. Third, the passenger can examine the vehicle trajectory and detailed charges in actual time with the aid of car-hailing app by real-time supervision system to avoid the emergence of this phenomenon that the driver leads the passenger to obscure places. Last, unique assessment and reward and punishment system can motivate the driver of car-hailing to provide good service, thus giving the passenger better commuting experience [4]. Car-hailing platform has constantly been integrating idle vehicles and drivers in the society by diverse subsidiary policies, which successfully breakthroughs the

monopolization landscape of taxi industry and slashes the income of traditional taxi drivers. Car-hailing at home and abroad seizes cities and territories suddenly and disturbs market rules in the field of traditional taxi, where the government's accession becomes an empty shell and private car owners are involved with car-hailing platform continuously, which lets private car become a chauffeured car and fast train. As a result, car rental enterprises add fuel to the fame, and more private cars join free ride with compensation, moreover, all cities in China, big or small, are occupied by car-hailing.

## II. THE COURSE OF THE GOVERNMENT'S REGULATION

Although car-hailing presents more advantages than traditional taxi from the very beginning, the governmental departments around China are very cautious about it that sometimes launches lawful inspection to crack down private car engaging in operation activities. For instance, the Department of Transport Administration in Beijing provides that private car can't be subordinate to car rental company undertaking rental business according to the agreement of four parties on car-hailing platform. At the same time, the car in the car rental company can't apply to the passenger transport management without permission. In June 2015, the leading official of the Department of Transport Administration in Beijing pointed out that Didi utilized private car and car rental to undertake the passenger transport management, which violates relevant laws and regulations. The Department of Transport Administration in Shanghai required that car-hailing service platform must offer the amount of car-hailing and basic information about drivers to the Department of Transport Administration Management in Shanghai. Once the vehicle or driver is not in accordance with the service criterion, the platform will be forbidden to undertake passenger transport service of car-hailing. Compared with Beijing and Shanghai, Guangzhou is much stricter than them. The Transport Committee of Guanzhou directly claimed that the vehicles and drivers by internet chauffeured car platform was not qualified with passenger transport service and involved with illegal service, they would receive severe punishment.

In May, 2015, the Ministry of Transportation issued a Notice on Orderly Development about promoting mobile phone app to Conduct Car-hailing and asked to create a development environment with unity, openness, justice and order. Moreover, the platform operation can't affect legitimate function and benign competition car service app on mobile phone. The Ministry of Communications externally issued A Guidance on Promoting a Sound Development of taxicab industry about deepening reform (Exposure Draft) and Interim Regulations on the Business Service Management about Booking Taxicab Online (Exposure Draft) on October 10, 2015, and implemented public comment for a month. Interim Regulations on the Business Service Management about Booking Taxicab Online was officially published on July, 28, 2016. On the whole, the Ministry of Transportation first affirmed high quality of car-hailing and its positive significance with diversity and personality, and acknowledged the innovated commercial mode that car-hailing platform integrated rental vehicles and the driver was offered by tertiary

labor service company. Meanwhile, it pointed out that car-hailing platform was established in positioning with the city's development and in line with the requirements of the market, to actively expand market, and coordinate with the city's public transport and traditional cruise taxi to realize the management of diverse service. However, it also definitely provided that car-hailing platform wasn't allowed use private car to undertake rental business. What it needed to do was to not only establish a supply and demand platform, but also do well in the supervision work, undertake social responsibility to ensure that the passengers could commute safely and comfortably.

The Ministry of Transportation had a relatively wild regulation on car-hailing according to the concept of "every city has one policy". Thus, all places also formulated local policy, which embodies various thinking of regulation. Beijing, Shanghai, Guangzhou, Shenzhen and other places published public comment on October about car-hailing to restrain the development of car-hailing by registered permanent residence, vehicle ownership, wheel base and output volume and so on. Afterwards, some second tier cities like Chengdu, Hangzhou, and Dalian issued policy that released the requirement of motorcycle type and volume output and stipulated that cruise taxi can surmount other procedures to undertake car-hailing service directly. According to incomplete statistics, near hundreds of cities implemented public comment on car-hailing policy by the end of November, 2016.

### III. THE EXISTING PROBLEM ON CAR-HAILING AND CURRENT REGULATION

Car-hailing platform as an open area, can encourage the participant of sharing economy on the availability of relevant information by utilizing obtained big data, which attracts a large amount of passengers and private car owners to enter the platform rapidly. And vigorous subsidiary from all platforms increased the growth swiftly. In order to occupy market, car-hailing had a low threshold on the accession of private car owners, which engendered that the quality of vehicle condition on car-hailing platform was different and also caused obscure supervision and the vacuum of rules [5]. Specifically, compared with traditional cruise taxi, car-hailing are exposed to these problems such as inferior road sense, bad vehicle condition and absent professionalism and so on, which easily increases the risk of passenger safety. Although online payment system on car-hailing platform is quick and easy, the information of drivers and consumers is unavoidably unprotected. Thus, individual privacy and information safety can't be ensured, what's worse, the rights and interests of passenger being encroachment often happens. The platform company doesn't employ directly and purchase social security, and the labor safety isn't monitored and the interest of labor service can't be guaranteed. Furthermore, the negative influence of car-hailing developing in all cities is very serious. Traffic jam and environmental pollution worsened the uncured "City Disease". Absent invoice, tax evasion, platform monopolization and cut-throat competition seriously disturbs market order and advertisement disturbance and commercial slander and other negative things destroy social harmony [6].

The Ministry of Transportation issued Interim Regulations on the Business Service Management about Booking Taxicab Online in 2016, which made a new regulation of the central plane. The regulation incorporated car-hailing into taxicab industry and followed existing taxicab supervision way, which may cause the following problems. First, car-hailing platform was asked to build branch institutions in various counties and cities and could operate after permission, which divided car-hailing platform that was previously open. It was obvious that the regional separation wasn't in accordance with the development type of operation against the time background of "Internet Plus", which was unfavorable to the development of car-hailing [7]. Second, it implemented the license system of operator on car-hailing and designed the accession condition of operator, vehicle condition criterion and the license condition on drivers, even required vehicles to run after permitted by the Competent Department of Transportation, which actually carried out strict control on its amount and made car-hailing and traditional taxi converge, thus eliminating the competition between them. Last, supporting measures failed to be established on the regulation of car-hailing. For example, how to define the boundary between private car and car-hailing? How to prevent car-hailing under the banner of free ride from undertaking illegal service? How to transit traditional cruise taxi in those cities that implement the compensated use of operator? Moreover, how to regulate the distance and price? There are no relevant regulations on it at present.

### IV. THE SUGGESTIONS ON LEGAL REGULATION ON CAR-HAILING

First, Improve relevant legislation. Although laws and regulations on the supervision of car-hailing have been issued successively from the central government to the local government, there are no specific regulations on the substance of "subordination" and the accountability on traffic accident and so on. Car-hailing is related to the interest of the government, platform's company and consumers and so on. Thus, when improving relevant legislations, the policy-maker should understand benefit appeals from all parties and consider relevant factors. On the one hand, the policy-maker should conduct effective supervision on car-hailing, regulate the accession to the vehicles and drivers by car-hailing platform, ensure that the operator, driver, and vehicle of car-hailing are qualified and prevent the scale of car-hailing from expanding infinitely and the occurrence of virtuous competition to create an order and regulated market environment of passenger transport. On the other hand, the policy-maker should not restrain the development of car-hailing extremely and squeeze the living space of car-hailing. Car-hailing, as a sharing economy, is consistent with China's competitive policy, which has a positive impact on innovating economic type of operation. However, after National Day, it was obvious that car-hailing policies issued by various cities were too rigorous, which had strict regulations on vehicle photo, household register of drivers and vehicles' model and excluded many drivers and vehicles from car-hailing. Meanwhile, the policy-maker should guarantee personal security and safety on privacy of consumers and define the

accountability on the traffic accident between car-hailing platform and driver.

Second, innovate the supervision mode. In the past, the government adopted the supervision mode on traditional taxi in a command and control way and incorporated taxi into the category of administrative licensing. All cities controlled the amount of taxi and its price. Although interim procedures incorporated car-hailing into rental industry in order to manage it much better, the feature of car-hailing could not be overlooked and different management from traditional taxi management should be implemented. Car-hailing belongs to new-style type of operation. At present, car-hailing around China there is a lack of adequate investigation to form unique car-hailing management experience. Thus, the government should give market a wide and loose exploration space to form an actual and effective regulation way. In addition, against the background of "Internet Plus", the government's supervision should master the feature of times, grasp the opportunity of car-hailing supervision and make full use of big data to establish a mode of "government plus enterprise", which must be in accordance with new way of "Internet Plus" [8]. Specifically, the mode of "government plus enterprise" means that the government manages enterprise and the enterprise manages platform. The government indirectly supervises the enterprise and the driver of car-hailing platform, rather than conducting the supervision cooperation with enterprise. The government formulates supervision criterion, monitors the operation of market and estimates the effect of supervision. The internet platform company specially carries out the supervision criterion and undertakes legal liability, thus realizing the innovation on technology and the balance of public safety.

Third, implement and intensify the responsibility of car-hailing platform. Car-hailing platform needs to make a strict inspection on vehicles' quality and must ensure the legitimation of car-hailing drivers and vehicles. The supervision institution can ask car-hailing platform to regularly offer the vehicles' condition of all vehicles and illegal violation record of drivers and put on a file. The supervision institution can conduct a spot test at random. Once finding that vehicles or drivers are not qualified, they can punish on the platform enterprise [9]. Meanwhile, the platform enterprise should educate drivers in these aspects such as safety emergency treatment and tackling traffic accident to

improve the ability of first aid in the condition of emergency and ensure passengers' commuting security. In addition, the car-hailing platform enterprise should perfect the valuation system on service, mark the price clearly and provide correct invoice for customers.

## V. CONCLUSION

Under an era background of "Internet Plus", the rapid development of car-hailing meets commuting needs of different levels among the masses, develops public transit among cities, and saves resources, but car-hailing policy and itself have some problems, which requires the government to regulate way of legal regulations in the development of car-hailing to promote a sound and order development of car-hailing.

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