Some Considerations for a Government-supported Ride-hailing Platform in Karnataka

IT for Change & Centre for Labour Studies, NLSIU

February 2024

Some Considerations for a Government-supported

Ride-hailing Platform in Karnataka

IT for Change and Centre for Labour Studies, National Law School of India University

February 2024

Key Messages

1. The current model of proprietary and oligopolistic ride-hailing platforms has exploited workers and affected consumers negatively. The proposed intervention from the Karnataka government to provide a new ride-hailing app/platform requires a well-regulated, fair, and competitive market to be successful and sustainable.

2. A ride-hailing app/platform developed by the government should be based on consultations with worker organizations and civil society (including consumer interest groups), and also learn from experiences of similar apps in other states.

3. An ecosystem view is essential to develop the platform, which includes not just appropriate technology choices (such as those based on open source and commons licensing), but also aspects such as marketing and 'socializing' the app (for onboarding workers and customers), financing (of infrastructure as well as running costs), legal framework, and wider citizenship engagement. Such a holistic approach requires bringing together various stakeholders and diverse expertise.

4. The platform needs a robust governance mechanism for managing ongoing issues, including pricing, working hours, grievance redressal, as well as the algorithmic decision-making process.

Context

The world of platform work has witnessed immense growth in recent years. This is particularly true for ride-hailing and taxi aggregator services, one of the first markets to be platformized and 'gigified.' The taxi market in India is expected to grow at a [13.55% compounded annual growth rate by 2029](#), so much so that the market leader, Uber, expects it to be its [largest market](#) over the next decade. These platforms—in particular, Uber and Ola in India; and Grab, Didi, etc., in other jurisdictions—have built their business by initially providing incentives to drivers and discounts to consumers and steadily gathering the data necessary for exclusive market intelligence. Such incentives were [reduced](#) as soon as consumers and drivers were onboarded.

Once, ride-hailing platforms achieve market domination, they exploit drivers through excessive commissions, long work hours (12–16 hours a day), unachievable threshold incentives; and consumers through 'surge prices.' Being designated as 'independent contractors' or 'partners,' the drivers have no benefits that regular workers get, including social security.

In such a market, an app/platform framed as a 'digital public good' breaks the exploitation by dominant proprietary platforms, enabling the government to harness digital technology for fair marketplaces and social innovation.

In recent years, there has also been an increase in the number of apps/platforms in India—including ones backed by state governments—for ride-hailing, both for taxicabs and autorickshaws, serving as alternatives to the market dominated by Uber and Ola. The following are some examples.

1. The 'Kerala Savaari' app was launched in Kochi and Thiruvananthapuram (2022) as one of the first apps of its kind. The platform is owned by the taxi drivers' welfare board and a tech company providing the technical infrastructure for the app, with a commission-sharing model between the two. This app ran into issues when Google Play (the application store for Google) stopped listing the app.

2. 'Namma Yatri,' an app to hail autos, was first launched in Bengaluru (2022), and subsequently in other metropolitan cities like Delhi and Chennai. It was introduced as a driver-friendly app that didn't charge commissions (the app later introduced a subscription fee). It was built in collaboration with the Autorickshaw Driver Union (ARDU) in Bengaluru. However, there has been a rift recently between the ARDU and the app creators, with the former complaining that the decision-making is no longer participatory.

3. 'Yatri Sathi' in Kolkata was launched by the West Bengal government (October 2023) to connect the yellow taxis via an app to customers, after an initial trial beginning July 2023. The focus was to reduce the commission paid through private app-based cab services like Ola and Uber. A challenge has been the lack of smartphones with the drivers.

4. 'Yaary' app was launched in Hyderabad (December 2023) using the ONDC platform, in association with the Hyderabad Auto & Taxi Driver Union. Since this app is privately owned, it is vulnerable to the same risks as Namma Yatri—with the possibility that the app owner can eventually limit the role and authority of drivers/driver unions in its management.

The Karnataka government's decision to introduce an app/platform in the ride-hailing market focusing on the well-being of workers and the ride-hailing market is timely. In order to ensure such a platform or app is successful and sustainable, certain baseline steps are required. This note from IT for Change and the Centre for Labour Studies, National Law School of India University, intends to offer perspectives

based on experiences from other jurisdictions and primary research, to help develop a robust framework for such a platform.

Such a platform must adopt principles of openness of technology, collaborative design that is systemic and holistic in approach, accountable and transparent governance mechanisms, and a robust regulatory framework for the market.

#1 - A new state-supported platform for ride-hailing can succeed only if the ride-hailing market is fair and competitive

The incumbent players in the ride-hailing market have [entrenched themselves](#) by focusing (during onboarding) on low prices, convenience of use and access to rides, and securing trust (through aspects like ratings and transparency about driver identity) for consumer loyalty. Drivers are attracted through hire-purchase agreements for vehicles, initial incentives, and earnings to the tune of INR 70,000 to a Lakh.

Deploying algorithms on the extensive data collected on the city's mobility needs, customer experiences, and worker activity and responses, dominant ride-hailing companies have been able to [gather the intelligence](#) to finetune their platform management and gain control over the mobility sector. They are able to use this 'network-data' power to deter any new entrant and create huge information asymmetries that work against the interests of drivers and consumers. Backed by deep-pocket venture capital, platform companies also engage in unethical and illegal practices. For instance, when the Kerala government introduced the Savaari app and attempted to onboard drivers, incumbent players, Uber and Ola, hiked up their incentives to retain drivers on their proprietary app.[1] Hence, the market needs to remain competitive to ensure that the introduction of the new platform is not derailed by anti-competitive activities of the incumbent players.

Recommendation:

The state government must regulate the ride-hailing marketplace for fair and ethical practices, including fair prices and commissions, as well as information transparency.

This can be done through the state transport authority [creating norms](#) as needed, as has been [recommended by the Competition Commission of India](#) (CCI). It must also ensure any unfair or predatory practice by dominant players is aptly acted upon, and a notice filed with the CCI. Such regulatory action causes a negative reputational impact on the incumbent players, discouraging them from anti-competitive actions.

---

[1] As per our interview with Alvin George, the technologist from VST Mobility Solutions, who worked on the Savaari app.

Information transparency is essential to prevent platforms from controlling and exploiting drivers and consumers. Worker organizations, along with rights groups, have developed applications to protect worker rights that can be layered on top of the algorithms of ride-hailing platforms. For instance, Uber Cheats alerted workers to instances of underpayments for rides. Similarly, 'Mystro' allows drivers to filter ride requests using categories like customer rating and available bonuses. State policies can mandate platform innovations/specifications that encourage transparency and data sharing by platforms to empower workers. For instance, a public API has been developed by the Washington DC Department of For-Hire Vehicles (DFHV) to encourage formal data sharing between different applications to gain visibility into real-time taxi and limousine availability in the region.

In Bogota, Colombia, an ombudsman (DAR) [2] was set up to redress Rappi delivery workers' grievances. DAR's scope of work includes "gender issues, support for the migrant population, general well-being and resolving app issues." DAR is appointed by the platform, and an independent ombudsman would facilitate a fair and ethical platform marketplace.

Additionally, authorities can also use exceptions in intellectual property law to demand mandatory data sharing by dominant platforms in order to protect public interest as well as worker and consumer interests.

#2 - A platform developed as a digital public good should be collaborative and consultative, and build on the lessons from existing experiences

Incumbent ride-hailing platforms use a top-down managerial system for their engagement with their primary stakeholders—the drivers. Over the years, there have been complaints by drivers and their representatives of reduced face time with the platform company management, absence of physical offices in the country, blacklisting of drivers who have participated in protests to challenge exploitation, and lack of transparency in the rules that govern drivers. There is also little engagement with customers to address their grievances, and human intervention to tackle problems faced by drivers and customers is completely lacking.

The Namma Yatri experiment in Karnataka began with a collaborative approach. It was launched with the support of ARDU. Drivers felt included in the decision-making, and this was an incentive to join the platform. However, this collaboration fell through because drivers were eventually left out of critical decisions and their recommendations were not accepted. Thus, without adequate mechanisms to ensure representation in management, the platform cannot serve the interests of all stakeholders.

There are initiatives in other jurisdictions that have attempted to empower drivers and create collaborative platforms. For instance, Taxi.Rio was launched by the Rio de Janeiro government to

---

[2] Defensoría al Repartidor

connect consumers with traditional taxi drivers.[3] Similarly, New York City drivers have established the Drivers Co-op.

Recommendation:

A new platform whose development is funded by the government must create avenues for critical engagement with both drivers and consumers to ensure that the problems of the incumbent platforms are not replicated. The case of Namma Yatri throws light on how relevant stakeholders, in particular, workers/drivers, through their unions and representatives, must be consulted while designing and implementing the app.

Additionally, the engagement of consumers is critical in such a collaborative platform ecosystem to ensure the overall health of the marketplace. There must be a continuous effort to incorporate feedback from the people directly affected by decisions made on the app.

#3 - The government-supported platform should be built with an ecosystem approach

Launching a platform in the ride-hailing sector has to consider a wide spectrum of issues—what type of technologies will be deployed, their licensing, how to create a financing structure that sustains the platform without penalizing drivers or consumers, how to onboard sufficient drivers and consumers, etc.

a. In the case of a proprietary platform, the owner of the platform creates a 'lock-in' and can unilaterally deprive other stakeholders of their right to use the platform, and adversely alter terms of use.

b. Dominant platforms are able to engage in 'cash burn' tactics—paying out large incentives to drivers and discounts to consumers in the initial phase—in order to capture the market, thanks to venture capital. They have also used this money for extensive marketing campaigns, advertisements for many years, and to grow a multinational presence. As per Uber's 2022 annual financial reports, the company spent USD 1.1 billion on its sales and marketing operational expenses. It would be impossible for homegrown startups to upend Uber.

c. Dominant ride-hailing firms have complex financing structures that are not solely reliant on the commissions they collect from their drivers. Ola has 86 institutional investors, with SoftBank being the biggest. It is also not profitable. For instance, for the year ending in March 2022, Ola, through its parent company ANI Technologies, registered a consolidated revenue of

---

[3] According to a 2022 report, Taxi.Rio and another app, 'Lady Driver,' have a market share of 8% in the Brazilian market. See, https://restofworld.org/2022/uber-brazil-government-taxi-app/

INR 1,970.4 crore, which was twice that of the previous year. However, it also registered a net loss of INR 1,522.3 crore, which was also higher than the previous year. In fact, in 2023, Ola's investment write-offs caused it to register more losses. Uber only registered profits for the first time as of 7 February 2024 since going public in 2019.

d. The incumbent ride-hailing platforms function as for-profit entities and accordingly their governance mechanisms are based on values that do not privilege social and public responsibility. As new entrants of the last decade, they've also had the advantage of establishing themselves in the market at a time when regulatory oversight was low.

e. Finally, as for-profit, private entities, these incumbent platforms do not do much in the nature of helping the community they serve.

The alternative model adopted by companies like Rapido and Namma Yatri was based on a lower share of commissions to the company, resulting in a higher share of the fare per ride to the drivers. These initiatives proved to be legitimate alternatives for both customers and drivers. In a different scenario, Kerala Savaari could not sustain itself as it was not able to onboard a minimum of 1,500 drivers on the app. It was not able to provide incentives to march what incumbent platforms offered, ultimately leading to many drivers as well as customers uninstalling the app. Given that platforms rely heavily on network effects, the trend of uninstalling the app could be fatal for the platform.

The story of platform cooperatives, such as in the city of Barcelona in Spain, points to open-source platform alternatives that allow worker and citizen participation. Since platform cooperatives do not have the resources to effectively compete in the market, state intervention and support, particularly financial support, is necessary. In India, the idea of a platform cooperative is still nascent, but, in an encouraging development, the Kerala state government has committed to supporting this alternate business model in the coming years.

Recommendation:

A holistic approach that adopts an ecosystem model is needed to develop and sustain the proposed platform. Different aspects, including the technology, marketing, and 'socializing' of the platform, its financing, legal requirements, and citizen engagement must be considered. The elements of this platform ecosystem that is publicly supported, accountable, and fair are discussed below:

a. A new business model backed by a creative legal framework that can advance the public interest and create stakes for drivers and consumers in the platform's day-to-day functioning is needed. Suitable options may be explored from the emerging experience of the platform cooperativism movement. Additionally, there can be a representative body that includes representatives from drivers, and customers, aside from the state departments.

b. The platform and its constitutive software must be licensed as open source or a similar commons-based framework. The 'Open Network for Digital Commerce' is a digital public good that can be used by the platform.

c. The state government must allocate sufficient budget for marketing and promotion at the time of launching such an app, since this becomes a significant portion of the total investment, targeting both consumers and the workers/ drivers. For the customers, it is important for the platform to advertise the app and create a unique brand proposition that moves away from the closed and non-transparent functioning of incumbent apps. For the drivers, the app must invest heavily to build a case for their joining the platform as equal and empowered stakeholders, and how their concerns will be taken on board.

d. To create a sustainable financing structure for the new platform, a low commission can be envisaged from drivers, with the guarantee to meet their basic needs (like wage, social security, etc.).[4] The Karnataka government can also envisage a 'transactions levy' similar to that of the Rajasthan government's social security cess for platform-based gig workers. The state can also support platforms with preferential procurement policies that enable the business to have a definite revenue source. For instance, in New York City, The Drivers Cooperative (TDC) benefits from the rule that passengers with disability will be serviced by the TDC.

e. Citizen engagement is key in a venture of this nature since consumers are an important stakeholder in the process. To popularize a platform that seeks to focus on motives beyond profits, a sense of civic responsibility is required to be emphasized in (current and potential) customers, by alerting them about the dangers and harms of proprietary oligopolistic platforms.

#4 - There must be a robust governance mechanism for managing ongoing issues on the platform

Incumbent platforms like Uber and Ola have used exploitative practices for market capture and profitability, as discussed earlier. Uber and Ola are also completely non-transparent and exploitative in their approach to both customers and drivers—extracting immense amounts of data for their business purposes, without any transparency on the myriad ways in which such data gets used. There is also little or no data sharing for the public good from these platforms. In fact, the data they hold as proprietary assets rightfully belongs to the commons of the city. Therefore, city authorities can

---

[4] This approach is seen to be in line with what drivers feel, as per our interview with Sangam Tripathy, national advisor for Indian Federation of App-based Taxi Workers (IFAT) conducted on 30 January 2024.

legitimately restrict the privatized ownership of the data gathered by these platforms for the public interest, including information transparency. The government-supported platform needs to have an ongoing mechanism to ensure that the alternative model which is fair to both the driver and the consumer can have a sustainable share of the market, over time.

Recommendation:

The proposed platform must not replicate the problems of dominant platforms, i.e., proprietary data collection and enclosures, exclusion of drivers from decision-making, unfair working conditions, consumer exploitation, etc.

a. **Governance:** This requires a competent body that has adequate representation of all stakeholders to be responsible for the principles and norms encoded into the platform. This includes decisions on pricing, working hours, grievance redressal, etc., as well as algorithmic transparency and accountability.

b. **Increasing driver and customer base:** In addition to what has been discussed earlier, processes are needed to ensure the continued availability of drivers on the platform, and prevent actions that can alienate consumers such as excessive cancellations. Ongoing investments are required for aspects like continuous training and messaging for the workers, as well as outreach and communication to drivers and consumers to retain as well as onboard them. Such continuous onboarding is necessary to maintain and increase market share. A larger process of citizen awareness building for continued support for the platform will also be needed. The platform also needs to have a 'counter-intelligence' process by which it keeps a continuous watch on the proprietary platforms and engages with any anticompetitive practices it may initiate.

c. **Technology:** The platform needs to be continuously upgraded to take care of new functionalities needed, security upgrades, and data processing/analyses. Existing open source tech should be adopted where available, and all developments must be released on open source/commons source licensing so that other similar public platforms can benefit as well.

d. **Financing:** The platform's fair 'commission' will pay for part of its expenses. However, the public platform is a part of public infrastructure and investing in its development through public funding will also be necessary to meet its social and public welfare objectives.