

Executive Summary

E-hailing has revolutionised the private transport market in recent years. Consumers are able to summon a ride whenever and wherever they want and settle the bill electronically all through an app. This has made travelling around easier for the consumer and provided a new source of employment for e-hailing drivers. However, these new developments have also created some controversy: traditional taxi drivers and operators have been impacted by the new competition and policy makers have faced the challenge of regulating this new industry - several governments have even taken the approach of banning e-hailing platforms. In Malaysia the government has decided to regulate e-hailing and put this new market on a level playing field with traditional taxis.

This Policy Ideas considers the following issues: i) the economic impact of e-hailing in Malaysia, for consumers, drivers and the traditional taxi industry; ii) the impact of the government's new regulations on the e-hailing market; and iii) how the government should develop the regulatory framework going forward in light of these considerations.

This paper concludes that:



The economic impact of e-hailing has been positive, by complementing public transport; providing greater consumer choice; and offering a new source of flexible employment.



The increased competition has had a somewhat negative impact on the traditional taxi industry, but this is mitigated by the ease with which taxi drivers can adopt e-hailing technology themselves and the overall increase in the private hire market.



The Malaysian government should be applauded for taking the approach of putting e-hailing on a sound legal footing, rather than banning it as other countries have.



New regulations which relate to ensuring driver and user safety are welcome, however the regulations also introduce costly new requirements and duplications of existing processes for e-hailing operators and drivers which will negatively impact the e-hailing industry, ultimately resulting in worse outcomes for consumers.



These negative consequences largely arise from the government's approach of "copying across" existing regulations applied to traditional taxi services, which impose a high burden on that sector.



We recommend that the government take the opportunity for a “blank slate” approach: reforming the regulations for both e-hailing and traditional taxi services to make both industries more competitive.



Specifically, the government should maintain low barriers to entry for new operators, ease the burden on drivers, avoid controlling prices and liberalise the overall supply.