



## Ola Australia Pty Ltd

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31 January 2020

Carmel Donnelly  
Chief Executive  
State Insurance Regulatory Authority  
Level 6, McKell Building  
2-24 Rawson Place  
Sydney NSW 2001  
[MAIRstakeholder@sira.nsw.gov.au](mailto:MAIRstakeholder@sira.nsw.gov.au)

RE: CTP arrangements for the point to point industry consultation

Dear Ms Donnelly

I write to provide you with a copy of Ola Australia's submission to the *CTP arrangements for the point to point industry consultation*.

Ola welcomes the opportunity to make a submission to the consultation. As a rideshare platform, Ola is committed to helping Australians meet their transport needs while supporting our driver partners to make a living and ensuring high community safety standards.

Ola supports the intent of the new system to create an environment of 'lower premiums, improved safety and greater flexibility'. While our submission provides details, I wanted to highlight the main factors driving our position on the models presented:

1. Safety - Driver, passenger and public safety is paramount
2. Consumer - Customers should not be burdened by higher prices
3. Driver - Drivers should not be burdened by higher operating costs
4. Competition - Changes should not unfairly advantage or disadvantage
5. Administration - Businesses and drivers should not be burdened by complexity.

If you would like any further information or to discuss, please feel free to contact me at

[Redacted contact information]

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Simon Smith'.

Simon Smith  
Managing Director  
Ola Australia and New Zealand



**Ola Australia Pty Ltd**

**Submission**

**CTP arrangements for the point to point industry consultation**

**Jan 2020**

**New South Wales State Insurance Regulatory Authority  
Compulsory Third Party Insurance for Point to Point Industry  
Ola Australia Submission**

## **Introduction**

Ola was founded in India in 2011 and is one of the world's largest and fastest growing ridesharing companies, operating in Australia, New Zealand, the United Kingdom and India.

One of the keys to our successful growth and global expansion has been our focus on drivers. We give drivers the opportunity to increase their earnings by taking lower commission rates, which allows drivers to make more per ride. We also offer more consumer choice, including on prices and vehicle types, to help passengers conveniently and safely get from A to B.

In Australia and New Zealand, we have over 1.5 million users and as of July 2019 we had served over 100 million kilometres. We have over 75,000 drivers on the platform and we are looking to double this within the year. We have over 50 staff in Australia and New Zealand.

## **Options Paper Discussion**

**Design Principles.** Ola supports the intent of the new system to create an environment of 'lower premiums, improved safety and greater flexibility' and acknowledges changes may need to be made to the Compulsory Third Party Insurance (CTP) system in New South Wales. Ola also acknowledges our concerns fit broadly under the nine design principles, which we support.

In considering the options paper published in December 2019 by the State Insurance Regulatory Authority (SIRA), Ola had a number of priorities in mind to help shape this submission and respond to the proposed models:

1. Safety - Driver, passenger and public safety is paramount
2. Consumer - Customers should not be burdened by higher prices
3. Driver - Drivers should not be unfairly burdened by higher costs
4. Competition - Changes should not unfairly advantage or disadvantage
5. Administration - Businesses and drivers should not be burdened by complexity.

Ola's operating model is based on the concept of matching consumers with drivers who can use an asset they already own - the family car - to generate extra income. Ola only takes 15 percent commission from our drivers meaning they get to take home more from their rides, but some drivers would be very sensitive to increased operating costs and must be accounted for. We offer highly competitive pricing to increase consumer choice while maximising returns for drivers. Significant numbers of our drivers drive with us as a secondary source of income. Any changes to CTP, especially those that may increase costs, should ensure the system adequately caters for people who only drive a few hours a week as a rideshare driver to make sure they can still earn a decent living and are not forced out of the industry. Ultimately,

increased costs could negatively affect driver supply and increase customer costs, creating less consumer choice.

**Risk Rating Factors.** There are a few concerns when it comes to the risk rating factors which need to be accounted for to ensure the design principles are not compromised:

***Distance:*** Collecting time and distance data could be an onerous task. Attention would need to be given to the frequency of this data collection and the retrospective nature of a linked payment, given cashflow concerns for drivers and administrative burden on businesses. While it may add to the complexity of the system, thought should be given to a tiered or capped system to ensure there is no blanket tax placed on drivers per kilometre.

***Driver:*** While Ola supports the skill of the driver and/or their driver history helping calculate the premium, the paper mentions driver fatigue and distraction. More detail is needed on how this would be assessed. At Ola, we have a comprehensive driver fatigue policy<sup>1</sup>. We believe fatigue would be covered by the shift duration risk rating below. As for distractions, drivers need to comply with all the relevant road rules and thus distractions are limited to those every other driver faces on the road and therefore do not believe premiums should be impacted.

***Location:*** Ola does not believe the location loadings should be any different to any other vehicle on the road. A majority of our drivers live and work in major cities where they face higher premiums on their insurance. They should not be required to pay yet another increased amount on top of this as a punishment for where they live and where cost of living is already higher than other areas of the country.

***Usage:*** Ola does not provide food or goods transport, only passenger services in Australia, however we would argue that, if the risk is allocated because of increased road use (than vehicles solely for personal/private use), changes to CTP should also consider food and goods transport. Given these vehicles are on the road more, frequently stop and are in temporary parking while undertaking deliveries, there could be increased risks which would need to be accounted for.

***Time of Day:*** As with the distance risk rating, the data burden on platforms and SIRA could be onerous, especially if the agency needed to go through weeks/months of data to determine the time and day of every trip for thousands of drivers. Again, attention would need to be given to the frequency of this data collection and the retrospective nature of a linked payment, given cashflow concerns for drivers and administrative burden on businesses.

***Design and Features:*** Ola agrees safer vehicles should have a safer rating and therefore lower premium.

***Shift duration:*** As noted above, Ola has a comprehensive fatigue management policy and our platform automatically logs drivers out after a maximum work period. The challenge of

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<sup>1</sup> <https://ola.com.au/driver/drivers-guidelines/driver-fatigue-management-policy/>

managing fatigue in the industry is in monitoring other work, including time working on other platforms. A driver could take a trip one way for Ola and another using a competitor's platform for the trip back or they could work for several hours in one job then begin driving. Calculating premiums and monitoring fatigue across the industry will be challenging and complex. A new system may need to be created by the regulator (Point to Point) to manage the data.

**Owner:** More information is needed on this criteria. Ola has a comprehensive package of safety policies which our drivers must comply with. We would support lower premiums for our drivers given this safety package.

## **SIRA Questions**

### ***1. Can you identify other implementation issues or risks that may arise? This includes any system, administrative, commercial or other issues.***

Any model which is selected must ensure there are no coverage gaps, especially considering the dual CTP models. Windows of time between operating as a passenger service and as a normal vehicle must be covered and should not be exploited by insurance companies to delay or ultimately not provide services. Ola also has concerns that creating new insurance products would be open for exploitation. This should not be seen as an opportunity for a cash grab by insurance companies.

As noted above, consideration should be given to designing the system in conjunction with Point to Point, the industry regulator, to ensure an independent centralised agency can monitor and collect data, including trip data across multiple platforms.

### ***2. What implementation solutions do you propose?***

Similar to Option 1, this insurance could be simply delivered as a small add-on to existing premiums rather than a new product. It could be a tiered and capped system where drivers pay a small premium with their normal Class 1 CTP payment, for the hours they drive undertaking passenger/delivery services. The groupings could be: Up to 10 hours per week; 11-20 hours; 21-30 hours; 30-40 hours; and 40 plus; across all platforms. Drivers pay the premium with their normal Class 1 CTP. The platforms then provide data through Point to Point and SIRA on the driver's average hours per week, at regular intervals, and overs or unders are accounted for in the following year's premiums. Taxis and hire-cars would stay in their existing categories to address the differences which exist between these forms and rideshare - where rideshare vehicles are primarily for personal use.

### ***3. How would each option affect your organisation? And 4. How would each option affect the point to point industry?***

*Option 1*

This option would put some additional cost burdens on our drivers. If this cost is too significant it may cause some drivers to reconsider driving rideshare. Depending on the method used to calculate the risk rating, it may add some administrative burdens on the company, including in checking CTP coverage for drivers. Any price rises may mean some consumers are priced out of point to point transport, as they were for many years before the introduction of rideshare.

#### *Option 2*

This option would significantly add to the financial burdens on the company. These costs would need to be reclaimed from drivers and potentially customers. An averaged, bulk payment may be difficult from an administrative point of view to apportion to individual drivers, meaning some drivers may end up paying a higher price than if it was based on their individual driving record. If the payment was to be made without passing it onto drivers and customers, it could be a large burden on the company. Given the relatively small number of companies in the market, there may not be enough competition created amongst insurance providers and given it is a specialist product, it may mean higher premiums for companies. Drivers who drive for multiple platforms and their cars would be insured multiple times, meaning insurance companies would be double dipping. Reporting timeframes for vehicle and driver numbers would also need to be considered, given the daily surges and fluctuations.

#### *Option 3*

As with the other models, this option could leave a gap in coverage and some confusion of which policy is in effect. Any changes in the way CTP is calculated and collected needs to be administratively simple, and any transition to a new system should also seek to avoid administration and cost burdens. The sole focus on distance also neglects the other risk factors and fails to compensate for driver and platform safety standards and history. Again, the paper notes passing on costs to consumers, which as noted above, we do not support.

#### *Option 4*

This option acknowledges that taxis and hire-cars are special classes of vehicles, including their ability to use ranks and hail, as opposed to rideshares which are primarily vehicles for personal use. It also acknowledges the need to consult and work with industry to help determine the risk ratings and how they may be used. Ola is committed to working with regulators and government to help deliver results which provide appropriate and satisfactory solutions to public policy issues, while not harming industry, including consumer and driver costs. It is noted there is a risk of non-disclosure by rideshare drivers. Perhaps SIRA could work with Point to Point to monitor driver registrations/authorisations with SIRA checking the driver's status and writing to them if they do not have the appropriate insurance and informing them of their obligations. Ola would also put out advice to our drivers and make this step part of our onboarding process.

#### *Option 5*

Ola does not believe it is necessary to set up a new category. We would also argue such a system would not account for the difference between taxis/hire-cars and rideshares. As noted, rideshare vehicles are primarily for personal use. Differentiation is needed in the system to account for these differences and the special nature of taxi and hire-car services which if on the

road are normally working, not being used for personal transport for the driver. A new system would also be expensive to establish and no doubt costs would need to be passed onto providers, drivers and customers, and Ola would not be supportive of these increased costs in the system.

**5. Which option do you prefer? Please provide reasoning for this.**

Ola prefers Option 4 for the reasons outlined above and below.

**6. How would you rate the options (out of 10) in terms of satisfying the guiding principles? Please provide reasoning for this.**

*Option 1*

7/10 - This option would be more affordable for taxi and hire cars, but more expensive for rideshare. However, the individual's risk factors would assist with keeping these costs inline. The addition of a new insurance product may create competition in the industry, but given the number of risk factors used to calculate the premiums it may be complex for drivers to navigate and may be excessively expensive if not capped and controlled. The road safety impact may be slightly overstated, unless the goal is to get drivers to drive less. For example, a risk factor of driving on a Friday night may carry a higher premium under this new model, but it fails to account for the fact that the introduction of affordable transport solutions helps lower the risk of drink driving and helps to get people home safer. If the premium for driving on weekends is too high, drivers may choose to not work those nights, moving rather than limiting the risk. The ability to drive for multiple platforms is accounted for, however thought should be given to monitoring fatigue/safety and registrations/compliance across platforms. SIRA and Point to Point should work together to consider options, including the potential for a centralised data management function to monitor all drivers in the system. Evidence is based on the individual which makes it fairer than a 'one-size fits all' approach.

*Option 2*

5/10 - As with option one, this option is more affordable for taxi and hire cars, but more expensive for rideshare. It neglects the individual and relies on a broad cover for all drivers. It would be up to the platform to calculate the individual driver's portion of the cover which would significantly add to the administrative burdens of the company. It is unclear how insurance companies would calculate premiums and how they would account for drivers who drive for multiple platforms who would have to be covered by each platform they drive for. It is also unclear how the risk ratings would be affected for the whole company when incidents with individuals occur. It is unlikely to create competition in the insurance industry. Only a small number of policies would be needed and only a small number of insurers would have the scale to provide services. Given the niche product and multiple risk factors and other variables, this product could come at a significant cost to the platforms. The road safety impact is again overstated. Ola has a comprehensive range of safety policies and training for drivers, but the reality is accidents happen. The person responsible should take responsibility, it would not be a fair outcome for the platform or all other drivers to face increased costs. The report notes

potential issues with reporting, Ola is committed to complying with all aspects of the law and would undertake to provide all the required data and information requested. Consideration would have to be given to how this happens and again it is suggested SIRA could work with Point to Point to monitor all registrations.

#### *Option 3*

4/10 - The major issue with Option 3 is that it could be seen as a kilometre tax or punishment on people who choose to drive more. While Ola can support distance as one risk factor, we would argue that SIRA consider a tiered and capped scheme, so as to not disadvantage those drivers looking to get ahead. The idea of the harder you work, the more you are taxed is counterproductive and may serve as a deterrent. It also neglects other factors, including the individual's driving history.

#### *Option 4*

8/10 - Of the options provided, Ola considers Option 4 to be the best. It adequately addresses the differences between taxis, hire-cars and rideshare, noting rideshare vehicles are primarily for private use. Taxis have the ability to use ranks and hail services, and are not traditionally used for private transport, unlike rideshare. The argument about subsidisation is unfounded, given the other risk factors will be used to help calculate premiums for rideshare drivers, which will hopefully acknowledge the different business models, including the rideshare driver who only works a few hours to make some extra income. In other words, rideshare will pay its way. Additionally, the model acknowledges the need for industry consultation to help determine how premiums will be calculated. The administrative burden is low, as is complexity. Insurance premiums would be determined using multiple variables, opening up the market to various providers and boosting competition. Road safety is linked to the various risk factors and acknowledges the high risks associated with taxis, in particular, which spend more of their time on the road providing services with no/limited personal use. Risk factors are evidence and individual based. Again, Ola would strive to inform drivers of their obligations, but SIRA and Point to Point could work together to monitor registrations and authorisations.

#### *Option 5*

6/10 - Setting up a new category for all passenger service vehicles would fail to acknowledge the differences between taxis, hire-cars and rideshare. Rideshare vehicles are the drivers' personal cars and are primarily for personal use, while taxis and hire-cars are exclusively used for passenger transport services. The cost of setting up a new system is excessive and unnecessary. Individual's risk factors are accounted for which is positive, but it fails to acknowledge that some rideshare drivers may only be in the industry for a short period of time. Perhaps thought could be given to whether policies could be less than 12 months. Again, Ola would strive to inform drivers of their obligations, but SIRA and Point to Point could work together to monitor registrations and authorisations.

### **7. Any other feedback or comments?**



Ola would like to note that road and vehicle standards are continuously improving, increasing the safety for all road users - drivers, passengers and the public. Premiums should reflect these changes going forward and move inline with this decreasing risk.