



## **IAG SUBMISSION**

### **FUTURE OF SMALL PASSENGER SERVICES**

12 February 2016

# 1. INTRODUCTION

- 1.1 This submission is a response by IAG New Zealand Group (IAG) to the Ministry of Transport's consultation paper, "*Future of small passenger services*".
- 1.2 We welcome the opportunity to work with the government on developing a "*fit for purpose*" and "*flexible*" framework for small passenger services in New Zealand. We believe this framework needs to protect the safety of those who choose to travel using these services, including both drivers and passengers, and incentivise innovation so that New Zealanders can continue to access the rapidly-evolving transport services that technology is helping to create.
- 1.3 Our submission focuses on the growing number of New Zealanders participating in the Sharing Economy where individuals are able to borrow or rent assets owned by someone else. In the small passenger service sector, this relates to initiatives such as peer-to-peer ridesharing, car pooling, taxis and rental hire. The insights we provide are designed to help establish a framework that means participants in this market can ensure their activities are legally compliant and are able to access appropriate and affordable insurance cover.
- 1.4 IAG's contacts for matters relating to this submission are:

**Yannis Naumann**, Manager Government and Stakeholder Relations

T: 09 969 7959

E: [yannis.naumann@iag.co.nz](mailto:yannis.naumann@iag.co.nz)

**Colette Campbell**, Innovation Manager

T: 021 783 142

E: [colette.campbell@iag.co.nz](mailto:colette.campbell@iag.co.nz)

## About IAG New Zealand

IAG New Zealand is made up of IAG New Zealand Limited trading under the NZI and State brands, Lumley General Insurance (NZ) Limited and AMI Insurance limited. IAG New Zealand Limited also underwrites general insurance for ASB, BNZ and The Cooperative Bank and Lumley General Insurance (NZ) Limited underwrites general insurance for Westpac. IAG New Zealand Limited, Lumley General Insurance (NZ) Limited and AMI Insurance limited have a combined 42% share of the general insurance market, managing 3.8 million policies of 1.5 million New Zealanders. IAG New Zealand Limited, Lumley General Insurance (NZ) Limited and AMI Insurance limited are wholly owned subsidiaries of Insurance Australia Group (IAG), Australasia's largest general insurer.

IAG New Zealand Limited, Private Bag 92 130, Auckland

## 2. GENERAL COMMENTS

- 2.1 IAG is New Zealand's leading general insurer. We provide more than a million insurance policies a year and protect almost \$450 billion of commercial and domestic assets across New Zealand. Our business is focussed on helping make the world a safer place, and we are committed to making sure that New Zealanders have the ability to protect themselves and their assets through easily accessible and affordable insurance.
- 2.2 We support the principles underpinning the government's approach to reviewing the small passenger services sector which include incentivising innovation, improving customer services and maintaining a safe system for passengers and drivers.
- 2.3 Globally a growing number of consumers are choosing to 'share' their assets and participate in the Sharing Economy. This has seen a shift in the global insurance market which is now recognising peer-to-peer sharing and developing flexible models of insurance cover that reflect assets morphing from personal use to commercial use and back again.
- 2.4 In New Zealand, we are witnessing similar demand and we are developing models that will provide insurance cover that protects our customers whose assets are not being constantly used for private use. These models have required highly complex arrangements to ensure they are legally compliant. In the transport sector this involves insurance cover for those participating in services such as ridesharing and peer sharing. We believe this Sharing Economy market provides exponential growth opportunities for our business and is a major focus for our dedicated innovation team which drives our digitisation and helps ensure we remain relevant to our customers.
- 2.5 We encourage the government to move in a timely manner to provide regulatory certainty in the small passenger services sector. Continued delays in our ability to bring this cover to market caused by regulatory uncertainty and unnecessary complexity are unhelpful both to participants seeking affordable insurance cover and to our business. Greater regulatory certainty and confirmation of the legal compliance of these Sharing Economy services will also allow us to better analyse data for ridesharing and peer sharing services to assess the risks involved and will help us price premiums for this cover accordingly.
- 2.6 We encourage the government to note the recent work undertaken by the New South Wales government on ridesharing and the wider position paper it released on the Sharing Economy. In particular, we acknowledge the speed in which the New South Wales government has moved and the comments made by New South Wales Minister for Innovation and Better Regulation which reference the importance of establishing a regulatory framework that provides certainty to participants:
- "The economic benefits relating to the collaborative economy are already significant and will continue to grow as more consumers choose to link or share directly with providers via online and mobile platforms...We are living in the information age and it is vital that government policies embrace new technologies and enable businesses to operate with certainty."*<sup>1</sup>
- 2.7 We believe the government's regulation of the small passenger services sector stands as an important test case for how New Zealand encourages participants in the wider Sharing Economy. The growth of this market in New Zealand reflects a global trend away from asset ownership and move towards peer sharing and services driven by technological advances that

better meet customer expectations of personal solutions, greater convenience, better prices, and often higher quality.

- 2.8 Forecasts from PricewaterhouseCoopers indicate the five most prominent sharing economy sectors – peer-to-peer finance, online staffing, peer-to-peer accommodation, car sharing (and wider transport services) and music and video streaming services - are projected to grow globally from \$15 billion in 2014 to \$335 billion by 2025.<sup>ii</sup> This illustrates the wider Sharing Economy's potential to drive New Zealand's future economic growth.

### 3. PROPOSED REGULATORY FRAMEWORK

- 3.1 IAG appreciates the opportunity to be able to contribute to this review of the small passenger service sector and assist in the development of a regulatory framework that is fit for purpose, flexible enough to accommodate new technologies, and maintains both passenger and driver safety.
- 3.2 We support regulation that enhances rather than stifles competition, protects consumers, encourages efficiency, and promotes and sustains confidence in general insurance and insurance products.
- 3.3 We believe the government’s regulation of the small passenger services needs to better reflect the growth of Sharing Economy services such as ridesharing and peer sharing as distinct from more traditional models. As it stands, we do not believe the government’s preferred model reflects the different business models that are operating in the small passenger services sector and the broader transport sector which we outline in Table 1 below.

**Table 1: Small Passenger Business Models**

Category	Ride Hailing (Taxi)	Car Sharing (Rental)	Ride Sharing/Pooling
<b>Definition</b>	A passenger transport service	A car rental service	A passenger transport service
<b>Driver</b>	Sourced by ride hailing company	Hirer drives	Owner drives
<b>Participants</b>	Passenger	Hirer	Ride sharing passengers
<b>Traditional Businesses</b>	Taxi companies	Rental car companies	-
<b>Example Sharing Economy Businesses (NZ)</b>	-	Roam, YourDrive	Chariot, Uber
<b>Example Sharing Economy Businesses (International)</b>	-	Getaround, Turo	Blabla Car, Uber, Lyft
<b>Usage characteristics</b>	A-to-B transport where participant is not able to drive and/or has no need for a vehicle once at the destination. Trips usually have a single purpose.	A-to-B-to-C transport where the participant has multiple purposes for each trip.	A-to-B transport for multiple participants who have shared origin, destination and timetables

- 3.4 While we are encouraged by the strong statements of support the government has made in regard to vehicle sharing services, we believe the regulatory options provided, including the government’s preferred single license class, could do more to give effect to the goal of establishing a framework that is flexible enough to accommodate new technologies.
- 3.5 We are encouraged by the government’s comments supporting vehicle sharing services. This includes the Minister of Transport’s statement that *“we can expect to see these services grow in New Zealand as well in the next few years and the Government is keen to support this”<sup>iii</sup>*, and his desire for New Zealanders *“to be able to capitalise on these and other transport*

technologies.”<sup>iv</sup> We agree with the Minister that “the Government has an important role in helping to realise their full benefit.”<sup>v</sup>

3.6 We believe the technologies being embraced by ridesharing providers are in many cases providing improved safety to both passengers and drivers. The use of registered information about drivers and passengers, real-time GPS tracking and cashless transactions clearly reduce a number of threats to driver and passenger safety for those participating in the small passenger services sector. We note the different screening approaches these services bring in Table 2 below.

**Table 2: Alternative Screening Approaches**

	Traditional Services	Sharing Economy Services
<b>Service providers screen drivers for safety and competence</b>	<ul style="list-style-type: none"> <li>• Drivers licence</li> <li>• Initial screening by taxi or car rental company</li> </ul>	<ul style="list-style-type: none"> <li>• Drivers Licence</li> <li>• Initial screening by ride hailing and ride sharing companies</li> <li>• Continuous quality control via rating and feedback from registered customers</li> <li>• Real-time GPS tracking</li> </ul>
<b>Participants screen drivers for safety and competence</b>	<ul style="list-style-type: none"> <li>• Customer has little information on service provider’s quality or reliability</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous quality control via rating and feedback from registered customers</li> <li>• Select service provider based on community reputation</li> <li>• Given pre-determined driver info including name/vehicle Registration &amp; Type, Photo ID</li> </ul>
<b>Drivers screen participants for safety and competence</b>	<ul style="list-style-type: none"> <li>• In-car camera to act as deterrent to unacceptable behaviour</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous quality control via rating and feedback from registered customers</li> <li>• Select service provider based on community reputation</li> <li>• Given pre-determined info such as name, Photo ID</li> </ul>

3.7 We note the Minister has himself acknowledged the wider benefits to New Zealand from technology-based transport services, including his statement that “*smartphone apps are just one example of intelligent transport system technologies which are revolutionising the transport system globally. These technologies offer some of the best prospects for reducing carbon emissions, improving safety and increasing efficiency.*”<sup>vi</sup>

3.8 We believe the proposed regulatory options could better recognise the importance of the casual participant in ridesharing and peer sharing. These casual participants are critical to the success of the Sharing Economy and services such as ridesharing and peer sharing which maximise the economic value of underutilised assets by matching idle cars and people seeking work with passengers wanting to go somewhere. Setting the compliance costs too high or forcing participants to wait extended periods of time compromises market efficiency and passenger choice.

3.9 We therefore encourage the government to reconsider how its regulatory framework can better encourage casual participants in services such as ridesharing and peer sharing in the small passenger services sector, and maintain passenger and driver safety.

3.10 More broadly, we believe the small passenger service sector effectively represents a test case for New Zealand’s approach to the wider Sharing Economy and it is therefore critical that the government work collaboratively with industry and consumers to deliver an appropriate regulatory solution. As noted in 2.6 above, the wider Sharing Economy is forecast to grow significantly in years to come and it is crucial New Zealand’s regulatory environment does not constrain the ability of these services to contribute to New Zealand’s economic growth.

## 4. CONCLUSION

- 4.1 IAG is committed to working collaboratively and in partnership with the government and consumers to further develop a regulatory framework for small passenger services, and more broadly, New Zealand's Sharing Economy.
- 4.2 We encourage the government to assess how its regulations in the small passenger services sector can better recognise the importance of the casual participant in Sharing Economy services such as ridesharing and peer sharing, and maintain passenger and driver safety.
- 4.3 We would welcome the opportunity to work with officials and share our learnings around the Sharing Economy as the government continues to further refine its regulatory framework.

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<sup>i</sup> <https://www.finance.nsw.gov.au/about-us/media-releases/nsw-government-releases-collaborative-economy-position-paper>

<sup>ii</sup> [http://pwc.blogs.com/press\\_room/2014/08/five-key-sharing-economy-sectors-could-generate-9-billion-of-uk-revenues-by-2025.html](http://pwc.blogs.com/press_room/2014/08/five-key-sharing-economy-sectors-could-generate-9-billion-of-uk-revenues-by-2025.html)

<sup>iii</sup> <http://beehive.govt.nz/speech/road-ahead-transport-fuels-and-fleets-%E2%80%93-driving-new-zealand%27s-economic-growth>

<sup>iv</sup> <http://beehive.govt.nz/speech/road-ahead-transport-fuels-and-fleets-%E2%80%93-driving-new-zealand%27s-economic-growth>

<sup>v</sup> <http://beehive.govt.nz/speech/road-ahead-transport-fuels-and-fleets-%E2%80%93-driving-new-zealand%27s-economic-growth>

<sup>vi</sup> <http://beehive.govt.nz/speech/road-ahead-transport-fuels-and-fleets-%E2%80%93-driving-new-zealand%27s-economic-growth>