

Regulating App-based (e-hail) Taxi Services in Dubai

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E-hailing, which is a relatively new term, is defined as the process of ordering a car, taxi, limousine, or any other form of transportation pickup via one's own mobile, tablet or computer. The features of the service varies from one application/service provider to another but in basic terms, e-hailing involves the use of an application installed on the user's device of choice, whereby the user books a trip or 'hails a ride' electronically by providing their desired pickup and drop location, either by entering an address or providing a current GPS location. There is no cash exchange involved in the process as the user's credit card is linked to their e-hail account and the payment is processed electronically against a receipt sent to the user's registered email address.

Despite being in popular demand in most jurisdictions, application-based taxi services have been the subject of much controversy since their introduction to Dubai's transport sector.

Until recently, app-based taxi service providers in Dubai operated in a legal vacuum as there was no specific legislation to govern or regulate this service. App-based taxi service providers operated in Dubai by contracting with a number of registered limousine companies that supply licensed drivers and vehicles. This work-around was seen as a solution until the Roads and Transport Authority (RTA), the responsible government transportation authority in the Emirate of Dubai, issued legislation to regulate the sector.

In a step towards finding commercially viable legal solutions and modernising the transportation of passengers sector in Dubai, on 7 March 2016 the Dubai Executive Council issued Resolution No.6 of 2016 'Regulating Passenger Transportation by Vehicles in the Emirate of Dubai' (the "Resolution"). The Resolution repealed Regulation No.1 of 2007 on 'Practicing the Activity of Passenger Transportation by Taxis in the Emirate of Dubai' and all other legal instruments to the extent they contradict with the provisions of the Resolution.

Under the recently published Resolution, app-based taxi service providers can only legally operate in Dubai after obtaining the required permits. Pursuant to the Resolution, the RTA's Public Transport Agency (the "Agency") is now responsible for processing requests related to the issuance of the following permits:

- Permit for practising the activity of passenger transportation by taxis and luxury vehicles;
- A temporary permit for passenger transportation from Dubai to other Emirates by vehicles not licensed in Dubai;
- A professional Taxi Driver permit;
- A professional luxury vehicle driver permit; and
- A permit for practising the activity of providing passenger transportation by vehicles through phone calls, electronic means, smart applications or any other means.

A private company that offers transportation services to its customers through a smart app and which is interested in operating as a transport company in Dubai must apply to the Agency to obtain the permits that would allow it to offer passenger transport services through electronic means and smart applications. The term of the permits will be one year and can be renewed for similar terms. The applicant will have to comply with the relevant applicable conditions and procedures and to submit the necessary documents, all of which are mandated and set by the Agency.

Pursuant to the Resolution, it is now strictly prohibited to transport passengers by taxis and luxury vehicles in Dubai without obtaining the relevant permits from the Agency. A penalty of AED 50,000 will be imposed on illegal transport firms, including app-based taxi service providers. An additional penalty of AED 5,000 will be imposed if transport services are offered through electronic or smart means without having the permit for it. The Resolution provides for other administrative penalties that address the operation of a taxi or luxury car by an unauthorised driver (AED 20,000 penalty), the use of unlicensed vehicles (AED 20,000 penalty), and the failure to install or operate the meter and/or the modification of the fare.

Despite this new found legal recognition, applicants may still not be able to follow their original business models as applied in other countries. For instance, in other jurisdictions some companies do not own their own fleet of cars or employ their own drivers. Instead, they contract with individuals with private cars to transport passengers using the company's own app. This is not permissible in Dubai as under rules governing employment and immigration there are restrictions on carrying out such work for third parties. Instead, successful applicants who are granted operational permits will need to continue to contract with registered companies which supply licensed drivers and vehicles (luxury cars) also in accordance with the Resolution. The terms of those agreements will be subject to the RTA's scrutiny and approval.

All companies licensed to provide passenger transport activities within Dubai must comply with the technical specifications and safety measures set by the Agency. This would include adhering with the requirements put in place for the better service of physically challenged passengers. Other requirements pertain to the training of drivers, the number of vehicles through which a company may engage in the provision of its transport services, payable tariff and means of payment.

The Resolution has met with some criticism, mainly on the basis that it is said to over-regulate the transport of passengers industry and does not allow companies to exploit the full potential of their business models. However it is clear that that the Resolution attempts to balance between the sometimes competing interests of passengers and the service providers. Considering the novelty of the Resolution and the fact that the target industry is still in its infancy, it is too early to determine whether the new legal framework will prove support for the growth of this untraditional, technology driven, transport solution.