



Shared Transport in Israel – Policy Analysis and Model Proposal

By: Sefi Keller, Tzviya Zicherman, Meir Buchnik and Ariel Erlich

This policy paper presents a proposal for thoroughly reforming the transport industry in Israel, opening the market and allowing for shared transport (this paper is confined to transport in private cars). Research has shown multiple beneficial effects to shared transport in scores of large cities around the world: price reduction, increase of accessibility, car accidents reduction, the potential relief of traffic congestion, the creation of flexible jobs, environment improvement, paving the way for autonomous vehicles and more.

The **first chapter** introduces the concepts of the sharing economy and shared transport, and why the latter should be adopted.

The **second chapter** discusses the impact of shared transport, exploring both benefits in safety, economy, and transportation as well as objections to it, such as prices and the repercussions for public transportation, using research and the experience of other countries.

The **third chapter** presents the proposed model, while chapters **four to seven** detail various regulatory issues and their solutions in its application: licensing, insurance, taxation and labor relations.

Summary:

Shared transport is one of the more developed and successful applications of the concept of the sharing economy. Under Israel's current legal conditions, however, the market of paid rides is closed to competition. Paid rides in Israel are permitted only by registered taxi services, rendering most forms of shared rides unlawful, and the taxi market itself is strictly regulated.

Paid rides feature an inherent information gap regarding costs, vehicle safety and drivers' qualifications. The traditional market of taxis deals with this gap by regulation that enforces standards and by price oversight through the taximeter. Shared transport

features new technology that closes much of the information gap and renders most of such regulation unnecessary.

The reform proposal is based on the following five principles: (i) new ideas and technologies should be adopted and applied; (ii) the State's involvement is necessary only in cases of market failure in promoting social goals, where the government intervention has the desired result; (iii) protecting those employed in traditional industries is not a proper social goal that can counterbalance progress or general welfare; (iv) tailoring regulation too specifically should be avoided, to allow the market to grow naturally; and (v) optimal regulation takes care not to create artificial market distortions or bureaucratic barriers.

Recommendations:

- Licensing – The regulatory regime should be transformed from one that *enforces* quality to one that *marks* quality. The law would permit any licensed driver to offer paid rides, with the Ministry of Transportation issuing certification of quality for drivers who meet certain criteria. The Ministry will set the standards for drivers (such as the absence of a criminal record) and for cars (such as the presence of safety features). The quality certification will allow riders to make a considered decision regarding their choice of paid rides the same way consumers do in other industries such as the hotel industry.
- The Traditional Taxi Industry –this market should be left as is, on the assumption, borne out in other states, that the demand for its services will continue despite the shared transport option. Some population segments are interested in the stringent regulation, meter installment and lengthy training process imposed on the taxi industry. In regard to compensating traditional taxi drivers for their loss of business, this policy paper takes no stance, but does recommend several parameters to consider if it is decided to do so, as well as setting a time limit to avoid the permanence of such payments.
- Taxation and Insurance - this reform proposal is broader than the shared transport industry, and outlines a scheme that serves all those whose independent business produces only a small additional income, by determining a ceiling under which all self-employed income can be filed under a uniform tax regime that does not deduct expenses and is implemented by means of a simple reporting and payment procedure. This facilitates minor involvement with providing shared rides services in a manner that is not economically viable today. For the same goal, we propose that insurance companies offer flexible

policies in line with the real risk in practice, such as policies priced according to the actual mileage.

Under this model, shared transport in Israel will contribute substantially to Israeli society. History shows that countries that adopt technological developments are socially and economically rewarded. Israel should stay true to its "startup nation" moniker, and continue to be a technological leader, fearless of modernization and capable of adapting its regulation to modern challenges.

[For the full Hebrew paper](#)