Transforming ride-sharing into sustainable business

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THE concept of demand responsive transportation (DRT) services, commonly known as ride-sharing services, is comparatively new in Bangladesh. Although traditional forms of on-demand transportation system were always available in several forms like car or truck rental, Bangladesh didn't see ride-sharing services driven entirely by technology till 2016. By now, a few local and foreign ride-hailing services providers, namely Uber, Pathao, Shohoz Rides, Obhai, and PickMe are operating in Dhaka and Chittagong city.

The ride-sharing industry is worth about Tk 2,200 crore, which is 23 percent of the transportation sector of the country, according to media reports. The current market size and its potential for further growth attracted many foreign investors to the DRT services industry. For example, Jakarta-based ride-sharing firm Gojek invested $2 million in Pathao.

The general people of Bangladesh gladly welcomed this new transportation model because of their utter frustration and inconvenience with the existing transportation models of the cities. This consequently resulted in an influx of app-based transportation services providers for food delivery, parcel delivery, motorbike, car, truck, and CNG hailing services.

The DRT services, no doubt, are offering tremendous economic benefits to both customers and providers. However, they may add additional economic, social and environmental challenges for Bangladesh.

According to IDLC Business Review (2018), a minimum of 500,000 people have registration with one of the DRT services, including car, bike, or CNG hailing services, whereas the number was only 10,000 in November 2016. Technological advancement consisting of both hard and soft advancement acted as the main catalyst.

Modern DRT systems run only through global positioning system (GPS)-enabled smartphones with high speed internet. About 90.05 million people are using internet that made Bangladesh to be among the top five countries in Asia in terms of the country's number of internet users. According to Facebook user statistics, as of January 2019, 19.9 percent of the country's entire population use Facebook and half of these users are within the age of 18 – 24 years. The increased use of social media, especially by the young people gradually reduces the level of distrust towards strangers. This consequently also complemented the heightened use of ride-sharing services. The use of digital payments, including digital payment gateways (e.g. debit/credit card) and mobile financial services (e.g. bKash, Rocket, Nagad) for ride-sharing services can further boost its uses.

The recent Pathao-bKash agreement to pay the drivers through bKash, however, doesn't seem to speak in favour of this. Commuters were enthusiastic but the drivers didn't quite accept it happily and several unwanted incidents between drivers and commuters emerged in the the social media.

Despite the barriers, people have accepted DRT services models very well but the safety and security issue remains a concern like before. Every day, lots of complains about the rude or fraudulent behaviours of the drivers are raised. Several sexual harassment and rape attempts by riders and drivers towards women commuters are also reported to both the services providers and the law enforcement agencies.

Actions taken against the drivers by the services providers are hardly visible in both offline and online medium. Moreover, the drivers are often accused of offering commuters the service on contractual basis and these are primarily done without the consent of the commuters. Such malpractices create security concerns for both parties. The recent Pathao incident where a driver killed the rider is a dire consequence of these existing malpractices.

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The rising demand for ride-sharing services was able to attract foreign investors to the sector.

Local companies are suffering from inadequate expertise, experience, investment, management, and policy support to ensure quality service. It seems that the sole focus of the providers is on increasing the number of riders and commuters even by pursuing non-sustainable discount-based competition. The fundamentals of the ride-sharing business have been built on the notion of transparency and accountability. However, such issues are hardly reiterated and addressed by both the facilitators and regulators. A lack of exemplary disciplinary actions, drivers' and customers' safety education, and limited technological guard against misconducts are a few of the many obstacles standing in the way of ensuring reliable DRT services.

Another challenge for the DRT services providers is to get them under a legal framework. Sixteen companies have already applied to the Bangladesh Road Transport Authority (BRTA) for enlistment. Surprisingly, all of them have failed to meet the existing guidelines, according to reports. The government published the Ridesharing Service Policy, 2017, effective from March 2018, but the companies are accused of finding loopholes in the policy and breaching the rules.

Although the policy clearly states that a vehicle must have one-year old registration to provide ride-sharing service, a one-day old registered vehicle is on the street providing the service. Over-speeding, breaking signals, not wearing helmet while providing service, and accidents are some highly echoed complaints against DRT services providers.

The government has intervened in the helmet issue by directing filling stations not to sell fuel to bikers without helmets. Bike-sharing companies addressed the problem by providing free helmet to riders and commuters with their logo on it. This is a good step both from legal and promotional perspective although the quality and durability of the helmet is questionable.

There is no denying of the fact that DRTs offered increased personal mobility not available from existing public transportation. Against this fact, the government needs to think about the long-term communal interest, especially whether the DRTs are solving the mobility problem or adding to the existing ones.

The road network of Dhaka has been suffering from a lack of continuous functional and accessible roads, high quantity of narrow roads, and deficiency in road alignment based on both geometric and regulatory measures, according to a research. It has only 2,200 kilometres of street, or only 6 percent of the city area, whereas the demand is 6,000 kms. To make things worse, almost 1,500 new motor vehicles are registered in the Dhaka city every month.

The huge gap between demand and supply of road network forces us to think about the capacity of Dhaka to meet the increased flow of vehicles on the back of the escalation of DRT services providers.

The sales of motorbikes rose 44 percent and on an average, 40 new cars hit the street of Dhaka city every day, which together testify the continuous rise of DRT services providers. During a discussion to celebrate the "World Car Free Day, 2019, it is reported that 7 lakh motorbikes and 2.87 lakh personal cars are commuting in Dhaka city.

Currently, the city is undergoing a huge infrastructural change due to the addition of metro rail and elevated expressway. This is expected to make the existing road even narrower which consequently will deepen congestion, decrease mobility and accessibility, and increase social problems as by-product. The Ridesharing Service Policy, 2017 does not seem to worry about these problems as there is no mention of the ceiling of the highest number of vehicle that a company can have to serve. Non-inclusion of background check of drivers as a requirement in the policy is also signaling towards non-prudential thought process of related stakeholders.

There is a strong need to have contextual ridesharing policies that accommodate not only the road infrastructure but also the possible social and economic impact.

Unless a good understanding of DRT schemes, legal framework, social trends, and infrastructure-related sustenance factors is achieved, it is almost impossible for the service providers to design a service that is competitive, sustainable, efficient, and suitable for Bangladesh.

A public private partnership in policy decision and awareness both from companies and customers end is a must to transform DRT services into a healthy and sustainable business in Bangladesh.

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Small oil-and-gas companies get cold shoulder from large banks

REUTERS, *New York*

THE largest banking lenders to the oil and gas sector are becoming more cautious, marking down their expectations for oil and gas prices that underpin loans in a move expected to put further financial stress on struggling producers, industry and banking sources said.

Major banks including JPMorgan Chase, Wells Fargo, and Royal Bank of Canada have, as part of regular biannual reviews, cut their estimated values for oil-and-gas companies' reserves, which serve as the basis for those companies to receive reserve-based loans (RBLs), according to more than a dozen sources familiar with the activity.

While the size of the RBL market is unclear, it is estimated that a few hundred companies take such loans, with the cumulative size in the billions of dollars.

Those lenders have marked down the perceived value for both oil and natural gas for the coming five years, with the changes kicking in as early as this month.

REUTERS/FILE

A pump jack operates at a well site leased by Devon Energy Production Company near Guthrie, Oklahoma.

Expected natural gas prices have been cut by around $0.50 per million British thermal units, about 20 percent below levels set in the spring. Industry sources are forecasting some firms face a 15 percent to 30 percent reduction in loan size as a result. Oil prices are expected to be about $1 to $2 lower than spring estimates.

"Some banks believe they have too much energy exposure and want to reduce some of this risk," said Ian Rainbolt, vice president of finance at Warwick Energy, a private equity firm with upstream investments in Oklahoma and Texas.

That is a threat to smaller companies, which are already struggling to find other methods of financing - such as issuing stock or bonds - as investors grow restless with years of poor returns in the shale sector even as the United States has risen to become the world's largest oil and gas producer.

Reduced funding could slow growth in US oil and gas production, and also threaten more bankruptcies in the sector. Bankruptcy filings among US oil and gas producers are at levels not seen since 2016, when US crude slumped to $26 per barrel, according to law firm Haynes and Boone.

Companies heavily focused on natural gas drilling may be the most threatened. Banks are forecasting natural gas prices between $2 and $2.35 per million British thermal units for the next 12 months, and up to $2.50 at the end of the five-year term, all lower than in the spring.

"I expect the biggest issues to be with over-leveraged natural gas producers, especially those without firm transportation in geographically-disadvantaged areas," said Brock Hudson, managing director at investment bank Carl Marks Advisors, who referenced companies in Appalachia, the Rockies and parts of Oklahoma.

Unemployment fuels unrest in Arab states: IMF

AFP, *Dubai*

UNEMPLOYMENT and sluggish economic growth are fuelling social tension and popular protests in several Arab countries, the International Monetary Fund said Monday.

The unrest is in turn contributing to slower growth in the Middle East and North Africa (MENA) region, alongside global trade tensions, oil price volatility and a disorderly Brexit process, the IMF said in a report on the regional economic outlook.

Earlier this month it lowered the 2019 forecast for the region -- taking in the Arab nations and Iran -- to a meagre 0.1 percent from 1.1 percent last year.

The IMF slashed its outlook for the region's three largest economies -- Saudi Arabia, Iran and the United Arab Emirates.

The risks around the forecast of earlier this month "are skewed to the downside and are highly dependent on global factors," the IMF said in its report on Monday.

"The level of growth that countries in the region are having is below what is needed to address unemployment," said Jihad Azour, the IMF's director for the Middle East and Central Asia.

"We are in a region where the rate of unemployment at the youth level exceeds 25-30 percent and this requires growth to be higher by 1-2 percent" in order to make a dent in joblessness, Azour told AFP in an interview.

The IMF report said that the high unemployment was worsening social tensions in Arab countries.

"Unemployment averages 11 percent throughout the region versus seven percent across other emerging market and developing economies," it said.

"Women and young people are particularly likely to be out of work, with more than 18 percent of women... without jobs in 2018." Violent protests have broken out in several Arab countries since early 2010 and turned into bloody civil wars in Syria, Yemen and Libya.

A new wave of demonstrations erupted over the last year in Algeria, Sudan, Iraq and Lebanon, typically demanding economic reforms and action against corruption.

REUTERS/FILE

Demonstrators gather as they take part in a protest over unemployment, corruption and poor public services, in Baghdad.

Emerging markets need more say on digital currencies: Chinese official

REUTERS, *Shanghai*

GOVERNMENTS in emerging markets must have greater say in the regulation of digital currencies that could facilitate illegal capital flows and disrupt foreign exchange management, a senior official of China's foreign exchange regulator said on Monday.

China has signaled it is actively embracing financial technology, such as blockchain, as it prepares to launch its own digital currency to fend off threats from foreign digital currencies, such as Facebook's Libra.

"Financial technology can promote the opening up, innovation and development of a country's financial market," Sun Tianqi, chief accountant of the State Administration of Foreign Exchange (SAFE), told a finance forum in Shanghai.

"But it could also bring a lot of illegal cross-border financial activities. This should be a matter of great concern to all countries, especially emerging markets."

Sun's comments at the Bund Summit in China's commercial hub underscore Beijing's antagonism toward Libra as global regulators wrestle over how to deal with the U.S. social networking platform's plans to launch its own cryptocurrency.

Governments of emerging markets, particularly those enforcing capital controls, such as China, needed to be aware of Libra's implications for such curbs, he added.

For China, a digital currency such as Libra must strictly abide by forex regulations, and must not replace the yuan currency in domestic transactions, or "it should be banned," Sun said.

The Chinese central bank set up a research team in 2014 to explore launching its own digital currency to cut the costs of circulating traditional paper money and boost policymakers' control of money supply.

Signs have emerged in recent months that the effort is picking up pace, with the largely rubber stamp parliament passing a new law on cryptography on Saturday that was seen as supportive.

Last week, President Xi Jinping also said China should hasten the development of blockchain technology, driving up blockchain-related stocks on Monday.