



Ride-Hailing and Smart Mobility Bill in Nigeria: Highlight of Key Provisions with Commentaries

Introduction

In a significant move to have a national regulation for ride hailing and digital taxi services in Nigeria, a bill titled “A Bill for an Act to Regulate the Operation of Ride Hailing and Smart Mobility Services in Nigeria by Establishing Licensing Requirements, Safety Standards, Fare Regulations, and Consumer Protections to Ensure the Efficient Operation of Digital Taxi Services in the Country and for Related Matters” (the “**Bill**”) has been proposed to the Senate and has passed its first reading. The Bill, if signed into law, will significantly impact the operations of not just ride hailing service providers¹ but also drivers operating via the ride hailing digital platforms in Nigeria. We have analysed some of the key provisions contained in the current copy of the Bill below.

Key Provisions of the Bill

- a. **Appointment of the Federal Ministry of Transportation to Oversee Ride Hailing and Smart Mobility Services:** The Bill seeks to grant power to the Federal Ministry of Transportation (the “Ministry”) to regulate ride hailing and smart mobility services in Nigeria, including issuing operational licenses to ride hailing service providers and permits for ride-hailing drivers.
- b. **National Licensing Regime for Ride Hailing Service Providers:** The Bill seeks to prohibit companies from operating as ride hailing service providers in Nigeria unless licensed by the Ministry. It also provides for the following licensing requirements:
 - i. The company applying for a license must be a registered company in Nigeria;
 - ii. The company must maintain a functional digital platform for booking and tracking rides,
 - iii. The company must provide passenger insurance coverage for its passengers; and
 - iv. The company must comply with local content laws, ensuring at least 50% of its software operations are domiciled in Nigeria.
- c. **Licensing for Drivers:** The Bill also requires a driver operating under a ride-hailing service to obtain a valid ride hailing driver permit from the Ministry. Drivers must meet the following eligibility requirements to obtain this permit:
 - i. The driver must possess a valid driver's license;
 - ii. The driver must undergo a background check and medical screening; and
 - iii. Register with a verified ride- hailing service provider.

Additionally, all vehicles used for ride hailing services would be subject to annual inspection for roadworthiness and be required to meet minimum safety standards set by the Ministry and fitted with security tracking and emergency response features.

- d. **Surge and Pricing Regulation:** The Ministry would be in charge of regulating the fares charged by ride hailing service providers to prevent excessive/exploitative fare surge pricing. It would be

¹ The Bill defines a “ride hailing service provider” as “a company or platform that facilitates the online booking of taxi services through digital applications”

responsible for setting the percentage limit in respect of surge pricing to ensure that prices do not exceed certain limit.

- e. **Consumer Protection:** Passengers would have the right to receive fair and transparent fares, access safe and secure transportation and as well as the right to report misconduct of drivers to the Ministry.²
- f. **Data Protection:** The Bill prohibits ride hailing service providers from sharing passenger data without explicit consent and also requires the digital platforms to comply with the Nigeria Data Protection Act (NDPA) 2023.
- g. **Offences and Penalty Regime:** The following are offences and penalties under the Bill:
 - (a) a ride hailing service provider operating without a license, will be liable to a fine of N10,000,000 (Ten million Naira) or suspension of operations for up to eight (8) months.
 - (b) drivers operating without valid ride hailing permit commit an offense and will be liable to a fine of N500,000 (Five Hundred Thousand Naira) or suspension from operating for up to one (1) year.

Comments and Implications on Businesses

Some of the considerable impact of the Bill on e-hailing ecosystem in Nigeria include:

- a) **Duplicity of Regulations:** Introducing a federal regulation for ride hailing service providers will create duplicity and conflicting regulations for service provider in this subsector. For instance, Lagos state has its *"Amended Regulation for On-Line Hailing Business and Taxi Cab Operation in Lagos State 2023"* which includes the need for ride hailing operators to obtain a service entity permit provisional license. Hence, this Bill if passed into law would require licensed operators in Lagos state to obtain a federal license to operate in a state(s) where they are already licensed to operate.

Also, drivers will be required to acquire drivers permit in addition to having a driver's license which is currently being issued to commercial (passenger carrying vehicle) drivers in Nigeria by the Federal Road Safety Corps (FRSC). This will impose a double permit/license regime for drivers.

- b) **Additional Checks/Security** – The Bill requires a driver verification exercise which includes verifying the driver's permit, undergoing a background check and medical screening, whilst this provides an essential layer of security for passengers this will invariably lead to increase in operational costs.
- c) **Regulatory Oversight**– This Bill seeks to allow the Ministry regulate pricing for ride hailing services as well as fare surge. While this may be a win for the consumers, there are considerable issues that may need to be considered, for instance, the current market practice includes pricing models which transcends distance-travel pricing but include vehicle-type pricing (luxury or basic), this may create significant issues for stakeholders if not properly considered. Also, the mode of regulation may determine whether such regulation will improve consumers satisfaction at the expense of fair competition and business growth, we will have to wait and see the regulatory approach regarding pricing.
- d) **Market Entry Barrier** – The increased requirements coupled with duplicity of regulations may lead to a market entry barrier for potential market entrants. The licensing requirements may discourage ride hailing companies from operating in Nigeria especially ride hailing companies interested in operating solely in Lagos state, and the proposal under the Bill for drivers to obtain permit from the

² Although the bill refers to the "Commission" we have assumed that this was an error and is likely to be changed to "Ministry" upon further review, as there is no "Commission" designated for this purpose under the current bill.

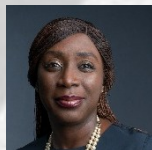
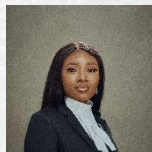
Ministry as well as having vehicles used for ride hailing services be inspected for roadworthiness by both Lagos state and the Ministry.

Conclusion

The introduction of a federal bill to regulate e-ride hailing services in Nigeria represents a significant regulatory shift in Nigeria's transportation landscape especially as these ride hailing services has become one of the preferred modes of intra-state mobility in Nigeria. It would be relevant for stakeholders to monitor this Bill and participate in the law-making process as it seeks to increase regulatory oversight on ride hailing and smart mobility services in Nigeria.

Aluko & Oyebo is a full-service law firm with expertise in technology and digital economy-related matters. For more information kindly reach out to us at tmtpracticgroup@aluko-oyebode.com.

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