

Mobility in Tourism

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American Chamber of Commerce in Croatia *Američka gospodarska komora u Hrvatskoj*

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Introduction

Continued strong growth in tourism represents a great opportunity for the entire Croatian economy as well as an enormous challenge to the existing transportation ecosystem. The root cause of a widespread dissatisfaction among visitors with transport-related issues lies in a combination of inadequate infrastructure and a lack of available transportation options. Shared mobility services, such as ridesharing, are transforming the concept of mobility across the world by offering a safe, affordable, and reliable transportation alternative to tourists and locals.

Ridesharing services represent a rapidly scalable and sustainable transportation option that complements existing public transportation ecosystems. There are more than 1,2 billion cars in the world with an average car being used for less than 5% of the time. Modern shared mobility services offer an affordable and convenient alternative to car ownership.

Current regulations are outdated and inadequate creating an environment of legal uncertainty for providers of ridesharing services that is damaging for the tourism industry and for the economy as a whole.

Modern regulatory approach, based on European Commission's guidelines and best regulatory practices from across Europe, is needed in order to accommodate ridesharing services as well as other emerging business models in the area of sharing economy. Without a modern regulatory framework for ridesharing services, there is little chance of sustaining and developing current tourism growth and maintaining overall satisfaction of visitors.

New business models in the area of sharing economy have already revolutionized a number of industries, including tourism and transportation. The sharing economy is providing market participants with a shared access to goods and services without involving a change of ownership. It is estimated that global revenues from five most prominent sharing economy sectors could hit \$335 billion by 2025, up from \$15 billion in 2014.

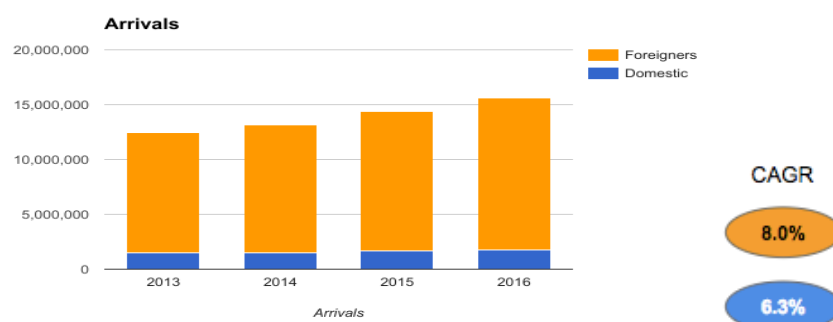
Digital platforms for ridesharing are able to connect riders and trusted drivers with efficiency, transparency, and reliability. Ridesharing services are especially popular among visitors, taking into account their international reputation, giving them a sense of familiarity and security. Digital platforms for ridesharing already represent an excellent supplement to the traditional means of transport for tourists visiting Croatia, unburdening already crowded popular touristic destinations and roads between them.

Trends in Tourism and Transportation

Growing number of tourists – decreasing length of their stays

Croatian tourism industry has experienced a strong growth in recent years. According to National Bureau for Statistics and Ministry of Tourism, the overall number of arrivals grew by almost 8% annually between 2013 and 2016, and reached a record 15,6 million arrivals in 2016. The growth has been especially strong among foreign visitors that represent over 88% of all arrivals.

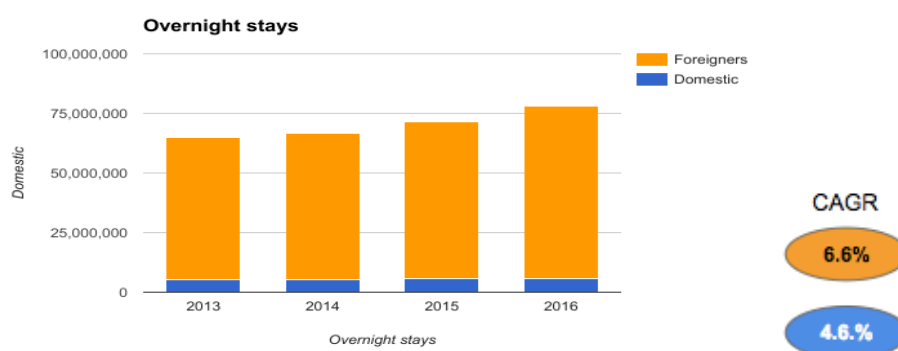
Figure 1: Arrivals of tourists to Croatia in the period 2013 - 2016



Source: Croatian Bureau of Statistics, 2017

Similar trend can be noticed for the numbers of overnight stays with an annual growth of over 6% in the same period. However, the average length of stay has been slowly decreasing in the past three years. In 2016, foreign visitors spent 5,2 days in Croatia on average compared to 5,5 days in 2013.

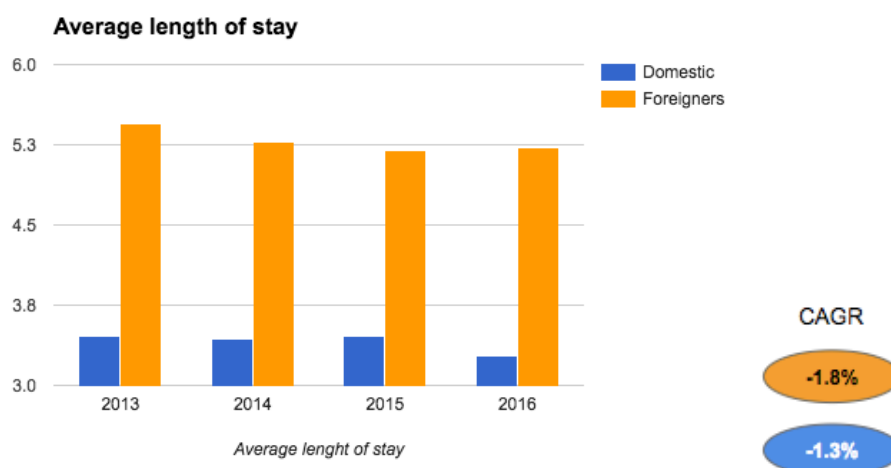
Figure 2: Overnight stays of tourists in Croatia in the period 2013 - 2016



Source: Croatian Bureau of Statistics, 2017

Strong growth of Croatian tourism is expected to continue with increasing numbers of arrivals and overnight stays. At the same time, tourists are likely to spend less time in the country. One of the key challenges facing Croatian transport ecosystem is how to cope with a surging number of visitors, who are increasingly demanding as well as time constrained.

Figure 3: Average length of days tourist stay in Croatia in the period 2013 - 2016

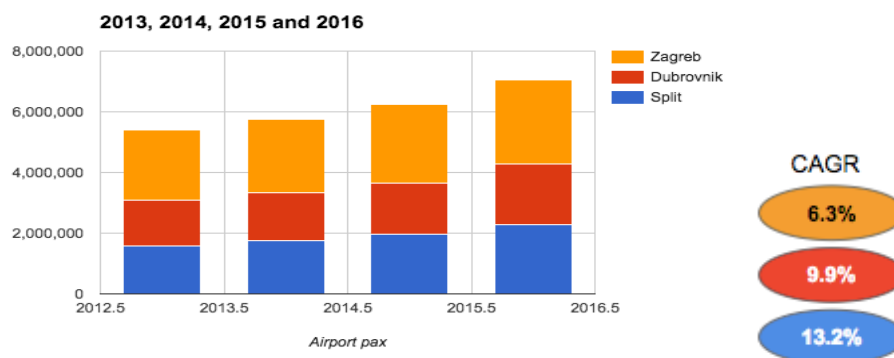


Source: Croatian Bureau of Statistics, 2017

Most tourists are coming by car -arrivals by air are growing

According to Institute for Tourism's data, almost 90% of tourists arrived by road with over 60% of them arriving by car in 2014. However, the share of visitors arriving by air has grown rapidly in recent years. Split airport recorded a 13% annual growth in the number of passenger boardings between 2013 and 2016, with a similar trend at other major Croatian airports as well.

Figure 4: Arrivals of visitors to Croatia by plane in the period 2013 - 2016



Source: Statistics of Zagreb, Split and Dubrovnik airports

Despite the growing share of air passengers, the number of visitors arriving by car is likely to increase due to an overall growth of Croatian tourism. Continued growth in the numbers of visitors arriving by car and by air will present additional challenges for the existing road and airport infrastructure, as well as for Croatian cities that are already facing major congestion issues.

Shortcomings of Transportation System

Transport related issues - major source of complaints

Institute for Tourism's comprehensive survey published in 2015 revealed average or below average levels of satisfaction with transport-related issues. Visitors were only averagely satisfied with the accessibility of destinations, while the quality of local transport received the lowest mark. According to the same survey, visitors in general complained mostly about traffic jams. On the other hand, visitors were highly satisfied with all aspects of accommodation and culinary offer, as well as with Croatia's natural beauties and safety level.

Figure 5: Satisfaction of tourists visiting Croatia

LEVEL OF SATISFACTION			
VERY HIGH	HIGH	AVERAGE	LOW
Beauty of landscape and nature Hospitality of tourism workers Suitability for family vacations Personal safety	Hospitality of locals Quality of accommodation 'Value for money' of accommodation Comfort of accommodation Quality of food at accommodation 'Value for money' of culinary offer Quality of food outside accommodation Cleanliness of beaches Suitability for short-term stay Eco-friendliness	Quality of information about destination Offerings of organized trips to surrounding areas Accessibility of destination Shopping opportunities Quality and comfort of beaches Presentation of cultural heritage Availability of sports facilities	Marking of tourism attractions Availability of leisure facilities Diversity of cultural activities Quality of local transportation Access for people with disabilities

Source: Institute for Tourism, 2015

Lack of investments in infrastructure

Although the country has undergone an extensive modernization of the highway system in past decades, urban planning has not followed growing transportation needs of locals and tourists. Due to strained public budgets, major investments in additional infrastructure are limited and would take years to complete.

Increased congestion and lack of parking options

Growing number of visitors arriving by car will put an additional strain on the existing road infrastructure, resulting in increased congestion as well as air pollution. Frequent traffic jams and lack of parking options in Croatia's most popular destinations are already major causes of dissatisfaction among visitors and locals. As the number of visitors arriving by car grows, increased congestion results in more of their time being spent in traffic. This is especially worrying due to the fact that visitors tend to spend less time in Croatia every year. The share of their time lost due to transport-related issues is therefore likely to grow and negatively affect the overall tourism experience.

Lack of affordable, reliable, and transparent transportation services

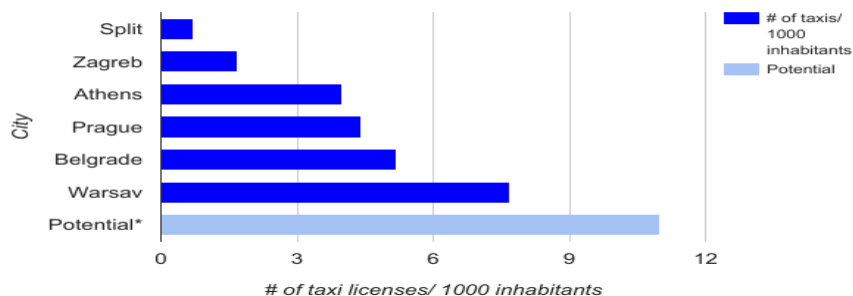
Visitors generally face a very limited set of transportation options in cities as well at airports. Public transportation services, such as buses and trains, are highly affordable, but oftentimes lack adequate frequency, capacity, and accessibility.

Taxi services, on the other hand, oftentimes lack transparency, service quality, and affordability. High entry barriers in the form of burdensome licensing requirements and license caps are resulting in low availability of taxi services in all major Croatian cities.

According to the report from the 4th International Road Transport Union's Taxi Forum, a well-functioning city would require somewhere between 6 and 11 taxis per 1.000 inhabitants. At present, there are only around 1,6 and 0,7 taxis per 1.000 inhabitants in Zagreb and Split respectively.

Considering general recommendations of Road Transport Union's Taxi Forum, up to 10.000 taxi licenses would be needed in Zagreb, while Split would require up to 5.000 taxis to serve local population and visitors. This enormous mismatch between existing supply and demand is a result of severe license caps instituted by administrations of the aforementioned cities.

Figure 6: Comparison of the number of taxis per 1.000 inhabitants



Source: International Road Transport Union's Taxi Forum

Outdated transportation regulations

Low availability of transportation options is primarily caused by restrictive transportation regulations, especially in the area of emerging shared mobility services. Despite heavy regulatory intervention in the transportation market, many of the key market deficiencies, such as a lack of transparency, accessibility and safety, persist. Competition in the transportation market and consumer choice remains severely limited.

EU Regulatory Framework

European Agenda for Collaborative Economy

In June 2016, the European Commission published the European Agenda for Collaborative Economy, which features a comprehensive set of guidelines for Member States in the area of sharing economy. The Commission's action stemmed from the fact that the EU is lagging far behind the US and China in this increasingly important segment of global economy.

The Commission emphasized an enormous economic, social, and environmental potential of the sharing economy, and urged Member States to modernize legislation in order to enable emerging sharing economy business models. The Commission's guidelines highlight forward-looking regulatory solutions for sharing economy platforms as well as for providers of underlying services that can be either individuals (P2P) or companies.

The Commission recommends a liberalization of market entry requirements in order to boost economic opportunities for as many citizens as possible. At the same time, the guidelines highlight the ability of digital platforms to bring greater transparency to the market, therefore enhancing consumer protection and tax compliance of all market participants.

Best regulatory practices

A number of Member States have already acted upon the Commission's guidelines and started adopting modern legislation that accommodates for innovative and increasingly popular sharing economy business models. This trend has been especially prominent in the area of transportation services with countries like Lithuania, Portugal, and Estonia leading the way.

All of the aforementioned countries have taken a similar regulatory approach towards ridesharing services, introducing an entirely new regulatory framework for this new category of services instead of squeezing them into existing regulatory frameworks for taxi or private hire vehicle services. Their innovative regulatory approaches, based on a widely accepted understanding that ridesharing is a new service creating a new market, were hailed by the Commission as well as the expert community.

Policy Recommendations

In 2017 European Semester, the European Commission observed that the slow pace of legislative changes in Croatia hampers the development of new business models, especially in the sharing economy sector. The Commission also emphasized that a lack of reform in this area has a negative impact on investors and consumer, who are well aware of these services and are keen to use them.

Currently, there is no regulatory framework dedicated to ridesharing services in Croatia. As in many European countries, these services are regarded and regulated as private hire vehicle services. Although Road Transport Act recognizes private hire vehicle services, it delegates the authority to regulate them to local communities. Since none has done so, providers of ridesharing services operate in a legal vacuum. The problem of legal uncertainty is further exacerbated by contradicting legal interpretations by relevant authorities. Current situation threatens not only thousands of jobs in the ridesharing industry, but hundreds more in rent-a-car companies and other traditional providers of private hire vehicle or 'chauffeur' services.

Following European Commission's guidelines and best regulatory practices across the EU, Croatia should introduce a new category for ridesharing services in the Road Transport Act: **prearranged services**.

The new category of '**Prearranged services**' should:

- Require service providers to inform passengers of the price estimate, route, and driver identity in advance;
- Introduce a simplified licensing regime for service providers that would have to be registered as companies or sole entrepreneurs;
- Avoid setting any kind of license or price caps;
- Allow only for electronic ordering of the service as well as for using GPS-enabled technology to calculate price and route;
- Ensure the highest level of safety by requiring all drivers to have:
 - No criminal record,
 - Driving license for minimum of three years,
 - Completed an advanced course in safe driving,
 - Adequate insurance for passengers,
 - Technically verified vehicle.

Key Benefits of Shared Mobility Services for Visitors and Local Economy

High service quality and safety

High service quality is constantly ensured by high standards for drivers and vehicles operating on ridesharing platforms, as well as with a highly effective driver and rider rating system. All drivers using ridesharing platforms are required to meet strict safety standards, such as a lack of a criminal record, adequate passenger insurance, and technically verified vehicle.

Since the ridesharing application defines the optimal route prior to the start of the ride and calculates the fare accordingly, users are protected from any kind of manipulation. This is especially important for visitors, who oftentimes lack the knowledge about local prices and topography.

Reliability and accessibility

Ridesharing services are available throughout and around the city, especially in areas that are not adequately served by public transport. This greatly expands the reach of tourists and brings additional opportunities to local hospitality services providers that are not located in the city center or by the main transportation hubs.

Since ridesharing services are available both during the day and the night, they have a proven record in reducing the number of accidents caused by drunk driving that remain frequent in major Croatian tourist destinations.¹

User friendliness and sustainability

Once registered, a user can use ridesharing app anywhere in the world. Since all key characteristics of the ride, such as final destination and price, are defined via app, language barriers no longer represent a challenge as well as a source of annoyance when moving around a foreign city.

As already mentioned, ridesharing services contribute to increased sustainability of urban environment by getting more people into fewer cars and by complementing public transportation options.

New and highly flexible jobs

Digital platforms for ridesharing are providing growth of the local economies through integrating local transportation providers, providing hundreds of companies and sole entrepreneurs with highly flexible economic opportunities. Drivers are free to choose their own working hours and enjoy full flexibility in many other aspects as well.

¹ An Empirical Investigation of Ride Sharing and Alcohol Related Motor Vehicle Homicide, Temple University, 2015

In Croatia alone, the ridesharing industry has so far created over 1.500 new jobs that are fully flexible and well paid. Given the current growth rate, size of urban population and tourism growth, another 10.000 jobs could be created in the following two to three years.

Stronger fiscal transparency through traceable tax collection

Since transactions through ridesharing platforms are digitally processed, all payments are fully traceable. In Croatia as well as in many other countries, full tax compliance is ensured by the electronic integration of the ridesharing platform with the tax authority's system. Digital platforms are bringing unprecedented transparency to transportation market that has thus far relied on cash-based business models that remain the key sources of gray economy.

AmCham Croatia calls for setting the right regulatory environment for ridesharing services as a new business model contributing to the digital economy.

We welcome the commitment of the Croatian Government to embrace opportunities of new technologies for the Croatian economy. AmCham Croatia members call for and look forward to a constructive, open and comprehensive debate and work on the new regulatory framework embracing new business models.

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