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## **In-depth study: Ride-sharing and car-sharing**

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### **Can sharing reduce China’s congestion?**

As has often been reported, China's infrastructure is struggling to keep up with the rise in passenger cars, resulting in congestion, gridlock and losses in productivity. Furthermore, local air quality has suffered from the large number of vehicles, including around 5 million passenger cars in Beijing alone. This has led several Chinese cities to reduce the number of cars, through license-plate control policies and other transport-demand management strategies. Car-sharing and ride-sharing may be important and relevant parts of this<sup>1</sup>.

### **Fast growth for ride-sharing**

Ride-sharing has grown much faster than car-sharing, with the leading company Didi, founded as the result of a merger in 2016 between two rival ride-sharing companies<sup>2</sup>, alone having more than 450 million users across over 400 cities in China<sup>3</sup>. Around 25 million Chinese use Didi on an average day, though the number has risen and shrunk depending on the current level of subsidies and marketing campaigns. It is claimed that 80% of all taxi drivers in China now use Didi to find passengers, and that it can be difficult to get a cab during rush hour without the Didi app<sup>4</sup>. With 25 million rides per day, it is estimated to surpass all other ride-sharing companies around the world. Part of the reason for this is that it took over Uber’s business in China, after a long and expensive battle for market share. Didi is now valued at \$50 billion, making it the world’s second-most valuable tech startup, after Uber<sup>5</sup>.

Ride-sharing has been accelerating the introduction of electromobility, with Didi claiming to operate the world’s largest fleet of electric cars, with 260,000 out of the 2 million electric vehicles currently on the road in China, and a target of 1 million electric vehicles by 2020<sup>6</sup>. To achieve this, it is building its own charging network in China in partnership with the United Nations and GEIDCO, the Global Energy Interconnection Development and Cooperation Organization<sup>7</sup>.

While Didi is by far the largest in ride-sharing, there are competitors including Cao Cao, backed by Volvo-owned automotive giant Geely. Cao Cao has raised more than 1 billion yuan and has around 10 million users in 17 cities, while the bike-sharing platform Mobike is also launching a car ride-sharing platform. This is part of the explanation for Didi’s expansion into other countries, including Japan and Brazil<sup>8</sup>.

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<sup>1</sup> China Daily USA, 2014-03-25

<sup>2</sup> Reuters, 2015-02-14

<sup>3</sup> People’s Daily, 2017-10-26

<sup>4</sup> Bloomberg Technology, 2016-10-06

<sup>5</sup> The Verge, 2017-05-02

<sup>6</sup> Techcrunch, 2017-12-21

<sup>7</sup> Techcrunch, 2017-11-02

<sup>8</sup> Nasdaq, 2018-02-08

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### **Car-sharing: Big potential, slow start**

The global car-sharing market is growing fast. It was valued at \$1.2 billion in 2015, and will hit \$16.5 billion by 2024, according to Global Market Insights, which also sees China as one of the markets that will grow particularly fast<sup>9</sup>.

Currently, car sharing accounts for less than 0.5% of all car usage, far lower than Southeast Asian and European countries<sup>10</sup>. In its report, Boston Consulting Group sees a growing potential for car sharing, particularly among the younger population in large cities, where the appeal of private car ownership is weakening. In a separate study, Nielson found that 67.8% of respondents who do not own cars "feel there's no need for a private car", 32.4% of private cars owners said they wouldn't buy another car and 9.7% considered selling their cars. Car manufacturers BMW, Daimler and Toyota have all launched car-sharing projects in China, each of them with a fleet of several hundred vehicles, and an electric car-sharing service is being set up with 12 automakers, including Ford, Renault, Nissan and Mitsubishi. Ride-sharing giant Didi has also entered the car-pooling market, as a way to reduce the number of drivers they need<sup>11</sup>.

### **The way ahead: Challenges and opportunities**

While car ownership is seen as a status symbol by most Chinese, the rapidly changing attitudes of the young inhabitants of large cities show that the market potential for car sharing and ride sharing may grow very quickly. This change would come quicker with supportive policies from cities, including regulations for on-street parking for shared vehicles and exemption from vehicle-license restrictions<sup>12</sup>. Then, car-sharing and ride-sharing could become an important part in China's ambitions to ensure that transport is more sustainable.

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<sup>9</sup> Reuters, 2018-02-07

<sup>10</sup> China Daily, 2016-04-18

<sup>11</sup> Thomson Reuters, 2018-01-25

<sup>12</sup> Urban Gateway, downloaded 2018-04-05

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