



Tasmanian Economic Regulator  
GPO Box 770  
Hobart, 7001

By email: [office@economicregulator.tas.gov.au](mailto:office@economicregulator.tas.gov.au)

12 March 2021

### **Car Next Door's response to MAIB's 2021 submission to the Tasmanian Economic Regulator**

Car Next Door wishes to respond to Motor Accidents Insurance Board's (**MAIB**) submission (on pg 6) that proposes peer-to-peer car services should remain in Class 8, paying the MAIB premium of \$750, the same as commercial 'hire and drive' vehicles until November 2025.

In summary:

1. peer-to-peer car sharing will not be successful in Tasmania if the car owners have to pay the higher level Class 8 MAIB premium of \$750; and
2. peer-to-peer car sharing has lower insurance risk than commercial rental 'hire and drive' vehicles, and therefore owners should pay a lower premium.

The fundamental issue that is restricting peer-to-peer car sharing taking off in Tasmania like it has in NSW, Vic, QLD, WA and ACT is that currently, for a Tasmanian owner to list their car, they need to move it from "Motor Car" (Class 1 \$302 MAIB premium a year) to "Hire and Drive Vehicles" (Class 8 MAIB \$750 premium a year). Given many Tasmanians might only want to rent their cars out 5-30 times a year, this extra \$448 MAIB premium makes it cost prohibitive for Tasmanian residents to list their cars, as for most people, this additional cost would cancel out most of the income from sharing their car.

Listing a car with Car Next Door requires a reasonable amount of time and effort to fulfil the safety checks and onboarding processes. MAIB offered the lower premium to car owners during the peer-to-peer trial over the holidays until their car needed to be re-registered. For some owners, their registration will be due again April/May of 2021. Car Next Door is aware of some Tasmanians who chose not to list their car as their relief from the higher premium was only for a few months and not significant enough, and other Tasmanians who have not completed the onboarding process because of the uncertainty of the MAIB premium level.

In relation to the insurance risk level of peer-to-peer car sharing compared with commercial rental 'hire and drive' vehicles:

- a. Peer-to-peer sharing vehicles are predominantly used as ordinary private vehicles by the owner. They are used by borrowers only when the owner would not otherwise be using the car. Unlike 'hire and drive' vehicles, or commercial car rentals, sharing their vehicle helps the owner

#### **Car Next Door**

55 Pyrmont Bridge Road, Pyrmont, NSW 2009  
02 8035 8000  
[info@carnextdoor.com.au](mailto:info@carnextdoor.com.au)

ABN: 53 163 596 530



to offset the fixed costs of owning it, but in most cases, will not provide them with an overall profit.

- b. The Hire and Drive Vehicles Class 8 was established for full time rental cars that are rented out commercially, with the aim of being on the road for the majority of days a year. The higher level of CTP risk associated with this kind of use is not a fair benchmark for a local Tasmanian owner whose car is essentially for private use, but sometimes rents it out.
- c. Peer-to-peer car share vehicles are used by borrowers for only a small proportion of their total drive time. The vehicles shared through Car Next Door are typically used by people other than the owner for less than 25% of the time compared to hire cars that aim to be rented out for the majority of time.

## CAR NEXT DOOR'S PROPOSAL

In response to the MAIB's submission, Car Next Door proposes:

- A) there be no requirement for peer-to-peer car owners to move out of Class 1- Motor Car, unless the vehicle meets specific criteria that make it more like a 'hire' vehicle than a 'personal' vehicle; or
- B) expanding Class 23 - Ride-sourcing to include personal share vehicles to allow peer-to-peer car sharing a chance to take off in Tasmania; or
- C) create a new MAIB category for personal vehicle sharing - "personal share vehicle" which would initially have the same MAIB premium as Motor Car (Class 1) and Ride-sourcing (Class 23) of \$302. This would allow the MAIB to accurately assess the risk of this specific pool of owners and make any changes to the category or premium if needed based on the data.

## FURTHER SUBMISSIONS

1. **CTP risks associated with a Tasmanian car owner allowing someone to occasionally rent their car are significantly lower than someone driving for Uber**
  - a. Class 23 - "Ride-sourcing Vehicle" was added recently with the same MAIB premium as the Motor Car (Class 1) of \$302. This change allowed Tasmanian residents to earn money driving for Uber and other ride sourcing services in Tasmania. It is Car Next Door's view (backed by years of evidence built up over 660,000 trips) that the extra CTP risks associated with allowing a neighbour or tourist to occasionally rent a vehicle are significantly lower than someone driving for Uber for 10-40 hours a week, and effectively the same as a private car owner.

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- b. Car Next Door is a promising Australian startup that allows local Tasmanians to better use their assets. This is a great opportunity for the MAIB and Tasmanian government to support local technology and innovation.

**2. The peer-to-peer car sharing trial was not sufficient to allow the MAIB to collect proper data**

- a. The recent peer-to-peer car sharing trial (referred to on pg 6 of the MAIB's submission) resulted in a small number of Tasmanian registrations, which would not be sufficient for the MAIB to properly quantify the insurance risk of peer-to-peer car sharing services.
- b. The 'peer-to-peer car sharing trial' refers to peer-to-peer car sharing being made available in Tasmania at short notice to assist tourists and returning locals with the acute shortage of rental cars over the holiday season.
- c. Car Next Door scrambled to make its platform available in Tasmania within 10 days of being notified, commencing on 24 December. The trial ended 36 days later.
- d. This timing was too short to allow some potential peer-to-peer car owners to complete all the necessary procedures to list their cars. There are significant safety processes people have to fulfil to list their car with Car Next Door. For example, there were over 10 days during the 36 day period where Tasmanians couldn't get their cars inspected (and so were delayed in uploading them to share). Car Next Door are also aware of people who weren't able to get their vehicle inspections done in time before the trial ended, and have not uploaded their cars now due to the higher premium.
- e. Due to the short timing of the trial, Car Next Door rolled out a limited marketing and promotional campaign to raise awareness. In previous trials in other areas, Car Next Door has used a much higher level of promotion activities to ensure that Car Next Door was highly visible and well known.
- f. This timing of the trial was too short to allow Car Next Door to roll out its full product offerings. Car Next Door could only offer part of its platform of technology capabilities and products to Tasmanian car owners. We could not offer our more convenient and popular "Instant Key" product offering, but our only the much more limited "Key Handover" option (where the borrower and owner meet to hand the key over). Our Instant Key cars get over 6 bookings per month on average, compared to 1 booking per month for Key Handover. By including Instant Keys as an option in Tasmania, we estimate that bookings would double or triple.
- g. We note that there are about 600 cars in Class 6 - Taxi category and 1400 in the Class 23 'ride sourcing' category. Based on our steady growth in other areas of Australia, Car Next Door projects that there would be 300 - 500 cars within the four years before the next MAIB premium review.

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- h. Due to the incomplete roll out of peer-to-peer car sharing in Tasmania, the MAIB does not have sufficient data to be able to properly price the insurance risk.

**3. MAIB submits that there was “only a limited take up of peer-to-peer rental”**

- a. We agree 42 cars as noted in the MAIB submission is a small number, but refer back to the reasons set out above that this was not in any way a usual roll out of Car Next Door’s platform. We also note, as of the end of February, there were 53 cars listed in Tasmania with Car Next Door.
- b. Peer-to-peer car sharing is not a fad. Car Next Door has a 8 year proven track record of sustainable growth in peer-to-peer car sharing, and has an annual turnover of \$30m.
- c. We suggest the Gold Coast is a reasonable comparison to Tasmania in terms of holiday destination and population. In the Gold Coast, we saw the number of listed cars quadruple in 3 years, and the number of trips per months rising from 60 to almost 500. There is no reason why, with a full roll-out of product offering and promotional activities specific to Tasmania, Car Next Door should not be as popular in Tasmania.

**4. Future demand for peer-to-peer rental services**

- a. In undertaking its core business, as required by the MAIB's Ministerial Charter, the MAIB is required “provide its services in a cost effective and efficient manner, while meeting the needs of its clients”.
- b. Given the high level of initial interest, Car Next Door is confident that between 300 to 500 Tasmanians will list their cars on the platform during the next 4 years, and the demand from owners and local borrowers for a peer-to-peer car sharing service will grow significantly.

Car Next Door would be pleased to provide any further information regarding peer-to-peer car sharing in Tasmania or any of the information above. Please contact me by email at [sarah.druce@carnextdoor.com.au](mailto:sarah.druce@carnextdoor.com.au) or on 0410 677 447.

Sincerely,

Sarah Druce | General Counsel  
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