

Research on the Change of China's Online Ride-Hailing Regulatory Policies from the Perspective of Multi-Source Flow Theory

Wenqin Wang

China Jiliang University, Yiwu, Zhejiang, 322000, China

Keywords: Multi-Source Flow Theory, Online Ride-Hailing, Policy

Abstract: The advancement of information technology has led to the emergence of ride-hailing services, breaking the monopoly of traditional taxis and providing convenient, fast, and cost-effective car-hailing services. However, before the introduction of regulatory policies for ride-hailing services, various practical and public opinion conflicts arose, causing significant disruption to the taxi industry. This article examines the evolution of ride-hailing regulatory policies from the vacuum period, through the initial phase, to the maturity stage, using the theory of multi-source flow. It highlights key considerations in policy formulation and proposes three recommendations: paying close attention to the sources of issues, valuing the accumulation of opinions within the policy-making process, and effectively utilizing political momentum. These suggestions aim to provide valuable insights for the development of regulatory policies.

1. Introduction

In the modernization of urban transportation in China, ride-hailing services, as a typical product of 'Internet + travel,' have rapidly transformed people's travel methods and the traditional taxi industry. Since the rise of platforms like Didi and Kuaidi around 2010, the ride-hailing market has expanded rapidly, offering convenient and diverse travel options and fostering new economic phenomena such as platform employment and intelligent scheduling. However, with the widespread adoption of ride-hailing services, various issues have become increasingly prominent: illegal operations, safety incidents, data compliance, and labor disputes have become frequent, drawing significant public attention and government oversight. To address the governance challenges posed by this emerging industry, the Chinese government has evolved from early 'loose regulation' and 'local exploration' to national-level institutional regulations. The 'Interim Measures for the Administration of Online Ride-Hailing Car Services' issued in 2016 is widely seen as a critical turning point in the legalization of ride-hailing services, signaling a shift from a wait-and-see approach to active intervention. However, during the implementation of these policies, significant regional differences and institutional competition have emerged, with different cities formulating differentiated regulations based on local development needs, such as 'household registration' and 'vehicle wheelbase.' This has resulted in a governance model characterized by 'national framework +

local details 'being the primary feature of China's ride-hailing service regulation.

Why do policies change at specific points in time? Why are there significant differences in implementation across regions? What is the underlying logic driving the continuous evolution of China's ride-hailing policies? These questions not only pertain to specific industry governance but also reveal the institutional mechanisms by which the state responds to the digital platform economy, local interest divisions, and diverse social demands. Therefore, a thorough study of the formation and evolution of ride-hailing regulatory policies can help understand the practical aspects of Chinese-style digital governance and provide valuable insights for the regulation of other emerging sectors. To this end, this paper introduces the multi-source flow theory, which examines the interaction between problem sources, policy sources, and political sources, systematically analyzing the key nodes and mechanism changes in ride-hailing regulatory policies from 2016 to their implementation. This theory, proposed by Kingdon, emphasizes the non-linearity and uncertainty in setting policy agendas, making it particularly suitable for explaining how policies emerge under conditions of multiple stakeholders and complex factors. Using this framework, this paper aims to uncover the institutional logic and dynamic processes behind the changes in China's ride-hailing regulatory policies and to reflect on its implications for the development of China's platform governance capabilities.

2. Overview of Multi-source Flow Theory

The multi-source flow theory, proposed by American political scientist John W. Kingdon in the 1980s, is a model widely used in policy making and practice, particularly in policy change and innovation. The core idea of this theory is that policy making involves multiple policy issues, solutions, and opportunities. These three sources—issues, policies, and politics—can converge at certain times to form a 'policy window,' through which policymakers can formulate new policies. Policymakers must be well-prepared before the policy window opens to act promptly when it does [1]. The multi-source flow theory provides a comprehensive framework for the policy-making process, emphasizing that policy making is a nonlinear, dynamic, and uncertain process. Policymakers need to thoroughly understand policy issues, solutions, and opportunities to prepare adequately for policy making. This theory has been widely applied in policy making practices and is considered one of the classic theories in policy analysis and policy making [2]. The core concepts of the multi-source flow theory include the following three sources:

Problem source: Problems are everywhere and all the time. The government will notice some problems in a certain period of time and ignore others, and only when the government notices them can they enter the policy agenda.

Policy Origin: In specific policy areas such as education, health, and urban management, officials within the government, representatives of power bodies, experts, and scholars interact. These interactions involve both collaboration and conflict. Ideas flow and clash among them, softening opposing views. This process leads to the selection of options that are highly feasible, widely accepted, and have minimal future constraints, which are more likely to be prioritized and approved in policy discussions[3].

Political origins: Political origins are shaped by national sentiment, competition among pressure groups, changes in the ruling party, key personnel adjustments, and the division of management authority. Jin Deng argues that national sentiment can significantly influence the establishment of policy agendas. In the West, shifts in national sentiment often manifest in election outcomes, leading to changes in the ruling party, which in turn results in key personnel adjustments and impacts the setting of policy agendas.

The multi-source flow theory posits that policymakers must simultaneously consider these three

sources. Only when these sources converge at a specific moment can a policy window be formed. Before the policy window opens, policymakers need to prepare thoroughly to act promptly when the window opens. This theory provides a comprehensive, dynamic, and nonlinear framework for policy formulation, guiding policymakers in their decision-making and actions.

3. The evolution of ride-hailing regulation

3.1. A regulatory vacuum for ride-hailing

The regulatory policy vacuum provided ride-hailing services with the time and space to experiment and develop. In June 2012, Beijing Xiaju Technology Co., Ltd. was officially established, and on September 9, the "Didi Chuxing" APP was launched in Beijing. In August of the same year, "KuaiDi Taxi" was launched in Hangzhou, marking the beginning of ride-hailing services in China. People could now book taxis online via mobile apps, and taxi-hailing apps profited by matching passengers with drivers. The convenience of online car-hailing became widely appreciated, leading to a booming online car-hailing market, which attracted many software development companies. After 2014, specialized car-hailing services such as "KuaiDi Taxi," "Didi Zhuanche," and "Yiyongdache" were launched one after another. On May 7, 2015, Didi capitalized on its success by announcing that "Didi Kuai Che" would officially launch on the "Didi Chuxing" APP from Hangzhou. In April 2015, Didi's carpooling driver recruitment program began, and in June 2015, the C2C platform's "Didi Carpooling" service was officially launched. This period marked the initial stage of online car-hailing apps entering the taxi market, and due to the lack of regulatory laws and regulations for ride-hailing services in China, the government adopted a cautious approach to regulating these services. In July 2014, the Ministry of Transport issued a notice titled "On Promoting the Orderly Development of Mobile App Car-Hailing and Other Taxi Dispatch Services," which encouraged the integration of new information technologies with the taxi industry and explored various innovative service models[4]. It is evident that during this period, the central government encouraged the development of the ride-hailing industry and provided a certain degree of trial and error space. This led to a more relaxed and free development environment for ride-hailing services, which gradually expanded across the country. However, some local governments still viewed ride-hailing as illegal and prohibited private cars, taxis, and rental vehicles from being connected to online booking platforms. Overall, the robust development of the ride-hailing industry during this period laid the groundwork for its future challenges to the taxi industry and efforts to gain legal recognition.

3.2. The regulatory policy for online ride-hailing is in its infancy

The early phase of regulatory policies was marked by strict oversight of ride-hailing services from local to central levels, prohibiting private cars from operating as ride-hailing vehicles. Since July 2014, major ride-hailing platforms began offering dedicated car services, leading to a significant influx of dedicated cars into the taxi market. To gain market share, these platforms provided substantial subsidies to drivers and passengers, resulting in a peculiar situation where taking a dedicated car was cheaper than taking a bus [5]. This significantly reduced the market share of taxis, leading to widespread taxi strikes across the country, which posed serious threats to local traffic and public safety. The debate over whether dedicated cars were illegal vehicles intensified. In January 2015, the 'Regulations on the Management of Taxi Operation Services' banned private cars from operating through ride-hailing platforms, highlighting issues such as unclear liability and inadequate passenger safety. In June 2015, the Ministry of Transport held a special seminar with representatives from both the taxi and ride-hailing sectors, and transportation

departments in various regions conducted talks with ride-hailing platforms, cracking down on illegal vehicles and private cars joining ride-hailing platforms. In July 2015, the Ministry of Transport drafted the Ride-Hailing Management Measures. In August 2015, Shanghai issued the first ride-hailing operation license to Didi. During this period, the rapid expansion of ride-hailing services exposed numerous issues, including the infringement of existing taxi interests. Influenced by internal and external factors, the government shifted from a laissez-faire approach to a more stringent and thorough regulation of ride-hailing services. After the explosive development period of online ride-hailing, it has entered a stage of strict regulation.

3.3. The regulatory policy of online ride-hailing is in its mature period

The regulatory policy maturity phase is characterized by the recognition of ride-hailing services as legal. On October 10, 2015, the Ministry of Transport drafted the 'Guiding Opinions on Deepening Reform and Further Promoting the Healthy Development of the Taxi Industry (Draft for Public Comments)' and the 'Interim Measures for the Administration of Online Ride-Hailing Car Services (Draft for Public Comments).' This marked the beginning of institutionalized management of ride-hailing services by the highest administrative body. The draft set stringent regulations and solicited extensive public feedback, receiving a total of 6,832 suggestions. On July 27, 2016, the Ministry of Transport, the Ministry of Industry and Information Technology, and six other ministries jointly released the 'Interim Measures for the Administration of Online Ride-Hailing Car Services,' which took effect on November 1, 2016. Following this, local governments across China began to formulate detailed rules in line with the 'Interim Measures,' with each region tailoring its own 'Detailed Implementation Rules' to ensure stricter oversight than the 'Interim Measures.' During this period, the legal status of ride-hailing services was confirmed, and the central government provided overarching guidance for their regulation. Local governments, guided by central policies, formulated and implemented regulatory measures of varying strictness, enhancing service quality and standardizing the market.

4. Analysis of the change of online ride-hailing regulatory policies from the perspective of multi-source flow theory

4.1. Analysis of the change of online ride-hailing regulatory policies from the perspective of source flow

The advancement of Internet technology has spurred the rapid growth of e-commerce, smartphones, and big data, acting as a catalyst that has sparked significant changes in the taxi industry, inevitably challenging the established interests. In July and August 2014, when Didi Chuxing and Kuaidi Taxi, two leading online ride-hailing platforms, introduced dedicated car services, taxi drivers in Nanjing collectively uninstalled the ride-hailing apps to protest against the new services. On November 6, 2014, taxi drivers in Nanjing issued a 'petition' on the 'Zhiyong Online' platform, which garnered over 600 responses, with more than 300 from taxi drivers themselves. Most drivers expressed their intention to 'resist the dedicated car service apps.' In 2015, under the dual pressures of ride-hailing apps and high commission fees, large-scale taxi strikes occurred in multiple regions across the country. In May 2015, news headlines such as 'A 24-year-old female teacher in Shenzhen was robbed and brutally murdered while hitchhiking' and 'Four female high school students in Haikou were publicly sexually harassed while riding Didi Express' repeatedly drew public attention, raising concerns about the safety of ride-hailing services. In June 2021, a driver who felt the distance for dispatching orders was too short and could not take a detour threatened passengers with various means, and was subsequently prosecuted by the procuratorate.

for suspected robbery.

The absence of laws makes it difficult to effectively regulate the new form of ride-hailing services. The lack of explicit legal prohibitions means that ride-hailing services can operate in a way that is not legally recognized, partly due to the ambiguous stance of local governments. The conflicts between ride-hailing services and traditional taxis, as well as issues related to the regulation of ride-hailing operations, have made it imperative to develop relevant regulatory policies.

4.2. Analysis of the change of online ride-hailing regulatory policies from the perspective of policy source

In the second half of 2014, the Ministry of Transport and seven other national ministries initiated the formulation of regulations for managing online ride-hailing services. Around June 2015, a preliminary draft of the management measures was completed. Following this, a national-level seminar was held to gather extensive opinions and solicit feedback from various provinces and cities. In October 2015, after incorporating extensive feedback and multiple revisions, the management measures were officially released for public comment. In June 2016, based on the feedback received, another national-level seminar was held. In July 2016, the 'Guiding Opinions of the General Office of the State Council on Deepening Reform and Promoting the Healthy Development of the Taxi Industry' was released. Around the same time, the 'Interim Measures for the Administration of Online Ride-Hailing Car Services,' led by the Ministry of Transport, was officially published and took effect on November 1, 2016. On December 28, 2019, this regulation was revised and reissued by six departments, including the Ministry of Transport, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Commerce, the State Administration for Market Regulation, and the Cyberspace Administration of China, becoming the current basic institutional framework for regulating online ride-hailing platform enterprises and the industry's operations in China. Three years later, in November 2022, the regulations were revised again to further specify the provisions for unlicensed online ride-hailing services. The penalties for operating without a ride-hailing transport permit or driver's license were reduced, and the penalty for not carrying the transport permit and driver's license was abolished. This move not only reduces the unnecessary burden on ride-hailing employees, but also encourages them to abide by the law more consciously, which helps improve the overall image and service quality of the industry.

The introduction of the new central ride-hailing policy primarily involves a strategic game between ride-hailing and taxi companies. Taxi companies demand that the government enforce regulatory measures to maintain the relative monopoly in the taxi market, reduce costs, adjust the profit-sharing mechanism, and increase drivers' income. Given the strong regional nature of the taxi industry in local cities, taxi companies must express their concerns to the central government through local authorities. Therefore, they often organize large-scale protests, such as strikes, banner displays, and gatherings, to pressure local governments. In contrast, ride-hailing services adapt to market demands by leveraging internet technology to facilitate information sharing and expand nationwide. With a relatively small number of companies, interest groups can more easily coordinate their actions, effectively pressuring the government and influencing policy direction. Additionally, ride-hailing companies can directly influence the central government and use media to shape public opinion. Through continuous engagement with policymakers, interest groups push for more favorable policies. Policymakers, in turn, select the best options from multiple perspectives, including democracy, rule of law, fairness, justice, balance, and stability.

4.3. Analysis of the change of online ride-hailing regulatory policies from the perspective of political origin

In a Sina Weibo poll involving 6,178 participants, 73% of the respondents believed that the high fees and low income for taxi drivers were due to the monopoly in the taxi industry. Meanwhile, 51% of the respondents thought that ride-hailing services were beneficial because competition broke the monopoly and improved service quality. Since their introduction, ride-hailing services have addressed the shortcomings of traditional taxis, providing the public with high-quality travel options. The substantial subsidies during the initial promotion phase further enhanced the public's sense of benefit, leading to widespread public support and favor for ride-hailing services.

The official media has also expressed support for breaking the monopoly of taxi companies and opposing the exploitation of taxi drivers, demonstrating a strong stance in favor of reform. A commentator from CCTV, an official media outlet, stated that the government should no longer be concerned with setting a quota for urban taxis. Ultimately, reforming the management system of the taxi industry is the key to resolving all current issues in the taxi market. The Third Plenary Session of the 18th Central Committee of the Communist Party of China proposed the overall goal of reform: to modernize the national governance system and capabilities, enabling the government to adapt to society and the market, allowing various entities to play their roles, and actively responding to public demands. For the taxi industry, it is essential to implement substantive reforms, starting with the government itself, to properly manage the interests of interest groups.

In the process of reforming the taxi industry, both the taxi and ride-hailing sectors, as well as the public and media, have focused their attention on the government. Local governments, facing pressure from all sides, need to take proactive measures to advance reforms and resolve long-standing issues. Meanwhile, the continuous statements by official media and the concrete actions taken by the central government to promote reforms have further solidified the determination of local governments to implement reforms. Local governments have almost simultaneously initiated various preparatory work for reforms during the formulation of the new ride-hailing policy by the central government. The official release of the new ride-hailing policy provides a clear top-level design for this reform effort, guiding local reforms and enabling local governments to further refine their plans within the framework of central policies.

5. The implications of the change in regulation of online ride-hailing

5.1. Pay close attention to the source of the problem

The root of most policies lies in identifying and addressing problems, which is both the starting point and the ultimate goal. For policymakers, who face a wide range of issues daily, accurately defining and understanding these problems is crucial, as it determines whether an issue will be included in the policy agenda. Issues often attract attention through indicators, focal events, crises, and feedback. Focal events draw the attention of the government, society, and public opinion, serving as the starting point for policy agendas and driving policy formulation. The government should address the issues in the taxi management system, reform to meet citizens' needs, and enhance its image. This reform requires the active participation of the government, taxi companies, and drivers to form a united front. The momentum and public opinion surrounding focal events can help bring issues to the policy agenda. The government should leverage media and public opinion to systematically advance the reform of the taxi management system, ensuring the normal operation of taxis, maintaining order, promoting economic and social development, and enhancing the government's image.

5.2. Attach importance to the accumulation of opinions in policy sources

The traditional government decision-making system is often closed, with the opinions of decision-makers typically confined to within the system. In a multi-source framework, the openness of the decision-making system is crucial, especially when it comes to policy issues involving stakeholders. Opening the policy black box and allowing all parties' opinions to flow freely into the decision-making process is essential for policy approval. During the formulation of the new ride-hailing regulations, a two-way softening process was achieved through multiple channels. This included repeated rounds of consultations between the central and local governments with various stakeholders. Opinions from ride-hailing and taxi companies were also incorporated by local governments and reflected back to the central government. Additionally, opinions from experts, scholars, the public, and industry associations were conveyed to policymakers through both formal and informal channels. This continuous feedback process helped find a balance of interests between taxi and ride-hailing companies, promoting policy softening and ultimately ensuring effective policy implementation.

5.3. Make rational use of political power in the source of politics

The political origins reflect the initiative of policymakers. Unlike the central government, local policy-making also incorporates elements of central policy guidance. Effectively leveraging these central policies and closely aligning them with local realities is crucial for setting the policy agenda, providing a strong impetus for policy formulation. Local governments should leverage central guidance to facilitate the opening of policy opportunities, based on local conditions, effectively selecting from various options. When formulating local policies, local governments can implement them more smoothly by following the detailed guidelines provided by the central government, which is much less challenging compared to formulating policies independently when the central guidelines are unclear. The early introduction of the new ride-hailing regulations by the central government has provided guidance and a basis for local policy-making, granting ride-hailing a legal status that is part of the central policy framework, which local governments cannot alter, nor can interest groups. In this context, local governments can more easily promote the formulation of local policies. Local governments need to tailor their policies to local conditions, taking into account local realities, and formulate practical policies within the framework of central directives to achieve a relative balance between policy costs and benefits.

6. Conclusion

This article uses the multi-source flow theory as an analytical framework to systematically trace the development of China's ride-hailing regulation policies from their inception, through standardization, to institutionalization. It reveals the interactive mechanisms between problem sources, policy sources, and political sources, and how they collectively facilitate the opening of policy windows and the introduction of significant policy decisions at specific historical junctures. The study finds that the evolution of China's ride-hailing regulation policies is not linear but exhibits a dynamic pattern of 'fragmentation—centralization—differentiation' due to multiple factors, including frequent public safety incidents, insufficient institutional supply, and increased political will. Social events and media attention have driven the emergence of problem sources, while corporate innovation and local pilots have enriched the supply of policy options. Meanwhile, the central government's top-level design and governance transformation have continuously reinforced the dominant role of political sources. In 2016, when the Interim Measures were introduced, the three sources converged, marking the entry of China's ride-hailing policies into a

phase of legalization and institutionalization. By analyzing China's ride-hailing regulation practices, this article further validates the applicability of the multi-source flow theory in explaining the changes in public policies in developing countries, especially in the context of complex central-local relations and diverse policy objectives, where the theory provides a systematic perspective. However, it should be noted that the traditional multi-source flow theory is primarily based on the parliamentary and electoral political backgrounds of Western countries. When applied to China's unique administrative-led policy environment, it requires supplementation and localization in areas such as policy implementation, local adaptation, and platform governance.

Future research can further expand the analytical framework by integrating emerging theories such as platform governance and algorithm regulation, to deepen the understanding of the logic behind public policy changes in the digital economy. Additionally, it is important to focus on the value conflicts and governance challenges underlying these policy changes, providing theoretical support and practical references for building a more inclusive, flexible, and collaborative regulatory system.

References

- [1] Chen Yi. *Extension Study on Urban Enterprise Pension Insurance Policy from the Perspective of Multi-source Flow Theory* [D]. Central China Normal University, 2011.
- [2] Cairney P, Jones M D. Kingdon's multiple streams approach: what is the empirical impact of this universal theory? [J]. *The Policy Studies Journal*, 2016, 44(1).
- [3] Shi Hengfeng. *A Study on the Formulation of Ningbo's New Ride-hailing Policies from the Perspective of Multi-source Flow Theory* [D]. Ningbo University, 2019.
- [4] Zhao Li. *Study on the Evolution of Online Ride-hailing Regulatory Policies from the Perspective of Multi-source Flow Theory* [J]. *Western Journal*, 2023, No. 185(08):37-40.
- [5] Xu Pengfei. *Study on the Evolution of Online Ride-hailing Regulatory Policies from the Perspective of Alliance Theory* [D]. Shandong University, 2021.