Shauna Brail
Urban Studies Program
Innis College
University of Toronto

Abstract
Despite concerns and criticism, municipality upon municipality has approved regulations that enable ride-hailing, a digital platform activity, to legally operate. This paper frames and scrutinizes three prominent tensions surrounding the operation and expansion of ride-hailing using the City of Toronto as a case study. It finds that whereas scholarly debate emphasizes definitions, distinctions, legal arguments and inequality, municipal debate has centered on ride-hailing’s brief yet controversial history, inputs to the regulation process, and connections between ride-hailing, municipal governance and innovation. This paper highlights the role of municipalities in establishing policy directions for the 21st century city that address changing and challenging issues, the impact of which reach far beyond the digital platform economy.

Keywords: ride-hailing, digital platform economy, municipal regulation, Toronto

Résumé
Malgré les préoccupations et les critiques, nombreuses sont les municipalités qui ont approuvé des règlements qui permettent les applications de « ride-hailing », une plate-forme numérique, d’opérer légalement. Cet article examine les tensions entourant l’opération et l’expansion d’application de « ride-hailing » de la ville de Toronto. Nous constatons qu’alors que le débat des académiques insiste sur les définitions, les distinctions, les arguments juridiques et les inégalités issues de ces applications numériques, le débat pour les municipalités fut concentré sur la brève existence, quoique controversée, de l’expérience de ces applications, des apports au processus de la régulation, et les connexions entre ces applications numériques et la gouvernance municipale et l’innovation. Cet article met en évidence le rôle des municipalités dans l’établissement des orientations politiques pour la ville du XXIe siècle qui traitent de questions qui confrontent des enjeux exigeant en pleine évolution. L’impact de ces orientations politiques va bien au-delà de la plate-forme numérique de l’économie.

Mots clés: « ride-hailing », plate-forme numérique de l’économie, la réglementation municipale, Toronto
Introduction

Scholarship associated with the rise of sharing economy activities connected to digital platforms began in earnest in the early 2000s with work by Benkler (2004) who acknowledged the early economic potential of sharing activities when combined with digitization. Despite beginnings associated with the potential for digitization to create new models for sustainable consumption and community (Schor 2014), digital platform economy models, particularly for firms associated with rides and rooms, turned towards rapidly scaling, profit-seeking international firms whose impacts on cities and urban regions are most profound (Davidson and Infranca 2016).

The speed and scale at which platform activities have appeared to disrupt traditional industries in the ground transportation sector, combined with debates regarding the role of government policy and regulatory approaches in addressing upheaval and change, is not without precedent. As Biber et al (2017) demonstrate, ahistorical perspectives towards dealing with disruptive technologies and innovation are problematic in many respects. Still remarkable however, is that since Lyft first entered the on-demand taxi sector in 2012 (Lashinsky 2017), the demonstrable impacts on urban ground transportation in cities around the world is impossible to ignore. In 2013, the first regulations to enable ride-hailing as a distinct ground transportation activity were introduced as California became the first state to regulate transportation network companies in September 2013 (Ha 2013).

To suggest that criticism of ride-hailing abounds is an understatement. Prominent critiques range from the cavalier attitude of upstart ride-hailing firms towards laws regulating their use (Edelman 2017), allegations of sexism and harassment embedded in firm culture (Sottek 2017), criticism of employment practices, particularly those connected to distancing ride-hailing firms from drivers (Levintova 2016); unethical business practices (Lashinsky 2017); and local lobbying and advocacy efforts in which multinational firms deploy disproportionately large budgets, and hire superstar lobbyists to strategically influence public policy (Rauch and Schleicher 2015).

Despite concerns and criticism, municipality upon municipality has approved regulations that enable the operation of ride-hailing. It bears noting that there are examples of municipalities, states or nations that have denied permission for ride-hailing to operate outside of traditional taxi regulations such as in The Netherlands and across the province of British Columbia. However, in the case of Canada, ride-hailing firms are regulated in two-thirds of Canada’s largest municipalities. Traditional ground transportation industries and agencies—including especially taxi but also car rental firms, public transit systems, and increasingly the automotive manufacturing sector—are being pushed as a result to reconsider their business models, openness to innovation and change, and future strategic directions.

This paper frames and scrutinizes three prominent tensions surrounding the operation, expansion and regulation of ride-hailing as a predominantly urban phenomenon using the City of Toronto as a case study. The three key tensions presented and examined are: 1) the controversial history and background of ride-hailing in Toronto; 2) local debates that position ride-hailing against taxi and question the validity of regulating ride-hailing; and 3) the notion that connections between ride-hailing, municipal governance and innovation influence decision making and decision makers.

Regardless of whether ride-hailing is an example of ‘neoliberalism on steroids’ (Murillo, Buckland, and Val 2017) its influence and impacts have already begun to transform urban policy in numerous cities. By raising and renewing debates about regulating ground transportation in cities, ride-hailing firms have in many cases succeeded in redefining ground transportation options and gaining permission to legally operate.

This case study contributes to a growing body of literature on deepening divides and disruptive transformations characterizing cities in the 21st century (Florida 2017; Lee 2018; Sassen 2014). Connected to cities and urbanizing regions, to massive economic change and upheaval and associated social, spatial and environmental ramifications, technology and digitization are thought to be at the leading edge of these changes (Storper 2018). As the engines of national economies, cities play a crucial, pivotal role. The ways in which municipalities respond through regulation, policy, revenue tools and more sets the stage for preparing and adapting to disruption.

Method

This paper draws on analysis of public documents, scholarly publications and interviews. A total of 25 meetings
with 23 individuals were carried out between February and August 2016. Eighteen interviewees worked or were located in Toronto, Canada, two in Mississauga, Canada and three interviewees provided insight on US-based approaches and concerns with respect to ride-hailing. With the exception of four interviews, all were conducted as in-person interviews. Five interviews were filmed for the purpose of creating a short documentary video (Brail, 2016). Interviews ranged from 30 to 120 minutes in length. Interviews were recorded, transcribed and coded thematically.

Initial interviewees were identified through the creation of a database of leaders from private and public sector spheres involved in the process of informing, influencing or developing regulations to address ride-hailing, and its impacts. Media articles, published reports, legal documents and social media were consulted initially to build the database. A process of snowball sampling was used for subsequent interviews.

Interviewees included politicians and senior civil servants from local and provincial government, senior leadership from taxi brokerages and associations, and ride-hailing firms in Toronto. The research team also interviewed insurance experts, legal experts and policy researchers whose work engaged with ride-hailing. Interviews focused on gathering a state of the field from the interviewees’ professional perspectives, addressed the disruptive nature of change associated with ride-hailing, and asked interviewees to consider the manner in which innovation, public policy and regulation affect the operation of ride-hailing. In addition to interviews, analysis of public documents, published reports, and media articles was conducted. Collectively, this material helps build a nuanced understanding of perspectives on the emergence and subsequent regulation of ride-hailing, and more broadly, presents an opportunity to examine the nexus of public-private interaction, debate and engagement in the contemporary city.

Definitions, Urban Focus and Governance Challenges

Understanding the context of ride-hailing, the role of digitization and its impacts on economic activity more broadly is key to developing greater insight with respect to the emergence of seemingly new industrial activities and new models of exchange. Scholarly discussion has emphasized the significance of defining new models for mediating transactions through digital platforms. Initially, the term ‘sharing economy’ was widely used to describe a variety of digitally mediated activities in which excess capacity of personal goods or services could be rented out using digital technologies, generally relying on the use of smartphones. At its most basic, the sharing economy represents an effort to increase the efficient use of goods. Benkler (2004), one of the first scholars to write about the convergence of opportunities to share goods or services, mediated by technology and digitization, underscored the potential for sharing as an economic activity.

Scholarly discussion and debate has centred on definitions (Benkler 2004; Frenken and Schor 2017; Schor 2014; Slee 2015), governance practices and regulatory shifts (Cohen and Zehngebot 2014; Davidson and Infranca 2016; Ranchordas 2015), models of innovation through which these types of activities might be understood (Frenken 2017; Gans 2016; Sundarajaran, 2016), and controversial, negative impacts (Keil 2017; Kenney and Zysman 2016; Schor 2017; Slee 2015). Scholarship in this field appears divided between those who focus on profit-oriented and non-profit oriented elements of activity. Article titles that include questions and statements such as ‘Does sharing mean caring?’ (Ranchordas 2015) or ‘Sharing without caring’ (Belk 2017) connect to a strong sense of skepticism and desire for distinguishing the notion of sharing as either an altruistic or a profit-seeking activity.

Definitions and indeed research of sharing economy activities have splintered into two distinct groupings, though the boundaries remain blurry and there remains no standardization of terminology. On the one hand, emphasis on the term ‘sharing’ is focused on genuine sharing of idle-capacity through community and environmentally focused peer-to-peer networks (Finck and Ranchordas 2016) and the creation of sharing-models for goods and services such as childcare, tools, and food. Frenken (2017:4) suggests that sharing economy activities include three significant components: 1) peer-to-peer exchange, 2) temporary access to a good and 3) making use of idle capacity or underutilization. While defining the rental of one’s home temporarily when on a vacation or renting a car from a private individual as part of the sharing economy, using a private vehicle to provide taxi services and home ownership exclusively for the purpose of renting out the space full time, comprise on-demand economy and product-service economy activities. According to this definition, a firm such as Airbnb can be part of both the sharing economy and the product-service economy. Other terms used
to describe aauthentic sharing include the not-for-profit sharing economy (Stark 2017) and the collaborative economy, a term which appears primarily in the context of the EU (European Commission 2017).

In contrast, for-profit-models are increasingly referred to under the term digital platform economy, for-profit sharing economy and platform capitalism. Digital platform economy and platform capitalism research focuses on issues related to capitalization, innovation, management, and the negative impacts associated with a rise in observations regarding the combination of monopoly ownership, deregulation and increasingly precarious labour practices (Kenney and Zysman 2016; Pasquale 2016).

As evidence that uniform acceptance of definitions does not exist, ride-hailing has been defined as being in the sharing economy (Sundararajan 2016), the on-demand economy (Frenken and Schor 2017) and the digital platform economy (Kenney and Zysman 2016). Despite the fact that digital platform economy firms benefit from using marketing language and approaches suggesting that they are genuine sharing firms, there are clearly distinctions between platforms with a predominant focus on monetization and profit, and platforms primarily developed to address environmental and community goals.

A further example of how rapidly the terminology associated with ride-hailing, and particularly its largest and currently most prominent firm—Uber—has transformed understanding of for-profit opportunities connected to mobile technologies, is that the word ‘uberize’ now appears in both the Cambridge Dictionary and the Collins Dictionary. The Cambridge Dictionary (2017) defines the word as follows: “to change the market for a service by introducing a different way of buying or using it, especially using mobile technology.” It appears that uberize entered our lexicon by 2015 (Boudaud 2015) and was named one of top ten words of the year in 2016 (Stolworthy 2016).

In addition, while there is a tendency to view the emergence of platform economy activities as unique and novel, presenting entirely new challenges to understanding shifts in policy and regulation, in fact there are precedents. This approach has been characterized as being void of historic precedent (Davies et al 2017; Frenken and Schor 2017), neglecting to consider how previous rounds of disruptive technologies such as the emergence of the automobile, electricity and franchising, were debated, accommodated and incorporated into governing practices (Biber et al 2017). Davies et al (2017, 214) “highlight some of the many elements of the sharing economy that have roots in previous economic eras and suggest an evolution of form rather than radical dislocation from a previous model.” One distinction however includes the fact that as new, unanticipated models are built, the disruption of traditional sectors governed under separate sets of regulations, each require their own new set of regulations. Rides and rooms, for instance, are neither like one another nor are they governed under pre-existing regulatory systems governing previous forms of ground transportation or accommodation. In the case of ground transportation, regulations governing taxi services have in many cases been deemed not to apply to ride-hailing practices due to the digital nature of engagement between the platform firm, the driver and the rider. As a digital intermediary governed by a new set of practices not conceived of in previous iterations of by-laws managing taxi operations, the Ontario Superior Court of Justice (2015) found that the language used to define taxi operations by the City of Toronto, did not apply to Uber, for example.

Also, unlike previous periods of disruptive technological change, the scale of the digital platform economy is predominantly urban in terms of presence, impacts and regulatory changes (Davidson and Infranca 2016). Platform economy firms such as Uber, Lyft, Airbnb and TaskRabbit benefit from economies of scale found in urban areas, both in terms of production and consumption of goods and services (Davidson and Infranca 2016). This assertion is supported in work produced by think tanks and research arms of finance and consulting firms including The Brookings Institution (Hathaway and Muro 2016), McKinsey Global Institute (2016) and JP Morgan Chase & Co Institute (Farrell and Greig 2016). Further emphasizing the urban nature of platform economy firms, a study of Uber’s impact on public transit systems concluded that Uber entered cities according to their population rank order. That is, they entered larger cities before smaller ones (Hall, Palson, and Price 2018). Lashinsky (2017) confirms this assertion, noting that Uber initially launched in cities that were both large in terms of potential markets and that the firm perceived to be technologically savvy.

At the outset, digital platform economy firms operated in a legally grey area. In cities where it first launched, for instance, Uber classified itself as a technology company rather than a transportation company, exempting itself from expensive taxi laws and regulations. By insisting that its drivers were independent contractors rather than employees, the firm managed to evade costly worker protections and benefits (Isaac 2014). Placing themselves
in a ‘legal void’ (Isaac 2014), Uber protected itself from industry regulations and employer responsibilities, which led to problematic relationships between the company and host cities. In a similar vein, Airbnb is described as launching its operations “in legal grey zones able to avoid existing accommodation regulations and taxes” (Wachsmuth et al 2017, 40). The cavalier, upstart approach that digital platform economy firms have adopted—of launching first and asking for permission later—has contributed to polarization in terms of how politicians, businesses, residents and others perceive the activities of these firms.

In the case of Uber, there is scholarly support for providing after-the-fact permission for it to operate through the development of responsive, place-specific regulations (Bond 2015; Ranchordas 2015). This advice appears to be borne out in practice, as Eidelman and Spicer’s (2016) examination of municipal regulatory responses to Uber’s entrance in 10 large North American cities beginning in 2010 demonstrates. Despite the initial categorization of Uber’s services as being in violation of local ground transportation regulations in each municipality, all 10 cities studied ultimately legalized and regulated ride-hailing operations by 2016.

To be sure, regulating digital platform economy activities in cities can help to address concerns around managing safety, licensing requirements, tax collection, other forms of quality controls and data collection — however there are outstanding matters that municipal regulations are unlikely to manage. These include concerns around wealth creation, increasing inequality and precarious labour. By taking advantage of an economy characterized by growing income inequality and precarious labour conditions, digital platform economy firms contribute to increasing vulnerability—economically and geographically—by encouraging individuals to ‘share’ personal items to create value, in the interest of profit (Donald and Moroz 2017; Schor 2017).

Ride-hailing in Canada

Ride-hailing entered Canada in 2012 with the launch of Uber in Toronto, Canada’s largest municipality. For the first several years, Uber operated either illegally or outside of regulations—depending on whether one agreed that the regulations for existing ground transportation also applied to ride-hailing. In January 2016, Edmonton became the first Canadian municipality to develop distinct regulations governing ride-hailing. Regulations making ride-hailing a legal activity came into effect in Edmonton as of March 2016, however the required provincially regulated insurance products were not available until July of that year. It was not until late 2017 that a large, competing firm entered the Canadian ride-hailing environment. In December of that year, Uber’s US competitor Lyft expanded to Toronto as its first international location (Hartmans 2017).

As of June 2018, our research shows that ride-hailing services were operating in 22 of Canada’s 30 largest Census Metropolitan Areas. In 20 of these 22 cities, ride-hailing was a regulated ground transportation activity. Planning is underway to regulate ride-hailing in an additional seven of Canada’s 30 largest cities.

It is also important to understand that in most of Canada, the regulation of taxi and limousine services is a municipal responsibility. Quebec and British Columbia are both exceptions, and ground transportation is primarily managed at the provincial level in these provinces. In 2012, Uber briefly offered its black car service in Vancouver, though it was shut down by the provincial Passenger Transportation Board shortly after launching (Bailey 2016; Xu 2017). Ever since, ride-hailing has been deemed an illegal activity and barred from operating in the province. Although it was anticipated that British Columbia would announce a pilot program for ride-hailing in late 2017 (Saltman 2017), a change in provincial leadership in July 2017 appears to have stalled this process. Nevertheless, informal ride-hailing operations are reportedly operating in the Vancouver area (Xu, 2017).

Across the country, ride-hailing’s biggest adversary to date has been the taxi industry. The taxi industry is over one hundred years old, is heavily regulated, and experienced relatively little innovation in the decades leading up to the launch of ride-hailing (Ranchordas 2015). In many North American cities, taxi operations have been regulated through complex licensing and medallion systems. As a representative of the taxi industry notes:

The reason they put a limit on the number of taxicabs was congestion and to try to, “through some social engineering” to ensure that all drivers have an opportunity for income. In Toronto, the taxicab ratio is one taxicab for every 500 people, and Montreal is fairly similar. If you look at Vancouver, that ratio is about 1 for every 1400 people; when you look at Edmonton that’s about 1 for every 900 people, and Calgary is about 1 for every 850 people. (Interview, taxi lobby leader)
The number of taxis allowed to operate in each municipality was typically capped, a concession due to the high costs of operating a taxi, including commercial insurance that costs upwards of $10,000 per vehicle, plus driver licensing fees paid directly to the municipality.

As with the entrance of other new types of activities and jobs, Canadian statistics that can support tracking and analysis of the impacts of the digital platform economy remains in a nascent stage. In early 2017, Statistics Canada released a first series of reports attempting to measure the impact of what they termed the ‘sharing economy’ on the Canadian economy (Statistics Canada, 2017a; Statistics Canada, 2017b). Based on data from macroeconomic accounts, Statistics Canada demonstrated that in terms of consumption, nearly 1 in 10 Canadians used sharing economy services in 2016, spending $1.31B in total. The data supported a number of expected findings: ride-hailing is used by a greater proportion of people than short-term rental and yet accounts for a smaller proportion of overall revenues; younger adults are the most common users of these services and a small proportion of the population participates as producers. Due to limitations in capturing data from unincorporated businesses and non-residents utilizing these services locally, these reports represent a snapshot but not a full picture. Minimal city-level data was reported, indicating that 17.6% of Ottawa residents had used ride-hailing services in the past year, followed by 14.8% of Toronto residents (Statistics Canada 2017b).

Case Study: Toronto

Controversial History and Background

Controversy has been a key part of the narrative associated with the entrance of ride-hailing in Toronto—and indeed in many cities around the world as evidenced by protests and attempts to shut it down. In 2012, Uber launched its services in Toronto based on the model the company used around the world, asserting itself as a technology company that was not required to honour ground transportation regulations—it operated as a dispatcher of limousines and then taxis, without a license. This approach was confirmed by an interviewee who noted that: “When we launched initially this was an unregulated space, it didn’t look like traditional taxis and limousines, but it looked enough like them some people thought it should be categorized in those regulations” (Interview, senior Uber leader). In September 2014, UberX launched in Toronto and relied on the use of a mobile app to connect prospective riders with unlicensed drivers and vehicles, much to the concern of the city (Cook 2015).

The history of Uber in Toronto is similar to its history in many other cities, not just in terms of its cavalier approach to regulations but also in terms of the way it disrupted the existing taxi industry. Lashinsky (2017, 97) suggests that this was standard for Uber at the time, indicating that: “A normal company would have arranged meetings with regulators to signal their intentions; Uber approached each launch like a guerilla attack, with no need to warn the enemy first.” Furthermore, the initial response by Toronto’s elected officials and regulators was to attempt to disallow operations—followed by an ultimate change in direction towards accepting and accommodating ride-hailing as a legitimate form of ground transportation. The City of Toronto tried at first to reign in Uber’s activities by requiring them to follow the same regulations as applied to the taxi industry, and filed a lawsuit. However, a legal expert noted that:

[The City] were told very quickly by the court that the regulations that had been drawn up even ten, fifteen, twenty years ago, certainly didn't contemplate the type of technology that Uber is using and they were not successful in having Uber fit into the traditional taxi regulation framework. (Interview, legal expert)

In July 2015, the Ontario Supreme Court of Justice ruled in response to a City of Toronto request for an injunction that Uber was not required to abide by the city's taxi regulations (Szychta, Bisbee, and Carter 2015).

It is also notable that the City of Toronto underwent a comprehensive ground transportation review, beginning in 2011 and ending with the passage of a new bylaw in June 2014, just a few months prior to the launch of UberX. The maximum number of taxis permitted to operate in Toronto was pegged to passenger wait times, based on an attempt to match the supply of taxis with levels of passenger demand (Cook 2013). In 2013, 4,489 taxis were permitted to operate in Toronto and on a daily basis, 65,000 taxi trips were reported (Cook,
Taxi regulations emphasized passenger and driver safety, increases in the number of accessible taxis, and stipulated the types and age of vehicles permitted and identified requirements for vehicular safety features such as in-car cameras as well as driver safety features including the requirement for drivers to pass a police check and participate in a 17-day training course.

Within a year of launching UberX, 17,000 riders used the service daily in Toronto. The city was concerned about insurance and driver capability, as well as negative impacts on the city’s regulated ground transportation sector. A city report (Cook 2015) acknowledged that while the taxi and limousine firms were in favour of banning Uber, the public was strongly in support of enabling Uber to continue to provide services in Toronto. This set up a debate common to nearly all markets in which ride-hailing launched prior to the development of regulations. In Toronto, taxi and limousine services, under increasing strain and frustration with what was perceived as an onerous regulatory system that was deemed not to apply to ride-hailing, organized protests and campaigns were launched to dispute the conditions created by an uneven playing field between taxi and ride-hailing. Significant public support, however, encouraged in part by Uber’s ability to communicate digitally with all their network users in the city, enabled the firm to cultivate consumer voices to advocate for ride-hailing services to remain. In addition, local perceptions were influenced by recommendations of public policy organizations that worked across government, private sector, academia, associations and the public. For instance, MaRS Solutions Lab—a public and social innovation lab, produced a detailed report together with the Province of Ontario and City of Toronto suggesting that traditional regulatory systems were no longer aligned with the needs of the digital economy and needed to be revised (van den Steenhoven et al, 2016). The public nature of the debate on whether and how best to regulate was also addressed by a local newspaper’s editorial board (Toronto Star, 2016), which suggested that regulating ride-hailing in Toronto provided a way to serve public demand and align with economic and social changes precipitated by internet-based technologies. While Uber entered Toronto in much the same way as it entered other cities, the firm switched tactics as it gained riders and built relationships with municipal governments around the world through a coordinated advocacy and lobbying effort. A senior Uber representative in Toronto noted that:

One of the key changes we made as a company is really embracing the idea that this new business model, ridesharing, should be regulated in cities...So, as we developed in certain cities around the world we found a new regulatory model that allowed for consumer protection, allowed for public safety, but also allowed for innovation. ... Since then... we’ve really been working with municipalities to update regulations so that they do reflect the new technology, but also, going forward, allow for continual innovation. 2 (Interview, senior Uber leader)

In less than five years, ride-hailing in Toronto went from being a renegade activity to a regulated activity. At a City Council meeting held in spring 2016 to debate whether or not the city should legalize ride-hailing, it was noted that 45,000 unregulated trips were being taken per day using the Uber app in Toronto (Moore 2016). By passing regulations, the city would be able to charge a licensing fee, collect data, and require passenger and vehicle safety measures. Following a tense consultation and debate, Toronto City Council passed regulations on May 3, 2016, permitting the operation of private transportation companies in the city, effectively legalizing Uber. These regulations came into effect on July 15, 2016.

Debates and Regulations

Much of the formal debate about whether or not to permit ride-hailing as a legal activity in Toronto took place as understanding, definitions, descriptions and analysis of the sector were in their early stages. Formally, there was an interest in regulating ride-hailing relatively quickly, however there was also concern about making long-lasting regulatory decisions in a sector continuing to undergo rapid change and evolution. Furthermore, some interviewees noted that in places that quickly developed regulations, those regulations became outdated in periods of one year or less as the environment changed. Hence there was a sense of balancing existing knowledge and a desire to regulate what had become a prominent, lawless situation, with an emphasis on thoughtful and responsive policy. As of June 2018, of the nine largest municipalities in closest proximity to Toronto, six have approved ride-hailing regulations and ride-hailing services are operating in all nine municipalities. In Mississauga, ride-hailing has been operating under a pilot program since July 1, 2017. Ride-hailing operates in
Burlington, Markham and Richmond Hill though is not yet regulated in these municipalities. This demonstrates that municipal governments and elected officials, following a period of upheaval and uncertainty, have for the most part been able to address regulatory issues by developing local regulations. It should also be noted, however, that the regulations in place—whether they are permanent or pilot initiatives—remain subject to change as the sector matures and as more details unfold with respect to implications related to congestion, data analysis associated with high-traffic routes, and policy directions governing incentives to encourage more shared forms of transportation.

Scholars have suggested that defining the sharing economy is critical to creating responsive policy (Finck and Ranchordas 2016; Frenken 2017; Rauch and Schleicher 2017). In our research, interviewees’ perspectives on the sharing economy varied across what appeared to be a polarized spectrum and reflected upon ongoing debates both in academia, industry and governance. One municipal leader suggested that the term ‘sharing’ was incorrect in its application to ride-hailing, commenting that:

That’s why I think this is a very dangerous direction to go, this unregulated economy, that’s what it should be called, not a sharing economy, it’s an unregulated, privatized economy that takes away accountability from the public… To promote themselves as a sharing economy I think it completely misrepresents what they are doing… they’re about deregulation and about privatization of government regulated services. (Interview, city councillor)

Another municipal leader acknowledged that many of the types of activities being referred to as comprising a new, innovative, sharing economy, were in fact not new at all. Rather, as activities that previously had taken place largely away from the public domain and at a much smaller scale, they would have been previously classified as being part of the informal economy:

What is happening is not new, there have always been people in their private vehicles sitting in parking lots giving sweet little dollies a lift …What Uber did was … they pulled these little pieces of technology into a slick little app, found a bunch of people willing to do what other people have been doing for years…and said hey, look at this, and blew it up on a scale and scope that’s unprecedented. (Interview, senior civil servant)

For decades, the idea of restricting the supply of taxis in cities was a well-accepted international practice and effectively used municipal policy levers to protect employment for taxi drivers. The emergence of ride-hailing as an alternative to taxis, and the ensuing regulatory debates, raised the question as to whether limiting entry to a field was effectively privileging a sector and an employment category in a way that licensing and regulation are not intended to do. Furthermore, this also raises one of the most challenging elements of debate with respect to regulating ride-hailing—that of the sector’s negative impacts on labour and earnings. One interviewee suggested that: “Uber has destabilized the industry and is undermining full time work for taxi drivers and is violating our current bylaws and is acting as a renegade corporation that thinks they can operate above the law.” (Interview, city councillor)

Another issue that arose focused on the need or desirability of provincial-level legislation and the role of the provincial government in regulating ride-hailing. Eidelman and Spicer (2016) note that though ground transportation as a whole is traditionally a municipal regulatory issue, there is an increased emphasis and demand for policy makers at all levels of government to participate in multilevel urban governance processes as they relate to the regulation of ride-hailing and ground transportation services and policy more broadly. Indeed, Toronto City Council, passed a resolution at the same time as they passed private transportation company regulations, requesting that:

87. City Council direct the City Manager to use the new regulatory framework to begin a conversation with the provincial government, other municipalities and planning authorities to develop a more integrated approach to transit and transportation policy
88. City Council request the Province of Ontario to regulate Private Transportation Companies (City of Toronto 2016).

A request by Toronto City Council, the 6th largest government in Canada, to seek assistance from the Province of Ontario in developing an integrated regulatory framework for managing private transportation companies is a signal of the challenges faced in regulating ride-hailing on a municipality-by-municipality basis as well as indicative of the resource-intensive nature of managing and regulating these activities.

Interviewees noted that any provincial level regulations would need to take into account the balance between oversight issues common to all municipalities and place-specific differences. For example, in Toronto’s dense core, acquiring a taxi by street-hail (the practice of standing on the street and waving down a taxicab) is a far more prominent practice than in a suburban municipality such as Mississauga (Interviews). It is also an aspect of the taxi business that has been hardest hit (Interview, taxi association leader). The obsolescence of street-hailing and the move towards a system of digital hailing is however one of the driving features that Uber founders capitalized on as a way to both circumvent the taxi medallion system and as a way to improve efficiency of service for drivers and riders (Camp 2017).

Despite calls for higher levels of government to engage in regulation and policy processes regarding the platform economy, one industry association representative partly joked: “If I were to write the ten commandments someday of politics: if you want something to never happen, get all levels of government involved. You’re sure that nothing will ever happen.” (Interview, taxi association board member).

Ride-hailing, Governance and Innovation

While the taxi industry has to date borne the brunt of the losses associated with the rising popularity of ride-hailing, the ultimate goal of ride-hailing firms is not to decimate taxis but rather to push towards a complete transformation of urban transportation networks. Efforts towards building safe, reliable and affordable autonomous vehicle technology, are both pitting technology firms, automakers and ride-hailing firms against one another and at the same time bringing them together in targeted joint partnerships. If and when autonomous vehicles are developed as a safer, reasonably priced and widely produced alternative to person-driven vehicles, some suggest that self-driving cars may account for up to 80% of vehicle miles travelled in the next few decades (McFarland 2017).

In addition to advancing technological innovation, ride-hailing as a practice has been touted as signaling a municipality’s openness. Eidelman and Spicer (2016) note that in Toronto, Mayor Tory spoke out in favour of support for adopting regulations to accommodate ride-hailing, and couched his remarks in terms of demonstrating an openness to innovation in a 21st century city. On the flip side, Donald and Moroz (2017) bemoan that ride-hailing firms adopt a strategy of shaming unsupportive cities by implying that cities who do not develop uber-friendly regulation are outdated and lack innovativeness.

Directly connecting support for ride-hailing with a city’s openness to the tech sector is not a political strategy unique to Toronto. In San Francisco, the headquarters location for ride-hailing unicorns Uber and Lyft, Mayor Ed Lee was widely understood to support a pro-tech platform and is credited for having strong influence over the decision to regulate ride-hailing in California (Flores and Rayle, 2017).

In Toronto, debates regarding the connection between accommodating regulation and innovation were all too evident. Connotations about the ways in which demonstrating openness to new types of activities at the city-level helps to promote innovation and new business attraction were common in interviews. For example, one interviewee suggested that “If Toronto moves more aggressively and ahead of the game, I think that helps our reputation as well for attracting new investment, attracting talented citizens, and nurturing our own companies” (Interview, legal expert). Certainly, this approach—combined with the existence of strong talent and investments in artificial intelligence in the Toronto region—played a part in Uber’s announcement in May 2017 that it was opening an autonomous vehicle research centre in the city, with a University of Toronto computer science professor at the helm (Allen 2017). Based on a case study of San Francisco, “the first city in the world to embrace ridesourcing”, the authors conclude that a key factor underlying support for the sector was “a growing consensus among the city’s political class about the importance of forging a welcoming environment for new technology companies for San Francisco’s prosperity and growth.” (Flores and Rayle, 2017, 3757). While mainly
conjecture, it remains to be seen whether and how a municipality’s willingness and openness to accommodate new activities such as ride-hailing might translate into a continuing source of competitive advantage.

Conclusion

The objectives of this paper were to present a framing of three tensions connected to: ride-hailing’s controversial history; binary positioning of local debates during the regulation decision-making process and the ways in which narratives regarding openness to innovation impact regulatory decisions.

A case study of Toronto exemplifies the history of ride-hailing as a service that aggressively entered the city, disputed its right to operate, and legally established a case requiring the municipal government to establish a set of regulations specifically directed to ride-hailing as a form of ground transportation distinctive from taxi and limousine. Scholarly emphasis on definitions and distinctions regarding the sharing economy, on-demand economy, collaborative economy and digital platform economy (Belk 2004; Frenken 2017; Frenken and Schor 2017; Schor 2014; Slee 2015) while important in building a base that theorizes the emergence of the digital platform economy, appear to have had little impact on Toronto's municipal policy response. This may be because regulatory processes, particularly at the municipal level, are focused predominantly on learning from other urban examples, and addressing concerns and needs identified at the local level. Municipal regulations emphasize sector-specific approaches (i.e.: ride-hailing, short term room rentals) rather than the larger scale impacts of the digital platform economy. The urban nature of the digital platform economy means that many cities already stretched by increasing populations and austerity budgets are attempting to manage complex governing processes to develop not one, but two new sets of regulations addressing digital platform economy interventions in ground transportation and short term room rentals.

From the period of entry and through the regulatory process, debates continued to be characterized as binary: Uber vs. Taxi. It is increasingly clear however, that the long-term impact of ride-hailing on cities and transportation networks remains uncertain, opening up the opportunity for additional municipal policy levers to address bigger picture changes. While the hardest hit sector in the short term has been the taxi industry, Uber ultimately has set its sights on transforming urbanites’ desire for private automobile ownership. Although ride-hailing is promoted as an environmentally friendly and less expensive alternative to car ownership, there is little evidence that car ownership has declined so far in a significant way (Lashinsky 2017). Additionally, concerns regarding increasing congestion in the city cores of New York and San Francisco have been pegged to increasing numbers of ride-hailing vehicles on the streets (Cortright 2017; San Francisco County Transportation Authority 2017). As the think tank City Observatory notes, the local price of parking has the greatest influence on the use of ride-hailing (Cortright 2017). This is further evidence that while permitting ride-hailing may be one element of a municipality’s ground transportation policy, it connects to part of a larger system. The intersections between parking costs and ride-hailing is a reminder that policies directed towards one aspect of a local transportation system can have intended and unintended impacts across the system.

Finally, with respect to questions of whether regulations that are permissive of ride-hailing are also suggestive of a municipality’s openness to innovation, evidence from Toronto and other cities suggests that there is a connection between the introduction of regulations that are attractive to ride-hailing firms and investment attraction. Certainly, in terms of political influence, it appears that narratives connecting attraction and retention of innovative firms with policies that support ride-hailing operations, are aligned.

Alongside managing regulations and economic development opportunities, cities also need to ask whether the policy and regulatory changes being made with respect to accommodating ride-hailing in cities are effectively and efficiently designed. That is, will they lead to opportunities for inclusive prosperity and growth overall, or will they result in increasing inequality and increasing socioeconomic divisions?

This paper, through an exploration of prominent tensions surrounding the operation, expansion and regulation of ride-hailing, addresses the manner in which ride-hailing has gone from a renegade activity to a regulated one. Using the City of Toronto as a case study, the examination highlights how the entrance of a single multinational firm can force a municipal policy turn. In a relatively short period of time, the City of Toronto moved from a system of limiting and highly regulating ground transportation—to opening its ground transportation system up to private transportation companies. The story of Toronto is shares many
similarities with other municipalities this respect.

A final and important observation is the way in which debates about the legality of ride-hailing have increased the general public’s interest in issues around regulation. This is another reminder that a polarizing debate can help to bring attention to urban policy matters that may otherwise be considered dull, tedious or strictly academic.

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Notes

1 At the time of the report’s release, news stories suggested that Statistics Canada ought to have used an alternate term, rather than the disputed ‘sharing economy’ term to describe these activities (Israel 2017).

2 This interview was filmed for the purposes of creating an informational video, therefore the interviewee’s identity is not confidential.

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