Regulating the sharing economy

One of the most disruptive business model innovations in the past several years has been the emergence of new companies offering services on a peer-to-peer basis through app-based digital platforms. This new "sharing economy" business model has emerged from three key trends: a shift in customer behaviour for some goods and services from ownership to sharing, the now ubiquitous nature of online social networks and electronic markets that easily connect individuals, and the market saturation of mobile and electronic devices that serve as always available tools for access.

New sharing economy businesses like AirBnB (for rental accommodations) and Uber (for personal transportation) have expanded exponentially in just a few years, and are now well-established in Canada. Because such businesses are providing primarily a digital connection between buyers and sellers, they have largely avoided the existing regulatory requirements of the industries they operate within, thereby giving them a substantial competitive advantage over established businesses, allowing them to offer substantially lower prices than their competitors for comparable services. In Canada, the success of Uber in a number of cities such as Toronto, Montreal and Edmonton has prompted the taxi industry to aggressively lobby local governments to regulate ridesharing businesses, and governments have been struggling to determine the best course of action.

Whatever the outcome of the current disputes between emerging and established businesses, digitally-based shared economy services are here to stay, and present new challenges to governments responsible for economic development, public safety and competitive markets. The survey included an initial exploration of this issue.

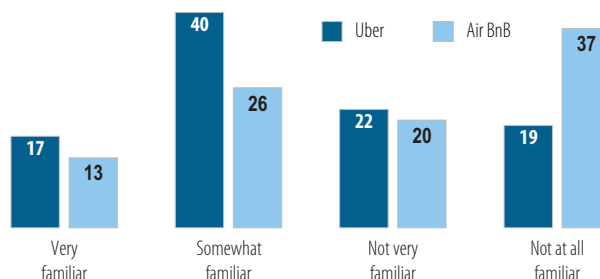## Consumer experience with shared economy services

Sharing economy businesses like Uber and AirBnB are now well-known among Canadians, and about one in ten have personally used each of these services in the past two years. They are most popular among younger, more educated consumers, but use extends to all parts of the population.

Before gauging public sentiment about regulations, it is first important to understand the extent of Canadians' current familiarity and use of sharing economy services. The survey focused on the two best examples, AirBnB (a web-based service for people to list, find and rent lodging) and Uber (an app-based service that connects people looking for a taxi-type service with drivers using their own private vehicles).

Familiarity. Canadians are most familiar with Uber. More than half say they are very (17%) or somewhat (40%) familiar with this ride sharing service. Somewhat fewer are very (13%) or somewhat (26%) familiar with AirBnB, with an equivalent proportion (37%) having no familiarity at all.

For both services, familiarity is partly a function of community size, and is much higher in major urban centres (where these services are most likely to be offered) than in smaller towns and rural areas. There are also regional differences, with both services better known in Ontario, Alberta and B.C., and least so in Quebec (especially in the case of Uber), Atlantic Canada, Manitoba and Saskatchewan. These differences notwithstanding, at least a majority of the population in every identifiable group claims to have at least a passing familiarity with these services. It is largely the same people who know about both Uber and AirBnB (61% of those who know about Uber also know about AirBnB).

Familiarity with sharing economy services

Legend: ■ Uber ■ Air BnB

	Very familiar	Somewhat familiar	Not very familiar	Not at all familiar
Uber	17	40	22	19
Air BnB	13	26	20	37

Q.30
How familiar are you with the following digital technology services ... ?

Use. Beyond familiarity, to what extent are Canadians making use of these services? Among those who know about them, a significant minority report either having used the service in the past two years, or knowing someone who has.

Of this group, one in six (15%) have personally used AirBnB in the past two years, which translates into nine percent of the Canadian population (aged 18 and over). One in ten (12%) of those familiar with Uber have used this service over the same time frame, translating to nine percent of the total adult population. When factoring both those having used the service and knowing someone who has, these population figures rise (to 24% and 32%, respectively). This represents a significant market penetration for services that have been offered for only a few years.
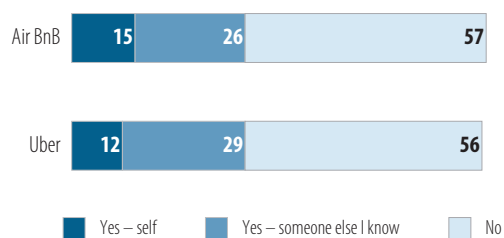
Use of Uber across the country largely reflects where the service is offered, and is highest in Ontario (48% personal use or know someone who has used it) and Alberta (49%), and is largely, but not exclusively, servicing urban residents (55% in major urban centres, compared with 25% among those living in rural communities), in part because use of Uber is not limited to one's own community of residence. This service is also most popular among younger and more educated Canadians (25% of those 18 to 29 have used the service personally in the past two years, compared with just 2% of those 60 plus).

The market for AirBnB is also slanted toward urban dwellers, but more evenly distributed across the country, except being lower in Atlantic Canada (where only 29% have used it or know someone who has). As with Uber, AirBnB is more popular among younger Canadians, but not to the same degree (17% of those 18 to 29 have used it, versus 11% of those 60 plus).

Use of sharing economy services – past two years
Those familiar with services

	Yes – self	Yes – someone else I know	No
Air BnB	15	26	57
Uber	12	29	56

■ Yes – self ■ Yes – someone else I know ▢ No

Q.31
Have you or someone you know used this service in the past two years?

General opinion of shared service businesses

Canadians are more likely than not to say the sharing economy business model is a good thing than a bad thing, but half the population has not yet formed a clear opinion. Positive views are most widely expressed by those with familiarity or experience with Uber and AirBnB.

Apart from using specific sharing economy services, how do Canadians feel about the new sharing economy business model? Based on their own experience of what they have heard (including controversies with established businesses and service issues), is it a good thing or a bad thing?

The balance of opinion is largely positive, although not overwhelmingly so. Just under four in ten (37%) say the sharing economy model is a good thing, three times more than say it is a bad thing (12%). However, more than half say it depends (37%) or do not have a clear opinion either way (14%).

What distinguishes those who think these businesses are a good thing from those who say they are bad? A positive view is most closely associated with familiarity and use of Uber and/or AirBnB: the most positive views are given by those who have personally used these services (78% of Uber users, 69% of AirBnB users), followed by those who haven't done so, but know someone who has (51% and 56%, respectively), and least apt to be given by those with no direct or indirect experience (23% and 38%, respectively).

But the absence of such experience does not translate into more negative opinions, but rather a skeptical one of saying their view of these services depends or is uncertain. These results suggest that many Canadians do not yet have enough experience (first- or second-hand) with the sharing economy to form a clear opinion about this model, and are looking for assurances that it would include appropriate regulatory safeguards both for workers and consumers.

Across the country, a positive opinion of the sharing economy business model is most common in Alberta (50%) and Toronto (45%), among men (43%) and Canadians 18 to 29 (52%). The proportion that labels it a bad thing is relatively constant across the population, but highest in Quebec (18%; 21% in Montreal) and among Canadians 60 plus (20%).

Overall opinion of new sharing economy business model

A good thing	A bad thing	Depends	Cannot say
37	12	37	14
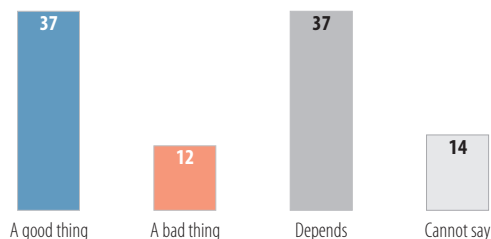
Q.32
Companies such as AirBnB and Uber represent a new type of "sharing economy" business model that connects individuals offering a service directly to those looking for the service. What makes these companies different from traditional businesses is that the only service they provide is the digital connection between buyers and sellers. Based on your own experience and what you have heard, do you believe this new sharing economy business model is a good thing or a bad thing?

Why this is a good business model. When those who say the sharing economy business model is a good thing are asked to say why (unprompted), a number of reasons are given, although none predominate. The top mentions are that it lowers costs or reduces waste (10%), is more accessible (10%), promotes competition (9%), offers another option for consumers (8%), is generally good for the economy (7%), because the concept of sharing is good (7%), is a simple, direct way of meeting consumer demand (5%), and addresses a need (5%). One-third of this group cannot offer a reason why they like this business model.

Why this is a bad business model. The much smaller group who dislike the shared economy business model is most likely to say this is because they believe it is exploitative or open to abuse because it is not regulated the same way as other businesses (30%; this represents 4% of the total population). Others in this group say these businesses are bad for the economy (13%), mean a loss of tax revenue (9%), or they are distrustful of the model in part because of its reliance on digital technology (6%). One-third of this group is unable to articulate a reason for their negative opinion of the shared economy business model.

(Note: The sample sizes for these questions is too small to support analysis by subgroup.)

Regulation of sharing economy businesses

Most Canadians believe that sharing economy businesses should be regulated, either under the requirements currently in place for traditional companies, or through a new regulatory approach that works for both types of businesses.

Regulatory issues do not figure prominently in the public's perspective on sharing economy services, but Canadians do appear to appreciate that this is an issue that needs to be addressed. The survey outlined the fact that shared economy businesses are not currently subject to the same regulations as traditional businesses in such areas as insurance, taxation, licensing and safety standards, and then asked which of three regulatory approaches would be most appropriate.

There is no public consensus on this question, but most Canadians believe that some form of regulatory structure is needed for shared economy businesses. Three in ten (30%) favour applying the same regulations that now apply to traditional businesses, while one-third (34%) support the creation of a new regulatory approach that works effectively for both traditional and sharing businesses.
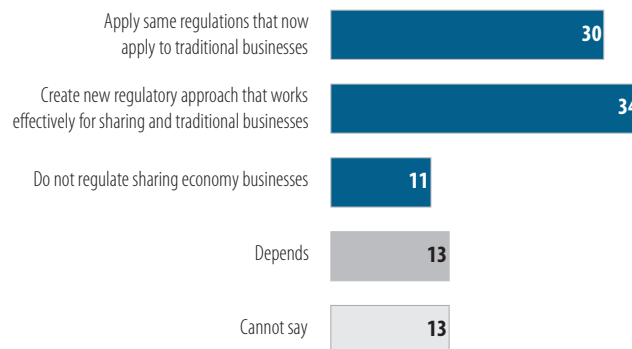
In contrast, only one in ten (11%) endorse the view that sharing economy businesses offer a different type of service that does not require regulations the way traditional businesses do. One in four say it would depend (e.g., on the specific industry) or cannot offer a view.

Opinions on this question do not vary significantly across the population. Support for the creation of a new regulatory model is the plurality choice among most groups, but especially among older Canadians, those with more education and income, and those who are highly engaged. Canadians 60 plus (40%) are most likely to be proponents of subjecting shared businesses to the same regulations as traditional businesses. Requiring no regulations for sharing economy businesses is the least favoured option across the country, but most apt to be voiced by urban residents (16%), men (14%) and Canadians under 45 years of age (15%).

Direct experience has a modest effect on views about the appropriate regulatory approach for shared service businesses. Among Uber users, one-quarter (26%) say such businesses should not be subject to current regulations, but a larger proportion (31%) of this group favours a new regulatory scheme. Among AirBnB users, a no-regulation approach is the least favoured option (24%), compared with a new regulatory scheme (36%) and subjecting shared businesses to the current regulations (27%).

Favoured approach to regulations for sharing economy business

Approach	%
Apply same regulations that now apply to traditional businesses	30
Create new regulatory approach that works effectively for sharing and traditional businesses	34
Do not regulate sharing economy businesses	11
Depends	13
Cannot say	13

Q.34
Sharing economy companies are currently not subject to the same regulations as traditional businesses in such areas as insurance, taxation, licensing and safety standards. Given that these companies are now rapidly expanding in Canada and abroad, which one of the following approaches would you most favour ... ?