

# One for the Road: Monopoly and Municipal Regulation of Ride-hailing Platforms in Toronto and the Greater Golden Horseshoe

Jonathan Woodside  
University of Waterloo  
@CommEats

# The Municipal Act Mandates Regulation of For-Hire Vehicles

## Policy Goals:

1. Ensure the health and safety of residents
2. Protect residents from nuisances resulting from the business (noise, odor, congestion)
3. Protect residents from financial fraud
4. Ensuring that vehicle-for-hire services exist

# How do Ride-hailing platforms fit?

<b>Regulatory Tools</b>	<b>Traditional Regulatory Approach</b>	<b>Approach Taken with Ride-Hailing Platforms</b>
Quantity Controls	Limits placed on numbers of drivers/vehicles	No limits on drivers
Quality Controls	Municipality inspects cars and conducts background checks	Platforms administer mechanical and background checks and store ride data.
Economic Controls	Municipality sets out fare schedules and permissible rates.	No limits on price

# Monopolistic Competition and The Potential for Monopoly

Ride-hailing platforms have successfully differentiated themselves from taxis.

Do ride-hailing platforms have characteristics that lead to monopolies (Harding et al., 2016)?

- Network Effects

- Personalization

- Packaged Services

- Widespread Subsidization

# New Regulatory Challenges

<b>Policy Areas</b>	<b>Challenge from Ride-Hailing Platforms</b>
Health & Safety	Do platform administered mechanical and background checks effectively ensure safety?
Nuisance Control	Is the extraction of data from drivers and passengers emerging as a nuisance for residents?
Consumer Financial Protection	Are platforms able to use their market position and data resources to raise prices for consumers?
Service Sustainability	Are there risks that the service will be limited by poor treatment of drivers and car owners? And, can taxi companies compete?

# A Leviathan or Just Good Business?

Critics see a dangerous new form of capitalism.

Proponents see the use of data as a benefit to markets.



Hobbes' Leviathan

How are municipal regulators confronting the challenges imposed by the entrance of ride-hailing platforms?

# The Greater Golden Horseshoe

82 relevant municipalities in regards to regulation.

12 regulate the space.

1 offers ride-hailing services as a municipal program.



# Method: Qualitative Interviews

25 Interviews Total

ROLE	
Municipal Staff	12
Councillors	11
Industry Watchers	2

COMMUNITY	
Rural Community	3
Urban Periphery	14
Metropolitan Centre (Toronto and Mississauga)	6

MUNICIPAL REGULATORY STATUS	
Regulating TNCs	19
TNC as a Municipal Service	3
Considering TNC Regulation	1

# Uniform Municipal Regulation Across GGH

Policy Areas	Typical Regulations
Health & Safety	Platform administered mechanical inspections, criminal background checks, drivers abstract, mandated insurance.
Nuisance Control	None
Consumer Financial Protection	Price/Estimates to be provided before agreement to ride.
Service Sustainability	Changing regulations for taxis to promote a "even playing field"

- Modest Exceptions: Toronto, Innisfil

# Municipalities have accepted a gift of private regulation

*“...the regulatory nightmare of taxi cabs.” (Municipal Staff #6).*

*“Let’s say that someone gets into an Uber car and they are not satisfied, they report that to Uber. They don’t necessarily, and I would say 95% or higher, don’t report that to us... So, we get complaints. We generally field them back and work in conjunction with [Ride-hailing platform] company itself. And I hate to use the term, I don’t like the term, ‘self-regulating’... but from an enforcement perspective it takes a burden off of us.” (Municipal Staff #9).*

# Health & Safety: mechanical & background checks

*“I mean we have a document that says that we can license [the ride-hailing platform] but the license is effectively meaningless. It has no meaningful restrictions. You keep the principle that we are allowed to license in exchange for giving away the value of licensing” (Municipal Councillor #2).*

*“[the platforms] supply us with the data that we require, that’s required in the by-law. We request information from them on an ad-hoc basis based on a complaint. There have been very few complaints about the levels of service that they provide or the type of service they provide. And then we interact with the individual TNC operators themselves through inspections that take place in the field daily for a large number of operators” (Municipal Staff #6).*

# Nuisance Control: data extraction

*“For us really success is, I guess, the fewer complaints we get... We’ve never really got a lot of complaints when it came to taxis. We honestly, we don’t’ get any complaints when it comes to [ride-hailing platforms].” (Municipal Staff #10).*

*“We are appreciative of Uber doing that screening and that checking of their drivers. From what we’re aware of, it’s pretty rigorous surveillance of drivers that operate on the platform. Such as if they are holding their phone when they are driving. That is something that is detected as well and those drivers are reminded of certain things as well if they are going too fast or breaking , so it’s something that we appreciate that level of surveillance” (Municipal Staff #5).*

# Consumer Protection: price

*“That’s just good business... Again, it’s buyer beware. You have to accept that you’re willing to pay that. And you have to accept that you are only going to receive that much money for what you’re doing as well. If gas is \$1.60 a litre and I’m not making enough money to cover my gas for the night, why am I working part time” (Municipal Staff #1)?*

*“We look at each of the screens before and after a ride. So, we make sure that the estimated fare comes up, the information about the vehicle comes up. Things like that, we just make sure that those elements that are outlined in the bylaw... are met” (Municipal Staffs #7).*

# Maintaining Sustainable Services: driver treatment and “even playing field” for taxis

*“We want to make sure across the entire landscape that we’re allowing for the provision of service to the people who need it... if you look at the [ride-hailing platform] model, they’re not necessarily in a position to serve some of that market the way they’re currently constituted. Taxis are. So I think they both provide service that needs to be there” (Municipal Staff #2).*

*“We don’t get into the contractual relationship between parties” (Municipal Staff #8).*

# Incentive of Private Regulation

Policy Areas	Expected Incentives of Private Sector-Led Industry Regulation
Health & Safety	Reasonable expectation that municipality will tolerate worker discipline for public interest through undemocratic private channels.
Nuisance Control	Reasonable expectation the municipality will encourage data extraction for the purposes of enforcement and planning.
Consumer Financial Protection	Reasonable expectation that competitive markets will be the primary means of preserving a fair marketplace.
Service Sustainability	Possible that we will see continued deregulation or subsidies in markets where platforms are not present or threaten to withdraw.

# Conclusion

- Gift of regulation incentivizes the toleration of monopoly and could undermine regulatory mandate of municipalities.
- Complicated Interactions:
  - Some Municipalities are taking steps to build regulatory capacity.
  - Controversies facing other platforms show public sentiment can change quickly.
- Widespread and Varied Digital Gift Economy (Eldar-Vass, 2016).

# THANK YOU

Jonathan Woodside, PhD Candidate

University of Waterloo, ON

@CommEats

jkwoodside@gmail.com