From Renegade to Regulated: The Digital Platform Economy, Ridehailing and the Case of Toronto

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Abstract
Despite concerns and criticism, municipality upon municipality has approved regulations that enable ridehailing, a digital platform activity, to legally operate. This paper frames and scrutinizes three prominent tensions surrounding the operation and expansion of ridehailing using Toronto as a case study. It finds that whereas scholarly debate emphasizes definitions, distinctions, legal arguments and inequality, municipal debate has centred on ridehailing’s brief yet controversial history, inputs to the regulation process, and connections between ridehailing, 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: ridehailing, digital platform economy, municipal regulation, 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, ahistoric 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 ridehailing as a distinct ground transportation activity, regulated separate from taxis, were introduced as California became the first state to regulate transportation network companies in September 2013 (Ha 2013).

To suggest that criticism of ridehailing abounds is an understatement. Prominent critiques range from the cavalier attitude of upstart ridehailing 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 ridehailing 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 ridehailing. 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 ridehailing 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 ridehailing in Toronto; 2) local debates that position ridehailing against taxi and question the validity of regulating ridehailing; and 3) the notion that connections between ridehailing, municipal governance and innovation influence decision making and decision makers.

Regardless of whether ridehailing 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, ridehailing firms have in many cases succeeded in redefining ground transportation options and gaining permission to operate legally.

**Method**
This paper draws on analysis from interviews based on 25 meetings with 23 individuals 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 ridehailing. 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 (url to be added after blind review). 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 ridehailing, 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 ridehailing firms in Toronto. The research team also interviewed insurance experts, legal experts and policy researchers whose work engaged with ridehailing. Interviews focused on gathering a state of the field from the interviewees’ professional perspectives, addressed the disruptive nature of change associated with ridehailing, and asked interviewees to consider the manner in which innovation, public policy and regulation affect the operation of ridehailing. 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 ridehailing, and more broadly, presents an opportunity to examine the nexus of public-private interaction, debate and engagement in the contemporary city.

Definitions, Urban Focus & Governance Challenges
Much scholarly discussion has emphasized the significance of defining seemingly 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; Sler 2015), governance practices and regulatory shifts (Cohen and Zehngebota 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; Sler 2015). It should be noted however that the way in which sharing is defined and the types of activities included under various definitions, acts to inform further directions for debate and discussion.

Scholarship in this field has recently become increasingly divided between scholars 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 seem to have splintered into two distinct camps, though the boundaries remain blurry and there is no standardization of accepted terms. 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. Likewise, firms such as Uber and Lyft are not considered to be part of the sharing economy. Other terms used to describe sharing that produces caring 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 do not exist, ridehailing 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 ridehailing, and particularly its largest firm – Uber – has transformed understanding of for-profit opportunities connected to mobile technologies, it is relevant to note 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).

Furthermore, 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.

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 emphasis 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 2016). 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.

Based on a case study of ridehailing in Kingston, Ontario, Donald and Moroz (2017) suggest that Uber’s emergence, growth and consumer success has so far resulted in three predominantly negative urban impacts: vacuuming money out of the local economy, re-writing ground transportation regulations at the local level, and shaming cities who do not develop Uber-friendly regulations. Whereas the taxi industry is considered a basic industry in which most of the money is circulated through the local economy, the circulation of capital associated with spending on ridehailing managed by transnational firms is global (Donald and Moroz 2017). Though challenging to quantify, far fewer benefits of spending remain in the local economy when multinational ridehailing firms dominate (Donald and Moroz 2017).

Furthermore, 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 accommodations.

Digital platform economy firms at the outset operated in a legally grey area. In cities where it first launched, 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). Airbnb is currently the subject of high profile debates in cities around the world as part of attempts to determine best practices for regulating it. The cavalier, upstart approach that digital platform economy firms have adopted - of launching first and asking for permission later - has contributed to highly polarized perspectives 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 ridesharing 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, and 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. Kenney and Zysman (2016, 64) ask the following critical questions about digital platform activities: Will the platform economy, and the reorganization it portends, catalyze economic growth and a surge in productivity driven by a new generation of entrepreneurs? Or will the algorithmically driven reorganization concentrate substantially all of the gains in the hands of those who build the platforms?” 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).

Ridehailing in Canada
Initially, Uber’s business focused on luxury, high end vehicles for passengers. Uber was reluctant at first to use its software to connect passengers to private, unregulated vehicles – though it was keenly aware that Lyft was succeeding in unexpected ways as it was first to launch a service connecting private, unlicensed vehicles to riders in San Francisco in spring 2012 (Lashinsky 2017, 116-8). Noting that Lyft’s business was growing rapidly and that no regulatory action had followed, Uber expanded its offerings to include rides in private vehicles, in addition to its black car service. Debates about the legality of ridehailing in the context of Toronto have invariably focused on Uber – the largest ridehailing firm operating in Canada. Uber’s US competitor Lyft does not operate in Toronto, or anywhere in Canada for that matter.

Ridehailing firms entered Canada in 2012 with the launch of Uber in Toronto, Canada’s largest city with a population of 2.7 million1. For the first several years, they operated either illegally or outside of regulations – depending on whether one agreed that the regulations for existing ground transportation also applied to Uber. In January 2016, Edmonton was the first Canadian city to develop distinct regulations to govern ridehailing. Although regulations making ridehailing a legal activity came into effect in Edmonton as of March 2016, required, provincially regulated insurance products were not available until July 2016. As of April 2017, our research shows that ridehailing services were operating in 20 of Canada’s 30 largest Census Metropolitan Areas. In 17 of these 20 cities, ridehailing was a regulated ground transportation activity. Though approved and regulated in an additional 3 cities, ridehailing services had yet to launch in Sudbury, Halifax and Sherbrooke.

In most of Canada, ground transportation 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). The BC government deemed ridehailing illegal, was not prepared to contemplate legislation for ridehailing to legally operate, and therefore all ridehailing was barred

1 This figure represents the population of the City of Toronto. While political boundaries do not represent the full size of a metropolitan city, in the case of ridehailing and regulations (regulations are set individually by each municipality).
Ridehailing’s biggest adversary to date has been the taxi industry. The taxi industry is over a century old, is heavily regulated, and experienced relatively little innovation in the decades leading up to the launch of ridehailing (Ranchordas 2015). In many North American cities, limits on the number of taxis permitted to operate has traditionally 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 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, there is a lack of data in Canada detailing the digital platform economy. 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 the services in 2016, spending $1.31B in total. Furthermore, 7% of Canadians reported using ride-sharing services, spending $241M. The greatest use of any sharing economy services was for 18-34 year olds. On the production side, .3% of the population offered ridehailing while .2% offered rooms. This supports a number of expected findings: ridehailing is used by a greater proportion of people 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 ridehailing services in the past year, followed by 14.8% of Toronto residents (Statistics Canada 2017b).
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. “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” (Lashinsky 2017, 97).

The City of Toronto attempted 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 is 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, 2013: 3). 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, given the lack of regulations. Furthermore, a 2015 City of Toronto staff report notes that “Uber's operations are putting significant pressure on regulated taxicab and limousines” (Cook 2015, 1). The City of Toronto staff report also 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.

While Uber entered Toronto in the same way as it entered other cities, (ie: operating outside of regulations or in contravention to regulations) the firm switched tactics as it gained riders and built relationships with municipal governments around the world in 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. (Interview, senior Uber leader)

In less than five years, ridehailing 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 ridehailing, 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 & Regulations
Much of the formal debate about whether or not to permit ridehailing as a legal activity in Toronto took place as understanding, definitions, descriptions and analysis of the sector were in their early stages. While there was an interest in regulating ridehailing relatively quickly, 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 careful, thoughtful and responsive policy. In light of this, municipalities adjacent to Toronto, such as Mississauga, developed pilot projects and trials to govern ridehailing, while others – including Toronto – were focused on formal regulations with a built-in review period and the knowledge that regulatory change and amendments were possible on a regular basis.

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 ridehailing, 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, Toronto 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 ridehailing 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 difficult points of debate in the ridehailing field – that of impacts on labour and earnings. One interviewee suggested that: “Uber has destabilized the industry and is undermining fulltime 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, Toronto 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 ridehailing. 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 ridesharing 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 ridehailing 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 was identified by Uber founders in 2008 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 process 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)

Many small municipalities that are being asked to consider regulating ridehailing services, simply do not have the resources or capacity to develop regulations on a just-in-time basis (Interview, legal expert) and would benefit from provincial guidelines and recommendations. On the other hand, the City of Toronto, has access to a larger and more well-resourced civil service. Yet, the development of these new regulations in the digital platform economy has placed a strain on the even the province (and country’s) largest city.

It is believed that Uber’s cavalier business practices, in contravention of local bylaws, influenced the manner in which other startup ground transportation firms have chosen to operate. For
example, in March 2016, carsharing firm Car2Go announced that its Toronto customers could leave cars in residential on-street parking spaces, despite the fact that they did not have an agreement with the city. The firm had failed in its attempts to negotiate legal on-street parking with the City of Toronto, which is a model that it uses in other cities across Canada including Vancouver, Calgary and Montreal. Instead, Car2Go agreed to cover parking tickets that customers received for parking in these spaces without a permit (Smith Cross 2016).

One of the reasons that they’ve at least kind of tacitly acknowledged behind this is that: ‘Uber is doing it, so why don’t we just do the same thing?’ So, you run a huge risk of people not giving sufficient respect to the law. If some companies can get away with it, then it’s a very logical conclusion that other companies will say, “Well, we’ll just do the same thing”, and, “Why can’t we?”, that's the fair thing to do. (Interview, legal expert)

Ridehailing, Governance and Innovation
While the taxi industry has to date borne the brunt of the losses associated with the rising popularity of ridehailing, the ultimate goal of ridehailing 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 ridehailing firms against one another while 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, expectations are that self-driving cars may account for up to 80% of vehicle miles travelled in the next few decades (McFarland 2017).

While Uber may have paved the path to the regulation of ridehailing in Canadian cities, they are now working to extend both their transportation networks and also their autonomous vehicle capabilities. Some have suggested that their ability to earn a profit, despite a multibillion dollar valuation, is tied to their success in transitioning to self-driving cars and a business model wherein drivers are no longer required (Smith 2016). The number of competitors aiming to excel amidst the convergence of ride-hailing and autonomous vehicles includes all the major auto firms, technology and software firms, and the large ride-hailing firms including both Uber and Lyft. The timing of this shift may just be right for large, dense and older cities such as Toronto – a growing city grappling with the costs and impacts of congestion, crumbling transportation infrastructure in need of repairs and rebuilding and insufficient funds to support public transit services.

In addition to advancing technological innovation, ridehailing as a practice has been touted as signaling a municipality’s openness. Eidelman and Spicer (2016) note that in Toronto, Mayor John Tory spoke out in favour of support for adopting regulations to accommodate ridehailing, 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) suggest that ridehailing firms adopt a strategy of shaming unsupportive cities by implying that cities who do not develop uber-friendly regulation are outdated and lack innovativeness.

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 – helped play 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). While at this point it is mainly conjecture, it remains to be seen whether and how a municipality’s willingness and openness to accommodate new activities such as ridehailing might translate into a source of competitive advantage.

**Conclusion**

Henry Ford is famously quoted as saying: “If I had asked people what they wanted, they would have said faster horses.” Although recent work suggests this quote may have been fabricated (Vlaskovits 2011), it highlights all too effectively the fact that disruptive change is both difficult to envision and even more challenging to embrace.

This paper, through an exploration of prominent tensions surrounding the operation, expansion and regulation of ridehailing, addresses the manner in which ridehailing has gone from a renegade activity to a regulated one. Using the City of Toronto as a case study, this 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 regulation taxis – to opening its ground transportation system up to private transportation companies. Despite controversy, disagreement and uncertainty, the story of Toronto is similar to that of other municipalities in regulating ridehailing.

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 (ie: ridehailing, roomsharing) rather than the larger scale impacts of the digital platform economy.

In addition to regulatory debates and impacts, the long term impact of ridehailing on cities and transportation networks still 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 ridehailing 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 ridehailing vehicles on the streets (Cortright 2017; San Francisco County Transportation Authority 2017). As the think tank City Observatory frequently notes, the local price of parking has the greatest influence on the use of ridesharing (Cortright 2017). This is further evidence that while permitting ridehailing 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 ridehailing is a reminder that policies directed towards one aspect of a local transportation system can have intended and unintended impacts across the system.

Although the Toronto debate was often framed as Uber vs. Taxi, or alternately as Uber vs. City Hall, the stakes in fact reach far more broadly and deeply. Though not without precedent, Canadian cities, and cities in general, are grappling with the design and redesign of regulations that address policy priorities including passenger safety and security, economic development, environmental sustainability and land use. In part these shifts are embedded and even propelled
by narratives about impending technological change. As Ditta and Zon (2016) suggest, “Soon it won’t be a question of whether the technology is ready, but whether our public policies are.” Technological change aside, we need to also be asking whether the policy and regulatory changes being made with respect to accommodating ridehailing 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?

With an abundance of critique, it is all too easy to see only negative outcomes of the proliferation of digital platform economy activities in cities. However, there is a potential upside too. Rauch and Schleicher (2015, 6) highlight ways in which urban policy can assist with redistribution of resources and opportunities. They indicate that municipal regulations connected to digital platform economy activities can address service distribution challenges by encouraging firms to provide services and focus short-term hiring practices in low income, poorly served neighbourhoods. Similarly, a study of the impact of Airbnb on rentals and real estate in cities not only highlights the tremendous negative impacts of Airbnb on particular neighbourhoods, but also advocates for urban policy that redirects and addresses this digital platform economy’s potential negative impacts and harnesses opportunities to help build in positive benefits (Wachsmuth et al 2017).

A final and unusual yet important observation is the way in which debates about the legality of ridehailing have increased the general public’s interest in issues around regulation. In Toronto, the city’s experience with Mayor Rob Ford helped propel governance issues to the top of the public’s agenda, and in some ways debates about ridehailing have similarly raised the public consciousness regarding the role of municipal regulation and the policy process. This is yet another reminder that an outspoken politician or polarizing debate can help to bring important attention to urban policy matters that may otherwise be considered dull, tedious or strictly academic.

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