



# HARNESSING THE POWER OF THE SHARING ECONOMY

NEXT STEPS FOR ONTARIO



# HARNESSING THE POWER OF THE SHARING ECONOMY

NEXT STEPS FOR ONTARIO

For more than a century, the Ontario Chamber of Commerce (OCC) has been the independent, non-partisan voice of Ontario business. Our mission is to support economic growth in Ontario by defending business priorities at Queen's Park on behalf of our network's diverse 60,000 members.

From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. We represent local chambers of commerce and boards of trade in over 135 communities across Ontario, steering public policy conversations provincially and within local communities. Through our focused programs and services, we enable companies to grow at home and in export markets.

The OCC provides exclusive support, networking opportunities, and access to innovative insight and analysis for our members. Through our export programs, we have approved over 1,300 applications, and companies have reported results of over \$250 million in export sales.

The OCC is Ontario's business advocate.

Visit us [occ.ca](http://occ.ca)  
Follow us @OntarioCofC

Harnessing the Power of the Sharing Economy: Next Steps for Ontario  
Authors: Andrea Holmes with Liam McGuinty  
ISBN Print: 978-1-928052-21-0  
ISBN PDF: 978-1-928052-22-7  
©2015 Ontario Chamber of Commerce

Leger Survey of 1003 Ontarians, completed online between August 3 and August 6, 2015 using Leger's online panel, LegerWeb. The margin of error is +/-3.0%, 19 times out of 20.



# Table of Contents

Summary .....	i
Introduction .....	1
Defining the Sharing Economy .....	3
Ontario's Sharing Economy .....	4
The Challenges .....	6
Next Steps .....	9
Conclusion .....	13
Sources .....	14

# Acknowledgements

We would like to thank the members of the Ontario Chamber of Commerce Sharing Economy Working Group for their contributions to this report. Without their expertise and guidance, this report would not have been possible.

## Members:

- Lisa Carroll, CGI
- Ted Graham, PwC Canada
- Carl Hammersburg, SAS Security Intelligence
- Karim Hirji, Durham, Intact Insurance
- Dean Peloso, CGI
- Caroline Pinto, Counsel Public Affairs
- April Rinne, World Economic Forum
- Patrick Robinson, Airbnb
- Chris Schafer, Uber
- Devan Sommerville, Counsel Public Affairs

# Summary

The Ontario Chamber of Commerce (OCC), in partnership with PwC Canada and CGI, convened a first-of-its-kind forum on May 28, 2015 in Toronto, *The Sharing Economy: Implications for Ontario*. The forum brought together government decision-makers, sharing economy companies, and leading experts in the field to discuss how to approach the regulatory challenges of the sharing economy. This report builds on the key takeaways from the forum. The recommendations highlighted in this report were informed by the input of the OCC's Working Group on the Sharing Economy.

## Recommendations

As the lead jurisdiction, the Government of Ontario should:

- 1 Establish a cross-jurisdictional taskforce with representation from government, thought leaders, and industry (including existing operators and new market entrants) with a mandate to analyze the opportunities and impacts of the sharing economy and make comprehensive recommendations.
- 2 Use the advent of the sharing economy as an opportunity to develop a new, "empty the box" approach to regulation, building on the taskforce's research, analysis, and recommendations. This approach to regulatory reform keeps intact only those provisions that are necessary and relevant today.
- 3 Engage industry to fill any gaps in insurance coverage.
- 4 Consider the impacts of the growth of the sharing economy as it undertakes reviews of workplace legislation.
- 5 Work with the federal government to develop a 'how-to' guide on tax compliance in the sharing economy.

As a key actor, the Canada Revenue Agency (CRA) should:

- 6 Analyze income reporting levels in the sharing economy and develop a clear understanding of the motivating factors behind providers' decisions to report or not report income, and establish and clarify appropriate rules moving forward (e.g. minimum income thresholds).

# Introduction

The past several years have witnessed the rise of new models of consuming and accessing goods and services, often referred to as the “sharing economy”. Fueled by companies such as Uber, Autosshare, and Airbnb, the sharing economy enables individuals to obtain rides, accommodations, and a wide range of other goods and services via online platforms in exchange for monetary and non-monetary benefits.

The sharing economy has had—and is expected to continue to have—a significant economic impact at the global level. PwC estimates the global revenue from sharing economy companies in 2015 will be \$15 billion, with the sector expected to reach global revenues of \$335 billion by 2025 (2014). Sharing companies bring significant economic, environmental, and community benefits, including better use of existing resources. In 2013, Forbes estimated that the revenue flowing through the sharing economy directly into peoples’ wallets surpassed \$3.5 billion (Geron 2013).

The evolution of the sharing economy presents a number of opportunities and challenges for governments. Some of those challenges are exacerbated by the threat, whether real or perceived, that sharing poses to established operators. This threat has created tension between established operators and new market entrants—with government often caught in the middle.

While some jurisdictions are beginning to harness its economic potential and tap into its benefits, others have banned companies operating in the space outright. No jurisdiction has landed on a comprehensive approach. Ontario is no exception.



## Government of Ontario Outlines its Approach to the Sharing Economy

### Supporting the Sharing Economy

The right regulatory and tax environment can help innovation thrive. As part of the growing shift to the sharing economy, new technologies are disrupting existing business models. These software-driven applications often involve thousands of individual operators. As these business models are quickly emerging, the labour landscape is changing. Moreover, aspects of the regulatory and taxation environment may need to adapt to new and previously unconsidered business models. To help vibrant, emerging sectors thrive, the government commits to working with firms and industries to help them comply with existing obligations and to consulting on an ongoing basis to ensure those obligations reflect a changing economy.

2015 Ontario Budget, p.103

Uber, the ride-hailing platform, now offers services in over twenty cities across the country. Uber's Canadian presence is largest in Toronto, and its time in the city has not been without its share of challenges; earlier this year, the City applied for an injunction to end the company's operations. The injunction was not granted after a judge concluded that the City failed to demonstrate breach of a bylaw. This court's decision seems to have resonated with most Ontarians: a recent poll found that 80 percent of Ontarians believe Uber should be allowed to continue its operations in the province (Leger, 2015).

The Government of Ontario is beginning to take a hard look at how it should approach the sharing economy, as evidenced by the 2015 Ontario Budget, which recognizes the importance of a regulatory and tax framework that enables innovation to thrive. The Budget directs the provincial government to work with sharing economy firms and industries to help them comply with existing obligations and to ensure that those obligations reflect a changing economy.

Ontario's commitments are encouraging. Moreover, they reflect public opinion. According to public opinion research from Leger, two thirds of Ontarians believe that the growth of companies in the sharing economy is a good thing for the province's economy. In the Greater Toronto Area, this number jumps to 85 percent (Leger, 2015).

The Government of Ontario cannot address the sharing economy on its own. Some of the issues triggered and questions raised by the sharing economy fall within the provincial jurisdiction to determine, while many fall to the municipal (city) level and a handful have federal implications. Therefore, development of a proactive and flexible approach to the growth of the sharing economy requires commitment and action from all levels of government.

Those jurisdictions that recognize the sharing economy as an opportunity will build regulatory and taxation frameworks that support innovation, while ensuring that other public interest outcomes are secured. If adopted, the six recommendations included in this report will create the foundation for a robust sharing economy framework that establishes Ontario and Canada as leading jurisdictions in the space.

# Defining the Sharing Economy

The idea of the “sharing economy” is not new. Throughout human history, people have engaged in the bartering and sharing of goods and services (Richardson 2013). However, the sharing economy as we know it now has been growing since the late 2000s.

The modern sharing economy generally has two defining features. Sharing firms either (1) own goods or provide services that they rent to customers, often on a short-term basis, or (2) create peer-to-peer platforms connecting providers and users for the exchange, purchase, or renting of goods and services (Rauch & Schleicher 2015).

This definition can encompass everything from crowdfunding sites like Kickstarter to transportation companies like Autoshare and Zipcar, to hospitality platforms like Airbnb and VRBO (Vacation Rentals by Owner). Even more emergent and diverse examples include toy, clothing, and jewelry rentals, tool libraries, peer-to-peer shipping services, and peer-to-peer currency exchange.

According to PwC (2014), major sharing economy sectors include peer-to-peer lending and crowdfunding, peer-to-peer accommodation, and car sharing<sup>1</sup>. What unites these companies and initiatives is their ability to bring people together, often through an online platform, to share or exchange underutilized assets without large transaction costs.

The sharing economy has facilitated the creation of new markets and economic activity where none previously existed. Enterprising citizens can now generate income by renting assets as varied as drills, camping equipment, and parking spots. This means that enterprising individuals possessing desirable assets can become ‘micro-entrepreneurs’.

<sup>1</sup> It should be noted that the Ontario Chamber of Commerce does not consider illegal online media file sharing as a legitimate part of the sharing economy. While car and accommodation sharing leverage underutilized assets, illegal online media file sharing hinders value creation in the economy.

Technological advancements—especially mobile technologies—have been the main catalyst behind the rise of many sharing companies. Improved data analytics has lowered the cost of matching buyers with sellers, and the spread of smartphones has allowed people to access sharing services anywhere, and at any time.

The growth of the sharing economy also stems from several demand-side trends and a set of supply-side changes. On the demand-side, consumers are choosing to borrow or reuse goods rather than buy. This is a result of tight budgets following the recession, rising levels of urbanization, and growing levels of ecological consciousness. On the supply-side, trends in the labour market have created a nimble pool of workers eager to participate in additional contract or non-traditional work.

## WHY ARE ONTARIANS USING SHARED SERVICES?

According to a recent opinion poll by Leger, 40 percent of young Ontarians are consumers in the sharing economy – a trend that should grow as they do. Why do they prefer these services?



63 percent say it is more affordable than traditional services



49 percent say it is more convenient than traditional services

# Ontario's Sharing Economy

Sharing economy companies and peer-to-peer networks have the potential to become a significant segment of Ontario's future economic activity, stimulating new consumption, raising productivity, catalyzing entrepreneurship, and generating new tax revenue.

Ontario is home to many sharing companies, including Autoshare, Borrowell (a national peer-to-peer lending platform), the Toronto Tool Library, BlancRide (a carpooling platform), and more. Since the sharing economy is still in its nascent stages in Canada and Ontario, however, there is a lack of concrete data on the economic impact of this new and burgeoning sector.



Sources: Keenan, 2014, Airbnb, Uber, August 2015 poll by Leger, respondents = 1003



## Embracing the sharing economy: How are other jurisdictions benefiting around the world?



The **United Kingdom (U.K.)** has differentiated itself from other jurisdictions by leading research on the potential of the sharing economy at the national level. The U.K. Government recently commissioned a review that provided a better understanding of the economic potential and societal issues that have arisen from the growth of the sharing economy. As a result of the review, the government has launched two “sharing cities” pilots, where “transport, shared office space, accommodation and skills networks are joined together and residents are encouraged to share as part of their daily lives”. Sharing economy options will also be made available to government staff in the area of transport and accommodation (Woskow 2014). Legislative change has also followed: 1970s-era laws restricting short-term rental of space in London have been reformed, and zoning guidance has been updated to permit the sharing of parking spaces.

---



The Government of **Seoul, South Korea** has recognized the role that the sharing economy can play in resolving many of the city’s economic, social, and environmental issues while creating new business opportunities. Since 2012, the Seoul Government has been implementing the “Sharing City Seoul” project in partnership with non-governmental organizations and businesses in order to encourage the sharing of items and services from unused parking lots to empty rooms to children’s clothes to meals (Guerrini 2014). In the three years since its launch, over 900 public buildings have been opened to the public during idle hours and have been used over 22,000 times by Seoul citizens for events and meetings. The government has also made financial investments in 57 sharing organizations or businesses, which have resulted in more than 2,000 shared parking lots, a 68 percent increase in homestays, and more than 8 million pieces of children’s clothing (thanks to partnerships with 230 daycare centres).

# The Challenges

While the sharing economy provides its share of benefits, its growth also presents governments with complex challenges. Transactions in the sharing economy, though similar in nature to those in the traditional economy, have grown outside of existing legal and taxation systems and frequently occur in a regulatory grey area. The lines between personal activities and professional services are increasingly blurred, and it is unclear how - and whether - sharing economy goods, services, and technologies should be regulated. The complexity of designing frameworks that can work for individual providers using sharing economy platforms, as well as for the platforms themselves, should not be underestimated.

Ultimately, the growth of the sharing economy poses an important question for regulators: What is the appropriate role for government?

What follows is a breakdown of some of the significant policy issues facing regulators as they adapt to the growth of the sharing economy.

---

## Challenge: Consumer safety and security

Some commentators argue that sharing economy business models raise concerns about user safety, privacy, and access. However, it is unclear whether the sharing economy raises unique concerns, or ones previously seen in other areas of e-commerce.

Any form of sharing requires a certain level of trust, whether it's to use another's assets, get into their car, or share their pets. Without the existence of traditional regulations, there are concerns that suppliers in the sharing economy will take advantage of asymmetric information during transactions. In other words, sellers might withhold information about a product or service that will hinder users from being able to distinguish between good and bad purchases.

Prior to the emergence of sharing economy platforms, government intervention was the solution to such market failures. For example, safety concerns about drivers and information asymmetries about the cost of rides were alleviated in part through driver screenings and metered fares by taxicab regulatory agencies (Cohen and Sundararajun 2015).

Online reputation mechanisms have emerged as a viable alternative to the more established institutions and regulations for building trust, such as formal contracts. For instance, the existence of online feedback mechanisms that encourage buyers and sellers to rate one another seems to have succeeded in addressing the traditional economic problem of asymmetrical information, which is often cited as a rationale for regulation (Dellarocas 2002). Bad actors get weeded out fairly quickly through better information, reputational incentives, and aggressive community self-policing (Koopman, Mitchell, and Thierer 2014). Many sharing economy companies also undertake precautions similar to that of government, including background checks on suppliers.

One area of concern for regulators is comparable insurance coverage. Traditional insurance products have not adapted to account for occasional commercial use (throughout the sharing economy) and the need for products that provide this coverage.

For example, standard homeowner's insurance may not be valid if the home is occupied by a paying guest at the time of any insurable event. Airbnb has responded by providing a US\$1 million "host guarantee" that protects the property of Airbnb hosts automatically, a policy that has been underwritten at Lloyds of London. Host liability insurance has also been introduced in the United States.

Similarly, there is confusion around whether drivers who use ride-hailing services, such as Uber, are adequately insured under Ontario's automobile insurance system.

Ontario insurers and regulators have warned ordinary drivers that carrying passengers in their personal cars for a fee could leave them underinsured. In Ontario, a standard automobile policy does not cover a driver when their vehicle is being used to carry paying passengers or is used as a taxi. As a result, passengers who use ride-hailing apps may be getting into a vehicle that is not properly insured, which could leave consumers in the unenviable position of resorting to the courts in order to reclaim legal and medical costs (FSCO 2015). Uber has responded to these concerns by providing contingent insurance to cover drivers while transporting passengers, however regulators and insurers have indicated that they cannot be certain about the extent to which Uber's insurance policy covers drivers, as Uber has not shared their policy publicly.

---

## Challenge: Regulatory design

The rise of the sharing economy is forcing local governments to re-examine the regulations placed on certain industries that prevent existing operators from competing with new entrants.

For the most part, governments have and always will have difficulty creating regulations that keep up with the pace of technology. This makes it difficult for governments to respond to new ways of doing business, such as innovations in the sharing economy. Slow regulatory responses can result in different businesses in the same sector facing different sets of rules (Johal and Zon 2015).

This is especially the case in the transportation and accommodation sectors. According to a recent report from the Mowat Centre, Toronto taxi drivers and taxi vehicles are subject to roughly 40 pages of licensing requirements, including mandatory training, a minimum number of hours to be driven per month, the precise number of stickers related to cyclist safety that must appear in a taxi, and a limit on the age of taxis. Similarly, the hotel and motel industry in Ontario is governed by

33 pieces of legislation (Johal and Zon 2015). The taxi and hotel industries are not unique when it comes to being subject to outdated regulation.

---

## Challenge: Tax compliance

Tax compliance and enforcement in the sharing economy present many challenges. The sharing sector is teeming with providers of goods and services who earn relatively small income amounts, use personal property for business purposes, and who are unaccustomed to the challenges associated with filing and reporting independent contractor income (Ring and Oei 2015).

There is insufficient data to demonstrate whether independent contractors operating in the sharing economy are properly reporting income taxes, though some tax experts believe a significant amount of economic activity in the sharing economy goes unreported (Sagan 2015). Many experts believe that providers in the sharing economy are simply unaware of their tax obligations.

The structure of sharing economy business models also has implications for the collection of consumption taxes. Under existing legal frameworks, there is some confusion whether sharing economy companies or the independent contractors they employ are responsible for collecting applicable taxes on transactions. For example, Uber defines itself as a technology platform that connects drivers and riders via a smartphone application. Given that sales tax is customarily charged to the purchaser of a service and remitted to the government by the service provider, it is the responsibility of the Uber driver (in this case the provider of the service), and not the company, to collect the tax. However, it is unclear whether all drivers understand their responsibility and charge the tax. Some sharing economy companies actively facilitate tax compliance. Uber, for example, notifies driver partners about the obligation to remit GST/HST and has a partnership with H&R Block to assist driver partners with tax filing.

Poor tax compliance in the sharing economy would threaten the integrity of Ontario and Canada's tax system and would provide a competitive disadvantage for existing operators. It is in the public interest to ensure that the sharing economy is not a means for people or businesses to reduce their tax liability, thereby placing a higher burden on the general public (Johal and Zon 2015).

---

## Challenge: Rise of the non-traditional workforce

Over the last two decades, there has been a structural shift in the way we work and an evolution of the traditional employer-employee relationship. Parts of the sharing economy are sometimes referred to as the "gig" economy (such as on-demand cleaning, deliveries, home maintenance, etc.) This area is contributing to this fundamental shift as it relies heavily on short-term, elastic employment, rather than traditional stable employment.

This creates challenges for government. Many people engaged in professional or semi-professional "employment" via sharing economy platforms participate as independent contractors, self-employed or freelancers. As such, they do not qualify for many of the benefits typically afforded to employees. This means that, for example, many providers in the sharing economy in Canada are not required to pay into, nor will they have access to, key components of the social safety net, including Employment Insurance (EI) and the Canada Pension Plan (CPP).

It is estimated that by 2020, more than 40 percent of the American workforce, or 60 million people, will be freelancers, contractors and/or temp workers (Intuit 2010). According to John Ruffolo, the Chief Executive Officer of OMERS Ventures, that number could be higher in both Canada and the United States. Ruffolo predicts that the rising popularity of entrepreneurship will result in a revolution in the way companies operate. In the end, he argues, "everyone is going to be a subcontractor" (Hemmadi 2015).

However, the rise of the freelance economy is not a phenomenon limited to the sharing economy and is not necessarily an exclusively negative development. Only a fraction of the freelance labour force are people between 25 and 54 years old, the group most likely to be raising families. Most contingent jobs are held by younger or older workers who value the flexibility that part-time or temporary work provides (Cross 2015).

## Ontario's own JobBliss

JobBliss is a new company working to take the risks out of the freelance economy. The JobBliss platform works like a matchmaking service for freelancers and companies, and is built with management tools in mind to connect employers directly with local and highly reputable freelance workers. The platform helps freelancers manage time between multiple employers, establish long-term relationships with hiring managers, and see 'gig' work as something long-term rather than a short-term solution. More recently, the company announced the addition of new features, such as time tracking invoicing for paycheques and benefits (Aspler 2015).

# Next Steps

While many governments are beginning to embrace the sharing economy, few jurisdictions have yet to take a comprehensive approach. Most governments have focused on transportation and accommodation, where new entrants have seen particularly robust growth. These issues have often been resolved at a municipal or regional level of government, based on where the policy issues in question typically arise. Undertaking a comprehensive examination of the sharing economy will empower governments in Ontario to develop a new framework to guide how they respond to ongoing, rapid economic innovation, including a balanced regulatory approach.

Recently, the Government of Quebec announced that it will be introducing changes to its tourist law to include the regulation of online home-sharing services such as Airbnb, making it the first province in the country to enact rules for home sharing.

Through consultation with the federal, provincial, and municipal governments, as well as sharing economy companies and existing operators, the OCC and PwC Canada have identified six recommendations to tackle these challenges. Also included are examples of what other jurisdictions are doing to harness the potential of the sharing economy while protecting consumer and business interests.

**As the lead jurisdiction, the Government of Ontario should:**

---

## Recommendation #1

Establish a cross-jurisdictional taskforce with representation from government, thought leaders, and industry (including existing operators and new market entrants) with a mandate to analyze the opportunities and impacts of the sharing economy and make comprehensive recommendations.

---

Given the rapid growth of the sector, it is important that governments of all levels work together to better understand the Canadian sharing economy and share relevant information and data. There is an opportunity for the Government of Ontario to lead an integrated approach.

The Province, in collaboration with municipalities and the federal government, should establish a cross-jurisdictional taskforce that brings together government, experts, and industry in an effort to further institutional understanding of the sharing economy and the implications of its growth.

The goal of the taskforce should be to identify both how best to harness the opportunity of the sharing economy and the appropriate role of government in addressing some of the challenges in this report. Employing a principle-based framework, the taskforce should identify those areas where government intervention is needed to remove barriers to innovation or protect the public interest, based on factors including existing market-driven, self-regulatory solutions.

Given this mandate, the taskforce should make recommendations to the three levels of government based on an improved understanding of:

- the real and the perceived regulatory and consumer protection risks posed by the sharing economy;
- the self-regulatory models employed by sharing economy companies and/or business models that effectively address issues of safety or security;
- the factors that are driving more consumers to choose sharing economy goods and services over existing ones;
- how consumers perceive the risks associated with sharing services;
- the perspective of existing operators and new market entrants; and
- the economic implications of the growth of the sharing economy.

Business groups with diverse memberships like the Ontario Chamber of Commerce should be called on to play a leading role in convening government and industry through the mechanism of a taskforce.

## Government of Ontario & MaRS Solutions Lab Research Project

Ontario has funded the MaRS Solutions Lab to research and prototype coordinated solutions to regulatory challenges presented by the sharing economy. The Solutions Lab will explore both the customer and service-provider experiences, with a specific focus on the transportation and accommodation industries in Toronto. The project aims to identify key barriers and opportunities for governments to create a lean, nimble, and streamlined regulatory environment that fosters and supports innovation, while ensuring the public interest remains protected. Initial findings are set to be released in October 2015.

---

## Recommendation #2

---

Use the advent of the sharing economy as an opportunity to develop a new, “empty the box” approach to regulation, building on the taskforce’s research, analysis, and recommendations. This approach to regulatory reform keeps intact only those provisions that are necessary and relevant today.

---

Outdated rules create opportunity. Many of the current laws and regulations affecting industry were drafted before the rise of digital technology and as such, have become outdated (Rinne 2012). Government must give thought to updating those regulations that are no longer appropriate. One of the best examples of an outdated piece of legislation still on Ontario’s books is the *Innkeepers Act*. This Act applies to motels and hotels but almost a quarter of its rules pertain to how and when a hotel owner can place a lien on a customer’s horse (Johal and Zon 2015).

The growth of the sharing economy should be used as a catalyst to create new ways of looking at regulatory regimes as a whole. The government should consider an “empty the box” approach where possible, in which a big picture lens is applied and only provisions that are necessary and relevant today are kept intact.

In the immediate term, the Government of Ontario should prioritize a regulatory audit, in partnership with the City of Toronto and other municipalities. The goal of the audit should be to identify and roadmap unnecessary and outdated regulations and harmonize standards. The results of this audit should serve as a framework for action.

---

## Recommendation #3

---

Engage industry to fill any gaps in insurance coverage.

---

A simple solution to consumer safety concerns is to delegate more self-regulatory responsibility to marketplaces and platforms while preserving some government oversight. This can be done by incentivizing other market actors to fill the 'risk' gaps traditionally filled by government (Sundararajan 2014).

Insurance is one area where the market can take control to fill the gaps.

Insurance companies should be able to provide flexibility in how they offer insurance packages so that loopholes that may exist in ride-hailing coverage, for example, can be remedied. Although it sounds simple, there is confusion around how insurance can and should be provided.

Some say that there is nothing impeding Ontario insurance providers from offering auto insurance packages for ride-sharing suppliers who need both commercial and personal insurance. Others argue that government needs to clarify the insurance space and consult with industry to identify whether legislative changes need to be made in order for insurance providers to be allowed to provide additional coverage.

## Private and public sector solutions to the insurance gap: models for Ontario?

Several solutions to the insurance "challenge" have emerged from the United States.

In March 2015, Uber struck a deal with several major insurance companies in the United States to overhaul how personal insurance policies cover Uber drivers who are involved in accidents. The result of this agreement is the creation of the Transportation Network Company (TNC) Insurance Compromise Model Bill, which is designed to prevent drivers from falling into a gap between the insurance coverage offered by ride-sharing companies and a driver's personal insurance policy.

---

Metromile, a small insurance company that charges based on drivers' actual mileage, has become the first in California (and now in Illinois and Washington) to provide liability coverage to TNC drivers on their personal auto policies. Metromile provides coverage to drivers when the TNC app is on but before a match with a ride has been made.

---

## Recommendation #4

Consider the impacts of the growth of the sharing economy as it undertakes reviews of workplace legislation.

---

The Government of Ontario is currently undertaking public consultations as part of a review on the changing nature of the modern workplace. The review will consider how the *Labour Relations Act* and *Employment Standards Act* can be amended to protect workers while supporting employers and the business community. This includes an investigation into the rise of non-standard working relationships, such as temporary jobs, part-time work, and self-employment.

It is important that the final findings of this review at least partially uncover the contribution of the sharing economy to the rise of non-traditional work.

---

## Recommendation #5

Work with the federal government to develop a 'how-to' guide on tax compliance in the sharing economy.

---

Governments at both the federal and provincial levels can create greater clarity for workers and users of the sharing economy by providing a how-to guide on tax compliance for sharing economy companies. This could include an online calculator to help users of sharing economy services more easily work out how much tax they are liable to pay, as well as materials that sharing economy companies can share with their users and suppliers. The United Kingdom and Australian tax authorities have been taking steps in this direction.

In order to develop a robust 'tool-kit', government should look at solutions that make tax compliance and filing easier for individuals, for example Intuit's product line for self-employed workers. As well, third-party platforms should be encouraged to create templates that make it easier for contractors to know the income they should be reporting and how to file their taxes.

As a key actor, the Canadian Revenue Agency (CRA) should:

---

## Recommendation #6

Analyze income reporting levels in the sharing economy and develop a clear understanding of the motivating factors behind providers' decisions to report or not report income, and establish and clarify appropriate rules moving forward (e.g. minimum income thresholds).

---

For the most part, the problem facing tax collectors is not the design of the tax code but rather tax compliance. The tax laws are clear: professional income is taxable. However, what is much less certain is the degree to which providers in the sharing economy understand their obligations under the law. The available evidence on sharing economy providers' tax compliance is largely anecdotal.

Before it takes action, the CRA should study income-reporting by sharing economy participants (drivers, hosts, etc.) to determine the level of non-compliance and accordingly, develop an appropriate response. This analysis should provide some insight into workers' actual behaviour - and the motivations behind these behaviours.



# Conclusion

Despite the many challenges the sharing economy presents to regulators, its growth should be viewed as an opportunity. The jurisdictions that are building regulatory and taxation frameworks that protect the public interest while supporting innovation will be more likely to incubate the new technologies that will drive economic growth in the future.

Channeled properly, the sharing economy can create value for consumers by bringing new competition to sectors whose regulatory protection (in some cases) have allowed them to become inefficient (Koopman, Mitchell and Thierer 2014). The advent of the sharing economy can also be used to re-evaluate the often outdated and unnecessary regulatory requirements faced by established operators.

Sharing economy companies will not be the last examples of new market entrants that grow outside of the traditional regulatory sphere. Future technological changes, including driverless cars and on-demand transportation, will create new regulatory challenges for governments. These innovations also have the potential to change the way we look at infrastructure development and the way city services are delivered.

By adopting smart adaptive regulatory responses to the growth of the sharing economy, Ontario and Canada have the ability to act as first movers in the sharing economy space, and in doing so, be well positioned to harness its economic potential.

# Sources

Alba, Davey. 2015. *California Forces Uber and Its Rivals to Bolster Insurance*. Wired. <http://www.wired.com/2015/07/california-forces-uber-rivals-bolster-insurance/>

Allen, Darcy and Chris Berg. 2014. *The sharing economy: how over-regulation could destroy and economic revolution*. Institute of Public Affairs.

Aspler, Sarah. 2015. *How JobBliss is building a flexible workforce for the future*. MaRs Blog. <http://www.marsdd.com/news-and-insights/how-jobbliss-is-building-a-flexible-workforce-for-the-future/>

Botsman, Rachel 2014. *Sharing's not just for Start-ups*. Harvard Business Review, September. <https://archive.harvard-business.org/cla/web/pl/product.seam?c=34760&i=34762&cs=902b9545bb85f0aba03d8b645fb1d7c5>

Cohen, Molly and Arun Sundararajan. 2015. *Self-Regulation and Innovation in the Peer-to-Peer Sharing Economy*. University of Chicago Review Dialogue 82-116. <https://lawreview.uchicago.edu/page/self-regulation-and-innovation-peer-peer-sharing-economy>

Cross, Philip. 2015. *Part-time work is not an evil that is harming social well-being*. Globe and Mail, July 17. <http://www.theglobeandmail.com/report-on-business/rob-commentary/part-time-work-is-not-an-evil-that-is-harming-social-well-being/article25536404/>

Financial Services Commission of Ontario. 2015. *Caution: Ride sharing*. <http://www.fsco.gov.on.ca/en/auto/Pages/ridesharing-info.aspx>

Geron, Tomio. 2013. *Airbnb and the Unstoppable Rise of the Sharing Economy*. Forbes, January 23. <http://www.forbes.com/sites/tomiogeron/2013/01/23/airbnb-and-the-unstoppable-rise-of-the-share-economy/>

Guerrini, Federico. 2014. *How Seoul became one of the world's Sharing Capitals*. Forbes Magazine. <http://www.forbes.com/sites/federicoguerrini/2014/05/25/how-seoul-became-one-of-the-worlds-sharing-capitals/>

Hemmadi, Murad. 2015. *The Staffing Solution That Fills Your Every Need*. <http://www.profitguide.com/manage-grow/human-resources/the-staffing-solution-that-fills-your-every-need-76417>

Howard, Alex. 2014. *The Sharing Economy: Will self-regulation by startups suffice to protect consumers?* <http://www.techrepublic.com/article/the-sharing-economy-will-self-regulation-by-startups-suffice-to-protect-consumers/>

Intuit. 2010. *Intuit 2020 Report: Twenty trends that will shape the next decade*. October. [http://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit\\_2020\\_report.pdf](http://http-download.intuit.com/http.intuit/CMO/intuit/futureofsmallbusiness/intuit_2020_report.pdf)

Johal, Sunil, and Noah Zon. 2015. *Policymaking for the Sharing Economy: Beyond Wack A Mole*. [http://mowatcentre.ca/wp-content/uploads/publications/106\\_PolicymakingForTheSharingEconomy.pdf](http://mowatcentre.ca/wp-content/uploads/publications/106_PolicymakingForTheSharingEconomy.pdf)

Johnson, Cat. 2014. *Sharing City Seoul: a Model for the World*. Shareable. <http://www.shareable.net/blog/sharing-city-seoul-a-model-for-the-world>

Keenan, Greg. 2014. *Enterprise Rent-a-Car buys Toronto based Autosshare network*. <http://www.theglobeandmail.com/report-on-business/enterprise-buys-autosshare-network/article17681552/>

Koopman, Christopher, Matthew Mitchell, and Adam Thierer. 2014. *The Sharing Economy and Consumer Protection: The Case for Policy Change*. George Mason University. [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2535345](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2535345)

Leger. 2015. *August 2015 Survey of Ontarians*.

Oei, Shu-Yi and Diane M. Ring. 2015. *Can Sharing be taxed?* Washington University Law Review, 93. 4. [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2570584](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2570584)

PwC. 2014. *The sharing economy: How will it disrupt your business? Mega-trends: The Collisions*. [http://pwc.blogs.com/files/sharing-economy-final\\_0814.pdf](http://pwc.blogs.com/files/sharing-economy-final_0814.pdf)

Rauch, Daniel E. and David Schleicher. *Like Uber, But for Local Governmental Policy: The Future of Local Regulation of the Sharing Economy*. George Mason Law & Economics Research Paper, No. 15-01.

Richardson, Jill. 2013. *The Real Sharing Economy is Booming (And it's not the one venture capitalists are cashing in on)*. AlterNet. <http://www.alternet.org/environment/real-sharing-economy-booming-and-its-not-one-venture-capitalists-are-cashing>

Rinne, April. 2012. *Sharing Economy Law: Outdated Rules Create Opportunity*. Shareable. <http://www.shareable.net/blog/sharing-economy-law-outdated-rules-create-opportunity>

Sagan, Aleksandra. 2015. *Airbnbers and Uber drivers be warned: your income is taxable*. CBC News. <http://www.cbc.ca/news/business/taxes/airbnbers-and-uber-drivers-be-warned-your-income-is-taxable-1.2969158>

Scheiber, Noam. *The Last Days of Big Law*. News Republic. July 21, 2013. <http://www.newrepublic.com/article/113941/big-law-firms-trouble-when-money-dries>

Shead, Sam. 2015. *Sharing Economy UK trade body set up to support UK's most disruptive businesses*. <http://www.techworld.com/news/startups/sharing-economy-uk-trade-body-set-up-support-uks-most-disruptive-businesses-3600660/>

Statistics Canada. 2015. *The Underground Economy in Canada: 2012*. <http://www.statcan.gc.ca/daily-quotidien/150429/dq150429c-eng.htm>

Stein, Janice. *Sharing Economy benefits may not live up to hype*. December 11, 2014, CBC News. <http://www.cbc.ca/news/business/sharing-economy-benefits-may-not-live-up-to-hype-janice-stein-1.2867041>

Sullivan, Martin. 2015. *Tax Challenges for the Uber Economy*. Forbes Magazine. <http://www.forbes.com/sites/taxanalysts/2015/07/14/tax-challenges-for-the-uber-economy/>

Sundararajan, Arun. 2014. Written Testimony to the Committee of Small Business United States House of Representatives.

Thierer, Adam. 2014. *Permissionless Innovation: The Continuing Case for Comprehensive Technological Freedom*. Mercatus Centre: George Mason University. [http://mercatus.org/sites/default/files/Permissionless.Innovation.web\\_.v2.pdf](http://mercatus.org/sites/default/files/Permissionless.Innovation.web_.v2.pdf)

Woskowiak, Debbie. 2014. *Unlocking the sharing economy: An independent review*. U.K. Minister of State for Business, Enterprise and Energy.



THE JURISDICTIONS  
BUILDING REGULATORY  
AND TAXATION  
FRAMEWORKS THAT  
PROTECT THE PUBLIC  
INTEREST WHILE  
SUPPORTING INNOVATION  
WILL BE MORE LIKELY  
TO INCUBATE THE NEW  
TECHNOLOGIES THAT WILL  
DRIVE ECONOMIC GROWTH  
IN THE FUTURE.



ontario  
chamber of  
commerce

[occ.ca](http://occ.ca) | [@OntarioCofC](https://twitter.com/OntarioCofC)