Slide 1

Good afternoon,

The purpose of my presentation is to examine the recent strong growth of the sharing economy and to see what teaching and learning opportunities it may provide for educators in business and economics – including looking at the policy issues for governments.

The sharing economy has resulted in a very substantial disruption to industries and markets across the world. It's rare to see riots and violent protests as a result of innovation – as with Uber in particular - so there must be something very significant about what has been going on.

Other technologically driven changes, such as the decline of video rental outlets due to the growth of NetFlix and other internet streaming providers, have happened without a murmur of protest.

It's interesting that the growth of Uber has resulted in governments in Australia having a major rethink about how the taxi industry should be regulated - it has forced uncomfortable change that was probably due anyway.

My branch at Treasury has provided advice to the Tasmanian Government on how to respond to the opportunities and threats from the growth in the sharing economy.

My presentation is really designed to put some information and policy issues in front of you, for you to consider what (if anything) may be useful in your teaching environment.

Slide 2 (markets picture)

Let's start with markets. Really they are just buyers and sellers getting together for mutually beneficial exchanges.

Almost all micro-economics is ultimately about markets one way or another.

Much economic policy, and so the work my team does at Treasury, deals with improving how markets work, such as improving competition, encouraging innovation and reducing regulatory costs to encourage entry.

It's worth reflecting on why economic policy focusses so strongly on markets – and trying to improve them.

What does a mutually beneficial exchange really mean? It means the buyers pays less than the maximum he or she is prepared to pay for a good or service – and the seller (which includes a person in employment) receives more than the minimum he or she is prepared to accept to provide that good or service.

Of course, most students are actively involved in markets - buying or selling using Ebay or Gum Tree, working at McDonalds, finding cheap flights…, doing deals with siblings, parents, swapping toys with friends

So improving how markets work (or creating new markets) means that:

- Consumers gain as the gap between what they value a good and what they pay is greater and/or
- Producers gain because the gap between what they are prepared to receive and what they actually receive is greater

A dimension that economics textbooks tend not to focus on is the entire transaction cost for consumers. In the case of allowing Sunday trading and night trading for supermarkets, for example, a key issue was not the cost of items in supermarkets, but the inconvenience of not being able to buy items at times that were convenient for many shoppers.

Part of the 'cost' of buying the items before the reforms was the foregone activity on a Saturday or during the week (before 6 pm on same days).

Equally for Tasmania's taxi industry, a key benefit in the reforms around 15 years which pushed out more taxi licences was reduced waiting times for taxis – not the cost of the fare itself.

Ending the six o'clock closing times for pubs (and therefore the six o'clock swill) also provided this convenience benefit – the entire experience of drinking in a bar was changed. (Tasmania ended it 30 years before mainland states, BTW)

Of course, this 'more markets are better' position excludes unpleasant externalities here – as the temperance movement and anti-smoking campaigners would no doubt point out.

In practice, it may not be the case that all consumers gain and all producers gain (virtually never) – there are winners and losers as markets evolve.

However, if the net gain is positive from more economic activity, though, we would generally asserts that overall welfare is improved.

Slide 3

It’s worth reflecting on what is necessary for a market to operate (refer to slide). This applies to all markets.

There is nothing here about a market being legal to operate.

We know many very large markets operate illegally (drugs, prostitution, alcohol during the prohibition, protection rackets) – but these conditions still have to be satisfied.

Even bribery is a form of a market - in exchange for bribe, a good or service (even just information) is provided.

There is no point in offering a bribe if no favourable service is expected.

Equally, you may not bribe if you fear being reported and don’t get the outcome you want (the second and third confidence criteria fail).

Slide 4

Now markets contain a heap of risks

Consumers will be wary about product quality in many cases – as suppliers generally know more about their goods and services than potential consumers – this is information asymmetry as in these 4 cases.

In cases where product quality cannot be known for certain in advance, this can lead to a low demand from consumers -and so a small market.

Of course, consumers may be unreasonably cautious.

Consumer law, common law rights and the way a market is regulated (or not) may affect perceptions of quality and influence the level of demand – and therefore the size of the market.

Slide 5

Of course all markets include financial risk for suppliers to some extent

But information asymmetry can apply to suppliers of goods and services too….. This can lead to higher than expected costs to suppliers, and other risks including personal safety, risk of being dobbed in…

This results in low supply – and suppliers requiring a premium to reflect the risks (as with drugs, prostitution etc..).

Slide 6 (supply and demand)

A market can be constrained if the conditions set out above are only partially met.

For example:

- It may be prohibitively costly for suppliers to inform potential customers of their products
- it may be inconvenient and time consuming for customers to get information about a product
- Transactions costs may be high
- Producers of services may face risks they do not consider acceptable

Slide 7

Generally both producers and consumers benefit from larger markets (more producer and consumer surplus – ie more welfare).

In Treasury, we don't go running around trying to estimate producer and consumer surplus, but we are confident that more economies evolve in response to technology and market opportunities, the greater the welfare benefits and this drives our advice.

The benefits to producers are just as important as the benefits to consumers.

It is worth remembering that the supply curve shows the value of those resources in their next best use. So the bigger the market and the greater the supply, the greater the benefit to producers in terms of the return they receive for their resources.

In terms of equity of income distribution, there are plenty of cases where low income producers get a substantial gain from increased economic activity, even if prices fall.

Slide 8

This now takes us to what is called the sharing economy – sometimes called collaborative consumption.

No clear definition – and some now refer to it as markets where a platform is shared and not any physical asset - but I'm focussing on the latter and here's one we can work with…

In one sense we have had sharing economy activity for decades:

- Families house swapping (note that no money need change hands)
- Local car pooling
- Shacks made available through newspaper adverts or cards in newsagents' windows
- Informal arrangements to borrow tools, chainsaws, lawnmowers for a slab of beer

The transformation has been the use of internet applications that:

- put a large number of buyers in contact with a large number of sellers – very quickly, cheaply and conveniently
- allow potentially much information of buyers and sellers to be available - very quickly, cheaply and conveniently
- establish common rules for exchange
- arrange transactions – very cheaply

Of course, much of this applies in the non-sharing economy – Booking.com, and Ebay, Gum Tree, even internet dating agencies, etc… Information can be sought easily and transactions are easily facilitated. The opportunities for reviews of services have become much more sophisticated – with services such as Trip Advisor.

The difference is that these businesses generally don't have information about customers – and the resources made available to customers are not 'shared' with the owners.

There is a fair bit of work being done on how to prevent fake reviews though (good or bad). One study found that 16% of Yelp reviews are fake.

Slide 9

A spectrum from sharing assets not involving the presence of the owner – to services that mainly involve the owner providing his or her services.

Short stay accommodation probably sits at one end of the spectrum. It can provide services not supplied by traditional accommodation providers – can be cheaper (a 'couch'), more "homely and sociable" such as a homestay with locals. Location can be superior (Airbnb in Kensington, London).

With ride sourcing – mainly Uber in Australia – there is direct input from the owner of the vehicle, or perhaps someone authorised by the owner.

Services such as social dining, for example, Eatwith, are much smaller in Australia – but as they involve the use of the host's house we can include them in the sharing economy.

Can be in a formal setting or in host's home, either top-level chefs or home cooks. A former undergraduate cadet at our Treasury (and Masterchef finalist) Joel Bevin joined EatWith in its early stages and is now the Head of EatWith's Global Community in over 40 countries

Finally, there are many peer-to-peer based businesses using an internet-based shared platform, including Ebay, crowd funding and community recycling initiatives, and platforms for access to skilled or unskilled labour (such as Nanny in the Clouds and AirTasker, where tasks to be done are listed and people bid to do them). As I've said, they are not the focus of today's presentation.

Economists can get pretty excited about the potential of the sharing economy

- Encourages the use of idle or unproductive resources to generate additional economic activity and increased income for providers
- Leads to product and service innovation
- Previously unmet demand can be satisfied (eg accommodation)
- Improved competition leads to lower prices and more efficient use of resources
- Better information symmetry reduces the need for regulatory oversight - customers are prepared to accept more risk

Slide 10

Let's us start by looking at the short stay tourism accommodation market

It ranges from large hotels to small businesses such as houses or units for rent – includes homestays and bed and breakfast establishments.

As you see, there is cyclical fluctuation in demand, which is much more pronounced for Tasmanian than nationally. In effect, there is just about full demand in summer months, which has recently led to the growth in new hotels, especially in the Hobart area. But it is quiet in winter…

The sharing economy has entered this market across Australia – increasing supply for smaller properties for short stay accommodation, which has eased the constraint in the peak summer months.

This includes Couchsurfing, where money is not exchanged for lodging but some tasks may be undertaken by the customers, as negotiated.

In Tasmania it's reported that more than 1 visitor in 10, over 120 000, uses Airbnb or Stayz. Around 2 000 active Airbnb listings – more than 1 000 Stayz.

This represents a massive growth in only a few years.

As this allows more tourists into the State, our tourism industry has been rather conflicted in its approach to Airbnb and Stayz. It represents a threat to the traditional accommodation sector, yet if it results in higher overall tourism numbers.

This benefits cafés, restaurants, car hire firms, local attractions etc..

On the other hand, the traditional accommodation sector would hate losing potential customers in the off season – as occupancy rates are low then (much lower than nationally). The important of this will be apparent later…

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Airbnb accommodation available includes renting a couch, a bunk, a bedroom, an apartment or a mansion – even a Fijian island

- Started out in 2007 by 2 guys in San Francisco who couldn't afford their rent - with a blog with maps and photos, offering to provide accommodation using air mattresses on the floor (hence "air" BNB) , and breakfast – 3 people turned up paying $80 each.
- Developed the site, invested their own money and sought venture capital (some knocked them back – a bit like not publishing Harry Potter) and now has over 2 million listings in 34,000 cities and 190 countries – in Australia around 50 000. Valued at over $25bn in 2015.
- The Airbnb platform provides information on the accommodation available, the amenities, pricing and the local area. Both hosts and guests can provide reviews of each other that are published on the site, building an online reputation
- A search in Hobart will give hundreds of listings, within the price range chosen. According to Airbnb, a typical host in Tasmania rents out their home for 38 nights per year
- Airbnb gets a cut – charges guests 6-12% (percentage goes down as the value of payments increase) and hosts 3%.
- Payment is by credit card, PayPal, Google Wallet, Apple Pay and several other methods depending on the country. The guests pay Airbnb, and payment is released to the host 24 hours after the guest checks in

To become an Airbnb host (seller), you sign up to an account online and create a listing, providing necessary information, photos and pricing

To become an Airbnb buyer (ie guest), you create an account online, provide personal information and credit card details, and then you can search and make booking requests

Hosts don’t necessarily have to accept a booking request, have the option to reject – eg if guest wants to book only a 1 night stay during the Easter weekend, may opt to hold out for a guest who wants to book 4 or 5 nights

Review system provides information on product quality and the likely behaviour of both parties

- This makes it very cheap for those offering these services to reach their potential market world-wide (better than cards in shop windows or adverts tucked in the newspaper for a particular day..)
- Potential customers have a range of offerings at their fingertips and can specify area and price range.

Side 12

- Stayz is an Australian based site for letting holiday accommodation, similar to Airbnb, but generally in coastal holiday areas and always entire homes
- Started in 2001, is owned by Expedia (which also owns Wotif)
- Stayz is reportedly growing at around 20 per cent per year and charges a 10% commission on successful bookings – recently increased to the annoyance of providers.
- In Australia, it has around 42 000 properties according to its website and claims to be the largest booking site for holiday rentals in Australia
- The website appears less sophisticated than Airbnb's and there appear to be fewer establishments in the wider Hobart area.
- Unlike Airbnb, some Stayz accommodation is paid for by direct deposit, cheque or even cash on arrival, and so the payment system is not so secure.

Other short stay accommodation sites are being established in Australia, seeking to attract hosts with lower commissions.

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Let's now look at public transport and ride sourcing.

For non-scheduled or chartered transport, the taxi industry is the principal market:

In Tasmania, there are 24 taxi areas (a taxi can only operate in its own area), with a total of 619 taxi licences:

- 429 perpetual licences
- 107 owner operator licences
- 83 wheelchair accessible taxi licences

The taxi industry is regulated almost entirely to protect consumers (except drivers from passenger attacks in cars) and yet it has morphed into an industry that the participants believe is designed to protect the financial interests of the owners and operators.

Fares are set by regulation and service standards can be variable.

The restrictive policies towards new taxi licences across Australia has led to very high licence prices - $500 000 or more in some mainland centres just for the plate but prices have been coming down.

The only rationale for high licence price is that the fare is well below the cost of the service.

Now just to make life interesting, the taxi authorities allow the cost of renting a taxi plate (due solely to scarcity) in the taxi fare. Sydney $500 per week. So this artificially raises the taxi fare price (no economic service from the plate).

It's little wonder Uber can compete…

- In Hobart, the price of perpetual licence (so from one licence holder to another) is around $140 000. For Government issued new ones (must be owner operated) it is $50 000.

Into this market, Uber and other ride-sourcing businesses have been making some serious in-roads in mainland Australia and across the world.

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The disruption has been as quick as it has been dramatic. Uber and other businesses have experienced fierce opposition from taxi industries around the world, leading to large and sometimes violence protests by taxi drivers around the world.

Top left – protesting taxi drivers in France. Top right Hong Kong, bottom right Indonesia, bottom left Mexico.

The response from the taxi industry is unsurprising as the growth of this alternative passenger service has been rapid – as one example in NY, Uber's number of pickups increased by approximately 6 million in 2015 (from 2 million up to 8 million), while yellow cabs experienced a decline of 4 million pickups – around 8%.

Uber and other businesses have been the subject of regulatory disputes with several governments and banned in many jurisdictions but this has not stopped the operating in several cases.

It's enough to make law abiding taxi drivers beat up Uber drivers, damage cars, burn tyres, block roads etc…

Uber has claimed it provided over 1 million trips in its first year of operation in Sydney . There are reportedly 500 000 Uber customers in Melbourne alone.

Uber is expected to start in Tasmania (mostly Hobart) later this year – though it has been apparently been operating on Flinders Island….

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UberX offers very similar services to taxis. I've never used Uber – some of you may well have so you're better place than I to explain exactly how it works

Passengers are provided with details of their driver, the driver's vehicle make/model and licence plate and can access the reviews of the driver

Passengers are provided with an estimate fare in advance, and are charged via credit card – Uber takes a cut of each fare

Drivers and passengers can rate each other, establishing an online reputation

Drivers and passengers can track each other by GPS

Uber requires its UberX drivers to have a clean driving and criminal record, insurance and a car less than 10 years old with no major cosmetic damage

Surge pricing is applied automatically by Uber in times of high demand – peak hour, bad weather or other events (eg major concerts or sporting events, Friday/Sat nights, or Xmas/NYE). This has attracted criticism in the past – especially in the event of disasters or terrorist attacks (Lindt siege in Sydney – although fares were refunded after this).

Passengers are advised of surge pricing before they make their booking, in terms of a multiple of normal pricing (eg 2.2x normal fares).

Surge pricing is intended to allocate drivers to the passengers with a higher propensity to pay, and to attract more drivers into the market to service the demand – basic supply and demand economics.

Passengers can opt to be notified when surge pricing ends

Uber requires drivers to sign up – must attend a session to have their car assessed (safety check, proof of age, comprehensive insurance), have police check and clean driving history. Once approved, can accept jobs using the mobile app.

Uber passengers merely install the app, create an account (personal details, credit card information), and can then request rides by providing pickup location and destination.

Access to market (free mobile app, 20% commission to Uber)

Uber charges the customer's credit card automatically at the end of the trip, no physical transaction between driver and passenger

Both driver and passenger are required to rate each other out of five stars after the trip

Drivers get regular updates on their average rating – reports say that if they fall below approximately 4.6, they are at risk of being "deactivated" by Uber.

The general reports are that Uber drivers offer an excellent service – no doubt there always be some cases of poor service, difficult customers etc..

Driver's acceptance rate (ie taking jobs immediately) is also a factor taken into account by Uber in assessing drivers

It's not one big happy family – Uber drivers often complain about all sorts of policies and decisions made by Uber.

Uber offers takeaway food delivery in Melbourne, motorcycle-based services in some developing countries, helicopter transport in San Paulo Brazil (at which point you say, hang on – there's nothing 'shared' here – who uses a helicopter for day-to-day living?)

Slide 16

The taxi industry and some accommodation businesses have complained long and hard that the competition is unfair.

For accommodation, the lobby groups point out:

- Airbnb hosts are not constrained by zoning laws, unlike commercial B & B's
- They don't pay rates, taxes and utility charges that businesses pay; and
- they don't have to comply with occupational health and safety requirements, including under the Disability Discrimination Act.

The taxi industry complains that their operators have invested heavily in their taxi plates and yet a Uber driver can acquire a vehicle without any equivalent cost, they don't need cameras, and they are not required to pay compulsory insurance at the same rates or pay the same annual regulatory fees.

They may also not be subject to the same inspection regimes, and risk of losing a licence and so being forced to exit the industry.

Other vehicle hire businesses (luxury hire cars) also complain that they face higher regulatory costs than Uber operators. Implicit in their complaints is that they pay a licence on the basis that there is some exclusivity.

In Tasmania, the complaints have been compounded by the legislative requirement to release new taxi licences each year – which the industry complains has resulted in 'too many taxis' and insufficient income for taxi drivers.

This has led to demands that the playing field is level and also claims for compensation – on the basis that if the existing operators in a regulated industry suffer as a result of new competition, they deserve compensation. This is despite the fact that the entire regulatory framework is only there to protect consumers, and not the industry operators.

Part of the problem is doubtless that the service of taxis does not align with the demands of many consumers. Also taxi fares are generally higher than Uber prices. Reviews in mainland states generally find that the quality of service is higher with Uber, compared to taxis.

Governments across Australia have been grappling with the issue of what regulation is necessary – especially for Uber.

They have been considering:

- To what extent should the regulation for taxis and other hire vehicle operators apply to Uber (authorisation of drivers, vehicle inspections, quality requirements, annual fees)?
- Should some regulation be designed to protect the existing operators?
- Should compensation be paid out – and if so who should fund it (consumers through a levy, the government, so all taxpayers, just Uber?)
- Can the playing field be made more level by reducing some regulatory requirements on taxis and other vehicle hire operators that constrain their activities?

A key factor is the level of risk that the Government considers that the community can accept. There is an argument to say that if consumers and operators are sufficiently informed, the entire basis for regulation falls away.

After all, we don't regulate the content of gyms or the terms and conditions of gym membership, the price of cappuccini or the décor in pubs and hotels. The question is whether these risks are ones that contracting parties are best placed to manage with the option of recourse to the courts if necessary, such that government intervention is unnecessary.

In fact, in the case of Uber, to protect its reputation, Uber is likely to impose much stricter contractual obligations than any regulation. It will drop unsatisfactory operators far more easily and quickly (and ruthlessly) than any taxi commission can cancel a taxi licence.

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Of course, once a government commences regulation of a market, the government and the regulatory authorities become more directly responsible for any adverse events in that market. Accidents and other adverse events become the problem of the government, government agencies and the regulators. In the case of fatal taxi driver accidents, for example, this can be regarded as a failure of a government authority, as taxi drivers are accredited.

If however, a government took the position that it's a private market and its up buyers and sellers to manage the risks, it could be that when these adverse events arise, no-one blames the government.

This is what happens, say if there is an accident under an informal car-pooling arrangement. No responsibility would rest with any government agency or the Government itself in these cases. Individuals would be expected to exercise judgement regarding the people they agree to pool cars with.

The same goes for an accident when a baby sitter is driven home by a parent, or if there is a house swap and a fire occurs or a serious injury.

It would, however, take a courageous government to take such as position – and maintain it when a serious incident occurs. This is largely because there is a culture in Australia, and other developed economies, that part of the role of governments is to minimise a whole range of risks in our lives.

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It would, however, take a courageous government to take such as position – and maintain it when a serious incident occurs. This is largely because there is a culture in Australia, and other developed economies, that part of the role of governments is to minimise a whole range of risks in our lives. Increasingly, governments are under pressure to intervene, though this leads to complaints from some of increased red tape.

Once regulation has been introduced in an industry, so that the Government is responsible, this tends to lead to more regulation. Ministers take accidents and disasters very seriously and personally, and tend to be very risk averse; it is rare for this regulation to be reduced – if anything there are often calls to increase.

A twist is that in many areas, regulation is often supported by those in the industry as it creates entry barriers to new participants and can allow them to make high levels of profits.

We may find for example, that Uber is competing with (possibly illegal) new Facebook-based ride sourcing businesses. Uber, now legal, might be the first to encourage prosecution of these businesses.

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There's been some uncertainty across Australia as to whether Airbnb and other operators have been breaching local planning and zoning laws (legal case in Melbourne went the way of Airbnb).

Some governments have taken policy positions – other state and territory government appear to leave it to councils

Many councils take a 'if no complaint don't ask, don't tell' approach - yet it's a very public market..

Tasmania's proposal is with the Planning Commission - if more than six weeks per year you much apply for a Change of Use of a Residence to Visitor Accommodation. The Council can then refuse – so cease activity.

The council needs to be satisfied re parking, maximum size of floor area – (in the historic part of Battery Point, if it's in a residential building, the HCC may refuse the change of use).

The State Government stated this **proposal "strikes the right balance in meeting the need for tourist accommodation in Tasmania with the interests of existing businesses**". That is, it's designed in part to protect the existing businesses.

The Government has also said, however, that this is a 'starting position for feedback'…

Called "draconian" by Airbnb and the Holiday Rental Association.

Tasmania seems to be the only state to be proposing a limited number of days can provider can operate without regulatory intervention – could well be linked to our very quiet off season – compared to nationally. That is the existing businesses are lobbying the Government to protect their off-season market.

Other states?

Victoria: permitted (arising from court case). Government is intending to introduce legislation to eliminate bad behavior in short stays (such as requiring hosts to be responsible for damage to neighbouring properties by Airbnb customers).

SA: Permitted. Airbnb very happy "We welcome this news from South Australia and thank the state government for allowing home sharing to thrive."

Q: Permitted: 250% growth in Airbnb per year. Reported as largely unregulated though councils were given increased powers to tackle behavioural issues when houses were turned into "party" pads. Airbnb happy with Q.

WA: Not permitted in many municipalities: Councils fines of up to $200,000 and an additional $25,000 per day if the breach continued. Some councils turn a blind eye. No Gov. policy action evident.

ACT: small market, property owners who rent out a room or home for many days could be breaching their Crown lease conditions or building laws. No Gov. policy action evident.

NT: appears to be permitted – no Gov policy action evident

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Uber has generally been breaching State laws – not in all cases though (some in WA were not successful). For a period Uber paid the fines of its operators, in Queensland and Victoria.

Jurisdictions have now been implementing regulatory reforms to enable Uber to operate.

For Tasmania, Uber and other ride-sourcing operators will be regulated as luxury and other hire cars – less than taxis.

This requires driver accreditation (including a police check, working with children check and possible medical check), and vehicle inspections but same MAIB insurance as private vehicles and a small annual fee. Total regulatory entry cost is $295 – second lowest of all jurisdictions.

Uber has accepted these rules and will operate later this year.

All jurisdictions have, or are planning to introduce, a similar model for the regulatory requirements for ride sourcing operators. In particular only taxis can still get the hail and rank work…

The difference has been the approach to regulation in the taxi and hire car industry, and compensation.

Victoria:

All licences to be removed and new accreditation of drivers by the Taxi Services Commission, including Uber. Meters and cameras needed for hail and rank work. Taxis (with meters) can set their own fees.

Compensation of $100 000 for one taxi licence, $50 000 for subsequent licences. Not much if an operator recently bought a licence (or several) for $500 000 each.

For hire car operators who paid up to $60,500 for licences, they will get $25,000 for their first licence, $12,500 for their second, and nothing for every other licence.

Taxi and hire car industry in Victoria is very upset over compensation – threatening legal action

NSW:

Uber allowed to operate with taxi licences continuing.

Government has wound back pretty much all non-safety based regulation of the industry. All pre-booked fares (even in taxis) deregulated.

Taxi companies will be able to set fares lower than the regulated maximum for rank and hail customers.

$20,000 in compensation per taxi licence, with owners of multiple licence receiving a maximum of $40,000.

Complete revamp of commercial passenger industry with driver accreditation but no annual car hire licences (were $8 235 in Metro Sydney, and approximately $3 000 in regional NSW; to include Uber

Compensation to existing taxi and hire car licence holders ($378 million)

Also a $50 million “Fairness Fund’ for those facing hardship

Funded by a $2 per trip levy for all commercial passenger vehicles

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Queensland:

Compensation of $40,000 per operator and a $26.7m hardship fund. Some fees and charges will also be waived for taxi drivers to compensate for the additional competition.

South Australia:

$30 000 compensation per taxi licence

Higher taxi fares and a range of regulatory requirements for taxis eased

Western Australia:

Legislation in Parliament to make ride sourcing lawful

Compensation to taxi owners and restriction removed on the taxi numbers

$800 annual costs for drivers – too high says Uber

There would also be a reduction in costs for licences and regulations placed on taxi operators, saving drivers $12,000 a year.

To compensate taxi drivers, in May the Government announced $20,000 for each Perth metropolitan-owned taxi plate purchased before the Government's December announcement, as part of a $27.5 million compensation package for the taxi industry.

There is a $6 million industry hardship fund and $1.5 million for support for the industry.

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ACT agreement in September last year to allow Uber to operate provided Uber drivers pay a $600 application fee and a $50 annual fee.

The NT – Michael Gunner stated, before the August 2016 election, that his Labor party plans to allow ride sourcing if elected into power.

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Concluding thoughts:

We have seen how Internet-based apps that have extended the sharing economy to new areas has created massive disruption in markets.

This has forced governments to respond – and the responses have been different across states and territories.

For short stay accommodation, regulation has always been pretty light handed – virtually no licensing, for example, and no price or quality controls. It's therefore not surprising that there hasn't been major regulatory change – or calls for compensation.

For the extensively regulated passenger transport industry, however, this has resulted in much, probably overdue, de-regulation – especially of the taxi industry.

Generally when economies evolve due to technology changes, and we can go back to the industrial revolution, the costs are borne by the declining industries and businesses. Many governments, though, have not been able to resist compensating the taxi industry – and have slugged customers to fund much of the compensation.

It is tempting to wonder why the sharing economy has really only worked so far for short stay accommodation and ride sourcing.

Not many other kinds of household assets where there is underutilized capacity and a viable market can exist

- Sharing tools or appliances, or items such as boats, has a time cost associated with locating person to share the desired tool or appliance.
- transactions costs can be high, you may have to physically retrieve the good, there are risk issues associated with the item breaking

  (houses don't break by surprise, unlike a lawnmower or chainsaw – so more perceived risk for customers)
- Not very attractive for the supplier, as the value of payment would not be large – and for customers, in many such cases simpler to pay a little extra to own the item yourself.

- Accommodation and taxi markets were probably ripe for disruption – the range of services is limited and service quality can be poor.

As a final comment:

The legality of the operations does not appear to have deterred participation – and this civil disobedience has been rewarded – with good policy outcomes.

Perhaps there is a case for civil disobedience to secure good economic policy outcomes.

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Any questions?