



City of Richmond

Report to Committee

To: General Purposes Committee **Date:** June 13, 2016

From: Cecilia Achiam **File:**
Director, Administration and Compliance

Re: **Forthcoming Provincial Consultation on New Models of Transportation, Accommodation Services and Other Sharing Economy Applications**

Staff Recommendation

That the comments regarding regulation of new models of transportation, accommodation services and other sharing economy applications identified in the attached staff report, dated June 13, 2016 from the Manager, Economic Development, be endorsed for submission to the B.C. Minister of Community, Sport and Cultural Development.

Cecilia Achiam
Director, Administration and Compliance
(604-276-4122)

Att. 1

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Business Licences Community Bylaws Transportation	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

In April 2016, the City received a letter from the provincial Minister of Community, Sport and Cultural Development (Attachment 1) advising of an upcoming consultation regarding opportunities and challenges related to the new business models of the so-called “sharing economy”. The sharing economy is broadly described as peer-to-peer borrowing or bartering of underutilized assets in exchange for goods, services or money. The parameters of this forthcoming consultation are currently not known except that it will occur over the coming months and will include stakeholders of the sharing economy, including municipalities.

This report provides preliminary information on the regulatory review and consultation process, as well as initial background on the industries currently impacted by these new sharing economy services (i.e., transportation and accommodation).

This report supports Council’s 2014-2018 Term Goal #5 Partnerships and Collaboration:

Continue development and utilization of collaborative approaches and partnerships with intergovernmental and other agencies to help meet the needs of the Richmond community.

This report supports Council’s 2014-2018 Term Goal #8 Supportive Economic Development Environment:

Review, develop and implement plans, policies, programs and practices to increase business and visitor appeal and promote local economic growth and resiliency.

Analysis

Provincial Consultation on the Sharing Economy

Over the past several years, new forms of transportation and accommodation services (e.g., Uber, Lyft, Airbnb) have gained popularity. These unconventional business models, defined as the sharing economy, are disrupting existing markets and causing governments to rethink regulations. Given the growing public interest in utilizing these services, the Province of B.C. is undertaking consultation with stakeholders, including municipalities, to explore how sharing economies may be integrated and the role of local governments in this process.

The consultation will be led by Minister Fassbender of the B.C. Ministry of Community, Sport and Cultural Development. At this time, prior to any meetings with locally elected officials, the Minister is encouraging any written submissions to be sent to him directly at CSCD.Minister@gov.bc.ca (no deadline for comments was identified).

Regulatory Review and Consultation Process

Based on other cities’ experience to date, regulations in place for traditional industries are inadequate to address the ad-hoc nature of sharing economy transactions. Moreover, such

regulations are putting traditional businesses at a disadvantage to their sharing economy competitors. Given the lack of suitable and equitable regulation for either the traditional or the sharing economy businesses, it is imperative that the Provincial regulatory review and consultation process include not only regulators (at all levels of government) but also business stakeholders (both sharing economy and traditional businesses) and end users (the citizens who utilize the services of businesses). A recent regulatory review in Toronto determined that to be effective, regulation for new entrants must also mean relief for existing operators¹. Best practices also suggest that, to maximize potential benefits to end users (of both traditional and new businesses), new regulations should be regional rather than local.

Transportation Services Considerations

Despite the presence of multiple shared mobility application, Uber has emerged as the lead challenger of existing regulations due to their disruptive effect on the heavily regulated taxi industry. Services such as Uber are difficult to define due to their unique business model. Often described as ride-sharing by Uber customers, they are also termed by regulators as on-demand for profit car services that connect passengers with private drivers via technology such as a smartphone software application with payment made online, the latter definition delineating Uber from traditional taxi services.

The B.C. Government regulates the commercial passenger transportation industry to ensure passenger safety and protect consumers. Under the current legislation, any vehicle operated by a person who charges or collects compensation for transporting passengers must be licenced under the Provincial *Passenger Transportation Act*. It should be noted that this regulation was developed and last updated prior to Uber's entry into the marketplace and was developed to regulate traditional businesses, such as the taxi industry. Limousine, taxi and other passenger directed services, including those dispatched through an app such as Uber or Lyft, must be approved by the Passenger Transportation Board. The rates charged by taxis, limousines and other small passenger directed vehicles are set or approved by the British Columbia Passenger Transportation Board. In addition, commercial passenger transportation operators must have a National Safety Code certificate and a commercial driver's license, undergo commercial vehicle inspections every six months, and have ICBC vehicle insurance that meets the requirements for commercial vehicles.

Local governments must also approve commercial passenger transportation operators that are to be based within the municipality and may impose additional requirements. The City's *Business Licence Bylaw No. 7360* limits the number of Class A² and Class N³ vehicles licensed by the City to operate as taxicabs. Bylaw No. 7360 also requires that all drivers have a chauffeur's permit issued by Richmond RCMP. *Vehicle for Hire Regulation Bylaw No. 6900* specifies further requirements regarding vehicle identification, taximeter operation and testing, and fares.

¹ MaRS Solutions Lab, Sharing Economy Public Digest Report (March 2016)

² A vehicle having not less than 4 doors and a seating capacity of not less than 4 and not more than 6 passengers.

³ A taxicab of a type and design which is used primarily for transporting a person with disabilities, and which is equipped with a hydraulic lift or ramp, or other equipment for loading or unloading persons who use wheelchairs for mobility.

The Toronto experience suggests that, from a user perspective, the current legislative environment at both the provincial and local levels is insufficient to address the unique circumstances of Uber drivers and the needs of traditional taxi drivers in the presence of Uber drivers. In both the existing and new models, the majority of risk and opportunity costs reside with the driver, yet the regulatory requirements and conditions for taxi and Uber drivers are very different. Taxi drivers are generally full-time drivers who must invest significant amounts of time and money to meet all regulatory requirements necessary to enter and operate in the marketplace. Uber drivers are generally occasional drivers who face substantially lower barriers to market entry (mostly through requirements imposed by Uber). Due to the ad-hoc, part-time nature of work for Uber drivers, imposing the same regulatory requirements as those on taxi drivers is impractical. Meanwhile, allowing Uber drivers to self-regulate through the Uber corporation does not only disenfranchise taxi drivers but may also expose the public to safety risks.

Vancouver is the largest city in North America without Uber and the company has been actively campaigning to be allowed to legally operate in B.C. Media reports have quoted Minister Fassbender as stating that the goal of his consultation is to establish a “made in B.C. solution” that respects the existing traditional taxi industry, examines the Province’s overall taxi licensing system, and explores the insurance and safety impacts of allowing Uber and other on-demand car services into the economy. A regulatory review of existing provincial and local regulations and the crafting of new regulation, equitable to both existing industry and new entrants, will be necessary to accomplish this goal.

Accommodation Services Considerations

Short-term rental facilitators such as Airbnb, VRBO (Vacation Rentals by Owner) and HomeAway are another application of the sharing economy, which is changing the traditional accommodation sector globally. The exponential growth in short-term rentals attests to their popularity both in Metro Vancouver and around the world. In April 2016, there were approximately 400 Airbnb listings in Richmond, with over 2 million Airbnb listings worldwide.

From a regulatory perspective, the presence of short-term rentals is a much more complex matter at the municipal than the provincial level. While both the B.C. Government and local governments regulate the accommodations sector, short-term rentals have additional regulatory implications at the local level that include zoning, housing availability and affordability and citizen acceptance aspects. As such, regulating short-term rentals at the local level would require a much more in-depth and broader regulatory analysis and review. A complicating factor is also the fact that short-term rentals are already operating at the local level and enforcement of existing regulations is largely ineffective.

In Richmond, in accordance with *Zoning Bylaw 8500*, the commercial accommodation of guests (i.e., bed and breakfasts) is permitted for periods of 30 days or less in single detached houses. There are currently 12 licenced Bed and breakfasts (B&Bs) operating in Richmond and four pending applications under review.

Richmond B&B operators must obtain a business licence, must reside in the house and can host a maximum of two guests each in three bedrooms. B&Bs are also subject to *Business Regulation*

Bylaw No. 7538. These regulations include that the operator must prepare a fire evacuation plan and permit the City's Licence Inspector to inspect the guest register to determine compliance with the applicable zoning bylaw restrictions on the number of guests permitted.

The majority of Airbnb listings in Richmond are condominiums and many are secondary (investment) suites and not primary residences, in accordance with the bed and breakfast requirements. Community Bylaws received 26 complaints related to suspected Airbnb operations in 2015. In most of these cases, the properties would not fit the criteria for a bed and breakfast and they are required to cease operating. These files are complaint driven and require more evidence than just the listing itself to prove the violation.

Some cities have opted to ban short-term rentals, initially San Francisco and more recently Berlin, while others, such as Edmonton and Amsterdam, have elected to regulate short-term rentals. These cities' experiences suggest that there is no one-size-fits-all solution. Generally, no deregulation of the traditional accommodation sector has accompanied short-term rental regulations. As a result, the hotel sector is beginning to view Airbnb and other short-term rentals facilitators as a competitive threat and, by extension, governments as over-regulating and over-taxing the accommodations sector.

Richmond is a recipient of the Municipal and Regional District Tax (MRDT) – a two per cent tax on the price of hotel rooms in Richmond. The tax is collected by local hotels, remitted to the Province and paid out to the City for local destination development and marketing. Since 2015, short-term rentals management companies (commercial entities with a number of units listed on Airbnb, VRBO and others) began remitting the two per cent MRDT through their Airbnb platform, yet, from a municipal perspective, they are operating in conflict with City bylaws.

Observations

Sharing economy transactions shift the value of ownership to that of access, where assets of all kinds can be made available on a short-term basis. On one hand, these new business models offer customers greater choice and provide users with means of reducing asset ownership costs and supplementing income. On the other hand, the government's role is to ensure regulations provide a safe and positive consumer experience while maximizing the opportunity for users.

On-demand car services can augment taxi services and support the goals of the Mobility & Access section of the *Official Community Plan* to reduce private vehicle trips. Short-term rentals provide an alternate tourist accommodation experience and may attract a wider range of visitors to a city and allow homeowners to earn income from their assets. A proactive and consultative approach to developing a framework for regulating the sharing economy (while easing requirements for incumbents) can maximize the potential opportunity from these new business models and addresses the City's economic development goals.

The sharing economy is constantly evolving, with new businesses starting up and disrupting existing sectors. Therefore, any regulatory review associated with the sharing economy should establish a multi-jurisdictional framework for assessing opportunities, challenges and associated regulations of both traditional and sharing economy businesses across the economic spectrum.

Comments

Based on the above observations and a preliminary scan of best practices, it is suggested that the following comments regarding regulation of new models of transportation, accommodation services and other sharing economy applications, be submitted to the B.C. Minister of Community, Sport and Cultural Development:

1. Integrate public safety as top priority
2. Enable greater choices to consumers
3. Incorporate meaningful feedback from the public and relevant stakeholders, including local and regional regulators, sharing economy companies and sharing economy end users
4. Develop fair regulations to encourage healthy competition among existing players and new entrants
5. Ensure no download of responsibilities to local governments through regulatory and enforcement processes

Financial Impact

None.

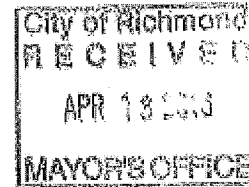
Conclusion

The Province of B.C. has advised the City that consultation with stakeholders, including municipalities, will be forthcoming to discuss issues, opportunities and challenges related to the new business models of the sharing economy. Staff will provide further updates as information becomes available regarding the forthcoming consultations with local municipalities.



Neonila Lilova
Manager, Economic Development
(604-247-4934)

Att. 1: Letter from B.C. Minister of Community, Sport and Cultural Development



April 8, 2016

Ref: 156815

His Worship Mayor Malcolm Brodie
City of Richmond
6911 No. 3 Rd
Richmond, BC V6Y 2C1

Dear Mayor Brodie:

The Province of British Columbia knows that British Columbians have expressed an interest in seeing greater choice, convenience and competition in the availability and provision of transportation and accommodation services. Companies such as Uber, Lyft and Airbnb may present opportunities to meet changing public expectations.

In considering the opportunities that these services may provide, it is important that the Province understands any impacts that could result for consumers, host communities and existing service providers. The many people currently providing passenger and accommodation services in British Columbia have made investments, providing jobs and valuable contributions to the economy. Thought must be given as to how any new services are regulated, recognizing the need to be respectful of existing industry participants while at the same time being fair and equitable to any possible new entrants to these sectors.

To this end, over the coming months, I will be meeting with a wide array of stakeholders to explore issues pertaining to the sharing economy and develop a better understanding of the opportunities and challenges that they provide for citizens and communities.

Locally elected officials from both urban and rural regions will have important perspectives on the issues and opportunities surrounding the sharing economy, and I am eager to draw these out as part of the consultation process. It is my hope that I will be able to engage with as many local governments as possible in person over the coming months. Regardless of whether we are able to undertake this discussion in person, I would also value the opportunity to review your thoughts on this matter via any written submission you may care to provide to me, and I encourage you to consider sending your thoughts to me directly by email at: CSCD.Minister@gov.bc.ca.

Your perspectives could include ideas on how sharing and existing service economies could be integrated, on perceived challenges and opportunities, and on provincial and local government roles in regulating and facilitating any changes we might contemplate.

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Ministry of Community,
Sport and Cultural Development and
Minister Responsible for TransLink

Office of the Minister

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www.gov.bc.ca/cscd

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I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Fassbender', with a stylized flourish at the end.

Peter Fassbender
Minister