7-1-2016

Driving Decision-Making: An Analysis of Policy Diffusion and Its Role in the Development and Implementation of Ridesharing Regulations in Four Canadian Municipalities

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MPA Research Report

Submitted to

The Local Government Program

Department of Political Science

The University of Western Ontario

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July 2016

Executive Summary

The sharing economy has used technology to transform how the marketplace for many common services now operate. Ridesharing services in many jurisdictions throughout the world compete with the highly regulated taxicab industry and governments have been compelled by various interest groups, to intervene to tackle the regulatory uncertainty that has resulted from the entry of this new type of service. The challenge for policymakers is to find a regulatory framework that balances the benefits of innovation and transportation choice with the potential impact on the taxicab industry and passengers of this unregulated business.

This research paper is designed to present the reader with an understanding of the literature on policy diffusion and apply the concepts learned, to explain the proliferation of ridesharing regulations in Canada. The paper chronicles the process of crafting ridesharing regulations in four large Canadian municipalities (Edmonton, Calgary, Ottawa and Toronto) and documents the similarity in the regulatory frameworks adopted by these municipalities to the regulatory framework in other North American jurisdictions where transportation network companies are regulated.

The research shows that through the learning process regulators formulate the policy framework for ridesharing regulations based on a number of considerations. Municipal regulators consider among other things, the success or failure of the policy in other jurisdictions, their own ideological preferences, the political consequences of the adoption of a particular policy as well as the capacity of the regulatory authority to adopt the policy. The result is that the regulatory framework adopted, not only reflects the learning obtained from other jurisdictions but also that regulators will tailor the adopted regulations to meet their own local needs.

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1.0 Introduction

When governments are faced with the decision as to how to change policies or implement new policies, they often rely on the experiences of other governments to help inform their decision-making. Exploring how public policies diffuse among other governments is not new and has been studied for many years. Policy diffusion has been defined as one government's policy choices being influenced by the choices of other governments.[1] An area where policy diffusion is increasingly apparent is in the regulations governing ridesharing in North America. Ridesharing is a ride matching system that formally or informally links riders to drivers between the same places at the same times through the use of technology.[2] This system relies on a mobile app and allows individuals to use their personal vehicles to pick up passengers. It is a phenomenon that, within the last half decade, has presented unique challenges for local, provincial and state governments in North America. Most of these challenges focus on the inability of governmental authorities to respond in a timely manner to this dramatic change in the urban transportation marketplace as well as the need to strike a balance between encouraging innovation, competition and providing affordable transportation options for the travelling public, while ensuring consumer protection and public safety.

Ridesharing companies that rely on the use of apps to connect riders to vehicles-for-hire have created regulatory problems for many municipalities across North America and the world. The battles around the regulatory framework that should govern ridesharing services have been very public. The taxi lobby has been active in getting their members to make public appeals to elected officials to intervene with regulations that protect the taxicab industry or to enact outright bans on the

[1] Shipan, C. R., & Volden, C. (2012). Policy diffusion: Seven lessons for scholars and practitioners. *Public Administration Review*, *72*(6), 788-796.
[2] Schneider, A. (2015). Uber Takes the Passing Lane: Disruptive Competition and Taxi-Livery Service Regulations. *Elements: Boston College Undergraduate Research Journal*, *11*(2).

operation of ridesharing services within their jurisdictions. Taxi drivers in a number of municipalities in Canada have staged protests and sit-ins in council chambers hoping to persuade not only their elected officials but also the public to see the value of protecting the taxicab industry from what they perceive to be the predatory behaviour of these new entrants. Elected officials who are also policymakers also struggle with the political consequences of taking sides in this debate, as they understand that embracing one side or the other could spell the end of their political careers. They also understand that in this technology age, restricting innovative modes of transportation will send the signal that they are not allowing for market transformation that would encourage efficiency and increased transportation options for the public.

It is against this backdrop that the cities of Edmonton, Calgary, Ottawa and Toronto have taken the lead among Canadian municipalities to regulate ridesharing in their respective jurisdictions. The timing of the enactment of these regulations and the regulatory framework adopted by these four municipalities suggest that policy diffusion has influenced the decision-making with respect to the enactment of these regulations. The focus of this research paper is to look at the relationship between policy diffusion and the proliferation of ridesharing regulations in Canada. Specifically, the research question deals with determining whether or not the by-laws recently passed by the municipal governments in the cities of Edmonton, Calgary, Toronto and Ottawa, designed to regulate ridesharing in their jurisdictions, are examples of policy diffusion. The research paper is structured as follows: firstly, it will provide an overview of ridesharing and the rise of the ridesharing company Uber as the largest player in this innovative business model. The paper will also discuss the impact of ridesharing operations on the taxicab industry. Secondly, as there is a large body of research on policy diffusion, the paper will explain the mechanisms of policy diffusion and discuss some of the debates in the literature on policy diffusion. Thirdly, there will be a discussion on how these four

municipalities in Canada crafted regulations to deal with the ridesharing services operating in their jurisdictions and an assessment of how policy diffusion was a driver in the decision-making by these local policymakers. Finally, the research paper will show that the regulations that are currently in place for these Canadian municipalities not only reflect key ideas and philosophies learned from municipalities in the United States but also reflect what Canadian municipalities have also learned from the regulatory frameworks implemented by each other.

1.1 The Sharing Economy

According to Andrew Bond, the sharing economy, although difficult to define, is a microeconomic system built around the utilization of unused human and physical resources.[3] In the sharing economy people are connected to these unused resources through the use of technology. Bond provides an example of the type of activities that takes place in the sharing economy when he describes the sharing economy as one where, for example, an employee of Walmart, while off-duty, utilizes the private vehicle that she uses to commute to and from work, to take passengers to and from destinations in her hometown working as an Uber driver.[4] Another example is where an individual can utilize the accommodation service, Airbnb, to rent out his Toronto condo while away for short periods of time.

There are a number of companies currently operating in the ridesharing market. These providers of ridesharing services include Uber, Lyft, Hailo and Sidecar. In December 2015, Bloomberg estimated Uber's value at approximately $62 billion which is larger than Ford, General Motors and

[3] Bond, A. T. (2015). An app for that: Local governments and the rise of the sharing economy. *Notre Dame Law Review*, *90*(2).
[4] ibid

Honda.[5] Lyft, its nearest competitor, was valued by Bloomberg in 2016 at $5.5 billion.[6] Since the launch of Uber in 2010 and as of May 2016, Uber is available in over 66 countries and 449 cities worldwide.[7] It is because of its sheer size and reach that the taxi industry and the regulatory authorities in large urban centres across North America are moved to assess and make policy determinations about the impact of its operations within these cities. This paper will focus exclusively on Uber as it is by far the largest and most successful of these ridesharing companies.[8]

Uber, a San Francisco-based company, was launched in 2010 by Travis Kalanick as a way to tackle the poor service that commuters faced using San Francisco taxicabs. The company offers a range of ridesharing services that includes UberX, UberTaxi, UberXL and UberSUV. UberX which was launched in 2012, is the largest of the services offered by Uber in North America. The service allows drivers who are not otherwise holders of licenses for taxicabs or limousines to operate ridesharing services using their private cars.

By accessing the Uber mobile application on their smart phones, private car owners can use their vehicles for transporting passengers. Uber works by charging customers for the fare and upon completion of the ride, the customer's credit or debit card is billed. There is no exchange of cash between the driver and the passenger and there is no tipping. Both the customer and the Uber driver using the Uber app can provide feedback in real time on the ride experience. This feedback is used by Uber as part of the evaluation process for continuing to have a particular Uber driver as part of their team of drivers.

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[5] http://www.bloomberg.com/news/articles/2015-12-03/uber-raises-funding-at-62-5-valuation
[6] http://www.bloomberg.com/news/articles/2016-01-04/gm-invests-500-million-in-lyft-to-bolster-alliance-against-uber
[7] http://Uber.com
[8] http://www.wsj.com/articles/icahn-takes-100-million-stake-in-lyft-1431698445

There are two very unique features of the Uber ride experience. The first is that both parties (driver and passenger) know how the cost of the ride will be calculated as it is based on time, distance and demand (Uber's dynamic pricing model).[9] The dynamic pricing model is described as a "pricing strategy in which businesses set flexible prices for products or services based on current market demands. Businesses are able to change prices based on algorithms that take into account competitor pricing, supply and demand, and other external factors in the market."[10] The second unique feature is that Uber riders, using the app, are able to track and locate the driver and can determine the exact pick-up location, even if the rider is in a busy urban environment.[11]

1.2 The Regulatory Paradigm

Across North America, municipalities, provinces and states have chosen to adopt various regulatory models to address the issues associated with ridesharing operations within their jurisdictions. Over the few short years of the existence of ridesharing, three models have emerged among municipal, provincial and state governments for the regulation of ridesharing.[12] The first model requires the company to observe the same licensing, insurance and regulatory requirements as other for-hire vehicles. Also, in this model, regulators will typically ban or declare illegal, ridesharing operations that are unable to comply with the regulatory requirements of the jurisdiction. The second model sees the creation of a new class of licensees called "transportation network

[9] Schneider, A. (2015). Uber Takes the Passing Lane: Disruptive Competition and Taxi-Livery Service Regulations. *Elements: Boston College Undergraduate Research Journal*, *11*(2).
[10] https://en.wikipedia.org/wiki/Dynamic_pricing
[11] ibid
[12] http://files.ctctcdn.com/96235a6b201/5e962a41-27c3-49c8-935d-d221b715f191.pdf

companies" (TNCs) with a separate regulatory framework for taxicabs. The third model is where municipalities have just allowed Uber to operate without regulatory oversight.[13]

New York City is an example where the first model for regulating ridesharing companies is most apparent. In New York City (NYC), the taxi industry is regulated by the New York City Taxi and Limousine Commission (TLC). The TLC licenses and regulates various types of vehicles, which include not only medallion/yellow taxicabs, but also for-hire vehicles (FHVs) and boro taxis.[14] FHVs consists of liveries also known as car services or community cars and provide for-hire vehicle services to the public through pre-arrangement. They also include black cars which generally serve corporate clients on a prearranged basis and luxury limousines are also prearranged. Boro taxis were created as a new class of license in 2012 to provide yellow cab service to the boroughs. They are a hybrid service, providing both street-hail and prearranged for-hire vehicle services.[15] The TLC also regulates paratransit which provides transportation for healthcare facilities and commuter vans for passengers along fixed routes.

The TLC requires ridesharing companies to either become a TLC-licensed base to dispatch vehicles or work with an existing TLC-base to dispatch that base's affiliated vehicles. A licensed base is a TLC-licensed business that provides dispatch services for a particular type of TLC-licensed vehicle. This requirement means that passengers are allowed to arrange a service with FHVs through an app and the fare that is paid is done through the app as is the case with ridesharing services. With respect to surge pricing, the TLC requires the company to ensure that the surge pricing is made known to the passenger at the start of the trip. It is also a TLC requirement that a FHV has to have a privacy and

[13] http://files.ctctcdn.com/96235a6b201/5e962a41-27c3-49c8-935d-d221b715f191.pdf
[14] N.Y.C., N.Y., ch. 52, §52-01 (2014)
[15] http://www.nyc.gov/html/tlc/downloads/pdf/2014_taxicab_fact_book.pdf

security policy in place.[16] Both yellow taxis and FHVs are required to have insurance liability coverage in the amount of $100,000 per person, $300,000 per occurrence and $200,000 in personal injury protection. In addition, the TLC requires FHV drivers to undergo the same vigorous background checks and accessibility as yellow taxis.

As a result of the TLC requiring ridesharing companies like Uber to fit in with the existing regulations and to comply with the rules governing for-hire vehicle companies, the result has been the creation of a more level playing field for all players in the industry and the potential to foster a more competitive regulatory environment.

The second regulatory model in effect in the United States occurs where a special class of license has been created to regulate ridesharing companies as "transportation network companies" (TNCs) with special laws governing their operations. Some of these jurisdictions include Illinois, Nevada, Massachusetts and Washington D.C. Uber has lobbied policymakers across North America to adopt the regulatory framework associated with this classification as the assumption is that it is intended to distinguish their operations from taxis and promotes the concept that Uber is a technology company whose main business is to connect people with rides.

In October 2014, the Washington D.C. Council passed legislation legalizing ridesharing services in that jurisdiction.[17] The regulations in Washington D.C. were modeled off the concept that ridesharing services should be regulated as a separate licence class. In Washington D.C., the impetus for moving quickly to design a regulatory framework to regulate ridesharing was the concerns by policymakers about public safety especially because policymakers were dissatisfied with Uber's

[16] http://www.nyc.gov/html/tlc/downloads/pdf/2016_tlc_factbook.pdf
[17] http://economics21.org/html/dc-leads-way-new-ridesharing-bill-1131.html

assurances regarding the background checks of their drivers as well as with the adequacy of the insurance coverage for these drivers.[18]

Some of the requirements of The Vehicle-for-Hire Innovation Amendment Act ("VIAA") are as follows:

- a new class of licence called "private vehicle-for-hire" was created
- drivers required to undergo a criminal background and sex offender database check on the federal, state and local level
- vehicles are required to undergo a yearly inspection
- ridesharing companies must register with the D.C. Taxi Commission
- minimum insurance requirement which is higher than that for taxicabs
- fares are not regulated but surge pricing is prohibited during states of emergency

This legislation although not imposing the same regulations for taxicabs on the ridesharing service did apply some of the same regulatory features that were common to the taxicab industry such as background checks, minimum insurance requirements and vehicle inspections. Uber has praised this legislation as the best regulatory framework for ridesharing services and has urged other municipalities to adopt this model. Taxi drivers have however, criticized the legislation as being unfair to them and favourable to Uber.[19]

Since the passage of these regulations, a number of other North American jurisdictions as well as the four Canadian municipalities studied in this research paper have enacted regulations that

[18] https://www.washingtonpost.com/local/trafficandcommuting/new-regulations-for-uber-and-lyft-open-the-door-for-expansion/2015/02/21/8445149a-b83e-11e4-a200-c008a01a6692_story.html

[19] See Debra Alfarone, DC Council Passes Bill to Clear Way for Uber, Lyft, WUSA9 (October 28, 2014, 6:20PM), http://www.wusa9.com/story/news/2014/10/28/dc-taxi-drivers-protest-uber-vote/18044889/

are similar to the Washington D.C. or TNC model.[20] The similarities between the TNC model and the models adopted by the four Canadian municipalities will be discussed later in this paper.

In a number of jurisdictions in North America Uber is allowed to operate unfettered and without regulatory oversight because the current regulatory framework which governs the operation of taxicabs have not yet caught up with the Uber business model. Nevertheless, many large cities like Philadelphia, after allowing ridesharing companies to operate illegally for a number of years have now made the decision to pass regulations and/or reach agreements with these companies to regulate their activities.[21]

1.3 Impact of ridesharing operations on the taxicab industry

One of the major concerns expressed by opponents of ridesharing is that if these businesses are allowed to operate without regulations that are similar to those that govern taxicabs, these services would flood the marketplace and this would result in an excess of transportation options which would not only depress wages but also reduce the value of the licenses that have been issued to these taxicab operators. Over the years, the taxicab industry has thrived in an environment where there was the lack of competition from other players. Municipalities place caps on the number of licenses that they issue in order to protect the taxi industry from oversupply and, until Uber's entry, medallion or license values have been steadily increasing. In the jurisdictions where ridesharing

[20] http://documents.ottawa.ca/sites/documents.ottawa.ca/files/documents/case_studies_en.pdf
[21] http://www.bizjournals.com/philadelphia/news/2016/05/04/harrisburg-bill-uber-rideshare-committee-phily-tax.html and http://siouxcityjournal.com/business/uber-gets-ok-to-operate-in-philadelphia-during-convention/article_18fe71f2-350e-5351-b8ce-5b4e3b4cde8b.html

services have been regulated, such as NYC and Washington D.C., there have been obvious impacts on medallion prices as well as in the number of trips that taxicab services now provide.

In the Taxi and Limousine Regulations and Service Review- Case Studies document prepared for the City of Ottawa by KPMG LLP, there is an assessment of the impact of ridesharing operations on the existing taxicab industry in NYC. One documented impact of the introduction of regulated ridesharing in the NYC taxicab industry has been the reduction in the value of yellow taxi medallions. In the summer of 2014, the average price of a NYC taxi medallion was $1 million.[22] Taxi medallion values are investment opportunities for a large segment of the taxi industry and typically, because of the limit on the number of medallions issued by the regulatory authority these medallion prices appreciate in value. However, in NYC, taxi medallion values are now falling and some are attributing this fall in the price to the entry of ridesharing companies in the taxi marketplace.[23] Now the average price of a NYC taxi medallion in 2015 is now $690,000 down significantly from its value in just one year.[24]

Another observation of the impact of ridesharing on the taxi marketplace has been a concern that these companies might be taking rides away from the taxicab business. Some studies suggest that this might be the case, while other studies cannot find a correlation between Uber's entry into the marketplace and the reduction in the number of rides by taxi drivers. One study of the NYC data suggests that there is a correlation between Uber's growth and a reduction in the demand for taxis.[25]

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[22]Uber, T. Substitutes or Complements?(2015). *Retrieved from Economist. com: http://www. economist. com/blogs/graphicdetail/2015/08/taxis-v-uber*.

[23] http://www.nytimes.com/2014/11/28/upshot/under-pressure-from-uber-taxi-medallion-prices-are-plummeting.html?abt=0002&abg=0

[24] Ibid.

[25] Wallsten, S. (2015). The competitive effects of the sharing economy: how is Uber changing taxis?. *Technology Policy Institute*.

However, the study did also show that those in the taxi industry are adapting to the introduction of Uber by offering similar app services as Uber as well as taking other steps such as improving the quality of the ride experience in order to compete with Uber. This could ultimately have the effect of levelling off the decline in taxi ridership.

The Business Insider's study found that in NYC although there has been a significant increase in the number of trips that Uber drivers are making, there is no conclusive evidence that this increase in trips and customers is coming at the expense of yellow taxis.[26] The study suggests that commuters are still taking taxis in large numbers and are also accessing other modes of transportation, for example, subway rides in increased numbers as well.

The Economist reports that although Uber has expanded tenfold over the past 2 years (2013 -2015) whereby there were 300,000 rides in June 2013 compared to 3.5 million rides in June 2015, yellow cab rides have fallen by 2.1 million during the same period. The data also shows that more passengers take Uber rides in the middle of the night as opposed to taxi cabs. Taxi rides between 11pm and 5am have fallen 22% since June 2013, whereas trips at all other times are only off by 12%.[27] During the period April 2012 to April 2015, the TLC reported a decline of 15.5% in the average number of taxi trips which they attribute partially to the growth of ridesharing in the city.[28]

Another issue of concern for policymakers and those in the taxicab industry is the apprehension that regularizing and legitimizing ridesharing would negatively impact the incomes of taxicab drivers. As has previously been stated the taxicab industry is highly regulated and has been for a long time, primarily because it is one of the few industries that is susceptible to oversupply

[26] http://www.businessinsider.com/taxis-beating-uber-and-lyft-in-new-york-city-2016-7
[27] Ibid.
[28] Harshberger, R. (2015, July 10). "Yellow cab trips declining in NYC, according to TLC data." AM New York. http://www.amny.com/transit/nyc-yellow-cab-trips-on-the-decline-uber-to-blame-1.10627001

especially in an economic recession which has the effect of driving down wages. Capping the number of taxi licences that are issued is one of the ways that regulators ensure that those engaged in the industry can make a liveable wage. Wages for taxicab drivers in New York City have been estimated to be approximately $30,000 per year and Uber has said that its drivers in New York actually earn a median income of $90,000 a year.[29] This number has been challenged by a number of researchers on this issue and Uber has actually been unable to accurately verify this number.[30]

However, the statistics noted above show that the trend towards a decline in taxi ridership continues and the entry of ridesharing is contributing to this decline. If this trend continues, there will be negative impacts on the wages of taxi drivers unless there are changes to the operating model of the taxi industry to make them competitive with these ridesharing services. The marketplace transformation that is taking place also has political consequences. Recently in NYC, Mayor Bill DeBlasio proposed capping the number of Uber vehicles in the city to deal ostensibly with traffic congestion. This mayor has never been supportive of Uber's operation and Uber through intense lobbying as well as an aggressive public relations campaign pushed back against the proposal. The resulting uproar from the public caused the mayor and his supporters on city council to back away from the proposal.[31] Uber is increasingly becoming more influential in the political realm and policymakers will have to be very mindful of this fact.

[29] https://www.washingtonpost.com/news/innovations/wp/2014/05/27/ubers-remarkable-growth-could-end-the-era-of-poorly-paid-cab-drivers/
[30] http://www.huffingtonpost.ca/2016/02/09/uber-driver-earn-4-60-per-hour_n_9194868.html
[31] http://observer.com/2016/01/bill-de-blasios-quest-to-cap-uber-ends-with-a-whimper/

2.0 Policy diffusion

2.1 Definition and concepts

In order to understand the relationship between policy diffusion and the enactment of ridesharing regulations in the four Canadian municipalities, it is important to explore the concepts and learnings from the policy diffusion literature and then apply those concepts to the study of the diffusion of ridesharing regulations in these four municipalities. There are several authors and researchers in this area. Some of the more prolific authors in this area are Charles Shipan, Volden, Gilardi, Maggetti and Nicholson-Crotty. In discussing the literature on policy diffusion, this paper will focus on the writings from these authors as some of the key findings from their research will be used to explain the diffusion of ridesharing regulations in the Canadian municipalities.

Fabrizio Gilardi defines policy diffusion as a process in which policy choices are interdependent, that is, a choice made by one decision-maker influences the choices made by other decision-makers, and is in turn influenced by them.[32] Simply put, policy diffusion occurs where one government's policy choices are influenced by the choices of other governments.[33] The decision to adopt a policy in one jurisdiction is usually shaped by the success or failure of that policy in another jurisdiction.[34] For policy diffusion to exist there has to be some degree of interdependency because governments rely on their interconnectedness to aid in the development of policy prescriptions. As municipal, provincial and state governments in North America have similar governance and administrative structures as well as social and economic interactions this has contributed to their

[32] Gilardi supra
[33] Shipan, C. R., & Volden, C. (2012). Policy diffusion: Seven lessons for scholars and practitioners. *Public Administration Review*, *72*(6), 788-796.
[34] Maggetti, M., & Gilardi, F. (2013, April). How Policies Spread: A Meta-Analysis of Diffusion Mechanisms. In *ISA 54th annual convention, San Francisco*.

interdependency. Globalization has also facilitated this interdependency because of the free movement of goods, services, culture and ideas amongst governments. The concept that policy diffusion is a product of interdependence is important to understand why the Canadian municipalities identified in this paper have adopted the particular regulatory framework discussed in this paper.[35]

Some theorists of policy diffusion assert that learning, emulation or imitation, competition and coercion are the mechanisms that drive the spread of policies across different regions, countries and sectors.[36] For policies to be spread by the learning process, a government has to be influenced by the policies of another government. If the policy has been perceived as successful in one government, it is more likely that it will be adopted by another government. In the learning environment, policymakers determine success from three dimensions: a) the goals that the policy have been defined to achieve, b) the challenges of implementation and c) its political support.[37] Learning from successful policies seems to be more evident when multiple governments try the policy and also when the policy seems to affect larger segments of the society.[38] Also, in learning the policymaker is focused on the policy itself and how it was adopted, whether it was effective and what were the political consequences.[39]

Emulation or imitation occurs where policies are adopted whether they are successful or not. This involves copying the policies of another government regardless of the consequences and the lessons learned. In other words, the adoption of the policy is not related to the objective

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[35] ibid

[36] Braun, D., Gilardi, F., Füglister, K., & Luyet, S. (2007). Ex pluribus unum: Integrating the different strands of policy diffusion theory. In *Transfer, Diffusion und Konvergenz von Politiken* (pp. 39-55). VS Verlag für Sozialwissenschaften.

[37] Maggetti, M., & Gilardi, F. (2016). Problems (and solutions) in the measurement of policy diffusion mechanisms. *Journal of Public Policy*,*36*(01), 87-107.

[38] Shipan, C. R., & Volden, C. (2008). The mechanisms of policy diffusion. *American journal of political science*, *52*(4), 840-857.

[39] ibid.

consequence of the policy.[40] In emulation some policies will be adopted while other policies that are beneficial might be rejected simply because the policymaker is concerned only with what did this government do and how can we do the same.[41] There are instances, however, where policies will be adopted because it simply responds to an issue that a government is dealing with.[42] Shipan and Volden in their emulation hypothesis conclude that the likelihood of a city adopting a policy increases when its nearest bigger neighbour adopts the same policy.[43]

Policies also diffuse through competition when there is a need for governments to attract or retain resources. This is usually the case with tax policies. Most policies related to competition usually take place in the context of governments needing to be attractive to investments and policymakers consider the economic effect of the adoption of a policy before agreeing to its implementation. In that context, if there are negative economic effects of a particular policy, then the government is less likely to adopt that policy. However, if there are positive economic effects then the policy will in all likelihood be adopted.[44]

A fourth mechanism of policy diffusion is coercion. This tool of policy diffusion usually occurs at the national and international level and is most evident where one government coerces another government to adopt a policy through trade practices, economic sanctions or through international institutions such as the International Monetary Fund (IMF) or the United Nations.[45]

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[40] supra.
[41] supra
[42] [42] Maggetti, M., & Gilardi, F. (2016). Problems (and solutions) in the measurement of policy diffusion mechanisms. *Journal of Public Policy*,*36*(01), 87-107.
[43] supra.
[44] Shipan, C. R., & Volden, C. (2008). The mechanisms of policy diffusion. *American journal of political science*, *52*(4), 840-857.
[45] ibid.

Rogers identifies five main attributes of policy innovations that help determine the rates at which those policies are adopted by other governments.[46] These attributes are relative advantage, compatibility, complexity, observability and triability.[47] Rogers gave definitions to each of these attributes. Relative advantage has been defined by Rogers as "the degree to which an innovation is perceived as being better than the idea it supersedes....[it is] a ration of expected benefits and costs of adoption". Compatibility is the degree to which an innovation is perceived as consistent with the existing values, past experiences, and needs of potential adopters." Complexity is "the degree to which an innovation is perceived as relatively difficult to understand and use." Observability is "the degree to which results of an innovation are visible to others" and triability is "the degree to which an innovation may be experimented with on a limited basis."[48]

The studies on the role that the characteristics of policies play in determining the speed at which those policies diffuse and the mechanisms through which this diffusion occurs has determined that the attributes of policy innovations do affect their likelihood of adoption and the nature of their diffusion.[49] The studies looked at 27 major criminal justice policies in the United States over a 30-year period in the context of the major attributes outlined above. The study found that all these factors affected the likelihood of policy adoption.[50] Policies that have high relative advantages, high compatibility, low complexity, high observability and high triability spread across states at a greater rate and the converse was true.[51]

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[46] Rogers, E. M. (2010). *Diffusion of innovations*. Simon and Schuster.
[47] Makse, T., & Volden, C. (2011). The role of policy attributes in the diffusion of innovations. *The Journal of Politics*, *73*(01), 108-124.
[48] ibid.
[49] Makse, T., & Volden, C. (2011). The role of policy attributes in the diffusion of innovations. *The Journal of Politics*, *73*(01), 108-124.
[50] Ibid.
[51] Ibid.

2.2 Key concepts arising from the literature on policy diffusion

Charles Shipan and Craig Volden in their article entitled "Policy Diffusion: Seven Lessons for Scholars and Practitioners" which was published in 2012, summarizes some of the key findings from the extensive literature on policy diffusion. It is useful to look at some of the recent discussions on this issue for the purposes of applying some of the key lessons learned, to the policy diffusion that has occurred with respect to ridesharing regulations enacted in these four Canadian municipalities.

The first key lesson that the authors identify is that policy diffusion is not merely the geographic clustering of similar policies. In other words, neighbour governments adopt the policies of other neighbouring governments. This classic view of policy diffusion was first conceived by JL Walker in 1969.[52] Important research since those first observations have now expanded this concept to show that policy diffusion is much more than that. With the expansion of communication and travel, it is evident that the adoption of certain policy choices is not just limited to neighbouring jurisdictions.

The challenge of dealing with a new entrant into the taxi market has motivated municipal regulators to find regulations in other jurisdictions that they can adopt. It is evident that policy diffusion impacted the two largest cities in the provinces of Alberta and Ontario. Calgary and Edmonton were the first two to enact, within a few months of each other, similar ridesharing regulations. The fact that they are the two largest municipalities in the province also speaks to the concept that policy diffusion is often seen in neighbouring jurisdictions. The policy diffusion impact

[52] Walker, J. L. (1969). The diffusion of innovations among the American states. *American political science review*, *63*(03), 880-899.

is also seen in the cities of Ottawa and Toronto where again, these two cities, the largest in the province of Ontario also passed similar regulations in the same month.

Another key lesson is that governments compete with each another to offer policies that are attractive to residents. This has led to the concept of competition-based policy diffusion. A number of the policy discussions at the state or provincial government level often look at identifying ways that these governments can either provide incentives and/or initiate programs that have worked in other jurisdictions that can move resources into their own jurisdictions.

Learning is a mechanism of policy diffusion and one of the key lessons learned from the policy diffusion is that governments learn from each other, not just regionally but nationally and internationally. Shipan and Volden assert that the literature has shown that low-cost communication, travel and the number of professional organizations that have been formed within the last half century have allowed policymakers to gain extensive information about the various policies being instituted elsewhere that would otherwise not have been available in times past. This has also facilitated the quick diffusion of policies across jurisdictions.

The literature on policy diffusion has also shown that it is not always beneficial as it can have negative impacts and results. One of the negative results of policy diffusion is what the authors term as “a race to the bottom in certain redistributive programs”. This occurs when governments opt for policies, learned from other jurisdictions, which have the effect of causing negative redistribution. Welfare programs are often affected by negative redistributive policies. Another example of policy diffusion not always being beneficial is in the instance of policy imitation or emulation. Policy imitation occurs when a policy is adopted not because it has any benefit or is suitable for the

constituency or voting public where it is implemented, but simply because another government has implemented that policy.

The research from the literature also shows that a government's capacity and policymaking capability will affect and influence the policy diffusion process. The policy diffusion mechanisms that are used by a government will be related to their capacity. For example, small towns and cities are more likely to use competition as a policymaking tool because of the fear that if they implement or not implement certain policies, they will lose out to their larger neighbouring competitors.[53] The research also shows that governments that adopt policies later tend to have less policymaking capacity and this influences whether they take advantage of the learning opportunities associated with policy diffusion.[54]

The sixth lesson from the literature discusses the view that policy diffusion depends on the policies themselves in that the spread of a policy is dependent on the special characteristics or attributes of that policy. The study showed that innovation attributes play a role in the diffusion of a process and complex policies spread more slowly while compatible policies spread more quickly.[55]

Finally, the seventh lesson from Shipan and Volden's article is that decentralization is crucial for policy diffusion. In other words, states and local governments are seen as better able to act as conduits of policy diffusion than national governments because they are able to learn from other governments (state and local) and they are affected by competitive pressures that force changes to public policies more quickly that it would at the national level.

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[53] Shipan, C. R., & Volden, C. (2012). Policy diffusion: Seven lessons for scholars and practitioners. *Public Administration Review*, *72*(6), 788-796.
[54] ibid.
[55] Ibid.

2.3 Learning and Policy Diffusion

Although political scientists have been able to assess that there are four main instruments of policy diffusion, for the purposes of this research paper, learning will be looked at most closely to determine its impact as a tool of policy diffusion in the enactment of ridesharing regulations. Various authors have looked at analyzing learning and its impact on the implementation of policies. Other authors have examined learning to determine whether learning has an impact on how a policy is adopted and how quickly and/or how broadly is likely to diffuse.

Governments are concerned with the effectiveness of a policy and they often implement policies based on learning about its effectiveness in dealing with an issue. Nicholson-Crotty argues that an assessment of the ability to implement an innovation is also likely to be a component of the learning process.[56] Policymakers in this context are concerned with whether the policy was effective in the area where it was adopted and whether the policy can work in this jurisdiction. From Nicholson-Crotty's perspective policymakers are interested in not only understanding and learning about the effectiveness of a policy, but they are equally concerned about the impact of adopting that policy in their jurisdiction and this plays a significant role in how policies diffuse.

Policymakers will also look at the conditions under which the policies that they are interested in adopting were implemented and then assess whether the same implementation conditions actually exist in their own jurisdictions. If there is successful implementation in a particular jurisdiction, the success is easily measurable and the conditions of implementation in the adopting

[56] Nicholson-Crotty, S., & Carley, S. (2015). Effectiveness, implementation, and policy diffusion or "Can we make that work for us?" *State Politics & Policy Quarterly*, 1532440015588764.

jurisdiction are similar, Nicholson-Crotty argues that the policy will most likely be adopted as part of the learning process of policy diffusion.

Recent research with respect to learning as a tool of policy diffusion has looked into how political ideology affects policymakers' willingness to learn from each other's experiences. The research has found that although ideology affects learning, ideological biases can be overcome if there is an emphasis on the policy's success or on its adoption by other like-minded partisans in other communities.[57] In the study the researchers focused on ideological similarities in the policymakers and that governments are likely to adopt policies that come from ideologically similar governments. Policymakers who have ideological or political leanings are less likely to seek out information that is adverse to that political ideology. However, if information about the policy is made available to the policymaker and the policy's perceived success can be identified, then this unexpected information will lead to learning and learning to policy adoption.[58]

3.0 Regulating ridesharing in Canada

3.1 Background of Uber's operations in Edmonton, Calgary, Ottawa and Toronto

In both Alberta and Ontario, municipalities are charged with the responsibility of regulating the taxicab industry and these municipalities all faced the same challenges when Uber decided to operate within these jurisdictions not having regard to the regulatory framework that governed the taxicab business. These four Canadian municipalities operated with similar regulatory frameworks

[57] Butler, D. M., Volden, C., Dynes, A. M., & Shor, B. (2015). Ideology, Learning, and Policy Diffusion: Experimental Evidence. *American Journal of Political Science*.
[58] ibid.

whereby there was a closed-entry system for new market entrants which saw a cap on the number of licences/permits issued in order to prevent the market from being flooded with taxicab drivers thereby depressing the value of licenses and lowering wages.

These municipalities were selected for discussion in this research paper because they were the first municipalities in Canada to implement ridesharing regulations. They are also the largest cities in the provinces of Ontario and Alberta and reflect the *modus operandi* of ridesharing services moving into jurisdictions with large urban populations and a closed entry system for taxi licenses. Further, these municipalities also experienced some of the same political and social upheavals that states such as NYC and Washington D.C. experienced when ridesharing services started operating in those jurisdictions.

Table 1 highlights the similarities among the four municipalities with respect to the operation of the taxicab industry and the regulatory framework that governs their operations. It is also important to note that in all four jurisdictions, the taxicab industry vehemently resisted Uber's attempt to enter the marketplace and lobbied their elected officials to take significant steps to either regulate Uber in the same manner as taxicabs or place an outright ban on their operations.

Uber's first base of operations in Canada was in the city of Toronto in 2012. The company then proceeded to set up operations in a number of Ontario municipalities as well as in other provinces. There are four large Canadian municipalities that have implemented ridesharing regulations in their jurisdictions. These municipalities are Toronto, Calgary, Edmonton and Ottawa. There are other jurisdictions such as Vancouver where Uber and other ridesharing services have not been welcomed. In fact, the provincial regulators in Vancouver have imposed a minimum fare of $75 on all ridesharing trips in the province and Uber has opted to pull its operations out of the jurisdiction.

Mississauga had instituted an outright ban on Uber's operations, however, recently the city council opted to implement a pilot program that would allow ridesharing services to operate alongside taxicabs in the City.[59]

Table 1: Statistics on taxicab industry in four Canadian cities

	Toronto	Calgary	Edmonton	Ottawa
Population	2,615,060	1,096,833	877,926	883,391
Taxi Licenses issued	4836	1659	1330	1188
Open entry	No	No	No	No
Regulated by municipality	Yes	Yes	Yes	Yes
Taxis authorized to pick up throughout the city	Yes	Yes	Yes	Yes

Source: City of Ottawa staff report and case study prepared by KPMG LLP

3.2 Edmonton's experience

Uber commenced operations in Edmonton in 2014 and as expected, the taxicab industry did not welcome its entry with open arms. There were numerous demonstrations from taxicab drivers protesting Uber's entry and demanding that the city's elected officials take action against these companies. Concerned about the political implications of the clamour for regulatory action, City Council directed staff to undertake a review of the taxi operations within Edmonton with a view to understanding the impact of these ridesharing services on the industry. In January 2015, staff were

[59] http://globalnews.ca/news/2721849/mississauga-lifts-ban-on-uber-speeds-up-pilot-project-to-establish-new-rules/

also directed to come up with a new vehicle-for-hire bylaw that took into account the business model of ridesharing services as well as the operation challenges faced by the traditional taxi industry.

In January 2016, after the review was conducted and recommendations for a regulatory framework was presented to Council, Edmonton became the first municipality in Canada to regulate ridesharing. Under the new Vehicle for Hire by-law, ridesharing companies such as Uber are now allowed to operate under a new class of licence called private transportation providers (PTPs). According to the staff report presented to Council:

> The new regulatory framework affords consumer choice and safe service for Edmontonians, while complying with provincial regulations. It supports a diversified economy and innovation in the industry, creating a model that enables the taxi business and ride sharing services to co-exist.
>
> The City strove to find the right balance between recognizing the long history of service by the taxi business and being responsive to innovation in the vehicle for hire industry. Changes to the industry will be closely monitored and adjustments made in the future, if necessary, to address potential issues, such as predatory pricing, that may have a negative impact.[60]

3.3 Calgary's experience

Uber began operating in Calgary in October 2015 and was met with the same opposition from the local taxicab industry as it did in Edmonton. City Council in response to the outcry by the taxicab drivers against Uber's operation in that city directed that staff prepare amendments to the Livery Transport by-law to regulate ridesharing services. In November 2015 and based on an application brought by the City of Calgary, the Alberta Court of Queen's Bench issued a temporary injunction

[60] http://www.edmonton.ca/bylaws_licences/licences_permits/vehicle-for-hire-bylaw.aspx

barring unlicensed drivers of vehicles-for-hire from operating in Calgary. Uber thereafter suspended its operations in that city. Staff commissioned several studies to assess the impact of Uber's operation in the City as well as whether it could co-exist with the taxicab industry within a new regulatory framework. The City in February 2016 passed its new by-law which modelled in several respects the City of Edmonton's bylaw.

Subsequently Uber pulled out of both Edmonton and Calgary arguing that the regulations that were imposed by these municipalities made it impossible for them to continue operations in those jurisdictions. Uber contended that the insurance requirement imposed was quite onerous and would make it too expensive for their drivers to continue to operate in those jurisdictions. The province of Alberta recently approved a policy of insurance for ridesharing services and Uber announced that it would be returning to operations in Edmonton in July 1, 2016.

3.4 Ottawa's experience

In the city of Ottawa, the regulations governing ridesharing came about after extensive consultation with the public and interested stakeholders. KPMG LLP, the Mowat Centre at the University of Toronto, Hara Associates and Core Strategies Inc. conducted various studies and produced reports that examined the best options for regulating ridesharing. They also presented options for revamping and modernizing the regulations governing the taxi industry. The result was that city council in April 2016 adopted a new regulatory framework whereby a Vehicle-For-Hire bylaw was created that saw taxicabs and ridesharing services operating with the same regulatory requirements with few minor exceptions. The City of Ottawa chose to adopt the approach

recommended by the Competition Bureau of Canada which advises municipal and provincial governments to allow ridesharing services to compete with the taxicab industry on the basis that "…greater competition benefits consumers in terms of lower prices, higher quality of service, increased consumer convenience, and higher levels of innovation."[61] This recommendation from the Competition Bureau was also adopted by the City of Edmonton and unsurprisingly the regulations governing ridesharing in Ottawa are similar to those in Edmonton.

Interestingly, KPMG LLP in its report presented the city with case studies of various jurisdictions and an analysis of the appropriate regulatory framework for their municipality. They looked at New York City, Washington D.C. and other large cities in the United States. This common practice whereby municipalities look at other jurisdictions to help determine the appropriate policy prescriptions for their jurisdiction will be looked at in further detail later on in this paper.

3.5 Uber's operation in Toronto

Toronto is Canada's largest city. Residents live, work and play in a large dense urban environment where there are significant limitations on parking and large numbers of these residents rely heavily on taxi and public transit as the main modes of transportation in and around the city. Recognizing the opportunities that ridesharing presented in this urban environment, Uber began operating in Toronto in 2012. The basis of their service at that time was to connect passengers with municipally-licensed taxis and limousines through UberTaxi and UberBlack. In 2014, Uber launched UberX in Toronto, which connects passengers with unlicensed personal vehicles.

[61] http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/04007.html

UberX's entry into the marketplace prompted those involved in the regulated taxicab industry to become concerned about the financial viability of their operations. These concerns stemmed from the view by many in the taxicab industry that they were required to operate on a seemingly an uneven playing field and that the regulatory authorities were powerless to intervene. City council, pressured by these concerns as well as concerns around public safety, determined that it was necessary to respond to Uber's operation and commissioned a review of the ground transportation industry in the city. The recommendations arising out of that review process outlined in the staff report were designed to "….refocus and reset the City's approach to regulating the taxicab and limousine industries and to propose the regulation of (Private Transportation Companies) PTCs, aiming to establish an equitable and appropriate level of regulation that balances the interests of diverse stakeholders. The proposed changes will remove constraints that have prevented the expansion of vehicle-for-hire services in the past, foster competitiveness, allow taxicabs and limousines to develop efficiencies, and reduce regulatory burdens."[62]

The city's march to regulating ridesharing was not smooth. Taxi drivers staged numerous protests against Uber's operation in order to force city council to enact legislation that would regulate both taxis and ridesharing services in the same manner.[63] Most of these protests had to do with taxi drivers involved in slowdowns that caused traffic in the city to become paralyzed. The mayor was a proponent of allowing Uber to operate in the city and so, largely because of his influence in City Council, in May 2016, the City of Toronto passed the Vehicle-For-Hire bylaw that effectively regulated taxicabs and ridesharing services in the same manner.[64] An interesting feature of the debate over

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[62] http://www.toronto.ca/legdocs/mmis/2016/ls/bgrd/backgroundfile-91911.pdf

[63] http://globalnews.ca/news/2389591/traffic-slowdown-expected-as-toronto-taxi-drivers-stage-protest-against-uber/

[64] http://www.theglobeandmail.com/opinion/editorials/with-uber-john-tory-proves-he-can-make-torontos-council-work/article29872330/

this by-law was the comment from Uber recommending that the City adopt the regulatory approach of the City of Edmonton. Another interesting takeaway from the report recommending adoption of the new regulatory framework is that city staff conducted a jurisdictional scan of the other municipalities in Canada to determine what steps they had taken to regulating ridesharing within their jurisdictions and although adopting some of the features of the Edmonton bylaw also made some significant changes as well.

3.6 Similarities in the regulations

Policy diffusion has been most apparent when one looks at the similarities in the regulatory framework of TNCs in the United States and the regulations enacted in the four Canadian municipalities. To illustrate the similarities, Table 2 details some of the common features of TNC regulations in place in jurisdictions in the United States. There are obvious variations to this TNC model based on jurisdictions. Table 3 illustrates that the TNC regulatory model was adopted by the four Canadian municipalities in that the regulations governed the creation of a separate licence class, the fares, insurance requirements, background checks for drivers, vehicle inspection requirements etc.

Table 2: Typical Transportation Network Company Regulations

Requirement	**Details**
Business Licence	TNCs to obtain permit or licence and pay applicable fee.
Fare	TNC fares are not regulated, though method of calculation to be disclosed to governing body. TNC charges a fare for the services provided to passengers and discloses: • Calculation method either on app or on website, • Applicable rates being charged and the option to receive an estimated fare before committing to the transaction, • An electronic receipt to the passenger that

	includes origin destination of trip and total time and distance of trip and itemization of fare paid.
Insurance	TNC maintains valid and current commercial liability insurance with a minimum liability amount of $1,000,000 (varies by jurisdiction) and file insurance certificate with governing body. Insurance must provide coverage for drivers and vehicles from the time the TNC app is turned on, to the time the driver turns off the app. TNC required to have insurance coverage in place regardless of whether a TNC driver maintains insurance adequate to cover any portion of the claim. TNC requires drivers to maintain commercial liability insurance coverage.
Criminal Background Checks and Driving Checks	Prior to permitting an individual to act as a TNC driver, TNC require driver to undergo criminal background check and driving check to ensure that minimum requirements are met. These thresholds vary across jurisdictions but would rule out drivers convicted of major violations and/or who exceed minimum number of demerit points. TNC driver results in these checks are made available to governing body upon request and audit. Where driver's status changes with TNC, or when a driver's criminal background check does not meet minimum thresholds, governing body is notified.
Training	TNC establishes a driver training program to ensure that all drivers are safely operating the vehicle prior to driver being able to offer the service and includes training on how to properly handle mobility devices and treat individuals with disabilities in a respectful manner. TNC makes the training program available to the governing body.
Non-discrimination	TNC to ensure that all drivers comply with all laws pertaining to non-discrimination against passengers based on pickup or drop-off destination, race, sex, age, disability, or usage of a service animal. TNC to include option for accessible vehicle and if accessible vehicle is not available, TNC to direct the passenger to an alternate provider of accessible service. TNC to ensure that the app and website rating system of the drivers/vehicle and passengers is not based on discrimination and includes the option for passengers to opt-out of the rating system from the outset of enrolling with the TNC app.
Record Collection and Data Reporting	TNC provides the governing body regular reports that include: • Number of new qualifying drivers. • Monthly trip records that include trips requested and fulfilled by geographic endpoints (i.e. 3-digit postal code) and date/time. • Trips not fulfilled with reason and geographic endpoints. • Complete complaint data. • Complete accident data related to TNC driver • Driver and transaction data: • All trips requested and fulfilled with driver name and plate numbers.

	• Transactions, drivers, and trips including information relating to specific trips and/or drivers and/or vehicles that may be involved in an investigation by the City of Toronto
Communication	TNC to clearly disclose on the app and the website that TNCs facilitate rides between passengers and private drivers using their own personal vehicles. TNC valid insurance certificate to be made available on website and app. TNC to provide passengers with a photo of the driver, vehicle details, and the driver's licence plate number on the app.
Driver Requirements	Prior to permitting an individual from becoming a TNC driver, TNC ensures that driver holds an unrestricted and fully privileged driver's licence. TNC drivers can only use TNC pre-arranged trips and not respond to street hails. TNC drivers to display TNC identifier that is visible from the exterior of the vehicle. This identifier is filed with the governing body. TNC is to be able to provide proof of both their personal insurance and the commercial insurance in the case of an accident.
Vehicle Requirements	TNCs to ensure that TNC drivers are using vehicles that are properly registered and regularly inspected by a licensed facility (frequency and criteria vary across jurisdictions). TNC to keep documentation of inspection reports and make them available to the governing body upon request.

Source: Attachment 1 – City of Toronto's Ground Transportation Review Findings Report[65]

Table 3: Comparison of ridesharing regulations in Canadian cities

Requirements	**Toronto**	**Ottawa**	**Edmonton**	**Calgary**
PTC to Obtain Licence with City	✓	✓	✓	✓
Accessibility Program in Place	✓ A PTC with 500 or more vehicles affiliated with its Platform must ensure that comparable (wait times and fares) accessible PTC services are made available to the public.	Voluntary Voluntary per-ride accessibility surcharge. City will report back on the results of negotiations with PTCs and recommend process, and	✓ Commercial Private Transportation Providers (PTPs) required to pay a $20,000 annual dispatch accessibility surcharge or provide accessible services.	× City is reporting back in Q3 on Phase 2 of their Accessible Taxi Review.

[65] http://www.toronto.ca/legdocs/mmis/2015/ls/bgrd/backgroundfile-83503.pdf

		request the authority from the Ontario government to provide City ability to make an accessibility levy a mandatory requirement for PTCs.	Local PTPs will be required to pay $50/car. This fund will be used towards a grant program.	
Driver Screening	✓ • City sets standards • City audits	✓ • City sets standards • City audits	✓ • City sets standards • City audits	× • City sets standards • City conducts
Certified Vehicle Inspection	✓ Annual Ministry of Transportation Safety Standards Certificate	✓ Ministry of Transportation Safety Standards Certificate annually if the vehicle is 5 years old or less, or biannually vehicle is over 5 years old.	✓ Annual vehicle inspection by a licensed garage and mechanic	✓ Drivers to submit report of 134-point provincially-approved mechanical inspection, annually or 50,000 km, whichever comes first
Insurance Required	✓ Liability insurance: $2,000,000 per occurrence	✓ Liability insurance: $5,000,000 per occurrence	✓ Liability insurance: $1,000,000 per occurrence	✓ Liability insurance: $1,000,000 per occurrence
Regulated Fares	× The rate must be clear to the customer in advance of accepting ride.	× The rate must be clear to the customer in advance of accepting ride.	× Minimum of $3.25 for any trip pre-arranged through a mobile app or written contract.	× Calculate fare based on distance travelled or flat rate. The rate must be clear to the customer in advance of accepting ride.

Fees Collected by City	✓ PTCs application fee: • $20,000 Annual licence fee: • $10 per PTC vehicle and • $.20 per trip originating in Toronto	✓ • Annual licence fee: • PTC with 1 to 24 affiliated vehicles: $807 • PTC with 25 to 99 affiliated vehicles: $2,469 • PTC with 100 or more affiliated vehicles: $7,253 and • per trip charge of $.105	✓ Commercial PTPs operating 200 or more vehicles: • Dispatch fee: $50,000/year • Per Trip Fee: $0.06 • Vehicle /driver: $0 Regional PTPs operating less than 200 vehicles: • Dispatcher/Broker fee: $1,000/year • Vehicle: $400/year • Driver: $100/2 years or $60/year	✓ Annual Transportation Network Company (TNC) licence fee: $1.753 Annual driver licence fee: $220

Source: Appendix 1 of City of Toronto staff report[66]

4.0 Application of the concepts from the policy diffusion literature to the ridesharing regulations in Edmonton, Calgary, Ottawa and Toronto

Although Uber started operating in Toronto before Edmonton, the policymakers in Edmonton were the first to enact regulations to govern Uber's operation in that jurisdiction. Notwithstanding that Edmonton was the first to actually pass ridesharing regulations, all four jurisdictions had directions from their respective councils to explore regulations geared at dealing with the ridesharing phenomenon and to report back to Council with recommendations. Staff in those municipalities were tasked with conducting reviews of the regulatory framework for taxicabs as well as provide a jurisdictional scan of other municipalities in North America and elsewhere, to determine the most effective regulatory framework for governing ridesharing in their respective jurisdictions. The idea

[66] http://www.toronto.ca/legdocs/mmis/2016/ls/bgrd/backgroundfile-91911.pdf

behind these activities was to learn about the policies that have been implemented and to determine the effectiveness of the ones that have had success. The limitations that policymakers in these Canadian municipalities faced dealt mostly with the fact that the regulations had not been in place in other jurisdictions for a long enough period of time to enable a proper evaluation of their effectiveness.

One of the features of policy diffusion is the concept that where policies and their effects are highly observable, these policies are likely to be adopted.[67] Because some jurisdictions in North America, such as, New York City, Boston, Chicago, Washington D.C. and San Francisco had ridesharing regulations in place for a few years, this allowed the regulators in these four Canadian municipalities to look to these cities as examples of the types of regulations that could be used in their municipalities. In a number of American jurisdictions, the new TNC licensing category allowed for ridesharing companies to also operate alongside the taxicab industry. Staff in all four Canadian jurisdictions considered the jurisdictions that had the TNC regulatory model and adopted that policy framework as it best reflected regulations that allowed for the creation of a level regulatory playing field which was one of the key goals for these municipalities.[68]

4.1 The impact of ideology on policy diffusion

The impact of the ideological position of policymakers on the diffusion of a particular policy is an important consideration in discussing the diffusion of ridesharing regulations in Canada. As

[67] Gilardi, F. (2010). Who learns from what in policy diffusion processes? *American Journal of Political Science*, *54*(3), 650-666.
[68] http://www.toronto.ca/legdocs/mmis/2015/ls/bgrd/backgroundfile-83503.pdf

discussed earlier in this paper, there is a school of thought in the policy diffusion literature that policymakers' ideological positions and prior beliefs about the effectiveness of policies shape their predisposition towards the adoption of a particular policy. One author on the subject suggests that "if policy makers prefer low unemployment benefits because they trust market mechanisms more than state intervention, then they are also likely to believe that such a policy has beneficial consequences on the unemployment rate."[69] Whilst it is true that policymakers at the municipal level in Canada do not identify by party affiliations, it is also true that their ideological leanings are often obvious because of the policy prescriptions that they propose when dealing with certain issues. This has been apparent in the case of the mayor of the city of Toronto, John Tory and his views on how to regulate ridesharing in the city of Toronto.

Mayor John Tory was elected in November 2014 and, prior to taking office made statements supportive of Uber's operation in the city. His position was that although Uber should not be allowed to operate outside of the regulations governing taxicabs, the taxi industry needed to recognize that Uber had a role to play in the market. [70] It was clear that prior to assuming elected office Mayor Tory's ideological orientation was towards allowing market forces to dictate the transportation options that are available to the public and he was not open to banning Uber's operation in the city. Based on his ideological predisposition, regulatory policies in other jurisdictions that allowed Uber to operate alongside the taxi industry would be the option that Mayor Tory was inclined to support. Therefore, the TNC regulatory model was the option that the city of Toronto pursued. It also happened to be the same model that was in effect in Calgary and Edmonton where those councils

[69] Gilardi, F. (2010). Who learns from what in policy diffusion processes?.*American Journal of Political Science*, *54*(3), 650-666.
[70] http://www.cbc.ca/news/canada/toronto/uber-is-here-to-stay-toronto-mayor-elect-john-tory-says-1.2840295

also agreed that ridesharing should be allowed to operate in their jurisdictions, as long as it was on the same playing field with taxicabs.

4.2 Impact of political consequences on policy diffusion

Political consequences are also an important consideration when discussing learning as a tool in the policy diffusion process. It is clear that policymakers and regulators consider the political and electoral consequences of implementing policies. In most of these jurisdictions where ridesharing has been operating, the taxicab lobby has been very vocal and has engaged in sit-ins and demonstrations in council chambers as well as other type of protests. However, what has become obvious to elected officials in Canada is that in jurisdictions such as NYC and Washington D.C. that have adopted ridesharing regulations, these protests ceased once the policies were adopted and these special interests groups recognized that some of their concerns were either considered as part of the policymaking process or actually incorporated in the enacted regulations. The regulations in some of these American jurisdictions came into effect, in some instances, a full year before the Canadian municipalities considered passing ridesharing regulations. Accordingly, the regulators in these Canadian municipalities were able to learn about the political consequences of the policy prescriptions and determined ways to navigate the political landscape using that knowledge.

4.3 Impact of implementation and effectiveness on policy diffusion

The ease at which a policy is implemented as well as its effectiveness will impact its adoption.[71] Policymakers in the four Canadian municipalities determined that the TNC model was the most effective model for regulating ridesharing largely because the policies had been successfully implemented and had achieved their regulatory goals in jurisdictions in the United States.

As was discussed earlier, one of the impacts of ridesharing has been its effect on the number of trips made by taxi drivers. Although, there is some evidence that ridesharing has had a negative effect on taxi trips, there is also evidence that its entry has resulted in improvements in the service provided by the taxicab industry. Ridesharing regulations, especially the TNC model, have been aimed at allowing for market forces to determine consumer preferences. In this respect ridesharing policies have been successful. The successful implementation of ridesharing policies in some United States jurisdictions resulted in those policies being adopted by these four Canadian municipalities.

4.4 Impact of professional organizations and lobbying groups on policy diffusion

The influence and role of professional organizations and think tanks has been a factor in the diffusion of the regulatory policies governing ridesharing in these Canadian municipalities. As Shipan and Volden have noted these bodies have facilitated diffusion by making information about policies available to policymakers who would otherwise not have access to these policy learnings.

[71] Nicholson-Crotty, S., & Carley, S. (2015). Effectiveness, implementation, and policy diffusion or "Can we make that work for us?". *State Politics & Policy Quarterly*, 1532440015588764.

Policymakers not only look to jurisdictions to provide guidance and learning in the policy diffusion process but they also look to these organizations to assist in the learning process.

One such organization in the province of Ontario is the Association of Municipalities of Ontario (AMO). AMO is the public policy representative of the 444 municipalities in the province of Ontario and its mandate is to be the voice for municipalities on policy input and ideas so that municipalities are involved in the policymaking process at the provincial level. AMO also provides policy support to municipal governments. AMO has worked with the Mowat Centre to have discussions about the sharing economy and its impact on municipal governance. One of those policy prescriptions which has been incorporated into the policy considerations by the policymakers in the four Canadian jurisdictions is the concept that keeping the status quo regulatory framework is ill-suited for the sharing economy and that governments have to be more interventionist.[72]

The Competition Bureau although not a professional association but a regulatory body, has also been influential in shaping the learning regarding the type of regulatory framework that would be suitable for Canadian municipalities. The four municipalities in the reports to their respective Councils proposing new ridesharing regulations, identified certain key concepts that the Competition Bureau put forward in the Bureau's White Paper entitled "Modernizing Regulation in the Canadian Taxi Industry and dated November 26, 2015.[73] The Competition Bureau favours allowing ridesharing companies to operate in the local market without significant restraints that would have the effect of curtailing their operations. From the Competition Bureau's perspective, the regulatory regime should be "light" and that the taxi industry should also have the same "light" regulations as this would

[72] https://mowatcentre.ca/wp-content/uploads/publications/106_policymaking_for_the_sharing_economy.pdf
[73] http://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/04007.html

contribute positively to a level regulatory playing field.[74] In the White Paper, the Competition Bureau argues that regulations should also not protect certain special interest groups but should instead look at the existing regulatory framework operating in their jurisdiction to determine whether changes can be implemented that would incorporate this new business model. The White Paper called for regulators to also consider making changes to the existing regulations governing the taxi industry to also ensure that there was fairness and that onerous regulations were eliminated freeing the industry up to compete with the ridesharing services.[75]

The effect of the guidance from the Competition Bureau has been that all four Canadian municipalities chose to adopt an approach from other jurisdictions where ridesharing companies operations were legitimized with a special licence class either as transportation network companies or for-hire vehicles. A regulatory framework that was similar to that which obtained for taxicabs was also incorporated into the regulatory framework.

4.5 Learning from each other

Although this paper has looked at the learning that occurred from other jurisdictions in the United States, there is also evidence that these four Canadian municipalities also learned from each other when crafting the appropriate regulatory framework for their jurisdictions. Since Edmonton was the first municipality to implement ridesharing regulations, one of the effects of being first is that other municipalities have the opportunity to learn from the successes and failures of the regulatory policies in Edmonton. One of the obvious issues with the regulatory framework enacted by

[74] ibid
[75] ibid

Edmonton was that an insurance product was not available to ridesharing companies in Alberta despite the fact that Edmonton required drivers to have insurance to cover their ridesharing operations. Ridesharing companies in the province of Alberta had to await the approval by the province of the appropriate insurance product before their drivers could start legally operating in that jurisdiction – that did not happen until July 1, 2016. As a result of learning from the experience of regulators in Edmonton and Calgary, the regulators in Toronto and Ottawa ensured that before regulations governing ridesharing were enacted, that there was at least one provincially-approved insurance product available to drivers involved in the ridesharing business.

Another area of learning that occurred in the policy diffusion process with respect to ridesharing regulations is where Ottawa and Toronto did not adopt the fee structure enacted by Calgary because Uber found the fee structure in that jurisdiction to be unworkable and accordingly pulled their operations out of the city. As promoting competition in the marketplace is a key component of the policy considerations put forward by the Competition Bureau, this move by Uber has had the effect of depriving the public in Calgary of other transportation options. Invariably, Ottawa and Toronto learned from the failure of that regulatory requirement and ensured that the regulatory framework that they proposed had a more workable fare structure. They achieved this by conducting extensive consultations with Uber representatives to ensure that the proposed scheme was workable and acceptable to them.[76]

[76] http://www.toronto.ca/legdocs/mmis/2016/ls/bgrd/backgroundfile-91911.pdf

5.0 Research Conclusion

With the advent of ridesharing services in Canada, the cities of Edmonton, Calgary, Ottawa and Toronto took the lead among Canadian municipalities to implement regulations to govern these operations within their jurisdictions. The challenge for these municipal regulators was to allow for innovation while ensuring that the taxicab industry which is highly regulated could survive the disruption caused by the new entrants. The expectation from these policymakers was to use regulations to transform the marketplace to accommodate all players.

This research paper looked at the regulatory framework currently in existence in certain North American jurisdictions and considered whether the regulations implemented by these four Canadian municipalities demonstrated the concept of policy diffusion. The research shows that the regulatory model by these municipalities was the TNC regulatory model that existed in some jurisdictions in the United States. The research also showed that although learning is an important driver of policy diffusion, policymakers as part of the learning process, are also concerned with the outcomes and effectiveness of the policies, the political consequences of the adoption of the policies, their ideological preferences as well as the capacity of the regulatory authority to adopt the policy.

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