

# Tech 4.0 and the Sharing Economy: Disrupting Municipalities

Presentation to the Union of Nova Scotia Municipalities

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Regulatory Affairs and Service Effectiveness

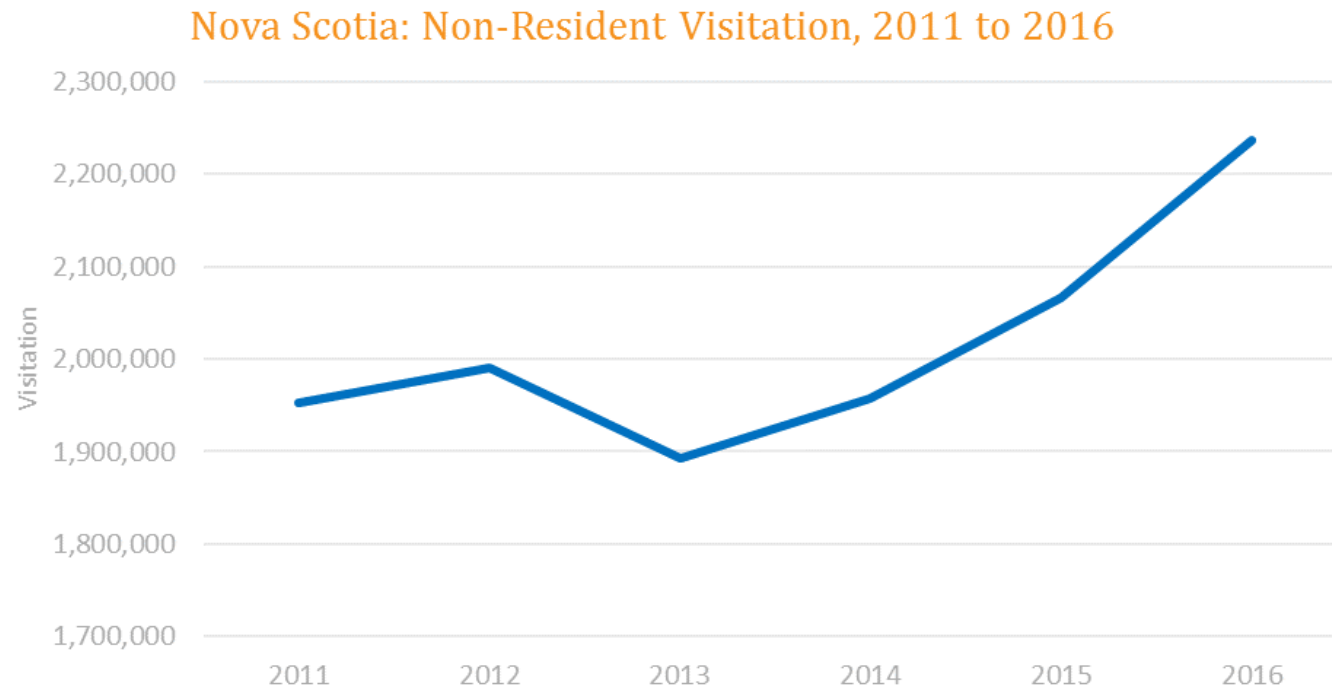
Nov. 10 2017

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- **Visitation Trends**

- 2016 recorded highest visitation in past decade
- Continued growth expected in 2017

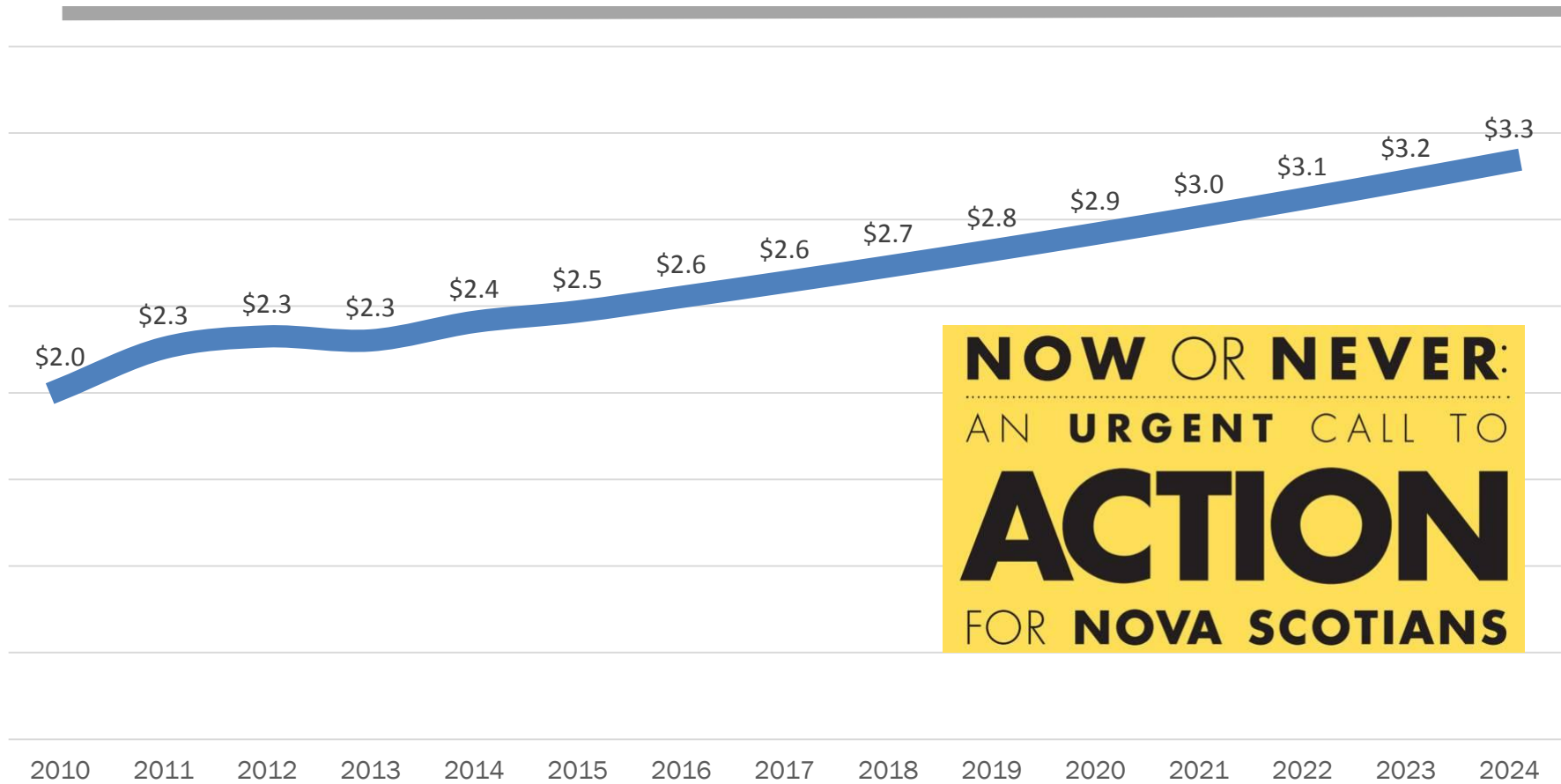


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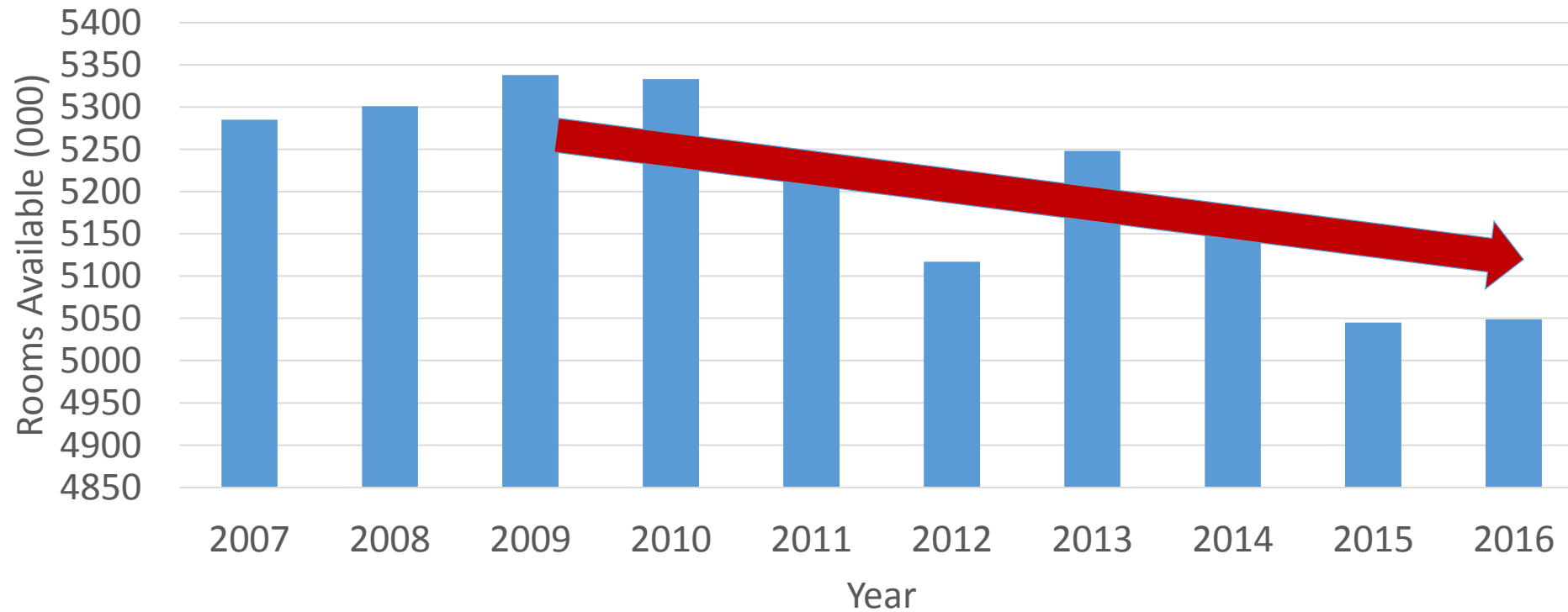


We will fall \$700 million short of our \$4 billion revenue target unless we expand the capacity of the accommodations base.....



# Traditional room supply is shrinking

Rooms Available in Nova Scotia



# Outline

- Technology 4.0
- The Sharing Economy
- Short Tern Rental and Nova Scotia
- Regulatory Challenges
- Where to From Here

# How Do Economies Grow in 2017

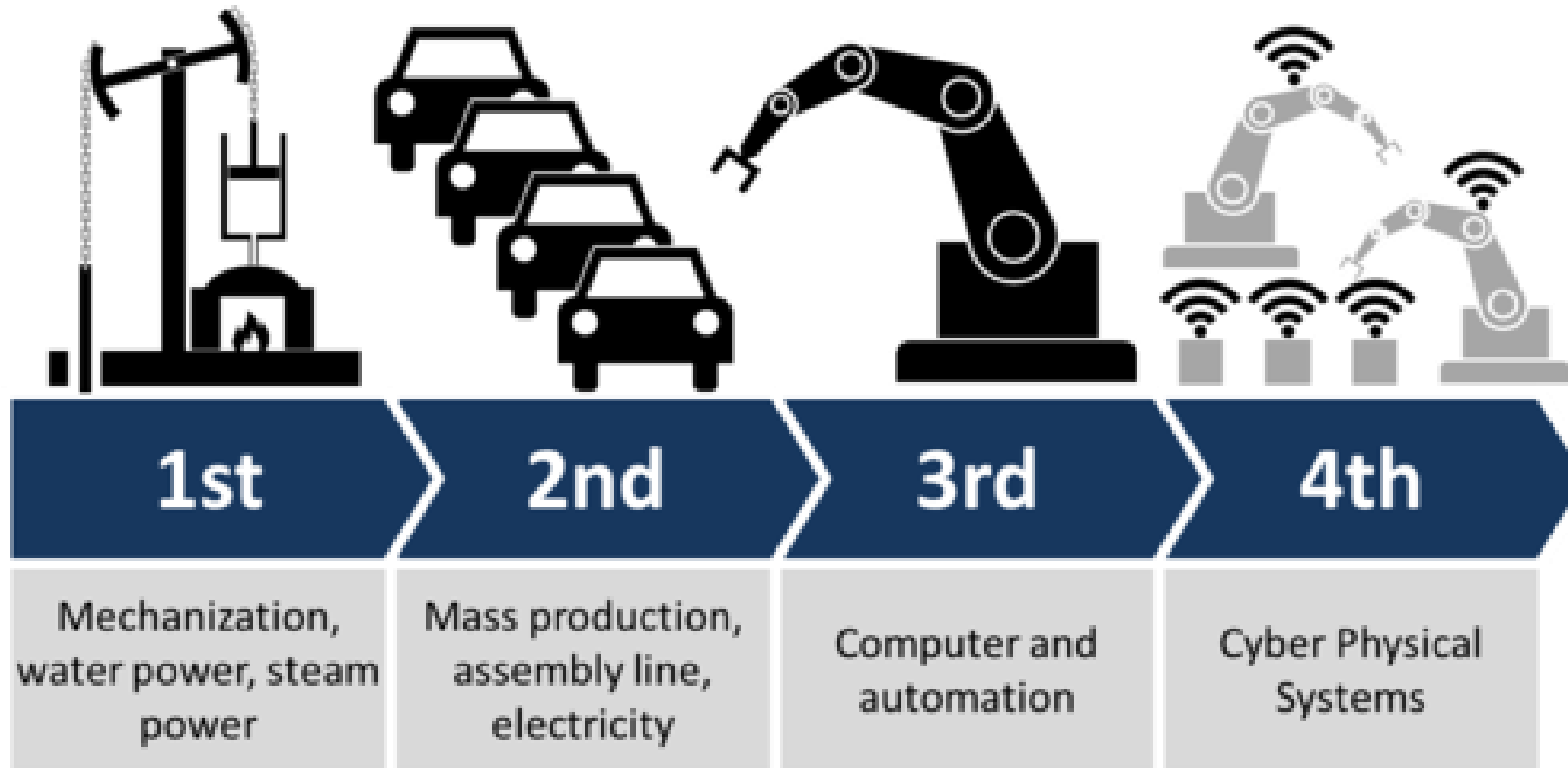
- Innovation and adoption of new technology.
  - Recognize and respond to opportunity
  - Increase competitiveness
- Growing market share by giving consumers what they want..
  - The right product, at a lower price, highest quality, with great service equals value.... and competitiveness

# Technology 4.0

“We are in the midst of a fourth industrial revolution, driven by disruptive technological change. These technologies, such as big data, machine learning, artificial intelligence, quantum computing and blockchain are intersecting and combining in extraordinary ways to create a technology 4.0 world.”

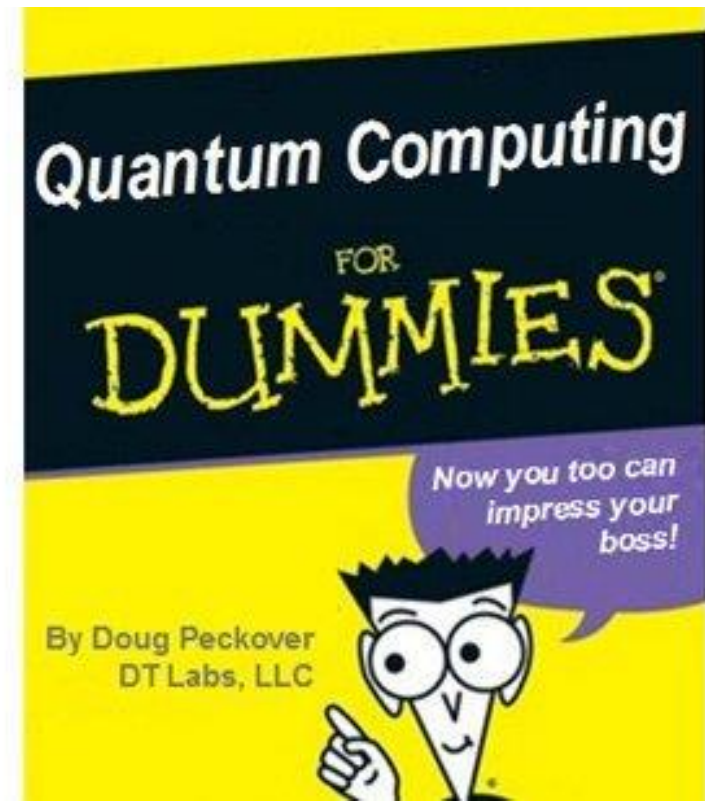


# Industrial Revolutions



# Technology 4.0 Trends

- AI and machine learning
- Robots and intelligent things
- Autonomous vehicles
- Quantum computing
- Virtual reality
- Intelligent apps
- Sharing economy



# Tech 4.0:

## What is Driving Disruption “Klaus Schwab”

- Velocity of change
  - The speed of change is unprecedented,
- Scope of change
  - Every sector, everywhere
- Systems impact
  - Structures change and/or become redundant, new ones develop

# Policy and Regulation of Tech 4.0

- Government is not wired to respond at this pace
- 20<sup>th</sup> century tools for a 21<sup>st</sup> century economy
- Technological innovations don't mirror government structures
- Government is not comfortable dealing with risk
- T4 companies are often platform based which means they can double in size at no cost costs. Costs to government go up with every new entrant.
- Interference by government can hamper growth and innovation
- Demand from consumers is insatiable

# The 1865 British Locomotive Act



# What is the Sharing Economy

The Oxford English Dictionary definition

“An economic system in which assets or services are shared between private individuals, either free or for a fee, typically by means of the internet”

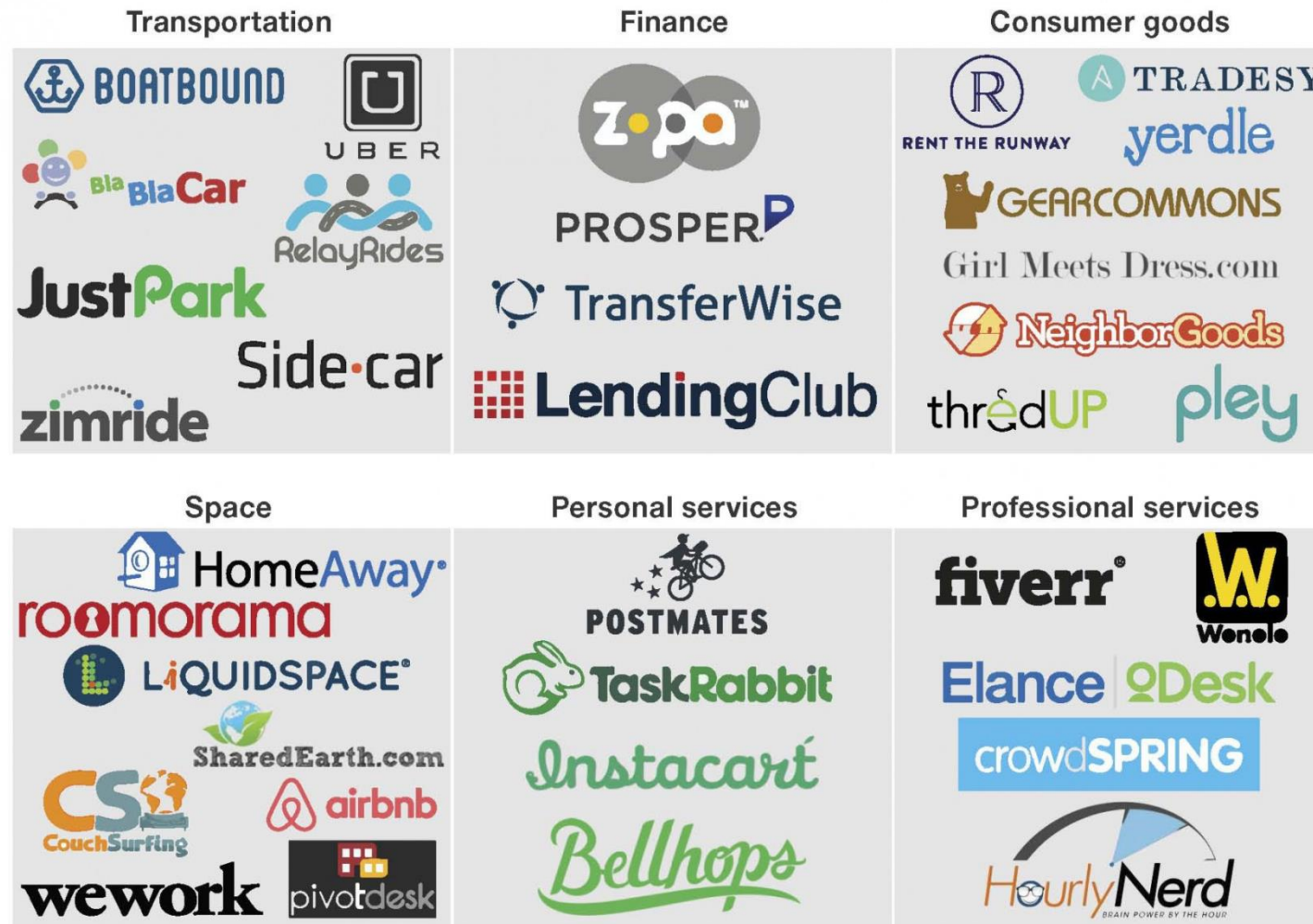




airbnb

uber

# 20 Sharing Economy Companies Worldwide Worth More Than \$1 Billion



# Growing Use of the Sharing Economy in the US

## Comparison of Americans' Likely To Use and Familiarity of Sharing Economy Services

<b>2015 Likely to Use</b>	<b>2016 Likely to Use</b>	<b>2017 Likely to Use</b>	<b>2015 Familiarity</b>	<b>2016 Familiarity</b>	<b>2017 Familiarity</b>
17 percent	36 percent	50 percent	47 percent	66 percent	78 percent

*Allianz Travel Insurance Sharing Economy Index*  
released by **Allianz Global Assistance USA**

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**2016 Familiarity**

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# Sharing Economy Innovations

## For the Economy

- Leverages excess capacity at with no capital cost
- Lowers transaction costs and improves efficiency
- Catalyzes individual innovation and entrepreneurship
- Adoption of new technology into more traditional business models
- Act local but think global
- Sustainability

## For the Consumer

- Lowers the price of services, increases buying options
- Provides mechanism of trust between consumers and service providers... lowers risk
- Often improves consumer experience

## For the Entrepreneur

- Low barriers to entry
- Provides employment alternatives and needed income streams
- Provides flexible employment schedules

## For Technology

- Peer to Peer technology, social networks
- Smart phone, sharing platforms, global access
- Secure financial transactions
- Ease of use

Loft storage  
\$300 a year

Saxophone  
\$55 a month

Surfboard  
\$80 a week

Parking space  
\$20 a day

Lawnmower  
\$6 a day

Room  
\$38 a night

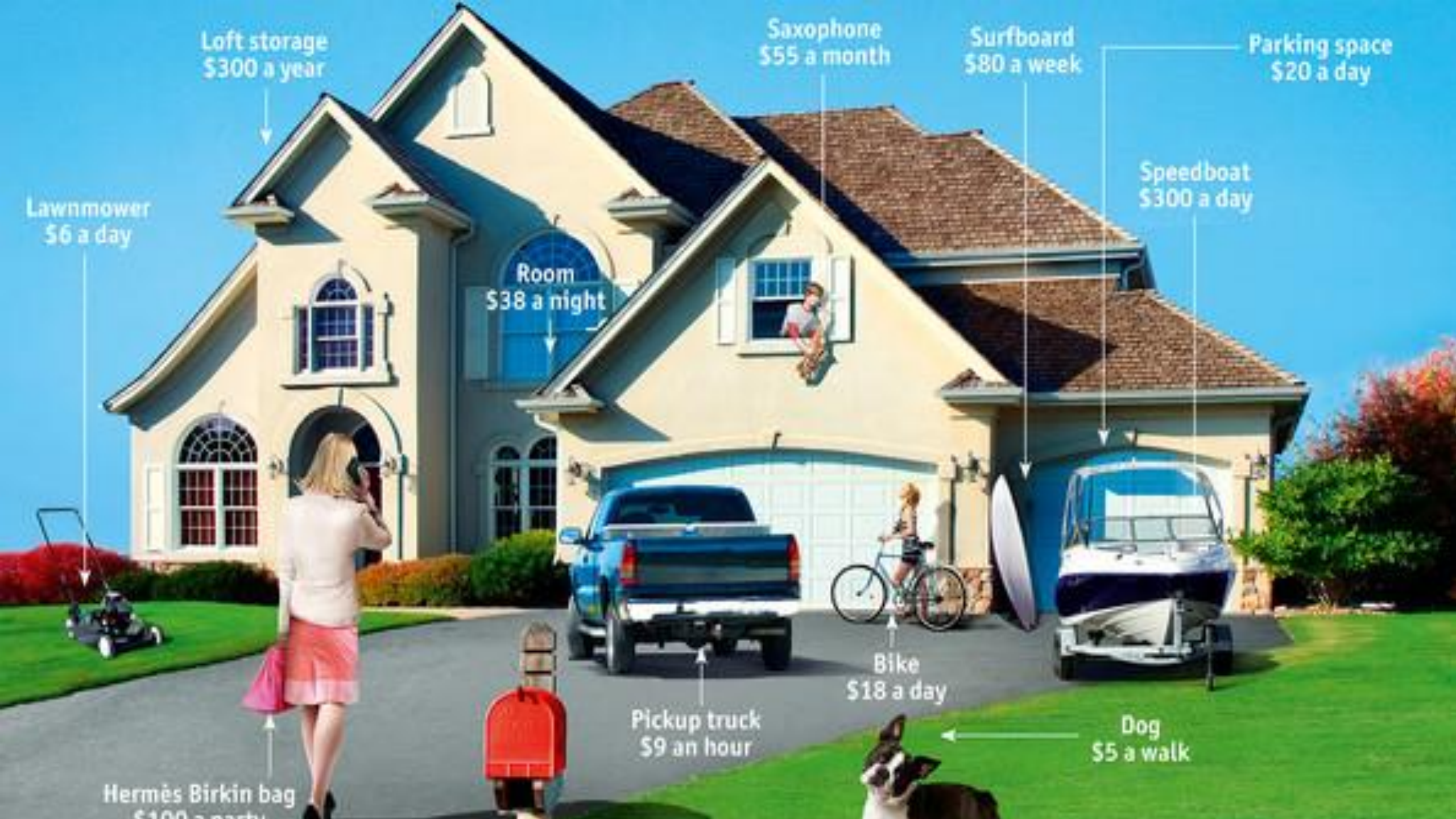
Speedboat  
\$300 a day

Hermès Birkin bag  
\$100 a party

Pickup truck  
\$9 an hour

Bike  
\$18 a day

Dog  
\$5 a walk



# Hitchhiking 1.0



# Hitchhiking 4.0

- System characteristics
  - Cost effective inter-city travel
  - A sharing economy platform that matches drivers, passengers and destinations in real time
  - Pick a car, pickup and arrival time you like
  - Reduce risk
    - through rating system,
    - electronic cash transfer,
    - real time sharable route tracking through smart phone
  - Track all riders in real time



# Hitchhiking 4.0

**11h**

**Bla Bla Car**



**NLC** NATIONAL LEAGUE OF CITIES  
CENTER FOR CITY SOLUTIONS

Intelligent Traffic Signals

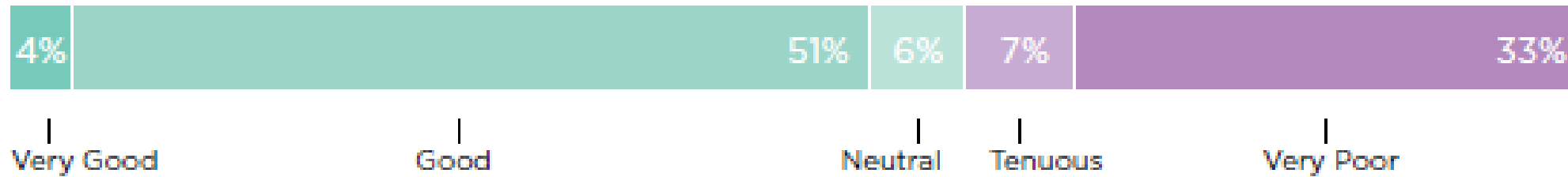
Street Sensors

Homesharing

Ridesharing

**Cities and the Innovation Economy:  
Perceptions of Local Leaders**

*How would you describe your city's relationship with sharing economy companies like Uber/Lyft or Airbnb?*



*Have you or any entity in your city entered into any type of partnership with a sharing economy company?*



*If no, would you be open to a partnership?*



# The Sharing Economy and Public Transportation

The image shows a screenshot of the Innisfil website homepage. At the top, there is a navigation bar with the following links: [Pay Online](#) (with a dropdown arrow), [Permits](#) (with a dropdown arrow), [Get Active](#) (with a dropdown arrow), [Events](#) (with a dropdown arrow), and [Contact Us](#) (with a dropdown arrow). To the right of these links are social media icons for LinkedIn, Facebook, and Twitter.

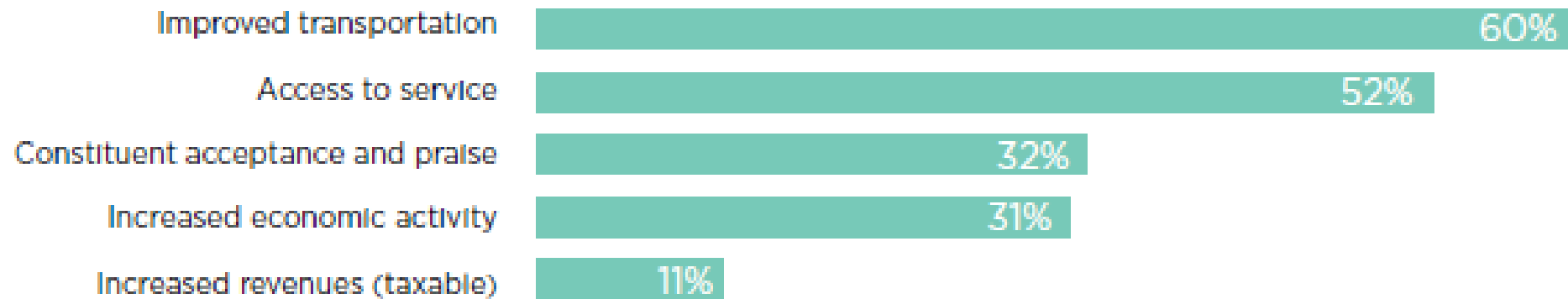
The main content area features a large background image of a wooden sign for Killarney Beach. The sign is circular and has "SIBCA Millenium Project" written at the top, "KILLARNEY BEACH" in the center, and "Beach" written in cursive at the bottom. The word "Innisfil" is overlaid in large white letters across the center of the image. Above the word "Innisfil" is a stylized white logo consisting of four leaf-like shapes arranged in a diamond pattern.

Below the main image is a search bar with the placeholder text "Search..." and a blue "Search" button.

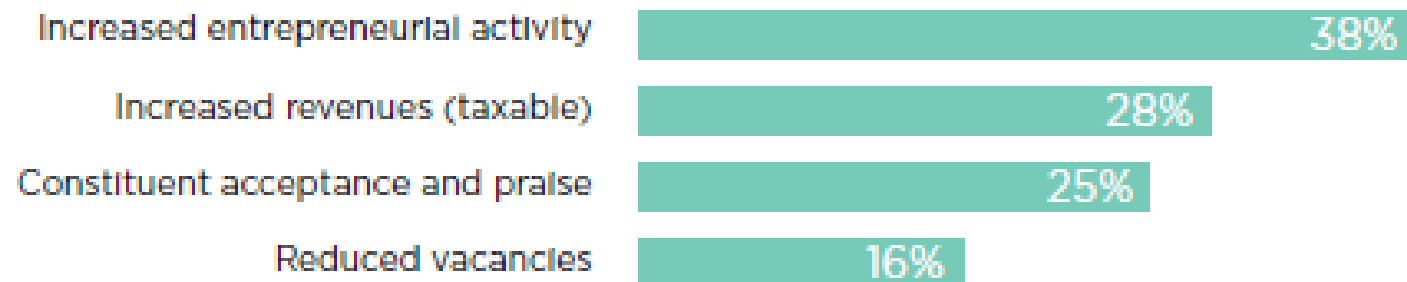
At the bottom of the page is a green banner with a white exclamation mark icon and the word "UPDATE" in white. To the right of the icon, the text reads: **We're Now Open On Saturdays!** We have new and improved Customer Service Hours to serve you. Come on by to Innisfil Town Hall (2101 Innisfil Beach Road) when it's convenient for you at the following times: Monday - Friday 8:30 a...

# Benefits of Sharing Platforms

*What do you see, if any, as the largest benefits of TNCs? (Select all that apply).*



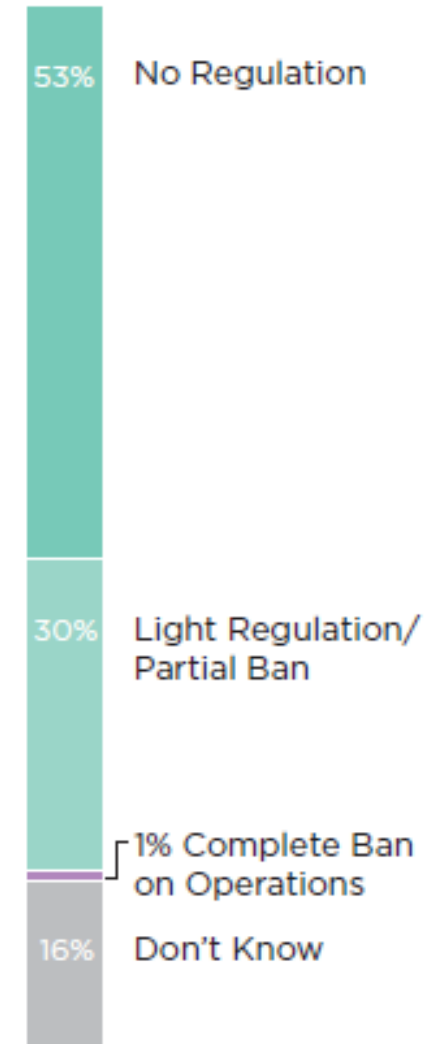
*What do you see, if any, as the largest benefits of short-term rentals? (Select all that apply).*



*How would you categorize your city's response to the sharing economy?*

# Policy and Regulations

- About 50% of local elected officials say they impose no regulation on the sharing economy in 2017, about the same as two years ago
- 30% impose light regulation
- Three quarters (78%) of elected officials supported growth in the sharing economy



# PWC on the Sharing Economy

- 20 fold increase by 2025
- Equal to the size of the traditional rental sector in 10 years.

## Sharing economy sector and traditional rental sector projected revenue growth

### Sharing economy sector



Peer-to-peer lending and crowdfunding



Online staffing



Peer-to-peer accommodation



Car sharing



Music and video streaming

### Traditional rental sector



Equipment rental



B&B and hostels



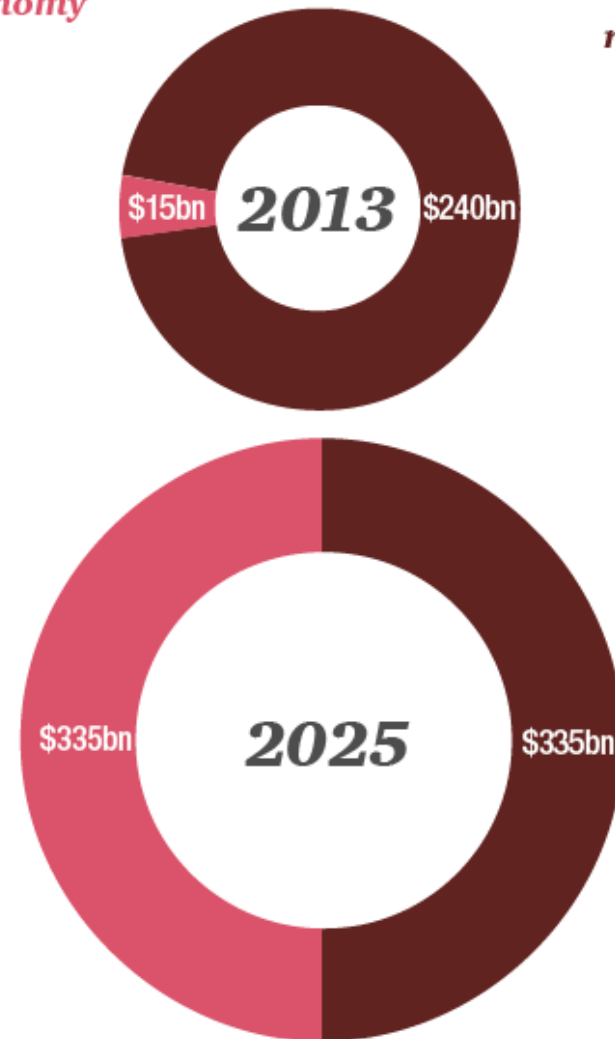
Book rental



Car rental



DVD rental



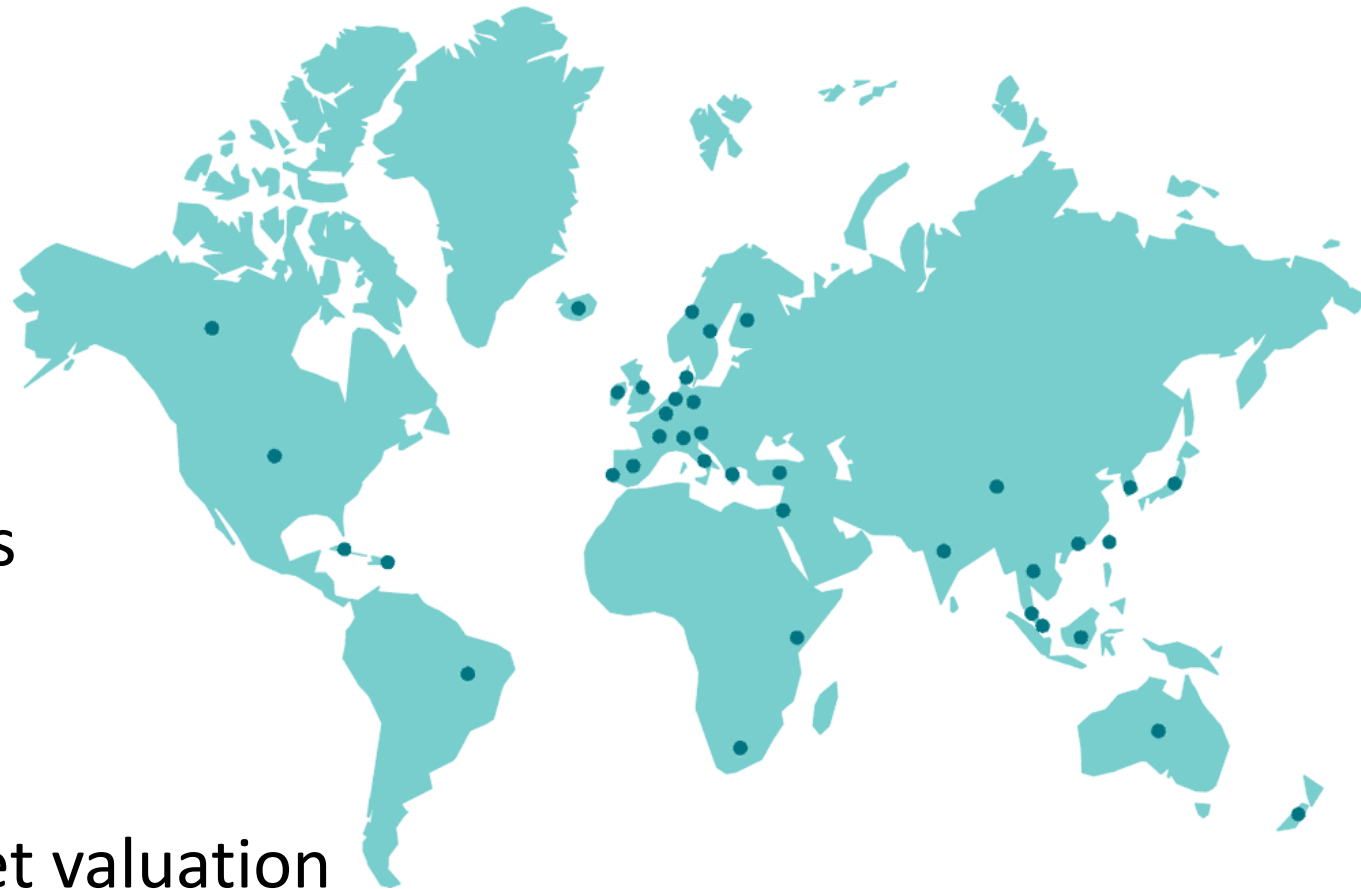
Sharing economy sectors Traditional rental sectors

Source: PwC analysis

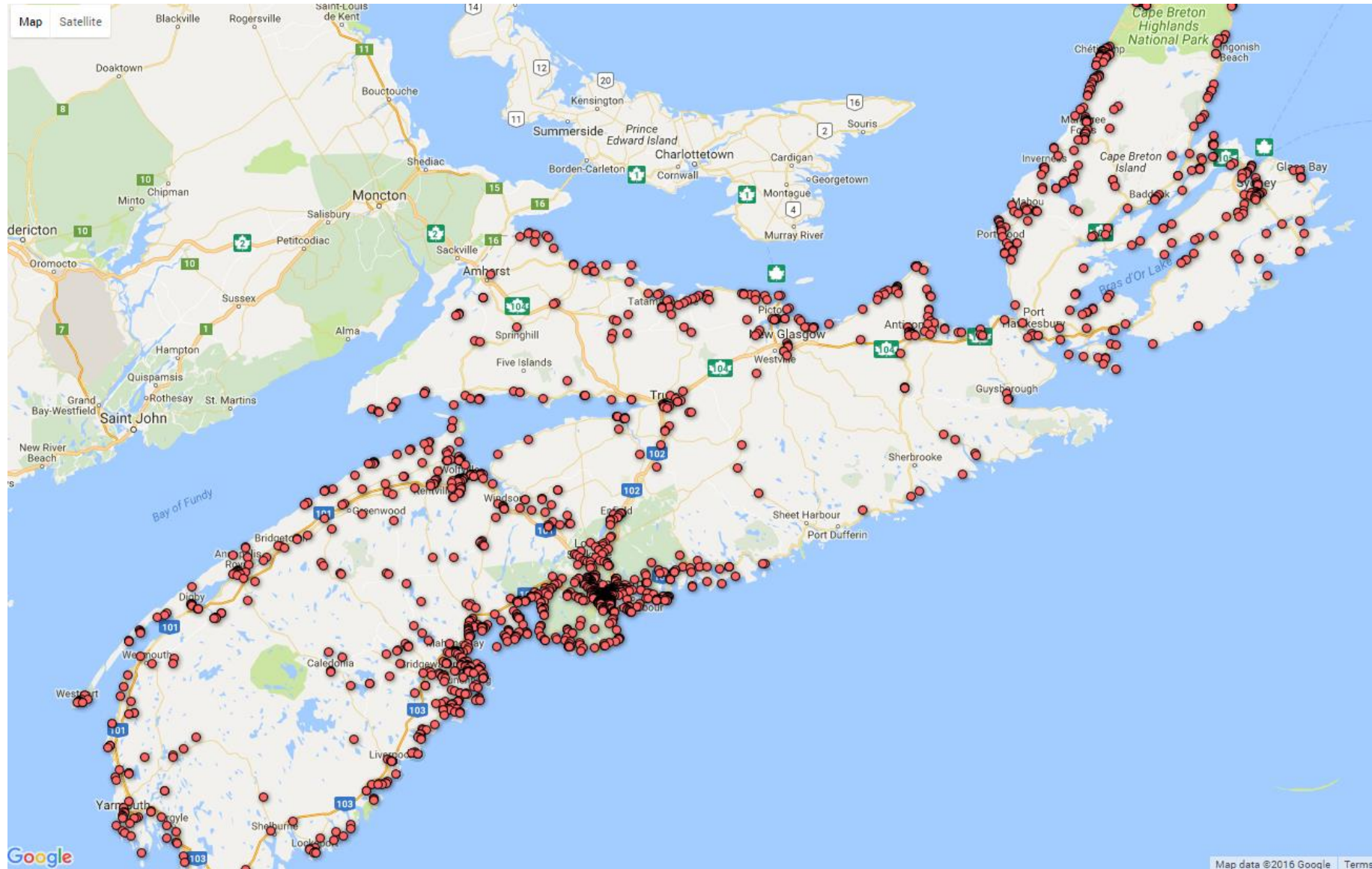
# Sharing Economy and Tourism

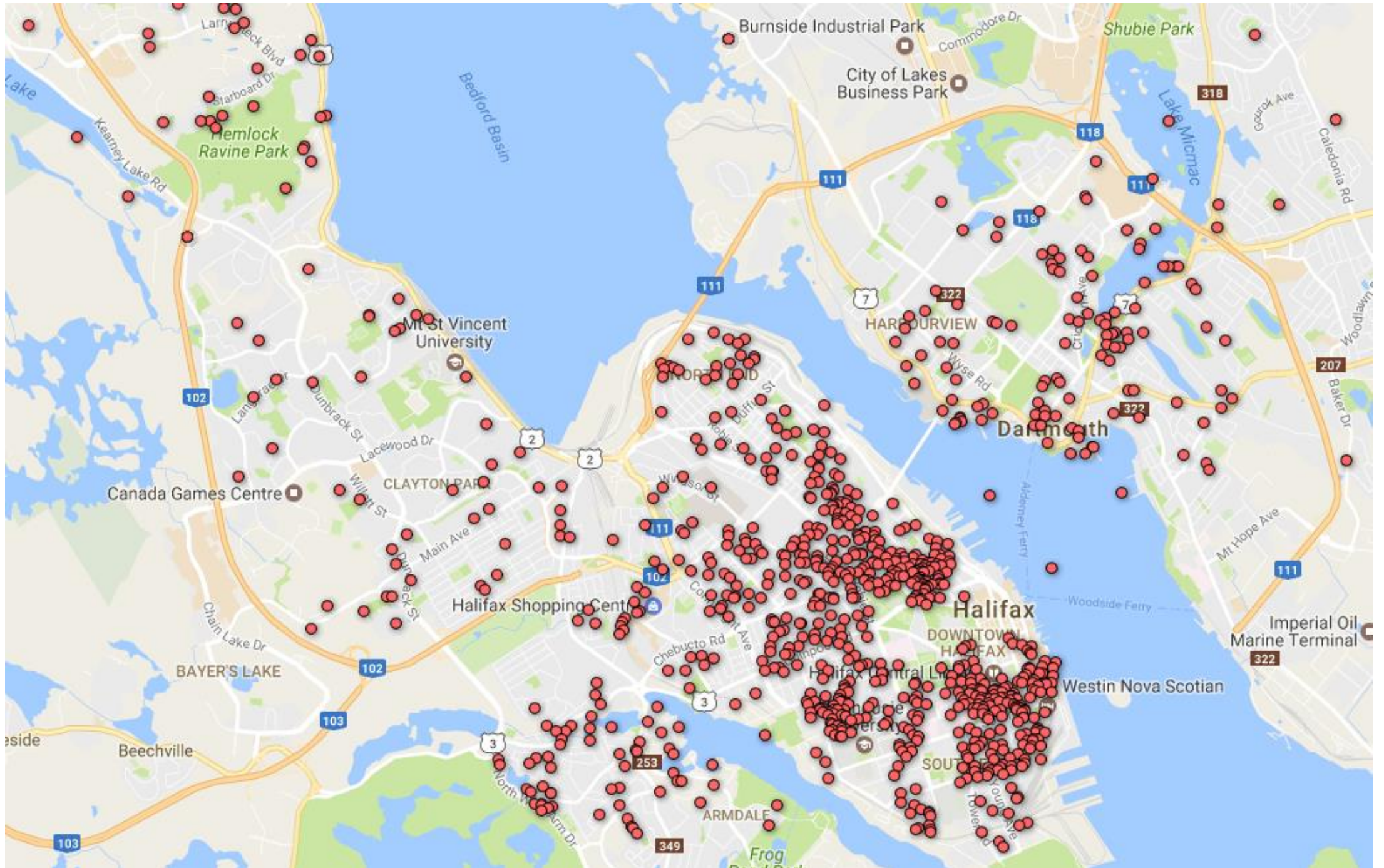
Getting Around	Where to Stay	Where to Eat	What to Do
Lyft Uber Sidecar Carpooling Blablacar Zimride Relayrides Getaround Flightcar	<b>Airbnb</b> Homeaway VRBO Flipkey Roomorama Wimdu Gflats Onefinestay Housetrip Homestay Couchsurfing Homeexchange Lovehomeswap Guesttogo Knok	Eatwith Feastly Cookening Cookisto Kitchensurfing	Vayable Sidetour Incrediblu Getyourguide Boatbound Getmyboat Dopios

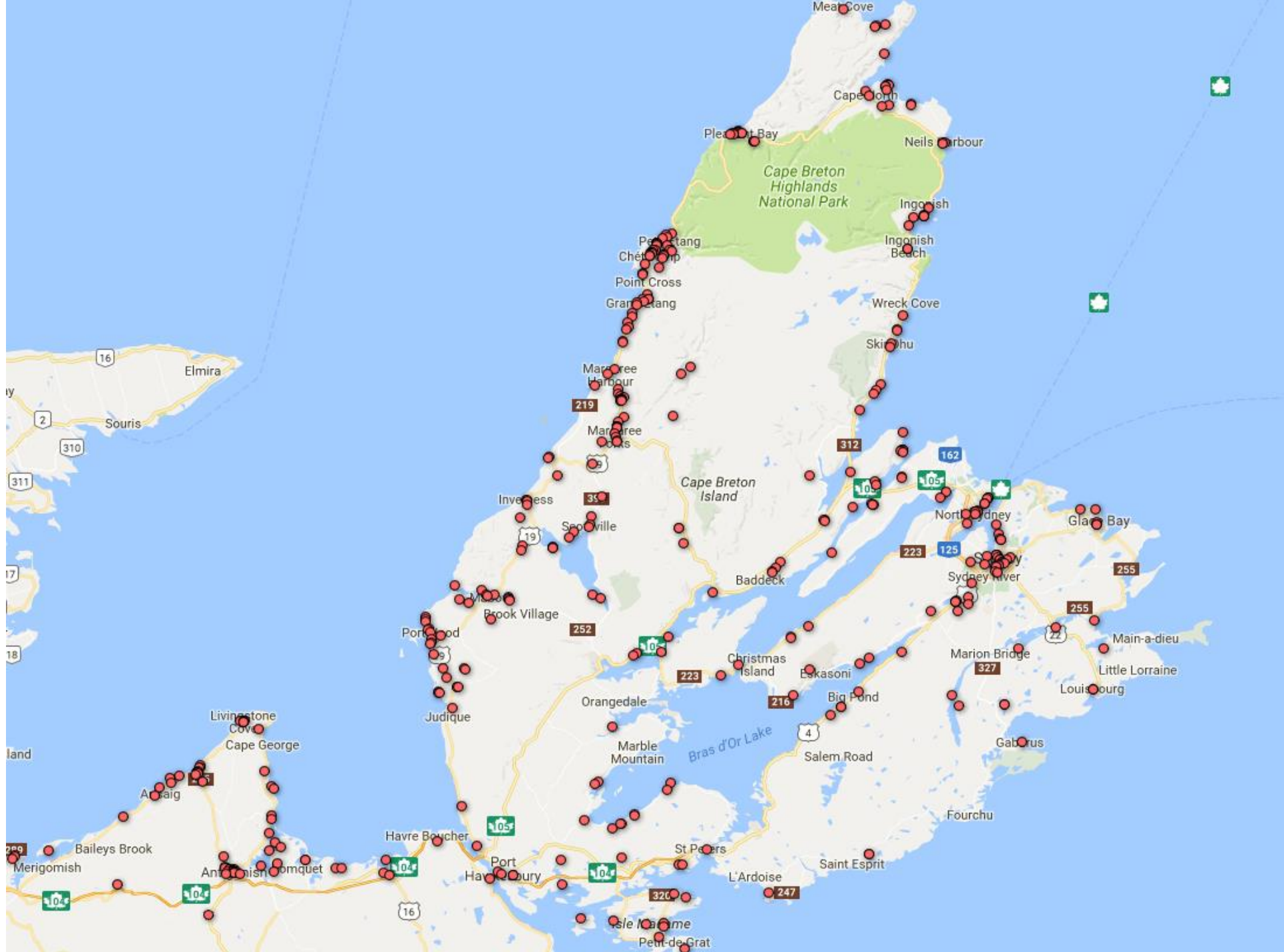
- 160 million guests
- 65,000 cities
- 3 million listings
- \$ 31 billion market valuation

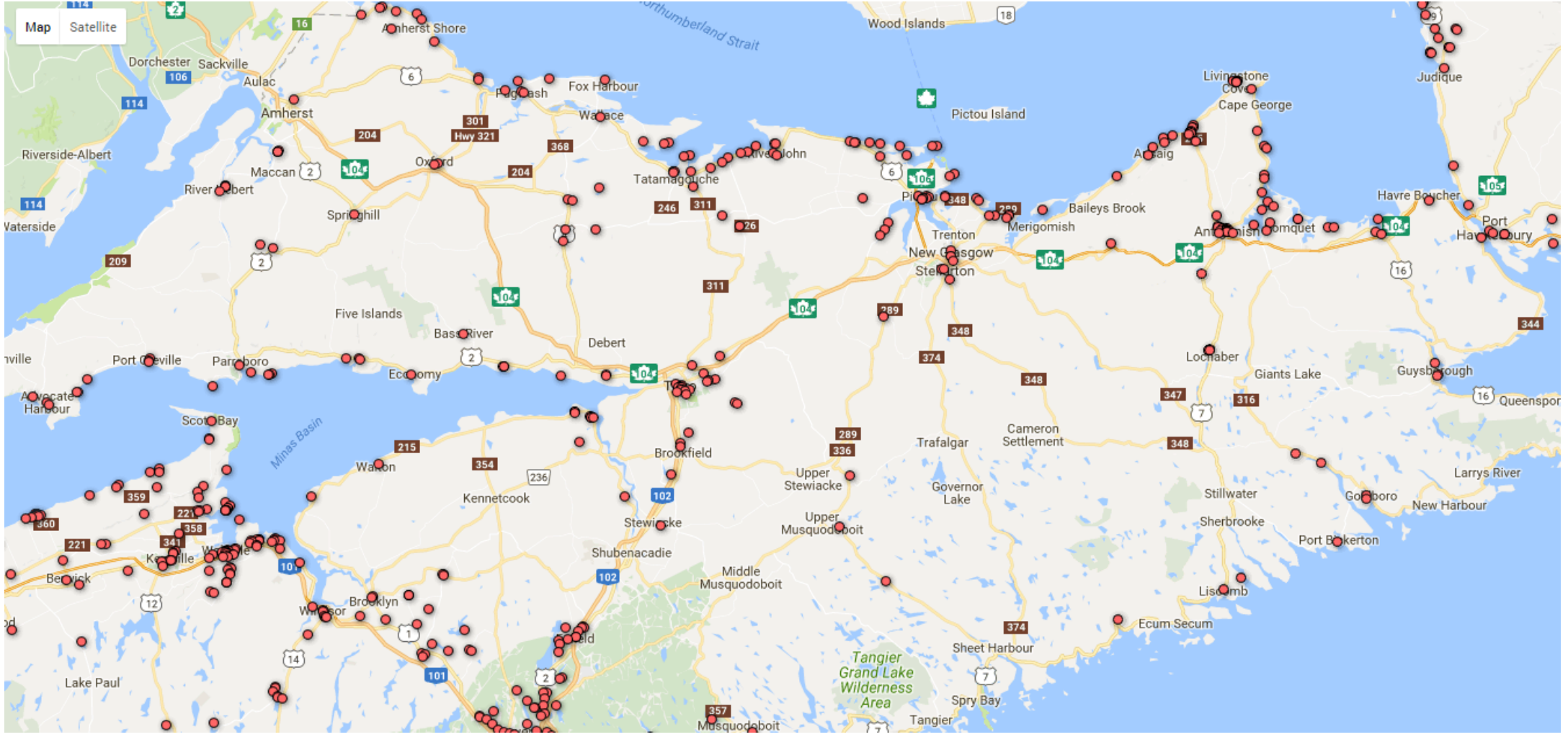


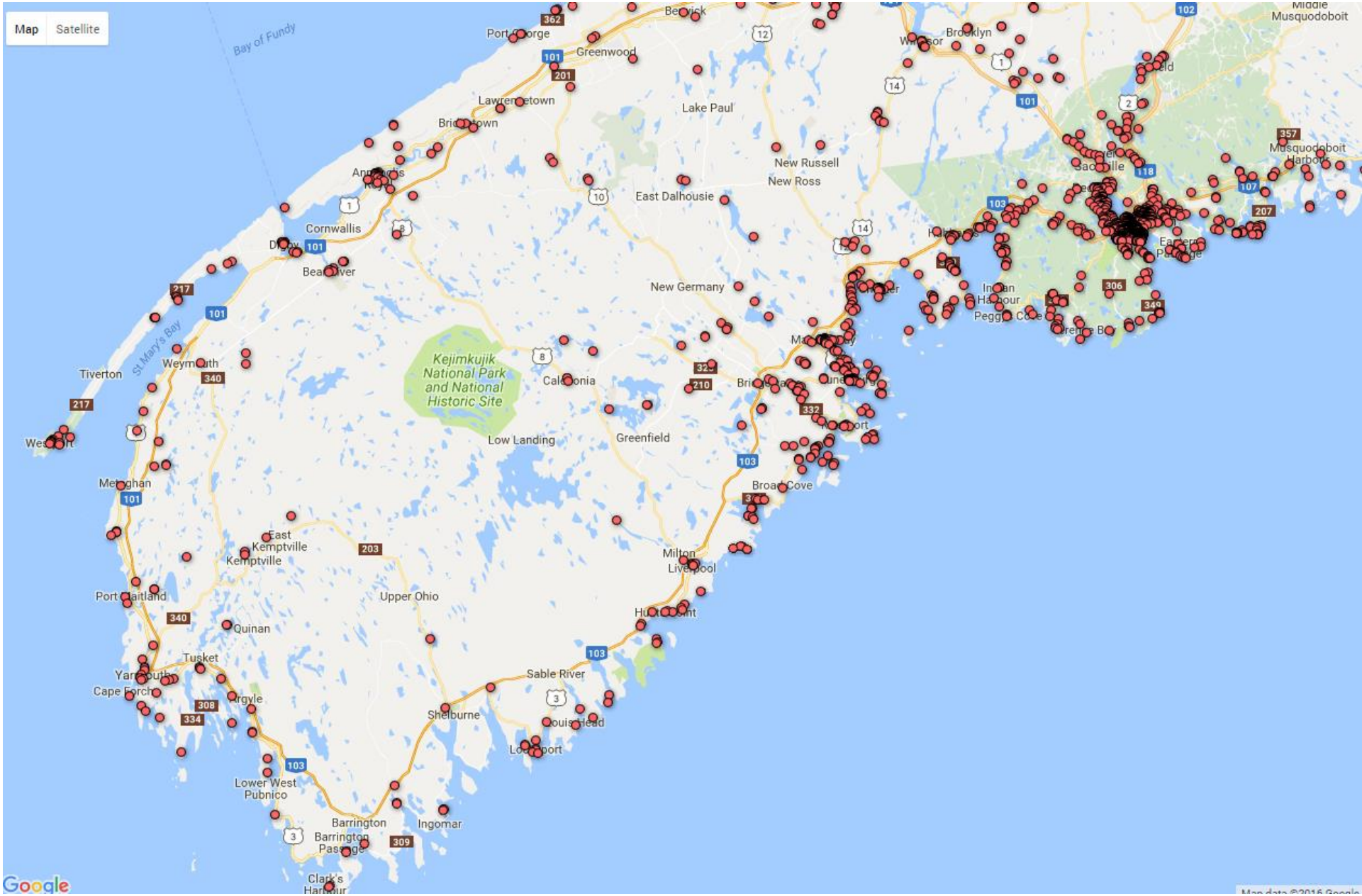
# Airbnb in Nova Scotia















# Sources of Conflict With Existing Providers

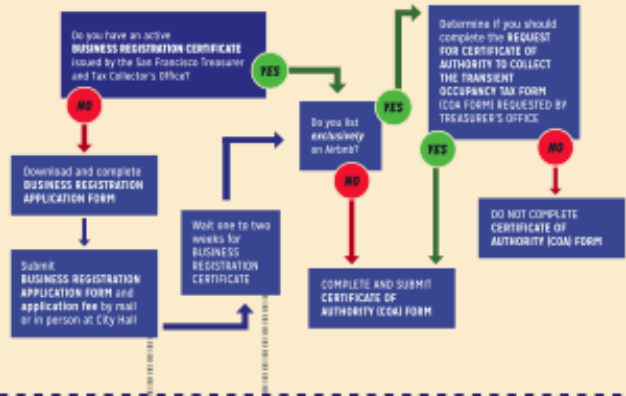
- Demands for tougher regulation and enforcement
- Demands for “level playing field”
- Active lobbying efforts
- Sometimes conflicts with what consumers want
  - Lower prices – better service – increased variety – unique experiences

# Regulatory Challenges & Municipal Concerns

- Bylaw enforcement
- Zoning requirements
- Responding to complaints
- Marketing levy
- Property tax flow
- Affordability and availability of housing
- Allowing for growth and adaptive uses of properties
- Is there a best practice I can steal?

# SHORT-TERM RENTAL REGISTRATION PROCESS

## STEP 1 BUSINESS REGISTRATION CERTIFICATE



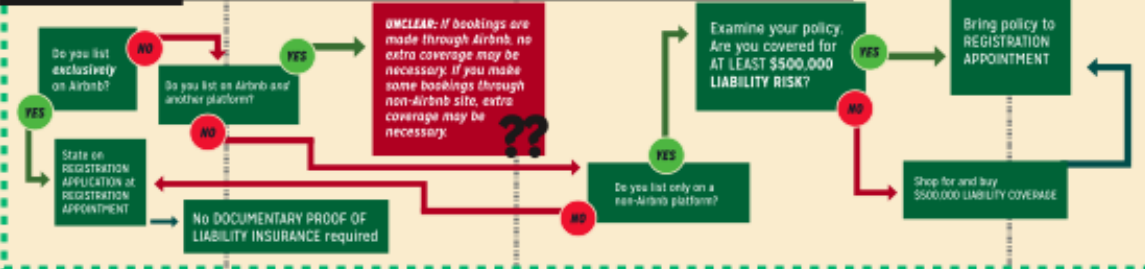
## STEP 2 MAKE AN APPOINTMENT WITH PLANNING DEPARTMENT



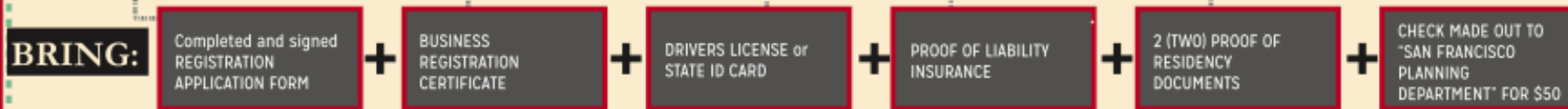
## STEP 3 PROOF OF PERMANENT RESIDENCY



## STEP 4 PROOF OF LIABILITY INSURANCE (AT LEAST \$500,000)



## STEP 5 REGISTRATION APPOINTMENT



**IF ANY OF THE DOCUMENTS OR REQUIRED ID ARE NOT DEEMED ACCEPTABLE, FIX AND REPEAT STEP 2.**

19

When all you have is a hammer,  
everything looks like a nail.



# Quebec (2016 regulation)

- Regulation
  - Mandatory licensing
  - Fines, \$2,500 to \$50,000
  - 27 enforcement personnel
- A year later
  - Over 50,000 plus home sharing units in the province
  - 500 have permits
  - 267 files reviewed and 2 prosecutions

Regulatory Area	Regulatory Measure
Establish STR categories	<ul style="list-style-type: none"> <li>• Owner occupied (room rental)</li> <li>• Owner occupied (entire home)</li> <li>• Owner absent (entire home)</li> <li>• Second homes</li> <li>• Owner absent (condo)</li> </ul>
Requirement to inform neighbours	<ul style="list-style-type: none"> <li>• Establish lead times</li> <li>• Neighbours appeal process.</li> </ul>
Occupancy limits	<ul style="list-style-type: none"> <li>• Owner occupied a minimum of 9 months/year</li> <li>• Maximum rental time 90 to 140 to 365 days/year</li> <li>• Will this vary by STR category above?</li> </ul>
Licensing process	<ul style="list-style-type: none"> <li>• Requirements, interconnected smoke detectors, CO detectors, build code compliance certification</li> <li>• Posting of license</li> <li>• Inspection requirements (initial and every 6 years)</li> <li>• Inspection fee (\$100 per room or 200 for full unit)</li> <li>• \$25 to 250 annual fee to host</li> <li>• License fee for STR platform companies</li> <li>• Must have a CRA business tax number to receive license</li> </ul>
Geographic quotas	STR “households” may not exceed 3% of census subdivision
Building type	Houses, attached houses, duplexes, accessory dwellings, apartment, condo, etc.

Regulatory Area	Regulatory Measure
Compliance structures	<ul style="list-style-type: none"> <li>• Random inspections,</li> <li>• Compliance tracking and outreach, monitoring of online platforms for noncompliance</li> <li>• Compliance staff</li> <li>• Complaints and response process</li> <li>• Fines structure (\$500 for minor infractions to \$100,000 for major infractions or operation of black-market hotel)</li> <li>• Criteria for revoking license</li> </ul>
Tax collection	<ul style="list-style-type: none"> <li>• Establish tax and levy collection agreements with 15 to 20 “sharing platforms” HST, income taxes, property tax</li> <li>• Tax rebate criteria and rebate process</li> </ul>
DMF	<ul style="list-style-type: none"> <li>• Collected by STR platform company as per agreement</li> <li>• 2% to 10%</li> </ul>
Special STR hosing tax	<ul style="list-style-type: none"> <li>• Dollars per night or percentage tax directed at affordable housing</li> </ul>
Municipal bylaw compliance	<ul style="list-style-type: none"> <li>• Demonstrate compliance with all municipal bylaws</li> <li>• Refuse collection plan, parking plan</li> <li>• Noise abatement plan</li> <li>• Review and update of all municipal regulations relating to residential occupancy, rooming houses, etc.</li> </ul>

Regulatory Area	Regulatory Measure
Insurance plan	<ul style="list-style-type: none"> <li>• Demonstration of liability coverage against property damage and bodily injury, \$2 million</li> </ul>
Advertising plan	<ul style="list-style-type: none"> <li>• Licensee must list the unit's STR license number on any online, print or other advertisements</li> <li>• Join quality program</li> </ul>
STR host security check	<ul style="list-style-type: none"> <li>• Proof of identify, driver's license, etc.</li> <li>• Criminal background check</li> <li>• Residency requirement</li> </ul>
Municipal bylaw compliance	<ul style="list-style-type: none"> <li>• Demonstrate compliance with municipal zoning</li> <li>• Demonstrate compliance with all applicable municipal bylaws</li> <li>• Refuse collection plan, parking plan</li> <li>• Noise abatement plan</li> </ul>
Safety compliance	<ul style="list-style-type: none"> <li>• Safety plan established and made available in residence</li> <li>• Evacuation plan</li> <li>• Safety equipment, CO, CO2, fire extinguisher, etc.</li> </ul>
Nuisance provisions	<ul style="list-style-type: none"> <li>• 24/7 emergency contact, owner or other</li> <li>• Landlord/building permission</li> <li>• No hourly rentals</li> </ul>

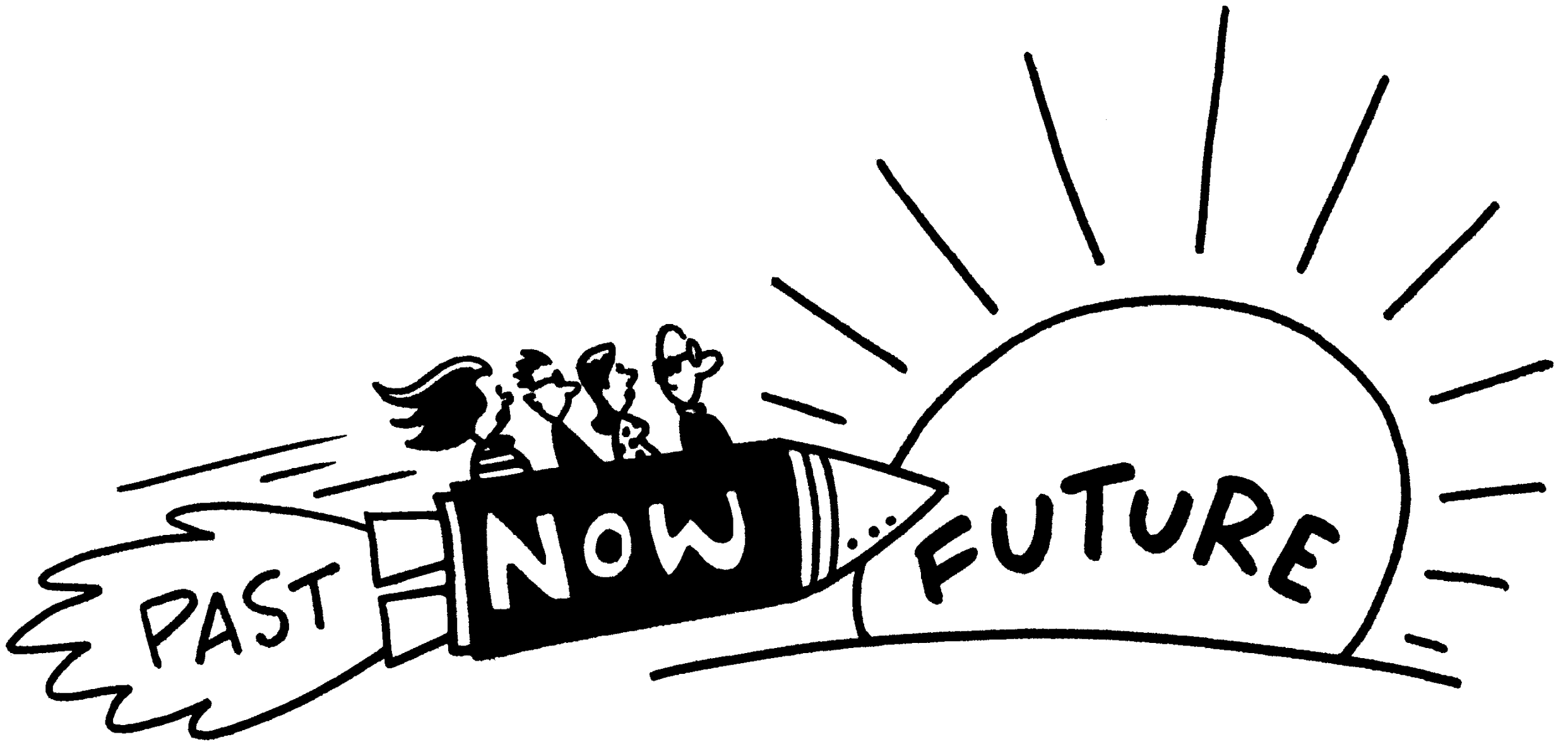
# Provincial Regulatory Cost Scenarios

	<b>Cost to Business</b>	<b>Cost to Government</b>	<b>Total Cost</b>	<b>Average Cost Recovery per Operator</b>
Status Quo	554,000	465,000	1,019,000	517
Deregulation	158,000	145,000	303,000	294
Status Quo Plus Full STR (yr. 1)	2,839,707	13,610,000	16,449,707	4,124
Yearly Inspection (yr. 1)	3,400,000	18,110,000	21,510,000	5,488

# Goals and Game Changers

- Tourism revenue growth,
- Small business creation,
- Rural industry renewal
  - Two thirds of Airbnb hosts are in outside of Halifax
  - STRs may allow for new accommodation to be developed in rural areas without capital expenditure
  - STR supply responds very quickly to demand, which can enable special events to be developed on a larger scale, particularly in rural areas
  - STRs generate important sources of income for individuals and communities.





# The Future

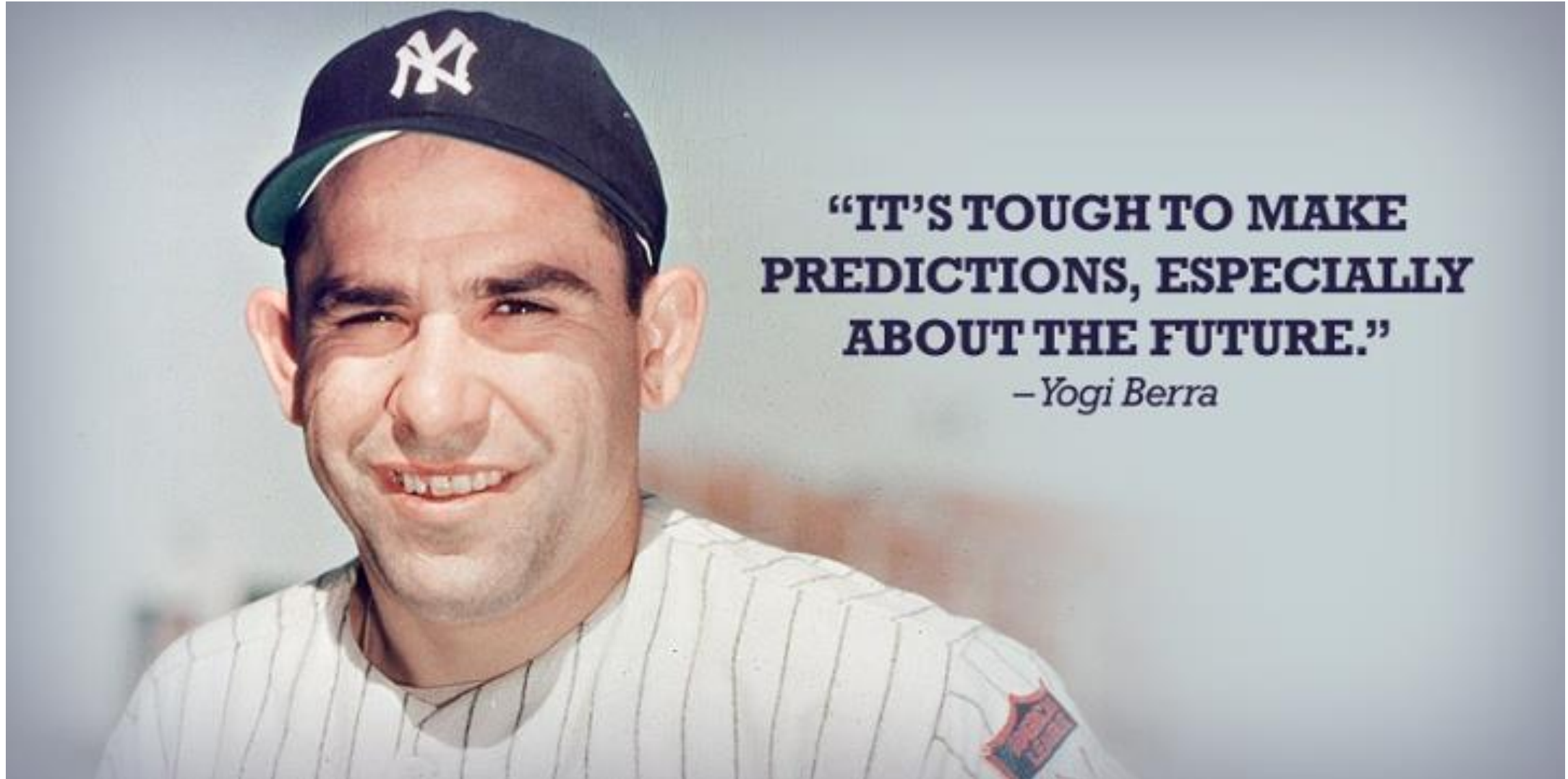


It is very difficult to make an accurate prediction, especially about the future.

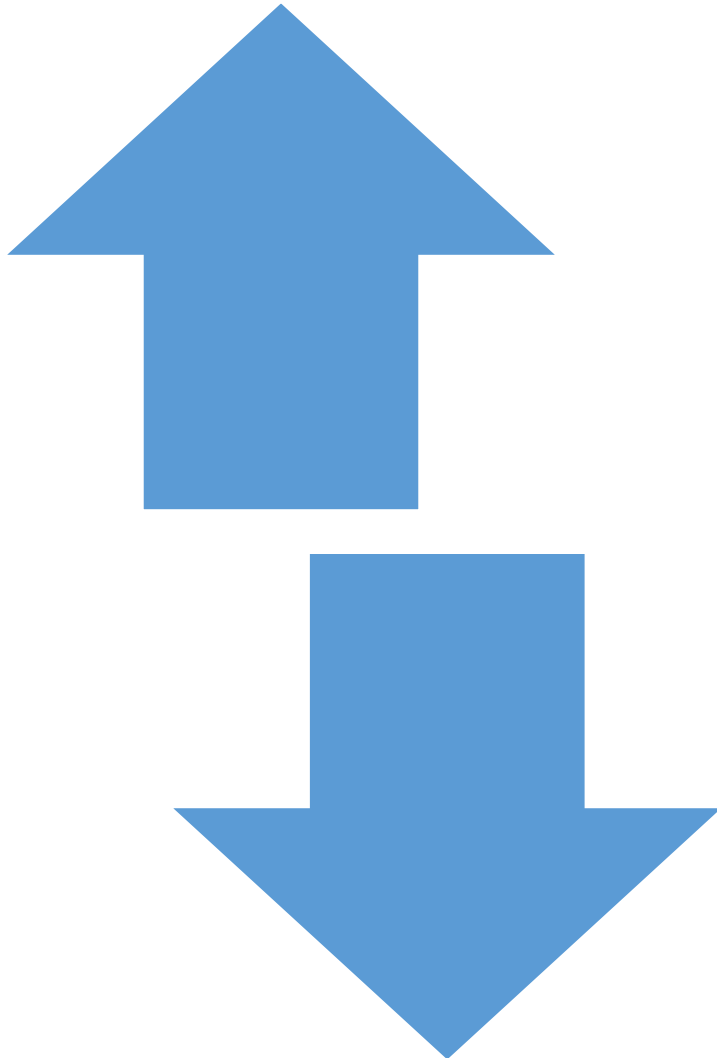
— *Niels Bohr* —

AZ QUOTES

# The Future



# The Choice for the Future



Innovate and give consumers what they want and grow the economy

**OR**

Enhance regulation and enforcement, preserve the status quo and watch the economy shrink

# Regulatory Change Options for Accommodations

- Ignore....
- Toughen regulation and enforcement...“Whack-a-mole” ....
- A light-touch regulatory approach that maximizes innovation, new business creation, consumer options and revenue generation.
- “Regulate down” to remove costs on existing business...improve competitiveness



Regulation should ensure a level playing field

Are we sure that the guy in lane 3 does not have a competitive disadvantage?



CANNON PETER

# Best Practice Observations

- Home sharing is here to stay, take advantage of it
- Some current bylaws work
- Large operators treated like executive suite operators
- Leave the micro-entrepreneurs alone
- Certification of safety measures and customer service
- Pay all taxes and fees owed...assist with information and outreach
- Acquire data from sharing platforms and use it to improve municipal services

“  
Every city is different—and the way they each incorporate and regulate these companies should be based on local conditions.”

