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PERSPECTIVE

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To Uberize or Not to Uberize?

Opportunities and Challenges in Southeast Asia's Sharing Economy

Cassey Lee*

EXECUTIVE SUMMARY

- The impact of the sharing economy has been enormous, affecting most dramatically, industries such as transportation, accommodation, retail, logistics, e-commerce and tourism.

- The Southeast Asian countries that are most ready to engage with this include Singapore, Malaysia, Thailand and Indonesia.

- Key drivers of the sharing economy include ICT infrastructure and usage, demographics, tourist arrivals and consumer preferences. However, the disruptive effects of the sharing economy has provoked calls for greater government intervention.

- Governments have treaded carefully to avoid over-regulating the sharing economy due to evidence of consumer gains and preferences, on-going evolution of related markets and the emergence of new stakeholders.

- There is a need for governments to undertake comprehensive studies on the potential of the sharing economy and device ways to incentivise participation in it.

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> *Uberize* . Verb. (economics). "To modify a market or economic model by the introduction of a cheap and efficient alternative."[1]
>
> "If your business relies on a model of consumption that is inefficient for your consumers, chances are that there's already a new sharing economy marketplace that is looking to streamline it for them." (Sundararajan, 2013)

INTRODUCTION

The word "Uber" is on the verge on entering our psyche and dictionaries today just as "Xerox" or "Google" did in the past. However, unlike these two iconic innovations, public responses to new ride-hailing services, such as those provided by Uber and Grab, have been more mixed and polarized. Commuters love it whilst some taxi drivers are likely to hate it. Regardless, the entry of these new technology-driven businesses has disrupted markets worldwide. In Jakarta, some 12,000 taxi drivers took to the streets on 22 March 2016 to protest against Uber and Grab, effectively shutting down major parts of the city. A week later, 500 irate taxi drivers in Kuala Lumpur did the same. Public transport regulators in these countries have also struggled with how to regulate these emerging new modes of transport services.

Technology-driven market disruptions are not new. Joseph Schumpeter famously coined the term "creative destruction" to describe the impact of innovations on markets via the creation of new products that render old ones obsolete. The type of innovation associated with the services provided by Uber and Grab belongs to what is known today as the "sharing economy".[2] Made possible by technological advances in GPS, mobile communications, social networking and cloud computing, the sharing economy has affected almost all industries such as transport, retail, logistics, food and beverage, and accommodation.

The stakes involved in the sharing economy are high. The size of the sharing economy, estimated globally for five sectors, is projected to increase from US$ 15 billion in 2014 to US$ 335 billion by 2025.[3] The cost and benefit calculus of the impact of the sharing economy goes beyond the immediate gains enjoyed by consumers (and new service providers) and the losses incurred by traditional service purveyors. For starters, there is already some evidence of cross-border investment opportunities brought about by such innovations. For governments, such innovations – disruptive as they are – may provide new

[1]https://en.wiktionary.org/wiki/uberize

[2] The sharing economy can be defined as "an economic model based on sharing underutilized assets from spaces to skills to stuff for monetary or non-monetary benefits". Source: http://www.collaborativeconsumption.com/2013/11/22/the-sharing-economy-lacks-a-shared-definition/

[3] The five sectors are: (i) peer-to-peer lending and crowdfunding (ii) online staffing (iii) peer-to-peer accommodation (iv) car sharing, and (v) music and video streaming. Source: http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/the-sharing-economy-sizing-the-revenue-opportunity.html

opportunities to revitalize micro-enterprises and even provide new sources of revenues for the state. More importantly, any misguided government policy and regulation in this area has the potential to dampen future innovations.

Thus the question of "to uberize or not to uberize" is about how governments should respond to the challenges posed by the sharing economy. This essay addresses the question by explaining the nature of the sharing economy, its foothold in Southeast Asia, and finally, the various policy responses by governments in the region. The policy challenges of engaging with the sharing economy ("to uberize or not to uberize") is examined via a comparative study of the countries in the region. Examples from the car sharing market is used in this essay to focus the discussions on specifics.[4]

WHAT IS THE SHARING ECONOMY?

Uber and Grab are in the business of ride-hailing or ride-sharing services which involve arranging for car chauffeuring services via mobile phone applications (mobile apps). In this market, consumers and drivers are matched by mobile apps that leverage on the GPS capabilities of mobile phones. Payment can be in cash or via debit/credit card. The company gets a cut of the fare charged for the ride in return for providing the platform for this matching service. This business model has several advantages over traditional taxi services. First, private car owners do not pay any fixed costs associated with driving taxis such as fixed daily lease rental. Second, private car owner have greater time flexibility in offering their services. Third, the company that provides the service platform (i.e. Uber and Grab) does not need to operate with high overheads (administrative staff), nor does it need to invest heavily in infrastructure (taxi fleet and maintenance workshop).

Uber and Grab are examples of the phenomenon we now call the "s**haring economy**".[5] The term is derived from the "sharing" of assets (cars in this case). Some have used the term "collaborative consumption" to reflect the joint use of services from such assets. Through collaborative consumption, asset owners are able to increase the utilisation of their assets by reducing their idle time and earn more income in the process. Another term that has been used is "**asset-light economy**" because service providers in such markets need not invest heavily in assets and infrastructure. In addition, because transactions in such markets are undertaken directly between individual service providers and consumers, it has also be called the "**peer economy**".

Regardless of the term used or the market analysed, the fundamental ingredients of these economies are networks and information. Platforms (of which a mobile app is one of the main components) bring together and connect individual buyers and sellers into a network. This facilitates the exchange of information for business transactions. Whilst this has been

[4] There are other examples that pre-dates Uber and Grab such as Airbnb.
[5] Useful primers on the sharing economy include Botsman and Rogers (2010) and Sundararajan (2016).

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going on in e-commerce for more than 15 years (think eBay, Amazon and iTunes), the more recent innovations associated with the sharing economy focus on disentangling **ownership** from **usage**. This is particularly relevant for large cities, in which the cost of ownership can be high (parking fees and congestion) and where the spatial distribution of both potential sellers and buyers is sufficiently dense (which facilitates matching and transactions). Thus, it should not be surprising that the new services associated with the sharing economy have emerged first in especially large cities. This is true in the case of Southeast Asia as well. Uber and Grab have concentrated their businesses in large cities (such as Jakarta, Kuala Lumpur, Manila and Singapore) and in tourism-oriented cities (Bali and Phuket).[6]

Finally, the boundaries of the sharing economy can be vague and evolving. The range of assets and services that can be shared is potentially and bewilderingly vast – ranging from branded fashion goods, gardening tools and a meal at a person's home. A home can be shared – so can a room or even a toilet within the same room (airpnp, SitOrSquat). A peer-to-peer platform can make it possible for multiple drivers to share a car (short-term rentals). Alternatively, a car owner can share a ride with others (car pool or private chauffeur). Taxis can also sign-up along with private car owners to offer the similar services. The same platform can also offer drivers the opportunity to deliver goods ordered online (e-commerce), a function traditionally performed by postal and courier companies. Thus, the possibility for the sharing economy is endless – constrained only by innovation, technology, infrastructure, government regulation and individual preferences conditioned by socio-cultural factors. Some of these issues are discussed next in the context of Southeast Asia.

THE SHARING ECONOMY IN SOUTHEAST ASIA

The sharing economy is relatively new in Southeast Asia even though its impact is already discernible in a few cities in the region. Generally, the sharing economy has made the most impact in two sectors – transport and accommodation. Even though there was an early attempt to apply the Uber model to motorcycle taxis in Indonesia in 2011 (Go-Jek), the ride-hailing market only took-off in the region with the entry of Uber in 2013-2014 and Grab in 2014-2015 (**Table 1**). The early pioneers of the sharing economy in the region appears to be mostly American companies such as Airbnb (in 2012) and Uber (2013) that first became successful in their country of origin.[7] Local and regional competitors have also emerged within 1-2 years after the entry of these companies. Examples in home sharing include PandaBed (established in Singapore, 2012) and Roomfilla (Thailand). In the motorcycle taxi market, Grab – initially a Malaysian company, now a regional competitor – have become a first mover (rather than follower) in Thailand and Vietnam.

Exactly how large is the sharing economy in Southeast Asia? Nobody knows for sure. One much-cited figure is the one mentioned earlier – PWC's estimate of revenues from the global sharing economy, which was estimated to be around US$15 billion in 2014. This is

[6] See Appendix Table 1.
[7] Airbnb and UBER were launched in the US in 2008 and 2009, respectively.

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only 0.019% of global GDP (US$ 77,960.6 billion) in 2014. This, of course, underestimates the actual impact of the sharing economy, which is primarily concentrated in larger cities and in specific industries in the services sector, such as transport services (cars and motorcycle taxis) and tourism (holiday accommodation).

Table 1: Car and Motorcycle Sharing Market in Southeast Asia

Country	Uber	Grab	GrabBike	Other Major Competitors (inc. motorcycle taxi)
Brunei	-	-	-	-
Cambodia	-	-	-	-
Indonesia	Aug 2014	Jun 2015	May 2015	Go-Jek (2011/2015), EasyTaxi (May 2013)
Lao PDR	-	-	-	-
Malaysia	Jan 2014	May 2014	-	-
Myanmar	-	-	-	Hoho (Myantel, Jun 2015)
Philippines	Feb 2014	May 2014	-	-
Singapore	Feb 2013	Jul 2014	-	Hailo (Oct 2014)
Thailand	Apr 2014	Apr 2015	Aug 2015	UberMOTO (Feb 2016)
Vietnam	Aug 2014	Aug 2015	May 2015	-

Source: Author's compilation

Which countries in the region can be expected to engage more in the sharing economy and benefit from it? Examples from the home-sharing and car-sharing markets indicate that this will depend on factors such as demographic patterns, urbanization, ICT infrastructure and mobile internet usage. The sharing economy is more likely to flourish in countries with a large population living in urban areas. These include Malaysia, Thailand and Vietnam (**Table 2**). And then there is Singapore of course. Even though a relatively small country (5.6 million population) – Singapore is 100% urbanized and has a very high per capita income. Only five cities in the region are larger than Singapore – Manila, Jakarta, Bangkok, Ho Chi Minh City and Kuala Lumpur.

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Table 2: Population, Urbanization and Per Capita Income in Southeast Asia

Country	Total Population (mil) 2014	Urban Population (% Total) 2014	Largest City in Country (Pop. Size , mil) 2015	GDP Per Capita (US$, current) 2015
Brunei	0.4	77	Bandar Seri Begawan (0.2)	40,980
Cambodia	15.4	21	Phnom Penh (1.7)	1,095
Indonesia	252.8	53	Jakarta (10.3)	3,492
Lao PDR	6.9	38	Vientiane (1.0)	1,793
Malaysia	30.2	74	Kuala Lumpur (6.8)	11,307
Myanmar	53.7	34	Yangon (4.8)	1,204
Philippines	100.1	44	Manila (12.9)	2,873
Singapore	5.5	100	Singapore (5.6)	56,284
Thailand	67.2	49	Bangkok (9.3)	5,977
Vietnam	92.5	33	Ho Chi Minh (7.3)	2,052

Source: United Nations, World Population Prospects 2015, http://www.internetworldstats.com/asia.htm

The age profile of a population is also likely to affect the prospects of the sharing economy. In a survey by Nielsen (2014), the age group that was identified as most likely to engage in the sharing economy were those between 21 and 34 years old (millennials). Close to half of consumers in this age group are likely to engage in the sharing economy (**Table 3**). This group constituted about 21% of the US population. A number of Southeast Asian countries also have a fairly high proportion of millennials in their population. These include Cambodia (30%), Malaysia (28%), Vietnam (27%) and Lao PDR (27%).

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Table 3: Age Profile of Population in Southeast Asia, 2015

Country	Generation Z (Under 20)	Millennials (21-34)	Generation X (35-49)	Baby Boomers (50-64)	Silent Generation (65+)
% Likely to Utilize/Rent Product/Services from a Share Community – Asia-Pacific*	10	49	18	5	0
Age Group Composition (%)	**Under-20**	**21-34**	**35-49**	**50-64**	**65+**
Brunei	32	27	24	14	4
Cambodia	42	30	14	10	4
Indonesia	37	24	21	13	5
Lao PDR	46	27	14	8	4
Malaysia	34	28	19	13	6
Myanmar	37	24	20	13	5
Philippines	42	25	18	11	5
Singapore	22	20	24	22	12
Thailand	24	21	25	20	10
Vietnam	31	27	21	14	7
Southeast Asia	35	25	21	13	6

Sources: * http://www.nielsen.com/us/en/insights/reports/2014/is-sharing-the-new-buying.html and United Nations' World Population Prospects 2015, Vol.II.

The disadvantages associated with small city-size can be overcome by a high-influx of tourists. A number of smaller cities in the region are conducive to the sharing economy for this reason. These include Denpasar (Bali), Penang, Phuket and Pattaya (**Table 4**). Denpasar, for example, only has a population of 1.1 million in 2015 but the total number of tourist arrivals in 2014 was 7.2 million. The total length of stay for these tourists also matters – a higher number is associated with larger opportunities for the sharing economy.

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Table 4: Tourist Arrival and Stay in Southeast Asia

Country	Pop. Size (mil) of City 2015	Tourist Arrivals, mil 2014 (Country)	Arrivals in Major Cities, mil 2015	Total Nights of Stay in City (million) 2015
Brunei	Bandar Seri Begawan (0.2)	3.89		
Cambodia	Phnom Penh (1.7)	4.50	Phnom Penh (3.7) Siem Reap (2.4)	
Indonesia	Jakarta (10.3) Denpasar/Bali (1.1)	9.4	Denpasar/Bali (7.2)	Bali (65.2)
Lao PDR	Vientiane (1.0)	4.2		
Malaysia	Kuala Lumpur (6.8) Penang (1.7)	27.4	Kuala Lumpur (11.3)	Kuala Lumpur (68.5) Penang (21.4)
Myanmar	Yangon (4.8) Mandalay (1.2)	3.1		
Philippines	Manila (12.9) Davao City (1.6)	4.8		
Singapore	Singapore (5.6)	15.1	Singapore (11.8)	Singapore (55.3)
Thailand	Bangkok (9.3) Phuket (0.5)	24.8	Bangkok (21.9) Phuket (9.3) Pattaya (8.1)	Bangkok (107) Phuket (50.8) Pattaya (27.2)
Vietnam	Ho Chi Minh (7.3) Hanoi (3.6)	7.9		

Source: Source: United Nations, World Population Prospects 2015, MasterCard Asia Pacific Destinations Index 2015, ASEAN Secretariat

Another factor that is likely to affect the opportunities for the growth of the sharing economy is ICT usage and infrastructure, particularly in terms of mobile broadband access, cost and usage. The two countries in the region that have the highest percentage of individuals using the internet are Singapore (82.0%) and Malaysia (67.5%) (**Table 5**). However, in terms of mobile broadband subscriptions, whilst Singapore is far ahead of all other countries, the level in Thailand is higher than in Malaysia. The cost of mobile broadband in Singapore may be high in comparison to other countries, but this is mitigated by the high-income level (GDP per capita) and quality of mobile internet (download speed, **Table 5**).[8] Another

[8] In assessing the mobile subscription cost, the 1.5-2.0GB data plan is likely to be appropriate given that the recommended monthly data plan for ab Uber partner app is around 3GB. See https://help.uber.com/h/7c71e914-0845-4dfa-8fd0-e4128cb82125

possible proxy indicator of the market potential of the internet-driven sharing economy is the percentage of internet users that are Facebook users.[9] The leaders in this area include Brunei (67.5%), Singapore (65.5%), Malaysia (59.6%) and Thailand (56.5%).

Table 5: ICT Infrastructure and Usage, 2014

Country	% of Individuals Using Internet	Mobile Broadband Subscriptions per 100 Capita	Monthly Mobile Subscription Cost (US$)	Mobile Internet Download Speed Mbit/s (3G+LTE)	Facebook Users, mil (% of Internet Users)
Brunei	68.8	6.3	28 (1.5GB)	1.97	0.27 (67.5%)
Cambodia	9.0	14.0	30 (1.5GB)	1.60	3.30 (21.4%)
Indonesia	17.1	34.7	7.6 (2GB)	1.04	78.0 (30.9%)
Lao PDR	14.3	4.6	6.2 (5GB)	1.24	0.96 (13.9%)
Malaysia	67.5	58.3	9.5 (1GB)	2.48	18.0 (59.6%)
Myanmar	2.1	14.9	10.7 (2.5GB)	0.4	7.10 (13.2%)
Philippines	39.7	28.0	7 (1.5GB)	1.72	47.0 (47.0%)
Singapore	82.0	156.1	24 (2GB)	16.85	3.6 (65.5%)
Thailand	34.9	79.9	9.7 (0.75GB)	0.91	38 (56.5%)
Vietnam	48.3	31.0	5.7 (1.5GB)	1.38	35 (37.8%)

Sources: UN and ITU, The State of Broadband 2015, ISOC & TPRC (2015) Unleashing the Potential of the Internet for ASEAN Economies, Akamai State of Internet Q3 2015, http://www.internetsociety.org/, http://www.internetworldstats.com/asia.htm

[9] Facebook itself has been used as a platform for the sharing economy. See: http://www.theguardian.com/facebook-partner-zone/2015/nov/24/facebook-sharing-economy-businesses-network-enterprise

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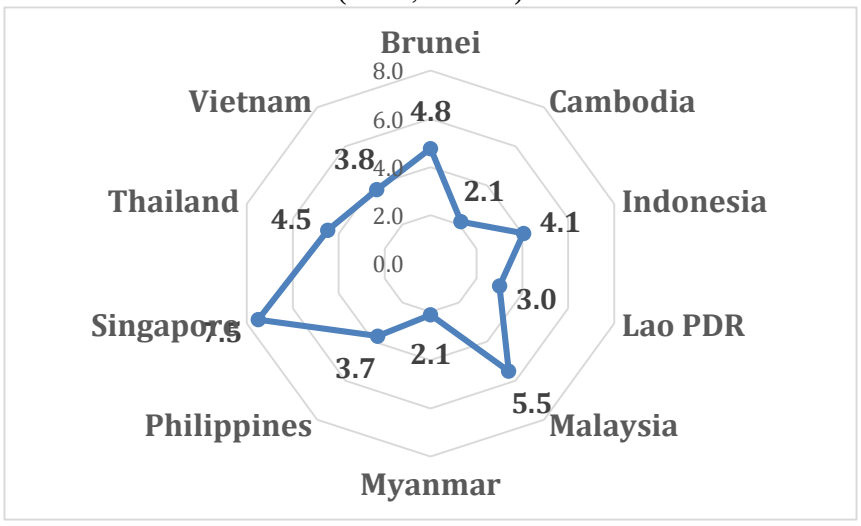
INDICES FOR THE SHARING ECONOMY

The drivers of the sharing economy are clearly multi-dimensional. One way to summarize the combined effects of these drivers is to construct a country composite index that aggregates the normalized values of variables that are important drivers of the sharing economy.[10]

The values of the composite index for countries in the region are summarized in **Figure 1**.[11] Singapore (7.5) is clearly ahead of the pack, followed by Malaysia (5.5), Brunei (4.8), Thailand (4.5), Indonesia (4.1), and Vietnam (3.8). If greater weightage is assigned to market size (proxied by population and tourist arrival), Brunei's ranking is likely to be lower.

Figure 1: Country Index for Sharing Economy Market Potential
(Min:0, Max: 10)



Source: Author's Computation

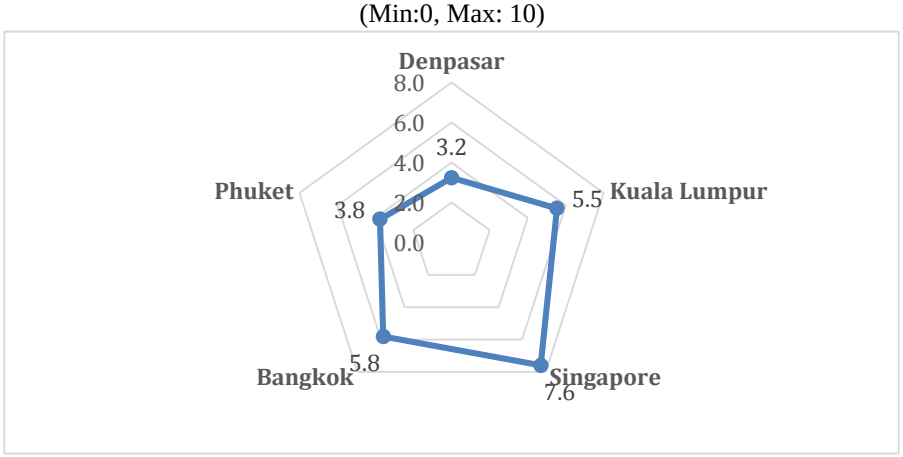
[10] The ten variables used include: total Population, urbanization, GDP per capita, share of Millenial in population, tourist arrivals, percentage of internet users, broadband subscription per capita, mobile subscription cost (inverse), broadband speed and percentage of Facebook users. The approached used is fairly crude. A more sophisticated approach will require more data and testing for robustness. See OECD (2008) for further guide on this.

[11] The normalization method used is "distance to a reference country" which entails dividing the value for a given country by the highest value in the set (reference country). The exception is the variable for price because the affordability of mobile internet is inversely related to its price. Equal weights are assigned for each variable.

Given that most markets are city-specific, it might also be possible to construct a city composite index for the sharing economy. A comparison of five of the most popular city destinations for tourists in the region is summarized in **Figure 2**.[12] Of those surveyed, Singapore ranked the highest (7.6), followed by Bangkok (5.8) and Kuala Lumpur (5.5).

Figure 2: City Index for Sharing Economy Market Potential

(Min:0, Max: 10)



Source: Author's Computation

These indices only provide a general overview of the market potential at the country and city level. More specific data are likely to be required to measure market potential for different sharing economy services. Take for example the case of car and motorcycle sharing. Cities in countries with high levels of congestion, low car ownership but high motorcycle ownership are likely to be potential markets for motorcycle sharing (**Table 6**). Thus, not surprisingly, motorcycle sharing has flourished in cities such as Jakarta and Bangkok.

[12] The selection of cities is constrained by data availability. The city index is constructed in a similar fashion as with the country index, except that city-level data is used for tourist arrival, population and total nights of stay (which replaces the urbanization variable).

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Table 6: Car and Motorcycle Ownership in Selected Southeast Asian Countries

Country	Congestion - Number of stop-starts per year	% of households that have a car	% of households that have a motorcycle	% of households that have a bicycle
Indonesia	Jakarta – 33,240 Surabaya – 29,880	4	85	65
Malaysia	Kuala Lumpur – 12,000 Johor Bahru – 21,240	82	83	53
Philippines	NA	6	32	24
Thailand	Bangkok – 27,480 Phuket - 20,400	51	87	74
Singapore	Singapore – 15,000	42*	10	NA
Vietnam	NA	2	86	67

Sources: http://www.citylab.com,http://www.castrol.com and Singapore in Figures, 2015 (figures for motorcycle ownership in Singapore are estimated figures)
* The actual figure for car ownership could be lower – around 9% - See: https://www.futurereadysingapore.com/2015/realising-the-potential-of-singapores-sharing-economy.html

Ultimately, whether the sharing economy will take off in a given country or not might depend on individual consumer preferences with regards to the willingness to share or rent personal assets (supply) and to use shared products or services (demand). The survey by Nielsen (2014) indicates that consumers in Southeast Asia are relatively receptive to the sharing economy (**Table 7**)

Table 7: Consumers' Preferences Toward the Sharing Economy, 2013

Country	Supply: Per cent of consumers willing to share or rent their personal assets	Demand: Per cent of consumers likely to use shared products or services
Indonesia	86	87
Malaysia	72	74
Philippines	87	85
Singapore	68	67
Thailand	88	84
Vietnam	82	76
Global	68	66

Source: http://www.themalaymailonline.com/money/article/southeast-asian-consumers-open-to-the-share-economy-survey-shows - based on the Nielsen Global Survey of Share Communities, 2013

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MARKET DISRUPTIONS FROM THE SHARING ECONOMY

The sharing economy has disrupted a number of markets in Southeast Asia. Thus far, this has included taxi services and hotel accommodation. The potential disruptive effects of the sharing economy are likely to be substantial in the taxi services market. Singapore is a good example, given the high cost of car ownership, relatively high per capita income and high mobile broadband penetration. In 2015, the number of private cars and taxis in Singapore were 519,645 and 28,259, respectively.[13] The number of drivers for Grab in Singapore was reported to be around 50,000 in 2014.[14] The above numbers (which excludes Uber drivers) already suggest significant market disruptions in terms of an increase in supply capacity. When new regulations on ride-hailing in Singapore were announced in April 2016, the Singapore's Senior Minister of State for Transport Ng Chee Meng was quoted as saying:[15]

> "Today, an estimated 8,000 to 10,000 drivers provide chauffeured services during peak hours. This has effectively increased the supply of point-to-point transport services by about a third during these hours."

This suggests that the services of Uber and Grab are likely to have some impact on the market. However, given that these companies provide additional incentives to drivers to operate during peak hours, the degree of market disruption through an increase in supply is likely to be lower during off-peak hours.

The impact of ride-hailing services is also discernible in Singapore's official statistics. Whilst the number of private cars have declined by 17,237 units (-3.2%) from 536,882 in 2014 to 519,645 in 2015, the number of rental cars has increased by 10,522 (+55.8%) from 18,847 in 2014 to 29,369 in 2015.[16] This trend has been attributed to the emergence of ride-hailing services.[17] It is likely to accelerate in 2016, given the eruption of a price war in the ride-hailing services market in April 2016. This saw a reduction in fares by 15% and is estimated to have increased the number of overall rides by 20%.[18]

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[13] https://www.lta.gov.sg/content/dam/ltaweb/corp/PublicationsResearch/files/Factsand Figures/MVP01-1_MVP_by_type.pdf.
[14] http://www.cnbc.com/2014/06/24/southeastasiasanswertouber.html. The number of UBER drivers are not available.
[15] http://www.straitstimes.com/singapore/transport/parliament-uber-grabcar-drivers-to-have-vocational-licences-undergo-background
[16] LTA, Annual Vehicle Statistics 2015 at: https://www.lta.gov.sg/content/dam/ltaweb/corp/PublicationsResearch/files/FactsandFigures/MVP01-1_MVP_by_type.pdf
[17] http://www.straitstimes.com/singapore/transport/grabcar-uber-fuel-surge-in-rental-car-numbers-in-singapore; Note: Rental cars are cars that are leased for personal use or for private chauffeuring Purposes.
[18] http://mashable.com/2016/04/25/uber-grab-price-war/#02UsJqHtyaqw

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REGULATORY REPONSES TO DISRUPTIONS

Not surprisingly, incumbent service providers in markets affected by the sharing economy have responded antagonistically. In many instances, the immediate knee-jerk responses took the form of calls for the government to ban such businesses on account of their illegality, lack of a level playing field, consumer safety and workers protection. The responses from governments in the region have been mixed and varied.

In the case of ride-hailing services, illegality has been the key issue for regulators of land transport and public transport. The main concern has been vehicles or motorcycles that are registered for private use but have been utilized by owners to provide public transport via ride-hailing platforms such as Uber and Grab. Regulators have invoked existing laws to impose partial bans in the ride-hailing market in Indonesia, Malaysia, and Thailand.[19] Such bans are partial because they only target vehicles and motorcycles that are registered for private use. Interestingly, in Indonesia, the ride-hailing companies have responded by spearheading the establishment of cooperatives to deal with the problem. A partial ban remains in Malaysia. In Singapore, the government has opted to regulate ride-hailing services by requiring registration, licensing, training, and screening.[20] Thus far, there has been no information on the efficacy of enforcement activities in these countries. Regulators appear to recognize that the sharing economy has brought about a fundamental and possibly irreversible shift in the transport industry. This has been confirmed by the rising demand for car hailing services and findings from official surveys that indicate consumer preferences for such services. In a 2015 survey carried out by Malaysia's Land Public Transport Commission (SPAD), it was found that more than 80 per cent of the respondents interviewed indicated that they preferred using ride-sharing services (such as Uber and Grab) over regular taxis.[21]

On the whole, there has been some reluctance on the part of regulators on whether to regulate such services and if so, how to regulate them. This reticence is understandable given the shift in the boundaries between the state and the market. The existence of GPS-monitoring and rider/driver feedbacks in e-platforms has enabled some form of self-regulation and monitoring. Companies running such platforms have also undertaken screening and training activities, as well as provide group insurance coverage to mitigate some of the earlier concerns associated with such services.

In addition, there is evidence of emerging linkages between ride-hailing services with e-commerce. In Indonesia, e-commerce companies such as Lazada Indonesia and MatahariMall (a subsidiary of Lippo Group) have teamed up with ride-hailing companies

[19] http://www.wsj.com/articles/indonesiarequiresubertousecarsfromexistingtransportproviders 1461325146
http://www.reuters.com/article/us-thailand-motorbike-taxis-idUSKCN0Y81IH
[20] http://www.straitstimes.com/singapore/transport/parliament-uber-grabcar-drivers-to-have-vocational-licences-undergo-background
[21] http://www.themalaymailonline.com/malaysia/article/80pc-prefer-uber-grabcar-over-taxis-spad-survey-says

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to enhance their delivery services. The potential and prospects of ride-hailing services have also attracted investments from, and collaborations with, large established domestic companies. Examples include the partnership between Grab and the Lippo Group in Indonesia, Vertex Venture Holdings' (owned by Temasek Holdings) investment in Grab and SMRT's (54% owned by Temasek Holdings) partnership with Grab.[22] Well-established stakeholders such as these are likely to influence the industry's trajectory and regulatory postures in the future.

The above discussions do not imply that only consumers and large enterprises will benefit from the sharing economy. There is evidence that the sharing economy, by providing opportunities for supplemental income, can act as a cushion for adverse effects from an economic slowdown.[23] The sharing economy could also be an important source of economic activity for micro-enterprises, especially in economies with a significant informal economy such as Indonesia and Thailand.[24] Over-regulation could jeopardize the potential contribution of the sharing economy in these areas.[25]

It is time for governments in Southeast Asia to undertake comprehensive and sustained assessments of the potential of and challenges posed by the sharing economy. This should include the formulation of policies to incentivise participation in the sharing economy.[26] Looking ahead, new regulatory challenges are likely to emerge including those brought about by innovations such as driverless cars and delivery drones.[27] The intensification of competition, new pricing approaches and emergence of new markets that are driven by the sharing economy (which feeds on network effects) are likely to attract closer scrutiny by competition regulators in the future.[28]

[22] https://sg.news.yahoo.com/grabtaxi-announces-8-figure-sum-funding-singapore-vertex-025848694.html and http://www.todayonline.com/singapore/smrt-starts-private-hire-car-business
[23] http://www.straitstimes.com/business/property/hard-hit-property-agents-in-singapore-becoming-uber-drivers. See also JPMorgan Chase Institute (2016) which highlights the difference between labour and capital platforms.
[24] The impact of the sharing economy on inequality is another related issue which is still not well understood.
[25] The regulatory problems encountered in Southeast Asian countries by ride-hailing companies such as Uber and Grab reflect to some extent the lack of uniformity and convergence in rules and regulations that continue to become obstacles to regional economic integration amongst ASEAN member countries. Such companies, which operate across several countries in the region, can be important drivers of economic integration.
[26] The tax breaks for the sharing economy in the 2016 British government's budget is one recent example.
[27] https://www.theguardian.com/technology/2015/feb/03/are-driverless-cars-the-future-of-uber and http://www.marketwatch.com/story/drone-delivery-is-already-here-and-it-works-2015-11-30.
[28] Competition regulators are beginning to take interest. See ICN and CCS's 2016 report on "Government Advocacy and Disruptive Innovations" available at: http://www.icn2016.sg/icn-special-project-2016-government-advocacy-and-disruptive-innovations. See also CCS's report on e-commerce and competition policy in Singapore at: https://www.ccs.gov.sg/media-and-publications/publications/occasional-papers/ecommerce-in-singapore.

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CONCLUSION

The disruptive and market creation impacts of the sharing economy are clearly being felt in a number of economies in Southeast Asia. The resulting changes are likely to be significant and irreversible, despite some temporary setbacks due to regulatory constraints. The nature and impact of the sharing economy are also likely to change in the future. Innovations such as driverless cars and delivery drones may further challenge existing modes of transportation and logistic services. A key and immediate task for governments would be to comprehensively assess the potential contributions of the sharing economy and think about ways to incentivise participation. Only then can the positive transformative effects of the sharing economy be harnessed – much in the same manner as how budget airlines have reinvigorated travel and tourism in the region – but this time with effects that are closer to home. To paraphrase AirAsia's motto, "now everyone can share".

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