

Closed-Door Discussion on The Sharing Economy in Singapore

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THE CLOSED-DOOR DISCUSSION on “The Sharing Economy in Singapore”, held on 24 February 2017, convened academics, private sector experts and public sector representatives to discuss the subject. Present as panellists were Dr Francis Yeoh (School of Computing Professorial Fellow for Entrepreneurship, National University of Singapore); Dr Costas Courcoubetis (Engineering Systems and Design Professor, Singapore University of Technology and Design); and Mr Zaqy Mohamad (Ernst and Young Solutions LLP ASEAN Government and Public Sector Business Development Leader). Adjunct Senior Research Fellow Manu Bhaskaran chaired the discussion.

There were two broad aims to this discussion session: first, to understand some of these disruptive forces in our economy, and second, to shine a light on some of the potential policy implications, especially in relation to the new economic direction charted out in the Committee on the Future Economy (CFE) report and the 2017 Budget.



Participants at the Closed-Door Discussion on the Sharing Economy, 24 February 2017.

The Presentations

Professor Yeoh covered the key benefits and challenges of sharing business models, while also noting that it is a young industry that is poised to grow even further. Furthermore, independent workers reported higher satisfaction with their lives, owing to high levels of autonomy, independence, empowerment, flexibility and short project durations.

He also noted that Singapore, as a densely populated, fast-paced and tech-savvy society, has many of the characteristics required for sharing business models to thrive. Those platforms could generate huge amounts of data as a by-product, creating further data-based business opportunities. The use of a platform that is global is also a great boon for tourists when it comes to sightseeing and accommodation.

In accommodating these new systems into the economy, the main contentious issue was the disruption caused to existing business. However, Professor Yeoh said that firms should not be protected against disruption. Professor Yeoh added that the proper approach was to enable those businesses rather than controlling them, and to let competitive forces decide the market outcome.



Professor Francis Yeoh speaking on the key benefits and challenges of sharing business model.

Dr Courcoubetis shared his research on a theoretical ridesharing model, in which he noted that the greater utilisation of resources as a result of ridesharing would ease congestion and reduce greenhouse gas emissions significantly. Using Uber as an example, he said that it generally also cost less and generates more social benefits than normal taxis. He proceeded to demonstrate that, depending on the cost of using the car and the cost of owning the car, very different results could be reached with a ridesharing service. If usage is expensive as compared to ownership, the sharing economy would tend to be cost-driven.

Then, sharing revenues would subsidise the usage cost. If ownership is expensive when compared to usage, the sharing economy would tend to be profit-driven. Sharing revenues would subsidise the ownership cost, with riding services provided by professionals. The impact on congestion and ownership depends crucially upon how widespread car ownership is before the introduction of the platform. Higher welfare combined with lower traffic could be achieved if the right controls are placed.

Next, Mr Zaqy shared some of the important aspects of the sharing economy from the business end, as well as policy recommendations from Ernst and Young. Continuing from previous points about increased utilisation, he noted that it also caused short-term upheaval and disruption to existing mindsets and business models. That said, incumbent industries are becoming increasingly responsive and are well equipped to do so. In terms of correcting an inefficient market, this disruption can be good because it brings prices down, though many of its good and bad effects vary from city to city.

In terms of business and government risks, one of the major challenges is taxation, and how the government is losing revenue to digital businesses that bypass the GST system. Pertinently, many sharing services are also sources of secondary income. Formulating a taxation system that is fairly targeted would be a challenging question to answer. Aside from taxation, there are also regulatory and legal concerns, such as insurance, uncertainty and competition.

As every country's government engages new businesses differently, the disruptors also need to formulate a different business plan every time they enter a new market. Mr Zaqy concluded by emphasising the importance of local agents that work in the interests of diversity and community involvement. One of his policy recommendations was to be decisive in deciding on policy implementations, while giving both disruptors and incumbents the time to react to it. However, he also said that this was not new and that economic disruption was a consistent trend, and the agents involved should be able to adjust.

Discussion

One of the key facets of the sharing economy that was discussed was its dependence on technology. Aside from the convenience aspect, technology has also provided speed in the form of real-time matching and market reach. That aspect of using Internet-based platforms could then be expanded to more types of goods and services, where participants noted the potential for sharing structures in other sectors.

Another key issue was that of monopolisation. One on hand, the entry of new disruptive players was good for competition, as monopolies were being disrupted. However, in other cases, concern was expressed over large services coming to Singapore from abroad and adopting aggressive pricing techniques, which, backed by capital, seemed like a move to muscle out local players and create a monopoly for themselves. In both these situations, the extreme cases are dangerous, so a certain amount of balance in policy would be needed. A participant also warned against the current binary approach to regulation, and called for a smarter approach to regulation that takes multiple stakeholders into the discussion, as well as a more collaborative approach with the government on data sharing.

Directed specifically at ridesharing services, some observed that ridesharing services in the market currency were artificial and backed by investor capital, which meant the actual

business model had yet to manifest itself. Taken to an extreme, the danger there is not just outmuscling taxi services but public transport as a whole. For a truer picture, a participant argued that the platform itself should be a public utility. Aside from that, the current lack of regulatory practices for many of these such services also means that there is unfair competition on the grounds of regulatory and compliance differences.

Other issues that were raised include the importance of protecting data, data's role in a competitive market, being able to guarantee service quality with independent contractors, and the importance of understanding consumer needs in business model construction. Most importantly, participants acknowledged that the sharing economy and new business models were still fairly new to the world, and that regulators and agents alike needed time to figure out and optimise all these processes.

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