Abstract: Nowadays, sharing economy business models (SEBMs) have taken a very important role in the economy in Vietnam. These models have ameliorated the quality of life by reducing travel costs, increasing the quality of transportation services, and lessening unemployment, especially after the COVID-19 crisis. Among these SEBMs, the ride-sharing business model has many development opportunities. It has appeared in many countries and has efficiently supported economic growth. However, many problems also arise during the development of this model, including worker’s rights, driver licensing, and unfair competition with traditional companies. These issues bring about conflicts in society, especially between ride-sharing companies and traditional taxi companies. Meantime, the old regulation mechanisms have not been suitable with challenges related to this new business model. Thailand, Singapore and the UK are countries that have long-standing legal systems. With experience of management from these countries, this study explains some ride-sharing model issues in Vietnam and suggests some policies, especially on regulations for ride-sharing companies, ride-sharing drivers, and tax liability of these companies.

Keywords: Regulations, ride-sharing business model, sharing economy.

1. Introduction

The sharing economy business model is one of the fastest-growing business models in the world. The worth of the world’s SEBMs is estimated at about $15 billion in 2014 and will grow to $335 billion in 2025. This is a good growth rate of from 34 percent to 35 percent per year. In Vietnam nowadays, the report of Google and Temasek show that the market value of ride-sharing models is about 500 million USD. By 2025, this market will be able to reach 4 billion USD [1]. Although the growth rate of SEBMs is impressive and can ameliorate the unemployment problem, SEBMs also bring many challenges to society,
especially in state management. It is a new business model; that’s why the legal system in this sector is still unclear regarding ride sharing. The most important issue for the regulator is how to assess this sector properly and draw up effective regulations. Such regulations need to ensure stability and equity without affecting the innovation and the creation of these business models.

Among these SEBMs, the ride-sharing business model has many growth opportunities, but it also confronts multiple legal problems. With the study of policies on the ride-sharing business model in Thailand, Singapore, and the UK, this study will provide some suggestions for Vietnam in formulating and ameliorating regulations related to the ride-sharing business model.

2. The concept of the ride-sharing business model

Economic activities related to property sharing have been in existence for a long time. But the surge of the Internet and big data have provided an efficient link between owners of assets/services and customers. This is the reason why the sharing economy model has become more popular in the world. The sharing economy model is a new business model associated with the development of science and technology. Nowadays, there are many different definitions and interpretations of this model.

According to Skjelvik et al. [2], the “sharing economy” concept has become a buzzword expressing the connection between customers and owners who want to share their services, goods, assets, resources, capabilities, or capital through a digital platform.

In the study of PriceWaterhouse, Hungary [3], the sharing economy model is defined by features such as users sharing their unused resources and on-demand shared resources, based on trust and community experience, towards sustainability.

In Vietnam, Hoang Van Cuong [4] has defined the sharing economy model as a new peer-to-peer business model, taking advantage of digital technology development, helping to save transaction costs and reaching a large number of customers through digital platforms.

Thus, there are many definitions of the sharing economy model, but we can rely on some features to easily identify this model. These characteristics include that this is a business model using a digital platform, in which participants can exploit efficiently their goods and services such as houses, cars, tools, personal care services, garden care services, home repair services, etc., by reducing transaction costs. Customers can rent these goods and services instead of buying them.

Based on the above characteristics, we can define the ride-sharing business model as follows: This is a new peer-to-peer business model that takes advantage of digital technology to connect more conveniently people who need to move or transport goods and drivers who have means of transport.

According to Kasprowicz [5], there are three main types of ride-sharing business models, including the following:

- Pure rental: This is the purest form of a sharing economy and at the same time the least developed one. In this model, car owners let their customers rent their cars for use. For example: Turo, Divy…

- Carpooling: The person who has a car allows someone else to accompany him if both have the same destination. Drivers are not driving for profit. For example: Blablacar…

- Taxi service: This model is a carpooling model, which is mostly used as a means to earn money. This is the most popular model in the world today, represented by companies like Uber, Grab…

Currently, in Vietnam, the ride-sharing business model is mostly developed in the taxi service model. Therefore, this paper will focus on policies for this model, especially for passenger transport.
3. Ride-sharing business model in Thailand

In this country, before the appearance of the ride-sharing model, Thai people often use a taxicab to travel. According to the Director-General of the Department of Land Transport, in 2014, Bangkok had more than 108,000 registered traditional taxis [6], and each person on average travelled by taxicab from three to five times a week. However, the taxicab service quality did not satisfy people's expectations, with 34,000 complaints in the first 9 months of 2014 [7]. These complaints are mainly related to the working attitude and fraud of taxi drivers. In a survey, 34% of customers complained about the taxi meters and 12% deprecated the taxi drivers' attitude [8]. After the appearance of Grab in Thailand in 2013 and Uber in 2014, the ride-sharing platform has won the hearts of the Thai people. In 2020, Grab announced that it had around 100,000 drivers on its platform [9]. The people also appreciate the sharing economy model. They have confidence in the service quality of this model. Grab's market share is the biggest in Thailand, and the rest were split by other ride-sharing platforms, including All Thai Taxi and Line Man [10]. Thanks to these platforms, the mobility needs of the Thai people have been satisfied very effectively. However, this model also entails many legal problems for the government.

Firstly, Thailand’s regulations are inadequate for ride-sharing businesses. Traditional taxi businesses are protesting at the development of ride-sharing platforms and claim that their revenues are heavily affected. They argue that the ride-sharing model competes unfairly because it just needs to incur a low operating cost. Ride-sharing companies do not bear the same costs as traditional companies because the government is not considering ride-sharing companies as taxi companies [11]. Meanwhile, traditional taxi companies have to spend a great sum of money on fees required by the government, including license renewal for both driver and vehicle, vehicle maintenance and insurance and taxes. The yearly cost for a Grab driver is about 8,000 Thai Baht (THB) (about 6 million VND), but a taxi driver needs to pay over 25,000 THB (about 18 million VND) per year [12]. These problems exacerbate social tensions between these companies.

Secondly, Thailand’s regulations for ride-sharing drivers also have many shortcomings, leading to many drivers’ rights problems. Specifically, many ride-sharing drivers have claimed that these companies always find a way to reduce drivers’ salaries and bonuses by acting on the application. This also increases the dissatisfaction of these drivers. In Thailand, regulations related to ride-sharing services are still unclear and inefficient. For motorbike transport, a legal driver in Thailand needs to pass multiple tests, pay cash to get an official license and wear a shirt vest (usually bright orange) with your official registration number. Grab drivers are ignoring these requirements [13]. For car transport, traditional taxicabs are now considered as public transport and must have attached a yellow license plate. Meanwhile, ride-sharing drivers in Thailand use personal vehicles. These “white license plates” just need to respond to a simple system regulation and bear a low fee each year [14].

Facing this problem, in 2017, the Thai government classified ride-sharing models like Uber or GrabCar as illegal. Thai officials confirmed that Uber and Grab were building an unreasonable business model [15]. However, in 2020, the government planned to legalize the ride-sharing model. Laws and regulations were reviewed and intended to apply from 2020. The government has drafted several terms, including:

a. Ride-sharing platforms can recruit drivers with individual registered vehicles without a yellow license plate.

b. Drivers must have a license to drive a public vehicle.
c. A vehicle must not have more than seven seats and be valid for less than nine years.

d. A vehicle must have a stamp affixed to the front and back of the car by the Department of Land Transport to indicate the purpose of its operation.

e. Ride-sharing companies must register as legal companies in Thailand to legalize tax payment.

However, the Thai government still needs time to evaluate the efficiency of these laws and regulations to secure the equality of all groups. So, they have still not yet enacted these regulations. Therefore, the conflict between traditional taxis and ride-sharing vehicles is still very complicated.

4. Ride-sharing business model in the UK

The UK has a long-standing legal system and their assessments of SEBMs are suitable for reference. In the UK, Uber is considered the most successful model in the ride-sharing economy. London was the first market of Uber in the UK in 2012. Nowadays, in London, Uber has 45,000 drivers and 3.5 million users [16]. Besides, the UK also has many other applications such as ViaVan, Kapten, Bolt, Ola, Kabee, Gett, Wheely, Xooox…

Concerning government regulations on ride-sharing companies and drivers, similar to Thailand, the ride-sharing model in the UK also faces many legal challenges. Taxi drivers in the UK also have severe complaints about Uber’s operations. They struggle against the unfair competition of Uber, which does not bear the same operational requirements as the traditional taxi companies [17]. Indeed, traditional taxis in London have been operating under vehicle regulations since 1831. Taxi drivers need to pass many difficult tests to obtain an operational license. In contrast, Uber’s drivers do not need to meet any requirements for English proficiency or topographical knowledge, meaning anyone can become an Uber driver. Uber also has problems with driver ethics. Transport for London (TFL) has discovered multiple Uber mistakes which can affect the safety of passengers. Concretely, there are many cases where the drivers are not allowed to operate but they can still pick up passengers owing to another driver’s account. In response to these problems, the British government stopped Uber's operations in 2019 [18]. However, in September 2020, Uber was allowed to continue its operation [19].

Concerning driver’s rights, from the appearance of the ride-sharing model, Uber and TFL have different definitions of this business model. Uber argues that its application is just a technology company that gives the connection between drivers and passengers, and drivers are partners. In contrast, TFL considers drivers as Uber workers. After many lawsuits, the Court determined that ride-sharing drivers are not independent partners of Uber. They are workers in nature for reasons such as their application of fixed transportation costs. TFL imposed many working conditions for drivers, and there is a rating system related to the performance of drivers. Therefore, Uber’s drivers will be entitled to have a minimum wage, be paid vacation days and other legal protections [20].

Taxes are also a complicated issue for the UK ride-sharing model. In 2013, 2014, Uber only paid 28796 British pounds in tax, equivalent to the tax of 3 traditional taxi drivers. This is based on Uber’s corporate structure. Uber is headquartered in the United States, but its operations outside the United States are handled by subsidiaries. In the UK, there is Uber London Ltd (“ULL”) and Uber Britannia Ltd (“UBL”), but the UK ride-sharing service is provided by Uber International Holding B.V., based in the Netherlands. This is a trick to take advantage of the EU VAT rule, called 'reverse charging'. Uber exploits this rule to reduce annual taxes but this also leads to many objections because
it does not contribute anything to the economy in the host country.

Regarding the regulation of liability in traffic collisions, under common law, the driver is obliged to ensure the right conditions to protect people and property, for example: not exceeding the speed limit, obeying traffic signs and signals, driving with care and only where allowed, etc... Therefore, if the driver does not respond to these regulations, when an accident occurs, they must be primarily responsible for the passengers due to negligence. Similarly, when a driver allows someone else to enter their vehicle (for remuneration or otherwise), under the Occupiers Liability Act 1957, they must ensure it is under reasonable circumstances so that the customer will be reasonably safe in using their vehicle.

5. Ride-sharing business model in Singapore

The public transport system in Singapore has been ranked highly for its efficiency. Singapore is one of the countries which has the highest taxi-to-population ratios in the world, with 5.3 taxis per 1,000 people [21]. However, Singaporeans still have difficulty in picking up a taxi during peak times, in unoccupied areas or when the weather is bad. Despite the government's efforts, travel in Singapore is inconvenient because of this problem. Ride-sharing platforms have resolved this issue efficiently and have reduced transaction costs for commuters, through real-time supply and demand matching. Therefore, ride-sharing companies are welcomed by consumers in Singapore. On the contrary, there are many conflicts between traditional taxis and the ride-sharing model because it reduces the income of traditional taxis. Traditional taxis also reckon that the ride-sharing model is unfairly competitive because this model does not comply with the same rules as traditional taxis [22].

Concerning government regulations on ride-sharing companies, ride-sharing companies tend to assume that they are technology companies rather than transportation services companies. So, their business model is strange in the legal context of many countries. When Grab entered the Singapore market with its platform in 2013, the Land Transport Authority (LTA) realized that third-party taxi booking apps were not within the scope of their regulation. In fact, the LTA has classified drivers in this model as contract drivers who do not require a license and can only take bookings. The National Taxi Association (NTA) presented a proposal gathered from more than 300 members to reform principles on the ride-sharing model. They emphasize that safety in transportation should be ensured by requiring all drivers of technology vehicles to participate in the same checks as regular taxi drivers. The NTA also calls for “equal competition” between taxis and the ride-sharing business model through a clear fare, fee and charges structure as well as consistent regulations and supervision for both ride-sharing cars and taxi services. When the ride-sharing business model became more popular, regulations were changed in November 2014.

The LTA announced that any third-party applications that had more than 20 participating vehicles would have to follow the “basic regulatory framework.” With this regulation, ride-sharing companies are required to have a certificate of registration from the LTA and meet some conditions related to the fare, fees and service standards, as well as using only licensed vehicles, etc. [23].

Regarding the regulations on ride-sharing drivers, traditional taxi drivers must obtain a license from the LTA. An eligible taxi driver must be a Singapore citizen, at least 30 years old, have a valid driver’s license for at least one year, understand basic English, pass a medical examination and undergo a training course which costs $335 and takes 60 hours to complete. Meanwhile, ride-sharing drivers don’t need to overcome these barriers to work. To minimize this unfairness, under the new regulatory terms, ride-sharing drivers will receive background checks and a medical check-up from the LTA. They will also
undergo 10 hours of training and will be tested about their job, passenger safety knowledge, and other related regulations [22]. The insurance for drivers in a road accident is also one big issue in Singapore. All registered cars are required to have a valid private car insurance contract. If a car is considered an essential part of an individual’s business, the authorities will require this car to be covered by a commercial vehicle insurance contract. For example, GrabCar full-time drivers will need to purchase commercial vehicle insurance. Currently, ride-sharing companies like Grab also have insurance policies for both drivers and passengers using the Grab app.


The ride-sharing business model is a new model which brings many benefits to society. Ride-sharing platforms have proven to be able to meet market demand and grow in the future. The government should have a new approach, instead of applying a common policy like traditional taxi companies. Regulators need to have a suitable management plan for these platforms to develop this model in the future without harming the interests of traditional business models.

Obviously, Thailand, Singapore, and the UK have different legal approaches, and they still haven’t made a complete adjustment to this business model. However, these regulations may provide some experience for Vietnam, as follows:

6.1. Lesson on regulations for ride-sharing companies

In many respects, ride-sharing companies are creating a new approach for familiar economic activities. With new technology and business models, transaction costs for consumers have decreased dramatically. However, these companies have not been classified as specific types of companies in Vietnam. Indeed, ride-sharing platforms such as Grab, Fastgo... can choose their operating business model under Decree 10/2020 /ND-CP [24]. This regulation will help companies to choose the right model for their development direction, but it also brings about some complications in management because it is difficult for civil servants to unify laws for these platforms. For example, with Grab, their application has fixed transportation costs. This company imposes many working conditions for drivers and has created a rating system related to the performance of drivers. Thus, according to the provisions of Clause 2, Article 3, Decree 10/2020/ND-CP, Grab must be identified as a transport company and can only operate if it has a license from the Department of Transport. However, up to now, Grab has only been granted a transport business license by the Department of Transport of Ho Chi Minh City, while other provinces have not yet provided this license to Grab, but Grab still operates normally.

In addition, the model of ride-sharing companies is still unclear. Grab’s drivers have not yet defined the relevant rights. With traditional transport companies, drivers and businesses are equivalent to workers and businesses - the two subjects are regulated by the Labor Law. Meanwhile, drivers and Grab Vietnam can be regulated by three laws: Commercial Law 2005, Civil Law 2005 and Labor Law 2012/2019 - even if Grab is considered as a transport or technology company [25]. However, these three laws can be used to protect Grab drivers unambiguously. The biggest hope is the above Labor Law 2012/2019. This law introduced the concept of regulation but no specific guidelines on this subject. Only Clause 3a, Article 34 of Decree 10/2020/ND-CP (effective from April 1, 2020) stipulates: Transport business units must “sign a labor contract,” buy all kinds of insurance, organize periodical health check-ups and ensure the rights of employees (including drivers and staff members on vehicles) in accordance with the provisions of the labor law. This clause
applies for car drivers belonging to cooperatives or transport business units which are partners of ride-sharing companies. Individuals who are freelance and own motorbikes/cars are not considered “entrepreneurs” or “employees” under the two Laws of Commerce and Labor. Experiences from Thailand and Singapore can give Vietnam a reference that we should build specific regulations for this business model, thereby helping state management agencies, as well as drivers, so that they can easily define their rights and responsibilities before the activities of ride-sharing companies.

6.2. Lesson on regulations for ride-sharing drivers

The characteristic of drivers in the ride-sharing model is that they may not be professional drivers. They can be a civilian who utilizes their idle vehicle to provide services. Therefore, many people are involved in this field without standardized certification for a public driver. Meanwhile, for traditional taxi companies, their drivers and service staff must be trained according to transport operations and traffic safety regulations. If these companies do not ensure this condition, both drivers and these companies will be punished with a very heavy fine (from VND 2,000,000 to VND 3,000,000 for individuals, from VND 4,000,000 to VND 6,000,000 for transport organizations).

In addition, each driver who wants to become a Taxi driver, needs to have a certificate provided by the Taxi unit, in accordance with State regulations. Regarding health regulations, a Taxi driver not only must satisfy the health requirements, but also must pass a rigorous health check according to Ministry of Health standards and requirements for drivers. Meanwhile, this is unnecessary for ride-sharing drivers.

Vietnam needs to introduce a professional certification specifically for ride-sharing drivers so that they can demonstrate their quality in this job. Criteria of this certification need to emphasize safety in transport and ensure that all ride-sharing drivers are qualified to practice. State agencies also need to have a monitoring mechanism for these drivers. Drivers who fail to satisfy these standards may be suspended or banned by the ride-sharing company.

6.3. Lesson on regulations for tax liability.

In the past, the lack of specific guidance on tax policy for a ride-sharing business model, has led to inconsistent and incorrect tax declarations for this model. Currently, ride-sharing businesses such as Grab, Gojek, etc. in Vietnam are identified as transportation businesses, not technology businesses, because these businesses play a decisive role in transportation prices, on policies with customers and in dealing with customers. Therefore, they are responsible for fulfilling their legal obligations in all areas (including tax obligations) with state agencies and obligations to customers (if any). Currently, Decree 126/2020/ND-CP guiding the Law on Tax Administration stipulates that technology companies must make accounting, issue invoices and declare tax for the entire transportation revenue at the tax rate of 10%, then distribute this cost proportionally to drivers.

However, ride-sharing businesses argue that there are currently no regulations on business conditions for two-wheeled transport businesses. Therefore, in practice, transport service by two-wheeled vehicles still has relied on the principles of the Civil Code between drivers and passengers. The service of passenger transport by two-wheeled vehicles is not a business at all, but rather a living activity of low-income people (under 100 million VND/year). To solve this problem, the authorities will need to clearly define the business type of ride-sharing companies, thereby clearly defining the responsibilities and rights of these companies. Then, state management agencies can set the tax rate accordingly. The authorities must control the
obligations of these companies, to avoid them transferring their obligations to drivers.

The ride-sharing sector has been growing strongly in the current economy. It brings opportunities for the development of the economy in Vietnam and reduces the number of unemployed, especially after the COVID-19 crisis. The rapid growth of this model creates multiple problems, which challenge traditional legal regulations. Some countries are too hasty to suppress this business model and ignore its benefits; some countries are still meeting with difficulties in building new regulations. Vietnam needs to be ready for these innovations soon to take advantage better and reduce the tolls of this ride-sharing business model. The study also encountered several other unavoidable drawbacks. Firstly, the research cannot explore all the state management issues related to the sharing economy model in the transportation sector, such as activities of governing bodies or the people’s reaction to the ride-sharing policies. Secondly, the status of the sharing economy is volatile, especially during the COVID-19 epidemic period, so this article cannot update in time. Finally, we have not yet grasped the differences in culture between Vietnam and these example countries. Therefore, future studies may expand on these issues.

References


