



urban
impact
assessment

Brussels
30 June 2016

ECON
Commission

Urban Impact Assessment

The Sharing Economy

Disclaimer

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Acronyms, legend and contributing experts

CoR	European Committee of the Regions
EP	European Parliament
ESPO	European Observation Network for Territorial Development and Cohesion
IPCC	Intergovernmental Panel on Climate Change
LRA	Local and Regional Authority
MS	Member State(s)
NUTS	Nomenclature des unités territoriales statistiques Common classification of territorial units for statistical purposes
OiR	Austrian Institute for Spatial Planning (ÖIR)
TIA	Territorial Impact Assessment
UIA	Urban Impact Assessment

Effects of the phenomenon – colour code

	Positive effects
	Minor positive effects
	Neutral
	Minor negative effects
	Negative effects

Legend – direction of effects



Experts taking part in the TIA and contributing to the questionnaire

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1 Introduction

As companies such as Uber and Airbnb make the headlines more and more frequently, they are shining a light on innovative types of economic model. They are the most renowned names within the sharing or collaborative economy: a far-reaching transition from ownership towards accessibility that in some cases enables a more productive use of previously idle or underused assets.

The sharing or collaborative economy is still an emerging phenomenon, without a universally-agreed definition, or even name. In its 2015 Communication "Upgrading the Single Market", the European Commission defined the collaborative economy, as "a complex ecosystem of on-demand services and temporary use of assets based on exchanges via online platforms", and added that it leads to "greater choice and lower prices for consumers", "growth opportunities for innovative start-ups and existing European companies", "increases employment and benefits employees" and allows resources to "be used more efficiently, thereby increasing productivity and sustainability". According to the CoR's 2015 opinion on the sharing economy however, this definition focuses too much on the commercial and consumer aspects of the phenomenon, leaving aside the non-commercial and commons-based approaches.

Policy questions

Questions of definitions notwithstanding, the phenomenon evidently encompasses a wide variety of models (business models, but also non-commercial ones) in a very large range of sectors, and represents an important evolution that raises many questions for public authorities and policy-makers. This is in a large part due to the fact that the reality of the new organisational and business models of the collaborative economy does not fully align with traditional frameworks and definitions, such as those of: consumers vs. producers, employees vs. independent contractors, businesses vs. private individuals, etc.

In practice, this has an impact on:

- **Taxation:** These new, unconventional types of income may fall into a grey area as regards taxation with recipients unsure of which taxes, if any, should apply. In other cases, the legal uncertainty – coupled with the fact that this income can be hard to track – acts as an incentive to knowingly avoid paying taxes.
- **Employment:** The sharing economy can create new employment opportunities. Some observers applaud the flexibility, autonomy, and increased access to a difficult job market, while others stress that contractors in the sharing economy are often denied the job security and the rights and benefits traditionally given to employees.
- **Miscellaneous regulation:** By blurring the line between businesses and individuals, the sharing economy creates uncertainty as to which rules apply to whom (regarding competition, health and safety, professional qualifications, labour conditions, etc.).
- **Regulatory sector:** An additional question is whether sharing economy organisations provide a digital service (e.g. match-making) or a sector-specific service (e.g. transport, accommodation) and what impact this has on how they should be regulated.

These open questions, along with many more in different fields (related to liability, insurance, property rights, etc.), create overall regulatory uncertainty that is undoubtedly having an impact on the development of the sharing economy, and of new initiatives within it.

EU policy developments

In addition to the European dimension of the issues listed above, the collaborative or sharing economy has important implications for the single market itself, as it is not bound by national borders. A

fragmented response on a local and national level could unnecessarily limit its development. The EU has a role to play in maximising the potential benefits of the collaborative economy.

Nevertheless, being a recent trend, the sharing economy is so far a relatively uncharted policy field at EU level. As a result the European Parliament (EP) has yet to fully dedicate a political document to the field. However, its resolution on "New challenges and concepts for the promotion of tourism in Europe" contains a section dedicated to the sharing economy. The text stresses the relative inadequacy of current legislation regarding the newly-emerged sharing economy, and touches upon the issues of definition and categorisation and the necessary differentiation between professional and non-professional activities. More recently, the EP resolution "Towards a Digital Single Market Act" also focused in part on the sharing economy and its platforms. In this resolution, the Commission was urged to examine whether potential issues related to online platforms could be resolved by proper and full implementation of existing legislation and effective enforcement of EU competition law, in order to ensure a level playing field and fair and effective competition. The document also called on the Commission and the Member States to support the further development of the sharing economy and its potential for more flexible forms of employment.

The first political document at EU level dedicated to the sharing economy was the Committee of the Regions (CoR) opinion adopted on 4 December 2015. In this document, the CoR argued in favour of the need to distinguish between the different forms of sharing economy, in particular regarding regulatory approaches. It also highlighted that EU sectoral regulation is necessary for the commercial aspects of the sharing economy in order to ensure legal certainty and fair competition, especially with regard to taxation.

From the European Commission, the first significant focus on the sharing or collaborative economy came with the communication on "Upgrading the single market" in October 2015. In this communication, the Commission stated its intention to develop an EU Agenda for the collaborative economy, including several steps, the first of which would be to provide guidance on how EU law applies to collaborative economy business models and relevant provisions of national law. This guidance would be based on the Services Directive, E-Commerce Directive, and European consumer legislation, as well as on relevant treaty provisions. This guidance was presented by the Commission on 2 June 2016 (after the workshop was held) in a Communication entitled "A European agenda for the collaborative economy". On 21 June 2016, Bendetta Brighenti was appointed as CoR rapporteur on this communication, as well as for the 25 May 2016 EC communication on online platforms.¹

As regards the Council, the current Dutch Presidency put the collaborative economy on the agenda of the informal Competitiveness Council on 27-28 January 2016. Member States agreed on the need to share best practices and experiences amongst themselves, and to work with the Commission to clarify how best to harness the power of the collaborative economy. This will enable Member States to pursue an effective, consistent and coordinated approach to further facilitate the development of the collaborative economy.

Local questions and answers

The sharing economy has a strong local dimension, and is highly relevant to local and regional authorities in several ways. First and foremost, many of the sectors in which sharing economy initiatives have developed have an impact at the local and regional level and are therefore regulated and/or taxed at that level.

This is the case in several sectors, including transport, in particular with regard to the regulation of taxi services and their interaction with sharing economy models, which has given rise to tension in several cities throughout Europe. Another example is the accommodation sector where many cities regulate

¹ This opinion is scheduled to be discussed and adopted during the CoR's ECON Commission meeting on 28 September 2016, and in the CoR's Plenary Session on 7-8 December 2016

hotels and collect tourist taxes, a process which may be disrupted by new sharing economy models. Indeed, accommodation platforms mean that instead of professional hotel managers, the process is led by a large number of individuals who should or could be collecting tourist taxes, each at low volumes, with many of them unaware or unsure whether they should be doing so.

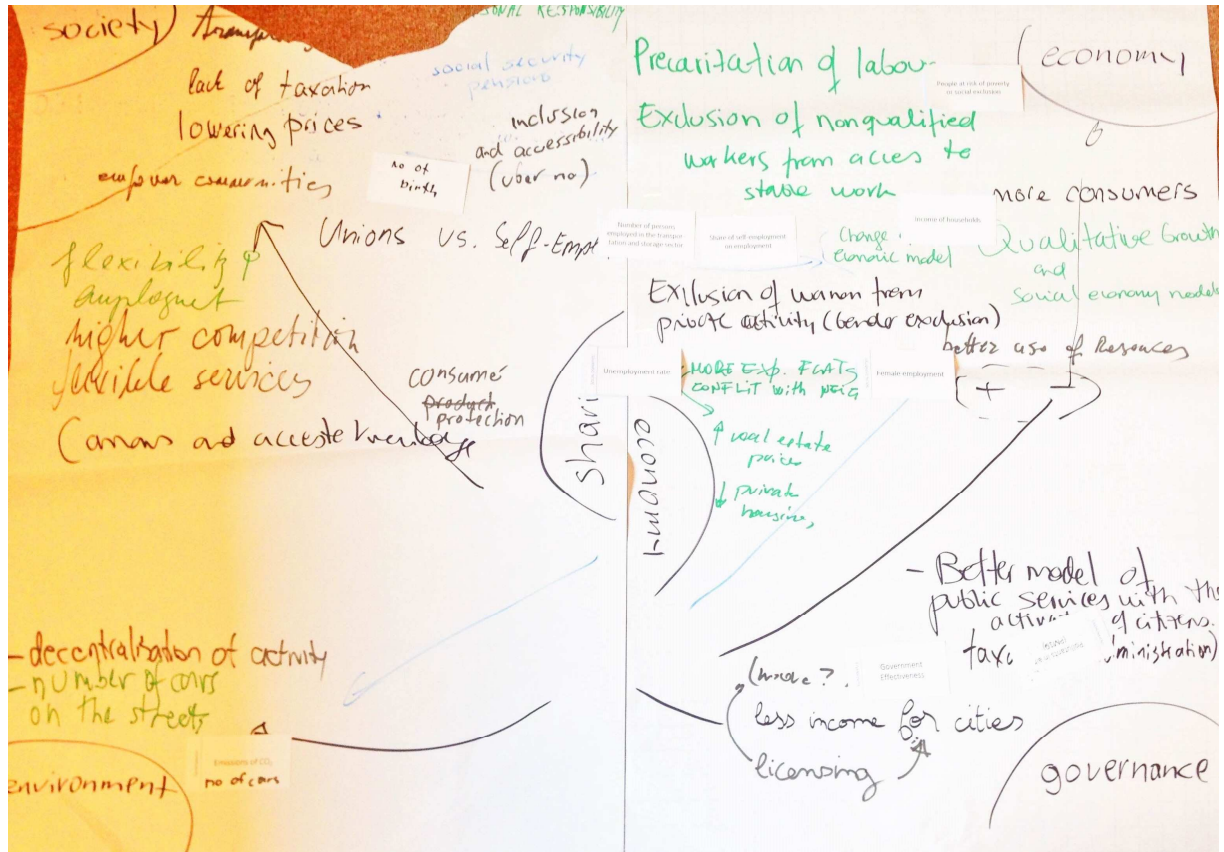
In some cases, these local challenges have led to local solutions: In 2014, in an agreement between Airbnb and the city of Amsterdam, home-sharing was allowed under certain conditions: Airbnb must ask hosts to actively declare that they understand and will comply with the rules governing this activity, and as of February 2015, Airbnb was required to collect and remit tourist taxes on behalf of hosts.

2 Methodology: ESPON Quick Scan

2.1 The conceptual model: how does policy influence the development of regions?

In the first part of the workshop, a conceptual model was prepared on the basis of the urban experts' opinions, with the objective of identifying the future potential urban impacts of the sharing economy. In an interactive discussion, the participants drew a systemic picture linking the potential effects in the fields of environment, society, economy and governance. They identified potential linkages and feedback loops between different effects. The following diagram visualises the experts' interaction:

Figure 1: Workshop findings: conceptual model



Source: Urban impact assessment expert workshop: Sharing Economy, Brussels, 24 May 2016

The next step was to select indicators to describe the identified effects. The following indicators available at NUTS 3 level were selected and discussed:

- Unemployment rate
- % Employment in transp. and storage (2013)
- Female employment
- Share of self-employed persons, 2012
- Disposable income
- People at risk of poverty or social exclusion
- Emissions of CO₂
- Government effectiveness

Since this phenomenon is rather new, some effects could not be assessed quantitatively. The experts found that many indicators relevant for this dossier were missing. They would like to have the following quantitative indicators in order to better understand the anticipated effects of the sharing economy:

- Quality of life indicator
- Participation index (involvement in local communities and sectorial division)
- Wage per hour
- Time of work of self-employed persons
- Income from renting apartments
- Consumer behaviour
- Access to housing, mobility and services
- Empowerment
- Exact information on the users of the sharing economy tools and their progression

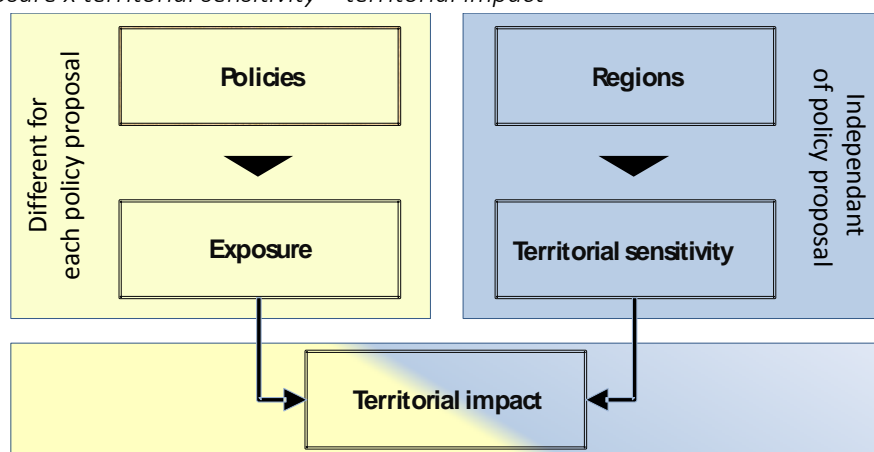
2.2 Which types of region are affected?

Urban impact assessments (TIA) aimed at analysing the potential impacts of an EU policy on urban regions of the European Union.

2.3 How is "regional impact" calculated? Regional sensitivity and expert judgement

The ESPON TIA quick check is based on the vulnerability concept developed by the Intergovernmental Panel on Climate Change (IPCC). In this case, the effects deriving from a particular policy measure (exposure) are combined with the characteristics of a region (territorial sensitivity) to produce potential territorial impacts (cf. following figure):

Figure 2: $Exposure \times territorial\ sensitivity = territorial\ impact$



As the figure shows, territorial impact depicts a combination of so-called regional sensitivity and the exposure caused by the implementation of the policy initiative. Regional sensitivity describes the baseline situation of the region according to its ability to cope with external effects. It is a characteristic of a region that can be described by different indicators, and it can be described independently of the policy measure analysed.

The exposure describes the intensity of the effect caused by the policy initiative on a specific indicator. It is the effect of the implementation of the policy. Exposure illustrates the experts' judgement, i.e. the main findings of the expert discussion at the UIA workshop. The TIA quick check shows the potential territorial impact in the selected types of region by combining the experts' judgement with the given sensitivity of a region within the selected exposure fields.

2.4 Mapping the impact

Later discussions revealed diverging opinions on the part of experts, preventing us from mapping out the expected effects of the sharing economy. This Urban Impact Assessment report will thus not include any maps.

2.5 Questionnaire

Prior to the workshop, a questionnaire was prepared and sent to the experts. The results of this questionnaire are integrated into this report. The questionnaire was sent to the experts present at the workshop and ten responses were received.

2.6 Defining the sharing economy






At the beginning of the workshop it was important to define what the sharing economy was. As this phenomenon is rather new, a common definition has never been agreed upon at the EU level, and different organisations use different terms, such as "collaborative economy", which is used by the European Commission. Following discussions, the experts present could only partly agree on a definition for the sharing economy, based on exchange of goods and services for value, most often currency, through online platforms, outside of the traditional duality between a business acting as supplier/producer and an individual consumer.

These platforms are active within local communities and as such have a high local impact. The introduction of the sharing economy is a process that follows different routes in different cities even within the same Member State. The sharing economy is not entirely a new concept, as sharing of goods existed before, such as public libraries and public sports facilities.

3 Economic and societal effects



The effects described in this table represent the views of the experts present at the workshop

 Strong Positive effects
  Minor positive effects
  Neutral
  Minor negative effects
  Negative effects

While certain economic and social indicators were selected for discussion, the results of the discussions did not allow us to measure expected impacts, as the experiences and opinions of different cities diverged considerably and there was no consensus on these impacts.

The majority of the experts present at the workshop saw the effects of the sharing economy on their cities as significant or even very significant, with the most significant impact on the accommodation and transport sectors. All the experts had witnessed the growth of the sharing economy in their own cities; however, the pace of development differed and was most significant in the largest western European cities.

According to the questionnaire, these new platforms have either slightly increased the economic activity in the cities or not at all; however, the appearance of these platforms is generally seen by the experts as positive. As this is a new phenomenon it is hard to ascertain which entities and individuals are profiting from this new situation and, on the other hand, who is losing and to what extent.

As the platforms of the sharing economy are based on sharing private assets in one way or another, this could result in exclusion from the sharing economy of the less-privileged members of our society who do not have assets to share, as well as those without qualifications who could otherwise benefit the most from the additional income.

All the platforms offer lower prices than the traditional providers already on the market, which could have a positive impact on the purchasing power of EU citizens. These platforms also offer individuals an opportunity to earn additional income that could be earned in their free time, thereby increasing disposable income for households. However, problems could emerge later in the lives of individuals working in this sector as these platforms do not guarantee social security or pension rights, due to the fact that most of their workers are considered to be independent contractors, not employees. This aspect would need to be regulated in order to ensure social security provisions. Providing services through sharing economy platforms comes with a high personal responsibility and as such higher risk than would be the case working for a traditional business.

At the same time these activities, which are often not taxed, could have a negative effect on the economy as well. Some consumers prefer to pay less for services such as accommodation and transport, which would have a direct impact on the profits of hotels, taxis and other similar service providers. With lower profits, it is likely that the companies would have to let go of a certain percentage of their employees.

On the other hand, some of the experts said that that these platforms helped to increase the number of visitors to EU cities and that in many cases the tourists stay longer, profiting from the lower accommodation prices, but continuing to spend money on the different services available. This could imply that the effects on the economy could be slightly positive, but the profits would be expected to move from one sector to another (e.g. hotels to restaurants).

One of the sectors that could be seriously affected in the medium term is the automotive industry. With more and more vehicles shared, the number of privately-owned vehicles is expected to drop, affecting the profits of companies in the automotive industry. This could however have a direct negative impact on employment in the transportation and storage sector. However, as the cars that are shared would need to be of better quality, the automotive industry could adapt to a certain degree, by selling better-quality and more durable vehicles.

Hotels and similar companies are expected to experience a negative impact as well, as more and more individuals opt for sharing economy services for accommodation. This would also have a limited negative effect, as hotels can offer services that private persons cannot and prices of hotels and sharing economy platforms are not significantly different in many cities due to high demand. The competition from private individuals on sharing economy platforms could push traditional service providers to improve their services and offer more reasonable prices, regaining some of the customers lost.

Cheaper services, especially those in transport, result in greater inclusion for certain disadvantaged groups, such as elderly citizens, who can now move more easily, giving them access to certain services that they could not afford in the past. However, the sharing economy could also have a negative impact on inclusion. As sharing economy service providers do not always have to follow the same legislation as traditional services providers, certain groups could find themselves excluded. Good examples of this include disabled individuals, who may not be able to use services such as Uber, because Uber is not required to have vehicles adapted to their needs and private drivers are not obligated to take them on board, while registered taxis are.

The platforms could be seen as a good alternative to regular jobs for many women, especially those raising children. However, this could further distance women from the job market, widening the gap in salaries and social status between women and men. This could have a direct negative effect on the employment of women.

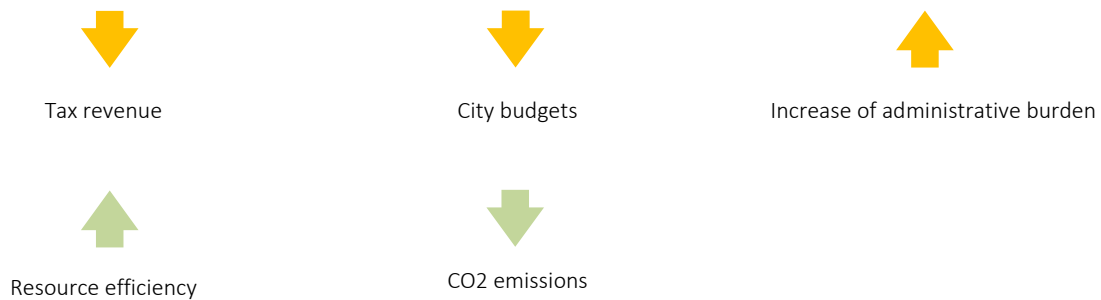
As individuals working for these platforms cannot form unions (they are not employees), their rights would not be properly protected, possibly resulting in a disadvantaged position compared to the regular job market.

In some cities, as reported by experts present at the workshop, the sharing economy resulted in a lack of housing, as the owners of apartments and houses see platforms such as Airbnb as more profitable than traditional renting, and therefore prefer to rent them out for shorter periods of time. This results

in less availability of housing and consequently a rise in prices, affecting the disposable income of families and individuals in certain cities.

At this moment it is difficult to estimate the impact of the sharing economy on disposable income as it is still too early to say how these new activities would affect the existing business activities. In cases where sharing economy activities merely replace existing economic activities (e.g. hotels, taxi, car rental) the economic effect (including on disposable income and tax revenues) would be negative. On the other hand, if sharing economy activities do not replace existing activities, but create additional activities (in the same sectors, or in new sectors), the effect would be positive.

4 Effects on governance and environment



The effects described in this table represent the views of the experts present at the workshop

 Strong Positive effects  Minor positive effects  Neutral  Minor negative effects  Negative effects

As with economic and social indicators, the experts did not reach an agreement on the selected governance and environmental indicators, and for this reason the maps and indicators will not be presented in this chapter.

Taxation was one of the main concerns on the part of experts present at the workshop. Currently, in most European cities, the actors in the sharing economy do not pay taxes, existing outside of the traditional economy. Furthermore, the headquarters of these platforms may be located in tax havens, making the situation even more difficult. This situation is unsustainable as at present each city or Member State is trying to regulate the activities of actors in the sharing economy, leading to a fractured internal market. The cities are limited in what they can do themselves and help from the EU is needed.

Additionally, the question of licencing worried the experts. Taxi drivers are required to pay high licence fees, while drivers for Uber (and other similar platforms) are not, creating unfair competition and leading to the possible unemployment of taxi drivers. Licencing is a cross-cutting issue that does not only affect the transportation sector. A solution needs to be found that would satisfy traditional businesses as well as new economic actors. However, it is likely that this will have a negative impact on city budgets.

As mentioned previously, people working for the sharing economy platforms are at greater risk of social insecurity, especially with regard to pensions, if their only source of income comes from working for the platforms. As the platforms are not considered to be their employers, they do not contribute to the pension system on their behalf. This could lead to a direct negative impact on public funds as these persons would need the assistance of the state to support them, as the pension rights would not be sufficient for their daily living expenses.

On the other hand, some persons might opt to remain unemployed and work part time for the sharing economy platforms. With control being difficult due to data protection laws, there is a risk that certain citizens could receive unemployment and other benefits, while at the same time earning money that is not currently taxed or reported.

Cities need to work on informing their citizens and local business about these new practices, as many of them are not sufficiently aware of the legal framework. What could further help cities deal with the effects brought by these platforms is the introduction of a new reporting obligation for platforms. The data could include the name of the service provider as well as the locations of their activities (e.g. accommodation). However, this could be difficult as the platforms argue that data protection legislation prevents them from releasing this data.

Renting apartments in traditionally residential areas can result in conflicts with neighbours due to increased noise and decreased parking availability, requiring the involvement of local authorities. This results in an increased administrative burden that is made worse by the need of cities to deal with legal uncertainty. Additionally, the questionnaires revealed that the experiences of EU cities demonstrate that this new phenomenon is in conflict, sometimes severely, with existing businesses.

The benefit of the sharing economy for the general public is expected to be a more optimised use of resources, adapting to the concrete needs of the market and reducing waste. Following the arguments set out in section three, the number of cars could decrease as more people would share cars rather than owning one, which could result in a positive impact on the environment, notably on CO₂ emissions. Aside from reducing the number of cars in circulation on the streets of European cities, the automotive industry is expected to produce more energy-efficient and environmentally-friendly vehicles, further contributing to a decrease in CO₂ emissions. The experts also put forward the argument that if shared cars are cheaper and more readily-available, this could prompt more people to use cars instead of public transport, leading CO₂ emissions to rise.

5 Experts' policy recommendations

Asked if the sharing economy raised challenges in their respective cities, the experts largely responded that it did, while at the same time concluding that the current legal framework was inappropriate to tackle these challenges. Moreover, the majority of cities interviewed did not carry out any specific actions (regulatory or other) at the local level with regard to the sharing economy. On the other hand, a slight majority of cities reported that certain regulatory (or other) actions were taken at the national level. The experts underlined the following aspects that need to be tackled in order to make the sharing economy successful, while at the same time creating fair competition and good conditions for both users and service providers;

- A clear set of rules, preferably at the EU level, to prevent internal market fragmentation (e.g. basic income)
- While it would be useful for cities to obtain data about sharing economy actors from the platforms themselves, this is currently very difficult to achieve as it would be a breach of other EU legislation, such as data protection. This conflict between policies should be resolved.
- Cities should open dialogue with platforms and try to reach an understanding, while at the same time engaging them in joint community support programmes
- The platforms should be able to share information about their activities and the service providers operating under their platforms
- Questions of social security and pensions need to be resolved to avoid a burden on public budgets later on in the lives of the persons working for the platforms
- Consumer protection needs to integrate this new phenomenon in order to guarantee the best possible service and product for EU citizens;
 - There should be a local representative for consumer complaints
 - Safety standards should apply for the actors in this sector
 - Hygiene standards should also apply
 - Protection against discrimination must be made an obligation for the platforms
 - Financial investment rules need to be respected
- The European Union and Member States should support cities in negotiations with the platforms as the starting point of cities would be stronger as a result
- Monopoly regulations need to apply for these platforms to avoid the creation of monopolies
- The European Union and Member States need to resolve the unfair practice of platforms (and any other business) having their headquarters in financial havens, avoiding taxes
- Often it is difficult for cities to legally pursue companies across borders; the EU and MS should make this possible and less complicated.

The questionnaire showed that the representatives of almost all the cities present agreed that there was a need for an EU response. The experts believed that there was a need for further research and impact assessments before either binding regulatory measures or non-binding frameworks were set.

Issues to consider while tackling this situation are the possibility of direct taxes, such as income taxes; indirect taxes, such as sales and use taxes; and the requirement to report information. Protection of consumers should be guaranteed as well as fair working conditions (social security and protection under labour law) and fair competition. The experts believed that there was a need for coordination between different DGs but also with the CoR as this was a local issue with a clear territorial dimension.