

Shared**Cities**

A report from Shared Cities

Are We Ready for Regulation?

The Sharing Economy in Central London



“The Sharing Economy is about how we survive together.”

Craig Markham, Firmdale Hotels

“I think the sharing economy actually fits the modern psychology to lack of commitment, no one really wants to commit to anything”

Simon Gage, Soho-Based Journalist

Executive Summary

Misplaced assumptions about public opinion and the willingness to disrupt the status quo have studded recent politics¹. Catching many by surprise, a contributing factor is the lack of clear information about how consumers, business owners, local residents, regulators and tourists wish to shape their surroundings.

In this context, this paper was conceived as an exploratory exercise, to understand the need for regulation in the Sharing Economy. But what is there to be said about the Sharing Economy and regulation that has not already been said?

In the same way that non-fossil fuel consuming transportation has been available for many years, but kept at bay due to the lack of consumer acceptance, we wanted to look at whether the market was ready for regulation and if so, where this should originate. Some key findings include:

- A strong concern for community safety. As one local details “Residents feel there is nowhere to turn....there just isn't enough bandwidth to deal with safety or security issues this revolution has brought”
- While only 1 in 3 recognise the term ‘Sharing Economy’, 46% believe that the platforms need to be more strongly regulated.
- Around two thirds believe that their Local Council and Mayor of London should be in charge of regulation of accommodation and taxi sharing platforms in particular, as well as food delivery and office sharing platforms. However, over half believe money lending and job sharing platforms should be regulated by National Government.
- Suggested frameworks include a centralised, industry specific regulatory framework, which produces a revenue stream to support itself.

¹ New York Times, *Why The Surprise Over Brexit?* 2016
https://www.nytimes.com/2016/06/25/upshot/why-the-surprise-over-brexit-dont-blame-the-polls.html?_r=0

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About Shared Cities

While cities continue to grow, urban dynamics are changing at an unprecedented speed. Citizens must strive to coexist, collaborate, and adapt to new ways. Shared Cities was conceived as an impartial platform to examine how community needs, government policy, local authorities, business and technology, as well as shifting attitudes, are impacting city life.

While focused on Central London, our overarching mission is to examine what unites and divides urban communities and to uncover how government, business and technology can help citizens in other cities.

Aims and Methodology

The purpose of this exploratory research is to evaluate whether there is a common view on the impact of the sharing economy and the Central London community in which it operates and how it should be regulated.

The Shared Cities forum conducted 20 face-to-face interviews with business owners, NGOs and residents in Central London in March 2017. A quantitative online survey of 200 Central London residents was conducted by opinion.life, an independent research firm. This is an exploratory data set, and as such, results are +/- 5%.

In the context of this report, the Sharing Economy has been defined as: 'an umbrella term with a range of meanings, often used to describe economic and social activity involving online transactions. Originally growing out of the open-source community to refer to peer-to-peer based sharing of access to goods and services, it is now sometimes used in a broader sense to describe any sales transactions that are done via online market places.'²

The following is an overview of the key areas of consideration with full copies of the research available upon request.

² https://en.wikipedia.org/wiki/Sharing_economy

Why Has This New Economy Flourished?

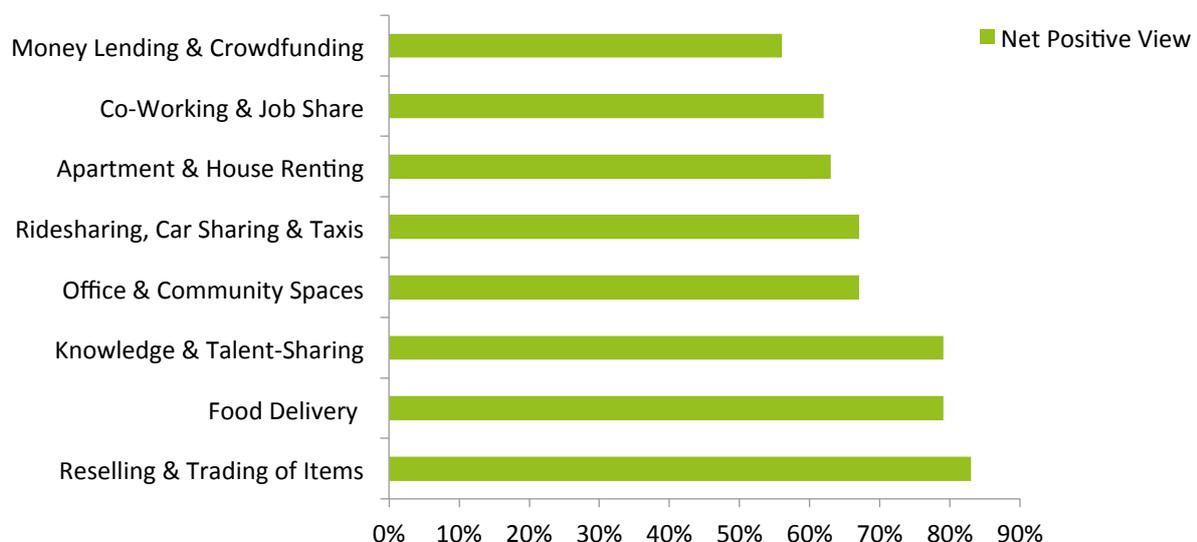
Many view the catalyst for the Sharing Economy to lie in the wake of the economic turbulence of 2008-2009. Following the financial crisis, there was a shift in attitudes to sharing, driven both by a need to explore different incomes and by an increasing concern over 'ecological, societal, and development impact'.³ This societal change allowed a greater opportunity for the following key principles to be recognized and cultivated:

Key principles for a successful platform in the Sharing Economy

- Trust between strangers
- Under-utilized or vacant asset
- Critical mass of participants to prove concept to others
- Belief in communal, widespread, cooperation⁴

How is the Sharing Economy Perceived?

These key principles have allowed the sharing economy to develop quickly in central London, supported by the positive impression consumers have of various platforms:



Q: Overall what is your impression of each of these services?

³ The sharing economy: Why people participate in collaborative consumption

⁴ "INGREDIENTS FOR SUCCESS OF SHARING Botsman and Rogers contribute a set of guidelines for the sharing economy to succeed [3]

“The sharing economy is magic when it works well....but these behemoths are not out there to help Ma and Pa pay the mortgage.

The hospitality industry is one of the largest creators of entry-level jobs in the employment sector. You undermine that at your peril.”

Robert Nadler, Nadler Hotels

Key Findings From The Research

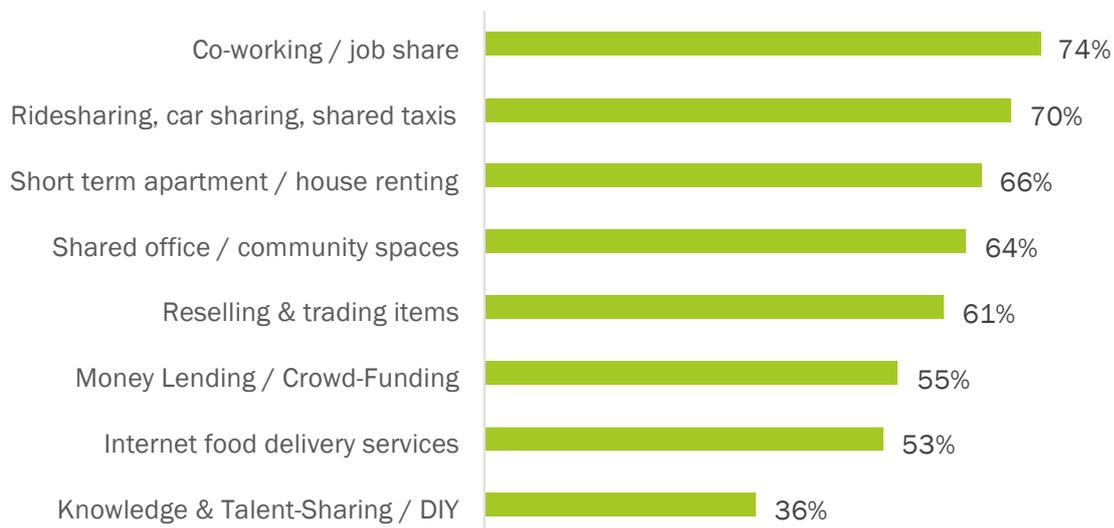
1. Regulating The Unknown

Despite a recent increase in media coverage and general debate about the sharing economy, of those we questioned only a third claimed to understand the phrase “the sharing economy.”

1 in 3

understand
“the sharing economy”

While the term shared economy is not widely understood, the following types of service that fall under the umbrella of the shared economy, were still said to be recognized:



This familiarity with the components of the sharing economy, but not what has been identified as the overarching system, shows that people do not realize they are engaging with the sharing economy.

It also suggests a fractured understanding of why and how it has impacted the center of London, as illustrated by the conflicting views in the next section.

2. A City Evenly Divided?

The challenge for policy makers in Central London is the quite even split between incompatible views. From the face-to-face interviews, we heard passionate and opposing views:

“Accommodation sharing platforms should show front doors [so properties can be identified by authorities].”

West End Resident

“Showing front doors [as part of online listings] enables burglars to identify vacant properties”

West End Resident

“Housing should be for locals, preserving the community should be a priority.”

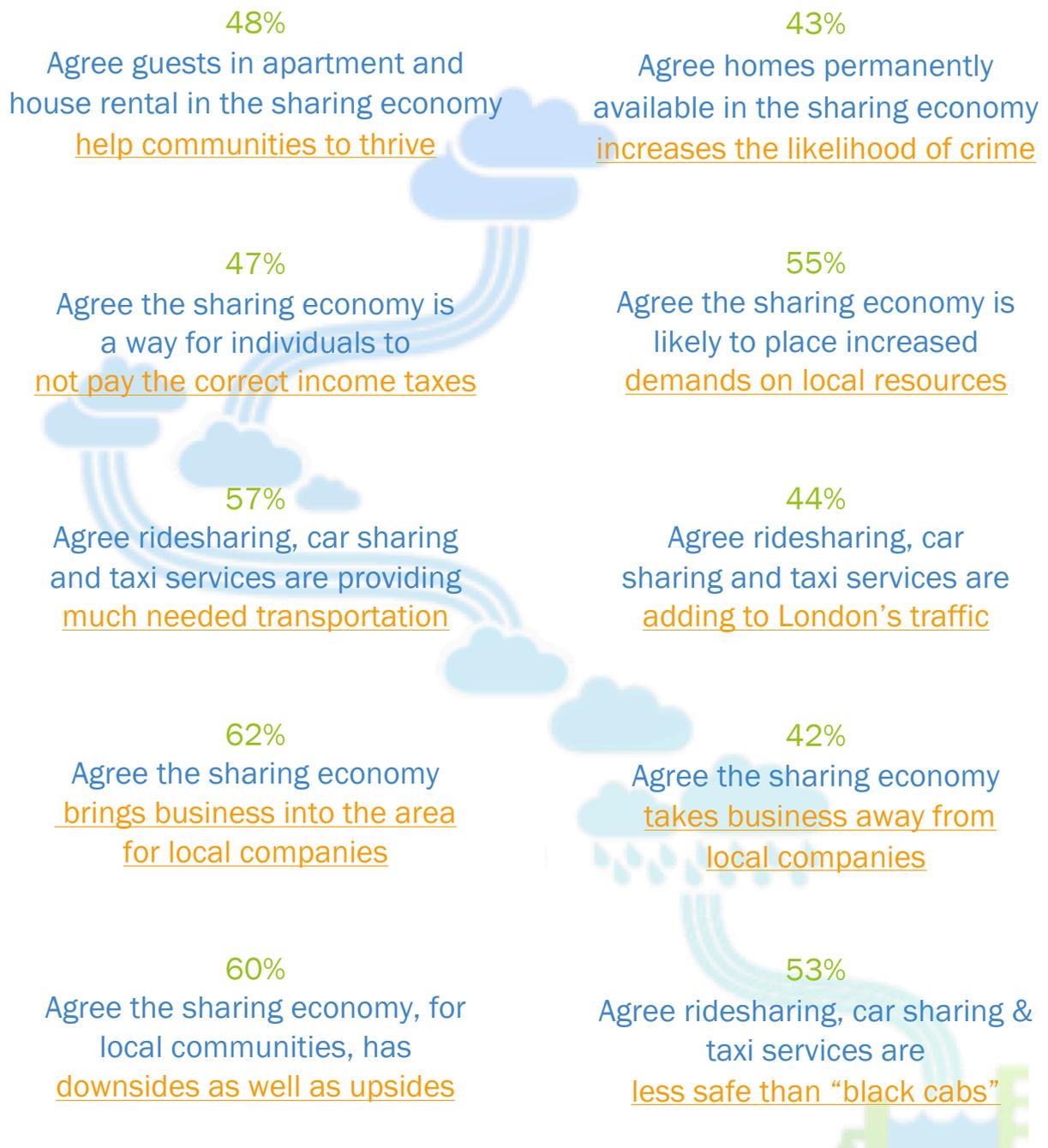
Covent Garden Resident

“The issue of investment properties is a horse that’s already bolted”

Soho Small Business Owner



As illustrated below from the survey data, there is a fairly even balance between those who view the sharing economy as solving challenges, and those who view it as a catalyst for further difficulties:



3. The Not-Sharing Economy

The favourable position that the sharing economy holds can be attributed to a variety of benefits: reduction in costs, immediacy of service and the ability for individuals to make money.

However, there is also an argument that the term 'sharing' attributes a level of altruism to activities that deviate from the assumed ethos that sharing is caring. Indeed, the fundamental ethos of the technology platforms was brought sharply into question:

“The idea has now been turned into a business model without any of the costs of regulation”

Soho Small Business Owner

“Residents feel there is nowhere to turn....there just isn't enough bandwidth to deal with safety or security issues this revolution has brought”

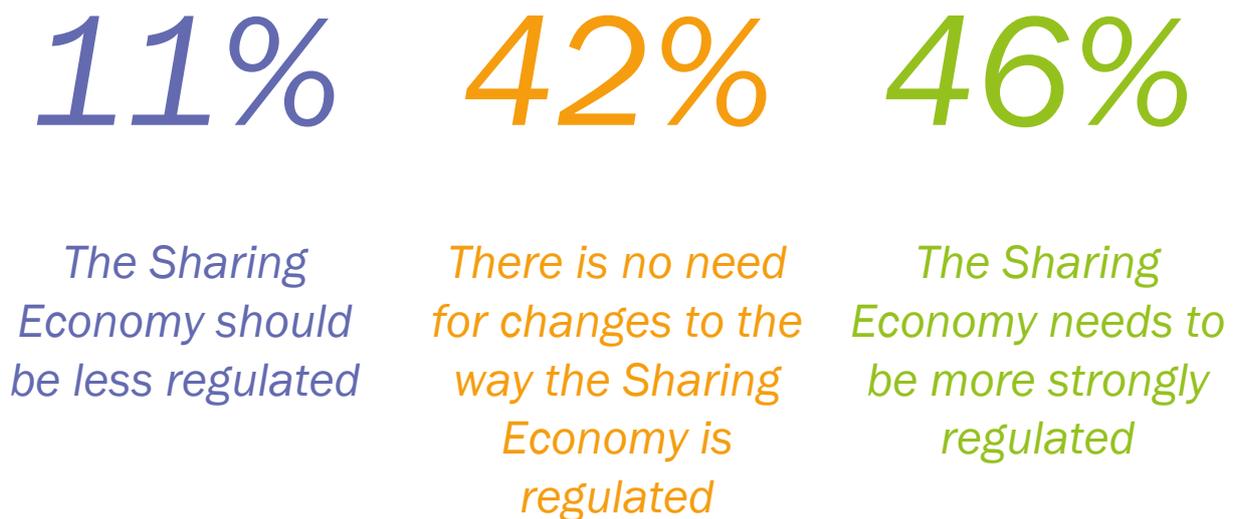
Covent Garden Resident

4. Views on Regulation

Less is More?

The status quo of minimal regulation around the sharing economy has been maintained through the belief that, “Existing regulations were designed to solve market problems that these sharing economy platforms solve in an innovative fashion, primarily with better information provision and reputation systems [i.e. user reviews], thereby making top-down regulation unnecessary.”⁵

However, given our findings, it appears that a significant number of respondents believe there should be more regulation.

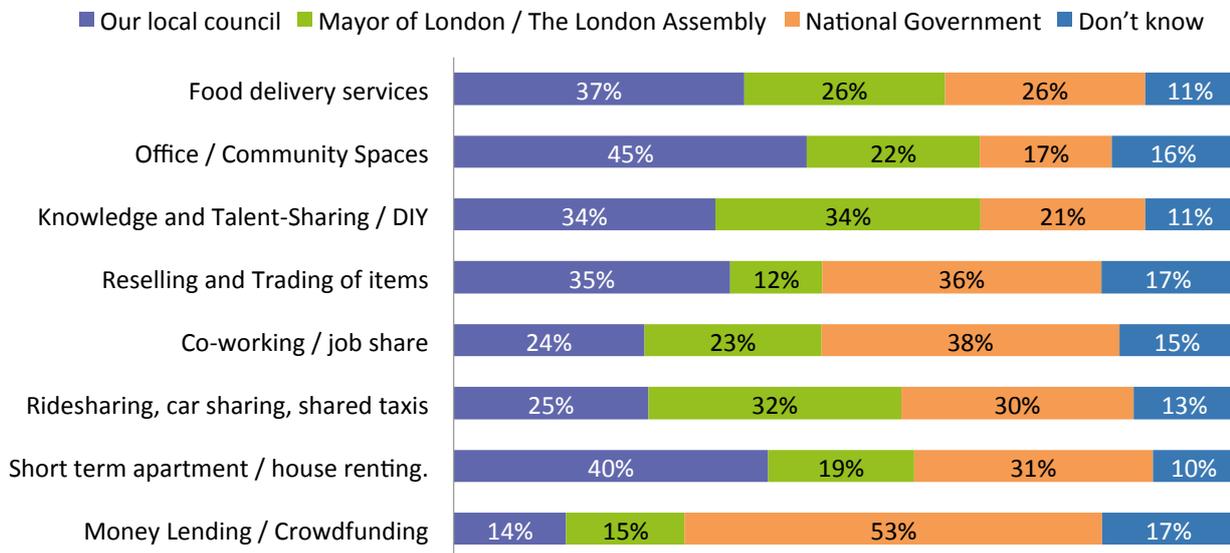


⁵ OWNING, USING AND RENTING:

SOME SIMPLE ECONOMICS OF THE "SHARING ECONOMY" John J. Horton Richard J. Zeckhauser
Working Paper 22029 <http://www.nber.org/papers/w22029>

Who should be in-charge of Regulation?

When asked “who should be in charge” of regulating the Sharing Economy, there was a strong belief that the Mayor of London and Local Councils should be in charge of regulation, as illustrated by the blue section of the graph below.



Q: Thinking about how the rules or regulations that govern the sharing economy, which aspect of government should govern particular platforms?

While this suggests a strong case for devolution of powers for managing the impact of technology based platforms, the cost of regulation is, however, uncertain. This uncertainty lies both in terms of its implementation as well as the long-term cost of stifling innovation through a stringent regulatory environment. Moreover, current regulatory guidelines are held as being too burdensome to implement by those who are negatively affected:

“Current legislation does not work. It does not deal with safety, does not provide a deterrent and the burden of proof is too high.”

Covent Garden Resident

Areas for Further Review

1. The Sharing Economy: Its Own Worst Enemy

Like many systems that were designed with a level of flexibility, the initial benefits can be overshadowed by later problems that take longer to correct. This can be seen in particular in central London in attitudes to accommodation sharing, as already mentioned, but also in the car sharing platforms.

According to reports given to the London Assembly Committee, “since 2013, the number of private hire vehicles entering the Congestion Charging zone during hours of operation has increased by 54 per cent to around 15,000 vehicles a day”⁶. This is approximately double the proportion of taxis.

“The sharing economy had previously been used to tackle congestion”

Adam Bray, The Crown Estate

Yet, the sharing economy has previously been used to tackle congestion and the pollution associated with the volume of traffic. In the run up to the London Olympics, to improve air quality, mobility of traffic, vehicle noise and ease of pedestrian crossing in Regent Street, businesses were encouraged to review their deliveries and share resources.

⁶ London Assembly: London Stalling, Reducing Traffic Congestion in London

Deals were negotiated with a number of suppliers of commodities in the area, including Breakfast and lunch delivery, courier services, and magazine deliveries to coordinate and minimise the duplication of deliveries.

The concept of sharing and streamlining also led to deliveries to Regent Street being sent to a consolidation centre outside the Congestion Zone for grouped deliveries. This has led in some cases to a reduction of more than 80% in deliveries.

The benefits being brought to many run the risk of being obscured by localised and geographically specific problems.

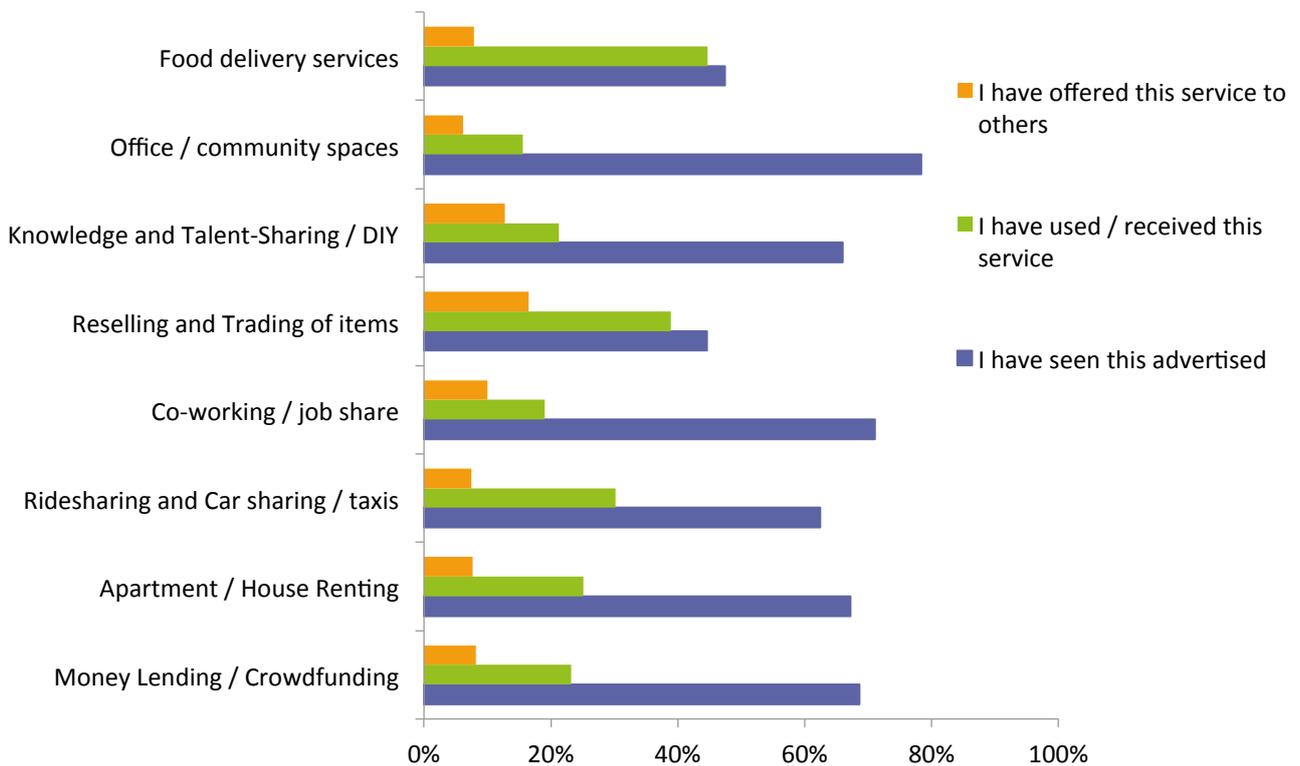
2. Hyper-local Community Impact

Over the course of the data collection, it also became apparent that the numbers of those reporting to participate in the sharing economy was lower than perhaps expected. However, it cannot be assumed that the impact of these platforms is diluted.

People who aren't familiar with the area can't tell when something is wrong - without consistent eyes and ears you wouldn't notice the drug dealing on the streets"

West End Resident

The graph below illustrates how effective some platforms have been in their marketing approach in gaining awareness, but this does not always result in active engagement.



Q: Which of the following statements best describes each of these services in your neighbourhood?

While this aligned with some of the messaging from the platforms about their impact in Central London. However, it was also observed that there are areas with higher usage of the shared economy. For example, the Congestion Zone in Central London, which receives up to 30,000 private hire vehicles on a Saturday, and the West End, which on some accommodation sharing platforms has the highest number of listings in Westminster⁷, feel the impact of the sharing economy more acutely than other areas.

⁷ October 2016, Fitzrovia Resident Association Report

Within these areas, individuals appear to lack firm guidance on how to protect themselves and those around them:

“If a bathroom floods on the tenth floor of the building, and the insurer refuses the claim who is going to pay for damages to the nine flats below?”

West End Landlord

“I mean, who is responsible for the safety of someone getting into a [private hire car]?”

West End Resident

3. The Night Time Economy

While this paper did not have the scope to investigate the impact food delivery and dating apps have had on the night time economy, further work is needed to uncover the impact on restaurants and bars as people find new ways of meeting and socialising. In particular, a thorough analysis of the closure of 102 LGBT bars and 32 LGBT nightclubs, may shed some light on how to prevent further closures.

A number of reasons have been cited for these closures, which include:

- a. The rise of online applications to meet people
- b. The preference for drugs over alcohol
- c. The avoidance of venues that are now ‘poly-sexual’
- d. A decreased spending power of younger generations



In the context of Soho and the ‘LGBT Village’, some respondents expressed interest in understanding how this community will evolve. To achieve greater clarity on this, the following would be required to inform local government, venues and consumers:

1. An analysis of customer demographics and spending in LGBT venues.
2. A closer review of consumer attitudes towards ‘poly-sexual’ nightclubs.
3. An understanding of how LGBT venues form part of the backdrop to online apps, i.e. if people are connecting online, do they meet in Soho as a ‘safe space’?
4. A review of LGBT community’s venue needs, e.g. utilization, type of venue and opening hours.

“The chemistry of the Soho community, like life on this planet, is sustained by a collection of phenomena: its own gravity, seasons, tides and moons.”

Soho Business Owner



Conclusions and Suggestions for a Path Forward

Throughout the course of this research we strove to remain agnostic to the specific platforms, instead looking at the fundamental ethos of the Sharing Economy. By avoiding narrow attacks on particular providers, we were able to highlight the expectation consumers have for regulation and dismantle some of the preconceptions that have arisen about the extent of the Sharing Economy, beneath the marketing hype.

In terms of the way ahead, through our interviews and discussions with key stakeholders, the following suggestions have been presented as possible approaches to shaping the sharing economy in Central London:

- Debate creation of a simple centralised, industry specific, licensing system for platforms within the sharing economy
- Creation of unique identifier for each 'Shared Asset' e.g. barcode, issued by local councils for a fee that would be on display in, for example, cars and properties.
- Review the costs associated with creation and implementation of centralised regulation and projected revenue stream.
- Identify the actual and potential cost of non-compliance with current regulation, to illustrate the impact of doing nothing
- Promote pre-existing programmes that have been successful e.g. Regents Street freight consolidation

For further information or detail on the above, or to discuss some of the findings please contact info@shared-cities.org