

NESTA'S RESPONSE TO THE DEPARTMENT FOR BUSINESS, INNOVATION AND SKILLS REVIEW OF THE SHARING ECONOMY

November 2014

INTRODUCTION

The Department for Business, Innovation and Skills' (BIS) review of the sharing economy is timely and very welcome, offering an opportunity to support and shape its future development. It's also just the start. The sharing, or collaborative economy,¹ is fluid and changing; even the boundaries around what it does and doesn't include are changing. Supporting the collaborative economy is about more than putting in place measures for current actors within the space. It is also important to experiment, evaluate, and accelerate our understanding of the collaborative economy, what it is doing and the opportunities it offers to support sustainable growth, public service reform and tackle wider social and environmental challenges.

Nesta have been supporting the collaborative economy since 2010, promoting and researching the sector. With support from the Cabinet Office, Nesta has financed and supported a range of collaborative economy innovations such as: time and skills sharing platforms (e.g. [Spice Time Credits](#), [Economy of Hours](#), [Greeniversity](#)); food sharing initiatives (e.g. [Casserole Club](#), [Foodcycle](#)); commercial space and property sharing (e.g. [Somewhereto_](#), [Dot Dot Dot](#)); community asset sharing (e.g. [Streetbank](#)); and crowdfunding platforms (e.g. [Solar Schools](#), [Buzzbnk](#), [Crowdfunder](#)).

Nesta has also directly funded the development of www.collaborativeconsumption.com – a global platform for free to access market intelligence, case studies, resources and tools for people interested in the collaborative economy. Nesta has published five reports on [crowdfunding](#) since 2011 and in September 2014 published a report on the [collaborative economy](#) in the UK. All of this work has shown the potential of the collaborative economy to deliver civic and public, as well as economic, benefits. And while cities and local authorities can play a crucial role in supporting the development of the collaborative economy across the sectors, there is still much that can be done at the national level using a wide range of policy levers.

We focus below on the need for a lab for the collaborative economy as well as a number of ways to incentivise and facilitate the development of the collaborative economy in areas including transport, space and insurance, and in fostering more inclusive economic growth.

1. There are a number of terms being used to describe this phenomenon, Nesta believes that the term 'collaborative economy' best reflects what is currently taking place, given the majority of activities are about much more than just sharing. We consider the collaborative economy to be the use of internet technologies to connect distributed groups of people to make better use of goods, skills and other useful things. Nesta (2014) 'Making Sense of the UK Collaborative Economy.' London: Nesta.

A LAB FOR THE SHARING ECONOMY

Nesta proposes the creation of a Lab providing finance, space for experimentation and the development of useful evidence and research to support the growth of the collaborative economy in the UK.

A Lab could focus on:

- Providing smart, targeted investment to help UK-based ventures to succeed and foster *economic growth*;
- Supporting experimentation and sharing insight and impact amongst *cities and places*, particularly about those able to make hyper-efficient use of resources through the collaborative economy;
- Exploring the potential of the collaborative economy to provide *jobs and positive opportunities* for people alongside meeting the unmet *childcare* needs of many; and,
- Examining the ways in which resources that exist within and beyond the boundaries of *government and public services and civil society* can be shared.

We believe this is needed because:

- a. Most importantly, despite some notable successes from US-based platforms, the sector is still embryonic in the UK and requires support to incubate home-grown ventures and finance promising ideas to scale (inter)nationally, as well as exploiting the relevance of the collaborative economy to civil society, city systems, local government and public services.
- b. In such a rapidly evolving space, the policy and regulatory needs of today will not be the same as those of tomorrow. New business models, platforms and players will emerge, continuing to challenge our assumptions, behaviours, laws and regulations. For this reason we need an ongoing, live, independent testing ground that will provide insight to enable the development of proportionate and fair regulation as the collaborative economy matures, as well as testing different models for incentivising take-up and adoption of new models of consumption.
- c. There are a range of factors that appear to inhibit greater collaboration and sharing such as perceptions of safety, issues of trust and provenance etc. Experimentation, such as through the use of behavioural insights and 'nudges', is needed to provide greater understanding of people's behaviour and what they are willing, able or happy to share. This is particularly relevant in areas where there is entrepreneurial activity but consumer interest remains low, for example around the sharing of durable goods. At the same time, exploring how to make products more durable and repairable, along with the potential of the circular economy, can create a generation of products increasingly suited to sharing and collaborative models.
- d. There is a need to accelerate our understanding of the social, environmental and economic impact of the collaborative economy in more developed sectors such as mobility and hospitality, while at the same time anticipating and testing its arrival and growth in other sectors and places. A Lab for the Sharing Economy would help shape a world-class collaborative economy in the UK.
- e. The relationship between the collaborative economy and other embryonic innovations such as digital currencies, open and big data and localised manufacturing are only just beginning to be understood. Examining future trends around these and other approaches, such as new leasing/subscription models of ownership, and creating clarity on how these can be supported and shaped, will be critical to the long-term success of the collaborative economy in the UK.

INCENTIVISING AND FACILITATING THE COLLABORATIVE ECONOMY: RECOMMENDATIONS FOR NATIONAL AND LOCAL GOVERNMENTS AND OTHER STAKEHOLDERS

Putting in place measures to incentivise collaborative economic activities will help stimulate innovation and encourage specific actors to participate in the collaborative economy. Nesta's recent work on the collaborative economy, *Making Sense of the UK Collaborative Economy*, has highlighted that convenience remains a key barrier to participation, alongside trust and perceptions of safety. Overcoming perceived barriers will be important for both the growth of the collaborative economy and increasing the number of people using and participating in it.

DESIGN PRIZES AND STANDARDS

Design prizes should be used to stimulate and accelerate the development of the collaborative economy by offering incentives to find new and more streamlined processes and ways of working. Prizes would target those areas where there are barriers to the effective functioning of the collaborative economy, such as in the design of goods, or would help promote its take-up amongst citizens by reducing friction.

To that end:

- A design prize to encourage the creation of products that are 'designed to share', so that they require no modification before being used in the collaborative economy – for example including geo-location or remote locking devices in vehicles.
- The **British Standards Institute** should develop a 'Collaborative Economy Standards' framework, including interoperability standards for the internet of things technologies. This could be done in a way similar to the 'Smart Cities Standards', which provides frameworks on economic assessment, market development and data concept models for cities to develop smart city strategies. Extending this model to the collaborative economy would be helpful to those cities and localities looking to support and embed the collaborative economy.

TRANSPORT

Processes and measures to reduce friction and make participating in collaborative economy activities more convenient are needed, while embedding the collaborative economy into planning will help make it a part of every community.

To that end:

- Planning permission for new multi-occupancy dwellings should include a requirement for carsharing parking to be incorporated. **The Department for Communities and Local Government** should issue such guidance to local authorities.
- **Network Rail** should facilitate the integration of carsharing and ridesharing more effectively into public transport by providing dedicated carsharing spaces and rideshare pick up points at railway stations.

PERSONAL AND COMMERCIAL SPACE

The growth of platforms, such as AirBnB, has begun to revolutionise the hospitality sector. The positive impact of such platforms includes bringing capacity to cities where there may be little and extending tourist footfall, as well as providing part of the resilience infrastructure, such as in the aftermath of Hurricane Sandy in the US in 2012 or the floods in Somerset in early 2014. However, there are also potential negative impacts, such as decreasing property availability for long-term rentals and increasing rental prices, as well as unforeseen consequences on long-term residents in areas where there is a high density of short-term rental activity, and these issues need to be addressed.

To that end:

- Only individuals or families renting/leasing a part of their primary residence, whether it be rooms, storage or parking space, should be eligible for tax relief.

INSURANCE

The collaborative economy is new territory for many insurers who are accustomed to ownership-based risks. The collection and provision of greater information, such as through tracking devices on cars or by pre-screening house guests, can help insurance companies to better understand the risks associated with collaborative economy organisations and also enable them to actively manage aspects of those risks.

Motor insurer members of the Association of British Insurers have already agreed that rideshares (in vehicles with fewer than eight seats), where any payment accepted only compensates for the cost of the journey (fuel, running and depreciation costs), are already covered by insurance. We welcome the British Insurance Brokers' Association's (BIBA) decision to publish its *Beginner's Guide to Insurance and the Sharing Economy* which we hope will bring greater clarity and legitimacy to the services presently being offered by collaborative businesses and organisations. We hope BIBA's publication will prompt insurers to tackle some of the key challenges of insuring collaborative businesses and shared assets head on; doing so will help to build trust in users and collaborative businesses, and will enable the insurance industry to meet the needs of these new business models.

- An insurance industry taskforce should be convened by the **Department for Business, Innovation and Skills**. This taskforce should:
 - Develop guidance on the ways collaborative economy organisations and insurance companies can work together to better identify, understand and manage risk, for example through the collection of information and detailed risk assessment activities.
 - Encourage platforms facing common insurance challenges to join forces, such as through an industry body, and engage the insurance sector with one voice.
 - Examine how effective insurance tools can be developed to address any risk associated with renting or sharing personal goods. This could be done through platform-based insurance, additions to household insurance (for both users and providers) or other mechanisms that limit the liability of the provider of goods, except in cases of negligence.

DIGITAL GOVERNMENT

Enabling people and organisations within the collaborative economy to engage digitally with government would help not only facilitate activities within the collaborative economy but would also increase adherence to taxation requirements. As per Action 16 of the Government's Digital Strategy, government departments should explore how they could benefit the collaborative economy by facilitating: a) the reuse of citizen data held by departments; and, b) third party integration with government transactions.

Specifically:

- **HM Revenue and Customs** should put in place a system that allows citizens to effortlessly declare the income they make from renting out their spare room or a parking space, and pay the right tax on it.
- An Application Programming Interface (API) should be developed by the **Driver and Vehicle Licensing Authority (DVLA)** that allows for the fast authentication of driving records and vehicle registration details by carsharing platforms by accessing the DVLA database. This would speed up joining processes, reduce the cost of verifying credentials and help build trust amongst users.

SUPPORTING INCLUSIVE ECONOMIC GROWTH

The collaborative economy has the potential to create more inclusive economic growth and to address widening levels of inequality by enabling people to access goods rather than own them. However, without an explicit focus on creating inclusive economic growth, there is a risk that the collaborative economy will primarily benefit those with assets. In order to enable the collaborative economy to support more inclusive economic growth it is recommended that:

- The **Department for Work and Pensions** should ensure that information on how to access the collaborative economy, and the benefits of doing so, is made available in Job Centres.
- The **Department for Work and Pensions** should encourage Jobcentre Plus District Managers in cities to use 'freedoms and flexibilities' to provide people receiving benefits with vouchers to access goods, such as vehicles or rideshares, through collaborative economy platforms.
- In the early stages of business development 'nudges', such as R&D funding/tax credits or more general tax relief schemes, could be used to encourage the adoption of a demonstrable triple bottom line framework (social, environmental and financial) by collaborative economy organisations.

CONCLUSION

The collaborative economy is still a new and evolving space, and there is an opportunity to shape its development in ways that are inclusive and would achieve wider social, economic and environmental good. However, in order to do this there is a need for greater testing, experimentation and innovation. A Lab for the Sharing Economy would be able to offer much needed support to collaborative economy ventures seeking to have a triple bottom line impact in current and newly emerging areas of activity.

Just as we see the Department for Business, Innovation and Skills' review as an important first step in supporting the sharing economy, Nesta's work in this area is also continuing. Following on from our landscape report, *Making Sense of the UK Collaborative Economy*, published in 2014, Nesta is currently examining the impact of the collaborative economy. In spring 2015, Nesta will be publishing more detailed work on how the collaborative economy can be supported to grow, with a specific focus on how to promote the collaborative economy at the national and city level.

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