SHARING ECONOMY WAITING FOR NORMALCY – PREFERABLY WITHOUT REGULATIONS

Businesses focusing on the rental of cars, apartments and certain services aren't going through their best moment after being hit by 'the new normality', in which social distancing is essential.

Two months ago, sharing economy, or the collaborative economy businesses (where customers rely on each other to meet needs) were seen as the perfect model for a more sustainable future, despite always being wrapped in controversy.

According to the PwC consultancy, it was estimated that companies in the five most important sectors of Europe's collaborative economy would generate approximately 300 billion euros by 2025. The figure is over ten times higher than the 28 billion euros produced in 2015. **But now, the financial model for the sharing economy could be heading to the crisis.**

A good example of this is Airbnb, the holiday rental platform that has caused a lot of trouble for the hotel industry. In 2013, Spain reported 37,310 tourist apartments, one-tenth of the number of hotel rooms. But by 2019, the platform already had 413,033 tourist rooms, only 2,000 less than hotels.

However, Airbnb's growth has been slowed by the COVID-19 crisis. In early May, Brian Chesky, CEO and co-founder of the platform, revealed his plan to lay off 1,900 employees, 25% of the total workforce, in addition to an investment cut and the total halt of projects in hotel divisions, luxury experiences, transport and audiovisual productions.

At a time when social distancing is enforced, sharing is not a viable option. Currently, many activities and sectors are not operating for health reasons. The case of peer-to-peer platform models is no exception. If the underlying activity in these models is subject to temporary suspension, whether partial or total, as in the case of tourism or transport of people, these platforms cannot operate normally.

For BlaBlaCar, a service in which people share car rides, reinventing itself has been the only way to survive the crisis. **In April, the company launched BlaBlaHelp, a service to put volunteers in contact with neighbors who need help to shop for groceries.**

So, will these businesses ever return to their former glory? As soon as the business will return to normalcy and obviously with the proper sanitary guarantees, there is no doubt that these models and new ones that will emerge will continue to operate due to their traceability, sustainability and efficiency in the use of resources, among other things.

However, as tourism gradually revives in some countries, questions need to be asked about the taxation and regulations imposed on the field of the sharing economy. The current pandemic has shown both how the collaborative economy has been able to help citizens access essential goods and services while revealing the very real restrictions and regulations that undermine them, which should be approved and encouraged.

The Consumer Choice Center published an index of the sharing economy. It provides a valuable insight into many of the services consumers value most and how to access them.

Tallinn is one of the most supportive cities of the collaborative economy. Its low level of regulation of car-pooling and flat-sharing services, as well as its openness to electronic scooters and its remarkable digital innovations, is the reason for its first place in the ranking. Estonia is indeed well known for its digital boom.

The top ten cities all score very well in car-pooling, which means that they do not overburden this important part of the economy with municipal taxes or special permit requirements.

The most surprising observation of this study is that of the nine European cities at the top of the list, eight share a communist past. The distress of the past dominated by the totalitarian state would, therefore, have made these countries more open to the collaborative economy.

On the other side, Prague, Dublin, Amsterdam, Bratislava, Ljubljana, Sofia, Tokyo, The Hague, Luxembourg City and Athens are at the very bottom of the list. These cities have opted for over-regulation to the detriment of consumer interests.

The Sharing Economy Index

RANK CITY/COUNTRY TOTAL SCORE 1 Tallinn/Estonia 100 2 Vilnius/Lithuania 95 2 Riga/Latvia 95 2 Moscow/Russia 95 2 St. Petersburg/Russia 95 2 Warsaw/Poland 95 2 Kyiv/Ukraine 95 2 São Paulo/Brazil 95 9 Tbilisi/Georgia 90 9 Helsinki/Finland 90

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