Briefing

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Tourism and the sharing economy

SUMMARY

Tourism services have traditionally been provided by businesses such as hotels, taxis or tour operators. Recently, a growing number of individuals are proposing to share temporarily with tourists what they own (for example their house or car) or what they do (for example meals or excursions). This type of sharing is referred to as the 'sharing economy'. It is not limited to tourism and can be found in many areas of social and economic activity, although tourism has been one of the sectors most impacted.

Sharing goods and services between individuals is nothing new in itself. However, the development of the internet and, as a consequence, the creation of online platforms have made sharing easier than ever. In the past decade, many companies managing such platforms have emerged on the market. A well-known example is a platform on which people can book accommodation (Airbnb).

The sharing economy has had a positive impact on tourism as well as a negative one. Its advocates think that it provides easy access to a wide range of services that are often of higher quality and more affordable than those provided by traditional business counterparts. Critics, on the other hand, claim that the sharing economy provides unfair competition, reduces job security, avoids taxes and poses a threat to safety, health and disability compliance standards.

The response to the sharing economy remains fragmented in the EU. Some activities or aspects have been regulated at national, regional or local level. In June 2016, the European Commission published a communication on a European agenda for the collaborative economy, to offer some clarification on relevant EU rules and provide public authorities with policy guidance. The European Parliament and advisory committees have also touched upon the issue in various resolutions and opinions.

This is an updated edition of a briefing from September 2015.

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Background

The sharing economy is developing against a background of rapid growth in international tourist arrivals in the world, as well as in the European Union (EU). Compared with 331 million arrivals in 2000, the 28 EU Member States hosted 478 million international tourists in 2015. Worldwide, the number of international tourist arrivals grew in the same period from 674 million to almost 1.2 billion. In the longer term, these numbers are forecast to grow both in the EU and worldwide, leading to increased demand for tourist services.

Tourism in the EU as well as in many other regions of the world is also evolving in response to changes in tourist behaviour. As the OECD points out in a 2016 report, tourists are, in general, more open to self-guided holidays and look more at information from other tourists (friends and family or anonymous tourists who post reviews on the internet) than in the past. Many tourists use digital technology and social media to plan, purchase or review travel experiences. They demand sustainable tourism products as well as more unique and personalised tourism experiences. Furthermore, the economic crisis and unemployment and reduced purchasing power has pushed many to pay increasing attention to prices and value for money. People are also increasingly open to the idea of sharing resources and to new flexible work opportunities. All these factors have favoured the development of the sharing economy.

Some other developments, such as increasing attention to safety and security, on the other hand, are having the opposite effect. Furthermore, the market share composed by older tourists, who are often less open to the sharing economy business models, is also growing.

What is the sharing economy?

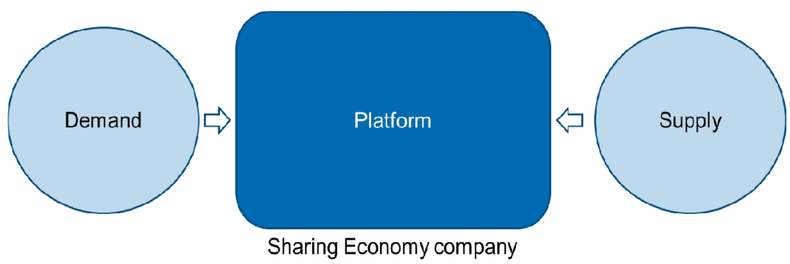
Although the sharing economy (also referred to as the shared, collaborative, peer or access economy) does not have a single definition, it has been explained in several analyses.

The OECD describes it as 'new marketplaces that allow services to be provided on a peer-to-peer or shared usage basis'.

The European Commission explains in its 2016 communication that the sharing (collaborative) economy 'refers to business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals'.

Another way of analysing the sharing economy is in comparison with the 'traditional' economy. For example, Dervojeda et al. explain that in traditional markets consumers buy products (that they then own) and services, whereas in the sharing economy suppliers share their resources temporarily with consumers, either for free or for a return (financial or non-financial). Virtually anyone can share

Figure 1 – Peer-to-peer model



Data source: 'Competition in the sharing economy', 2015, p. 5.

almost anything, from products and property (e.g. an apartment, a car, a bicycle, travel equipment) to time, skills and competencies (e.g. cooking and photography skills, knowledge of a town, places to see).

This type of sharing or exchange of goods or services is generally facilitated via online platforms that match demand and supply. In many cases, these platforms are created and managed by private companies, also referred to as peer-to-peer companies or sharing economy companies. The most commonly known sharing economy model is the peer-to-peer model (see Figure 1) in which peers (mostly individuals) offer and request goods and services. The platform then acts as an intermediary between them.

The example of Airbnb

Over the past decade, many peer-to-peer companies have emerged on the market.[1] Many of them also serve tourists' needs, although they are not limited to tourists but open to all.

One of the most discussed examples is Airbnb – an online platform where people can book rooms/accommodation and travel experiences (e.g. excursions). The basic idea behind Airbnb is not new: it helps those who want to provide short-term rentals to get in touch with those who want to rent these spaces (tourists, people who have just moved to a new city, etc.). What is new is the speed and scale at which the peer-to-peer business model together with the development of high-speed internet has made short-term home rentals common practice. The company claimed on its website in January 2017 that it had more than 2.5 million listings[2] in 191 countries worldwide, which means that Airbnb hosts are offering more lodgings than, for instance, Hilton Worldwide.

Airbnb itself does not own, rent, manage or control the properties rented out on its website. Its tasks are limited to listing spaces, processing payments, acting as an escrow[3] and offering damage insurance to hosts.[4] The company takes a 9-12% service fee for each reservation.

Airbnb hosts rent various types of space for periods of one day up to several months. The space can be a 'shared or private room', where the host usually remains present during the stay or an 'entire place' (apartment/house/castle/tree-house/yurt, etc.), where the host is not present during the stay. Hosts describe themselves, the place they are renting out, establish the price and are, according to Airbnb conditions, responsible for compliance with any laws, rules and regulations. Hosts and guests can both rate and review each completed stay. However, recent studies[5] have found some inaccuracies in this rating system, in particular the tendency to overrate positive experiences and underrate negative ones. It may be also difficult to determine whether the host or guest has a criminal background. Even if Airbnb excludes problematic hosts and guests, these individuals can move to other platforms.

Although the majority of Airbnb hosts offer one or two listings, some have tens or hundreds of listings. In New York (one of Airbnb's most important markets), the highest earning host had, according to a 2014 report,[6] 272 listings and received US$6.8 million in revenue in the reference period (January 2010 – June 2014). The report found that hosts with more than two listings accounted, in this period, for 6% of all Airbnb hosts in New York, but earned 37% of revenue with 36% of all Airbnb bookings.

Recently, Airbnb has added to its platform the possibility for individuals to book various travel experiences, such as dancing, cooking, gardening and sports classes.

Many companies like to position themselves under the broad umbrella of the sharing economy, among other reasons, because of the magnetism of innovative digital technologies, the rapidly growing volume of sharing activity and the positive symbolic meaning of sharing: using, occupying or enjoying something with others.[7] Whether or to what extent they actually are part of the sharing economy is difficult to evaluate, as there is no clear demarcation between those companies that are included (wholly or partially) in the sharing economy and those that are not.

Economic development of the sharing economy in tourism

The European Commission estimated in 2016 that the gross revenue in the EU from sharing economy platforms and providers amounted to €28 billion in 2015. Much of this revenue comes from tourism-related sectors, in particular the accommodation and transportation sectors. Growth in these sectors has been strong since 2013, especially in 2015 when several large platforms invested significantly in expanding their European operations. On average over 85 % of the gross revenue of collaborative economy platforms goes to its providers. Platform revenue is mostly based on fixed or variable commissions, which vary from 1 to 2 %, for peer-to-peer lending, to up to 20 % for ridesharing services.

A 2016 European Parliament study estimates that the theoretical maximum potential aggregate economic gain related to the more efficient use of capacities on account of the sharing economy represents €572 billion in annual consumption across the EU. However, these estimates should be treated with caution, as many barriers (such as restrictive legislation) might prevent the full benefits from being realised.

A Eurobarometer survey also released in 2016 showed strong consumer interest in the sharing economy: 52 % of respondents were aware of the services of sharing economy platforms and 17 % had used such services at least once. Respondents aged between 25 and 39 years (27 %) and those who finished education aged 20 years or over (27 %) were the most likely to use these platforms.

The business association representing hotels, restaurants, cafés and similar establishments in Europe – HOTREC – estimated during the European tourism forum 2016 that the accommodation sharing economy is more than double the size of the traditional hotel economy in Europe. The number of users and listings of some of the more popular platforms in the sharing economy gives some idea of the size of these developments (see table 1).

Table 1 – Examples of tourism-related sharing economy platforms in numbers

Platform	Number of users	Value	Scope
Accommodation			
Airbnb (short-term accommodation rental and travel experiences platform, founded in 2008)	More than 2.5 million listings, 100 million guests since its founding as of January 2017	US$30 billion (in August 2016)	In more than 191 countries (in January 2017)
Homeaway (vacation rental platform, founded in 2005)	Over 1.2 million listings (in January 2017)	US$3.9 billion (in November 2015)	In 190 countries (in January 2017)
Transport			
Uber (short-distance ride-sharing platform, founded in 2009)	40 million monthly active riders (in October 2016)	US$68 billion (in August 2016)	In more than 70 countries (in September 2016)
BlaBlaCar (long distance ride-sharing platform, founded in 2006)	35 million users, 12 million travellers per quarter (in January 2017)	US$1.6 billion (in September 2015)	In 22 countries (in January 2017)

Dining			
VizEat (platform for cooking classes, food tours and dinners, founded in 2013)	More than 120 000 members (in January 2017)	€3.8 million (in September 2016)	In 110 countries (in January 2017)
EatWith (shared dining platform, founded in 2012)	650 hosts, 80 000 seats filled since its founding as of January 2017	Valuation figure unavailable (received US$8 million in recent funding rounds)	In 50 countries (in January 2017)
Travel experiences			
Vayable (personal tours and travel experiences platform, founded in 2011)	Does not disclose total number of users	Valuation figure unavailable (received US$2.1 million in recent funding rounds)	International (does not disclose total number of countries where it is active)
ToursByLocals (private tours platform, founded in 2008)	1 905 guides (in January 2017)	Valuation figure unavailable	In 155 countries (in January 2017)

Sources: OECD, Airbnb, Homeaway, Uber, BlaBlaCar, VizEat, EatWith, Vayable, ToursByLocals, Business Insider, The New York Times, Techcrunch, Forbes, Startingthingsup, Crunchbase.

Corporate travellers are also increasingly using sharing economy platforms and platforms are adapting what they offer to cater for their specific needs. In some instances, incumbent companies cooperate with sharing economy companies. One such example is the partnership between Hilton Worldwide and Uber, whereby an Uber ride can be booked directly via the Hilton HHonors app.

Impact on tourism

The sharing economy is a relatively new phenomenon and much of the information on its impact on tourism comes from the platforms themselves. However, academics, the media, tourism organisations and international institutions have also begun to analyse these developments.

The sharing economy is changing the tourism marketplace, giving people new options for where to stay, what to do and how to get around. In the sharing economy, anyone can start a tourism business. Online platforms provide easy access to a wide range of services, some of them of higher quality and more affordable than their traditional business equivalents.

Incumbent firms are being pushed to respond to this increased competition and adjust what they offer, either by lowering the prices or by improving the quality of their services. For example, in France the national railway operator SNCF has developed new products such as low cost train and bus services to compete with ridesharing services like BlaBlaCar.

Advocates of the sharing economy claim that the sharing economy allows more flexibility. Some tourists appreciate these platforms for their personalised approach, authenticity and contacts with local citizens. The sharing economy may help to respond better to peaks and troughs in demand for tourism services, for instance in big cities where traditional accommodation services may be at saturation point or in rural areas, where during festivals or other special events there is sudden increase in demand for accommodation.

Furthermore, Airbnb itself claims that 'travelling on Airbnb results in significant reduction in energy and water use, greenhouse gas emissions, and waste, and encourages more sustainable practices among both hosts and guests'. However, there are almost no comprehensive studies on the ecological impact of home sharing.[8]

According to the OECD, sharing companies may bring tourists to destinations that were previously less popular. For example, a 2016 study by the Observatoire Valaisin du Tourisme looking at the impact of Airbnb on tourism in Switzerland found that Airbnb has expanded the city-break niche market in some Swiss cities where the high cost of hotel stays had previously hindered some tourists from staying there.

Critics see a number of aspects in which the sharing economy can impact negatively on tourism. Some believe that it is increasing the number of part-time workers in the tourism sector and 'creating an economy where job security is less and less normal every day'.[9] If work in the sharing economy is the only source of income, it provides the worker with no social security (for instance, no paid sick leave).

Critics also identify possible threats to safety, health and disability compliance standards. They criticise the sharing economy for tax evasion and unfair competition. As hoteliers at a 2014 Berlin conference mentioned, hoteliers 'have to deal with environmental protection, labour law, municipal tourism fees, consumer protection, various taxes (value-added tax, taxes for cities, environmental protection, safety, etc.)' whilst many hosts on online sharing platforms do not comply with the same rules and laws. In a New York 2014 report, at least 72 % of Airbnb rentals violated some law (e.g. zoning laws which prohibit people from running a business in a residential area).

Accommodation sharing services may also disturb neighbours with noise and other disturbances, or decrease housing affordability or resident population in tourist areas.

Furthermore, hoteliers claim they have lost revenue because of the rise of accommodation-sharing platforms. A 2015 Boston University study[10] estimated that Airbnb reduced hotel revenue in the market studied (Austin, United States) by 8-10% between 2008 and 2014. The greatest impact was on lower-priced hotels and hotels lacking conference facilities.

The OECD points out that the sharing economy model also raises data protection and financial accessibility issues, given the primacy of credit cards and smartphones when using these platforms.

That said, the impact varies across countries. The market for the sharing economy is generally more developed in the countries of North America (the United States in particular) and western Europe where sharing economy companies have already been operating for some years. However, sharing economy companies are rapidly expanding around the world, notably in Asia and the Pacific region.

Reactions of public authorities

National, regional and local authorities

Many authorities in Europe, and local and regional authorities in particular, have taken steps to regulate certain activities or aspects of the sharing economy in tourism. Often this regulation is fragmented and uncoordinated as the tourism industry is composed of different products and services under the responsibility of different ministries and authorities at national, regional and local levels.

Certain European cities have, for instance, regulated short-term home rentals (the name used for this type of rental varies from city to city). Although some rules are common to several cities, there are also marked differences in approach, which in turn may make this type of rental more or less attractive to hosts from one city to the next.

In Madrid, private rentals are regulated through a licencing scheme. They are also subject to a minimum stay of five nights, along with other requirements such as the obligation to provide Wi-Fi in most categories of apartment, transparent prices and a prohibition on using accommodation as a permanent residence. Barcelona, on the other hand, requires the host to be present during the rental period. Otherwise, the rental falls under other laws, e.g. laws on bed and breakfast-type tourist accommodation.

Some cities have adopted a relatively restrictive approach. Berlin has passed a law banning unregistered short-term rentals, and inspects properties to check if the law is being correctly implemented. In Brussels, hosts have to ask permission from the commune and co-owners of the building. In comparison, a number of French cities (Paris, Marseille and Lyon) do not require such authorisation if the rented residence is the primary residence of the host. In Brussels, hosts also have to respect a number of other requirements, such as the obligation to subscribe to a civil liability insurance (*assurance responsabilité civile*), welcome guests on their arrival and have certain pieces of furniture in the apartment.

Other cities (such as Amsterdam, London and the above-mentioned French cities) regulate short-term home rentals in a way that might be more favourable for the development of the sharing economy, although they have also imposed a number of limits. Amsterdam for instance limits the rental period (no more than 60 days a year) as well as the number of people (four) that the host can accept for one reservation. In agreement with the city of Amsterdam, Airbnb introduced on its website a number of measures to help people to follow local rules, e.g. automated day counters and a hotline for neighbours to raise concerns. Hosts in Amsterdam also have to comply with fire safety regulations and obtain permission from the landlord or the owner-occupiers' association.

In some cities, Airbnb is collecting or will collect taxes directly for each reservation. A number of cities (including Barcelona and Paris) have also fined Airbnb or its users for violating various laws.

In some cases, although this is less common, legislative changes have been made at national level. For instance, in 2013 the Greek government enforced a law that allows property owners to rent out their private homes as a short-term holiday rental without registering as a hotel business. However, they do have to comply with legislation regarding for instance building permits, fire safety, hygiene, income taxation, duration of the short-term rental and minimum size of property.

Users of sharing economy platforms may not be aware of all these rules and regulations. Many platforms inform their users of their obligations to comply with local legislation, but they usually do not specify what the local rules are. There are though some examples where platforms or national authorities have taken steps to inform users of their rights and obligations. For example, the Austrian Federal Ministry of Science, Research and Economy has published an overview of the main provisions and laws that individuals should respect when sharing accommodation via platforms like Airbnb in Austria, and the city of Amsterdam published an infographic.

European Commission

In recent years, the Commission has looked at ways to encourage the development of the sharing economy (the Commission prefers to use the term 'collaborative economy'), while ensuring adequate consumer and social protection. In its 2015 digital single market strategy paper, the Commission noted that the sharing economy 'offers opportunities for increased efficiency, growth and jobs, through improved consumer choice, but also potentially raises new regulatory questions'.

In June 2016, it published a communication on the European agenda for the collaborative economy to clarify the EU rules applicable and give non-binding policy guidance to public authorities, market operators and interested citizens. The agenda was drafted with the support of internal (e.g. from the Joint Research Centre[11]) and external written and oral analysis on the collaborative economy. It also drew on the results of the Commission's consultation on the regulatory environment for platforms, online intermediaries, data and cloud computing and the collaborative economy, held from September 2015 to January 2016.

The Commission explains in the agenda for the collaborative economy that, under EU law, service providers should not be subject to market access or other requirements, such as authorisation schemes and licensing requirements, unless they are non-discriminatory, necessary, and proportionate to attaining a clearly identified public interest objective. According to the Commission, absolute bans and quantitative restrictions should be used only as a last resort.

It clarifies that 'private individuals offering services via collaborative platforms on a peer-to-peer and occasional basis should not be automatically treated as professional service providers'.

Member States are asked to relieve operators of any 'unnecessary regulatory burden, regardless of the business model adopted, and to avoid fragmentation of the Single Market'.

According to the Commission, under EU law, online providers can under certain conditions be exempt from liability for the information they store (e.g. when they have no knowledge of illegal information on their website and when their services are of a purely technical, automatic and passive nature). This should be established on a case-by-case basis. However, the Commission does call on the platforms to take voluntary action to fight illegal content online and to increase trust. The aforementioned liability exemption does not extend to other services or activities performed by a platform.

The Commission encourages Member States to take a balanced approach 'to ensure that consumers enjoy a high level of protection in particular from unfair commercial practices, while not imposing disproportionate information obligations and other administrative burdens on private individuals who are not traders but who provide services on an occasional basis'.

Finally, the Commission provides some clarification on how to define a 'worker' and facilitate tax collection, for instance by using the possibilities offered by the collaborative platforms and issuing online guidance on relevant tax rules. It calls upon Member States to apply functionally similar tax obligations to businesses that provide comparable services.

European Parliament

The European Parliament has touched upon the issue of the sharing economy in various resolutions. In its October 2015 resolution on new challenges and concepts for the promotion of tourism in Europe, the Parliament emphasised that current legislation was not suited to the sharing economy. According to the Parliament, 'any action on the part of public authorities needs to be proportional and flexible in order to enable a regulatory framework that secures a level playing field for companies, and in particular a supportive positive business environment for SMEs and for innovation in the industry'. Parliament suggested that activities on these platforms be categorised in order to distinguish between ad-hoc and permanent sharing and professional business services. Moreover, companies should inform users offering goods and services on these platforms about their obligations and how to remain fully compliant with local laws.

In its January 2016 resolution, 'Towards a digital single market act', Parliament welcomed the increased competition and consumer choice arising from the sharing economy, as well as opportunities for job creation, economic growth, competitiveness, a more inclusive job market, and a more circular EU economy. However, it was concerned about the different national approaches taken so far by the Member States on regulating the sharing economy platforms, and called on them to ensure that their employment and social policies are fit for the purpose of growing the sharing economy. It also called on the Commission 'to facilitate the exchange of best practices between tax authorities and stakeholders'.

In its February 2016 resolution on single market governance within the 2016 European Semester, the Parliament recognised the big potential of the sharing economy for innovation, which should be realised in compliance with existing legal and consumer protection standards and with equal conditions for competition.

Parliament's Internal Market and Consumer Protection Committee (IMCO) is currently preparing an own initiative report (rapporteur Nicola Danti, Italy, S&D) on the 2016 agenda for the collaborative agenda. To prepare this report, IMCO organised a workshop on the collaborative economy in November 2016.

Members of the European Parliament have also raised the issue of the sharing (collaborative) economy in a number of questions to the European Commission.

Advisory committees

On 15 December 2016, the European Economic and Social Committee (EESC) published its opinion on the European agenda for the collaborative economy. It called for a deeper analysis of the subject and made a number of recommendations, for instance to create an independent European rating agency for digital platforms. The EESC has also published a number of other opinions on this topic, for instance on collaborative or participatory consumption and on the sharing economy and self-regulation.

The Committee of the Regions (CoR) adopted its opinion on the local and regional dimension of the sharing economy on 4 December 2015. It also called on the Commission to further analyse and define the different forms of the sharing economy. The CoR considered that many of the sectors touched by this new business model have a disruptive impact at local and regional levels and that it should be possible for them to be governed or regulated by local and regional authorities. In addition, it thought that various EU authorities should support and encourage the development of only those initiatives that produce a positive social, economic, environmental impact.

Main references

Nadler, S., The sharing economy: what is it and where is it going?, 2014

OECD Tourism Trends and Policies 2016, 2016

Valant, J., A European agenda for the collaborative economy, European Parliament, EPRS, 2016

Endnotes

1 Some examples can be found in 'Debating the Sharing Economy', 2014, in particular on pp. 3-5.

2 Listings usually display attributes like location, price, a brief textual description, photos, capacity, availability, check-in and check-out times, cleaning fees and security deposits (if applicable).

3 Airbnb holds booking fees paid by the guest and sends the payment to the host on the guest's arrival day.

4 The insurance (Host Guarantee) reimburses for up to US$1 million in damage to property.

5 For instance, Benjamin G. Edelman and Damien Geradin, 'Efficiencies and regulatory shortcuts: how should we regulate companies like Airbnb and Uber?', 2015, p. 21.

6 Eric Schneiderman, 'Airbnb in the city', 2014.

7 Juliet Schor et al., 'Collaborating and Connecting: The emergence of the sharing economy', 2014, p. 4.

8 As Juliet Schor pointed out in 'Debating the Sharing Economy' (pp.7-8), staying in existing homes might reduce the demand to build new hotels. However, to analyse the overall ecological impact, it might be worth asking whether hosts and tourists do not use the money earned or saved to buy more products or to travel more.

9 Alan E. Young, 'How the Sharing Economy is (Mis)shaping the Future', 2015.

10 Georgios Zervas et al., 'The Rise of the Sharing Economy: Estimating the Impact of Airbnb on the Hotel Industry', 2015, p. 1.

11 For instance in 2016 the JRC published a report 'The Future of the EU Collaborative Economy'.

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