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UberEconomy – A Shared Future?

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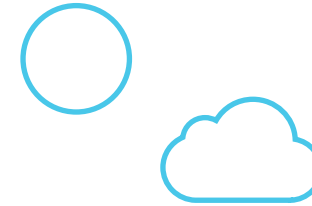
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1. Sharing or “Uberizing”

The shared economy is the most visible example of the disruption of traditional business models by the digital world. This so-called uberization has affected not only passenger transport and accommodation, but also other services such as education and healthcare. It casts doubts about established employee relationships, tax and other contributions, and perhaps even the very concept of ownership. But is this actually a real, shared and more efficient use of resources? In particular, this paper seeks to open up questions as to whether a shared economy, as we see it today, will bring forth a truly greater creation of value and wealth to the economy.

The starting point is to look at the debate about the regulation of various models referred to as the shared economy through a basic economic viewpoint. Currently, there is a lack of measurement methodology and data, as well as an authoritative description of this fast-growing branch in the Czech Republic. Our aim is to bring, at minimum, a basic price comparison to one field and to open the conversation to the questions above before it begins to encroach on regulatory instruments so-called “blind-spots”.

What is “The Shared Economy?”

The notion of shared economy is generally considered to be an umbrella term for a number of business models such as “co-consumer,” collaborative economics or collaborative consumption, P2P (peer-to-peer economics), access economy, on-demand economy, and gig economy. Common among these models is the use of otherwise dormant resources as well as the minimization of transaction costs through the use of online communication tools and platforms. In more developed digital economies, the very notion of sharing is considered to be inaccurate, as it goes beyond the ideological and marketing levels which do not meet the requirements of the traditional economic definition.

2. Shared Czech Republic?

At present, the general shared economy in the Czech Republic can be described as less developed compared to the most advanced economies in the world. It is mainly dominated by transnational platforms for the provision of passenger transport (Uber) or the rental of flats (Airbnb). As a rule, the whole range of services is either not available or limited to a particular territory (cities, especially Prague). Local services are either in the minority or do not meet the (vague) criteria for inclusion in the shared economy. That is why we have chosen Uber and its competitors as the example for this paper in order to make an international comparison.

It should also be emphasized in advance that there are currently no conclusive and up-to-date statistics and that all previous studies have

been limited to the use of estimates by the authors without reference to relevant sources or a complete methodology. Such procedures will not be done here.

The Czech shared economy can be divided into **three basic types**:

a. Business Based on Digital Platforms

Making use of online platforms to link supply and demand at lower costs. In the case of Uber, it is primarily a so-called fleet program, where local partners (often shell companies) de facto employ drivers and rent their cars at a predetermined flat rate and reward (which then nears minimum wage). For Airbnb, there is a targeted purchase of real estate due to low interest rates on mortgages exclusively for the purpose of renting entire dwellings, including the use

of other services (cleaning). In both of these cases, **it is not possible to talk about sharing in any sense**, because there is no use of economic resources that would otherwise not be used. On the contrary, it is likely that such cases may contribute to negative phenomena such as artificially reducing labor supply and rising property prices. There may be problems with compliance to applicable legislation, such as protection of employees' rights to compliance with fire and other regulations, and proper payment of taxes and other contributions.

b. Real Sharing

At the opposite end, there is real sharing in the form of regular or ad hoc joining, for example. In the case of real estate, there is the subletting of the rooms, or even of the entire flats, that owners cannot or do not

want to use at the moment. This category may also include borrowing of various items (tools, household items, but also cars) that would remain untaxed without minimizing transaction costs through digital technologies. This category, in a narrow sense, is a real shared economy, which is the only one that completely fulfills the generally accepted goals of increasing the efficiency and potential of the economy. In the Czech Republic, for example, Uber is not available everywhere.

c. “Melouching”

The most controversial, and the most difficult methodologically, is when an individual uses their time and assets for occasional or regular gains, but there is no systematized fee set for the work and the payments are primarily made through

foreign funds. This case can be described by the traditional Czech term “melouch” and **it is very difficult to include it under the notion of shared economy.** On the one hand, there is a real sharing of time and resources that would otherwise not be used. On the other hand, all the services provided outside of the traditional employment relationship by, for example, tradesmen, are often negotiated today with the help of modern communication technologies, and would be qualified as “melouching.”

Additionally, you can successfully raise doubts about the economic efficiency due to increased and regular wear and tear for de facto secondary business activities and thus to the need for a calculation of standard depreciation. Founder of

Uber, Travis Kalanick, calmed down representatives of the automotive industry with his comments at the 2016 World Economic Forum, when he stated that the company was just compensating for the increased need for new cars.

A number of services are not included in this category, because it is no longer business as usual in the context of traditional business models, as many are now using modern communication and digital technologies, especially mobile applications. These services, such as taxi applications, car rentals, and various hotels, hostels, and their search engines, can and are in direct competition with shared economy models. However, they cannot be included here.

3. Benefits of the Shared Economy

The economy of the Czech Republic is below the average of the world and Europe. At least as far as the prices of the services of the so-called shared economy are concerned, as shown by the global comparison of Uber's alternative taxis, including the level of wages and other costs in metropolises.

The most expensive in the world is Japan's megalopolis Tokyo, followed by Helsinki, Finland. Prices are also a considerable distance away from London and other West European metropolises. On the opposite end are India, Kazakhstan and the popular tourist destination, Thailand. In comparison, prices for alternative taxi services like Uber are half of the global average in the Czech Republic and Prague.

The below-average level of costs including wages was shown by the so-called UberIndex, created by the think-tank Institute for Politics and Society in cooperation with Lidové noviny. The UberIndex was inspired by the famous BigMac Index, which was featured in the prestigious magazine The Economist. The index consistently argues that the cost of comparable goods worldwide reflect the costs in individual economies. Instead of a hamburger; however, it takes a comparable service – a ten kilometer Uber ride in the basic version, Pop or X, that is provided by contracted individuals in their personal vehicles.

Thus, the UberIndex reflects, above all, the different wage levels in individual countries, and indicates

that the Czech Republic's position is roughly equivalent to the previously mentioned international and European comparisons. Its position is also based on the maturity of the market and therefore the competition level. Unlike conventional indicators such as the level of purchasing power or GDP, the UberIndex shows how the economic level of the country is reflected in modern sectors of the so-called shared economy.

[See index – maps, overview](#)

4. UberIndex (v USD)



The price comparison of the base version of the alternative taxi service, Uber, in **51 metropolitan areas**. It comes from the standard rate for a **ten-minute ride of ten kilometers**.

The price is the sum of the standard rate plus the cost per kilometer and minutes of the ride. „The basic price is the starting rate, which is influenced by several factors. In particular, it is influenced by the price level and dynamics of the given market, and then, the average time and distance to the pickup point. The overall picture of prices on a given market will, of course, amount to an average amount for a ride,” says Tomáš Peťovský, head of the Czech branch of Uber.

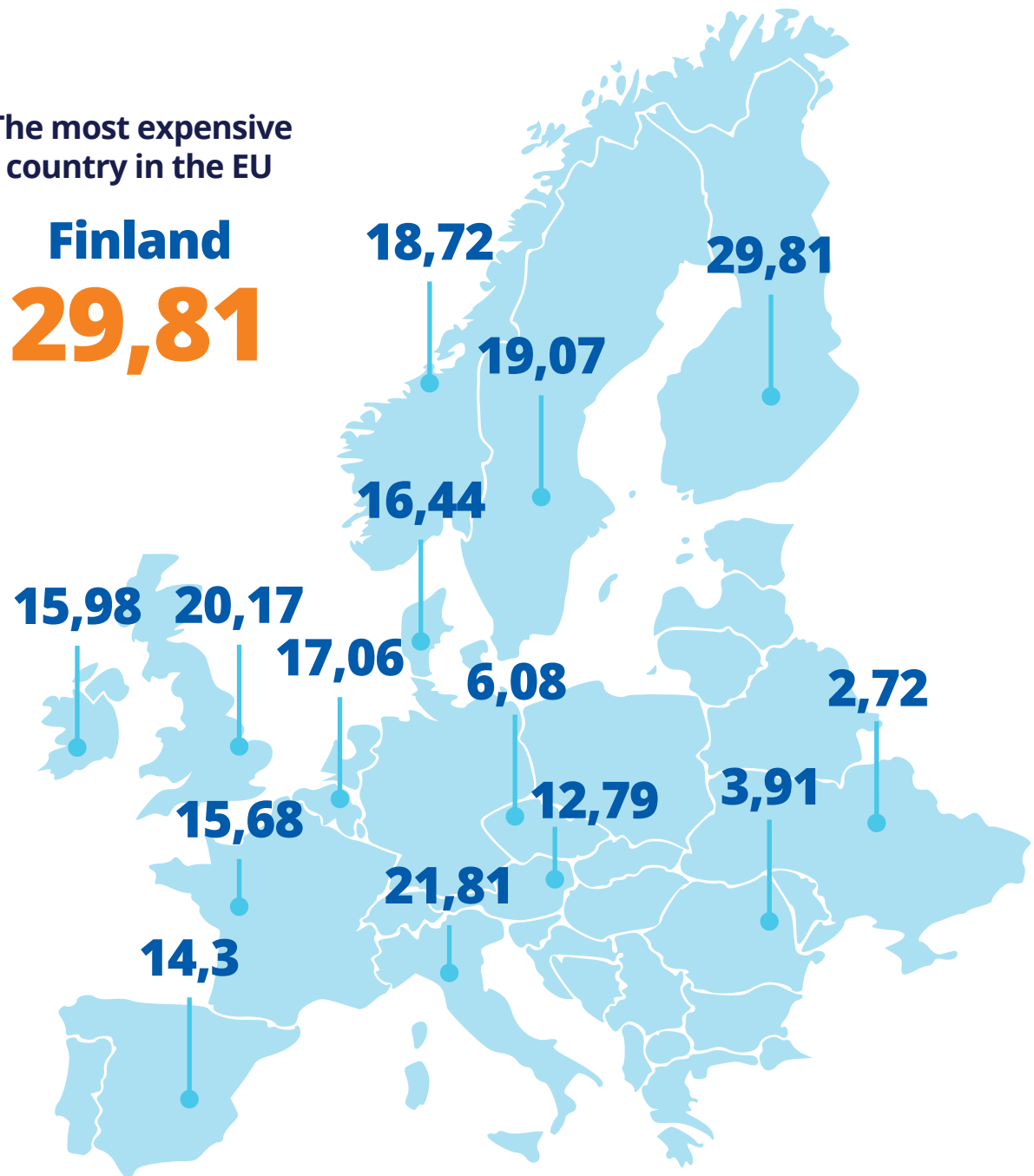
The survey focuses on the capital city of each country in which the service operates. This is also strongly influenced by local regulations. In some countries Uber and its freight services either cannot operate at all, or it must operate in the same manner as a classic taxi service, as in Germany for example.

The cheapest country in the EU

Poland
4,77

The most expensive country in the EU

Finland
29,81



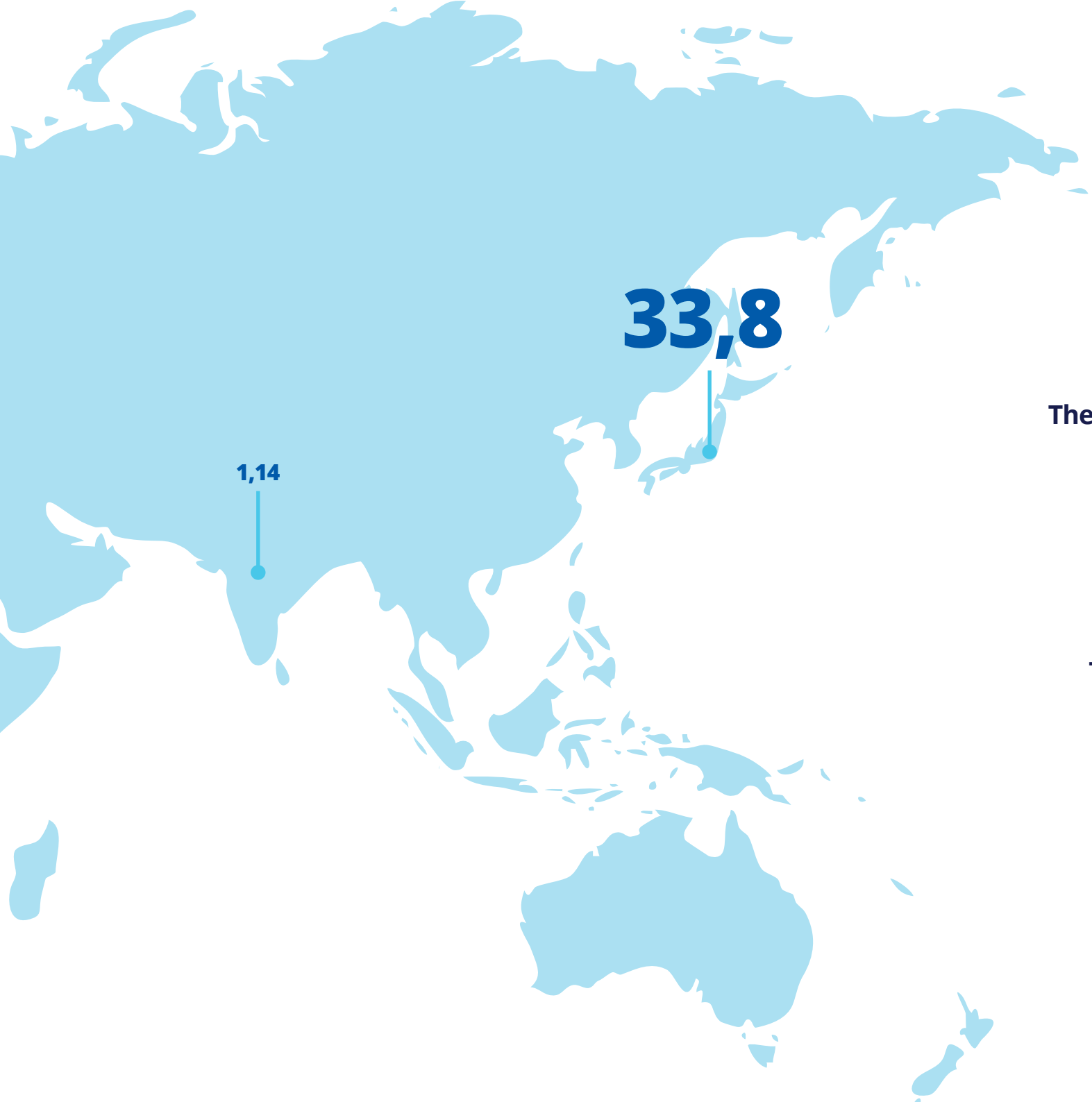
The Future and Sharing Potential

Comparing our UberIndex and the Big Mac index compiled by The Economist, we find that one ride with the standard version of Uber in Prague is the same as buying two hamburgers. By contrast, a ride in London will buy nearly four hamburgers. Of course, this is a simple comparison, as prices are influenced to a large extent competition in the relevant markets and the price of labor. However, certain conclusions can be drawn from the fact that our assessment does not show major differences from the comparison of economies based on indicators of purchasing power parity (PPP). This suggests that the shared economy has not yet demonstrated its potential to increase the local economy in general and among individuals.

It can be stated that the aforementioned insufficient development of real sharing is to blame, and that a mixed option is emerging. Or worse, sharing platforms are used only as a tool for the evolution of older business models. Pressure to change the future concept of ownership can only be expected within the former model. In other models, we see a move toward centralization, which – as history indicates – may prove more effective. In this regard, it would be a mere repetition of history.

Pricing is the main difference between the different platforms. While Uber is currently the platform setting the price of services, other platforms rely on the providers and the recipients of services to impact

the economic movement. However, this sector acts merely as an intermediary. The current moment potentially holds significant implications in terms of protecting competition and regulation, which has been emphasized in the ongoing proceedings before the EU Court of Justice.



The most expensive country

Japan

33,8

The cheapest country

India

1,14



1 USD = 25,35 k 15. 1. 2017

World Average

9,56

EU Average

12,68

Japan	33,8	Spain	14,3
Finland	29,81	New Zealand	13,73
Italy	21,81	USA	13,05
UK	20,17	Austria	12,79
South Korea	19,55	Puerto Rico	10,2
Sweden	19,07	Canada	9,51
Norway	18,72	Russia	9,25
Belgium	17,06	Portugal	9,06
Denmark	16,44	Greece	8,67
Ireland	15,98	Singapore	6,6
France	15,68	Czech Republic	6,08
Netherlands	15,46	Slovakia	6,08
Australia	15,15	Costa Rica	5,76
Chile	14,6	Uruguay	5,75



Panama	5,7	Colombia	3,04
Estonia	5,68	Mexico	2,8
Croatia	5,65	Ukraine	2,72
Brazil	5,45	Azerbaijan	2,3
Lithuania	5,03	Thailand	2,16
Argentina	4,86	Malaysia	2,01
Poland	4,77	Indonesia	1,93
Guatemala	4,31	Kazakhstan	1,91
Sri Lanka	4,06	India	1,14
Peru	3,96		
Romania	3,91		
Dominican Rep.	3,43		
Vietnam	3,4		
Belarus	3,12		



5. Conclusion

Based on the summary of the economic issues and challenges facing us in the so-called shared economy, it is possible to draw the following conclusions:

a) It is necessary to further describe the real economic impact of the various types of shared economy while still distinguishing between them;

b) In developing possible regulations, we must first take into account the reality that the shared economy has not yet developed its full potential, and that legisla-

tive changes should not prevent it from doing so. On the contrary, it is advisable to support the development of real sharing, which has the potential to increase economic efficiency and welfare;

c) The issue of developing and protecting is a key issue in a shared economy, especially when the issue of platform-level pricing arises.

