

The Collaborative Economy in NSW – position paper

1.1 Opportunities

The collaborative economy is a rapidly growing area of the economy, comprised of a variety of business models that typically consist of a platform, suppliers and customers. While the concept of collaborative business is not new, recent developments in technology and digital platforms are connecting market participants in new ways, resulting in innovative business models.

The NSW Government welcomes the positive impact of the collaborative economy for consumer choice, employment and productivity.

The collaborative economy encompasses an expanding range of sectors that includes transport, accommodation, education, employment and finance, as well as social enterprises that provide services at a local level. New sectors are emerging in areas such as education, utilities, logistics and healthcare.

Deloitte Access Economics¹ estimates that the current value of the collaborative economy in NSW is \$504 million per year and it is growing rapidly. The collaborative economy presents significant economic and employment opportunities for New South Wales. For instance:

- The collaborative economy is creating opportunities for microenterprise and self-employment. It is providing opportunities for people to earn additional or supplementary income. An estimated 45,000 people earned income through the collaborative economy in the last 12 months.
- Collaborative economy business models are extending the productive use of existing assets and in some cases supporting the provision of services in areas previously considered unviable. There is also potential for these models to be used for the provision of some social services, where appropriate.

¹ Deloitte Access Economics - *Review of the collaborative economy in NSW*. Report for the NSW Department of Finance, Services and Innovation

Collaborative economy business models are often providing greater access, choice, convenience and flexibility for consumers at competitive prices. In terms of involvement and participation, the following statistics from a 2014 survey are informative²:

- 61% of respondents were aware of collaborative economy services
- 53% had participated in some form of the collaborative economy in the past year, and
- 63% plan on participating in some form of collaborative economy in the near future.

The growth of the collaborative economy has been due to the market embracing what is on offer. The challenge for government is to ensure that participants can enjoy the benefits of the collaborative economy without trading away important and fundamental protections relating to safety and accountability.

1.2 Challenges

This position paper is designed to provide a clear statement that the NSW Government supports the development of the collaborative economy subject to all businesses being treated fairly and appropriate levels of consumer protection and public safety are in place.

The NSW Government recognises that a key challenge associated with new or emerging business models relates to regulation.

The NSW Government is committed to ensuring that regulatory frameworks are flexible, fair and outcomes focused. Reviews of existing regulation and consideration of new regulation are to consider the impact of collaborative economy business models on incumbent participants.

The NSW Government will work with the Australian Government and local governments to promote consistency in the approach and treatment of collaborative economy business models and identify opportunities to address regulatory and other challenges that work across more than one level of government.

² Deloitte Access Economics based on Collaborative Lab and Vision Critical data (2014)

1.3 Guiding principles

The following principles have been developed to guide NSW government agencies on how to approach regulatory and other challenges as well as the opportunities that the collaborative economy creates. The Government will collaborate with industry and experts in its work to:

1. Support a culture of innovation
2. Ensure regulation is fit for purpose in the digital age
3. Maintain consumer protection and safety
4. Promote competition
5. Adopt an agile approach to government procurement

Principle 1: Supporting a culture of innovation

The NSW Government recognises that innovation is a key element in growing and diversifying the NSW economy, increasing productivity, and realising greater benefit from underutilised assets/spare capacity.

The collaborative economy has showcased a range of innovative approaches to providing goods and services that can deliver economic, social and environmental benefits. The NSW Government will work to make it easier for start-ups to do business in NSW, harnessing the potential for innovation.

Principle 2: Fit for purpose regulation in the digital age

The NSW Government recognises the potential of technology to facilitate a smarter and more efficient approach to regulation. The approach to regulation will be flexible and proportionate to identified risks and consider a digital first approach in designing new regulation.

Effective regulation leads to a better-performing economy, encourages competition and provide for better access to government services. Over-regulation can stifle innovation and entrepreneurship, and result in lost opportunities to grow the NSW economy.

The government will continue to apply the principles of better regulation to ensure effective and fit for purpose regulation. The better regulation principles are:

- I. The need for government action should be established
- II. The objective of government action should be clear

- III. The impact of government action should be properly understood by considering the costs and benefits of a range of options, including non-regulatory options
- IV. Government action should be effective and proportional
- V. Consultation with business and the community should inform regulatory development
- VI. The simplification, repeal, reform or consolidation of existing regulation should be considered; and
- VII. Regulation should be periodically reviewed, and if necessary, reformed to ensure its continued efficiency and effectiveness.

Government agencies will approach the review and development of regulation with a view to enhancing the availability and transparency of information to all parties and promoting a level playing field.

The NSW Government recognises the potential for technology to reduce the administrative costs of regulation for regulated entities and regulatory agencies. Digital methods to engage with businesses, that reduce compliance costs, will be considered in regulatory implementation and design.

The government acknowledges that technology platforms can offer more transparent information to all market participants (for example, bi-directional reviews, summary statistics and star ratings). Government agencies should consider the effectiveness of self-regulatory measures such as these in determining whether changes to regulation are necessary.

Principle 3: Customer protection and safety

All market participants must ensure that their goods and services meet community safety and amenity standards.

The NSW Government recognises that many businesses, including collaborative economy businesses, utilise self-regulatory mechanisms including customer ratings systems to provide information on their services.

The Government is open to considering new and innovative approaches, provided that these are transparent to all parties to the transaction and legal obligations are met. The Australian Consumer law is jointly administered by the Australian Competition and Consumer Commission and state based agencies including NSW Fair Trading. The NSW Government will work with the relevant authorities and industry to address issues relating to effective consumer protection.

Principle 4: Promoting competition

The NSW Government supports greater competition between collaborative economy providers and platform owners, and between existing business and new suppliers, including the facilitation of greater access to government work.

Competition within markets leads to greater efficiency and encourages innovation. The NSW Government supports initiatives that increase the competitiveness of doing business in NSW, while ensuring a fair and equitable regulatory framework for all market participants.

Principle 5: Agile government procurement

Government will apply collaborative economy principles to its own activities where appropriate and simplify processes to engage collaborative economy enterprises in delivering government services. Government will apply the value for money test in considering whether to purchase collaborative economy goods and services and identifying potential to extend the value of its assets.

1.4 Consultation and submissions

The Government will continue consulting with industry on the following key issues:

- Gaining further evidence of the economic impact of the collaborative economy including the impact on existing industries and business
- Impact of regulation on new, existing and potential entrants to the NSW economy
- The impact of regulations and regulatory decisions on the collaborative economy – this includes insurance, taxation and planning issues
- The role of government in providing a guide and navigation through the regulatory, licensing and business registration systems, and
- The use of data to drive innovation.

Submissions on this position paper may be made through the DFSI social media channels, DFSI website or digitalreform@finance.nsw.gov.au.

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