

Business, Innovation and Skills Committee

Oral evidence: [The Digital Economy](#), HC 571

Tuesday 23 February 2016

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Members present: Iain Wright (Chair); Paul Blomfield; Richard Fuller; Amanda Milling; Amanda Solloway; Kelly Tolhurst; Craig Tracey; and Chris White

Questions 341-403

Witnesses: **Matt O'Neill**, Major Projects Manager, Cheshire East Council, **Chris Taylor**, Connecting Shropshire Programme Manager, Shropshire Council, and **Herb Kim**, Interim Head, Tech North, gave evidence.

Q341 Chair: Good morning, gentlemen, and welcome to the Business, Innovation and Skills Select Committee. Thank you for giving evidence on the digital economy. We are very grateful for your time. As a starting point, please introduce yourselves and tell us a little bit of where you come from, starting with you, Chris.

Chris Taylor: Good morning. My name is Chris Taylor and I am representing the Marches. I am in charge of Connecting Shropshire, which is the roll-out of superfast broadband in Shropshire. I also have a couple of complementary projects, which are trying to get businesses to understand the benefits and optimising the benefits of the fibre broadband roll-out.

Herb Kim: Hi. My name is Herb Kim. I am the founder of a company called Thinking Digital. We run a series of tech conferences throughout the north of England, but I am here representing Tech North today. I am the chair of the advisory board as well as standing in as the Interim Head.

Matt O'Neill: Good morning, Chair. Thank you very much for inviting me today. My name is Matt O'Neill. I am the Service Manager for Major Projects at Cheshire East Council responsible for high-growth sectors, science and innovation, energy and technology.

Q342 Chair: This is a question to all of you. If I may start with you, Chris, how do we fare as a country in terms of embracing the digital economy and ensuring that firms can be successful?

Chris Taylor: We are making strides in that particular area. The real restriction across the Marches is predominantly linked to infrastructure. While we can do all we can with our stakeholders in being able to articulate the benefits of the digital economy—and we are certainly aware of that in Shropshire and we have good examples of businesses taking up those opportunities—it boils down to connectivity. Certainly in the rural shire of Shropshire, even with the intervention that we currently have from the Government, we are going to be well short of hitting 95% superfast broadband. In order for businesses to take up that opportunity, we certainly need to have connectivity, which unfortunately is not the case currently.

Q343 Chair: One of the things that interests the Committee is not just tech start-ups and innovative new businesses and new business models, but how traditional businesses can adapt to the new digital environment. Is that lack of connectivity in your area really hindering both aspects?

Chris Taylor: It is a double-edged sword. It is certainly an influencer on businesses not wanting to take up the opportunity simply because they can't connect. Then there is also the fact that businesses at this moment in time need to have it demonstrated to them. We have a large farming sector across the Marches. We have good examples of use of some of the new technologies—automated milking parlours, etc. Communities, such as farming, and certainly some of our manufacturing sectors across in Telford, with the internet of things and machine-to-machine operations, certainly understand those opportunities, but it still boils down to a lack of connectivity.

Q344 Chair: Is that true in the north, Mr Kim?

Herb Kim: For the major cities, that is not a problem that comes up very often to me. For us it tends to be more dominated by digital skills. In fact, it is by far the No. 1 issue whether you talk to a large company like HP or Accenture or Sage, all the way down to the smallest start-ups who are desperately with their meagre funds trying to find talented people, whether that be in technology, sales or whatever. In more rural areas I am sure it is a much bigger problem. I know folks in Northumberland will talk about lack of broadband availability being an issue.

Q345 Chair: But in terms of your international perspective, does Britain fare well in embracing the possibilities of the new digital age?

Herb Kim: I read a report a couple of weeks ago about, I think, the OECD comparing Britain with the rest of Europe. It mentioned that the British economy had the highest percentage of GDP involved in the digital economy relative to other European nations. When I talk about the digital economy, it is both the vertical digital industries, so companies like Sage or small tech start-ups, and that broader swathe of digital workers who happen to work within traditional industries—say, Tesco and others like that.

Q346 Chair: Should we not be too unduly worried? One of the concerns and risks is that traditional businesses are failing to adapt for a variety of different reasons, whether it is connectivity, skills, arguably a lack of Government support—whatever. Are businesses adapting in general?

Herb Kim: Certainly many of them are. In this most recent Tech Nation report, they estimate 41% of the 1.56 million digital jobs in the UK are in these traditional industries, say John Lewis or a high street retailer and things like that, as opposed to being specifically in companies that are thought of as being more digital. It seems that certainly the UK is at the high end in those comparisons, although I have to admit I do not have them to hand.

Q347 Chair: Is that your perspective as well, Matt?

Matt O'Neill: There are probably two parts to this. One is the urban versus rural issues, which have been highlighted. Cheshire is probably quasi-rural. 61% of our county is deemed rural but 39% has concentrations of urban businesses. We tend to find those urban centres are well connected and understand the technology, but it is really, as Chris mentioned, that last 5%. In Cheshire it is really the last 4% that we need to connect and find solutions for. As that continues, it becomes more expensive to get connectivity.

That links into the international point. If those communities are not accessing international markets, which they could, working from home—a prevailing factor is that people will be working more from home in the future—it will not allow them to connect to new areas within the labour market.

Q348 Chair: Thank you very much for your written evidence. I was really interested in the point that you made about barriers to success. You mentioned three things—low levels of entrepreneurship, a lack of innovation support, and access to finance and commercial business skills. Could you expand a little bit on that? What needs to be done to embrace those? Some of those are big issues.

Matt O'Neill: That is a fair point, Chair. The lower levels of entrepreneurship affect how Britain fares on the global scale. There was a global enterprise index published in 2016 that looked at characteristics of the top OECD nations in terms of how they use innovation and digital skills. Britain ranked ninth in that area, behind countries such as Iceland and Australia. One characteristic that we found prevalent was low levels of entrepreneurship, particularly within areas where you have big traditional industries where people have worked within broad corporate environments. To come out of that and set up your own company is a culture change and takes a while to effect. You would tackle all that basically from the skills and getting to young people at the early stage, from primary school upwards, I would suggest, as a direct interaction with opportunities.

Lack of innovation support is very different from business support in its purest sense. That is how you would allow people to engage in knowledge transfer and work collaboratively with the further education sector, universities and businesses to share best practice. Regarding access to finance and commercial business deals, sometimes digital businesses are inversely opposed, with the bits in terms of the business skills, which you would take as granted, and very good at particular areas, be it website design or software. Then applying that into a broader business complex can sometimes be a challenge, so support would be required to mentor and nurture those firms.

Chair: Okay. Thank you. One of the themes emerging is that skills are a major barrier to success in the digital economy, and Amanda wants to lead on this for us.

Q349 Amanda Milling: When you look at the regions, specifically thinking about digital skills, is there the pool of skills or not? That is a question for each of the witnesses. Mr Taylor, would you like to start?

Chris Taylor: Matt just articulated the point. There is a good understanding of some of those opportunities with the very soft, light-touch skills with regard to having a presence on the internet using social channels. It is really taking it to the next level. We ran a very successful ERDF project optimising business broadband, and that was very much about bringing businesses in, giving them a light touch to understanding those opportunities to improve their business case. They successfully took up those opportunities at the very soft level, but it became more obvious they did not see the opportunities in cloud computing and some of the more expansive digital skills that are essential for some of those businesses to optimise themselves.

There is definitely a need for hand-holding through the whole process. There is a certain benefit in peer-to-peer experience. We have certain sectors that are better placed in sharing those skillsets. It is very important that we can use Government intervention to work with those businesses and take them through that pathway.

Q350 Amanda Milling: Can I pick you up on a couple of points there? You talk about some sectors where there were good examples. Which sectors are these?

Chris Taylor: Predominantly, there are some good skills in the retail and business-to-business sectors. We have some very innovative companies working across Shropshire, particularly with 3D technology. Predominantly there are some real opportunities maybe around some of the farming sector I mentioned previously, and some of those sectors do not fully understand those opportunities.

Q351 Amanda Milling: Before I ask the other panel members, I am interested that you mentioned Government intervention, but whose responsibility is it to upskill businesses and employees in the regions?

Chris Taylor: I am a firm believer that local government has its place, and certainly there is a real opportunity in working with the LEP. We understand our communities. We understand our sectors, but ultimately local authorities are under severe constraints currently, and consequently there has to be some funnel of money coming down into the LEP areas that would enable us to support our business communities. We do know our communities, and there is always a danger of dilution of intervention if it comes down from a national position.

Q352 Amanda Milling: Could the devolution agenda help with this?

Chris Taylor: Quite possibly. Certainly across the Marches the authorities are talking to one another. We see some collaborative approaches. We share very similar geographies with our near neighbours, so there would be a perfect opportunity to work in that particular field.

Q353 Amanda Milling: Can I go back to my original question in terms of views on the digital skills in the regions?

Herb Kim: Sure. As I have touched on, previous to what I do now I ran for 10 years something called Codeworks, which was funded by the old RDA One NorthEast, which Mr Wright will know. While skills were an issue during those 10 years, you can see a step change from that period of time, 2002 to 2012, to today. It began probably with an organisation in Newcastle called Dynamo North East, which is a networking organisation up there that Bob Paton from Accenture helped to start up, and they did a piece of work about 18 months ago. They tend to network the top end of the chain. Companies like Sage, HP, Accenture, British Airways and the like will be members. Just in the Newcastle area, they identified a minimum of 2,000 open jobs specifically in tech, leaving aside customer service or sales or whatever it might be. That was just a quick survey of its members. More recently, about a month ago the *Yorkshire Post* printed that they estimated there were 50,000 software jobs across the north that were currently open. This is relative to an estimated 283,000 digital economy jobs identified by this most recent Tech Nation report. That is a big number.

We are facing a new northern jobs crisis right now. The old one was about a lack of jobs and too many people. Now we have the reverse, where there seems to be a tremendous amount. This is not just from the best known folks but, again, from lots of anecdotal research with smaller companies, agencies, start-ups, scale-ups and companies like UKFast, which are larger but not quite the scale of, say, an Accenture. They are all desperately crying out for solutions, long, medium and short term, to try to deal with that. Overwhelmingly, even for investment and other things like that, helping find ways to direct talent towards the north in this area is hugely important for Tech North and others to be involved with.

Q354 Amanda Milling: In your view how do you fill these gaps? There are the roles there. Do you have a view on how you attract candidates?

Herb Kim: Sure. In this whole area, but certainly in the specific area, there is what I call an information illiquidity problem. Civil servants might call it information failure. Ultimately there is not really an awareness. Nobody thinks of the north as a hotbed for tech jobs. These are not low-level jobs. By Tech Nation's estimates, these jobs are paying on average £45,000 a year. That is the average. This is across the north. Leeds is at the top end of that chain, but others are closely bundled in there. If you compare that with London, where the average is £58,000—not surprisingly salaries are higher in London—and you compare the living cost of London versus, say, a Leeds or a Sunderland, there is probably an income premium in being an IT worker in the north compared with being here in London, for whatever reason that might be.

If there was a genius to Tech City, it was the Government pointing out an area of London and saying, “This can be a global tech capital,” and to some extent by using its nudge power and its highlighting power and the power of the bully pulpit, as we might say in America, it has helped to make that happen. It clearly has not been the only force, but it has been a catalysing force to help make that happen. Tech North and others around it can really work to raise internationally the profile of the north and just simply that, “This is not about marketing and PR. This is about opportunities that exist today, and we can pay people world-class salaries. We want people, whether you are from Amsterdam or New York or London or wherever. We are interested in talking to you if you are qualified.”

That is a really important thing we need to do on that specific, short-term northern jobs crisis.

Q355 Amanda Milling: Will the Northern Powerhouse and the whole devolution agenda help in any way? How do you overcome these barriers?

Herb Kim: Looking long term, if we are successful in just raising the general awareness of what is happening, there then need to be things like influencing universities and schools and other things on the supply side—the skilling piece—so that we are encouraging people at a younger age to actively consider tech jobs and maybe demystify what they are all about. I am not an expert in devolution, to be honest with you. I generally support it. It sounds like a good idea. I do not know enough about the specific tools and what is in the devo packages to say, “If we do X, Y or Z, devolution will help,” but I am sure there are opportunities in there. I do not want to pretend to know the details of that.

Matt O'Neill: Touching on devolution to answer the question is probably the right way to look at that. We strongly support within Cheshire and Warrington the devolution of powers from Whitehall. We understand our issues on the ground much better. We know what matters and what will affect economic growth. With further devolution of skills centrally and control, you can affect industry, working with companies. We have Barclays Global ICT in our architecture centre of excellence at Radbroke. A company like Barclays can source their own skills. They can pay the right wages. They can retain staff and they can get control over what they would like. An example would be that over the last three years they have taken on 150 apprentices and designed their own programme working with FE colleges.

For me the issue is the SMEs, the microbusinesses that do not have that scale and do not have the ability to invest in people, and then the fear of losing them to bigger markets, be it Manchester or London, is a real present danger. 81% of our businesses within the creative and digital industry employ fewer than 10 people. They have some real challenges in terms of recruitment and retention, and we have established a creative digital taskforce with skills at the heart of how we would accelerate some of these issues and feed into devolution conversations with Government.

Chair: That ties in quite nicely to an area of risk that the Committee wants to focus on, which is small businesses. Paul wants to talk about that.

Q356 Paul Blomfield: I do, but before I do, I just want to make an observation and see whether people concurred on that question of connectivity. The way you posed it in your opening remarks was that this was an urban-rural problem. Certainly representing a city like Sheffield, we have pockets in the heart of the city where connectivity is a real problem, and we are not alone in that. Would you recognise that as a challenge? It is not simply an urban-rural problem.

Herb Kim: I was probably the one who said that, so apologies if I got that wrong. I agree that certainly in areas of Manchester as well as areas of London you will hear vocal noises from the community saying, “It needs to be better.”

Q357 Paul Blomfield: There are different reasons that drive the problems in our big cities, but thanks for that clarification. I want to talk about small businesses. In Sheffield we

have a fantastic creative and digital sector but we have a lot of other small businesses as well that risk getting left behind. We had the Federation of Small Businesses giving evidence to the Committee, and they pointed out that just over half their members are online but only a further 15% are looking to do so. Could you talk a little bit more about what you see as the barriers for small businesses and how those barriers could be addressed?

Matt O'Neill: Sure. I could mention urban-rural as well. On the urban point, there is BT's commercial roll-out, which is concentrated typically in urban centres, cities and towns with large enough populations to serve the cost of infrastructure, notwithstanding there are "not spots" within some of the principal towns—Sheffield. In areas in Chester in our roll-out of superfast broadband within the Connecting Cheshire programme there are still some cabinets that have not gone live from the initial programme, which commenced a couple of years ago. Reflecting that, I am just highlighting the rural issue that these areas that are not within the commercial roll-out and have not got cost or subsidy to bring forward will still be affected long after your town centres and city centres are addressed. That is the point I wanted to raise.

In terms of the issues for the SMEs, as part of the creative and digital taskforce we have established within Cheshire East we have specifically asked the businesses, "What are your problems? How do you need to grow and what do you need us to do to bring on board local partners, the FE sector, colleges and schools?" They have looked into this, and the first thing is finance—understanding what is available in the marketplace nationally, locally and even in the EU, in terms of large designations and pots of money that they just do not know how to access and for which they do not have the time to develop complex funding applications.

The second thing is sales and marketing—understanding how they can best place their product in different markets. They may be working in a building or from their own home and doing something that they could collaborate on with colleagues. That could be a much more valuable proposition and they do not understand how to access that.

The third thing is people recruitment and management. You may be fantastic, as I mentioned before, at whatever your specialism within digital industries is, but you may have no experience of staff management or formally running a business. There is a development piece there.

Finally, there is strategic planning—where would a business want to be in the next five years and what is the role of business support and intermediaries to help them get to those objectives?

Q358 Paul Blomfield: Just following up on the strand there of strategic planning, conventionally when we have been working in business environments that are changing but are not so fast-moving and not moving into so many unknown areas, small businesses can think, "I am in this market. I produce goods in this way. I can look forward five years and maybe I need to enhance my skills in this area. Maybe I need that new bit of kit or an employee who will complement what I am doing in a certain way." Is part of the challenge here that people do not even know what the potential is in the digital economy for transforming the way they do their business? It is a fundamentally different model or situation, is it not, where you are not planning within the known? It is how you support small businesses accessing things they do not even know about and have not thought about.

Matt O'Neill: There are probably two bits to that. There is, one, not understanding that every business will have an appreciation of disruptive technologies or that impact. It is the entry level where they need to understand some more core business practices in terms of those areas about staff and recruitment management and understanding how they operate relative to their competitors. Best practice is a key area. Sometimes businesses are so focused on the day job that they are not seeing what is best in class and not learning from the best. Otherwise, businesses then take over competitive advantage. A bit of horizon scanning and gazing at other opportunities is needed, and that was what I was getting at in terms of strategic planning and looking at your competition.

Q359 Paul Blomfield: I wonder if I can bring in Mr Taylor and Mr Kim. From that point of horizon scanning, how do we help people scan a horizon they do not understand and if they do not know what is there?

Chris Taylor: We have run quite a successful little project with the Women and Broadband project in Shropshire, which came from the Government equalities operation, which primarily allowed women entrepreneurs to start with an understanding of the opportunities within the digital market. That was a nice start, and we are just rolling that out into an opportunity so that entrepreneurs can get a grasp of not only starting their businesses but understanding the opportunities that can come with the digital economy. It is about creating a business within the digital economy. That is exactly the point that you are making.

There are certainly across the Marches around 30,000 businesses, and probably 99% of those are small and medium-sized enterprises that struggle with day-to-day operations. It is partly commitment of time to invest in understanding those opportunities. Across the Local Enterprise Partnerships there is a real opportunity within the growth hubs that are being created to try to persuade—and it needs to be a persuasive argument—those individuals to commit that time to understand those opportunities. It has to be a combination of trusted peers who have been through that journey. That is why those iStart programmes are quite successful, in that it is working with trusted individuals in cascading that information and experience.

Herb Kim: Chris brings up a really good point in the close of his remarks. Tech City UK runs a programme called Upscale, and we at Tech North have launched something recently called the Founders Network. They are both aimed at the very small end of start-ups. We discovered that for founders in both instances—both our northern research as well as our more London-centric research—in terms of understanding how you make a company grow and make it great and all that sort of stuff, it was not just that the information was available but who it was coming from. They want to hear from other founders. They do not want to hear from a Harvard Business School expert or from Tech City or the Minister of BIS or whoever. They want to hear from people who have been through the pain. To some extent that speaks to the fact that communication is not just facts and figures. It is also emotion and credibility.

There probably is an education gap among small businesses about the opportunities there. It is not just simply providing them with more facts and figures about the opportunities. It is about considering how you are going to deliver that message and who

is going to deliver it and how Government could enable that, perhaps more in a light-touch way versus trying to directly fund and provide all this data, effectively. That is one thing.

From an anecdotal perspective, again having been born in Brooklyn and grown up in America, I have this sense that there is more of a culture of investment in education and self-improvement in small businesses in the US. An ex-girlfriend's family run a business in Columbia, South Carolina. I am not just talking about New York. Here, having run a small business, I came into it hoping after three years I could at least pay myself some money, whereas now I have branched out to other smaller ones. My sense is that their entire focus is about profit, which is fine. I hope to get there myself. I understand that motive. I look over the 10-plus years that I have been working, particularly with small companies, and agencies in particular, and the ones that really focused on investing in continuous learning and brand and other things like that seem to be generally the ones that have ended up being successful. The ones that seem to be wholly focused on squeezing as much money as they can out of every interaction seem not to have thrived. They may have survived but they have not thrived.

I would say there is an education thing, but it is more about how the education is delivered as well as thinking about the culture stuff, which is a more difficult question, I admit. There appear to be some cultural differences there.

Paul Blomfield: That is really interesting. We could explore it more but I am conscious of time.

Q360 Chris White: Gentlemen, we have heard a lot of good things of what you are doing in your different areas: your relationships with education, your relationships to business and your relationships to LEP. Often though local authorities sometimes work in silos. Have you ever done a health check on your own authorities to see how they were performing in terms of the digital economy?

Matt O'Neill: We have a programme that we are looking at.

Chris White: If you can add whether you have achieved any savings in that work as well, that would be interesting.

Matt O'Neill: We are looking at how we interact with our citizens. Cheshire East is a residents-first organisation, and we look at how we interact with our customers and businesses on a daily basis. We have set out a process for digital by design to try to reduce the back-office cost within how we administer our business in terms of electronic document management and using an app. We created a Connecting Cheshire app where people can register for their council tax and can interact with the council. We looked at this over the last couple of years. I am not aware of the actual savings associated with that project, but I can write in and share those with the Committee.

Chris White: Chris, would you like to respond please?

Chris Taylor: By all means. Similar to Matt, we will probably have to respond accordingly with specific savings, but like most local authorities, under the financial constraints that we are in, definitely digital by default is an absolute given. We have a particularly rural geography. In Shropshire alone it is one person per hectare, so anything that can be done to communicate with the electorate through a digital interface is absolutely essential. We certainly see some significant opportunities in the healthcare sector. As we have that geography, there is an absolute need to be able to get to

individuals promptly for appointments, and having data connectivity to be able to update notes, etc as part of that process is essential.

However, I will draw the Committee back to the same issue. Connectivity is an issue. Only recently Shropshire was unfortunate enough to not benefit from the mobile infrastructure project. 10 sites providing mobile connectivity in complete “not spot” areas were unfortunately shelved by the Government, and a consequence of that is that mobile connectivity is not great alongside the fibre roll-out that we have at this moment. We want to benefit from the digital economy within local authorities, but in order to do that and to make it accessible to all, you have to have good connectivity.

Q361 Chris White: You have used a number of very good examples in terms of doing work on strategy in terms of human resources, marketing and sales. Do I get the feeling of “physician, heal thyself” a bit? Would you be able to give me a policy document that outlined your council’s strategic objectives in terms of how you are going to adopt the digital economy?

Chris Taylor: We certainly have a number of priorities across the Local Enterprise Partnership and they all fit very much around the digital economy, so low carbon emissions, digital skills, etc.

Q362 Chris White: I am going to go back. The question I am asking is: in that local authority box, what work has been done to bring your different departments together using all the capacity of the digital economy locally? When you are speaking to people—when the authority is speaking to people, the chief executive is speaking to people—can you say, “We are an exemplar in our business practices within our own box”? I do not want to put you under too much pressure.

Chris Taylor: No, you are certainly not doing that. You have caught Shropshire on a particular change journey. We are on the cusp of investing significant sums of money with a complete ICT strategy that is slowly starting to evolve across all of the business areas. We certainly see opportunities with agile working. We certainly see opportunities in upskilling the staff alongside that. We have a number of business process re-engineering processes that are coming into play. I probably am not best placed to answer that at this moment in time, but we can certainly provide that information to the Committee after today, and I would prefer to do that.

Chris White: Thank you.

Matt O’Neill: Chris, I mentioned our values: flexibility, innovation, responsibility, service and teamwork—what we are doing for our customers. That comes from the top in terms of our elected members and the chief executive and the senior management team—that we need to be responsive and agile in how we run Cheshire East Council. We have set up our approach to be a commissioning council, which is setting out delivery vehicles, which are then managed by different departments within the council. That could be wholly owned companies. It could be public-private partnerships. It could be outsourcing. Within that arena it is then the responsibility of the management team as to how they then apply innovation into that vehicle and how they seek to apply best practice. It could be less paper-based, more digital, but also trying to drive change and be on a more commercial footing so we can provide better services to our residents and ultimately our businesses.

Q363 Chris White: This is the premise of my question. You are clearly very good at giving advice externally but I wonder, if you had a consultant in to your own authorities, what they would suggest. I am not expecting an answer to that question.

Chris Taylor: It comes back to that point. We have just had exactly that process. That process has just unfolded and that report is due to go to our cabinet. Maybe if the Committee was meeting in a month's time I would have a little bit more to say.

Q364 Craig Tracey: I just want to jump back to a point that Matt made earlier, which I completely agree with, around entrepreneurship and particularly getting into primary schools and young people. I was reading some evidence recently that only around 10% of people start their own business who did not have at least one parent who is self-employed, which is quite an interesting statistic. I noticed from your evidence that you have said you had put in place a five-year action plan, and I just wondered if you could share with us a bit what you are doing around entrepreneurship and then, more widely to the panel, what can Government do to encourage entrepreneurship in younger people?

Matt O'Neill: Fantastic. Not a problem at all. We had a consultant in to look at the creative and digital sector and specifically what actions we could take, recognising that we are only one component of that in partnership with the Local Enterprise Partnership but also the FE sector and the private sector. The recommendations were quite far-reaching: that we would need to look at the areas I have mentioned before about business support. We would need to look at innovation support and the skills area. The bedrock of that was to work very closely with local colleges and to bring SMEs into that conversation at the earliest point, not just your bigger firms but also small and medium-sized companies that could represent different elements within the labour market and different subsectors as well. It is not just the digital area as well. We also have a cultural mix in Cheshire East, and we must make sure that those businesses have access to the digital economy.

Specific recommendations looked at setting up a taskforce, which we have done and has met twice. That is industry-led. It is led by Denise Proctor, who we are very grateful to have and who has a national reputation. We are also working with the Skills Council and creative industries. We set out to get specialists in each of the subsectors and then asked them to advise on areas of deficiency within their own parameters. This is something that we are using to leverage external funding with the Local Enterprise Partnership and to build access to finance workshops tailored to the companies' requirements. What do they want us to put on? We will contract that in and put on masterclasses and workshops. It is very much industry-led. We are only part of the solution but we need to facilitate and bring together what is sometimes a very complex system to navigate.

Q365 Craig Tracey: How easy have you found it to engage businesses to get involved? Are they quite receptive to being part of the solution or has it been a struggle?

Matt O'Neill: In the first meeting we have sat down and said, "I appreciate lots of you have had conversations before with industry; what has been delivered?" That was the question put back to us. This for us cannot be a talking shop. It has to be about delivery and it has to be about us pulling the levers that are applicable to us, but letting business do what they do best, which is driving growth.

Q366 Craig Tracey: Okay. Thank you. Chris, has your authority done anything around trying to push entrepreneurship in younger people?

Chris Taylor: Through the Local Enterprise Partnership there are a number of facilities that exist that draw businesses in. It is back to the point that I made before. There is a reluctance from certainly small businesses and particularly entrepreneurs to commit their time. There has to be that persuasive argument for them to give up their time to attend, whether they are simply business breakfasts or whether or not they are full-day workshops where there is a full understanding of some of the tools that will benefit them. Certainly Matt has highlighted that peer workshops are absolutely a given; those are what businesses are most respectful of. When we have run those in the Marches it has certainly been something that has been well received.

Q367 Craig Tracey: Finally, Mr Kim, what do you think the Government can do to encourage more entrepreneurship, especially in the digital economy?

Herb Kim: Again, I guess I tend to point Governments towards, to use my catchphrase, information and liquidity: encouraging entrepreneurship and looking at how we can to some extent encourage education about what it is really about. To some extent that is, how do we better connect younger people with entrepreneurs at an early stage in their education—their development? As echoed here by my colleagues, having run some of these sorts of programmes, there is a huge interest. Certainly anyone successful, but even people who are just getting along, love talking about what they do and how they do it with younger people. They will gladly, excitedly, give up their time to sit in front of 10 kids in a library on a Saturday. They really will. I have seen it myself. The main thing is simply that it is well organised and not a waste of their time—that they don't show up and it turns out that it was scheduled for next week—silly stuff like that.

Q368 Craig Tracey: Whose responsibility should it be? I agree with you, but whose responsibility should it be for facilitating that? Should that come from the LEPs or should it be from Government? How does it best work?

Herb Kim: I honestly don't know. That sounds like maybe a local authority thing, but I don't know who is best placed to do that work. I would simply say that it is organising and facilitating things—what I call jokingly the mum function, in the sense of this person that quietly makes things happen without making a huge fuss about it and trying to say, “Look at all this great work that I am doing.” They just bring people together, and magically there is tea and coffee and biscuits there and the room is tidy. It is all these little things that make—

Chair: That is my mother.

Herb Kim: That is low-hanging fruit. If there was a national effort that every locality or region had something like this that was voluntary, that parents could come to if they wanted to, but that they knew about and was professionally run, and they could trust the organisers, that alone would be a huge thing. In terms of things like curriculum we are leaving the age of our old Victorian school system. There are some technical skills to being an entrepreneur. You need to know some maths. You need to write and communicate. But how do you sell to someone? How do you persuade someone to do something that is not necessarily, “Because I am going pay you £10,000”? That is easy.

What if you have nothing or all you can give is a free book or whatever it might be? Those skills carry through life. Whether they are an entrepreneur or not, whether they go and become part of IBM or they run a candy shop on the corner, those skills stay with them through life, in my opinion.

Craig Tracey: Thank you for that. Sorry, Chris, you wanted to come in.

Chris Taylor: I was just going to touch on exactly what Herb has just mentioned there and certainly it is an area that we have been looking at—almost a business café idea, working maybe with our local colleges and universities. You have the young skills in existence within those environments. You bring businesses to breakfast within those environments. They then will benefit from the skills that the young people have, but at the same time the younger people will benefit from understanding where their skills can then fit within the business community, so it fits very nicely and it is certainly something that has already been happening in other parts of the country. Cascading that approach would be an excellent idea.

Q369 Chair: Just in response to what you said earlier, Herb, is the education system of this country keeping pace with the requirements of a modern digital economy?

Herb Kim: There is an expression that the future is already here but it is just not very evenly distributed. By that I mean you do have instances where there are things like the University Technical Colleges that generally from my perspective—I am a governor on the Liverpool Life Sciences UTC—appear to be an example of modernising how children are educated so that they are exposed to real-life work situations from an earlier age. Generally speaking, is there probably a significant amount to be done for the rest? I would say yes. I am hardly the only voice that is saying that it does need to be changed. It is based on an old model and on an older age.

Q370 Chair: Is that the experience of other witnesses?

Matt O'Neill: If you take primary school children, at home they have access to tablets. They have access to PCs. They go into the classroom environment and they have textbooks. We are not providing the infrastructure that children are regularly accessing and that is prevalent later in life. The education system needs to catch up if we want to be innovative and if we want rise up that league table. We need to start taking action now.

Herb Kim: Just to follow up on that, Professor Eddie Obeng has an expression that our kids today live in the 21st century at home and then go into schools or workplaces where they go back a generation in technology, which is an odd situation to find.

Chris Taylor: The point I would just make is that those people in business who are using digital skills certainly can influence the curriculums that are being run within education. They have an understanding of where the gaps are and there has to be more engagement across that level of business to possibly feed into that process.

Q371 Chair: Herb, I was interested in your point. This is directed at you but I would be interested in other people's thoughts about clusters. *Tech Nation 2016* is a fantastic report. I enjoyed reading it immensely. One of the things that it recommends is about cluster theory. You said earlier how Government had been successful in designating Tech City, and I am

interested in what is successful. Is it the top-down Government, “This is where digital should be,” or is it more bottom-up organic? What works and what should we be encouraging?

Herb Kim: Clearly it is genuinely both, which sounds like a safe answer but is not meant to be, in the sense that when the Government started this notion of Tech City there had not been a genuine grassroots of start-ups and investors and other larger companies all starting to congeal, conglomerate and cluster. It would have been, like many predicted, an embarrassment. TechCrunch led the way in proclaiming that they thought the idea of London being a tech capital—this was back in 2010—was literally a joke. They were saying that all the A and B players had decamped to America, San Francisco, New York and Berlin. Their choice in Europe was that Berlin had what it took to be the tech capital of Europe. I feel that combination of grassroots things, as well as the fact that the Government helped to point a finger towards London as being a future tech capital, came together to create a narrative that self-actualised.

Q372 Chair: As someone who is involved in Tech City UK and Tech North, do you feel that the emphasis on Tech City and London, and particular parts of London, sucks in talent and availability at the expense of the regions?

Herb Kim: That is certainly not because of Tech City UK. That is simply a London phenomenon. By some accounts it has overtaken New York as the world’s coolest capital. It is hard to battle against those sorts of media forces and that sort of brand. I am sure that a lot of regional talent does get sucked in by London. The positive thing is that there really is now a regional story that is sucking talent back out of London—folks who cannot afford to buy a house or folks who are looking for a different lifestyle. This is not to diminish London; it is great to be here, but it is great that there are alternatives across the UK now, as opposed to it just being a London story.

Chris Taylor: There is a natural drift away from the rural areas. I sound like a broken record, but again it comes back down to connectivity. There is an impression, possibly from younger people, that for them to be able to benefit in a digital world and to develop careers in digital, they need to leave the rural shires. There is a real need for them to be able to skill themselves, and certainly for the regions to benefit from those skills by retaining them locally. Perhaps looking at digital hubs within the rural areas is one idea for the Government to look at.

Herb Kim: May I add one last thing? On a local level, to some extent the receptivity of both the past Government and the current Government towards digital has certainly been a huge contributor towards realising this potential. I would argue that regional and local level leaders should also do the same. I would love to see, say, the incoming mayors of some of the northern cities and other places really embrace digital as something that has a lot of potential for the future, because it does not take a lot more. We are not talking about needing a new £100 million fund to do x, y or z. Sometimes it is simply recognising what is already happening in the localities and saying, “This is a model for how the future of Manchester or Newcastle or Sheffield or Leeds or Liverpool can develop.” It is not the only one but it is an important thread, and we need to recognise and support it and champion it.

Matt O’Neill: If you look at the role of the Government in devolution, what is a driver for change? It is rebalancing the economy—the north versus the south. If you look

at some of the growth in the creative and digital sector around Manchester, with the relocation of the BBC, the Sharp Project and Media City, that is cornerstone Government investment within a sector that becomes a piece of infrastructure, which is then supported as part of a wider ecosystem. That is essential if Government are going to look to invest in the Northern Powerhouse. Promotion is not all that is required. Physical pounds, shillings and pence are required in regional assets of international scale. If we want our cities to be competitive and to take some of that away from London or to compete and to make it more international, you need to accelerate growth in other areas of the economy.

Q373 Chair: There was a report published yesterday by the London Stock Exchange called “1,000 Companies to Inspire Britain”, and that was really positive. The tech sector has grown by 31% since 2010. It is now an eighth of our economy. This is fantastic news, but it also says there is a problem with access to finance, and particularly angel investing, the further you go out of London. Is access to finance still a problem?

Matt O'Neill: Chairman, I could not agree with that more strongly. We have a real success story in Cheshire. Cloud Imperium has been in the news recently. It is the largest crowdfunding project globally. It has raised £109 million. That is largely attributable to its business model but also a lack of VC support outside of urban centres. If I speak to companies within our area, they say, “There is not a VC market in Manchester. There are few individuals, and you would have to go to London or you have to go further afield.”

We have seen through experience, working in the life sciences sector, investment by Government through local growth funding, working with Greater Manchester and Cheshire Local Enterprise Partnership, in the creation of a financial instrument—a fund which is based on VC, with commercial terms, with indicative rates of return and KPIs of 15 years, as a tool that can invest within specific companies. This is part of accelerating growth at Alderley Park and Greater Manchester as well, in the science corridor. That for me is a model that needs to be replicated to kick-start a market and bring confidence. It is not just asking something for nothing. It is giving cornerstone funding that can be matched by the private sector to see that there is a massive opportunity of companies that are absolute credible propositions for VC and angel investment.

Q374 Chair: May I modify my question somewhat? That was very helpful, but is there a problem with access to finance both in terms of tech start-up and scale-up, and for allowing traditional businesses to adapt their business models and the provision to market in order to compete in the modern age?

Herb Kim: Generally speaking, yes. There continues to be an access-to-finance issue probably for more traditional businesses looking to digitise. We do have some funds in the north. One problem we have is there is not much competition between them. Sometimes if you are in Newcastle there may be one fund that invests and that is the only game in town. So if you don't play to their terms, good luck. I would say that there are interventions that could be done, but again, you also have a situation where there is plenty of private money. You have a situation where you will have Bay Area VCs who will invest internationally into Israel, into the UK, and you will have British VCs who will invest internationally, whether it be into Europe or America and so on.

So distance is not a problem. The difference is that if you are a Tel Aviv, a San Francisco or a London start-up, there is global media there that helps to vet that you are a credible thing worth investing in. I would say again: what we face in the north is just that there is no global media there. There is not enough information easily available to investors to say, “Maybe I should come up on the train—it is not that far—and consider investing in some of these effectively local start-ups.” It is certainly easier to get to Manchester than it is to San Francisco. How we help that happen—how we can encourage private investment to come northward—should be part of the puzzle. I am not saying it is the only thing, but it is an important part of that puzzle.

Chair: Do you have anything to add, Chris?

Chris Taylor: I would echo exactly what Herb says. The very nature of digital businesses means that local banks certainly and local funding mechanisms have a reluctance to lend money. That is primarily down to the fact that they do not see a physical item. There is definitely a need to educate those that would like to invest and present those opportunities to smaller businesses. Thank you.

Q375 Chair: I have one final two-pronged question to all of you. What is the one thing—the one point, the one recommendation—that you would like us as a Committee to take away in order to allow the digital economy to achieve its potential? Linked in with that, what is the role of Government, if any, to allow that to happen? Chris, you have drawn the short straw. I am looking at you first.

Chris Taylor: I will come back to the same point I made at the start. For the rural Marches area, what is absolutely essential is continued investment from Government in the infrastructure to allow businesses to take up those opportunities at the same time as providing a flow of investment to allow those businesses to realise the opportunities that the infrastructure will provide.

Herb Kim: I have effectively been arguing since 2002 that this digital economy is a tremendous opportunity for the UK generally. Over the last 15 years or so, that argument seems to have borne some fruit and seems to have at least been partially right. For me it is just generally how does the UK continue to use its ability to continue to be part of this growing story? It is hard to say there is one role for the Government in that. I guess if I had to pick one thing, it probably would be in skills, because without the people those 50,000 jobs will eventually go elsewhere, because we are in a globalised economy and there are places like Eastern Europe or India or wherever that will gladly supply that talent eventually. If I had to pick one thing—a single silver bullet—it is probably in that space.

Chair: Thank you.

Matt O'Neill: Chair, the thing is that the business support and the skills support nationally are not working. You need regional solutions that are built and delivered by local stakeholders who can be accountable for their success. That is the key ask in terms of how we would want to see devolution being taken forward, but also to address the digital economy.

Chair: Gentleman, thank you very much for your time. That is really gratefully appreciated and we thank you for what you have provided. Thank you.

Examination of Witnesses

Witnesses: **Brhmie Balaram**, Senior Researcher, RSA, and author of *Fair Share: Reclaiming power in the sharing economy*, **Debbie Woskow**, author of *Unlocking the sharing economy: an independent review*, and **Professor Diane Coyle OBE**, Professor of Economics, Manchester University, Fellow of the ONS, and author of *The Sharing Economy*, gave evidence.

Q376 Chair: Good morning. Thank you very much for attending to give evidence to our inquiry into the digital economy. Could I begin by asking you to give an idea of who you are and where you come from?

Professor Coyle: I am Diane Coyle, Professor of Economics at the University of Manchester. I have been working on the digital economy for many years and have just been appointed Fellow of the Office for National Statistics where, among other things, I will be looking at measuring the digital economy.

Brhmie Balaram: Good morning. I am Brhmie Balaram. I am a Senior Researcher at the RSA and I lead our work on the sharing economy. In January, I authored a report called “Fair Share: Reclaiming power in the sharing economy”.

Debbie Woskow: Hi there. I am Debbie Woskow. I am the Founder and CEO of Love Home Swap, which is a website for homeowners who want to swap their homes with other people around the world. I also wrote an independent report for the Government on the sharing economy at the end of 2014, called “Unlocking the sharing economy”, and I am the Founding Chair of Sharing Economy UK, which is the UK-based trade association for sharing economy businesses.

Q377 Chair: Thank you. This is a question to all of you, but I will begin with you, Diane. How are we doing as a country in achieving our potential in the modern digital economy?

Professor Coyle: As far as we can tell, extremely well. There is obviously a lot of rapid growth. If you are talking about the sharing economy in particular, it is still small but growing extremely quickly. One of the questions is that we do not have the statistics that tell us exactly how we are doing, and there are quite a lot of issues. There is no question in my mind but that digital growth and the sharing economy offer great potential for the economy—it is a win-win—and we are not measuring those gains at all well.

Chair: Will it be your job in the ONS to tackle it?

Professor Coyle: It will be their job, but I hope to help them with it. Some of these gains would never be measured in conventional GDP because it is not conventional marketed economic activity. The bit that is really important to understand is how it is changing the ways people are working, how many people are working in these new ways and how many micro businesses there are. That is important if we are thinking about the framework of Government policy, not just regulation but how the tax system works, how the benefits system works. We need to rethink a system that has been delivered through large companies providing services and administration to people who work in a conventional

job for a number of years. Through digital start-ups, through the sharing economy and through growth in smaller businesses, that is just not the model people are working in any more. We really need to understand what people are doing so that we can help them do it more and grow this sector of the economy more.

Q378 Chair: Brhmie, what is your assessment? How are we doing?

Brhmie Balaram: There is a perception that the UK is very welcoming to the sharing economy, especially in relation to other countries within Europe. For example, in France, Germany and Spain they have cracked down on some of the sharing platforms. Uber, for instance, has been suspended in some of these countries, whereas the UK has taken a bit more of a hands-off approach and therefore is seen as wanting to stimulate the growth of the sharing economy. With the introduction of sharing cities, that is another signal that the UK is very receptive to the sharing economy.

Debbie Woskow: In terms of Sharing Economy UK, which has been in existence for just short of a year, we launched with 19 founder members and we now have 50. That is evidence that the sharing economy in the UK is a growing space. It is also growing in terms of its scope, because it is a very broad church. You have big businesses like Airbnb. Uber, to my mind, does not technically count as a sharing economy platform in the UK, because its model here is very different. You have continental European start-ups like BlaBlaCar, which is doing ride sharing and is a huge business. Increasingly, you have people sharing pets and boats and power tools and food and a vast range of different business models that are pretty new in their existence.

In terms of international economic impact, last month I led a sharing economy mission with UKTI to Silicon Valley, where we took 16 entrepreneurs to meet the founders of Airbnb and Instacart and other great international success stories. Definitely the perception in Silicon Valley, to reiterate Brhmie's point, is that the perceived light-touch approach to regulation and, indeed, the self-regulation of the sector—the sector's focus on things like insurance, the TrustMark, which is a piece of work that I can talk a bit about, which is looking at how we can verify these platforms are trustworthy—is seen as leading the way internationally. In that sense, the UK is perceived as producing some really interesting entrepreneurs, some really interesting businesses and some great thinking about how these sites can grow.

Q379 Chair: Again, a question to you all, but starting with you, Debbie. I am interested in your thoughts as an investor, as an entrepreneur, the founder of Love Home Swap as well as chair of Sharing Economy UK. What are the barriers to success in Britain in order to ensure we can achieve our potential? What are we missing out on? What is hindering progress and growth?

Debbie Woskow: To talk to the sharing economy a bit—and I am also an angel investor as well as a CEO—the perception problem has been around awareness. One of the useful things about writing a report for the Government that has had some airtime, if you like, is it is making ordinary people aware that they can make money and save money from the things that they already own and the skills that they have. I made a programme last year for ITV called “Rent-Your-Life”, which was about going into an ordinary family's home; they had two kids, and it looked at their car, their box room, their shed and what they

could do to make extra money and to save some money. The figure ITV came up with was £8,250 per year that an ordinary family could make or save. It has been described as “micro entrepreneurship”, which is a slightly fancy term and I am not sure many of those people would necessarily identify with being micro entrepreneurs, but awareness that you can do that will be one of the big drivers that enables us to both play on an international stage and for these businesses and business models to become very mainstream.

The challenge, as an entrepreneur, is always getting it going. The challenge for sharing economy platforms, in particular, is about trust. Whether you are a buyer or a seller, a guest or a host, a dog walker or a dog owner, you have to trust that the person and the platform are going to do the things they say they are going to do. That has been difficult to get until you reach scale and until industries that surround the sharing economy come with the sharing economy. The specific example there to date has been the insurance industry. Definitely for Love Home Swap, when we first got going we needed to put in place a bespoke insurance product. It needed to insure homes and contents, but it also needed to insure travel, because if you book a home swap to Australia with your three children and the other person cancels, what happens to your flights? It was difficult for the insurance industry to get its head around, first, writing new products and, second, a world in which liability and who is liable is changing.

All of those things have been barriers, but I feel like in the last 18 months or so a lot of progress has been made to ensure that start-ups and entrepreneurs can have the infrastructure around them that enables them to build successful businesses.

Q380 Chair: Brhmie, what are the barriers?

Brhmie Balaram: I would like to take it back to the definition that the RSA uses. For us, the sharing economy is a socioeconomic system and it encompasses a spectrum of activity, so it is quite diverse. For me, it is important to note that the sharing economy can encompass things like time banks and tool libraries, any sort of local, grassroots-funded initiatives, as well as bigger corporations that are venture-backed and global. They have very different challenges, and that is something that we need to take into consideration. For example, investment for some of the smaller initiatives is a lot more difficult to obtain than it would be for an online platform in the sharing economy that has a completely different business model, can scale much more quickly and therefore is attractive to venture capitalists. The question I would want to put forward first is: what are we looking to grow? Which aspect of the sharing economy is it that the UK is interested in supporting?

Professor Coyle: I would agree with Debbie about the perception being important and starting to change for the better. It is partly being aware of what the opportunities are, but also understanding that it is already quite important and growing quite fast and is going to be a significant aspect of the economy. I would add making sure the regulatory environment stays friendly and allows businesses to grow, including—it was very interesting to hear about the insurance products—the wider framework of institutions that support those businesses.

Q381 Chair: Could I press you on that, Diane? We will talk about regulation in a moment, but is the regulatory regime favourable currently to allow the sharing economy and disruptive business models to grow in Britain?

Professor Coyle: I am sure there are specific hurdles for specific businesses, but broadly it is a friendly environment. The risk would be that as it grows people start to become unnecessarily concerned about it, and perhaps, as you say, we will come back to that.

Picking up from the previous session, I would add skills and investment and growing both of those and investing at scale as well, because these business models have what an economist would call “network effects”, which means they are more successful the more people you get to sign up on both sides of the platform. There are global companies that can come into the market and run losses for years because they have investment on such a large scale. For this country to get very large-scale platform businesses of this kind, we are going to need to find a way of financing at scale as well as for start-ups.

Q382 Chair: Debbie, this is a specific question to you. I very much enjoyed your independent review. It is a very important contributor to the whole digital economy as well as the sharing economy space. It was published in November 2014, so we have had about 15 months. Are you happy with how the Government have embraced it? Are you happy in terms of the implementation of recommendations? What else needs to be done?

Debbie Wosskow: We have made progress in a lot of areas and not made progress in others. If I had to pick out my top three that still need to be actioned, one was mentioned in the previous session: funds have been allocated for Leeds and Manchester to be developed as sharing cities. There is still work to be done on defining what that means, what the money is for and what is going to happen. I would flag that as something where more work is needed.

You may or may not be aware of the idea of Government officials using sharing platforms. It was signed off by the Government in their response to my report that when you and, indeed, everyone within Government travel, you should be able to ride share, car share or stay in an Airbnb. To the best of my knowledge that is not happening, and I am sure you would all welcome staying in an Airbnb rather than a hotel.

There was also the ONS recommendation, which I do not want to put solely on Diane’s shoulders, of measuring the size of the sharing economy. Diane recently did a great piece of work for Sharing Economy UK on productivity and how the sharing economy fits with productivity. One of the issues there was definitely scarcity of data.

If I were to use the moment to bang the drum for the sharing economy and what is our big ask at the moment, which you may be aware of, the rent-a-room tax allowance was increased last year and we would very much like to see that extended to sharing economy activity more generally. In fact, under John Major, having a lodger in your home was the origination of the sharing economy. It would be great if we could extend that to whole homes, to driveways, to things that belong within a home. I know that is an ongoing conversation between the sharing economy and the Treasury. Those are four things to be getting on with.

Back to my original point: the thing that has been really useful in the last 14 months has been putting the UK on the map—to be able to go over to Silicon Valley and to have people aware of my report and aware of the existence of Sharing Economy UK, which is

the first trade association of its kind. There is also the work we have been doing on the TrustMark, which I might bore you with for 30 seconds because it is relevant to what has happened since then. That is a project that Oxford University has been working on with Sharing Economy UK and PricewaterhouseCoopers. It is to try to answer the essay question of how we can trust platforms, and is there an independently verifiable standard that is as meaningful to people who are having their dogs walked as it is to those having someone stay in their box room? It is really complicated and takes a much bigger brain than mine, hence Oxford University is our partner. We will be piloting that in the spring of this year. It will be a global first and there is definitely an awful lot of international interest in what that is and how it will work. We are piloting with four different businesses of different sizes that do different things. That has definitely been progress, more from industry than from Government, but with Government shining a lens, to Diane's point, on self-regulation: "Yes, of course trust is an issue. What can you do, as an industry, to show that you are able to self-verify on that point?"

Chair: Thank you. If I may quote from your report, "Sharing economy businesses and traditional operators need to be treated fairly, particularly in terms of regulation". Regulation can help or hinder the advancement of companies and business models, and we see the digital economy inquiry that we are undertaking very much as looking at regulation. It is incredibly important to us and, on that basis, Richard wants to ask a few questions.

Q383 Richard Fuller: I agree with you, Chair. It is also one of the areas where we are keen to be as supportive as we can of some of the steps the Government have started to make. I do not have quite the same benign view as Ms Coyle does about the state of regulation right now. At some stages, just because the sector is so small, it has not yet hit the radar screen for what regulations may come. In earlier sessions here, we have heard discussion about Uber and the hackney carriage versus private hire dispute, and there seems to be some aspect of regulatory mismatch or obsolescence there. Equally, we heard from Airbnb and the Hospitality Association and the regulations on consumer safety with regard to food, fire regulations and these things. Perhaps as an opening question, and I will start with Ms Balaram, what are the main regulatory opportunities that the Government should be seizing to enable some of these changes in the shared economy? For this inquiry's purposes, we are mostly focused on the digital economy aspect of the sharing economy, although I know your interest is wider than that.

Brhmie Balaram: That is a really great way to look at regulation—as an enabler rather than an inhibitor. There is a lot of potential in the sharing economy to continue evolving. We are looking at blockchain-based platforms, for example.

Richard Fuller: Do you want to just explain to us what blockchain is?

Brhmie Balaram: Sure. Blockchain is the technology that underpins Bitcoin. It is a distributed ledger, which means that no one owns it but everyone can amend the transactions that are involved, and so therefore it is more accountable. For the purposes of the sharing economy, that means it is essentially a decentralised platform, so there would not necessarily be an Airbnb or an Uber, and that is a really interesting innovation. For example, La'Zooz is emerging as a competitor to Uber and we also have Loganomics, which is emerging as a competitor to TaskRabbit. These sorts of platforms are in their infancy, but a lot of the academics who are studying this, such as Arun Sundararajan at NYU, for example, are saying that this is like the beginning of the internet. There is so

much potential here and we are only starting to see the effects of it now. When we think about regulation, we really need to have some foresight and think about what this could mean in the future.

If I can refer to the British Hospitality Association's ask of the Government, which was that everybody needs to share its data, I would urge you to think about a future where there might not necessarily be an Airbnb, so then who would you ask for that sort of data? It is about trying to think of regulation in a different way and piloting a more collaborative approach to regulation that involves users.

Q384 Richard Fuller: If I get the gist of what you are saying, it may be the case that if we look to regulate around platforms like Airbnb or Uber, essentially we are missing the main point that, ultimately, the regulatory environment will be about the users themselves and the consumers, and the intermediary—just like many other intermediaries—disappears or becomes a non-important part of the regulatory puzzle.

Brhmie Balaram: Exactly. Blockchain further disintermediates the system, so at some point these intermediaries may cease to exist.

Q385 Richard Fuller: Maybe the others can come in on whether they think that is likely, and there will certainly be some time before that happens and I am sure Government would want to have a view on regulation in the meantime. I am interested in your own perceptions about how we get to what you call the shared regulatory environment—shared regulation. Can you explain what that would mean in practical terms? If we were to have the Secretary of State for Business, Innovation and Skills here today, what would you be saying to him? “You need to look at regulation in this way, Secretary of State, rather than trying to bring in Government regulation, top-down regulation, because there are so many advantages to doing shared regulation.”

Brhmie Balaram: The RSA report looks at shared regulation by, first, looking at different types of regulation, different options. There is the top-down centralised approach, which some Governments in different countries are taking. There is also self-regulation, which Debbie has referred to; businesses in this space are very good at self-regulating when it comes to issues like safety and security. There is also a completely hands-off approach, which is no regulation. Shared regulation is a combination of approaches, but it is looking at more stakeholders than just Government or business. A great starting point is to gather people with an expertise in the sharing economy, but sooner or later you have to have public dialogue. You are going to have to initiate that at some point so you can have difficult conversations about what to do with the vast amounts of personal data that companies hold on users and if it is possible for Government to have access to that. That conversation is already starting to play out in the US, as we see with Apple right now and Tim Cook. Government making the case that it is for the public good or in the interests of wider public society is not necessarily convincing to business at this point. They really need to hear customers, users and citizens step up and say, “Yes, it is fine for you to share my data in this way.”

Q386 Richard Fuller: Ms Coyle, you have seen the digital economy evolve over a number of years and there is always the next new thing and regulation is clearly a lagging

effort in this. What do you take from what Ms Balaram has said and, in particular, how do you see the evolution of the networked economy and the shared economy? What should the Government be doing on regulation for it?

Professor Coyle: People talk about digital disruption and what they mean by “disruption” is competition, and this is technology enabling new competition. It is great for consumers. It extends the choice that is available to them, much more variety, better quality, better prices, sometimes even free. It is great for people on the other side of the platform too, if they are supplying their home to be swapped or supplying some asset to be used, because it uses the asset more efficiently; they can make more money that way. This is a great thing for the economy.

The regulatory challenge is to make sure that regulations that existed for the previous model do not then get in the way of the new model growing, and that is something that will emerge in each sector over time. Trust is very important. Self-regulation is something that we can rely on quite a lot here, because if customers and users do not trust these platforms, they do not have a business. They have to make sure they are trusted. TrustMark is great, but that is partly why you see rating systems as well, and they are much more powerful than conventional regulation. If you set up a hotel, you get inspected once by your local authority and that is that and you carry on for however many years. With a rating system you get continuous evaluation by your customers, so we can rely much more than people are used to on those self-regulatory mechanisms.

Q387 Richard Fuller: Just to test you on that, one of the issues that we heard from the hospitality industry and Airbnb was if I rent out a room in my house to someone and I do it seven times a year, I can put a piece of chicken in the fridge and it does not matter whether it is edible or not; it is buyer beware. I do not have to have regulations about showing where the fire exits are; you can find them yourself. For hoteliers who register with the Hospitality Association and that have a business, they do have to comply with food regulations and others. Do you believe that the rating system, this user feedback loop, ultimately will not only be sufficient for me in renting out my room but also would be a better, more efficient, more discreet, more informative form of regulation than the Government inspector coming round with their clipboard every six months in the slightly larger units that are running as a professional business?

Professor Coyle: It can be very powerful and effective. These platform businesses have also learned over time that they need to provide systems for registering the providers on the platform and providing the insurance policies, as Debbie was talking about. Over time, they have built some of that into their own platforms, because if they are not trusted, they are out of business; it is fundamental to them. It is obviously much more cost-effective to do it that way. You do not need the machinery of the inspectors and to rely on them to do it as frequently as they say they are doing, so it can be very powerful.

Q388 Richard Fuller: Ms Wosskow, in your report, and the time you have had to think afterwards, you were a catalyst for people to think about this a lot, and I am very interested in what Ms Coyle has been saying about the value of this self-regulation. If you were to meet Mr Hancock again—I am sure you will—and tell him how we are doing on this regulation, would you be banging the drum to talk about self-regulation? The Government have a £10 billion target for deregulation. From what we are hearing, this seems to be a

potential way in which we could be unbundling regulation, not only cutting the cost but making it more effective. Is that a natural follow-on from your report?

Debbie Wosskow: There are two ways into that. The first is: do I feel like sharing economy platforms provide a lens for safeguarding the interests of consumers that is more cost-effective to deliver than a top-down regulatory framework? Often yes. eBay is the granddaddy of the sharing economy, and for the last 15 years they have got us used to a stranger giving a rating in a review and that being as good as an inspector, so I do think that works. To your point, which was the original question on regulation and framework and deregulation and what else is there, I feel like we have talked in quite philosophical terms about what an approach might be. I also just want to use this as a way of raising two other topics, which we have not talked about today but I would like to get them out there.

The first is around ride sharing. In previous conversations, you have talked about to Uber or not to Uber and to black taxi or not to black taxi. The one thing that we should not forget about is ride sharing as a business. In fact, one of the biggest sharing economy businesses in Europe is a ride-sharing business; also, to look at the UK, across the regions, some of the most successful start-ups that we have outside of London in the sharing economy are ride-sharing start-ups. One of the conversations that has followed on with Mr Hancock and others since my report has been around ride sharing for profit. At the moment, you are not allowed to do that. You are not allowed to share a lift to Glastonbury or, indeed, to the office and have anyone make any money; you have to just cover the cost of the petrol. There is a point about deregulation in that and letting people make a bit of extra money from ride sharing, which gets to the heart of the sharing economy. It is complicated, because it does touch on minicab licences and all the rest of it, but I do not think we should forget about that and I have been very concerned that there is a baby-bathwater moment, particularly with TfL's 25 recommendations around Uber, one of which was specifically about ride sharing. I put that out there because that is a good example in very practical terms of deregulation enhancing the sharing economy.

The other thing that we have not touched on is about the status of workers on platforms. Julie Deane published a report last week or the week before, which gave some very interesting statistics about how self-employment is at an all-time high. My particular passion around the sharing economy is the difference it is making to women's lives. The statistic is that 44% of women in London who are not working and want to work are doing so because of reasons of childcare and affordability. The sharing economy can be a real salve to many of those issues and what we are seeing is definitely a shift in people's working patterns.

Q389 Richard Fuller: Equally, you would say there are also concerns about the definition of an employee.

Debbie Wosskow: Agreed, but I feel like there is a separate point in all of this about the role of the digital platform, the deregulated or re-regulated role of the digital platform and the role of the person who is working in a different way. I wanted to flag those two points, because it feels like they are important.

Q390 Chair: We have looked at this as part of our inquiry already and we took evidence from hassle.com. Is there an argument that the upside is that people who are not in

employment can be, that it can be liberating and flexible, but the downside is these people would be traditionally employed, with employment protection, and they do not have it any more? This is a way of exploiting workers, particularly workers on low pay. That is what the digital economy does, does it not?

Debbie Wosskow: I would really challenge the latter point, because that just has not been my experience nor the experience of my 50 members. Most of the people that we are dealing with in our platforms are people who otherwise would not be working or would not be working in the way that they want to work. I feel strongly that as part of this conversation we need to focus on how people are working, how they want to work and when they want to work. The Love Home Swap membership is 70% female. It is often the case, for many of these sharing economy platforms, that it is tapping into women who want to work more flexibly. Indeed, that was one of the main points of the report that Diane wrote on productivity. We need to make sure that we are capturing that in the way that we think about how productive we are as a nation. I am an entrepreneur, so I am endlessly optimistic and I would see it as an opportunity rather than a race to the bottom.

Q391 Richard Fuller: There are very distinct views that emerge on the impact on employees from the shared economy. When do I become an employee? When am I just doing something in my spare time? Who should be responsible for taxation on my income? Should it reside with me as an individual? Should it reside with the corporation? There was an estimate that for Uber it would be \$4 billion or £4 billion. Ms Balaram, in your vision of the shared regulatory side there must also be, perhaps, more protection or at least eyes from the Government on protection of employees in the shared economy. What would be your suggestions on that?

Chair: May I just add to that? We have mentioned eBay already and eBay is a great way of people getting additional money by selling things they no longer need, but at what point do you go from selling stuff that is in the garage to becoming a trader and then liable for corporation tax and what-have-you?

Brahmie Balaram: On the question of whether these workers are employees or self-employed, shared regulation, when fully developed, would help shed some light on this. Right now, we are just hearing the perspectives of business again, and of course businesses are going to say that these workers are self-employed. As you have just mentioned, if Uber was to consider its drivers to be employees, they would have to shoulder those costs of 4 billion. For a company like Uber, with the backing of their venture capitalists they could continue to soldier on, but for much smaller companies that is definitely going to drive them out of business. These models would be best compared to something like Amazon or Walmart. It is a numbers game; you have as many transactions as possible and that is how you make your money. On an individual transaction they are probably losing money. The profit margins are razor-thin here, so that is why scale is so important in the sharing economy.

Would I say that they are employees? It is a very complex issue. People use these platforms in different ways. For some people, as Debbie has mentioned, it is a flexible form of labour, it is casual, they have the benefit of maybe a full-time job and they can dip in and out. For others who are replacing full-time work with driving or renting, or whatever it is they are doing on these platforms, the question is much more difficult. They are at the mercy of these platforms, which are setting terms and conditions that may be increasingly akin to those of an employer. That is a question that is being explored in the

US once again. It is looking at whether or not we need a third category of worker and that is something we need to consider in the UK as well, especially as GMB, for example, is supporting workers to bring court cases against Uber.

Professor Coyle: Exploring the idea of a new category of worker is a very interesting one and we should think about that, but the best way to protect people from “being exploited” is to make sure that they have good alternatives. Nobody is being made to engage in the sharing economy. Much of the discussion about this comes from evidence based in the United States, where the other options people have are very different and the way that a company like Uber is operating in the United States is very different from in the UK. For the first time the possibility is that flexibility now works for the individual. We have talked about employment flexibility; it has always been working for the employer in the past, and this is flexibility for the individual. I do not think we should rush to say this is exploitation anyway. We do not have that evidence. People do not have to do it, and for women who are able to make a bit of money from selling crafts or renting out their driveway, it is fantastic. Why would we not be embracing that?

Q392 Chair: The other side is that a woman on low pay who is cleaning and before was maybe part of a cleaning company and had protection in terms of holiday rights no longer has that. She is feeling less well-off and less protected as a result of the digital economy. Is that fair?

Professor Coyle: It is fair if it is happening. I do not think there is any evidence that it is happening at scale.

Q393 Chair: The notion that you can say, “Tough; go and get another job”, almost can be insulting, can it not, for somebody who might have low skills and might not be able to shop around in terms of his or her worker’s rights?

Professor Coyle: That is not what I am saying. I am saying that in the UK there is no evidence of that happening on any scale.

Q394 Chair: Okay, thank you. Brhmie, tell me if I have understood this. I was really interested in your point when you were talking about blockchain and how that could mean that intermediaries could become obsolete. Have I got that correct? One of the things that I found interesting is possibly the opposite of that, which is the digital economy is meant to provide greater competition and better consumer choice. What seems to be happening is that there is a growing concentration of power in a single provider in a sector—Uber, for example, or Google. Is the digital economy providing a monopolistic situation rather than the point that you are making?

Brhmie Balaram: I am saying that the future of the sharing economy is probably in response to the fact that there is a greater concentration of power. People are pursuing blockchain technology because they want to decentralise the sharing economy. They think that there is exactly what you are saying, and that is why people are exploring these options. If you read the report, what I am speaking about is that this online sharing platform model does lend itself to monopolistic tendencies.

Q395 Chair: Linked in with that, one of the interesting things is how that can be broken up. What I am really trying to say is how does that work in relation to what you have also said in respect of scale? Is there not a tension there? In order to make people feel trust about a particular brand, they need more and more people to use it, which means there is that growing concentration of power. How does that work? I am interested if you can see an inherent contradiction in that policy and what needs to be done.

Brhmie Balaram: There is also a growing movement towards co-operative platforms and wanting to share ownership of these platforms. That is the other side of it. When we talk about power and scale, there are different ways of scaling. There is scaling upwards, which a lot of these platforms are doing, but there is also scaling outwards. It is not that you have the same sort of company providing bicycle sharing, for example, in different cities, but you still have that sort of scale in that everyone is cycle sharing. The future of the sharing economy might be about trying to nurture these co-operative elements, so what would it look like if the drivers owned Uber, for example? There is something to be said there for how the Government could intervene and nurture the sharing economy.

Q396 Richard Fuller: Ms Coyle, on your newish role at the ONS and about the information available to make good judgments about the sharing economy and digital economy in general, could you share with the Committee your initial thoughts about what is missing to enable Government to have a factual basis on which to make decisions?

Professor Coyle: There are quite a lot of gaps. One of the issues is that there are parts of the digital economy broadly and the sharing economy that should be captured by the statistics but they are not. That is because the businesses are so small or because people responding to the surveys do not think of what they are doing as a job, so they do not tick that kind of box, or the categories we have for occupations just do not cover digital activities at all well, so who knows where people put themselves in the statistics? There is that kind of problem.

There are benefits that just will not get captured in GDP-measured statistics. For example, if you do a home swap and you save money on a hotel, it might not affect measured GDP because you have money to spend on something else. That extra benefit that you get will not be captured anywhere in the statistics, but it does not mean it is not real and it is not large. That can be very large as well.

Some of the changes tend to reduce what we measure as growth. If there is less investment in assets, in cars or in houses, if retailing is dematerialising because it is going online, it will tend to reduce measured investment, but in fact the economy is doing better because the assets that we have are being used more efficiently.

There is the whole question about understanding how people are working, which I think is the most important part. To ensure that not jobs but individuals are protected—they can work how they want to, have the right protections and have good alternatives—measuring better what they do now, how they earn their income, is very important.

You also touched on the tax question, and I am very unclear at the moment on what HMRC policy is about registering businesses that do not need to be registered: there have been newspaper reports that they say you do not need to register for VAT even if you want to, because you are below the threshold. I also do not know the policy about applying

VAT through the online marketplaces, so there are some questions about what is happening with taxation as well.

Q397 Richard Fuller: May I ask a question on the GDP aspect? When it comes to the digital economy, there are two things that might be particular to it that might not affect other sectors. The first is if you look at a mobile device, it is still a phone but it does a heck of a lot more than it did in the past. To what extent does the measurement of our statistics for how our economy is growing or not, reflect the fact that things get better and do more? The second, to your point, is that with the sharing economy a specific asset like a car that I might have had in my driveway and might have been used 20% of the time will be used 40%, 60% or 80% of the time. Are both those things missed in current statistics? Are you thinking of ways in which we can start to capture them if they are?

Professor Coyle: They are missed in current statistics. We do not have any measures at all of the asset base that could be used in that way and how much more efficiently it could be used. Nobody has looked at it through that prism. It is not just that there are economic benefits; there are environmental benefits, and the environmental potential of that is very large indeed.

On the quality point, the statisticians do try to make adjustments for quality when they calculate a price index. They will look at the characteristics of your phone now and your phone five years ago and try to adjust for the fact that it can do so much more. That is extremely complicated and difficult, and because some of these platforms offer what appear to be free goods, the statisticians just ignore that. There are real gains in living standards if you are engaged in these activities that are just not measured at all. Therefore, when you adjust the pounds in the economy for inflation, it is understating real growth as well.

Q398 Chris White: We are talking in quite philosophical terms. When do you think this will become mainstream and how much of a threat will it be to our economy? You have mentioned some very good examples of where it has worked and it is welcome and the efficiencies that it will create, but do you also see it as a threat?

Debbie Wosskow: In terms of mainstream, we describe it within the industry as the Airbnb afterglow, if you like. That is a definite factor of the last five years, where we should not underestimate the impact that Airbnb has made on ordinary people becoming comfortable with this activity. From my own experience at Love Home Swap, we have raised a significant amount of venture capital in the UK and latterly in the US. When I first went out to raise money five years ago, most venture capitalists told me that there was no way in the world that anyone would ever have a stranger in their home and why would you? Fast forward to last summer, when my mother stayed in an Airbnb. That is an anecdotal piece of evidence that it is becoming more mainstream.

What we are seeing in terms of uptake, going back to the point on the scale of these platforms, is a lot more scale going through these businesses and people thinking a little more broadly about the things that they already own, the things that they can do and how they can put them together in a portfolio to make and save money in different ways. The definitive statistic is the PricewaterhouseCoopers research, which you may have seen. It is a year old now, but it sizes the sharing economy as being worth £9 billion already and

forecasts that it will be worth £230 billion by 2025. That is the data that we all have to go off. Nesta also did a piece of research, which is also now about a year old, and it says that 25% of UK adults are already sharing online. If you combine those two things together, it seems to suggest it is getting bigger and that Brits are quite good at it.

You have already played out here the debate on what this means and whether it cannibalises existing industry, so I will not review all of that. However, Goldman Sachs produced some research a couple of weeks ago specifically on how Airbnb is affecting the hotel industry. It is really interesting—Airbnb will have given you their different stats on this—that the UK hotel industry is up 26% in terms of room occupancy between 2011 and the end of 2015 in spite of, or perhaps because of, what has been happening with Airbnb, so there does not seem to be that cannibalisation.

In my day job, our latest investors are Wyndham Worldwide, who are hoteliers; they own Ramada, Travelodge, Premier Inn and lots of different hotel brands. They have invested in my business. I suspect it will be the same as what we saw with the online travel industry, if you cast your mind back 15 years, where you had travel agencies and then you had upstart online travel businesses like lastminute.com and others. They were worlds apart and then they organised themselves around what consumers want. That is much of what we will see around the sharing economy. I am interested that we have not had the debate yet about the term “sharing economy” and whether it is meaningful, because that is an ongoing conversation. I do not think we will use it at all in a decade’s time. We will just think very differently about people’s access to the goods that they own and, in the different, so far big and well developed sectors of the sharing economy, how people want to travel and where they want to stay when they go on holiday.

Q399 Craig Tracey: I was interested in the point that was made earlier on about the ongoing review-by-rating system. Are there any examples of companies that have failed as a result of starting to get negative rankings? Is it the case that once a company becomes big enough the good reviews will negate the bad reviews? Are there any examples of where it has affected a business model, and is there not an argument to say that people trust the brand name—they all know Uber or they know Airbnb—and there might be other companies that are providing better services?

Debbie Woskow: There are a few ways into that one. One of the things that I try to do with Sharing Economy UK, and the reason for its existence, is to help entrepreneurs with sharing economy businesses to get going within the UK. We see a lot of clusters of start-ups within the sharing economy within transport and accommodation, because those have been the sectors that have moved the quickest and they are the highest-value items: you live in your house; you look on your driveway; the car is there. Many of them are businesses that you will never have heard of. It goes back to the point that competition is of course incredibly important, so is localisation, so is people offering services in different ways, particularly around transport. We have a big ride-sharing business in Norwich that provides great service around Norfolk and Suffolk. I suspect they would definitely rival any non-hyperlocal business, but how do you trust them and how do they get going? You are probably not trusting the brand, but you are trusting the offering, the localisation, the reviews and word of mouth; that is a huge driver for all of these sharing economy platforms.

I would not necessarily think about bad reviews in terms of success and failure: does it make a business go bust or does it ensure success? But we do take it incredibly seriously in terms of an ongoing service review. All of these business models, including my own, are iterative. My business did not exist just over four years ago; we now have over 100,000 homes in 190 countries around the world and people swapping every single day. It feels like the reviews are much more a touch point on individual experiences. If you are dealing with individual cars or individual properties, it is the role of the platform to take them seriously and act on them, and they do provide an incredibly important currency for the smaller businesses that are not the brand names. We will see more and more of those as we see the sharing economy move into healthcare and B2B and logistics and all of the new aspects of doing business that will be impacted by these models. When we look at how we have developed the TrustMark criteria, the peer reviews are the bedrock of it. Yes, the checks and balances underneath, the insurance, the identity verification, extending GOV.UK Verify—things we have not really talked about today—are all important, but the peer reviews are the thing that shine the light that you can act on quickly.

Q400 Chair: Debbie, I am conscious of time, but this is focused on you. We have touched upon this before and it is in relation to progress with regard to your report's recommendations. I am interested in three areas, if you could give us a brief summary. We have talked about this already and I think Diane mentioned it: the treatment of tax. In terms of the negotiations with the Treasury, how much progress has been made?

Debbie Wosskow: There are conversations under way.

Chair: You sound like a politician.

Debbie Wosskow: I feel like one. I cannot tell you what may or may not happen, but I can tell you that the Treasury have been definitely engaged. There have now been three sessions with different players in the industry talking about their different businesses. This issue of tax is obviously very broad and it is not just about the tax allowance, which I would love to see happen; it is also about encouraging people to understand where you declare sharing economy income on your tax return; it is about the digitised tax return. It is a broad topic. I would say the Treasury are doing a pretty good job of being engaged in that topic. I do not have any complaints with them.

Q401 Chair: Can you reassure us that the Treasury understands that this is not about trying to drill down and get more tax revenue, but that this could increase the share of the pie in general? The economy could grow as a result of this. Do they get that or do they think, "We need our pound of flesh"?

Debbie Wosskow: Conversations definitely focus on both aspects of the situation that you describe, as I would expect. I would expect them to be thinking about where the new revenue is, but also, with some of the sectors that we have talked about and the people you have had in here before, it is often about bringing income into the tax regime that is not always in it, particularly around some of the platforms like cleaning. The debate is quite broad-ranging, but so far so good. They have definitely engaged with the breadth of industries. They have had lots of different entrepreneurs in there doing lots of different things, but of course anything further that can be done would be greatly appreciated.

Q402 Chair: The second aspect is the Kitemark, in terms of making sure there is trust. Are you happy with progress there?

Debbie Wosskow: That is on us, I think, and I am. Oxford has been a great partner. It sits within the Saïd Business School, and the internationally renowned sharing economy expert is a woman called Rachel Botsman, who authored the book that defined the term “sharing economy”. She taught the first academic course on the sharing economy in Oxford last year. She has worked with us on that, so I feel that is good. PricewaterhouseCoopers are an excellent assessment partner. If I am to make a public plea for anything, all of this is self-funded by industry, and of course that is difficult for an industry that is small and embryonic. How can Government help to support us on that? How could it sit within existing standards that have Government support? How can we really stop it from just being something that is industry-driven and therefore adjacent to the way that some of these standards are measured across the piece?

Q403 Chair: The final point is access to finance. You have touched upon your own experience, but your report is very strong on ensuring that there is access to finance for specific sharing economy activities. Again, do you think the whole finance ecosystem is lending itself to that? You mentioned the Airbnb glow.

Debbie Wosskow: It is a challenge. That was one of my recommendations that Government did not like very much—that there should be some sort of supported fund or incubator focused on the sharing economy. The reason for that was because we now do have a lot of expertise within the UK. The challenge about the digital scene, as you will have heard endlessly, is always accessing finance. It has improved. We should not underestimate the impact of EIS and SEIS and crowdfunding platforms for the fledgling entrepreneur. However, it is not a coincidence that to grow my own business to the next stage, series B and beyond, I have raised money outside the UK. It is still very difficult to do over here. It is still the case within the ecosystem that for people who are in the know it is easier to raise money than for people who are not, and that is not right. Just knowing the right people does not predetermine that you are going to be a successful entrepreneur. Particularly with sharing economy businesses, many of them will succeed in their own way because they have a regional focus, so finding a way to match those entrepreneurs with funding would be great.

Chair: We are very grateful for your contribution; it has helped us enormously. Thank you very much again for your time. We really appreciate it.