

Ethical Dilemmas Concerning the Management of the Shared Accommodation Industry

The Case of Cape Town and eThekweni Municipalities

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ABSTRACT

Municipalities face a variety of issues in a sharing economy where the Internet, smartphones and technological applications are changing the global economic dynamic, including the need to reconcile the competing interests of many stakeholders as their jurisdictions expand. Municipalities have emerged as fertile spaces for digital platforms and the growing popularity of the sharing economy around the world. Platform enterprises in the shared accommodation industry (SAI) have changed how people share paid accommodation, affecting municipalities where some of these changes have had mixed results, posing ethical challenges for municipalities. The governance of the SAI and the ethical dilemmas confronting municipalities have been studied, although from a developed country viewpoint. The ethical dilemmas in the economic, social and environmental spheres include gentrification, densification, increased inequality; overpopulation, homelessness, loss of neighbourliness; environmental degradation, and water and energy scarcity. Using a qualitative multiple case study in the Cape Town and eThekweni municipalities, the article investigates how the two municipalities manage the ethical dilemmas arising from the competing multi-stakeholder interests in governing the SAI. Semi-structured interviews and

field observations were used to collect data supplemented with secondary data from case study records. The article finds that the municipalities of Cape Town and eThekweni are failing to manage the competing interests of their multiple stakeholders. This failure concerning the ethical dilemmas that confront municipalities is attributed to the lack of skills and knowledge to manage the internet-driven SAI and SAEs.

INTRODUCTION

Municipal governments have always played a critical role in the planning and regulation of urban settings and growth. In recent years, they have emerged as fertile settings for the sharing economy (hereafter SE), which has grown in popularity around the world (Ahsan 2020; Belk, Eckhardt & Bardhi 2019; Sundararajan 2017). Underutilised assets are pooled in the novel SE to maximise resource utilisation by businesses and individuals using sharing platforms or digital platforms. Such sharing activities have the positive effect of stimulating more efficient resource use and reducing the environmental impact of consumption (Ryu, Basu & Saito 2019).

Research concerning the governance of the SE at the municipal level has revealed significant challenges and opportunities since municipalities are central actors in local governance. As central actors, municipalities define their role, the roles of other actors and the rules of the game in the governance of important policy matters (Vith *et al.* 2019; Davidson & Infranca 2016), which includes the SAI. For example, in many communities, the fervent interplay between the SAI and local housing supply has begun to influence how municipalities organise neighbourhoods and shape their development plans (McKenzie 2020; World Bank 2018).

The opportunities and challenges emerge from the rapid rise of SE industries and the digital platforms using them, including the SAI. A particular challenge to municipalities, which is relevant for this study, is the role of ethics in the decisions of municipalities in executing their mandates. The challenges of ethics arise because municipalities are in charge of providing several services benefiting communities daily. In providing these services, municipalities are confronted with the challenge of balancing the interests of various stakeholders, which are often in competition (McKenzie 2020; Vith, Oberg, Höllerer & Meyer 2019; Davidson & Infranca 2016).

The increased supply of shared accommodation in its myriad formations within municipalities contributes to the challenges including the loss of residential home supply, the pressure on housing, displacement and rental costs and the disruption

of residential commons and commercialisation. Some of these challenges add to the phenomenon of over-tourism in some municipalities. Furthermore, the increased supply of shared accommodation enterprises (hereafter SAEs), particularly in residential areas, increases the strain on municipal services, infrastructure like energy, roads and water provisioning, including the pollution burden.

Municipalities must balance the interests of the SAI as a rising industry with the interests of market incumbents and local communities. As a result, while these platforms contribute favourably within municipalities, their negative consequences create ethical dilemmas for municipalities. Municipal regulations and policies that are in place to govern the SAI are constantly tested by the hybrid character of such platforms: not directly offering accommodation whilst not being a purely digital provider of information (García-López, Jofre-Monseny, Martínez-Mazza & Segú 2020; Sharing Cities Action Network 2020).

The governance and regulation of the SAI, as one of the leading SE industries, has been studied. In the existing literature about the SE and specifically the SAI, there is a scarcity of knowledge concerning the ethical dilemmas confronting municipalities to manage the SAI from a developing country perspective; as well as the measures used to manage them in the face of competing interests of multiple stakeholders. Given the novelty of the internet-based SE and SAI, the knowledge gap stems from the limited research conducted in developing countries on the phenomenon that can be used to guide local governments including municipalities.

Within this context, the research sought to present a developing country perspective on the SAI, as one of the biggest industries within the burgeoning SE sector. The research aimed to explore the ethical challenges faced by the municipalities of Cape Town and eThekweni and to examine how these challenges are managed amid the competing interests of their various stakeholders, using the principles of ethics and stakeholder theories as a framework. Following the work of Berkowitz and Souchaud (2019), Palm, Smedby and McCormick (2019), Vith, Oberg, Höllner and Meyer (2019), and Davidson and Infranca (2016), this article attempts to broaden the understanding of the SAI ethical dilemmas in municipalities, from a developing country perspective. The purpose of this article is, therefore, to determine what the SAI ethical dilemmas entail, and how the Cape Town and eThekweni municipalities in South Africa manage them in the face of competing interests from other stakeholders.

CONTEXTUALISING THE BUSINESS OF THE SHARING ECONOMY

Following existing knowledge, the phrase 'sharing economy' is being used in specialised literature to describe how the Internet, smartphones and technological

applications are changing the global economic dynamic. According to Belk (2018) and Sundararajan (2017), the phrase ‘sharing economy’ first appeared in the USA during the Great Depression of the 1930s. It is a term closely linked to the emergence of social technologies and the search for alternatives in the face of population expansion and the depletion of existing resources (Cohen & Sundararajan 2015). Consequently, the last decade has seen technological advancements dramatically disrupting how humans transact to receive and provide goods and services (Berger *et al.* 2020; Belk *et al.* 2019).

The Internet has aided the advancement of the SE by making production, distribution and mutual collaborations easier (Etzioni 2019; Levine 2019). From the sharing of cars and bicycles to the renting out of homes, apartments and rooms, the SE has entrenched itself in the global society to become a mainstream act (Ranchordas & Goanta 2020; Yin, Qian & Singhapakdi 2018). People can earn money in the SE sector by exchanging goods and services or sharing resources via peer-to-peer (P2P) platforms, among other things (Ahsan 2020; Etter *et al.* 2019; Fraiberger & Sundararajan 2015).

Similarly, technological advancements have changed how businesses transact with each other (B2B), how they transact with their customers (B2C), and how customers transact with each other (C2C). Collaborative consumption and the SE are the inventions of these digital innovations. The SE sector is where individuals and businesses gain wages by exchanging products and services or sharing resources through peer-to-peer (P2P) platforms or platform enterprises (Ahsan 2020; Etter *et al.* 2019; Fraiberger & Sundararajan 2015).

Platform enterprises, which are sometimes called platforms, are defined as a collection of technologies and tools that provide a foundation for the development of other applications, processes, or technologies (Löfgren & Webster 2020; Srnicek 2017). It is a business model that generates value by facilitating exchanges between two or more interdependent groups, typically producers and consumers, instead of directly creating and controlling inventory through a supply chain, similar to linear businesses.

At a broader level, three distinct categories of platforms that are gaining traction in business have been recognised. First, there are aggregation systems, which bring together diverse resources and assist users in connecting with the most appropriate resources for their needs. These platforms are typically transaction or task-oriented (Etzioni 2019; Hagel 2015). Examples of aggregation platforms include eBay, Airbnb, Uber, Booking.com and SafariNow. Secondly, there are social platforms that promote interaction among people who share common interests and also favour relationship networks. Examples of social platforms include Facebook, Twitter, Instagram and LinkedIn.

Mobilisation and learning platforms are the third category of platforms, which inspire people to collaborate to achieve tasks that are beyond an individual’s

Figure 1: The Sharing economy ecosystem



Source: (Wirtz, So, Mody, Liu and Chun 2018).

abilities. These types of platforms prioritise long-term connections over isolated and short-term transactions or tasks (Levine 2019; Hagel 2015). LinkedIn, Quora, Yahoo and StackOverflow are among the popular platforms in this category, while YouTube, Deezer and Spotify are among the popular ones in the media-sharing space. The service-oriented platform enterprises, which fall in the aggregation category, are leading the drive to redefine how people commute, vacation and exchange products and services (Acquire, Valiorgue & Daudigeous 2017; Sundararajan 2017).

Platform enterprises in the SAI, like those in the broader SE, assume the role of mediator, connecting prospective visitors with hosts (World Bank 2018; World Economic Forum 2016; Fraiberger & Sundararajan 2015). In addition, the platforms offer rating systems to reduce information asymmetry, as well as

communication channels, insurance and other services (World Economic Forum & PriceWaterhouseCoopers 2017:5). The importance of data is central to the platform operating model, which is also indicative of a larger change in capitalism. In consequence, data is the primary measure that propels the business of platform enterprises (Löfgren & Webster 2020; Morozov & Bria 2018).

In recent times, however, the SE has become a contested terrain, with many debates concerning amongst others, its terminologies and benefits to society (Belk 2018; Stemler 2017; Sundararajan 2017). The debates are fueled by the fact that the sharing economy is no longer about helping without monetary expectations, but it is more about providing goods and services to strangers for monetary benefits (Frenken & Schor 2019; McDonald 2015). Chai and Scully (2019) contend that the internet-based sharing economy has become a means for distributing goods and services, hence the increased debate about its ethical dilemmas among Business Ethics scholars.

CONTEXTUALISING THE SHARED ACCOMMODATION INDUSTRY

The SAI, a subset of the sharing economy, is an innovative concept that allows users to gain short-term access to various forms of accommodation, as and when they need it (Ranchordas & Goanta 2020; Bernardi & Diamantini 2018; Belk 2014). In the SAI, platform enterprises have altered society's approach to paid accommodation, whether for travel, shelter or housing purposes. While people have traditionally often seen ownership as the most desired way to gain access to accommodation products and services (McLaren & Agyeman 2015), increasingly people prefer to pay for temporary access or share the services or facilities, instead of ownership or purchasing them (Belk 2018; Sundararajan 2014).

Within the SE sector, the SAI is the biggest revenue contributor in many developed countries, according to the World Bank (2018). Various types of shared accommodation are mostly determined by the reasons for someone's need for accommodation, and the duration of their stay. The most common reasons for someone requiring accommodation include shelter and social housing; and travel-related services (McKenzie 2020; Tourism Economics 2020; Sharing Cities Action Network 2020). Short-term rental (STRs) and home-sharing are common types of shared accommodation for travel-related services (World Bank Group 2018; Sharing Cities Action Network 2019).

Following on from the broader SE sector, the SAI's impact on the socio-economic realm has only recently piqued the interest of management scientists, particularly business ethicists (Etter *et al.* 2019). This is largely because the field is still characterised by diverse tales and discourses (Acquier *et al.* 2017). Recently,

several business ethics scholars have published papers on various aspects of the SE sector (Ahsan 2020, Singer 2018; Stemler 2017; Codagnone & Martens in Ramawela 2023). The studies covered topics that gave insight into the true nature of the SE and highlighted the ethical challenges facing municipalities when it comes to governing the SE and SAI.

Baumane-Vitolina, Cals and Sumilo (2016) describe ethical dilemmas as extremely complicated challenges, which are not easily resolved. It is a circumstance that requires a choice between competing ideologies in a given situation. In every ethical dilemma, the options are at odds with one another; they clash, resulting in a contradiction or paradox. This is because there are times when one has two options; and if one is chosen, it is impossible to choose the other (Singer 2018; Baumane-Vitolina *et al.* 2016). In the public sector, an ethical dilemma is defined as a complex situation involving an apparent conflict between moral imperatives, where adhering to one would imply violating the other (Constantinescu & Kaptein 2020). Given that ethical standards are not codified, disagreements and dilemmas about proper behaviour arise. Perhaps the most obvious example of an ethical dilemma is a conflict of interest that public sector leaders may face including administrative discretion, corruption, nepotism, administrative secrecy, information leaks, public accountability and policy dilemmas (Palm *et al.* 2019; Vith *et al.* 2019).

According to Vith *et al.* (2019:1040–1041), municipalities incorporate ethical considerations in their interpretations of the SE's potential and problems, both directly and indirectly. Within the context of the SAI, the ethical dilemmas confronting municipalities stem from the necessity to adapt to the needs of the industry, which are often in conflict with the needs of other stakeholders including market incumbents like BnBs and hotels; and the broader community (Martin 2019; Mercier-Roy & Mailhot 2019; Malhotra & Van Alstyne 2014).

Gentrification and residential densification are two of the major ethical dilemmas confronting municipalities resulting from the internet-based SAI (Ranchordas & Goanta 2020; Etter *et al.* 2019; Palm *et al.* 2019). Urban planners, designers and developers, among others, use the term densification to characterise the rising density of people living in metropolitan areas (Löfgren & Webster 2020; Palm *et al.* 2019; Sharing Cities 2019). By allowing the conversion of homes in residential areas into apartment hotels and BnBs, municipalities put increased strain on public infrastructure and services. Similarly, gentrification brings changes in land use, which effectively changes the character of neighbourhoods as private homes get replaced with BnBs and boutique hotels while community-run businesses are replaced by businesses serving the needs of the new clientele. The ethical dilemmas caused by densification and gentrification include a lack of affordable housing, traffic congestion, over-tourism, and businesses leaving the urban centres resulting in diminishing municipal income.

The ethical dilemmas for municipalities lie in the paradox of municipalities needing to provide infrastructure and services that support a favourable investment climate, without the investments displacing people and causing challenges such as traffic congestion and pollution. As per the Sharing Cities Action Network (2020), with their well-developed infrastructure, municipalities have provided suitable settings for the expansion of the SE and SAI enterprises. Municipalities provide essential daily services within their jurisdictions that allow the SE and SAI to thrive. These include the maintenance of local roads, rubble removal and sewer management as well as fire services, municipal enforcement of laws, strategic land use, subdivision and condominium approval, local economic development and tax collections.

Municipalities raise the majority of the funds necessary to offer these services through levies and property taxes. The taxes and levies are collected from community members and businesses including BnBs, guesthouses and hotels based on a predetermined scale. Municipalities are concerned about the risk of declining levies and taxes from market incumbents as the number of private homes operating as SAEs grows (Garcia-López *et al.* 2020; Sharing Cities Action Network 2020). This is because market incumbents like BnBs and guesthouses lose their clientele to private homes operating as SAEs. These private homes that operate as SAEs do not contribute their fair share of levies, rates and taxes, while they and their clients benefit from the municipal services provided. Similarly, the large platform enterprises equally avoid paying levies and taxes, particularly the multinational operators (McKenzie 2020; Dolnicar 2018; World Bank 2018).

Furthermore, there is also the reality that many SAEs are not subjected to regulatory provisions such as zoning, which affect market incumbents such as hotels, BnBs and guesthouses. In consequence, SAEs are often criticised for taking advantage of obsolete tax rules and regulatory loopholes (Garcia-López *et al.* 2020; Vith *et al.* 2019). This is particularly the case in developing countries where municipal governments still use manual systems and are often unskilled in the digital economy. As a result, market incumbents, as well as SAEs, are motivated to defy the rules due to concerns about unpredictable and inequitable taxation laws (Ranchordas & Goanta 2020; Mercier-Roy & Mailhot 2019). Yet again, some of the major platform enterprises engage in lobbying to avoid compliance with established rules to protect their earnings, amongst other things.

Additionally, SAEs have been chastised for breaking labour regulations, particularly in developing countries (Ahsan 2020; Stemler 2017; Sundararajan 2017). Private homeowners participating in the SAI, for example, use the labour of domestic workers unfairly in many countries, including South Africa. Homeowners hire domestic workers to serve them privately as well as their paying clients, without fairly compensating them (De Villiers & Taylor 2019; Katz 2015) like their counterparts in BnBs, guesthouses and hotels.

While there is a valid view that innovation through the SE should not be impeded by excessive and obsolete regulations (Berger *et al.* 2020; Belk *et al.* 2019; Martin 2019), there is however a need to protect the users of the platform enterprises. This is because as part of their business models, platform enterprises gather and record data from their subscribers and analyse it for their purposes and not of the users (Etzioni 2019; Levine 2019). This includes transactional data and non-transactional data. In consequence, users need safeguarding against fraudulent acts, liability, unskilled service providers and personal data misuse by governments including municipalities (Berkowitz & Souchaud 2019; Etzioni 2019; Biber *et al.* 2017).

Additionally, municipalities are responsible for fostering innovation and competitiveness, while also safeguarding the interests of the citizenry. They must also ensure that market incumbents and newcomers compete harmoniously. The internet-based SAEs are known to have introduced competition, some say unfairly (Acquier *et al.* 2017; Biber *et al.* 2017), to highly regulated traditional tourism operators like BnBs, guesthouses and hotels. The SAEs' activities hide behind the platform's websites and applications. Platforms "anonymise" the public locations of SAE listings, making it impossible for municipalities to identify where activity is occurring and who to contact if needed.

Furthermore, Davidson and Infranca (2016) state that another ethical dilemma facing municipalities is the moral challenge of collaborating with platform enterprises. This is due to the reality that municipalities are major role players in the governance of important policy concerns. Municipalities are the focus actors defining the roles of all of the role players including their own, as well as determining the rules of the game (Kornberger, Leixnering, Meyer & Höllerer 2018; Davidson & Infranca 2016). In addition, municipalities are responsible for establishing the playing field and defining the boundaries for all actors active in their jurisdictions (Vith *et al.* 2019). In consequence, municipalities that collaborate with SEs and SAEs face ethical dilemmas such as administrative discretion, corruption and public accountability.

On the social front, the advent of the sharing economy brings about various moral challenges to municipalities. Municipalities face an insurmountable challenge of balancing limited resources, in which individuals and collective actors are committed to diverging interests. These result in discord of conflicting interests in urban spaces where the SE essentially manifests (Davidson & Infranca 2016). The moral challenges include among others, the concerns about the disruption of local communities' character caused by the increasing prevalence of SAEs. In consequence, there is increased pressure as choices need to be made between economic development and safeguarding communities while ensuring that everything happens equitably.

Other social concerns include safety and security, the loss of privacy and neighbourliness as well as the lack of affordable housing affecting both

individuals and businesses. For businesses, the impact is that they are often compelled to relocate their offices from urban centres, as home-owners choose to let their properties through the platform enterprises at unaffordable prices for locals, who would prefer to live closer to their workplaces (Frenken & Schor 2019; Gori *et al.* 2015). Additionally, Berger *et al.* (2020) posit that the SAI perpetuates exclusivity instead of inclusivity within society. This is corroborated by Stemler (2017), indicating that most platform enterprises are designed to be accessed by well-connected and digitally informed users who can spend and engage intelligently with them. Higher education students are more engaged with platform enterprises than students with less education and exposure. As a result, the elderly and those lacking access to technology are excluded from participating in this type of sharing. The exclusion also happens with private home-swapping platforms. Municipality officials may be among the excluded, as many of them either lack the technical skills, exposure or equipment (Berkowitz & Souchaud 2019; Vith *et al.* 2019) to engage meaningfully with the SAI platform enterprises. This is particularly true in developing countries where technological advancement is slower for a variety of reasons (World Bank 2018).

The unpredictability of the consequences of social inequality for platform enterprises and municipal governments causes ethical dilemmas for municipalities as well. The major challenge of inequality includes, among others, income inequality, with participation in the SAI benefiting the wealthier people who can afford second homes; and racial and gender bias (Ahsan 2020; Mercier-Roy and Mailhot 2019). The impact of the SAI on the environment is also a critical consideration in light of the provisions of the United Nation's Sustainable Development Goals (Salamat 2016; PriceWaterhouseCoopers 2015). The increased conversion of private homes into sharing facilities has significant environmental consequences. These include pollution due to aspects such as traffic congestion and population increases, which put pressure on scarce resources such as energy and water in neighbourhoods (Etter *et al.* 2019; Salamat 2016).

Within this context, the challenge of regulating the SAI requires municipalities to walk the narrow path to prevent stifling innovation, while attempting to gain social, economic and environmental benefits. Shared accommodation platforms backed by venture capital bring about a well-funded lobbying team, public policy teams and "community organisers" (Berger *et al.* 2020; Chai & Scully 2019; Stemler 2017). These organisers collaborate with local and regional policymakers to promote the economic benefits of SAEs, while minimising or denying any negative consequences (Sharing Cities Action Network 2020; Vith & Höllerer 2020). This is where municipalities find themselves confronted with difficult choices, particularly where there are no obvious solutions to satisfy all of their equally important stakeholders.

RESEARCH AND DATA COLLECTION METHOD

The article assumed an interpretive paradigm and a qualitative multiple-case study methodology to investigate and explore the research topic. This case study design was deemed to be suited since the focus was on the organisational and managerial processes of the Cape Town and eThekweni municipalities. The researchers opted to focus on municipalities on the African continent, as a developing region instead of including others in developing regions like Latin America and South East Asia. This was to allow for the work to contribute to an African perspective to academic knowledge about the SE and SAI. According to the World Bank (2018), the development of the SE and SAI in the regions of Latin America in particular are at the same stage of development as in Africa, while the countries in South Asia have more cities with advanced SE sector and SAI. The rate of development of internet-based SAI corresponds to the rate of socioeconomic development in these locations as well as the rate of internet access (World Bank 2018).

In Africa, the focus of the research fell on South Africa, which is leading other countries in the growth of SE and SAI, mainly due to its developed infrastructure (Airbnb 2019; PriceWaterhouseCoopers 2015). The leading municipalities in South Africa are Cape Town followed by eThekweni (Durban) and Johannesburg, which is mainly a business destination (Airbnb 2019; South African Tourism 2019). Before the COVID-19 pandemic, Cape Town in particular, led cities such as Nairobi and Marrakesh in terms of the Airbnb business (Airbnb 2019). Additionally, both Cape Town and eThekweni (Durban) led other African cities in their contribution to the SE through other home-grown platform enterprises such as SafariNow and Travelstart (Airbnb 2017; PriceWaterhouseCoopers 2015).

Secondly, the City of Cape Town pronounced its ambition to become the Silicon Valley of Africa (City of Cape Town Annual Report 2020). The eThekweni municipality's Integrated Development Plan (IDP) pronounced the municipality's ambition to become the leading regional Smart Port City Region (eThekweni Municipality Annual Report 2020). Both municipalities play active roles in global initiatives to support their smart city ambitions. They are leading other African cities in their affiliation and participation in global sharing initiatives like the Sharing Cities Action Network (Sharing Cities Action Network 2019) and the United Nation's Global Cities Compact (UNGCC).

Thirdly and in terms of governance of shared accommodation, the City of Cape Town is leading other municipalities in South Africa, and Africa whilst eThekweni follows very closely (Airbnb 2019). This is largely due to their popularity in the business and leisure travel segments (Airbnb, 2017; PriceWaterhouseCoopers 2015). Concerning the Cape Town, it is the first South African city (municipal government) to introduce by-laws to regulate and govern SAI (short-term rentals).

The City of Cape Town first published its by-laws in October 2019 (City of Cape Town October 2019). Furthermore, it was the first municipality in Africa to sign the City Collaboration Agreement with Airbnb.

The sample of the research participants consisted of purposefully selected people from within and outside the structures of the Cape Town and eThekweni municipalities. In both municipalities, participants consisted of eight employees occupying senior management positions in the administration of the affairs of the municipalities. The participants are responsible for the functions that are relevant to the topic, including policy and by-law development and administration; economic planning and development; town planning and urban renewal.

The external stakeholders consisted of 12 participants occupying senior management positions in hotels, BnBs, guesthouses, destination marketing and business and community organisations. The participants are directly and indirectly impacted by the growth of the SAEs, and they operate within and outside the two municipalities. The snowballing and opportunistic sampling techniques were used to ensure that stakeholders with the potential to enrich the research were engaged. The strategy was equally useful in securing the participation of stakeholders with a national footprint as well as within the provinces and municipal areas.

The primary data collection methods of semi-structured interviews and observations were employed. Three types of interview questionnaires were used based on the three participant categories: (i) municipal employees, (ii) external participants including hoteliers, BnBs, business organisations, destination marketing and community organisations; and (iii) business and public organisations with a national footprint.

The secondary data came from policy and by-law documents, IDPs and annual reports, media releases and electronic materials from both municipalities. Additional data in the form of industry research reports and government policy on the SE and SAI was sourced from various national and provincial organisations including Airbnb, TGCSA, South African Tourism, Western Cape Economic Growth and Promotions Agency (Wesgro), Durban Tourism and the National Tourism Department.

FINDINGS

The data that was collected was categorised into 3 themes that were informed by the research questions which helped the researcher with an in-depth investigation and exploration of the topic. The three themes were: (i) the competing multiple stakeholder interests; (ii) the ethical dilemmas of the SAI/SAEs; and (iii) the posture and management of the SAI/SAEs by the two municipalities.

Table 1: Summarised representation of the competing interests of SAEs

Data themes	Research findings summary
Competing interests of SAEs with other stakeholders	<ul style="list-style-type: none"> ■ They compete with other SAI operators such as BnBs, guesthouses and boutique hotels for clients, especially private homes have lower costs ■ They compete with individual community members
Areas of competition with other SAI participants and businesses	<ul style="list-style-type: none"> ■ Compete for clients as smaller SAEs charge lower prices due to low-cost structures ■ Access to land, buildings and funding to develop and operate ■ Compete for municipal services such as marketing and funding support ■ Access to affordable housing for employees of companies ■ Their access and clientele’s access to municipal infrastructure like roads, parking, water, energy ■ Licensed and registered SAEs pay business rates and taxes, while unlicensed ones pay residential rates and taxes
Areas of competition with community members	<ul style="list-style-type: none"> ■ Access to affordable houses and apartments to rent closer to their workplaces (densification and gentrification) ■ Access to municipal infrastructure like parking, roads and services including water, energy, etc.
Areas of competition with municipalities	<ul style="list-style-type: none"> ■ Access to clientele database needed by municipalities to update their database and also for service delivery purposes ■ For social housing for municipal employees and infrastructure including parking, water, energy and roads

Source: (Authors’ own compilation)

The research findings on the competing interests of the multiple stakeholders within municipalities are presented in Table 1. The key finding is that the SAI/SAEs compete with businesses and ordinary members of communities for various things. With businesses, the SAI/SAEs particularly private homes compete for clientele, as the SAEs can charge lower prices due to their lower cost structure. They also compete with businesses in general for access to municipal infrastructure such as roads and parking and for services including water, energy, funding and marketing support. With communities, the SAI/SAEs compete for access and use of social infrastructure such as affordable housing and municipal services and bulk infrastructure such as roads, parking, hospitals, etc.

A summary of the findings on the ethical dilemmas is presented in Table 2. The ethical dilemmas were grouped into three categories in line with existing knowledge, hence, economic, social and environmental considerations. On the economic considerations, the research revealed that in both municipalities the areas of contestation include gentrification and densification of neighbourhoods, loss of employment and increased inequality among the citizens. On the social considerations, the findings include homelessness due to the increased

Table 2: Research findings on the SAI ethical dilemmas

Economical considerations	Social considerations	Environmental considerations
<ul style="list-style-type: none"> ■ Densification and gentrification of residential areas ■ Unemployment and syndicated employment ■ Inequality increased ■ Platform enterprises as faceless entities, circumventing local regulations ■ Unlicensed and unregistered entities competing whilst not paying equal share in rates and taxes ■ No support system to back SAEs and no customer recourse ■ Urban renewal through misplaced student accommodation 	<ul style="list-style-type: none"> ■ Unaffordable housing ■ Safety and security in inner cities/CBD e.g. eThekweni ■ Loss of neighbourliness ■ Companies unable to find accommodation for their employees including municipalities themselves ■ Increased homelessness in the cities ■ Overpopulation of shared spaces ■ Mismanagement of common spaces ■ Discrimination, gender and religious sensitivities ■ Unfair advantages of wealthy people, often seated with empty properties 	<ul style="list-style-type: none"> ■ Pressure on scarce resources including water and energy (day zero water shortage in Cape Town) ■ Pollution of water, air and general degradation (sewage spills on beachfront in eThekweni) ■ Nuisance and noise (student accommodation in eThekweni)

unavailability of affordable housing to buy and rent; the loss of neighbourliness; loss of privacy and concerns about safety and security. Regarding environmental considerations, the concerns include increased pollution due to increased traffic in residential areas; and increased pressure on scarce resources such as water and energy. Additionally, a rich and thick presentation of the research findings (using the actual words of a selection of the research participants) on the ethical dilemmas is included in Table 2.

In terms of the measures both municipalities use to manage the SAI, the findings are summarised in Figure 2, and they indicate that both municipalities have not developed specific regulations or by-laws to govern the industry. In the case of the City of Cape Town, they use the short-term rental by-laws in addition to other by-laws and regulations such as land use management, zoning and building codes. This is similar to eThekweni municipality where the formal paid accommodation by-laws and regulations are used. This is in addition to other municipal regulations including the student accommodation policies which they have developed in collaboration with stakeholders in the higher educational and learning industry.

With the SAI growth and the pressure mounting from market incumbents and communities for the SAEs to be regulated, the findings revealed that both municipalities have embarked on processes to develop by-laws and regulations for

Figure 2: Graphical representation of the measures used by Cape Town and eThekweni Municipalities to manage the ethical dilemmas



Source: (Authors' own construction)

the industry. In the case of eThekweni municipality, whilst they reported that they are still studying and debating the SAI given their inability to differentiate it from self-catering establishments; they are amending and expanding their existing regulations and by-laws. Additionally, they are developing a tourism policy (by-laws) in collaboration with the provincial government focusing on the SAI and shared mobility. Similarly, Cape Town has developed a by-law and policy to govern the SAI and it is pending Council approval.

DISCUSSION

The findings of the research provide empirical evidence consistent with existing literature on the shared accommodation industry, which is one of the fastest growing within the sharing economy sector (Hossain 2021; McKenzie 2020; Belk *et al.* 2019). The findings address the knowledge gap in the literature on the topic in

three ways. First, it contributes to a better understanding of the ethical dilemmas that municipalities face in developing countries when competing interests of various stakeholders are at issue. The nuances discovered in the research findings are compatible with the perspectives of developing countries, which are considered to lag in terms of technical growth and the digital economy. Second, the findings add to our understanding of the municipal-level measures employed to handle the SAI ethical quandaries in the two developing-country cities of Cape Town and eThekweni. Third, the research findings validate and emphasise variations and similarities in contemporary discourse on ethical dilemmas in the shared accommodation industry, as well as the numerous approaches utilised to govern this evolving industry.

As one of the leading sharing economy industries, the SAI is a key area of contestation, especially in major global cities (Davidson & Infranca 2016; Fraiberger & Sundararajan 2015). Municipalities face multiple sustainability challenges to manage as their population expands, such as overcrowding, densification, escalating air quality, gentrification, waste generation, environmental degradation, health concerns, compromised safety, unemployment, wage disparities and social segregation issues (Palgan *et al.* 2019; Gorenflo 2017 in Ramawela 2023). Accordingly, these challenges are the source of ethical dilemmas for municipalities due to the difficult decisions which they must make from time to time. The ownership and operational model of modern SAEs are two of the major ethical dilemmas to consider at the outset. Municipalities face challenges as both central actors and focal points in the discourse of structuring the SAI, as a result of these modern sharing practices. This is because resource sharing frequently involves both public and private interests (Etter *et al.* 2019; Palm *et al.* 2019), which sometimes forces municipalities to make difficult and impossible choices. For example, enterprises that own the platform connection are distributors rather than owners of the products offered. Many of these platform enterprises are multinationals with no permanent presence outside of their home countries, where their earnings are repatriated. Among others, the lack of permanency by these platform enterprises allows them to circumvent the laws of their host countries.

In line with existing knowledge, the ethical dilemmas arising from the competing interests of the SAI and other stakeholders fall into three categories. The three categories are economic, social and environmental considerations. The findings of the research were congruent with those of other global cities and municipalities, particularly those in developing countries. Municipalities in these countries will face additional pressure to carry out their duties equitably and fairly, while still providing basic services to inhabitants. According to the United Nations (2019), the urban population in developing nations will have increased by 66% by 2050 due to their complicated economic and social conditions.

Economic considerations

The research findings on the economic considerations were extensive, reflecting the research participants' focus on the economic impact of the SAI within municipalities. The concerns that emerged include densification and gentrification of residential areas, the increase in unreliable employment and jobs, increased inequality amongst the citizens, the circumvention of regulations by both local and multinational platform enterprises, and the safeguarding of data for both clients and service providers.

The ethical concerns of densification and gentrification were mostly pronounced in the City of Cape Town, which has experienced massive growth of SAEs in recent years. The findings revealed that densification and gentrification are occurring at a faster rate in the Cape Town than in eThekweni. Densification has resulted in the construction of apartment complexes in areas with public infrastructure designed to accommodate a limited number of private homes. Residential areas have been converted into apartments for more people without the necessary public infrastructure upgrades. Once these apartments have been developed, they are either sold to individuals who rent them out to other people on a short-term or long-term basis. Additionally, large enterprises are also involved through the development of apartments, which they rent out as part of their shared accommodation offerings. The clientele for such accommodation includes students and academics, remote workers and digital nomads. The City of Cape Town has also experienced greater densification than eThekweni. The evidence as indicated in the research findings includes the renewal of the Cape Town CBD and the nearby residential areas of Observatory, Woodstock and Claremont.

Similarly, gentrification is a major concern for both municipalities according to the research findings. The main concern as supported by the literature, is the undesirable merger of commercial and residential spaces (Salice & Pais 2017; Sundararajan 2017). The changes have an impact on housing prices and residents' privacy, among other aspects (Schor & Fitzmaurice 2015). Additionally, gentrification blurs the distinction between residential and commercial areas, resulting in a slew of social and environmental problems. The migration of businesses to residential areas is one of the negative repercussions of gentrification. This migration almost invariably increases the cost of renting or buying of houses, displacing families, some of whom need to be closer to their places of employment.

Gentrification has a significant impact on municipalities, primarily through lower revenue from levies and taxes. Gentrification is visible in the eThekweni CBD, with major businesses relocating their headquarters from the CBD to the Umhlanga and Ballito residential neighbourhoods of Durban North. The impact of the migration from eThekweni's inner city to Durban North's residential districts presents the municipality with a slew of issues. At the heart of their challenges is

ensuring that the CBD does not degrade, protecting their earnings in taxes and levies while also protecting the demands of the residents affected by the migration.

However, densification and gentrification are not always harmful because they can have a positive impact on the communities where they occur. In the case of the City of Cape Town, densification is enabling the much-needed renewal of the CBD as well as the improvement of township areas and smaller towns. Gentrification has a good influence in several areas of eThekweni municipality. This is because it is driving the development of Umhlanga and Ballito commercial spaces and helping to retain major businesses in Durban and the KwaZulu-Natal Province as well.

The second key ethical concern emerging from the inquiry is labour relations. Following the research findings, the SAI affect employment and job security, which is cited in existing literature (Ahsan 2020; Stemler 2017; Malhotra & Van Alstyne 2014). The findings revealed that SAEs, particularly private homeowners, do not contribute to the creation of jobs and decent work as advocated by the International Labour Organisation (ILO). Many of the smaller SAEs, according to the research findings, do not employ workers in their establishments. The owners, particularly private home operators, usually do the work themselves or contract the work to syndicated service providers. Although the syndicated service providers employ workers to deliver their services, they do so without providing job security or other labour-related benefits. Besides, many syndicated service providers to SAEs use labour brokers to hire employees for them (De Villiers & Taylor, 2019; Katz, 2015). Some SAEs use the services of domestic workers to service their homes and clients, often without compensating them appropriately (Ahsan 2020; Sundararajan 2017).

As in the case of gentrification and densification, here too municipalities face difficult choices. Municipalities must promote economic development to create quality jobs and entrepreneurial opportunities. At the implementation level, the establishment and growth of SAEs are beneficial to economic development and job creation. Municipalities face the challenge because most of the jobs created by these SAEs are of lower quality and are unsustainable. The ILO advocates for decent jobs for all workers, particularly in developing countries, as part of improving the living standards of the citizens and equality. However, the reality is that SAEs, particularly smaller operators and private homeowners, do not contribute to decent job creation, as evidenced by the research findings.

The third case of ethical concern in the economic category is the assertion that the SAEs contribute to the perpetuation of inequality among the citizens and industry participants. The economic legacy of apartheid and spatial planning in South Africa were cited by most research participants as one of the reasons for the inequality among the citizens. According to the research findings, while the SAI allows people to leverage their assets to create wealth and financial security,

this is a privilege enjoyed by a few people in the country. It is a luxury enjoyed by the “haves” rather than the “have-nots,” and it occurs in areas where SAEs thrive, which are typically wealthy residential areas and workspaces. In consequence, municipalities find themselves unable to ensure that the benefits of the SAI are enjoyed by all the citizens and that it doesn’t remain a privileged few.

The other dimension of the inequality concern is the one between the SAI platform enterprises and the accommodation providers. As cited in the existing literature and supported by the research findings, large enterprises with larger networks in the industry are creating monopolies. In such situations, one or two platform enterprises control entire markets (Berger *et al.* 2020; McLaren & Agyeman 2015; Malhotra & Van Alstyne 2014). The size of these platform enterprises, their profits and their marketing efforts call into question their role as passive intermediaries (Mercier-Roy & Mailhot 2019; Wruk *et al.* 2019). It has been suggested that these companies and their financial backers are taking advantage of the positive symbolic connotation of sharing (Mercier-Roy & Mailhot 2019) while lifting excessive value from the industry.

According to Stemler (2017), large enterprises do so by giving very little to smaller role players and the countries in which they conduct their business (Stemler 2017). Consequently, it is argued that these enterprises should be held to greater accountability for the services operating under their names (Etter *et al.* 2019; Frenken & Schor 2019; Malhotra & Van Alstyne 2014). The research findings have revealed similar concerns in Cape Town more than in eThekweni. This is due to the Cape Town’s greater embrace of technology as well as the prevalence of platform enterprises in the municipality. To demonstrate their resolve to embrace technology within the SAI, Cape Town became the first African municipality to sign a cooperation agreement with Airbnb in 2019 (City of Cape Town October 2019). The agreement calls for Airbnb and the City of Cape Town to work together to promote the benefits of people-to-people tourism for inhabitants. As a result, it enhances community-led tourism, particularly in the townships. The initiatives in turn support greater economic and social empowerment in the City of Cape Town (Airbnb 2017).

The fourth economic consideration highlighted in the research findings is the flouting and circumvention of laws and regulations governing the paid accommodation industry in both municipalities. Additionally, the findings highlighted SAEs’ proclivity to avoid paying their fair share of rates and taxes levied by municipalities to fund services and public infrastructure. As a result, municipalities are compelled to choose between supporting these SAEs as part of encouraging economic development or enforcing the regulations, as they do with market incumbents such as hotels, BnBs and guesthouses.

Traditional SAI operators including BnBs, guesthouses and hotels have already accused the municipalities of targeting them with regulatory enforcement while

ignoring the “illegal” operators like the private home SAEs. The research findings are supported by the literature, which asserts that SAI participants have been criticised for breaking the laws and failing to pay their fair share of the levies and taxes in many countries (Berger *et al.* 2020; Vith *et al.* 2019; Acquier *et al.* 2017). In cities including Vienna, Amsterdam and Barcelona, researchers found evidence that individual homeowners were not subjected to paying taxes on the income they receive from their home-sharing operations (Berger *et al.*, 2020; Mercier-Roy & Mailhot 2019). Furthermore, the large platform enterprises equally avoid paying their fair share of levies and taxes (McKenzie 2020; Dolnicar 2018; World Bank 2018) and instead choose to subject municipalities to legal battles.

Furthermore, the research findings revealed that in the case of the Cape Town and eThekweni, the SAI participants are also not subject to regulatory provisions such as zoning, which affect market incumbents like BnBs, hotels and guesthouses. Moreover, large SAEs frequently take advantage of outdated tax rules and regulatory loopholes, particularly in developing countries like South Africa. By the time that the authorities catch up with the SAEs’ activities, it is frequently too late to reverse the negative effects. For both municipalities, the unintended consequence is the increased deregistration and non-renewal of business licenses by entities like BnBs and guesthouses. The research findings indicated that many BnBs and guesthouses are no longer renewing their business licenses and insurance, which are costly. Instead, they are joining the list of Airbnb-affiliated properties, which do not require them to pay registration fees or insurance. Additionally, platform enterprises like Airbnb charge a commission and service fee, which is paid by the clients instead of the accommodation providers (McKenzie 2020; Stemler 2017). The Airbnb commission forms part of the final price paid by the client or user of the accommodation service instead of the accommodation providers.

The fifth economic consideration, linked to security concerns, is data security for both clients and accommodation providers (home-sharers). Platform enterprises, such as Airbnb, gather and record data from their subscribers as part of their business models and analyse it for their purposes (Etzioni 2019; Levine, 2019). The data includes both transactional and non-transactional information. If municipalities were to gain access to the data, they could use it to inform their governance plans and strategies (Levine 2019; Martin 2019). However, communities and some scholars have raised concerns about platform enterprises sharing participant data with governments, including municipalities (Berger *et al.* 2020; Biber *et al.* 2017). This is because sharing participant data violates their privacy, posing ethical dilemmas for municipalities. Municipalities must constantly improve their service delivery and infrastructure, which necessitates access to the most recent data on users and accommodation suppliers. Within this context, however, gaining access to data through platform enterprises may not be desirable for them as a sphere of government.

Similar concerns emerged in the research findings about the apparent collaboration between the City of Cape Town and SAEs like Airbnb. Others saw the move as an opportunity for the municipality to learn more about platform-based SAEs and to inform the City of Cape Town's regulatory measures and service delivery. However, others saw the move as a risk in that the SAEs and municipalities would exchange favours, which may disadvantage other SAEs. The favours could include the exchange of client and service provider data, which could jeopardise the fairness and objectivity of the municipality.

The sixth economic consideration emerging from the research findings is the protection for the users of platform enterprises against fraud, liability and unskilled service providers (Berkowitz & Souchaud 2019; Etzioni 2019; Biber *et al.* 2017). Among some of the concerns emerging from the inquiry was the lack of measures to ensure that SAE customers have recourse in the event of problems. It has been stated that platform enterprises that connect users and accommodation providers do not provide protection and safeguard measures for both customers and home-holders. Furthermore, because platform enterprises do not share their client data with municipalities when challenges arise, the outcome is frequently unsatisfactory. Since this may harm the reputation of a destination, traditional SAEs including BnBs, guesthouses and hotels have increased their calls for SAEs to be regulated, particularly the private home sharers.

Social considerations

The SAI's exponential growth has heightened, among other things, social concerns about housing shortages, particularly in urban areas (Brandtner & Suárez 2021; Biber *et al.* 2017; Stemler 2017; Malhotra & Van Alstyne 2014). This is occurring because more people choose to rent out their properties through platform enterprises at unaffordable prices for locals (Frenken & Schor 2019; Gori *et al.* 2015). Among others, the research findings ranked highly the renting out of accommodation via platform enterprises such as Airbnb as a major contributing occurrence. This is because it was viewed as contributing to the scarcity of houses for sale and rent, particularly in Cape Town. The consequence of increased housing prices and rent is the displacement of people to areas far from their workplaces. The scarcity of affordable housing also impacts municipalities and businesses, forcing them to relocate their offices to areas where affordable housing is available for their employees. The unintended consequence of businesses relocating their offices, as in the case of eThekweni, is that the municipality's earnings in levies, property valuation rates and taxes are reduced. The result is that the municipalities' service delivery efforts are affected.

The second social consideration, according to the research findings, is consumer and service provider safety, security and privacy concerns. This is because

home-sharing exposes accommodation providers and users to both personal and financial risks (Belk *et al.* 2019; McDonald *et al.* 2015; Malhotra & Van Alstyne 2014). The research findings highlighted the concerns of increased crowding of residential areas arising from the densification through SAEs. Among other things, the effect is the loss of neighbourliness and privacy.

With the reported high numbers of SAEs operating under the radar in both municipalities, security concerns have emerged, which the authorities must address. According to the research findings, the introduction of student housing in prime locations such as the Durban beachfront has exacerbated the situation in eThekweni. The affected spaces include the areas primarily occupied by traditional accommodation establishments such as hotels, BnBs and guesthouses. As a result, tourists' numbers visiting these establishments have continued to decline, resulting in revenue loss for both the operators and the municipalities.

Another social consideration emerging from the research findings, and corroborated by Berger *et al.* (2020), is the exclusivity rather than inclusiveness perception of the SAI. According to Stemler (2017), most platform enterprises are built to be accessed by well-connected and digitally informed users who can spend and engage with them intelligently. This excludes a large number of people from the industry, including those who may require it the most. The elderly and students are among those who may benefit the most from the SAEs that are accessible to all. In the case of the Cape Town and eThekweni, individuals and entrepreneurs from previously disadvantaged communities, retired and elderly people including young working professionals may benefit from an accessible SAI.

Furthermore, the exclusivity perception also happens within the private home-swapping platforms, which are far more sophisticated and out of reach for many people. The research findings revealed that the wealthy within the Cape Town and eThekweni municipalities actively participate in the practice of home swapping. Both municipalities have a higher concentration of high-net-worth individuals and a higher proportion of foreign-owned homes (De Villiers & Taylor 2019; Katz 2015). However, the home-swapping operators frustrate the Cape Town and eThekweni municipalities in terms of governance and regulations, incorporating municipal officials as part of the excluded stakeholders. Municipal officials, for example, lack the technical skills and equipment required to engage effectively with the industry (Berkowitz & Souchaud 2019; Vith *et al.* 2019). In consequence, governance lapses often occur, which may compromise the destination and the ability of the municipalities to treat their stakeholders equitably and with fairness.

The fourth consideration is the unpredictability of the repercussions of social inequality. According to Mercier-Roy and Mailhot (2019), shared accommodation creates social inequality based on race, gender, religious bias (user-facing) and sexual orientation (World Economic Forum & PriceWaterhouseCoopers 2017). The research findings highlighted the concerns of racial, gender, religious and

sexual bias, particularly in the co-living segment of the industry. The gender, sexual and religious bias was user-facing, with incidences of discrimination reported to authorities. Additionally, there is a racial and religious bias that service providers face, particularly in the quest of entrepreneurs pursuing their aspirations and seeking assistance from financiers and municipalities. In consequence, all of the social considerations of the internet-based SAEs put municipalities under immense pressure to ensure that the interests of all their stakeholders co-exist harmoniously, something they struggle to achieve in practice.

Environmental considerations

According to Salamat (2016), the impact of the SAI on the environment is also critical, considering the provisions of the United Nation's Sustainable Development Goals (SDGs). The increased conversion of private homes into sharing facilities has significant environmental consequences, particularly in residential areas. The population increase, traffic congestion and pollution put undue pressure on scarce resources such as energy, water and air quality in residential areas (Yin *et al.* 2018; Yaraghi & Shamika 2017; Salama 2016). The research findings highlighted the environmental concerns emanating from the activities of SAEs and their clientele within the Cape Town and eThekweni municipalities. The concerns include the pressure placed on scarce resources such as water and energy, which affects many South African municipalities. For instance, in Cape Town, the rapid increase in the population combined with climate change resulted in massive 2018 water shortages dubbed "Day Zero". During the water rationing period, the City of Cape Town discovered many private homes operating as SAEs, that were not abiding by existing laws and regulations.

Another issue highlighted in the research findings is the concern of environmental degradation, which impacts both municipalities. In this particular instance, the example of eThekweni municipality is relevant. In 2021, the eThekweni municipality was struck by massive floods. Among the reasons cited for the tragedy were the unregulated developments and human settlements throughout the municipality. Other causes suggested include a failure to maintain the municipality's bulk infrastructure, such as stormwater drainage systems, bridges and drainage pipes. Aside from flooding, the research findings highlighted environmental hazards caused by poorly maintained sewerage drainage systems. The impact of the poorly maintained sewerage drainage system resulted in the sewerage spilling into major hotel parking spaces, particularly around the tourist areas of the Durban beaches and harbour.

In addition to the drainage systems being neglected, there was a problem with the installation of appropriate measures to remove wastage such as ghee fat from SAE apartments, particularly those on the Durban beachfront. Without the fat

traps, the municipality's drainage systems would be overburdened, according to the research participants. This is because the existing systems used in most apartments were not designed to accommodate the cooking habits of modern-day Durban beachfront residents, which includes SAE operators.

The second area of concern regarding environmental considerations is air pollution caused by increased traffic levels, particularly in residential areas. The research findings relating to the issue of pollution, also highlighted noise pollution and general nuisance, especially with the onset of student housing in both municipalities. Whereas regulations exist for student accommodation, the challenges emanating from other SAEs, especially the private homes and apartments, persist because many of them disregard the existing laws governing the industry.

Even in developing countries, SAEs must make positive environmental contributions following the United Nations' SDGs. However, municipalities bear the greatest responsibility for performing their balancing act, following the requirement of treating all stakeholders equitably and fairly. The research findings revealed that work is underway at least within Cape Town to work with SAE operators to mitigate environmental challenges. According to their 2019 agreement, the City of Cape Town and Airbnb work together to mitigate the impact of an increasing number of tourists visiting the city and utilising its infrastructure and services (City of Cape Town October 2019). Several initiatives have since been implemented within the municipality's shared accommodation establishments, including small SAEs and some private home sharers.

Managing the ethical dilemmas of the Shared Accommodation Industry

The research findings were congruent with the literature on the stakeholder theory of governance, beginning with the posture of the Cape Town and eThekweni municipalities. The government always plays a unique combination of ideal types of roles. At any given time, the government is constantly involved in a distinctive blend of ideal roles. According to Dahan *et al.* (2015), the government plays the role of setting the framework (making the rules); the business partner (collaborator); the inceptor (interfering), and the advocate (an agitator).

Concerning decision-making mechanisms, the research findings appear to point to a preference for utilitarianism and deontology theory approaches. Freeman (2017 in Ramawela 2023) posits that governments can act as judges when confronted with the social demands of conflict by different stakeholders. Therefore, when faced with such situations, the government decides what is of common interest within the framework of the common good principle (Lees-Marshment *et al.* 2020). Spheres of government, laws and policies generally guide municipalities to make decisions that benefit the greatest number of people.

The research findings indicated the various measures (tools) used by the Cape Town and eThekweni municipalities to inform their decisions in managing the novel platform-based SAI. Research participants from within the two municipalities and external stakeholders testified about the municipalities' reliance on existing municipal policies and by-law prescriptions, although they were insufficient.

On the management of the ethical dilemmas, the research findings revealed that both municipalities lack the required knowledge and technical skills to govern the modern internet-based SAI. The literature highlighted the need for governments to exercise caution when allowing technological innovations within society. This should be done in the interest of preserving people's liberties as well as limiting the wholesale erosion of cultures, values and norms (Etzioni 2019; Levine 2019; Stemler 2017); and to prevent conflicts. The research participants emphasised the need for the Cape Town and eThekweni municipalities to acquire the necessary knowledge and expertise to develop and implement regulations that will regulate the SAI fairly and equitably. The skills and knowledge are also critical to enable municipalities to balance the needs of economic development with the protection of people's liberties and way of life.

On the measures (tools) used to govern the modern internet-based SAs, the research findings revealed that neither municipality has specific policies and by-laws in place. This was the main reason for the discontent from other stakeholders including other SAI participants and communities. The research findings revealed that the reason for the absence or delay in developing the SAI regulatory measures was mainly due to the inability of the municipalities to "figure out" the SAs owing to their evolving and pop-up nature. Furthermore, the blurred distinction between traditional and modern Internet-based operators was mentioned as a hindrance (Etzioni 2019; Martin 2019; Mercier-Roy & Mailhot 2019), which municipalities need to overcome through knowledge and skills acquisition.

However, the absence or lack of regulatory measures in the case study municipalities are not in a unique situation, according to the literature. Even the municipalities with developed policies, regulations and enforcement structures for SAs have limited capacity to intervene (Sharing Cities Action Network 2019). This is because the modern platform-based SAs are new to many countries, particularly developing countries. It was noted in the research findings, that the Cape Town and eThekweni municipalities were in the process of updating and adding relevant policies and by-laws to cater for these novel platform-based SAs. It is important, however, to indicate that governing the SAI and SAs will be an ongoing challenge for most governments including municipalities owing to the speed of change in the technologically driven industries. Governing authorities like the Cape Town and eThekweni municipalities will need to rely on the lessons from their counterparts as they develop their policies and by-laws. Additionally, they will need to ensure that they acquire the necessary skills and become agile

to keep up with the pace of technological changes in the SAI and the broader sharing economy sector.

Concerning the specific measures used to manage the SAI, the research findings revealed that both municipalities employed the laissez-faire strategy, although at differing levels of intensity. Additionally, both municipalities rely on the work of third-party entities such as Body Corporates and community whistleblowers. The research findings are in line with existing knowledge from other municipal governments, that use complaints, statistics, inspections and third-party corporations to help monitor compliance (Sharing Cities Action Network, 2020). The only difference is that in developed countries, the municipalities employ these measures, particularly the third-party corporations in combination with well-orchestrated and implemented policies and regulations. This is in contrast to the research findings which indicate a total reliance on Body Corporates and community whistleblowers in the Cape Town and eThekweni municipalities. The evidence comes from the testimonies of research participants, some of whom complained about municipalities abdicating their responsibilities when it came to policing and containing the activities of SAEs while being strict with market incumbents like B&Bs and hotels and other stakeholders.

The SAI presents municipalities with requirements that frequently call their ethics and moral judgements into question. The research findings have indicated that municipalities face ethical challenges in executing their mandate, due to the tendency that the interests of the SAI often compete with those of other stakeholders (Etter *et al.* 2019; Palm *et al.* 2019; Acquier *et al.* 2017). The affected stakeholder groups include amongst others traditional SAE operators such as BnBs, guesthouses and hotels. In addition, there are other stakeholders within and outside the SAI like local communities, trade organisations and municipalities. Municipalities must treat all of these stakeholders with equity and fairness by implementing appropriate policies and regulations. After all, municipalities, as spheres of government, are accountable to everyone in society.

CONCLUSIONS

Municipalities have become incubators for innovative sharing economy industries, whose business models are challenging established regulatory systems, particularly in the SAI. Notably, within the scope of the study and the current literature, the research findings indicate that platform enterprises connecting accommodation providers and users are threatening existing legal systems within municipalities (McKenzie 2020; Vith *et al.* 2019). Due to their function as intermediaries, these platforms have found themselves in contentious circumstances. This is due to the

values and goals they prioritise, as well as the strategic threat they pose to market incumbents like BnBs, guesthouses and hotels.

The technological tools on which shared accommodation providers rely are also not morally neutral. They are intended to have a high value, and they are part of networks of human and non-human entities that enact specific realities at the expense of other stakeholders. Their legitimacy and traction are dependent on key stakeholders' formal or informal, direct or inferred approval of the moral choices that they imply.

Similarly, SAI operators like private homes are not acting fairly in the marketplace. This is even though they are in the business of providing transitory accommodation, which requires them to operate in commercially designated zones and adhere to the same commercial standards and criteria as BnBs, guesthouses and hotels. Furthermore, the self-regulation of these enterprises is often arbitrary and self-serving. Requests for data from municipalities to better understand the platform's activity and enforce regulations are routinely denied and subjected to litigation.

Although most municipalities face comparable ethical dilemmas, the depth and intensity vary. This is most likely influenced by a variety of factors such as the effect of urbanisation, the rate of economic development and political, social and environmental considerations. Globally, municipalities are experiencing the impacts of platform enterprises and need new ways to understand their business models and find ways to approach the situation, as well as ways that allow them to defend their sovereignty, as well as to ensure harmonious settings for all stakeholders.

Concerning the management of the ethical dilemmas, the overall research finding is that the municipalities of Cape Town and eThekweni are failing to manage the competing interests of their multiple stakeholders. This failure is attributed to the lack of skills and knowledge to manage the internet-driven SAI and SAEs. This means that the two municipalities are lagging in terms of equipping their employees to enable them to manage the SAI interests in an appropriate balance with the interests of other stakeholders. Notably, both municipalities are welcoming and positively disposed toward the SAI industry. Whereas the City of Cape Town readily opted for a *laissez-faire* approach towards the industry, particularly after their public consultative process in 2017. The research findings, however, revealed a leaning towards embracing the SAI whilst enforcing the existing by-laws governing other paid accommodations enterprises within the eThekweni municipality.

Furthermore, in terms of the measures used to manage the SAI, both municipalities lack specific regulations to govern the industry. In the case of the Cape Town, the municipality uses the short-term rental by-laws in addition to other by-laws and regulations such as land use management, zoning and building codes. It is the same situation in eThekweni municipality where the travel-related accommodation by-laws are used in addition to other municipal regulations including the student accommodation by-laws.

On a practical level, the findings provide municipalities with greater awareness of the challenges of managing the internet-based SAI within the context of ensuring ethical practices and treating all stakeholders equitably and fairly. The findings may provide guidelines for thoughts, decisions, communications, and behaviour within their practices and also of the SAI operators. Notably, municipalities may be assisted in formally developing ethical business environments, leadership and practices, to guide their employees, particularly in addressing competing interests of their stakeholders.

Municipalities' role in governing the SAI is becoming increasingly important, particularly in terms of the treatment of all stakeholders with equity and fairness. The SE and its industries have the potential to revolutionise municipalities as well as their economic growth, environmental stewardship and social viability if properly managed.

NOTE

- * The article is partly based on a draft doctoral thesis completed in 2023, at the University of Pretoria, under the supervision of Prof N Holtzhausen, titled: Ramawela, M.E. 2023. *Managing the Shared Accommodation Industry ethical dilemmas: The case of Cape Town and eThekweni's competing multi-stakeholder interests*. Pretoria: University of Pretoria.

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