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**The emergence of democratic firms in the platform economy: drivers, obstacles, and the path ahead**  
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## ABSTRACT

This chapter conducts a comparative case study of two businesses in the urban mobility sector – The Mobility Factory and Eva – that have built a cooperatively-governed technological infrastructure for shared use among primary cooperatives in their network, using the resources contributed by those cooperatives. The objective of these case studies is to, first, contribute to the development of theory regarding the formation of shared-services cooperatives by first, describing and comparing the legal and governance structures of two such ‘network organisations’. Second, the study investigates the rationale behind the choice of such a structure. This allows the formulation of new hypotheses on the legal and governance structures employed by emergent ‘shared-services platforms’, which may hold lessons for the wider platform cooperativism movement.

## 6.1 INTRODUCTION

This chapter presents a study of two businesses that have built a cooperatively governed technological infrastructure<sup>862</sup> for shared use among cooperatives in their network, using the resources contributed by those cooperatives. In the particular context of the platform economy, this includes the co-development and co-ownership of software applications for online matchmaking platforms by several (loosely) connected businesses.

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861 This chapter first appeared as a research report, conducted under the guidance of Dr. Trebor Scholz, Associate Professor of Culture & Media at The New School in New York City and the Director of the Institute for the Cooperative Digital Economy. It was completed while the author was a Research Fellow at the Institute for the Cooperative Digital Economy in 2019 and was published in 2020. The eponymous report is archived online here: < <https://archive.org/details/morshed-mannan-single-web/page/n3/mode/1up>>. It has been slightly extended for the purpose of clarity and integrating into the dissertation. Upon reflection, I have also decided to use the term shared-services platforms rather than shared-services platform cooperatives.

862 In a manner similar to Frischmann, I use the term infrastructure capaciously to indicate resources that are “shared means to many ends”. Brett M Frischmann, *Infrastructure: The Social Value of Shared Resources*. (Oxford University Press 2014) 4.

As such, these organizations bear a resemblance to time-tested supply and shared-services cooperatives in the agricultural and retail sectors, thereby showing how the past continues to offer lessons for contemporary businesses, including those developing ‘disruptive’ technologies. These businesses, ‘The Mobility Factory’ [TMF],<sup>863</sup> ‘Eva’,<sup>864</sup> and others like them, will be referred to as shared-services platforms.

This study shows that shared-services platforms have begun to emerge from another set of cooperatives, known as platform cooperatives,<sup>865</sup> in a bid to share costs as well as to achieve scale. The methodology used is a comparative case study,<sup>866</sup> with two cases in the urban mobility sector. The objective of these two exploratory case studies is to contribute to the development of theory regarding the formation of shared-services platforms by first, describing and comparing the legal and governance structures of two such ‘network organizations’ and second, investigating the rationale behind their choices of structure. This will allow the formulation of new hypotheses on the legal and governance structures employed by emergent shared-services platforms and may hold lessons for similar entities.

This chapter makes three contributions to the existing research on the platform economy. First, it provides an in-depth examination of the legal and governance structures of two novel businesses at the intersection of the platform, circular and solidarity economies, neither of which have previously been the subject of academic study. Moreover, it showcases the real-world instantiation of a hypothesized – but seldom seen – organizational structure in the platform economy. Second, drawing on the existing research on primary and secondary cooperatives, social franchising and property rights in common goods, it evaluates some of the opportunities and challenges that the use of these structures raises. Third, in an undertheorized field, it develops seven hypotheses regarding shared-services platforms, which may be tested as more shared-services platforms are formed.

The second section will be devoted to expanding on the origins of the shared-services platforms concept, followed by a brief explanation of the case study methodology in the third section. The fourth section will set out the two cases, focusing particularly on the legal and governance structure they have respectively opted for, before the fifth section compares the two cases and discusses the rationale for their choice of structure. This section will also elaborate on the two structures used by these cases, the European Cooperative Society (the *Societas Cooperativa Europaea*, SCE) and the

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863 The Mobility Factory, ‘Home Page’ (*The Mobility Factory*, 2021) <<https://perma.cc/KW6D-RSF5>>.

864 Eva, ‘Home Page’ (*Eva.coop*, 2021) <<https://perma.cc/D77G-2ZH2>>.

865 Trebor Scholz, ‘Platform Cooperativism vs. the Sharing Economy’ in Nicolas Douay and Annie Wan (eds), *Big Data & Civic Engagement* (Planum Publisher 2017); Scholz, ‘Platform Cooperativism vs. the Sharing Economy’ (n 148).

866 John Gerring, *Case Study Research: Principles and Practices* (1 edition, Cambridge University Press 2006) 27.

social franchise system, as distinct forms of network organizations for owning and governing shared technological infrastructure. Based on the experience of existing SCEs and social franchises, the potential and risks of these structuring options will be drawn out for the benefit of future shared-services platforms. The sixth and final section will conclude by reflecting on seven hypotheses that emerge from this theory-building study. These hypotheses posit that the choice of a shared-services platform will turn on the capacity of a primary cooperative to internally develop intellectual property, the importance it places on a global/local brand identity and its need to own and license tangible assets for the success of its business model. The section will conclude with suggestions as to future research.

## 6.2 SHARED-SERVICES PLATFORMS

Shared-services platforms emerged from the recognition that cooperative and mutual alternatives to corporate entities would struggle to grow without a shared technological infrastructure. In the platform economy in particular, reliant as it is on network effects, platform cooperatives need a means to grow users on both sides of the market, without replicating the very practices they are meant to be an alternative to. This has necessitated efforts at creating federations and other network organizations, which has materialized in different ways in the case discussed below.

An early proponent of such cooperatives is Bauwens, who refers to them as 'protocol cooperatives'. In *P2P Accounting for Planetary Survival*, a report co-authored with Pazaitis, he defines protocol cooperatives as:

"global open source repositories of knowledge, code and design, that allow humanity to create infrastructures for the mutualization of the main provisioning systems (such as food, habitat, mobility), and that are governed by the various stakeholders involved, including the affected citizenry"<sup>867</sup>

Bauwens envisions protocol cooperatives as being global organisational structures that enable such mutualisation, with cities, businesses and individuals as members.<sup>868</sup> He is of the view that the creation of such secondary cooperative entities,<sup>869</sup> with municipal governments championing such efforts, will help prevent wasteful efforts at duplicating technology across

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867 Michel Bauwens and Alex Pazaitis, 'P2P Accounting for Planetary Survival' (P2P Foundation, Guerilla Foundation and Schoepflin Foundation 2019) 9.

868 Michel Bauwens and Vasilis Niaros, 'Changing Societies through Urban Commons Transitions' (P2P Foundation and Heinrich Böll Stiftung 2017) 20, 53 <<http://commonstransitions.org/changing-societies-through-urban-commons-transitions/>>.

869 This is what, crucially, distinguishes shared-services platforms from other platform cooperatives, including cooperatives that build blockchain protocols (e.g. Ark.io) and blockchain dispute resolution protocols (e.g. Kleros.io), as the latter two are primary cooperatives.

cities and countries.<sup>870</sup> The crux of this argument is that it is not possible to build or overlay a digital ‘commons’ on a privatized infrastructure.<sup>871</sup> As a shared infrastructure,<sup>872</sup> these protocols<sup>873</sup> should be managed as common goods,<sup>874</sup> with the cooperative structure providing the requisite governance rules and norms. The sense in which protocol is used is thus deliberately technologically neutral and instead, denotes a particular “management style”<sup>875</sup> that emanates from the technological infrastructure used. This is an acknowledgment of the fact that while protocols, such as blockchain and distributed ledger protocols, may be the technological infrastructure that is collectively built and used, other organizational technologies may complement or supplant them.<sup>876</sup> Relatedly, by referring to protocols as a form of management, it brings to the fore the fact that it is humans, and not only machines, that are organized by a network. It also highlights that technology and organizations mutually shape each other.<sup>877</sup> Attempting to change protocols, from being centralized to being decentralized or distributed, is mirrored among human beings in how they organize and collaborate, such as through the use of federations, franchises, alliances,

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870 Bauwens and Niaros (n 868) 62.

871 Ulises Ali Mejias, *Off the Network: Disrupting the Digital World* (University of Minnesota Press 2013) xvi.

872 Communication protocols, such as those that enable computers to communicate with each other in a peer-to-peer manner over a network, lend themselves to comparisons with infrastructure given that they are openly accessible on equal and non-discriminatory terms and as their development and use lead to significant social gains. Frischmann (n 862) 5.

873 In its earliest form in October 1965, when Thomas Marill and Lawrence Roberts connected and retrieved information between two computers situated across the continent United States, a protocol referred to a procedure for “grouping characters into messages, sending them across the link, and checking the message was retransmitted”. Katie Hafner and Matthew Lyon, *Where Wizards Stay Up Late: The Origins Of The Internet* (First Paperback Edition edition, Simon & Schuster 1998) 69. According to Vint Cerf, one of the joint inventors of the TCP/IP protocol with Robert Kahn, the term protocol evolved from diplomatic usage to a common term in computing based on the need for collective agreement among network users. *ibid* 145–156.

874 Frischmann (n 862) 3–4.

875 Galloway (n 496) 3.

876 This can include older technologies. In recent times, there has been a reinvigorated interest in social networking protocols over platforms, given the capacity of the former to distribute decision-making power about content and expression from platform company employees to end users by allowing them to choose among an array of customizable content moderation interfaces. In other words, returning from the age of Reddit to that of Usenet (i.e. the Network News Transfer Protocol). Masnick (n 492). It is arguable that this will not only be beneficial to end users but also to existing and emerging platform companies as well, given that it will reduce their role as censors and potentially diminish their risk of intermediary liability, as they will have less authority to decide upon or remove controversial or copyright-infringing content posted by users Andrés Guadamuz, ‘Developments in Intermediary Liability’ in Andrej Savin and Jan Trzaskowski (eds), *Research Handbook on EU Internet Law* (Edward Elgar Publishing 2014) 316.

877 Niklas Luhmann, *Organization and Decision* (Dirk Baecker ed, Rhodes Barrett tr, Cambridge University Press 2018) 302.

joint ventures and cooperatives. Conversely, efforts at creating a constellation of horizontal or distributed organizational structures are likely to lead to the adoption of technological infrastructures that reflect these principles, as seen in earlier community radio networks, local internet mesh networks, libre software communities and the contemporary interest in distributed ledgers.<sup>878</sup> In short, the protocol and the cooperative 'mirror' each other.<sup>879</sup>

Furthermore, in Bauwens' view, protocol cooperatives should operate on a not-for-profit basis and be dedicated towards the benefit of its member institutions and individuals.<sup>880</sup> There are, arguably, already cooperatives that match such a definition. One notable example is OCLC – a global library cooperative – that stewards WorldCat, the world's largest library database, which was founded in Ohio in 1967. The OCLC cooperative is a firm comprised of 17,983 library-members in 123 countries, a distributed governance structure<sup>881</sup> and a non-profit corporation, OCLC, Inc., dedicated to the development of technological infrastructure for the benefit of its library-members.<sup>882</sup> This structure has been carefully developed over time, with Arthur D. Little, Inc., a management consultancy firm, recommending the combination of a "tightly held, nonprofit corporation" and a "network cooperative" in 1978;<sup>883</sup> a structure that bears a strong resemblance to the cooperatives that are the focus of this study.

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878 Baig and others (n 488); Barlow (n 482); Bart Cammaerts, 'Community Radio in the West: A Legacy of Struggle for Survival in a State and Capitalist Controlled Media Environment' (2009) 71 *International Communication Gazette* 635; Selimi and others (n 611).

879 This is widely investigated in the organizational studies literature as the "mirroring hypothesis". A recent literature review of empirical studies on the mirroring hypothesis indicates that mirroring is prevalent – but not universal – and that the hypothesis allows for the causal relationship to work both ways. Organisational structure can affect technological design or vice versa or flow in both directions. Lyra J Colfer and Carliss Y Baldwin, 'The Mirroring Hypothesis: Theory, Evidence, and Exceptions' (2016) 25 *Industrial and Corporate Change* 709, 714.

880 Bauwens and Pazaitis (n 867) 24.

881 OCLC is governed through a system of democratically elected Regional Councils, a Global Council and a Board of Trustees. The Councils address matters of policy, product development, customization of services and long-term planning. Victoria L Hanawalt, 'Users Council: An Institutionalized Role for Libraries in OCLC's Governance' (1998) 25 *Journal of Library Administration* 11, 15, 17.

882 With the help of more than 450 IT professionals, it provides "shared technology services, original research and community programs for its membership and the library community at large". Beyond WorldCat, this also includes WorldShare Management Services, a cloud-based library management application. On OCLC generally, see: OCLC, 'About OCLC' (OCLC, 2021) <<https://bit.ly/3qf6cFX>>; OCLC, 'OCLC Technology' (OCLC, 2021) <<https://bit.ly/3qeKGRG>>. What makes OCLC particularly inspiring for platform cooperatives is the pioneering manner in which it has innovated its organizational structure. For instance, in terms of membership requirements, it permits the contribution of book holdings meta-data as one of the ways a library can become a member. For OCLC's Membership Criteria, see: OCLC, 'OCLC Membership Criteria' (OCLC, 2020) <<https://bit.ly/2Um2pen>>.

883 Arthur D. Little, *A New Governance Structure for OCLC: Principles and Recommendations*. (Scarecrow Press 1978) 81; Hanawalt (n 881) 12.

What is important to note from Bauwens' description is that the use of the term 'cooperative' is intended to be evocative and generic rather than in reference to the cooperative legal entity form that exists in many countries. While this may be off-putting for those who have a narrower view of what a cooperative is, cooperative law academics such as Henry have argued that (registered) cooperatives may have to cooperate and form novel types of "private-public entities" with other cooperatives, civil society actors and public institutions, as a means to address the systemic challenges presented by the power of data-driven tech businesses.<sup>884</sup> Hence, and as shown in this study, shared-services platforms may manifest as different legal entities and network structures. However, what they share is an aspiration to become community-owned and governed, an essential feature of all platform cooperatives. Beyond the issue of organisational form, the technology that is to be jointly-owned is left deliberately open-ended, so as to include a wide-variety of projects and initiatives, from client-server protocols (e.g., email transfer protocols such as SMTP) to distributed ledgers (e.g., forks of the EOS chain) to distributed computing technologies (e.g., Holochain).<sup>885</sup> Thus, any conceptualization of shared-services platforms has to be technologically agnostic.

Outside of protocol cooperatives, distributed cooperative organizations (DisCOs) are another form of organization that is closely associated with platform and open cooperativism in the blockchain space. Within the blockchain space, the idea of creating decentralized autonomous organizations (DAOs) gained a great degree of interest and notoriety, following the emergence of the Ethereum blockchain and The DAO attack respectively.<sup>886</sup> There continues to be an interest in DAOs,<sup>887</sup> but as the DisCO Manifesto notes, the discourse largely centres on their technological affordances and their shortcomings rather than "the living human beings with bodies that need nourishment, sleep and affection" behind each node.<sup>888</sup> DisCOs, based on the archetype of the Guerilla Media Collective,<sup>889</sup> foreground association over autonomy, federation over scale, value hidden forms of labour such as care work instead of automation, and prioritize society and the environment over profit.<sup>890</sup> In that ambition, distributed ledger technologies can have a central role, even if they are works-in-progress.<sup>891</sup>

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884 Hagen Henry, 'Cooperation Among Cooperatives' in Gemma Fajardo and others, *Principles of European cooperative law: principles, commentaries and national reports* (Intersentia 2017) 125.

885 Holochain, 'Home Page' (*Holochain*, 21 June 2021) <<https://bit.ly/35JdJU0>>.

886 G Ishmaev, 'Blockchain Technology as an Institution of Property' (2017) 48 *Metaphilosophy* 666, 668.

887 Swartz (n 563) 89–90.

888 Troncoso and Utratel (n 153) 21.

889 Guerilla Media Collective, 'Guerrilla Media Collective Wiki' (*Guerilla Media Collective: A Wiki for Distributed Cooperative Practices*, 2021) <<https://bit.ly/3gRuXnB>>.

890 Troncoso and Utratel (n 153) 33–34.

891 *ibid* 35.



At around the same time, Slater and Bendell presented a different vision of protocols as organisational forms. They expressed scepticism of the value and viability of a cooperative alternative to platform companies such as Uber, given the company's capacity to undercut competition and the cooperative simply swapping one intermediary for another. Instead, they argued that the use of 'open protocols'<sup>892</sup> would diminish the need for a platform intermediary altogether, as users in industries such as ride-hailing would be able to directly find each other and transact through the use of a "simple algorithm", without any need for matchmaking.<sup>893</sup> From the users' perspective, this would have the advantage of reducing the cost of the ride-hailing service – as there would be no fees for intermediaries – and, at the same time, legal responsibility for transactions would be at the edges of the network, with transacting users. No single person or corporate entity would be in the position to own or commodify the protocol, with the role of the cooperative organization being limited to simply managing trust and social relations among stakeholders such as drivers.<sup>894</sup> They referred to two projects, La'zooz and Arcade City as examples since the former was to be ostensibly owned by "nobody"<sup>895</sup> and as the latter is peer-to-peer, with it allowing drivers to set their own rates and process their own payments and passengers to negotiate their own transport needs. Issues such as safety and governance are delegated to the drivers themselves, who form their own 'guilds' to address these issues (initially on Facebook!). While La'zooz now appears to be largely defunct, Arcade City is active in the US city of Austin and was temporarily active in Manila, the Philippines in 2017 and 2018.<sup>896</sup>

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892 They refer to protocols in their widest sense, as a "language, convention, or standard" Jem Bendell and Matthew Slater, 'Thwarting an Uber Future for Complementary Currencies: Open Protocols for a Credit Commons.' (Universitat Oberta de Catalunya 2017) 8. To achieve "the next step in decentralization", Yochai Benkler has also advocated the building of open protocols to be run on open, accessible, high-capacity devices, particular mobile phones. Yochai Benkler, 'Capital, Power, and the Next Step in Decentralization' (2010) 6 *Information Technologies & International Development* 75, 76.

893 Matthew Slater, 'Protocol Cooperativism?' (*Matslats - Community currency engineer*, 29 March 2017) <<https://bit.ly/3vIPTm0>>.

894 Bendell and Slater (n 892) 9.

895 Nathan Schneider, 'La'Zooz: The Decentralized, Crypto-Alternative to Uber' (*Shareable*, 26 January 2015) <<https://bit.ly/35Cgxm0>>.

896 Stocker and Stephens (n 179); Christopher David, 'After Uber: Arcade City CEO Remarks to the 2017 Platform Cooperativism Conference' (Platform Cooperativism Consortium 2017) <<https://bit.ly/3cVhnOX>>.



As will be seen, the shared-services platforms that have begun to emerge<sup>897</sup> are not entirely in line with either Bauwens' or Slater's descriptions. In the cases that are the subject of this study the role of a core development team remains key for software updates. In Eva and Arcade City, the role of blockchain or distributed ledger protocols are far more limited than initially imagined.<sup>898</sup> In other words, intermediation still exists, and distributed, neutral protocols remain an aspiration. While these emergent shared-services platforms are dedicated towards building a shared technological infrastructure in multiple localities, access to the infrastructure and the body of knowledge, code and design that makes it possible are not entirely open. Typically, membership of a cooperative or being a cooperative is a necessary condition for using the software and contributing to its development. This is also a key difference between platform cooperatives and putative 'open' cooperatives which seek to blend digital commons with platform cooperatives by *inter alia* enabling reciprocal, 'socialist' licens-

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897 While not included as a case in this study in the interests of space, Coop Cycle may also be deemed to be an emergent shared-services platform, given its role in software development for (e-)bike courier cooperatives and its innovation in software licensing to limit commercial use to worker cooperatives and 'social and common' companies, as defined in French, European or national law. See the license here: CoopCycle, 'License' (CoopCycle, 2020) <<https://bit.ly/3cSDMME>>. The Up&Go cooperative could be considered as a shared-services platform in this sense as it is owned by worker-owned cleaning cooperatives, so as to co-own the intellectual property of the cooperative and share the costs involved. The Up&Go smartphone application and web interface is used by clients to hire worker-members that are part of the platform. The development of the software is directed by the Board of the Up&Go cooperative. See, Emma Yorra, 'Scaling Social Justice: A Latinx Immigrant Worker Co-Op Franchise Model' *Nonprofit Quarterly* (14 February 2019) <<https://bit.ly/3gNZT9D>>; Greg Brodsky and Shahzaib Azhar, 'Case Study: Brightly' (*Start.Coop*, 2020) <<https://bit.ly/3j3Epqq>>.

898 The CEO of Arcade City, Christopher David, writes: "We've believed since the beginning that a decentralized Uber should eventually use a blockchain like Ethereum. But our focus has always been on mainstream usability now and solving the pain points of non-technical users today, not a theoretical future where blockchain usability and scalability issues are solved. (Three years later, it's still uncertain when those issues will be solved – and we would be stupid to wait to expand our service until they are.)" Christopher David, 'Celebrating Three Years of Arcade City' (*blog.arcade.city*, 3 January 2019) <<https://bit.ly/3wKpwO0>>.

ing.<sup>899</sup> They are for-profit rather than not-for-profit,<sup>900</sup> and while one of the cases is citizen-led (TMF), municipal governments and local authorities do not play a lead role in their governance or operations. To the contrary, in the case of Arcade City, the Philippines' transportation regulator has been quick to issue a cease-and-desist order against its activities, believing it to be an unaccredited transport network company exploiting the vacuum left by Uber's exit from the country.<sup>901</sup> This is not to say that municipality-backed, not-for-profit protocol cooperatives, open cooperatives, open protocols or even "revolutionary peer producing cooperatives" will not materialize or become more prominent in time,<sup>902</sup> but an observation that there are a variety of approaches towards the same goal.

In short, the two shared-services platforms that are the subject of this study are concrete, real-world examples of how (platform) cooperatives can help serve each other's needs and scale. With respect to Eva and TMF, it is worth noting that they are also registered cooperatives, in Quebec and Belgium respectively, rather than simply cooperative governance structures.

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899 Bauwens and Kostakis (n 153) 357–358. These licenses would, among other things, limit the free use of a software to worker cooperatives. There have been criticisms of Bauwens and Kostakis' licensing proposals. Meretz presents a critique of the peer production license (PPL) that is encouraged by Bauwens and Kostakis and instead argues that the general production license (GPL) is more favourable to building digital commons, as PPL focuses on negative reciprocity where the default position is exclusion from using the intellectual property for commercial purposes. Stefan Meretz, 'Socialist Licenses? A Rejoinder to Michel Bauwens and Vasilis Kostakis' (2014) 12 *tripleC: Communication, Capitalism & Critique*. Open Access Journal for a Global Sustainable Information Society 362, 363. Rigi adds that this focus on reciprocity and monetary exchange means that the knowledge commons created by the license for the benefit of worker cooperatives is contingent on a corporate competitor not offering the right price. If this corporate competitor can offer the right price, then any derivatives of the proprietary knowledge would be siphoned from the commons. Jakob Rigi, 'The Coming Revolution of Peer Production and Revolutionary Cooperatives. A Response to Michel Bauwens, Vasilis Kostakis and Stefan Meretz' (2014) 12 *tripleC: Communication, Capitalism & Critique*. Open Access Journal for a Global Sustainable Information Society 390, 397.

900 In the case of Eva, driver-user members get paid for the trips they make and can receive a patronage refund if it is agreed. In TMF, its legal status also allows the member-cooperatives to receive a patronage refund if it is agreed.

901 Jovic Yee, 'Arcade City Ordered to Halt Operations' *Philippine Daily Inquirer* (13 April 2018) <<https://bit.ly/3vNGxWa>>.

902 The city council of Barcelona, for example, has been active in giving financial and practical support to "collaborative economy platforms". Mayo Fuster Morell and Ricard Espelt, 'A Framework for Assessing Democratic Qualities in Collaborative Economy Platforms: Analysis of 10 Cases in Barcelona' (2018) 2 *Urban Science* 61, 8–9; Rigi (n 899) 401.

### 6.3 RESEARCH METHODOLOGY

Platform cooperatives are, in general, few in number. Accurate statistics are difficult to find but the crowd-sourced and curated Internet of Ownership's platform co-op directory<sup>903</sup> indicates that there are globally 306 platform cooperatives, cooperative-run platforms, shared platforms and support projects, as of August 2020.<sup>904</sup> While there may be several cooperative businesses that are not accounted for in this directory, this figure includes initiatives that are now defunct and several which are formally not cooperatives. Shared-services platforms, as a variant of platform cooperative, are even fewer in number.

Given the relative novelty and rarity of shared-services platforms (small-N), the research method that was selected was that of a case study.<sup>905</sup> The case study method is particularly appropriate for investigating the causal pathways that led to the using of a particular legal and governance structure by these businesses.<sup>906</sup> Out of the small (but growing) population of shared-services platforms, a purposive sample of two cooperatives was considered to be sufficiently rich in detail to shed light on other shared-services platforms that are emerging.<sup>907</sup>

The choice of these cases was determined by the fact that they are 'most-similar' cases,<sup>908</sup> in that the two cooperatives are similar in several respects but differ on a few key variables. TMF and Eva are both engaged in the urban mobility sector, but the former is involved in electric car-sharing and the latter is involved in ride-hailing. While they both can be considered part of the sharing, solidarity, collaborative and platform economies in general, the former is tied more closely to citizens' movements for renewable energy

903 IOO, '#PlatformCoop Directory' (*Internet of Ownership*, 2020) <<https://bit.ly/3xHcq4h>>.

904 In the directory, a platform co-op is understood to be an ICA-compliant co-op that manages an online platform, sharing ownership and governance over it, a co-op run platform is an ICA-compliant co-op that manages and primarily does business through an online platform, a shared platform is an enterprise that shares some meaningful ownership or governance over an online platform without being a cooperative and a supporter is a project that lends support to the platform co-op ecosystem. IOO, 'Directory Standards' (*Internet of Ownership*, 2020) <<https://bit.ly/35GMIWN>>. It should be noted that there is some variance in how platform cooperatives are defined in the literature, but the International Co-operative Alliance is now working towards a more uniformly accepted definition. Another, higher figure was recently presented by the Director of Institute for the Cooperative Digital Economy, Dr. Trebor Scholz, who estimates that there are roughly 500 initiatives in the platform co-op ecosystem [personal communication with author], which includes projects that are affiliated with platform cooperativism but are not strictly platform cooperatives. Trebor Scholz, 'Who Owns the World? The State of Platform Cooperativism' (Platform Cooperativism Consortium 2019).

905 Gerring (n 866) 57.

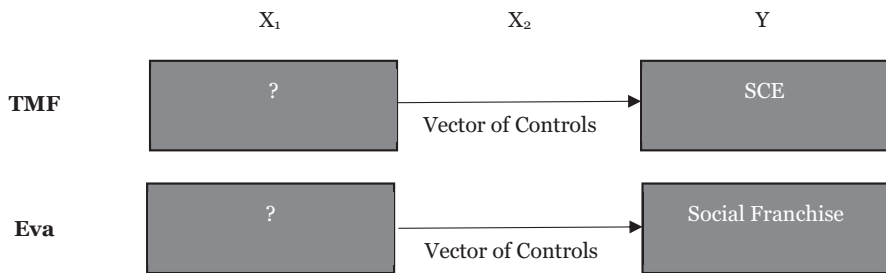
906 *ibid* 45.

907 Nick Emmel, *Sampling and Choosing Cases in Qualitative Research*. (Sage Pubns Ltd 2013) 36–38, 141.

908 Alexander L George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (MIT Press 2007) 81; Gerring (n 866) 131.

and the latter to efforts at building organizational alternatives for gig work. Both are interested in making urban mobility more sustainable, while also being for-profit. However, TMF is a secondary cooperative-a cooperative of cooperatives-while Eva is in the process of becoming a social franchisor with a network of social franchises. While these are both network organizations, it is unclear what independent cause(s) determined the choice of the respective legal and governance structures.<sup>909</sup> It is this particular organisational difference that makes these two cases compelling subjects for a most-similar analysis, as their intensive study may unearth one – or a few – factors that led to this difference in structure.

To avoid spurious explanations or causes, this most-similar analysis was complemented with process-tracing, which essentially requires the researcher to detail the process of arriving at a decision and consider alternative plausible causes for an outcome, so as to ascertain if one particular variable determined an outcome or not.<sup>910</sup> This conceptual model<sup>911</sup> may be illustrated as follows:



X<sub>1</sub> = the variable(s) of theoretical interest, X<sub>2</sub> = vector of controls, Y = the outcome of interest

Figure 14: Conceptual Model for understanding why TMF and Eva chose their respective structures

Such an investigation is illuminating as it provides a contrast to how platform companies such as Uber are structured and the strategies they use to scale globally, as elaborated upon in the Discussion section below. At the same time and in different ways, it provides insight into (economic) cooperation among cooperatives and the role of central cooperative organizations, which “is one of the most important and, in some ways, one of the least well examined dimensions of co-operative experience”.<sup>912</sup>

909 Jan Dul and Tony Hak, *Case Study Methodology in Business Research* (2nd edn, Routledge 2012) 178–179.

910 George and Bennett (n 908) 214–215.

911 Dul and Hak (n 909) 178; Gerring (n 866) 131–132.

912 Ian Macpherson, ‘Customizing a Patchwork Quilt: Consolidating Co-Operative Studies within the University World’ in Hagen Henry, Pekka Hytinkoski and Tytti Klén (eds), *Customizing a Patchwork Quilt: Consolidating Co-operative Studies within the University World* (Ruralia Institute, University of Helsinki 2015) 24.

As the objective of the study is to understand their choice of legal and governance structures, the first step in collecting data involved reading the texts published by the two cooperatives on the topic, ranging from their annual reports and accounts to their blogs, podcasts and conference presentations.<sup>913</sup> While some of these texts were promotional in nature, they were useful for tracing the evolution of the founders' thoughts on how the cooperatives should be legally structured and governed. The second step involved verifying whether these descriptions of the legal and governance structures translated onto the constitutional documents of the cooperatives, namely their articles of incorporation and bylaws. This involved a search in the relevant business registers, the business's website or contacting the cooperatives themselves, if it was difficult to obtain business documents from the first two sources.

The third step consisted of identifying, screening and recruiting the person that was directly involved in establishing the legal and governance structure of these two cooperatives. This was done by discovering which persons were writing about or speaking about these issues through marketing publications or at conferences and noting their position in the cooperative itself. They were then contacted directly by email and/or social media. Lucie Evers (Co-founder, TMF and Chairman, Partago) and Dardan Isufi (Co-founder and Chief Operating Officer, Eva) agreed to be interviewed over Skype at a mutually convenient time. The interviews lasted between 45 minutes to 105 minutes in the Fall of 2019 and were subsequently transcribed. While the interviews were semi-structured, each interview *inter alia* addressed the issues of:

- 1) Why the business was founded;
- 2) Why the business was formed as a cooperative;
- 3) What the factors were behind the governance structure of the cooperative;
- 4) What the legal and commercial difficulties of founding the cooperative were;
- 5) How these difficulties of founding the cooperative were surmounted;
- 6) How their software was developed;
- 7) What the future goals of the cooperative are, particularly in terms of growth.

Through an indirect snowball sampling method,<sup>914</sup> other members and directors of the two cooperatives who are knowledgeable about the same issues were identified from the information provided by the interviewees,

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913 Representatives of both TMF and Eva delivered presentations at the "Who Owns the World?: The State of Platform Cooperativism", 7-9 November 2019, The New School, New York City.

914 Rowland Atkinson and John Flint, 'Snowball Sampling' in Michael Lewis-Beck, Alan Bryman and Tim Futing Liao (eds), *The SAGE Encyclopedia of Social Science Research Methods* (Sage Publications, Inc 2011); David L Morgan, 'Snowball Sampling' in Lisa Given (ed), *The SAGE Encyclopedia of Qualitative Research Methods* (SAGE Publications, Inc 2012).

who were subsequently contacted and interviewed in July-August 2020. These interviewees were Jan de Kock (Director, The Mobility Factory and Co-Founder, CoöperatieAuto), Mike Calomiris (driver-user member, Eva), Renaud Antoine (driver-user member, Eva) and Lukas Reichel (interim-CEO, The Mobility Factory and Co-Founder, SomMobilitat), all of whom consented to have their names used in the study. This was done for the purpose of having a more well-rounded insight of the operations and governance of these two shared-services platforms that would be otherwise publicly unavailable. The sampling ended when new information concerning the aforementioned legal and governance issues was no longer being uncovered and new participants were no longer reachable.<sup>915</sup>

The interviews were transcribed verbatim and a clean, timestamped version of the transcript (i.e., without interjections) was prepared. The researcher also followed up on any questions that arose from the case study analysis with the informants via email and social media. In combination with the earlier primary and secondary sources, these interviews provided sufficient detail about the contours of the cooperatives' legal and governance structure as well as the rationale for their design. The following section sets out the case studies, discussing The Mobility Factory and Eva.coop in turn.

## 6.4 CASE STUDIES

### 6.4.1 The Mobility Factory (TMF)

The Mobility Factory SCE is a European Cooperative Society that operates in the electric car sharing sector, with its primary objective being to develop an electric car sharing platform for exclusive use by its cooperative members. It is a cooperative composed of other cooperatives and an association.

Understanding the origins and legal and governance structure of TMF requires an initial focus on one of its member-cooperatives, Partago cvba. Partago is an electric car sharing enterprise that was founded in Ghent, Belgium in 2015<sup>916</sup> and now operates across Belgium. The current CEO, Joachim Jacob, made a beta version of the app out of frustration about the lack of parking space in his own street in Ghent and the underuse of most cars.<sup>917</sup> Evers adds that Jacob was also irritated that the car sharing market incumbent in Belgium, Optimobil Vlaanderen NV d.b.a 'Cambio', was not investing in client relations, innovation or digitalization. Jacob met Evers

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915 Frank J van Rijnsoever, 'I Can't Get No) Saturation: A Simulation and Guidelines for Sample Sizes in Qualitative Research' (2017) 12 PLoS ONE.

916 Registered in the Official Gazette of Belgium with the number 15304834 on 18.03.2015.

917 Dimitri Schuurman and Aron-Levi Herregodts, 'Open Innovation with Entrepreneurial Users: Evidence from Living Lab Projects' (ISPIM 2017) 8.

at a living lab<sup>918</sup> to test the app with potential citizen-users like Evers and while the user-led technological innovation was modest – adding a car reservation feature – the major pivot was to become a users’ cooperative.<sup>919</sup> Evers played an important role in this decision as she was a user who both believed in the merits of the idea and had previous experience as a cooperative entrepreneur. While there was initially some hesitation, the cooperative with limited liability (*Coöperatieve vennootschap met beperkte aansprakelijkheid*) was founded by five persons, Joachim Jacob, Rik Bellens, Lucie Evers, Patrick Claerhout and Davy De Clerq, with an authorized capital of €19,500.00, represented by 50 Class A shares and 28 Class B shares, with the nominal value of each share being €250.00. Evers, as a self-confessed, “governance hobbyist”, was central to the governance structure of the cooperative as set out in its bylaws (*statuten*).<sup>920</sup> The Class A shares are for user-members and a user is limited to a maximum of 20 shares, while Class B shares are for supporter-members, and they are required to subscribe to a minimum of 21 shares (§6, Partago bylaws). Article 6 also prohibits a person from holding both classes of share simultaneously. These shares were fully paid-up by the five founders, with Jacob holding all of the Class B shares while the other founder-members subscribed to the 50 Class A shares amongst themselves.

As per its statutes, the purpose of Partago is to contribute to a sustainable society by providing mobility solutions. To this end, it inter alia collects financial resources, stimulates the shared use of cars, develops technology and manages an electric car fleet – access to which is limited to its partner-users. A non-exhaustive list of its services include: the general maintenance, repair, rental and lease of passenger cars and light vans (<3.5 tons), the development of web portals, the management of computer facilities and computer consultancy activities, the offer and implementation of IT services, data processing, web hosting as well as the organization of conventions and trade shows (§3, Partago bylaws). This article of the bylaws also establishes the legal basis for Partago cvba to be a director of other companies or associations, so as to fulfil its cooperative purpose.

A relatively unique feature of Partago’s business model is that users become members (‘partners’) as a requirement to access an electric car. §9 of its bylaws requires that future members of Partago are required to abide by the same share subscription requirements mentioned in §6 of the bylaws

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918 “A living lab is a physical or virtual space in which to solve societal challenges, especially for urban areas, by bringing together various stakeholders for collaboration and collective ideation”. Mokter Hossain, Seppo Leminen and Mika Westerlund, ‘A Systematic Review of Living Lab Literature’ (2019) 213 *Journal of Cleaner Production* 976, 976. Among other things, users can contribute to the development of a software application by sharing their experiences of a product and their needs as a user with developer-entrepreneurs. These ‘open innovation’ systems are typically located at universities or municipality offices

919 Schuurman and Herregodts (n 917) 8–9.

920 Partago, ‘Statuten PARTAGO CVBA’ (2015) <<https://bit.ly/35Fa9ug>>.



and in the case of user-members (i.e., Class A members) in particular, they must subscribe to a minimum number of shares, as per the 'fair use' policy of Partago. Under this policy, new users are required to subscribe to a minimum of two Class A shares (i.e., €500), with the nominal share value being withdrawable in full or in part upon the user-partner's exit from the cooperative after at least two years, depending on the financial circumstances of the cooperative (§13, Partago bylaws).<sup>921</sup>

The Class A members have the right to nominate at least 3 of the directors of Partago's board and the candidate can be a member of Partago or an external person (§20, Partago bylaws). The board's size is capped at 9 members and board members are unpaid for their services. Board decisions are made by consensus, failing which, they are made by simple majority (§21, Partago bylaws). The General Assembly, composed of both Class A and Class B members, as the most powerful organ in the cooperative determines the general policy of the cooperative and can order an audit of the cooperative (§27-28, Partago bylaws). The bylaws of the cooperative allow members to participate in the General Assembly remotely, as electronic participation in meetings is permitted under Belgian law.<sup>922</sup> Assembly decisions are also arrived at by consensus, failing which a simple majority is required of both Class A and Class B votes.<sup>923</sup> Evers became the Chairman of Partago's board but the day-to-day management of the cooperative is carried out by the CEO, with the support of 5 staff members (3.7 FTE) – including the main developer of the app, Rik Bellens (CTO).

For a user to gain access to an electric car, in addition to acquiring two Class A shares in the cooperative, they must prepay or subscribe for the use of the car, the tariff being determined by the amount of time the car

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921 For supporter-members, the minimum subscription period is 4 years. Should such a Class B member resign, withdraw their share or be excluded, they are entitled to the current book value of their shares in the year their membership ends. However, to preserve the cooperative nature of this business, this is capped at the nominal value of their share plus an additional percentage set by Belgium's National Council for Cooperatives. This is currently 6%, see Art 1, § 1.5° of the Royal Decree of 8 January 1962. Also see, FOD Economie, 'Erkenningsvoorwaarden van Coöperatieve Vennootschappen' (*economie.fgov.be*, 15 January 2018) <<https://bit.ly/3qo6Tx2>>.

922 The statutes refer to art. 382bis of the Belgian Companies Code but following its repeal and replacement by the new Code of Companies and Associations, electronic participation in meetings is permitted under art. 6:75. It is important to note that remote participation in General Assemblies is not possible in all jurisdictions. For instance, in Bangladesh, members of a cooperative are required to be physically present in person when casting a vote (e.g., for board positions) and are prohibited from appointing proxies, see section 36(1), Co-operative Societies Act, 2001 [Bangladesh] (as amended) and Rule 88, Co-operative Societies Rules, 2004 [Bangladesh]. In Quebec, it is possible to virtually participate in meetings, however it is prohibited to appoint proxies, see section 4(2), Cooperatives Act, 1982 (c. C-67.2).

923 In other words, when Partago only had its initial 5 founder-members, the CEO had a deciding vote as he held all the Class B shares.

is used, the battery power consumed and a fixed reservation fee.<sup>924</sup> User-members are required to download the Partago application to their smartphone, which enables them to find available, fully-charged cars on a map, make reservations and unlock car doors. While Partago began operations in Ghent, it has now spread to other municipalities in Belgium, namely Beersel, Boechout, Brasschaat, Breendonk, Leuven, Lint, Mortsel and Wetteren, following the expression of interest and subscription of shares by small groups of citizens in these locations. Ghent has the vast majority of electric cars<sup>925</sup> (41 out of 54, as of December 2019), with several municipalities only having one car till date. Partago has attempted to expand its user base by offering both companies and municipalities the opportunity to join as members, on the basis that it could help them avoid having idle company cars, while also using an eco-friendlier, communitarian option. Another important source of income has been Partago's multi-year collaboration with WiseGRID, a project funded by the EU's Horizon 2020 program, which among other things requires Partago to test tools (i.e., WiseEVP) for planning and controlling the charging/discharging schedule of a fleet of electric vehicles as well as sharing (non-private) data with other components of the WiseGRID system.<sup>926</sup> One of the possibilities this opens up is the reversal of the usual flow of energy – from the car to local renewable energy grids and homes instead of just vice versa – as it moves around and offloads its excess electricity.<sup>927</sup> In the long term, this creates an opportunity for an additional revenue stream for electric car sharing businesses that have their own set of 'batteries on wheels'.<sup>928</sup>

There are now some 600 members of Partago, approximately 70% of whom are user-members. According to Evers, the majority of these user-members only subscribe to the cooperative shares as they see it as a kind of car insurance contribution and (collective) investment in the ownership of an electric car as well as a form of personal saving. In other words, membership in a cooperative is less of a priority for them than access to the vehicle.

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924 Karijn Bonne and others, 'The Sharing Economy: An Exploratory Study on Revenue Models of Belgian Digital Platforms and Sharing Initiatives' [2019] *Accountancy & Bedrijfskunde* 81, 87.

925 Car Models: Renault Zoé City Car, Delivery Van Nissan eNV200, Minibus Nissan eNV200. The tariff is the same for all car models.

926 Kostas Komninos and others, 'WiseGRID Requirements, Use Cases and Pilot Sites Analysis' (WiseGRID 2017) Deliverable D2.1 108, 116; Álvaro Nofuentes and others, 'WiseEVP Design' (WiseGRID 2018) Deliverable D9.1 25–26, 28–29 <<https://bit.ly/2SiFKPt>>. The need to share more consumer data concerning the delivery of electric vehicle charging services has also been emphasized in the United States. Omar Isaac Asensio and others, 'Real-Time Data from Mobile Platforms to Evaluate Sustainable Transportation Infrastructure' (2020) 3 *Nature Sustainability* 463.

927 Junjie Hu and others, 'Electric Vehicle Fleet Management in Smart Grids: A Review of Services, Optimization and Control Aspects' (2016) 56 *Renewable and Sustainable Energy Reviews* 1207, 1212.

928 Alberto Zambrano and others, 'Analysis of the Electric Transportation Sector' (WiseGRID 2017) Deliverable D8.1 19–21, 58.

This explains why, for instance, the bylaws do not require Assemblies to have a minimum quorum, except for decisions concerning the amendment of the bylaws itself and a change in cooperative purpose (§31-33). It prevents situations where decision-making reaches a standstill or meetings being disbanded due to lack of quorum, while at the same time preserving the mission of the cooperative in the event of a major control transaction such as a merger. Given that each member has one vote, irrespective of the amount that they have invested in the cooperative, they can have a meaningful role in shaping the policy and direction of the cooperative, including in the removal and election of directors. As there is a risk that user-members may prioritize obtaining the lowest price for the service over the financial health of the cooperative, Evers argues that her decision to include Class B shares is imperative for maintaining “equilibrium in extreme cases” (Interview, 04.10.2019, at 38:00). This “juggling” of the interests of the “consumer” and “capital”, as Evers puts it (Lucie Evers [LE] Interview, 04.10.2019, at [43:30-44:00]), is also apparent in The Mobility Factory, a cooperative that was Evers’ brainchild.<sup>929</sup>

The creation of TMF was animated by four factors that became apparent as Partago grew: (1) the revenue stream of Partago was not able to sustain the costs of developing the software, (2) the capacity to write code in Partago internally was limited, (3) the isolated development of software leads to wasteful duplication, which could be avoided by pooling efforts and (4) there was an opportunity to scale the business in a cooperative way and reach a larger base of European users by partnering with cooperatives in other Member States. The first factor was motivated by the fact that an electric car sharing platform does not only require a digital map that allows users to find available cars, but it also requires a diversity of functions from enabling users to digitally unlock doors to management tools for the cooperative to invoicing APIs to availability in multiple languages. This contributed to the second factor, which prompted them in 2016 to collaborate with Som Mobilitat SCCL,<sup>930</sup> a cooperative (*Societat Cooperativa Catalana Limitada*) that has its registered office in Mataró (Lukas Reichel [LR] Interview, 06.08.2020, at [11:00-11:30]). At the time, Som Mobilitat was primarily a community of software developers interested in sustainable but not specifically a car sharing business mobility (LR Interview, 06.08.2020, at [00:45-02:00]). Evers explains that it was a condition of their co-development (and co-ownership) of the software that Som Mobilitat focus on electric car sharing as it would only be through that practical business experience that their developers would be able to understand their work and write code (LE Interview, 04.10.2019, at [48:15-48:30]). Som Mobilitat became an

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929 Reichel points out that Som Mobilitat originally wanted a fairly loose association between themselves and Partago to develop the software as an open-source project. It was at Partago’s insistence that this collaboration was formalized as a cooperative (LR Interview, 06.08.2020, at [42:30-43:15]).

930 National Identification Number: F66835125, founded on 28 July 2016.

electric car<sup>931</sup> sharing cooperative, with 35 cars and some 1939 members as of August 2020 (LR Interview, 06.08.2020, at [26:30-27:15]), offering broadly similar services as Partago, but with certain distinct financing strategies.

Consumer co-ownership of businesses in the renewable energy sector is severely under-financed in Spain, with there being no dedicated state programs and subsidies for this purpose. The sums available through alternative sources – such as competition for subsidies from other cooperatives – yield sums that are unsustainable for the long-term growth of a business. For instance, Som Mobilitat received a grant of €4500 in 2017.<sup>932</sup> At the same time, to make Som Mobilitat widely accessible, the cooperative decided to keep the cost of membership low (LR Interview, 06.08.2020, at [06:30-06:45]) – at €10, which is also withdrawable upon exit from the cooperative – and the tariffs to use the vehicles are significantly lower than with Partago. Aside from these sources, the cooperative also relies on obtaining financing for cars from donations, loans, reward crowdfunding campaigns, participatory securities that members can subscribe to (up to €40,000, variable interest rate of 3%) and sponsorship/prepayment for new vehicles. As of August 2020, Som Mobilitat has raised 400,000 EUR from their members alone (LR Interview, 06.08.2020, at [12:45-13:00]). In addition, in rural areas in particular, some municipalities contribute fixed sums for the instalment of cars for use of the vehicles during the day, with individual users sharing in their use during the evenings and the weekends (LR Interview, 06.08.2020, at [13:30-14:00]).

As with Partago, Som Mobilitat also experienced operational losses in 2016 and 2017<sup>933</sup> and it is with these financial constraints that Partago and Som Mobilitat began co-developing the software initially developed by Partago for their respective businesses (LR Interview, 06.08.2020, at [16:00-16:30]). While the wages of the developers appeared on their respective balance sheets, the ownership of the software was determined by ‘time banking’. This refers to the system in which persons give and receive services in exchange for units that are denominated in time (e.g., 1 unit = 1 hour)<sup>934</sup> rather than fiat currency. In this particular instance, as Evers explains, the units were used to indicate “symbolic shares in ownership”

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931 Car Models: Renault Zoé 40 kWh, Renault Zoé 22 kWh, Renault Kangoo 22 kWh.

932 Millán Diaz-Foncea and Ignacio Bretos, ‘Consumer (Co-)Ownership in Renewables in Spain’ in Jens Lowitzsch (ed), *Energy Transition: Financing Consumer Co-Ownership in Renewables* (Springer International Publishing 2019) 436.

933 Som Mobilitat SCCL, ‘Model Abreujat per a La Presentació Dels Comptes Anuals’ (Generalitat de Catalunya Department d’Empresa i Ocupació, 2017) <[https://archive.org/details/memoria-numeros\\_202106](https://archive.org/details/memoria-numeros_202106)>; Som Mobilitat SCCL, ‘Som Mobilitat SCCL Memòria Abreujada’ (Som Mobilitat SCCL, 2017) 2 <[https://archive.org/details/memoria\\_abreujada](https://archive.org/details/memoria_abreujada)>. Two of the major differences between Som Mobilitat and Partago, that go some way towards explaining the difference in their losses, is their respective expenditure on allowances & wages and payment for cars and charging ports.

934 Gill Seyfang, ‘Time Banks: Rewarding Community Self-Help in the Inner City?’ (2004) 39 *Community Development Journal* 62, 62.

(Interview, 04.10.2019 at [50:15]) of the code base, reflecting each cooperative's respective contribution to its development. However, while the cooperatives were able to mutually benefit from the use of the software, this process generated tension about the fair value of – and payment for – this intellectual property. Initially, there was discussion about making the software open source or using a license that would only allow cooperatives to use the software. However, Partago insisted that all the work done to develop the software should be properly remunerated, even if it was sometime in the future (LR Interview, 06.08.2020, at [20:00-21:00]). Establishing a secondary cooperative and having this cooperative become the legal owner of the software would ensure that any cooperative interested in using the platform was adequately committed to its success, while their membership fees would go some way towards remunerating the accumulated hours of work in the timebank.

Thus, setting up TMF would not only enable operational scale and the sharing of costs, but it also provides a governance structure to ameliorate tensions between collaborating cooperatives, who each have their own interests. As it became clear that electric car sharing cooperatives are not only actors within the mobility sector, but also have the potential to become important players in the renewable energy sector, Partago and Som Mobilitat were able to convince six citizens' energy cooperatives and REScoop.eu (the European federation of renewable energy cooperatives) to form TMF (LE Interview, 04.10.2019 at [56:45-57:30]). These founder cooperatives were Courant d'Air cvba (from Belgium), Coöperatie LochemEnergie U.A., Coöperatie Cooperatieauto B.A., HET: coöperatie Hilversumse Energie Transitie U.A. (from the Netherlands), Energiegewinner eG and UrStrom – Burgerenergiegenossenschaft Mainz eG (from Germany).

With the support of a Belgian organization that supports the formation of cooperatives and a lawyer familiar with cooperative law (LE Interview, 04.10.2019 at [1:25:30-1:26:00]), they formed a European Cooperative Society – a supranational limited liability legal entity form recognized across the EU/EEA<sup>935</sup> – which has its registered office in Brussels.<sup>936</sup> The Mobility Factory SCE's main purpose is to design and develop software programmes,

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935 Council Regulation (EC) No. 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE), OJ L 207, 18.08.2003. This has been supplemented with a Directive, Council Directive 2003/72/EC of 22 July 2003 supplementing the Statute for a European Cooperative Society with regard to the involvement of employees, OJ L 207, 18.08.2003. While the Directive is relevant for cooperative governance, given that it provides rules for employee representation in the governance of the SCE on certain conditions, the information, consultation and participation rights of employees do not appear to have been formalized in TMF. This may be due to the fact that the member cooperatives have very few employees and that Partago and Som Mobilitat, the two largest members of TMF in terms of Class A shares, are based in jurisdictions where there is no legal requirement for board-level employee representation.

936 The Mobility Factory, 'Statuten The Mobility Factory SCE' (2018) <<https://bit.ly/3zMVzyA>>.

provide computer consultancy, offer computer facility management, as well as design and maintain web-portals for its members, so that they can in turn offer sustainable mobility services in their local operations (§2, TMF Bylaws). It was registered on 28 December 2018 and according to Evers, it was not difficult to gather the fixed subscribed capital of €30,000 (§3(2), SCE Regulation, 'R'). The pricing of the shares was determined by how feasible the cost would be for each prospective member, without requiring them to fundraise. Each of the founding cooperatives had to acquire shares in TMF that were nominally valued at €1000 per share and at the time of formation, the nine entities subscribed to 60 shares.

The influence of Partago is evident in TMF's bylaws, as the latter has an identical Class A and Class B system: Class A shares are reserved for cooperative members who wish to use the services and products of TMF and Class B shares are reserved for supporting investor members who can receive a dividend at the discretion of the board (i.e., 'the administrative organ') (§5, TMF Bylaws). Partago, Som Mobilitat and Courant d'Air subscribed to 14, 12 and 10 Class A shares respectively while the other cooperatives subscribed to four Class A shares each. Rescoop.eu was the sole subscriber to four Class B shares. Nowadays, for every car that a member installs in an area, a portion of that fee goes towards purchasing shares in TMF (Jan de Kock [JdK] Interview, 08.07.2020, at [34:30-35:00]).

The board is permitted to have between 4 and 9 unremunerated directors (it initially had 6 directors)<sup>937</sup> with a 6-year tenure. Up to one-fourth of the board can be nominated by members with Class B shares and the remainder are nominated by members with Class A shares (§16, TMF Bylaws). The Chairman of the board is elected from among the Class A-nominated directors, and, in their absence, meetings are chaired by the most senior Class A-nominated director. Meetings can take place physically or electronically, in person or by proxy, but quorum is set at two-third of the board (except in the case of emergencies). Board decisions are taken by simple majority (§17, TMF Bylaws). As the body responsible for the day-to-day decision-making of TMF, the board faces a stiff challenge in making strategic decisions on a regular basis while also being mindful of the financial, cultural and ideological differences between the member-cooperatives. Reichel notes that their membership already includes cooperatives ranging from large renewable energy cooperatives to small, three-person cooperatives – and their views may differ on questions such as the inclusion of non-electric cars on the platform (LR Interview, 06.08.2020, at [33:30-35:15]). Ensuring meaningful, democratic participation from all the time-pressed member-cooperatives requires careful preparation prior to any votes, setting

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937 Lucie Evers representing Partago, Dirk Vansintjan representing REScoop.eu, Jan Janse de Kock representing Cooperatieauto, Lukas Alain Reichel representing Som Mobilitat, Kay Voßhenrich representing Energiegewinner and Jeroen Pool representing Hilversumse Energie Transitie. After Evers resigned as Chairman and interim CEO, Reichel stepped in as interim CEO.



aside adequate time for discussion and the elaboration of proposals. The smooth, but representative, functioning of the board of TMF is critical as the board represents almost all of the members and as its strategic decisions are integral to the business of individual cooperatives (JdK Interview, 08.07.2020, at [24:45-25:15]). Given that the board members are distributed across the EU and that the COVID-19 pandemic has disrupted operations throughout 2020, these board meetings have increasingly been on Loomio (a group decision-making built by a worker cooperative in New Zealand). However, multiple interviewees were of the view that physical meetings are essential to complement online meetings to build rapport and a strong connection among this international group of co-operators (JdK Interview, 08.07.2020, at [29:45-30:45]; LR Interview, 06.08.2020, at [40:45-41:00]).

Typically, the General Assembly, composed of both Class A and Class B members, meets at least once a year and any other time as needed, to decide on inter alia the financial statements of the past financial year, the discharge of directors, issues relating to the audit of the cooperative and other issues on the Assembly's agenda (§23, 26, TMF Bylaws). Each member has one vote, irrespective of the amount or class of shares they hold. To counteract the prioritization of investor interest at the expense of user-members, no more than 25% of the members present at the Assembly can hold class B shares (§25, TMF Bylaws). Decisions are arrived at by consensus, failing which by simple majority (§26, TMF Bylaws). One such decision is voluntary liquidation (§33, TMF Bylaws). For major decisions, such as a change of purpose or other amendments of the bylaws, the voting requirements are different. At least half of all the members must be present and, in the case of the former, the present members must also represent at least half of the capital of the cooperative and the decision to change purpose must receive at least four-fifth of the total votes, with the holders of Class B shares not comprising more than 25% of the voters present (§28, TMF Bylaws). In the case of the latter, the amendment must be passed by a two-third majority and the same rule about Class B shares applies (§27, TMF Bylaws). Along with the one-member, one-vote rule, another distinctive feature of TMF compared to capitalist businesses is that the amount of refunds to holders of Class A shares is not determined by the number of Class A shares each member holds but their proportion of transactions with TMF (§31, TMF Bylaws).

An important distinction between the shares of TMF and Partago, however, is that the shares are not transferable to third parties. This is based on the idea that the members are expected to commit to TMF for the long-term, as indicated by the default requirement that members subscribe to TMF shares for at least five years unless the board decides otherwise (§11, TMF Bylaws). Even after that period has elapsed, voluntary withdrawal of all (or some) of the shares is dependent on the board determining that doing so will not jeopardize the financial position or existence of TMF. The repurchase of these shares are to be at nominal value for Class A shares and at current book value for Class B shares, but this payment can be made over the course of two years (§14, TMF Bylaws).



As previously mentioned, Partago and Som Mobilitat took the lead with programming but since the summer of 2020, the software developers who were formerly employed by Partago and Som Mobilitat are now directly employed by TMF. TMF has been developing a suite of products and services for its members, including a multilingual software application that allows users to find, access and unlock cars, a car-sharing management system that presents an overview of user and fleet data as well as other interfaces as needed (LR Interview, 06.08.2020, at [17:30-18:15]).<sup>938</sup> The software has now been sold by Partago and Som Mobilitat to TMF and the latter now owes a debt to the former two cooperatives according to the hours they spent on developing the software prior to the establishment of TMF. This will be paid back by the new shares that are issued by TMF, with one-third of the value of each share being used to pay down the debt (LR Interview, 06.08.2020, at [23:00-23:45]).

From the outset, it was intended that members have a say in the features that are included in this collectively owned software. This was the key distinguishing feature for some of the member-cooperatives as they previously worked with corporate providers who gave them less of an influence over the features of the software (JdK Interview, 08.07.2020, at [02:45-03:45]; LR Interview, 06.08.2020, at [48:30-49:15]). As Reichel explains, at first, everyone could propose a feature, but this did not work well as everyone did not understand the costs and utility of including a new feature (LR Interview, 06.08.2020, at [35:30-36:00]). Instead, now, “everybody proposes needs, not features” (LR Interview, 06.08.2020, at [36:00-36:30]). This process involves identifying the problems that need to be solved, elaborating on the features that can address these problems and subsequently determining which features need to be prioritized. This software not only benefits the members themselves, but can also be licensed as a software-as-a-service to third parties.<sup>939</sup> In this respect, as shown in Figure 15, TMF has the qualities of a supply or shared-services cooperative,<sup>940</sup> in that it can generate cost-savings for a product (e.g. software) for its members owing to its ability to aggregate member contributions of labour and capital and can refund much of its net income back to its members based on their patronage (when such income is generated). It also creates a different psychological attitude towards the software, as members are not simply licensing a service but are paying towards something that is their own (LR Interview, 06.08.2020, at [49:00-49:30]). For member-cooperatives like CoöperatieAuto, the coopera-

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938 The Mobility Factory, ‘Software’ (*The Mobility Factory*, 2021) <<https://bit.ly/3gQIcF9>>.

939 Partago cvba, ‘Burgercoöperatie Voor Elektrisch Autodelen in Vlaanderen: Aanbod van Aandelen Categorie A “Koop Deelbewijzen van Partago Cvba”’ (Partago cvba, 21 August 2019) 4 <<https://bit.ly/35DZK22>>.

940 USDA, ‘Shared-Services Cooperatives’ (US Department of Agriculture 1998) Informational 49.

tive ownership of the application ensures that only the data of cooperatives is used in its development (JdK Interview, 08.07.2020, at [26:15-26:30]). This is strikingly different than if TMF, or indeed Partago or Som Mobilitat, were worker cooperatives as the financial returns (if any) of the cooperative do not go directly to workers like Lukas Reichel or TMF's software developers. They are still employees, who can be dismissed by their employing cooperative board. While this requires a great degree of generosity on the part of these workers, in terms of their time and resources, according to Reichel, "people really like to cooperate with you because they see it is something that you do not personally benefit from" (LR Interview, 06.08.2020, at [01:01:30-01:01:45]).

In the months since being registered, two other cooperatives, Alternacoop and Conecta Movel (Spain) have joined TMF. However, TMF is confronted with the challenge of deciding how quickly they wish to grow – if they agree to the ambition of having 20,000 cars running on their platform in 5 years (LE Interview, 04.10.2019 at [52:30-52:45]) – and attracting the resources to finance this growth, given that it is beyond what they are able to currently earn internally. It also remains to be seen whether the governance structure of TMF remains as it currently is or whether another tier of cooperatives – such as national 'umbrella' cooperatives – are added to represent local primary (electric) car-sharing cooperatives in TMF (JdK Interview, 08.07.2020, at [38:15-38:30]).

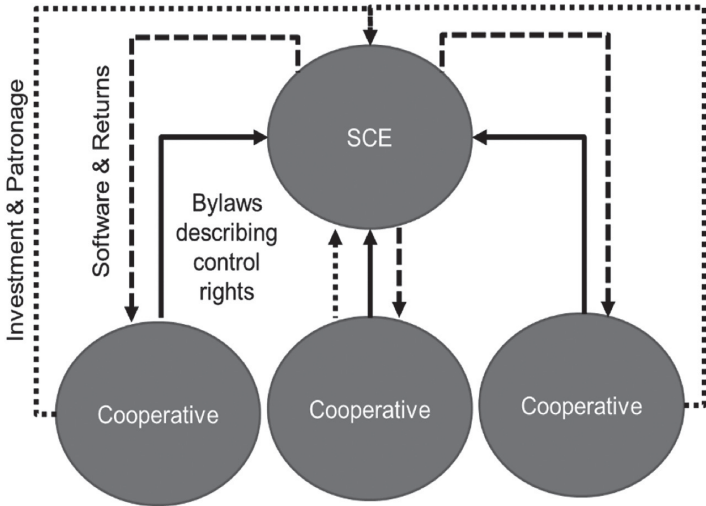


Figure 15: TMF Legal & Governance Structure

### 6.4.2 Eva

Developing an alternative to Uber has been a recurrent theme in the discourse on platform cooperatives for some time.<sup>941</sup> Indeed, some of the most prominent examples of cooperative-run platforms have been taxi cooperatives<sup>942</sup> that have developed their own digital platforms (e.g., Cotabo in Bologna, Taxiapp in London, Alpha Taxi in Paris and Green Taxi Cooperative in Denver) and *de novo* ride-hailing cooperatives (e.g., the aforementioned Arcade City in Austin). The latter group face particularly stiff challenges, not only due to the existence of incumbents such as Uber and Lyft in major cities who can price them out of the market, but also due to the complexities of complying with multi-tiered, fast-evolving local regulation concerning ride-hailing, as well as driver scepticism about what alternatives have to offer.<sup>943</sup>

During the year that the idea of Eva first emerged – in 2017 – the province of Quebec was involved in a heated debate about how the ride-hailing sector should be regulated. Following a decision by the provincial government to toughen the rules for ride-hailing businesses (e.g., increasing the driver training requirement), Uber threatened to leave the province.<sup>944</sup> While Uber backtracked on those plans and continues to operate in Quebec at the time of writing, this prompted province-wide public discussions on the merits and drawbacks of ride-hailing as an industry. Among those were two students and friends at McGill University and Laval University, Dardan Isufi and Raphaël Gaudreault, who were of the view that while the organizational and management practices of capitalist ride-hailing companies like Uber were societally harmful, the technology they used – to show the arrival of a car, to keep track of invoices, to make online payments and so on – was not.<sup>945</sup> From the fall of 2017, they began brainstorming ideas about how to integrate this ride-hailing technology into an organizational structure that lowers the fees charged by ride-hailing intermediaries, maximizes

941 Scholz and Schneider (n 138); Yifat Solel, 'If Uber Were a Cooperative: A Democratically Biased Analysis of Platform Economy' (2019) 13 *The Law & Ethics of Human Rights* 239, 261.

942 Craig Borowiak and Minsun Ji, 'Taxi Co-Ops versus Uber: Struggles for Workplace Democracy in the Sharing Economy' (2019) 22 *Journal of Labor and Society* 165, 168.

943 The most glaring example of this is Juno, a company that committed to giving drivers restricted stock units as an incentive to switch from competitors but then proceeded to cancel the RSU plan when it was acquired by Gett. This led to a class of drivers filing a lawsuit alleging that Juno had acted unlawfully by misrepresenting and falsely advertising that drivers would acquire equity shares, had engaged in securities fraud and its CEO had breached his fiduciary duty to shareholders by engaging in self-dealing and mismanagement. See *Mohammed Razzak and others v. Juno USA, LP and others*, US District Court SDNY, 9 June 2017.

944 Andrew J Hawkins, 'Uber Is Leaving Quebec after Tough New Rules Passed' [2017] *The Verge* <<https://bit.ly/3gJBvWh>>; Andrew Liptak, 'Uber Will Remain in Quebec after New Rules Go into Effect' [2017] *The Verge* <<https://bit.ly/3vKoS1B>>.

945 'Co-Operative Ride-Sharing with Eva Co-Op' (9 July 2019) <<https://bit.ly/3jjZoPN>>.

the financial benefit of drivers and riders, gives drivers and riders a greater say in the operations of a ride-hailing business, protects their privacy and ensures that the business is rooted in the local community it serves, all the while allowing for the technology itself to be developed transnationally.

They settled on having a network of multi-stakeholder cooperatives, complemented by the use of the EOS protocol.<sup>946</sup> In their 2018 White Paper, Eva laid out an ambitious use case for blockchain technology, which involved the issuance of 'utility' tokens for voting purposes, access to Eva's services and as a long-term store of value (p. 8, 19); a stable, non-transferable 'commodity' token to exchange value between members within the platform (ibid, p. 19) and smart contracts for each step of the ride-hailing service, from drivers receiving a request from a potential rider

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946 On the face of it, EOS appears to be an alternative blockchain protocol comparable to, or an evolution of, Ethereum. According to [coinmarketcap.com](https://coinmarketcap.com), the EOS token is the eleventh-largest cryptocurrency (as of August 2020). However, it has been argued that instead of a public blockchain, EOS more closely resembles "a homogenous distributed database network that allows different user accounts to communicate and interact" through the network Brent Xu and others, 'EOS: An Architectural, Performance, and Economic Analysis' (Whiteblock 2018) 4 <<https://bit.ly/35E0YdE>>. The main distinction appears to be the need for trust in third parties for validating and recording transactions onto an underlying database, instead of primarily relying on validation through cryptographic proof, such as observing changes to a Patricia Merkle tree data structure as in the case of Ethereum. EOS used a delegated proof-of-stake consensus protocol, which means that every wallet with a positive balance that is part of the EOS network can elect block-producers who are then authorized to validate transactions and create blocks. The 21 block-producers with the most votes take turns to produce blocks every three seconds, with those who repeatedly fail to produce blocks being voted out of the schedule. LM Bach, B Mihaljevic and M Zagar, 'Comparative Analysis of Blockchain Consensus Algorithms' (IEEE 2018) 1547; Vikram Dhillon, David Metcalf and Max Hooper, 'Recent Developments in Blockchain' in Vikram Dhillon, David Metcalf and Max Hooper (eds), *Blockchain Enabled Applications: Understand the Blockchain Ecosystem and How to Make it Work for You* (Apress 2017) 155–157. This contrasts to the more computationally-intensive proof-of-work consensus protocol in which miners compete to produce blocks, which arguably relies less on personal trust and more on confidence in the system. Primavera De Filippi, Morshed Mannan and Wessel Reijers, 'Blockchain as a Confidence Machine: The Problem of Trust & Challenges of Governance' (2020) 62 *Technology in Society* 101284. While EOS can notionally arrive at consensus more quickly, the extensive and subjective powers of block-producers has prompted criticism as they have the capacity to censor (malicious) actors and act in a collusive, plutocratic fashion; undermining the censorship resistance and decentralized qualities aspired to by many promoters of blockchain technology. Xu and others 21–22. Recently, smaller block producers have begun leaving the protocol due to diminishing rewards for participating in the network and the concentration of power among larger block producers – mainly in Mainland China – prompting fear of potential state intervention. Brady Dale, 'Everyone's Worst Fears About EOS Are Proving True' (*CoinDesk*, 19 September 2019) <<https://bit.ly/35F9SHB>>. Supporters of EOS have sought to cast doubt on the credibility of Xu et al.'s research, based on alleged conflicts of interest, incompleteness and lack of expertise regarding EOS's codebase. This has also raised interesting ontological questions about what a blockchain is and whether alternatives should necessarily be compared against Ethereum or Bitcoin. Simon Chandler, 'EOS Hits Back Against Claims It's "Not a Blockchain"' (*Crypto News*, 17 November 2018) <<https://bit.ly/3j1UwEX>>.

to the driver's payment and mutual rating (*ibid*, pp. 32-33). The technology and brand were to be developed by a non-profit foundation in Canada (*ibid*, p. 17) while the ride-hailing business was to be initiated, run and promoted by cooperatives formed in other cities of Canada and the world (*ibid*, pp. 14-15), including in Ontario, Algiers, Pristina, Mexico City and Houston (*ibid*, p. 37). However, a number of external factors compelled Eva to reconsider how they go about achieving their objectives. The crackdown by securities regulators, such as the United States Securities and Exchange Commission, on crypto-tokens – including purported utility tokens – by determining them to be unregistered securities (Debler, 2018), meant that the proposed token sale (Eva White Paper, pp. 21-22) might have had undesirable consequences for their operations. This, in turn, meant that the proposal that utility token holders would be able to vote on the work that the foundation does, the community's direction and the foundation's board, had to be recast (*ibid*, p. 27). More prosaically, the extensive work involved in building a successful ride-hailing business in the province of Quebec, coupled with the need to determine the precise terms of the continuing relationship between the global entity in charge of technology development and local cooperatives interested in offering a ride-hailing service, has meant that international expansion has temporarily stalled.

Yet, in spite of these teething problems, Eva has managed to make the transition from being a business plan to becoming Uber's main rival in Quebec within the space of less than two years. After being granted permission to operate in Montreal, Quebec City and Gatineau in May 2019, Eva has gained over 20,000 passengers, 500 driver-user members (and a 1000 more in the authorization process) as well as some 50 supporter-members.<sup>947</sup> Eva's current appeal has been attributed to its local provenance and the fact that the income and taxes generated by the business are circulated within the Quebec economy (Renauld Antoine [RA] Interview, 28.07.2020, at [49:00-49:15]). Most importantly, there is a yawning gap between how Eva respects its driver-user members as individual humans compared to other ride-hailing companies. In the words of one of Eva's first driver-user members, Mike Calomiris, at "Eva, it's like, we are like family. With Uber, it's just a phone number, you don't know who you are talking to" (Mike Calomiris [MC] Interview, 11.07.2020, at [04:15-04:30]). Driver-user members feel they can speak to anyone in the cooperative very easily, from passengers interested in the cooperative model to other drivers to the management itself. In fact, one new driver-user member recalls that the first time they used the Eva app to hail a ride for themselves, they found that it was the COO himself (Dardan) driving the car, who spent the duration of the ride explaining how the Eva app works (RA Interview, 28.07.2020, at

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947 Eva, 'Business Plan' (Eva Global Corp, 2019) 3; 'How Eva Creates a Decentralized Ride-Sharing Platform That Benefits Both Drivers and Riders' (4 October 2019) <<https://www.youtube.com/watch?v=JdWfk9NL7XA>> accessed 22 December 2019.

[03:00-03:15])<sup>948</sup> These discussions are not necessarily limited to the daily issues involved in driving but also extend to planning and strategizing, such as road-mapping the new features needed for driver-users (RA Interview, 28.07.2020, at [18:00-18:30]). While the rollout of Eva in other cities has been slower than initially planned, cooperatives and local communities from Dhaka to Auckland to New York City have expressed an interest in becoming part of Eva's fledgling 'ecosystem' over the years. However, this growth has required some concessions in how Eva is legally structured, as well as how blockchain technology is used.

While Eva did form a non-profit foundation to develop its ride-hailing technology, on 22 March 2019 it registered a corporation with limited liability under the Canada Business Corporations Act, 1985, 'Eva Global Corp.',<sup>949</sup> to take over this responsibility. As Isufi explains, the early iterations of the backend software and application was built "with nothing... basically out of [their] hands and computers" (Dardan Isufi [DI] Interview, 12.08.2019, at [03:45-04:15]). Yet, the operational growth of the platform and Eva's ability to hire crucial services – additional software developers, marketing experts and legal advisors – has been hampered by their chronic lack of financial resources. Till date, the major financial supporter of Eva has been the provincial government of Quebec and the Quebecois cooperatives, including the federation of credit unions, has provided some CAD\$ 200,000 in funding. This sum helped Eva get on its feet but in the long-run is insufficient for growth to other cities and countries (DI Interview, 12.08.2019, at [09:00-09:15]).

An issue that Isufi and his co-founder Raphaël Gaudreault encountered while meeting with financial cooperatives is the disconnect between the mindset of those managing 'old world' cooperatives, such as Desjardins, and those seeking to build platform cooperatives. As an anecdotal example, Isufi mentioned an early meeting with Desjardins in which they were asked how many members Eva had before its launch and when Desjardins learned that Eva only had two members, Isufi and Gaudreault, they said they typically finance cooperatives with at least 5000 members (DI Interview, 12.08.2019, at [09:29-09:45]). This indicates a lack of understanding of the two-sided platform business model, which requires *ex ante* investment to attract user-members on both sides of the market rather than just *ex post* investment once the platform already has a healthy user base. Choosing

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948 This is in stark contrast to companies like Uber where, in at least some cities, most drivers never meet each other, much less the management of the company. Kafui Attoh, Katie Wells and Declan Cullen, "'We're Building Their Data': Labor, Alienation, and Idiocy in the Smart City" (2019) 37 Environment and Planning D: Society and Space 1007, 1015. The importance of drivers feeling that they can speak freely should not be underestimated, given that avoiding initiating conversations with passengers is often seen as being essential for a high rating on the Uber app. Rabih Jamil, 'Uber and the Making of an Algotpicon - Insights from the Daily Life of Montreal Drivers': (2020) 44 Capital & Class 1, 12.

949 Quebec Business Registry Number: 1174418823.



a corporate entity has thereby allowed them to both approach a wider range of investors and also offer their personnel stock options as part of their compensation package (DI Interview, 12.08.2019, at [05:15-05:30]). As of early 2019, Eva Global Corp.'s board has comprised Dardan Isufi and Raphaël Gaudreault as Co-Presidents, and Robert Gaudreault as Secretary. Raphaël Gaudreault, Isufi and Progitech GS Inc. have also been shareholders of Eva Global Corp. since that time.<sup>950</sup>

One of the objectives of Eva is to charge a lower transaction fee than competitors so that riders have to pay lower fees and drivers retain a larger share of the fare. As such, the maximum transaction fee that can be charged is 15%. The Global Corp. receives 5% of this, primarily for server maintenance and licensing fees for third-party APIs such as Google Maps (DI Interview, 12.08.2019, at [11:45-12:15]), while the local multi-stakeholder cooperative operating the ride-hailing service can choose to charge between 0%-10%. The first cooperative – a solidarity cooperative<sup>951</sup> – was founded in Montreal on 14 December 2017 and is a test case for how this business model can expand elsewhere.

According to the bylaws (*règlement de régie interne*) of Coop de solidarité Eva, formed under Quebec's Cooperatives Act, 1982 (C-67.2), the cooperative's mission is to develop a new, sustainable model of mobility service that is based on the real (i.e., genuine) sharing economy (§1.2, Eva Bylaws). The by-laws also explain that the technology, trademarks and Eva brand are owned by Eva Global Corp. with the cooperative having the right to use the technology and brand name pursuant to the contractual terms agreed between the cooperative and the corporation (§1.3, Eva Bylaws).

950 Thank you to Dardan Isufi for sharing this information with me.

951 Solidarity cooperatives were introduced to Quebec in 1997 through an amendment of Quebec's Co-operative Act to facilitate the creation of multi-stakeholder cooperatives, with members potentially comprising the users of a cooperative's service, its workers as well as anyone "who has an economic or social interest in attaining the objective of the cooperative" (i.e., supporter members). See Cooperatives Act, 1982, section 226.1 [Quebec]. See also, Jean-Pierre Girard and Geneviève Langlois, 'Solidarity Co-Operatives (Quebec, Canada): How Social Enterprises Can Combine Social and Economic Goals' in A Noya (ed), *The Changing Boundaries of Social Enterprises* (OECD Publishing 2009) 230. Such a cooperative strives to achieve objectives beyond financial returns, with solidarity cooperatives being introduced to (i) achieve local development, (ii) redress the closing of villages, (iii) construct daycare centers, (iv) reinsert persons into the job market and (v) provide home-care services. See Jean-Pierre Girard, 'Solidarity Cooperatives in Quebec (Canada): Overview' in Carlo Borzaga and Roger Spear (eds), *Trends and challenges for co-operatives and social enterprises in developed and transition countries* (Edizioni31 2004) 167. In short, the purpose of such cooperatives is to re-embed economic relations in their local community. Each of the member-groups can have different capitalization rules, with it being possible to issue participating preferential shares to supporter members. Each member-group can elect at least one representative to the board, with supporter members being capped at a third of the total board. While user members can receive patronage refunds based on their pro rata use and worker members receive refunds on the basis of their hours worked, supporter members are prohibited from receiving patronage refunds. *ibid* 170.



As a multi-stakeholder cooperative, Eva has five categories of members: passenger-user members, driver-user members, worker members, individual supporter members and corporate supporter members (§1.4(h), Eva Bylaws). To become a member, it is necessary to acquire qualifying shares in the cooperative (§2.1, Eva Bylaws). While the supporter members buy-in to the cooperatives through monetary payments exclusively, the two categories of user-members are required to engage in a minimum number of transactions with the cooperative over the course of 12 months, with the buy-in amortized through their initial transactions with the cooperative (§§2.2(a)-(b), 3.3, Eva Bylaws). Prospective driver-user members are also required to be accredited by the cooperative, which includes passing a criminal background check, French language skills, having the appropriate drivers' license, insurance, an appropriately new vehicle and completing an online training course (§3.7, Eva Bylaws) (MC Interview, 11.07.2020, at [07:30-08:30]; RA Interview, 28.07.2020, [07:00-08:15]). Worker members are obliged to additionally complete 480 hours of work for the cooperative as an 'auxiliary' (i.e., trial) worker-member before they can apply for admission to the cooperative (§§3.1, 3.6, Eva Bylaws). During this trial period, auxiliary workers are permitted to attend and speak at meetings of the cooperative but are not permitted to hold an official position within the cooperative or vote (§3.8, Eva Bylaws).

While all five categories are required to pay CAD\$ 10 to Eva for a single qualifying share in the cooperative,<sup>952</sup> the supporter members are obliged to additionally acquire 4 and 49 non-voting, preferred shares in the cooperative respectively, also priced at CAD\$ 10 per preferred share. The preferred shares are entitled to receive an interest payment, unlike common cooperative shareholders, and are obliged to hold the share for at least three years.<sup>953</sup> Both the common and preferred cooperative shares are non-transferable, and the non-qualifying shares can only be redeemed upon the death, resignation or exclusion of the members or when the member redeems their shares (§2.4, Eva Bylaws). If driver-user, passenger-user and worker members do not carry out transactions with the cooperative, their voting rights may be suspended by the board (§3.5, Eva Bylaws). Conversely, as is the general rule under Quebec's cooperative law,<sup>954</sup> their patronage refunds, if any, are determined by the proportion of the transactions with the cooperative (§7.2, Eva Bylaws) rather than the number of cooperative shares held.<sup>955</sup>

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952 Cooperatives Act, 1982, section 41 [Quebec].

953 Cooperatives Act, 1982, sections 46, 58 and 226.5 [Quebec].

954 Cooperatives Act, 1982, section 226.8 [Quebec].

955 Half of the total amount allocated for refunds will be for driver-user members, 40% for passenger-user members and 10% for worker-members (§7.4, Eva Bylaws). Supporter members cannot receive patronage refunds. The refunds to members do not have to be in cash but can be in preferred shares in the cooperative or, in the case of passenger-user members, credit towards subsequent journeys with Eva. *See* Cooperatives Act, 1982, section 152 [Quebec].

In terms of functionality, Eva aims to be unobtrusive in the transactions that take place between a driver and a rider. This explains their choice of using a permissioned ‘sister chain’ forked from the EOS protocol, as they wished to make use of a distributed protocol with very low latency so that the user experience is as seamless as possible. Eva’s protocol therefore uses the same open-source EOS software as the main EOS ledger but has their own internal token and allows for Eva to create their own features as needed.<sup>956</sup> This means that Eva is, for the time being, operationally distinct from the main EOS ledger, although work is ongoing to enable ‘inter-block-chain-communication’ between the various chains of the EOS ecosystem.<sup>957</sup> When Gaudreault and Isufi began working on Eva, EOS appeared to be the best compromise between the speed of a more centralized system and the privacy-preserving features of a blockchain.<sup>958</sup> To make the use of a blockchain application less daunting for ordinary users, Eva also decided to make many of the common features of a decentralized application (‘DApp’) invisible, such as not requiring the user to have a crypto-currency wallet. For a person to use Eva’s platform, the user has to only provide their mobile phone number and create an Eva account, including bank account/credit card details, after which their private key is stored on their device which interacts with Eva’s protocol.

The ride-hailing transaction is then more-or-less identical to other ride-hailing businesses. A passenger-member logs onto the application, sees available Eva vehicles on a map, specifies an address they wish to travel to, and a ride dispatch algorithm informs a driver-user member about the request. The passenger is then informed in advance of their fare, prior to being picked up by the driver-user member (MC Interview, 11.07.2020, at [19:30-19:45]). The map – Google Maps or Waze – directs a driver-user member towards the passenger (MC Interview, 11.07.2020, at [10:00-10:45]), who is then dropped off at their destination and the driver-user member is paid. The driver-user member – who has a version of the application with additional driving privileges – can see where the passenger is on a map, can call the passenger, estimate the fare from the ride and decide to accept/

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956 As of December 2019, the cooperative in Montreal has 8 block producers and many more non-producing nodes that have joined out of curiosity ‘How Eva Creates a Decentralized Ride-Sharing Platform That Benefits Both Drivers and Riders’ (n 947). The EVA protocol went past 90 million blocks in July 2020.

957 Aurora EOS, ‘Sidechains and Sister Chains on EOS: An Explainer’ (*Medium*, 1 November 2018) <<https://bit.ly/35JD3JC>>.

958 In short, their ideal is that the user will not notice that the information from the steps in the ride-hailing transaction are being included in a block. There have been widely contrasting claims regarding the number of transactions per second (tps) EOS can handle, from millions to 10,000 according to tests seen by Raphael Gaudreault to a mere 50 ‘How Eva Creates a Decentralized Ride-Sharing Platform That Benefits Both Drivers and Riders’ (n 947); Xu and others (n 946) 23. This is in comparison to the 3.04 TPS of the Bitcoin blockchain (blockchain.com) and 12.4 TPS of the Ethereum blockchain (etherscan.io) as of 30 August 2020.

reject the request. Significantly, there is no public rating of the driver-user members or the passenger-user member – a fact that relieves driver-user members of the mental burden and emotional labour involved in worrying about their rating (RA Interview, 28.07.2020, at [37:45-38:30]).<sup>959</sup>

Behind the scenes, there are additional key differences between Eva and its competitors. In terms of data, the personal data of all of the users, their ongoing transactions and their historic use of the platform are all hashed<sup>960</sup> and added to Eva's protocol, so as to give them a degree of anonymity/pseudonymity. The idea behind this is to allow for as much personally identifiable information to remain on the device of the user as possible without infringing legal provisions that require disclosure of certain personally identifiable information to public authorities. This underscores how blockchain and distributed ledger technologies are 'ambivalent' on both privacy and transparency, with its impact depending on the choices of its developers.<sup>961</sup> Crucially, unlike Uber, this data is not used by the cooperative to prompt drivers to go to distinct parts of the city at distinct periods of time.<sup>962</sup> Instead, the application is supposed to allow drivers themselves privileged access to the key performance indicators collected by the local Eva cooperative, such as their cancellation rate and the difference between estimated travel time and actual travel time.<sup>963</sup> To comply with local regulations and deal with accidents, the cooperative has internal management software to identify the name of a driver in any given ride, the driver's account, the stage of their ride, historical rides, historical ride requests and whether they are online (DI Interview, 12.08.2019, at [31:15-31:45]). Passenger names are hashed and only identifiable by their alphanumeric IDs on the protocol, but their accounts can be removed from the distributed ledger (DI Interview, 12.08.2019, at [32:15-32:30]). This privileged insight

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959 Rosenblat discusses at length the mental and emotional toll involved in striving to secure and maintain a high rating on the Uber application. As a high rating is essential for continued use of the application and a steady stream of passengers, a driver's rating is a constant cause for concern and even affects their feeling of self-worth. Rosenblat (n 51) 150–155. This is reaffirmed by Jamil's ethnographic research of Uber drivers in Montreal, describing the rating system as having a (self-)disciplining effect on the drivers. Jamil (n 948) 11.

960 As Brunton explains, a hash is a "function that takes data of any size and returns data of fixed size, usually much shorter, which corresponds to the original data. Any change to the original will produce a different hash... you cannot figure out the original data from the hash of the data. It is – at least in theory, if not always in practice – not reversible. The hash of the thing tells you nothing about the thing, except that the hash corresponds to it, and to it alone". Finn Brunton, *Digital Cash: The Unknown History of the Anarchists, Utopians, and Technologists Who Created Cryptocurrency* (Princeton University Press 2019) 104.

961 Claus Dierksmeier and Peter Seele, 'Blockchain and Business Ethics' (2020) 29 *Business Ethics: A European Review* 348, 355.

962 Attoh, Wells and Cullen (n 948) 1012–1013.

963 'How Eva Creates a Decentralized Ride-Sharing Platform That Benefits Both Drivers and Riders' (n 947).

not only allows the cooperative to notify law enforcement authorities about illegal acts committed by members but also remove the accounts of members from their protocol if needed.

According to the driver-user members interviewed, the fact that the data of the drivers and the passenger-user members are ostensibly more secure, engenders greater trust in Eva than in competitors that centralize the collection, storage and processing of personal data (MC Interview, 11.07.2020, at [05:30-06:00]; RA Interview, 28.07.2020, at [20:00-21:00]). In certain circumstances, third parties (e.g., a municipality) may undertake their own analysis of, say, ride-hailing traffic patterns, based on only anonymized data using a block explorer. As member-owned organizations, it is anticipated that personal or collective data that may be valuable to third parties can in the future be licensed on the basis of personal or collective agreement.<sup>964</sup> Most notably, Eva Global Corp., as distinct from the local solidarity cooperative, does not have access to the personally identifiable information of any of the cooperative members, which again stands in marked contrast to businesses such as Uber. Thus, Eva dispels the notion that a ‘trade-off’ between privacy and access to labour markets is an intrinsic feature of gig platforms.<sup>965</sup>

While payments take place with ordinary credit cards in Canadian dollars, the platform internally uses a stable commodity token system as a means of accounting for the clearance of payments. As Gaudreault explains, when a driver is to be paid CAD\$ 20, this amount is charged to the rider’s credit card, converted into commodity tokens of the same value (CAD\$ 1 = 1 token) and effectively escrowed in a smart contract until the completion of the ride, when these tokens are automatically credited to the driver’s account, which she can then convert back into fiat currency (Jones, 2019).<sup>966</sup> He estimates that in Quebec, drivers are earning 10-15% more than with their competitors and customers are paying roughly 5% less, given the lower transaction fee charged by Eva and the absence of surge pricing during hours of peak demand (*ibid*). This is echoed by Mike Calomiris, who estimates that he could earn a CAD\$ 100 with Eva in 6 or 7 trips while it would take 12 trips to earn the same amount with Uber (MC Interview, 11.07.2020, at [24:15-25:15]). In addition, to encourage more drivers to switch to using Eva during peak hours such as the morning (0600-1000 hours) and afternoon rush (1500-1900 hours), Eva recently introduced a pilot program for their most committed, “proven” driver-user members. During these four-hour periods driver-user members are guaranteed a minimum income of CAD\$ 15 per hour if they keep their Eva app on, which is only paid if the

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964 Crypto Tim, Interview with Dardan Isufi, ‘EVA - The Ride-Sharing App That Makes The Blockchain Invisible - Dardan Isufi Interview’ (3 December 2018) <<https://www.youtube.com/watch?v=pSRvTulCtIc>> accessed 25 December 2019.

965 Jamil (n 948) 5.

966 ‘How Eva Creates a Decentralized Ride-Sharing Platform That Benefits Both Drivers and Riders’ (n 947).

driver-user members themselves do not earn CAD\$15 or more per hour during this period (MC Interview, 11.07.2020, at [29:30-30:30]). These material advantages are complemented by the involvement of these stakeholders in the governance of the Eva cooperatives.

Section 80 of Quebec's Cooperatives Act, 1982, permits a cooperative board to have between 3 and 15 directors, with Eva presently having five directors.<sup>967</sup> To be eligible for directorship, a member must have fully paid-up their cooperative share, and each class of member is entitled to appoint a certain number of positions on the board. Passenger-user members, driver-user members and supporter-members are entitled to appoint 1 director each, while worker-members are entitled to appoint 2 directors (§5.3 Eva Bylaws).<sup>968</sup> Two of the directors share the duty of being co-presidents (i.e., chairpersons), one director is vice-president, one director is secretary, and one director is the treasurer. The co-presidents are responsible for defining the overall strategy of cooperative over the short-, mid- and long-term (§6.1(d), Eva Bylaws). The tenure of these directors is for 3 years and the (re)appointment of directors is staggered after three years have elapsed from the founding of the cooperatives (§5.4.1, Eva Bylaws).<sup>969</sup> Elections of nominee directors only take place if there are a greater number of nominees for a position than there are vacancies (§5.5(b)(5), Eva Bylaws). The board meets as many times as required by the interests of the cooperative – physically or virtually – and quorum is met if the majority of the board (i.e., three of the five directors) are present (§5.6, Eva Bylaws).<sup>970</sup>

The annual General Assembly of the cooperative (and any extraordinary general assemblies) brings together all the classes of members of the cooperative to decide upon, among other things, the appointment of auditors, the (re)appointment of directors and the distribution of the cooperative's surplus.<sup>971</sup> Notice for these assemblies is given through an in-app notification and through messages on social media (§4.1.1., Eva Bylaws). Given the potentially large number of user-members, it is possible for passenger-user and driver-user members to appoint delegates and alternate members to act as proxies for these assemblies. Pursuant to section 73 of the Cooperatives Act, 1982 and §4.4 of Eva's Bylaws, if the cooperative has a 100 or more user-members in multiple judicial districts, driver-user members and passenger-user members must each appoint a representative delegate at a specially convened meeting to appear on their behalf in these assemblies.

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967 The directors are Raphael Gaudreault (Co-President), Dardan Isufi (Co-President), Laurence Audette-Lagueux (Vice President), Philippe Alengry (Treasurer) and Amokrane Mariche (Secretary). Following a recent General Assembly, a driver-user member representative will soon be added to the board.

968 Cooperatives Act, 1982, section 226.6 [Quebec].

969 Cooperatives Act, 1982, section 84 [Quebec].

970 Cooperatives Act, 1982, section 93 [Quebec].

971 If there is a surplus, §7.3 of Eva's Bylaws provides that at least 40% of it should be kept in the general reserve of the cooperative. This is notably higher than the minimum reserve requirement of 10% mentioned in Cooperatives Act, 1982, section 146 [Quebec].

These delegates – or their duly-appointed substitutes – will only have one vote. Supporter-members can appoint delegates in a similar manner (§4.5 of Eva’s Bylaws). Should the cooperative decide, any and all of these meetings and assemblies can take place electronically (§4.6, Eva Bylaws), including the casting of votes. There is no requirement for a minimum number or percentage of registered members to be present for a meeting to have quorum at the General Assembly (section 64, Cooperatives Act, 1982; §4.7, Eva Bylaws).<sup>972</sup>

Aside from these legally required meetings, the board of the cooperative regularly meet with the drivers in person – at pizza nights hosted at their office or over coffee at cafés – as well as through their social media channels (DI Interview, 12.08.2019, at [18:00-18:15], MC Interview, 11.07.2020, at [28:45-29:15]). These informal meetings are an occasion for the developers to receive feedback and for those present to collectively plan marketing strategies, such as offering 5-dollar coupons for rides and advertising to universities (MC Interview, 11.07.2020, at [21:45-22:00]). This driver-user member feedback is critical as it helps the management and 10-person software development team identify bugs in the application, ranging from fraudulent passengers who used fake/stolen credit cards to make payments to the map not accurately displaying the location and distance of the car to a passenger. Such bugs can have significant consequences for the cooperative as well as the drivers and passengers. For instance, incorrectly displaying the location of a car on a map can prolong the waiting/driving time. However, to its credit, Eva ironed out several of these bugs in subsequent software updates<sup>973</sup> and when drivers picked up fraudulent passengers and had to cancel a trip, the business paid for the journey that was undertaken (MC Interview, 11.07.2020, at [16:15-16:45]). At the same time, some driver-user members feel valued when there is a transparent discussion about resolving a bug. In Renault Antonine’s words, at Eva “it is easy to send screenshots and there are like different [Telegram] channels where we can participate. The discussion is always open, which is cool! In the past, when I used to work for Uber, many times I wanted to give feedback about the app. They don’t care! They say, thank you, but I don’t know what happens next” (RA Interview, 28.07.2020, at [15:00-15:30], insertion mine). While not being a technical issue, the onset of the COVID-19 pandemic has also required Eva to act in the interests of its members who have been quarantined and unable to make trips. Instead of asking drivers to pay to buy a plastic protector, Eva has been offering its driver-user members these protectors, masks and sanitizers for free (MC Interview, 11.07.2020, at [45:30-46:15]).

972 Cooperatives Act, 1982, section 64 [Quebec].

973 ‘Competing Against Uber - Raphael Gaudreault’ (17 July 2020) <<https://www.youtube.com/watch?v=Zo-v5TI4xkc>> accessed 17 July 2020.



Another significant difference between the earlier White Paper and the 2019 Business Plan of Eva is the prominent role that is now given to social franchising<sup>974</sup> for the purposes of national and international expansion (see Figure 16). As with commercial franchises,<sup>975</sup> a social franchisor permits franchisees to use their trademark and operations processes (including software) for monetary consideration,<sup>976</sup> but this is coupled with the requirement that the franchisee seek to solve a social problem. Asemota and Chahine define social franchising as a "process through which a social venture can scale up the coverage of its successfully proven social concept to its target population while maintaining the quality of its service delivery".<sup>977</sup> The most prominent social franchises are in the healthcare sector,<sup>978</sup> but are also present in other industries such as ICT reuse.<sup>979</sup> It may be argued that consumer cooperative franchises can also be considered a form of social franchising as they require retail outlet franchisees to ascribe to cooperatives values and principles and provide their consumers access to cooperative membership (Co-operative Group Limited, 2019).

While Eva is still preparing its social franchise template and franchise operations manual with the support of a Canadian cooperative-oriented law firm, Isufi and Gaudreault both mention that an important term of the agreement will be the setting up of nodes by the franchisee, including acting

974 Ilan Alon, *Social Franchising* (Palgrave Macmillan 2014) 3.

975 A franchise arrangement involves the owner of a business service format (the franchisor) entering into a contract without another party at arm's length (the franchisee) that permits the latter to use the business service format of the franchisor to sell a product or service in exchange for an upfront fee, ongoing royalties and a commitment to strictly maintain standards set by the franchisor. Fladmoe-Lindquist and Jacque (n 524) 1238. The business service format typically includes the trademark and other intellectual property of the franchisor, as well as the franchisor's trade secrets. As a relational contract, a franchise agreement requires an ongoing process of knowledge transfer from the franchisor to the franchisee. A typical franchise contract therefore typically includes clauses on the rights and duties of the franchisor and the franchisee concerning the commencement, termination and dispute resolution of the franchise, as well as the powers and liabilities of both parties during the operation of the franchise. See Huseyin Leblebici and Christina E Shalley, 'The Organization of Relational Contracts: The Allocation of Rights in Franchising' (1996) 11 *Journal of Business Venturing* 403.

976 Alessandro Giudici and others, 'Successful Scaling in Social Franchising: The Case of Impact Hub' (2020) 44 *Entrepreneurship Theory and Practice* 288, 289, 299.

977 Joseph Asemota and Teresa Chahine, 'Social Franchising as an Option for Scale' (2017) 28 *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations* 2734, 2737.

978 See generally, Sivakumar Alur and Jan PL Schoormans, 'Sustainable Rural Healthcare and Social Franchisee Selection – an India Study' (2011) 11 *Journal of Medical Marketing* 230; David Bishai and others, 'Cost-Effectiveness of Using a Social Franchise Network to Increase Uptake of Oral Rehydration Salts and Zinc for Childhood Diarrhea in Rural Myanmar' (2015) 13 *Cost Effectiveness and Resource Allocation: C/E 1*; Felicia Naatu and Ilan Alon, 'Social Franchising: A Bibliometric and Theoretical Review' (2019) 25 *Journal of Promotion Management* 738, 758.

979 See generally, Katja Zajko and Barbara Bradač Hojnik, 'Social Franchising Model as a Scaling Strategy for ICT Reuse: A Case Study of an International Franchise' (2018) 10 *Sustainability* 3144.



as a block producer and as an API node, running a web server and using a ‘demultiplexer’ that provides business intelligence to the node operator based on live transactions on the protocol (e.g., failed rides) and an interface for managing the ride-hailing service within a certain territory (e.g., promotions, discounts). In addition, the social franchisee will also share the corporate email address of Eva and have their website developed by Eva (DI Interview, 12.08.2019, at [35:15-35:30]). Given that Eva Global Corp., is a for-profit franchisor and the potential franchisees could be both for-profit and not-for-profit entities dedicated to multi-stakeholder interests, it fits the social franchise investment model of social franchising.<sup>980</sup> This reflects the fact that in contrast to other models of social franchising in which the franchisor is a not-for-profit entity, Eva Global Corp. is for-profit corporation but franchisees invest in the franchise system for not-for-profit purposes, including improving the working conditions of its driver-user members. At present, the cooperative in Montreal is the first ‘social franchisee’ in the network, with there being plans for social franchisees in Alberta, Quebec City, Saguenay and New York City in the near future.<sup>981</sup>

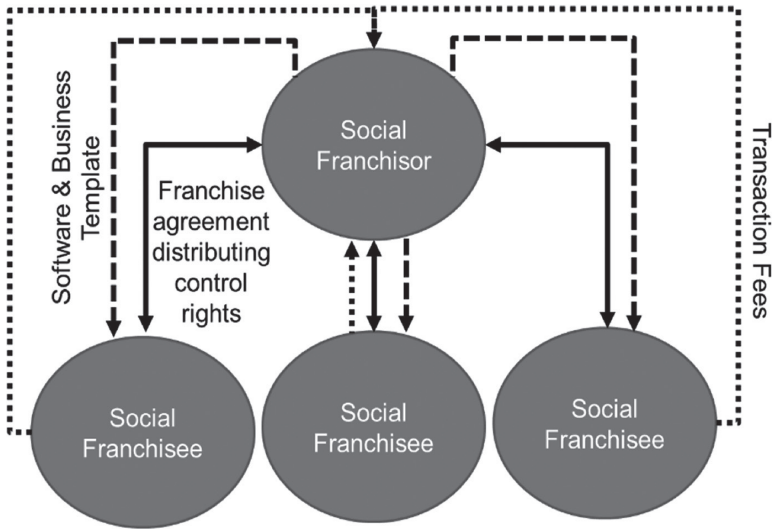


Figure 16: Eva’s Social Franchise Model

980 Elizabeth Crawford-Spencer and Francina Cantatore, ‘Models of Franchising for Social Enterprise’ (2016) 23 Journal of Marketing Channels 47, 52–53.

981 Samuel Duchaine, ‘La coopérative de transport Eva fera son entrée à Saguenay le 11 octobre’ (Le Quotidien, 31 August 2020) <https://bit.ly/2SLjbmQ>; ‘Competing Against Uber - Raphael Gaudreault’ (n 973).

A franchise system has often been studied as a form of network organization<sup>982</sup> and arguably, it can also be considered a federated structure when control over key decisions is bi-directional. Typically, control in franchising agreements is top-down, rather than bottom-up. After all, it is the franchisor that gets to decide whether to allow another business to be a franchisee and often retains strategic decision-making rights regarding the franchise.<sup>983</sup> However, as Mumdzhev and Windsperger show in the context of German and Austrian commercial franchises, franchise agreements allocate residual decision-making rights (i.e., the authority to make decisions that are not mentioned in a contract or cannot be specified in a contract) to franchisees depending on the importance of intangible, difficult-to-transfer local-market knowledge, relative to the importance of the intangible assets of the franchisor. In other words, assets that are viewed as being amenable to contracting remain within the decision-making purview of the franchisor, while other decisions such as the introduction of a new service for a local market or recruitment, are left to the franchisee.<sup>984</sup>

Given the extent to which the ride-hailing business relies on local market knowledge, the particularities of urban mobility in different countries (e.g., the use of cash, different modes of transport) and the importance of onboarding new users, it would be unsurprising if Eva's 'model' social franchise agreement delegates extensive operational and strategic decision-making rights to local cooperatives. In doing so, Eva Global Corp. is gradually taking on the functions of a shared-services platform, serving the technological needs of its franchisees. Existing examples of social franchises indicate that such arrangements foster horizontal learning, as the franchisor coordinates knowledge sharing among franchisees, particularly concerning innovative practices.<sup>985</sup> Eventually, it may be the case that Eva Global Corp. itself becomes owned by its franchisees and their members, as originally envisioned in the Eva White Paper. The foregrounding of the 'nodes' in the social franchise network, the building of relations between them and the gradual self-effacement of the franchisor could thereby enable a shift towards a distributed (rather than simply a decentralized) network, as an organization and as a protocol.

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982 Josef Windsperger and Mika Tuunanen, 'New Developments in the Theory of Networks: Introduction' in Mika Tuunanen and others (eds), *New Developments in the Theory of Networks: Franchising, Alliances and Cooperatives* (Physica-Verlag HD 2011) 1.

983 Nada Mumdzhev and Josef Windsperger, 'The Structure of Decision Rights in Franchising Networks: A Property Rights Perspective' (2011) 35 *Entrepreneurship Theory and Practice* 449, 451.

984 *ibid* 456, 458–459; Raghuram G Rajan and Luigi Zingales, 'Power in a Theory of the Firm' (1998) 113 *The Quarterly Journal of Economics* 387, 387.

985 Giudici and others (n 976) 298.

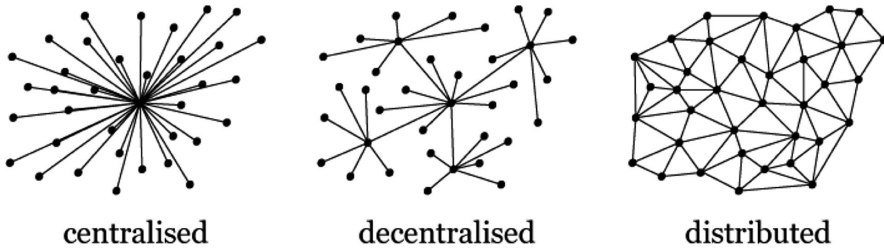


Figure 17: 1983, 17 June 2007, CC Attribution-Share Alike 3.0 Unported, based on Baran (1962)<sup>986</sup>

## 6.5 DISCUSSION

The two cases set out above comprise different sectors of the urban mobility industry, electric car sharing, and ride-hailing respectively, and thus have differing business models and serve varying member interests. Yet, as participants in the wider platform economy, they are both reliant on the development of a high-quality smartphone application for their members and attracting a critical mass of users. As with other early-stage platform start-ups, TMF, its members and the nascent Eva ecosystem are cash burning machines;<sup>987</sup> traversing ‘the valley of death’ by rapidly spending their initial seed capital to develop their application(s) and to acquire users in the hopes that they can generate sufficient revenue to be self-sufficient before their investment runs dry. These cases show that platform cooperatives, in their various forms, are not immune to the imperatives that drive ‘planetary expansion’, even if they are not exclusively beholden to the interests of investors.<sup>988</sup> The desire to scale globally does have an overlap with the objective of platform companies to increase profit margins – especially in industries which require continual investment in tangible assets – as they too wish to deliver financial refunds to their members, even if this is at nominal value or is capped. Sharing costs and simultaneously reaching a broader geographic market can help prove the viability of their business models and, as such, networking with similar businesses through a network organisational structure is a rational economic choice, even if it is not legally

986 Paul Baran, ‘On Distributed Communications Networks’ (RAND Corporation 1962) P-2626 4 <<https://bit.ly/3hpWH2O>>.

987 Luke Munn, ‘Cash Burning Machine: Uber’s Logic of Planetary Expansion’ (2019) 17 *tripleC: Communication, Capitalism & Critique*. Open Access Journal for a Global Sustainable Information Society 185.

988 *ibid* 193, 197.

obligatory.<sup>989</sup> However, the choice of the SCE and the social franchise – both relatively novel legal and governance structures – raise fresh challenges and possibilities.

TMF is one of only a handful of SCEs that have been formed in the EU/EEA since the SCE Regulation came into force on 18 August 2006.<sup>990</sup> Yet, there are persuasive reasons why the SCE is an appropriate pan-European structure. The SCE may be created for an object that involves the satisfaction of its members' needs and/or the development of their economic and social activities, including supplying them with goods or services.<sup>991</sup> As a legal entity, the SCE is treated in every state of the EU/EEA as if it were a cooperative registered under its national law.<sup>992</sup> This is significant as the SCE Regulation expressly authorizes the SCE bylaws to have certain features that may prevail over mandatory rules of national cooperative law.<sup>993</sup> Examples that are particularly material for cooperative governance include the possibility of extending participation to non-members,<sup>994</sup> issuing non-voting securities and debentures other than cooperative shares to non-members,<sup>995</sup> allowing proxies for meetings,<sup>996</sup> permitting electronic voting,<sup>997</sup> setting custom quorum and voting majority requirements,<sup>998</sup> offering one-tier or two-tier boards,<sup>999</sup> having longer board tenures<sup>1000</sup> and establishing alternative

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989 Cooperation among cooperatives is the 6<sup>th</sup> ICA principle of the cooperative identity, but there is debate among legal scholars about it being obligatory for cooperatives to cooperate, given its tension with other ICA principles such as autonomy/independence and democratic control. Henry (n 884) 121–122. Henry instead argues that as the seven ICA principles have been included in ILO Recommendation No. 193 of 2002 on the promotion of cooperatives, its democratic legitimacy and repeated behavior of states arguably make the principles legally binding on States. To ensure the harmonious coexistence of the principles, cooperation among cooperatives should only be incentivized, not mandated. *ibid.* 124. While cooperation among cooperatives has not been mandatorily imposed on cooperatives in Belgium, they do have the liberty to do so. Thierry Tilquin and Maïka Bernaerts, 'National Report for Belgium' (International Co-operative Alliance and the European Union 2020) 13 <<https://bit.ly/3wQLhMe>>. In Canada, cooperation among cooperative is not mandatorily required at the federal level, but it is fundamental to cooperative action under Cooperatives Act, 1982, section 4(6) [Quebec]. Lowery (n 526) 13. Economic cooperation among cooperatives, in the manner adopted by TMF, is also one of the principles under the Principles of European Cooperative Law (principle 5.2(3)).

990 SCE R, art. 80.

991 SCE R, art. 1(3).

992 SCE R, art. 9.

993 Cooperatives Europe, Euricse and Ekai Center, 'Final Study: Executive Summary and Part I: Synthesis and Comparative Report' (2010) Report drawn up following call for tender no ENTR/2009/021 of 23 April 2009 from the European Commission 39.

994 SCE R, art. 1(4).

995 SCE R, art. 64(1).

996 SCE R, art. 58(3).

997 SCE R, art. 58(4).

998 SCE R, art. 61(3).

999 SCE R, arts. 36(b), 37(5), 42(4).

1000 SCE R, art. 45(1).

share redemption schedules for exiting members.<sup>1001</sup> In short, the SCE may take on characteristics that are different from cooperatives formed under national law and allow a degree of flexibility not permitted by the cooperative law in some Member States.

It may be formed *de novo* by five or more natural persons, two or more legal persons resident in at least two different Member States (or a combination thereof), through a merger of cooperatives at least two of which are registered in different Member States and through a conversion of a cooperative that has had an establishment governed by the law of another Member State for at least two years.<sup>1002</sup> Once established, it is possible to transfer the registered office of a SCE to another Member State without winding up or creating another legal entity.<sup>1003</sup> The SCE Regulation also provides the scaffolding for a transnational cooperative governance system, by setting out the functions of a one-tier or two-tier board,<sup>1004</sup> the General Assembly,<sup>1005</sup> their inter-relationship,<sup>1006</sup> the voting powers of members,<sup>1007</sup> and the rights of exit of minority members.<sup>1008</sup>

The SCE is undoubtedly a landmark piece of legislation, resulting from the ardent effort of several persons in the cooperative movement since the 1960s,<sup>1009</sup> but there continues to be a “lack of cognitive awareness” about the SCE and the Regulation itself has been unable to overcome the difficulties that arise due to differences between national cooperative legislation.<sup>1010</sup> While the SCE Regulation supplies certain provisions that can supplant national rules, by and large in the absence of a uniform European cooperative law, the gaps in the SCE Regulation are filled by the national laws of the jurisdiction where the SCE is registered. This interplay of national and sub-national laws and the SCE Regulation has meant that the formation of a SCE involves a level of complexity and cost that is beyond the means of many cooperatives.<sup>1011</sup>

At the same time, it offers the opportunity for regulatory arbitrage that is beneficial to the cooperative, as interested co-operators can have their pick of EU/EEA jurisdictions where they can register a SCE, including those most amenable to their objectives. This may be motivated by tax benefits

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1001 SCE R, art. 16(3).

1002 SCE R, art. 2(1).

1003 SCE R, art. 7(1).

1004 SCE R, arts. 37, 39, 42.

1005 SCE R, arts. 60-61.

1006 SCE R, arts. 39(2), 40 42(3), 54(2).

1007 SCE R, art. 59.

1008 SCE R, art. 15(2).

1009 Chantal Chomel, ‘La longue marche de la société coopérative européenne’ (2004) 291 *Revue internationale de l'économie sociale* : recma 22, 23.

1010 Cooperatives Europe, Euricse and Ekai Center (n 993) 147–148.

1011 *ibid* 78; Irene Esquin Ibáñez, ‘Law Applicable to the European Cooperative Society: Special Reference to the European Cooperative Established in Spain’ (2011) 8 *European Company and Financial Law Review* 30, 40.

offered to cooperatives in a particular jurisdiction,<sup>1012</sup> but it could also be for cooperative governance reasons. For instance, cooperatives in two different Member States, which do not regulate or permit cooperatives to have investor-members, could form a SCE in a third Member State which does, for the purpose of attracting external investment for their shared product/service.<sup>1013</sup> Alternatively, if it is felt that an existing primary cooperative will need to include investor-members itself, but it is not possible to do so under a national cooperative law regime, the cooperative – with its members' support – could convert into a SCE, subject to articles 2(1)(fifth indent) and 35, SCE R. Subsequently, it could transfer its registered office and headquarters to a Member State which permits investor-members pursuant to article 7, SCE R, continuing its operations in its original Member State as a secondary establishment.<sup>1014</sup> While the relatively high minimum capital requirements of the SCE and administrative costs have been presented as the main reason why such regulatory arbitrage has not happened,<sup>1015</sup> cases such as TMF indicate that it is not an insurmountable obstacle. It remains to be seen whether other emergent shared-services platforms in the EU, such as Coop Cycle, will eventually use the SCE form or not.

Eva's nascent social franchise system presents another form of network organization that provides shared-services to its cooperative social franchisees. This is distinct from the vertical integration inherent in the formation of a secondary cooperative such as TMF as, at present, the relationship between Eva Global Corp. and its social franchisee(s) are governed by vertical, contractual restraints rather than ownership.<sup>1016</sup> Isufi hopes that Eva's ecosystem will come to resemble the governance structure of non-profit organizations such as Amnesty International, which are reliant on action taken by local groups while the global entity focuses on cross-cutting issues such as research (DI Interview, 12.08.2019 at [19:15-19:45]). Social franchising is an attractive arrangement for materializing such a vision, as it allows a social impact-driven business model to be adapted to local

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1012 Ruud Galle, 'The Societas Cooperativa Europea (SCE) and National Cooperatives in Comparative Perspective' (2006) 3 *European Company Law* 255, 259.

1013 SCE R, art.2(1)(third indent).

1014 While it is not possible to delve into this topic here, the freedom of establishment (§49, Treaty on the Functioning of the European Union) also protects the right of cooperatives registered under the law of an EU/EEA State – as a company or firm under §54, TFEU – to engage in cross-border economic activity. Moreover, the case law on the freedom of establishment enables cooperatives to transfer their registered office to another EU/EEA State as well as 'convert' into a cooperative legal form of another State. *See* Case C-106/16 *Polbud – Wykonawstwo sp. z o.o., in liquidation*, ECLI:EU:C:2017:804 and Case C-378/10 *VALE Építési kft* ECLI:EU:C:2012:440 respectively.

1015 Cooperatives Europe, Euricse and Ekai Center (n 993) 148–149; European Commission, 'The Application of Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE) COM(2012) 72 Final' (European Commission, 23 February 2012) para 4.4.

1016 Brian Callaci, 'Control Without Responsibility: The Legal Creation of Franchising, 1960–1980' (2021) 22 *Enterprise & Society* 156, 162.



conditions and for decision-making to be distributed to franchisees, while remaining within a shared mission-driven identity. In short, social franchising has the capacity to cultivate a stronger sense of belonging among members to the ride-sharing business.

This is also a strategic move as it is the social franchisee that becomes responsible for market research and development, promotion, financing and regulatory compliance, which is markedly different than in the case of platform companies such as Uber, where the parent company effectively remains responsible for these functions when operating in different countries through wholly-owned subsidiaries.<sup>1017</sup> This can considerably reduce costs for the franchisor. An influential stream of research on social franchising has favoured the idea that resource scarcity explains the choice of franchising over ownership but the case of Eva indicates that the normative and social objectives of decentralization and localization can also be important determining factors.<sup>1018</sup> Franchising allows the social franchisor to focus on developing the application and the backend software (e.g., for Eva, Ana, the operations management software and Lixia, the internal management software) and supporting new and existing franchisees. It can also turn its attention to related markets, such as food delivery, a sector that Eva has already begun exploring during the COVID-19 pandemic.<sup>1019</sup> The franchisee will have access to a proven social impact model and a well-tested

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1017 Interestingly, in recent weeks, discussion has arisen about Uber and Lyft granting franchises to their brands and technology to commercial fleets in California, should they have to exit the state. This threat has been issued by Uber and Lyft due to a decision by Judge Ethan Schulman of the San Francisco Superior Court granting an injunction against the two companies to compel them to comply with Californian employment law, which, failing a successful appeal, would effectively requires them to classify their drivers as employees. In a recent essay, Veena Dubal warns of the risk that such a franchise system can pose to drivers if greater legal responsibilities and risk is thrust onto them, by drawing lessons from the transition of FedEx to a “franchise-like model” Veena Dubal, ‘The Pitfalls of Uber and Lyft as Franchisors’ (*OnLabor*, 19 August 2020) <<https://bit.ly/3wMpUvx>>. In the FedEx case, the franchise arrangement required franchisee-drivers (Independent Service Providers) to hire their own drivers and purchase their own trucks to cover large areas, squeezing both the franchisee and their own drivers. VB Dubal, ‘Winning the Battle, Losing the War? Assessing the Impact of Misclassification Litigation on Workers in the Gig Economy’ (2017) 2017 *Wisconsin Law Review* 739, 790. It remains to be seen whether a *social* franchisee that is also a (platform) cooperative confronts similar challenges, given their focus on objectives other than profit and the differences in status between being an employee and a worker-member of a cooperative. In the early experience with Eva, it appears that being a member prompts a change in mindset. In the words of one Eva driver-user member, in Uber, “everybody tries to make more money, as much as possible. As drivers, we were very individualistic...Whereas with Eva and on my side, we want that every driver has enough rides to live properly, to get some money and to have some consideration for the work done” (RA Interview, 28.07.2020, at [24:45-25:30]).

1018 Markus Beckmann and Anica Zeyen, ‘Franchising as a Strategy for Combining Small and Large Group Advantages (Logics) in Social Entrepreneurship: A Hayekian Perspective’ (2013) 43 *Nonprofit and Voluntary Sector Quarterly* 502, 506; Naatu and Alon (n 978) 754.

1019 ‘Competing Against Uber - Raphael Gaudreault’ (n 973).

applied while also being highly incentivized to succeed, as it is their resources invested in the business. At the same time, as Eva has expressed no intention of charging a franchise fee or ongoing royalties – beyond the aforementioned share of every transaction fee – some of the main costs in being a social franchisee are reduced.<sup>1020</sup>

That being said, the earlier experience of social ventures like Aspire – a failed British social franchise that had the mission to train homeless persons in basic business literacy – underscores the importance of being cautious in replicating a social impact model in a different socio-economic context and in franchisee selection. If the franchisee does not have the expected market knowledge or the ability to act as a steward of the franchise, the entire venture could be in jeopardy.<sup>1021</sup> It may also require the social franchising process to be slower than initially planned. Conversely, social franchisors such as Eva Global Corp. also need to implement a plan for how its own governance will be democratized and not captured by investor interests. This is an objective that Eva mentions in their initial white paper and is an ongoing concern for the team, but from interviews and correspondence with the COO, this currently appears to be a low priority. The early stages of Impact Hub may offer a salutary lesson here, as the democratic ethos core to its business was diminished by the fact that the founder of the business was its sole shareholder.<sup>1022</sup> In turn, broad-based ownership may help preserve Eva Global Corp.'s stated social mission for the long-term.

From a property rights perspective, both the SCE and social franchising are vulnerable to adverse selection and free-riding problems that may negatively affect their financing and governance. A cooperative may seek to become a member or a franchisee simply to obtain the best possible product – access to the code base of the software and the brand – for the lowest possible contribution of labour or financial resources. If a cooperative notes that future member-cooperatives or franchisees will earn the same refunds and decision-making rights as them, a disincentive may be created for present investment or an incentive to exploit the existing contributions of others.<sup>1023</sup> For a social franchise, distance between a franchisee and a franchisor may create a temptation to free-ride on the trademark of the franchisor as the goal of attracting user-members may, for instance, lead to compromises in the quality of the service provided by the franchisee or its user-members.<sup>1024</sup> For a SCE in particular, there may also be horizon problems. If a member-cooperative is of the view that their

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1020 Giudici and others (n 976) 300.

1021 Naatu and Alon (n 978) 745, 756; Paul Tracey and Owen Jarvis, 'Toward a Theory of Social Venture Franchising': (2007) 3 *Entrepreneurship Theory and Practice* 678.

1022 Giudici and others (n 976) 300.

1023 Michael L Cook and Constantine Iliopoulos, 'Ill-Defined Property Rights in Collective Action: The Case of US Agricultural Cooperatives', *Institutions, Contracts and Organizations: Perspectives from New Institutional Economics* (Edward Elgar Publishing 2000) 336.

1024 Gillian K Hadfield, 'Problematic Relations: Franchising and the Law of Incomplete Contracts' (1990) 42 *Stanford Law Review* 927, 949.

residual claim on net income generated by the co-developed software is for a shorter period than the productive life of the software, the cooperative may not wish to make a long-term, substantial investment. These problems could lead to intergenerational conflict and financial and reputational risks for the SCE or the franchisor. In the case of agricultural cooperatives that have confronted these problems, recommendations have included raising membership requirements, adding supplementary fees for new members, requiring obligatory patronage requirements and adjusting cooperative share redemption periods.<sup>1025</sup> For social franchising in particular, a franchisor could engage in active monitoring and evaluation of franchisees, handing down financial sanctions to intransigent franchisees. The added benefit of the technological nature of shared-services platforms is that excluded members or franchisees may also be deprived of updates to the software, rendering it un-operational.

Moreover, an internal free-rider problem arises from the sharing of 'common property' by the cooperatives via a secondary entity, which assumes that consumption of the property is non-excludable and rivalrous. However, when that property in question is software used for a (business) platform, this assumption does not hold as such a property is anti-rival in nature – the more the good is consumed, the more utility it has for each cooperative. Indeed, a degree of free-riding may be tolerable if it leads to greater numbers using the software.<sup>1026</sup> Awareness of this should incentivize cooperatives to help expand the network of member-cooperatives/franchisees rather than retain the status quo.

Given the particular requirements of shared-services platforms, it may be useful for them to keep in mind Baig et al.'s framework for governing shared technological infrastructure. Drawing on the experience of guifi.net – a successful international community telecommunications network – the authors recommend seven governance tools for a decentralized network to function well. These tools are based on Elinor Ostrom's principles for governing common-pool resources: (1) effective and varied means of communication with network participants, (2) a license (i.e., setting terms early of who can participate in the protocol/network), (3) monitoring (i.e., ensuring that it exists), (4), a conflict resolution system (i.e., ensuring that it exists), (5) an expense declaration system (i.e., accounting for the contributions made by members), (6) a collaboration agreement (i.e., terms by which for-profit uses can be made of resources) and (7) an economic compensation system (i.e., balancing the contributions made with the resources used by for-profit participants).<sup>1027</sup>

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1025 Cook and Iliopoulos (n 1023) 346; Konstantinos Giannakas, Murray Fulton and Juan Sesmero, 'Horizon and Free-Rider Problems in Cooperative Organizations' (2016) 41 *Journal of Agricultural and Resource Economics* 372, 373–374, 385.

1026 Steve Weber, *The Success of Open Source* (Harvard University Press 2004) 154.

1027 Baig and others (n 488) 152–153, 163.

This evaluation of the legal and governance structures of the two shared-services platforms in the urban transport industry allows for a closer look at the similarities and differences between the two cases, for the purpose of understanding the rationale for, and the factors behind, these businesses choosing their respective legal and governance structure. This comparison is summarized in Table 11.

Table 11: Similarities and Differences between TMF and Eva. (Y = Yes, N = No)

	Solidarity	For-Profit	Ownership of IP	Ownership of Vehicles	Professional Support	Internal Tech. Expertise	Importance of Single Global Brand	Supranational Legal Entity Form
<b>The Mobility Factory</b>	Y	Y	Y	Y	Y	Y	N	Y
<b>Eva Global Corp.</b>	Y	Y	Y	N	Y	Y	Y	N

As the Table indicates, three differences are the ownership of the vehicles used in the respective transport businesses, the importance of a single global brand for the primary entities and the existence of a supranational legal entity form (e.g., the SCE) in the jurisdictions where the business operates.

The need for TMF members to acquire their own electric vehicles for their car sharing business – and in some cases also install some of their own charging ports – entails a costly investment in tangible assets that neither Eva Global Corp. nor its franchisees have to incur. This may be attributable to the difference in business model between TMF members, such as Partago, and Eva’s franchisees. Partago, for instance, is not strictly a platform, in the economic sense of the term, as its business model is not centred on multi-sided matchmaking. Partago owns the cars available through their application. Although it would appear that the cars are co-owned by local communities, they are in fact licensed to user-members. This contrasts with the archetypical platform business model in which the intermediary does not own the tangible assets that are subject to intermediation and generates revenue by efficiently matching users to individual suppliers (e.g., of electric cars). While it is common for a franchise agreement to require a franchisee to make substantial tangible investments, including the acquisition of raw materials and other movable property to be used for the franchisees’ core business transaction, this may be less common if the franchisee is primarily a multi-sided marketplace. Eva hues more closely to this description, with the major tangible cost required of nodes is the installation of dedicated servers and the maintenance of an Eva node. Moreover, the use of the SCE can be simply explained by the fact that it is an entity form that can be created by cooperatives registered in EU/EEA Member States, but not Quebecois cooperatives with no presence in the EU/EEA.

This, however, does not provide insight into why more cooperatives in Europe do not make use of the SCE. Relatedly, while members of secondary cooperatives can continue to use their own local brand identity, franchisees generally – but not always (e.g., in a fractional franchise) – are expected to operate under a global brand name.

Both Eva and TMF own their software but there are fundamental differences in how it is made available to their franchisees and members respectively. In the case of TMF, the process of IP development was from the outset a collaborative activity and one of the motivating factors behind the secondary cooperative's existence is to create a vehicle for 'co-owning' the IP and resolving ownership disputes between co-owners. This co-ownership is reflected in the fact that TMF members like Partago can license the software to third parties. In contrast, Eva Global Corp. is the sole owner of the IP and while social franchisees may be granted a broad license, they will still have restrictions on what they can do with the software so as not to dilute or despoil the Eva brand. (However, ultimately, the social franchisees may essentially come to 'co-own' the IP if they eventually become the shareholders of Eva Global Corp.)

The comparative analysis above allows for seven hypotheses to be formulated about the choice of legal and governance structures by shared-services platforms:

H1 (Rationale) – *Shared-services platforms are created to mutualize shared resources, so as to reduce costs for member-cooperatives and to reach new geographic markets.*

H2 (IP Development) –

H2a: *A social franchise agreement to license operations processes and software to other cooperatives will be used if a business's internal capacity to develop market-ready software is high.*

H2b: *A secondary cooperative of cooperatives will be formed if the member-cooperatives have a low internal capacity to individually develop market-ready software.*

H3 (Brand Identity) –

H3a: *A social franchise agreement to license operations processes and software to other cooperatives will be used if a uniform global brand identity is more important to a local business than a local brand identity.*

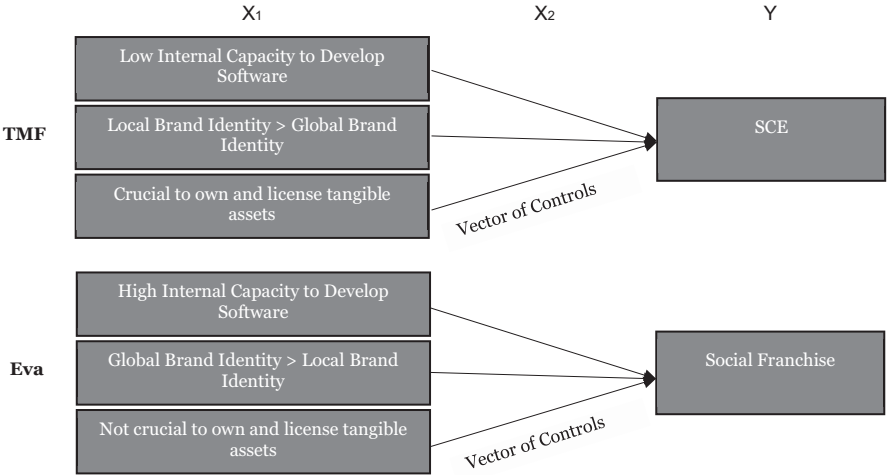
H3b: *A secondary cooperative of cooperatives will be formed if the local brand identity of member-cooperatives is more important than a global brand identity.*

H4 (Tangible Asset Ownership and Licensing) –

H4a: *A social franchise agreement to license operations processes and software to other cooperatives will be used if the ownership and licensing of tangible assets, such as a vehicle, is not crucial for the business model of the cooperatives.*

H4b: *A secondary cooperative of cooperatives will be formed if the ownership and licensing of tangible assets, such as a vehicle, is crucial for the business model of the cooperatives.*

Based on these hypotheses, figure 18 shows some of the main variables that lead to the choice of one legal and governance structure over another by an emergent shared-services platform.



X<sub>1</sub> = the variable(s) of theoretical interest, X<sub>2</sub> = vector of controls, Y = the outcome of interest

Figure 18: Variables that have influenced TMF and Eva’s respective legal and governance structures.

6.6 CONCLUSION AND IMPLICATIONS FOR FUTURE RESEARCH

This study has investigated the emergence of a novel form of cooperative enterprise, described herein as a shared-services platform. These are organizations that build a collaboratively governed technological infrastructure for shared use among cooperatives in their network, primarily using the resources contributed by those cooperatives. In some instances, the organization may be established for this very purpose (e.g., TMF) and in other instances, an organization may evolve into fulfilling such a purpose (e.g., Eva Global Corp.). As indicated by the two cases in this study, shared-services platforms have one foot in the past and one in the future. They bring together the storied tradition of cooperatives forming federations with peer-to-peer car-, energy- and data-sharing, as well as the long-standing system of (social) franchising with distributed ledger nodes and asymmetric data encryption. This is perhaps unsurprising as, to quote Varnelis, the architectural historian, the construction of these new “infrastructures do not so much supersede old ones as ride on top of them, forming physical and organizational palimpsests”, like telephone lines following railway tracks laid before it.<sup>1028</sup> As such, while using new technologies to provide their

1028 Kazys Varnelis, ‘Centripetal City’ [2005] Cabinet 27, 27; Shannon Mattern, ‘Deep Time of Media Infrastructure’ in Lisa Parks and Nicole Starosielski (eds), *Signal Traffic: Critical Studies of Media Infrastructures* (University of Illinois Press 2015) 105.



services, these cooperatives find themselves following organizational pathways charted long before. In doing so, they not only seek to grow together with other value-aligned organizations in a cooperative manner, but they also strive to address some of society's most pressing problems: inadequate urban transport facilities, precarious gig work, the loss of personal privacy and autonomy, and environmental harm caused by personal mobility.

In the preceding sections, the origins of two nascent shared-services cooperatives have been explored, with a particular focus on the development of their legal and governance structures. This comparative case study has been conducted to better understand the rationale behind the formation of shared-services platforms and the factors that determine their choice of structure. Based on a comparative analysis of these cases and an evaluation of the particular legal and governance features of the SCE and the social franchise system, seven hypotheses were developed about this choice, which turn on the capacity of a primary cooperative to internally develop intellectual property, the importance of a global/local brand identity and the need to own and license tangible assets for the success of a primary cooperative's business model.

Future research could test these hypotheses when studying other emergent shared-services cooperatives, such as Coop Cycle and Up&Go. As the number of such cooperatives grow and more accurate, comparable statistics emerge, there may also be an opportunity to conduct cross-case studies to test these hypotheses and arrive at more generalizable findings. While this study has fleshed out what alternatives to the corporate group structure of a platform company could look like, this sets the stage for research concerning the long-term viability of these legal and governance structures in the face of market pressure and the internal demands of its members/franchisees. One such study could be an investigation into the level of trust that members of the primary cooperative have in the leadership of the shared-services platform. A worthwhile line of inquiry within this study could be the impact of cultural differences on perceptions of trust.

As these cooperatives may become large and complex, there may be discordance between the identity of the cooperative as a community of familiar persons (i.e., a *Gemeinschaft*) and as a society of anonymous, commercially driven persons (i.e., a *Gesellschaft*), leading to mismatched expectations and internal conflict.<sup>1029</sup> Further research could examine how this balance is struck in this particular context. Finally, while several of the examples mentioned in this study require local, physical interaction between humans, there is also a need to research open and 'federated' communication protocols (e.g., *social.coop*) that facilitate remote, online interaction as they will adopt a distinct set of legal and governance structures.

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1029 Jerker Nilsson and George Hendrikse, 'Gemeinschaft and Gesellschaft in Cooperatives' in Mika Tuunanen and others (eds), *New Developments in the Theory of Networks: Franchising, Alliances and Cooperatives* (Physica-Verlag HD 2011) 346–347.