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Submission to the All-Party Parliamentary Group for Tourism, for and on behalf of the British Hospitality Association

This submission is made on behalf of the British Hospitality Association (BHA), a representative body for the UK hospitality and tourism industry comprised of some 45,000 member-businesses, including hotels, serviced apartments, private rental schemes, private members' clubs, self-catering accommodation, restaurants, pubs, food service management companies, attractions, sport stadiums, and other leisure outlets across the UK.

The BHA is pleased to respond to this inquiry. We preface our remarks by noting that data used for analysis of home sharing, in the press and for reports in general is, of necessity, based on estimates, usually from information scraped from home sharing platforms' websites and analysed by independent websites (such as InsideAirbnb).

Question 1

What has been the overall impact of the sharing economy on the UK tourism industry – to what extent has it increased the size of the total market in terms of revenue and employment?

When first introduced the sharing economy was seen as an exciting extension of tourism, offering hospitality in people's homes and a closer, more authentic experience of local communities for visitors. Since 2007 online home sharing platforms have changed and expanded their activities considerably. The effects on the tourism industry are felt globally,¹ as this expansion now includes many aspects of traditional tourism and rental accommodation business, though 'sharing' is still frequently presented as being individual hosts renting their homes.

Airbnb, the largest home sharing platform, has expanded rapidly, declaring two million listings in 191 countries and now valued at \$30 billion. Searches for Airbnb match or exceed the major online travel agencies and hotel brands in many markets. Google searches for Airbnb reached their highest point in the week 31 July 2016 and searches for Airbnb worldwide are now 1.5 times those of Expedia.²

Despite this clear expansion of the tourism market it is difficult to know the extent to which the market has increased in terms of overall revenue, since data is not forthcoming from home sharing platforms. This huge new economy is largely invisible. Platforms are 'intermediaries', without responsibility for the services they facilitate or any obligation to provide data to the authorities, including HMRC.

¹ Greater impact in Europe than the US taken from an independent report by global bank (anonymous).

² ibid

To compound the problem many sharing platforms pay most of their tax abroad, in the case of Airbnb, their headquarters are in Ireland with the UK operation listed as a 'Small Company'³. It seems therefore that revenue attributable to the UK and tax payable to HMRC is rather limited. It includes VAT on the commissions paid by UK hosts and by domestic UK (but not overseas) visitors. Whilst on the other hand host income remains largely invisible.

HMRC has consulted on the hidden economy and pointed to billions of lost revenue, to which hosts contribute. It now has extended powers, under the Finance Act 2016, to require intermediary platforms to disclose host data. It is to be hoped that home sharing will be a high priority for HMRC as it begins to exercise these powers.

Home sharing platforms have few employees, in a recent report Airbnb were said to have 450 employees in Europe,⁴ in contrast to the UK where the hospitality industry is the 4th largest employer with a tenth of the workforce.⁵

Is this growth different between the inbound and domestic tourism sectors?

See above.

Question 2

Will the growth in the tourism -related sharing economy continue or is it approaching a natural limit in terms of market share? How will the sharing economy develop in the future?

There is no indication that the tourism -related sharing economy is approaching a limit. Bookings are projected to increase further, with Airbnb's estimated to grow by at least 150% this year. InsideAirbnb data shows a growth of 175% in booked room nights equivalent to hotels, in 50 key global markets for Airbnb. Gateway cities, such as London, show rapid growth, where listings are currently estimated at 49,348.⁶

Sharing, originally seen as a different sector within the tourism industry, composed largely of home owners, has expanded to cover many aspects of the industry.

Airbnb, for example, targets business customers with 'business ready' accommodation, flagged on its website. It now has 'instant book', available on 28% of listings, giving a projected 2.5 increase in bookings.⁷ Whilst partnerships with Amex, BCD Travel and other corporations reinforce the professional aspects of home sharing.

Airbnb has many initiatives, most recently offering a complete holiday experience, 'Trips'. It offers to arrange offering transport and activities as well as accommodation, in a new role as travel agency, launched this November.

Home sharing creates an anti-competitive market, since hosts can operate without complying with the law whilst traditional business is compliant, paying taxes, applying regulation and providing employment. There is also little competition amongst home sharing platforms, with Airbnb the largest and dominant in the market.

³ Turnover less than 6.5 million

⁴ DMR November 2016

⁵ BHA October 2016

⁶ InsideAirbnb

⁷ Bank report as above

Well-developed regulation for health and fire safety food safety planning laws and fiscal responsibility are applied to traditional businesses. Many of these regulations apply equally to hosts in the sharing economy but are rarely enforced, due to lack of data and resources for authorities.

Whilst this is the case the tourism market will continue to have parallel economies, one in which intermediaries are not accountable and service providers are invisible, able to operate outside the law, the other operating as well regulated businesses, employers and contributors to the UK economy. The effect is to undermine the UK as a safe and attractive destination for visitors.

It is crucial for the future of a safe and transparent industry that these issues are addressed now, as home sharing transforms itself and grows very rapidly. Home owners are being replaced by new kinds of sharing, such as Trips, rather like package holidays, residential landlords and business travel. Without visibility, these initiatives are likely to include unenforceable regulation in new areas, such as travel and holiday activities - elements which will present challenges in the absence of data to allow for independent regulatory control.

Cities around the world share these concerns and have introduced various forms of regulation. Sharing platforms continue to resist providing data to enable safety and planning regulation to be enforced and hosts' taxes paid. In the US Airbnb started lawsuits, against the State of New York, San Francisco and Santa Monica when regulation was introduced to protect housing. In cities across Europe new regulations have been introduced but are difficult to enforce, in Berlin, Brussels, Barcelona, Paris, Amsterdam and others.

Question 3

Do sharing economy platforms provide any benefits or opportunities for existing tourism accommodation businesses in terms of gaining access to new customers?

Existing tourist accommodation providers with self-serviced accommodation and smaller venues have benefited from the global reach brought by online platforms. Online travel agencies have already enabled smaller venues to reach visitors around the world, providing technical expertise in the digital market and the ability to market in many different languages. Home sharing platforms offer similar marketing tools.

Some hotels have introduced additional services which provide visitors with a local experience and knowledge of the community they are visiting, attracting new kinds of visitors. Whilst some hotel chains now own home sharing platforms, such as One Fine Stay, a new market for hotels.

The service provided by new hotel owned platforms often differs from home sharing platforms. It includes direct involvement: inspecting the property, ensuring it meets regulatory requirements (fire plan, gas certificate etc.), meeting visitors on arrival, checking passports before giving the key and so on. This new development is interesting for traditional hospitality and provides a template for other sharing platforms to follow, as it adds significantly to the safety and enjoyment of visitors.

Question 4

What evidence is there that people operating a tourism accommodation business marketing through the sharing economy platform are less likely to comply with regulations than other tourist accommodation SMEs? If so, what steps should be taken to ensure that there is a level playing field in terms of regulatory compliance?

Since the home sharing economy is largely invisible, it is not possible to enforce existing regulation effectively. As a result, many properties are likely to be non-compliant.

The London Fire Brigade and local authorities are responsible for safety but are under resourced to deal with such a large expansion in accommodation in the city and do not have the names or addresses of hosts. Fire and gas safety, even at the most basic level, cannot be checked. Food safety is also an issue, as it seems unlikely that hosts serving food are registering with the Food Standards Authority, as legally required.

These factors suggest that hosts are much less likely to comply than SMEs because they are unaware of regulation and are not registered or 'in the system'. SMEs on the other hand are visible, registered for tax and regulated by local authorities. They frequently belong to local hospitality associations and see themselves as professionals.

In the BHA's view the most urgent need is for effective enforcement of safety and fiscal regulation. There are other important laws which can very easily be ignored, such as those covering discrimination⁸. A Harvard report in the US pointed to widespread discrimination by hosts. Subsequently Airbnb introduced 'caring commitment' for its hosts, however, as an anonymous host or landlord it is possible to sign up but ignore the commitment.

It is also important that there is a transparent and safe marketplace for consumers when choosing accommodation. Many resources seem to be spent on campaigning (such as Airbnb's \$10 million in New York to oppose the most recent new regulation) and extolling the benefits of sharing but very little on practical solutions to ensure a safe environment.

The BHA believes that hosts should identify themselves on the website, as either a host (home owner) or a professional (those renting flats for short lettings which are not their homes). Host data should be supplied by the platform to authorities charged with health and safety and food safety requirements and planning regulations, with each host given a registration number to be included on all home sharing websites, to enable monitoring of the 90-day rule.

Question 5

Are sharing economy platforms being used by landlords to increase their revenue and is this having an impact on the residential letting and property markets? Is there an impact on council and housing association properties? If there is an impact, what measures can be taken to ensure landlords and hosts are operating within local authority rules on lettings?

The data on InsideAirbnb is well-known. It currently shows that half of the 49,348 listings in London are entire properties and 41% are thought to be multiple properties let by a single owner. These owners often let identically furnished properties and are landlords. It is also clear that many of these properties are let for more than the 90 days a year allowed by the 2015 deregulation in London.

The five inner-city boroughs are most concerned at the impact on housing, where short lettings are seen as a significant factor in the reduction of rental accommodation and lack of low-cost housing available to people living and working in the city, as well as forcing up house prices. A Hackney study refers to the 8000 people waiting for housing.⁹ Airbnb has now agreed, after much industry

⁸ The Equality Act 2010

⁹ A Hackney case study showed a reduction in housing stock:

3% in private rentals currently Airbnb, likely to rise by 6 to 10% in 2016

25,000 private rented properties in Hackney

1500 entire properties let on air B&B

campaigning by the BHA, to restrict letting on its site to 90 days. This is a step forward but it is essential that a restriction is included on all platforms with a central register for local authorities, otherwise hosts can move from platform to platform, with 90 days on each.

Many entire properties in London could then be returned to residential rental.

Question 6

The sharing economy operates on trust, whereby both the buyer and the seller are able to moderate the activities of the other by providing feedback, which enables poor performers to be excluded from the community. However, this model does not take into account the views of neighbours that are impacted by the operation of such businesses. What can be done to make sure that the external impacts of these businesses are fully taken into account?

Whilst peer review is a valuable tool for visitors, it is not an alternative to safety or other regulation. Reviews appear after events have happened, perhaps a fire or food poisoning and are not sufficient for the protection of visitors. It is worth noting that in some cases Airbnb visitors who receive a refund, rather than stay in an unacceptable property, are not allowed to leave a review, which suggests that below standard accommodation is unlikely to be reviewed.

Deregulation in London permits lettings without planning permission, for 90 days a year. Nuisance, such as noise late at night, in more densely populated areas of the inner city has increased. Many residents live in blocks of flats, leaving early for work and taking children to school, so noise and safety is of great concern.

Hosts should be aware of their responsibilities. Registration with the local authorities, as mentioned above, would help to identify the host causing the nuisance, acting as an incentive to hosts to curb nuisance by visitors. It would also enable the local authority to take steps to resolve disputes, through negotiation or legal action.

Camden Council is considering a nuisance levy as a local tax to curb the disruption to neighbourhoods caused by the large number of people booking rooms through platforms, such as Airbnb. This is a good suggestion, however, areas which are seriously affected should be retained for residential use, with planning permission required for all lettings.

Campaigning by online platforms and their local sharing groups has not been effective in dealing with increasing nuisance in local communities. Whatever the solutions followed, it is essential that independent authorities manage these problems, operating at arm's length for the good of the community and applying existing regulation.

Half of these (750) permanently let, representing 3% of total private rents

Meanwhile 8000 households in Hackney are on the waiting list for authority housing

Increase in rents: average private rents in Hackney are up 6% year-on-year in 2015 as against 1% in the UK the median private rent now £1520

Increase in property prices average house prices in Hackney are up 7% year-on-year in 2015 (previously 5.6%)

For any further information, please find contact details below.

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