

TOURISM ALL PARTY PARLIAMENTARY GROUP

The Sharing Economy: Maximising Benefits while Reducing Adverse Outcomes

**Interim Report
21 March 2018**

1. Background and Context

The All Party Parliamentary Group for Tourism is conducting an inquiry into the impact of the sharing economy on the UK tourism industry, the benefits that it provides and the issues that have arisen including the impact on local communities. The aim of the APPG inquiry is to determine how the benefits derived from this new business model can be maximised while any adverse impacts can be reduced. The APPG will be producing a final report in May 2018 which will include a series of recommendations aimed at achieving this aim. This interim report sets out the main issues that have arisen from the written and oral evidence that has been received and the interim conclusions that have been reached.

In undertaking this inquiry, the Tourism APPG notes that the supply side of the travel marketplace is constantly innovating and evolving, and this has been of significant benefit to customers over many years. The APPG supports diversity and choice in the marketplace and welcomes innovation. However, it is important to ensure that new distribution models are held to the same standards as traditional models. This is to provide the same environment for the consumer and a level playing field for businesses. In the broader context of the so called 'Gig Economy' this has already been explored in the context of the Matthew Taylor report and the Government's response to it.

2. Introduction

The sharing economy, also known as the collaborative economy, is a term used to describe a new business model whereby digital companies provide an online platform that allows customers to undertake transactions with individual traders who have products and services for sale. Commonly known as peer-to-peer transactions, these platforms allow individuals to use spare resources that they own to establish themselves as micro-businesses.

One of the strongest recent trends in tourism is customers seeking authentic and bespoke experiences, and the online platforms provided by sharing economy businesses have proven to be attractive vehicles by which people can achieve this.

In their September 2016 review of the UK hotel industry, PWC estimated that sharing economy businesses in the accommodation sector generated £3bn in sales during 2015 and that this level of revenue could rise to nearly £30bn by 2025 with around 50% of all rentals undertaken in the UK being conducted by peer-to-peer networks. Already, AirBnB matches or exceeds major online travel agencies and hotel brands in many markets. Google searches for AirBnB worldwide is now 1.5 times those of Expedia. Representatives from the new 'platforms' of the sharing economy told us that families and young people have been strong drivers for this expansion.

However, tourism needs to be sustainable on multiple fronts. It must be sustainable to the industry, with all businesses competing on a level playing field, for the communities hosting tourism and for the environment.

3. The Sharing Economy and Regulatory Compliance

The sharing economy is increasingly popular and provides enormous opportunities for tourism growth in the UK. However, this growth must not be at the expense of consumer safety or result in a deterioration of standards as this would undermine the UK as a safe and attractive place to visit.

One of the main focuses of this inquiry was regulatory compliance. Concerns were expressed by "traditional" accommodation providers that businesses in their sector were subject to a high level of regulatory burden and associated costs, and that much of the accommodation available through sharing economy platform sites was not subject to the same level of control. This means customers are not as well informed about the properties they are staying in and are less protected if things go wrong than they assume.

It is the view of the Tourism APPG that the problems and discrepancies around regulatory compliance from sharing economy platforms stem from a failure of enforcement, rather than primarily from a lack of regulation. There are two main reasons for this.

Firstly, leading sharing economy platforms do not check if the hosts are compliant with regulations such as gas and fire safety before allowing them to post a property on their site. A checklist is provided to hosts but this does not reach the standard expected by current regulations and sharing economy businesses do not currently undertake checks. Of particular concern is that sharing economy companies deny responsibility for customer safety with regard to properties listed on their website.

Some submissions asserted that sharing economy companies be made co-liable along with the premise owners for the safety of consumers using accommodation listed on their platforms. This is a view with which we have considerable sympathy. If traditional booking agents for self-catering properties can be held liable for not checking the safety of properties on their books, we see no reason as to why sharing economy platforms cannot be held liable under the same duty of care.

Secondly, regulatory authorities experience difficulties in locating sharing economy accommodation providers as the listings on platforms do not provide data on the exact location of a property until a booking is made. This makes it difficult to implement an effective inspection regime.

We heard from representatives of the sharing economy that the Data Protection Act prevents sharing economy companies supplying data on the location of properties to enforcement authorities. This is supported by evidence that the London Fire Brigade does not have the data or resources to deal with the large increase in tourist accommodation being provided via the sharing economy.

This problem is likely to be experienced by other major cities where the sharing economy is a growing factor - especially where high rise buildings are being used for visitor economy accommodation. At the other end of the spectrum, we were told by witnesses from traditional providers that there had been a mushrooming of sharing economy properties in coastal or rural tourism hotspots where the capacity of regulatory authorities to monitor, let alone regulate, was very thin.

While the issue of adequate resources to implement an acceptable enforcement regime is one for local authorities to address, we believe that there needs to be sufficient transparency to allow enforcement authorities to know the location of all tourism accommodation properties and allocate their resources to whichever properties they deem to be the highest priority.

A counterargument put forward by sharing economy providers regarding regulation is that a proportionate approach is needed. Their view is that sharing economy accommodation providers only operate part-time to gain a supplemental income from either letting out a room in their home or letting their entire home to visitors while they are away. As these properties are not commercial businesses, they should be subject to a much lower regulatory regime than hotels.

The APPG recognises the need for a proportionate and light-touch approach. However, there is significant evidence to suggest that an increasing number of professional operators are using online platforms as a low-cost and highly effective route to market.

It is also difficult to distinguish between a person running a traditional B&B in a three bedroom house and a person running a similar business through a sharing economy platform, or between a person letting out a self-catering unit through a company such as Wyndhams and someone advertising a self-catering property through AirBnB. The further expansion in the types of buildings in which the sharing economy can operate - which now even includes ensuite rooms in traditional large hotels, will exacerbate this challenge.

Another argument put forward was that of mass deregulation. The proposition being that if it is unnecessary to regulate the sharing economy accommodation due to the de minimus approach, then the Government should consider creating a level playing field by deregulating all B&Bs and self-catering properties. However, we reject this argument on the grounds that all consumers should be afforded basic safety standards regardless of the type of accommodation, the cost of the accommodation or how often the accommodation is rented to consumers.

One solution presented to the Tourism APPG was the implementation of a statutory registration scheme for all accommodation businesses, regardless of the type of accommodation provided. It was proposed that councils could operate such a scheme in the same manner that they already register premises that sell food and drink - ie., through an implied consent process whereby the completion of an online registration form provides consent to undertake the activity.

The benefits of such a scheme being that it would provide transparency regarding the location of all visitor accommodation premises and allow enforcement authorities to target what resources they have towards inspecting those that they deemed to be the highest risk.

This is an area that we will be further exploring in the final report. However, we believe that such a scheme does not preclude the need for other measures to be taken to ensure adequate customer safety and a level playing field for all tourism accommodation providers that is proportional to the size and risks associated with different accommodation businesses.

4. The sharing economy's impact on the community

There is growing global concern regarding the impact of "over-tourism" in places such as Barcelona, Venice and Amsterdam with residents in these communities protesting about the impact that too many tourists are having on local communities. In the UK, similar concerns are being expressed in tourism hotspots such as Cambridge and Bath. This has included anecdotal suggestions that increasing amounts of accommodation essentially developed for student use are now being appropriated for accommodating tourists.

There are a range of reasons for over-tourism. However, there are two aspects of over-tourism that are relevant to this inquiry:

- The impact of the sharing economy on the local housing market and, in particular, on the availability of rental accommodation.
- The impact of people using sharing economy accommodation on local residents.

Impact on Rental Accommodation Stock

AirBnB state that peer-to-peer accommodation sharing is simply making better use of existing resources, with visitors occupying spare rooms which would otherwise be empty. However, concerns were expressed that long-let residential housing was being removed from the market and being placed into the more lucrative short-term lets on sharing platforms.

Evidence suggests that while sharing economy accommodation developed as a result of people wanting to make additional earnings from spare household capacity, it is evolving so that an increasing number of the listed properties are commercial in nature.

Data from the website, InsideAirBnB, shows that over 50% of the properties available in London are for sole use of visitors rather than being a room in someone's house. While some people will be listing their property through AirBnB while they are away on Holiday or posted to a different location on business, this data would suggest that a large proportion of properties are being let on a commercial basis.

This is supported by other data from Inside AirBnB which indicates that hosts with more than one listing count for almost 50% of all listings in London. Again, there can be a range of reasons for this including the emergence of secondary businesses that offer management services for people wanting to let their property through AirBnB. However, the large number of hosts with multiple listings suggests that sharing economy platforms are increasingly being used to develop tourism accommodation businesses, rather than simply renting a room on an ad-hoc basis to supplement wages.

Many councils argued against the Deregulation Bill allowing householders to rent out properties on short-term basis and not seek planning permission. London Councils, the voice of London local government, argued, “with owners able to charge significantly more for short-term lets, this provision could well push rent levels up even further.”

To mitigate this problem, London has a 90-day rule that stipulates a homeowner cannot let out their entire home for more than 90 days without seeking material change of use planning permission from their local authority.

Although AirBnB has recently begun to enforce the 90-day rule in London on their platform by prohibiting suppliers taking bookings for more than 90 days, the problem is easily circumnavigated by creating a different account or using an alternative platform. We were told by witnesses that algorithms within the system would effectively enforce this 90 day rule on hosts by blocking them off. However, the apparent lack of any human factor to oversee or monitor the effectiveness of this procedure may be regarded as worrying.

Enforcing the 90-day rule has proven impossible for local councils and authorities who have seen budgets and resources slashed. The number of workers employed in compliance roles has dropped significantly. The LGA said councils, which have already experienced unprecedented funding cuts since 2010, will see their central government funding further cut by £2.7 billion between 2018/19 and 2019/20 – a 54% reduction.

It was recognised by sharing economy representatives at the oral evidence session that there needed to be a balance between the rights of individual owners to financially gain from their property and the needs of the local community. In questioning about the impact of the 90 Day Rule on the development of the sharing economy in London, it was proposed that decisions on the appropriate balance needed to be made at a local level. For example, where there was a clear need to maintain local accommodation for residents, there should be tighter controls over the level of accommodation provided to visitors while in areas where the impact was a lot lower, the restrictions could also be lower.

The Tourism APPG agrees with an approach that is variable and based on the needs of the local community and will be considering how this could be applied in the final report.

Impact on Local Residents

Those within the sharing economy argue that the ‘trust seal’ self-regulation system is much better than legislation within the fast-moving environment such as the sharing economy and a more effective way of controlling behaviour. References were made to quality and de facto kitemarks as well as the power of peer-to-peer reviews. However, these seemed a worryingly vague set of mechanisms to command complete confidence, particularly where issues of liability and insurance for third parties are concerned.

Although building an economy based on trust is admirable, the feedback is limited to the interaction between the operator and the visitor and does not take account of neighbours. This can create conflict and be damaging to communities. The challenge was well summed up by Karen Buck MP, in her speech in the Commons in December 2017, introducing her Short and Holiday- Let Accommodations (Notification of Local Authorities) Bill

'...Many residents feel the impact most in respect of their own homes : issues around noise , rubbish, security fears , antisocial behaviour , breaches

of leasehold in blocks of flats and the undermining of insurance. IT is also increasingly clear, however, that as ever more properties turn over to shorter lets, there is a wider impact, including the loss of much-needed residential accommodation. '

It must be noted that local residents are often unable to complain due to lack of confidence or understanding of how to do so. There is a large blind-spot in the feedback systems used by sharing economy platforms which do not adequately take into account the impact on neighbours and neighbourhoods.

If sharing economy platforms were regulated in the same way as traditional providers, external impacts would be reduced. For example, if a provider put in a planning application to set up a B&B, the nearby residents would be able to comment on the suitability. Likewise, hotels often run community engagement schemes for nearby residents.

5. Tax Compliance

A third area that the inquiry considered was that of the taxation of people and businesses using sharing economy platforms to provide tourist accommodation. The APPG heard concerns that the use of these platforms made it easier for people to avoid paying the correct level of taxation and that VAT being payable only on the commission charged by the company providing the platform meant that this form of accommodation had an unfair price advantage over traditional tourism businesses.

However, we have not yet seen much compelling evidence to support this case. The VAT threshold equally applies to traditional B&B or self-catering operators as it does to people using a sharing economy platform.

While there is uncertainty as to how much tax is currently paid by sharing economy businesses and the suppliers using their distribution channels, (we have not taken specific evidence on this and much of what appears to be said seems anecdotal) there is also little evidence as to whether or not there are high levels of tax avoidance within the sector. However, that the Valuation Office only lists there as being 22 B&Bs in London suggests that there are questions regarding taxation that could be followed in more detail by the Public Accounts Committee.

The lack of information regarding the level of tax paid by people using the sharing economy does, again, highlight the issue of transparency within the sector. This is something that needs to be resolved and the suggestion of a registration scheme could result in HMRC having better information around whether income has been declared from sharing economy activities.

6. Conclusions and Recommendations

The evidence we received, both oral and written, has flagged up significant concerns that many of the new business activities being enabled by the rapid expansion of sharing economy platforms are not compliant with the standard regulations that have traditionally been implemented to keep customers in the visitor economy safe. These problems seem to arise principally through lack of enforcement rather than from existing regulations, though

those regulations also need to be fit for purpose in a rapidly changing physical and online environment.

In this context we make the following observations in this interim report.

1. **As a principle, all businesses offering accommodation in the visitor economy, whether existing ones or new ones enabled by the sharing economy and its platforms, should compete on a level playing field.** The basis for this level playing field - that tourism should be sustainable for both for customers and local communities, should be firmly established.
2. The rapid expansion of the sharing economy is throwing up major issues around the adequacy of safety compliance and legal protections for its customers. This is particularly the case, as both the oral and written evidence received has shown, in respect of fire, gas and electrical safety regulation.

These are areas where traditional visitor accommodation businesses are both regulated and inspected, but where there is no comparable ability for regulatory authorities to inspect sharing economy businesses. This seems particularly anomalous because there are models in the traditional sector (for example, B&Bs and self-catering units) which are very similar to the accommodation provided through the sharing economy.

A proposal made to the APPG was to implement a statutory registration scheme across all accommodation, whether of a traditional or sharing economy type. We will make a separate observation here as to how that could be proportionally affected, and we will return to this in detail when we produce our final report.

We observe that even the existing safety requirements for traditional holiday accommodation have not always proved adequate - as tragic incidents from time to time have shown.

We also believe **there is an urgent need to independently clarify and codify the adequacy of the various 'checklists' or other security assurances being offered by sharing economy platforms** - not least given the rapid expansion of this sector and the number of users reliant on such assurances.

3. **We believe that far more attention needs to be given, and evidence sought, as to the experiences of, and impact on, those living in close proximity, either as physical neighbours, or in the neighbourhoods of, properties being used regularly by sharing economy businesses.**

This needs to address not simply concerns about incidents of noise or anti-social behaviour that might be experienced when those properties are being used, but real concerns about safety compliance and legal cover, particularly where residents and other non-sharing economy businesses are side by side. The apparent unwillingness of sharing economy platforms to accept responsibility for customer safety in the accommodation which appears on their websites makes the need for this focus even more urgent.

4. **The implications of local enforcement agencies not having adequate resources to carry out adequate safety inspections of sharing economy businesses due to severe budgetary restrictions must be grasped - not least by Government.**
More research is urgently needed to see how this is impacting on safety. The evidence we have been given suggests that the expansion of the sharing economy is, in some cases, significantly affecting smaller coastal, rural and inland visitor destinations where local authority resources are stretched. There are also significant implications for large towns and cities where the provision of sharing economy accommodation in high rises and houses in multiple occupation is becoming more prevalent.
5. **We have received strong arguments for a “soft touch” statutory registration scheme for all visitor accommodation that might operate via an online implied consent registration process.** We believe this should be explored further - but would welcome observations on other mechanisms that might fulfil the principles of level playing field and proportionality.
6. Suggestions have been made to the APPG inquiry that there should be a flexible approach to limiting the number of days that a sharing economy property could operate both as a mechanism to safeguard housing stock for residents and to minimise the impact on residential neighbourhoods. While this was discussed particularly in the context of London (which has a 90 day limit), **there are other cities and large towns where variable limits (either greater or lower than 90 days) could be introduced dependent on local factors and experience.**

This is an issue we will consider further in the APPG's final report. In the meantime, we would welcome further observations, based on local examples.