



House of Commons
All Party Parliamentary Group for Tourism, Leisure and
the Hospitality Industry

Inquiry into The Sharing Economy

July 2018

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FOREWORD

“The British people’s decision to leave the European Union creates real opportunities for growth and we will work in close partnership with the tourism industry, to ensure it continues to thrive as negotiations on the UK’s exit progress. We are making it easier for visitors to travel beyond London and experience all of the world-class attractions the UK has to offer, to make sure the benefits of this thriving industry are felt by the many and not the few.”

Prime Minister, Theresa May

Tourism is one of the UK’s largest and best performing industries. It is made up of over 250,000 businesses (95% of which are micro business and SMEs. These businesses provide jobs for 3.1m people (over 9.6% of the UK workforce) and contribute £127bn to the UK economy (7.1% of GDP).

Notably, the tourism industry has been at the forefront of the UK’s recovery from the global economic crisis in 2008 by providing growth and employment at a faster rate than most other sectors of the UK economy. Provisional figures from the ONS estimate that, in 2017 alone, revenue from overseas visitors to the UK increased by around £2.5bn and created around 45,000 additional jobs.

With it’s proven ability to provide growth for the UK economy, tourism is an industry that the Government needs to fully support as the UK leaves the European Union. The development of the sharing economy enhances these opportunities for growth by providing increased capacity, expanding customer choice and providing visitors the opportunity for new and enhanced experiences during their stay in the country.

The evidence taken by our Inquiry confirms that the industry can deliver more for UK plc both in terms of jobs and taxation revenue. However, in order to generate even greater value from this sector, the tourism industry needs to grow in a way that is sustainable. In this context, sustainable means:

1. Providing choice and value for the customer
2. Ensuring that the products and services provided are fit for purpose
3. Delivering a level playing field for all tourism businesses
4. Ensuring that local communities are supportive of tourism

We hope that this report will facilitate a debate about how best to grow and develop both the sharing economy, and the UK tourism industry as a whole, in a way that maximises the benefits that tourism provides to the UK economy.

This report was prepared with the co-operation and involvement of the industry. I and my fellow Group members are grateful for all those who submitted evidence and attended the oral evidence sessions.



Gordon Marsden MP

Chair, All-Party Parliamentary Group for Tourism

TERMS OF REFERENCE

The All Party Parliamentary Group (APPG) on Tourism is a cross-party group of MPs and peers with an interest in the tourism and hospitality sector. The Group, chaired by Gordon Marsden MP, with Lord Lee of Trafford, and Daniel Zeichner MP, has held 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 is to determine how the benefits derived from this new business model can be maximised while any adverse impacts can be reduced.

Scope of the Inquiry

The inquiry has looked at a number of issues that arise from the rapid development of the sharing economy in the UK.

The inquiry asked the following questions:

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? Is this growth different between the inbound and domestic tourism sectors?
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 future?
3. Do sharing economy platforms provide any benefits or opportunities for existing tourism accommodation businesses in terms of gaining access to new customers?
4. What evidence is there that people operating tourism accommodation businesses marketed through a sharing economy platform are less likely to comply with regulations than other tourism accommodation SMEs? If so, what steps should be taken to ensure that there is a level playing field in terms of regulatory compliance?
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?
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?

EXECUTIVE SUMMARY

- **The UK tourism industry is one of the largest and most successful in the world, employing 3.1m people and contributing £127bn per annum to the UK economy. It is also an industry well placed to provide growth in a post-Brexit environment**
- **The sharing economy provides the opportunity to further boost the contribution of the UK tourism industry in a post-Brexit environment by providing increased capacity, greater customer choice and enhanced visitor experiences.**
- **PWC estimate 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.**
- **However, considerable concerns have been expressed that hosts providing accommodation via sharing economy platforms do not comply with health and safety regulations, local authorities claim that it is leading to residential housing shortages, while residents complain that local communities are being adversely impacted.**
- **The APPG for Tourism believes that tourism must be sustainable: it must deliver benefits to the customer, provide equal opportunities for all businesses to compete and maintain the support of the communities in which it operates.**
- **All visitors are entitled to a minimum level of safety, regardless of the type of accommodation they use and method by which it is booked. It is responsibility of all agents, regardless of whether they are sharing economy platforms or traditional booking agencies, to ensure that the products they supply meet these minimum standards. We have found that the systems in place for informing hosts of their legal responsibilities are inadequate, to the extent that some even allow hosts to register properties if they confirm that they have no fire safety equipment installed.**
- **The sharing economy has argued that regulatory requirements should be proportionately less for businesses listed on their platforms. The APPG for Tourism agrees with the principle of proportionality, but supports the Government's view that existing legislation, especially that related to fire safety, is already based on proportionality. We also believe that there is no valid basis to contend that B&B accommodation provided via a sharing platform warrants different regulatory**

treatment to the same B&B accommodation not listed on sharing economy websites. Further, there is significant evidence to suggest that a large and growing number “professional” operators use sharing platforms to list properties, thereby making any attempt at categorisation a moot point.

- While finding that the legislation that applies to accommodation businesses is fit for purpose, we have identified significant issues regarding enforcement. Most sharing economy platforms do not reveal the address of the property until a booking is made. This, combined with sharing economy companies refusing to provide property details on the basis of DATA Protection and significant cuts to councils expenditure on enforcement, means that few, if any, sharing economy properties are ever inspected.
- There is growing global concern regarding the impact of tourism on local communities in tourism hotspots such as Venice, Barcelona, Amsterdam and Dubrovnik. There are numerous different reasons for overtourism but all the reasons point to the need for local councils to do more to develop and implement Tourism Plans that aim to manage tourism rather than simply undertake marketing.
- One of the main issues is that whereas planning legislation traditionally creates distinct and separate tourism accommodation zones and residential accommodation zones in destinations, sharing economy platforms are blurring this distinction. While being able to “live like a local” provides a unique and enhanced customer experience, and provides additional revenue to local businesses, this must not be to the detriment of the local community.
- The long-term sustainability of tourism industry is based on the benefits to local residents outweighing the costs. We believe that it should, therefore, be up to the local communities to decide what is appropriate for their destination. In terms of sharing economy accommodation, Government should provide councils with the ability to set rules in their area that take account of the needs of residents.
- Concerns were expressed regarding the whether people listing properties on sharing economy platforms were paying the required level of taxation on the income being generated. While little evidence has been provided one way or the other, it was noted that HM Customs and Revenue launched a consultation on tax compliance related to this issue during the course of this Inquiry.

Key Recommendations

- Having considered the evidence both from the sharing economy and from the rest of the tourism industry, the APPG for Tourism recommends that the Culture Secretary launch a consultation on using his powers under the Development of

Tourism Act 1969 to establish a low-cost statutory registration scheme for tourism accommodation businesses. Such a scheme could be devolved to councils and would help resolve the main issues identified by this Inquiry. Namely, it would:

- **Help ensure that all businesses complied with regulations**
 - **Provide enforcement officers with a database of tourism accommodation properties so that they could target their resources to those properties they deem to be the highest risk**
 - **Provide councils with greater ability to manage tourism in their area**
 - **Provide HMRC with a means by which to ensure that all businesses pay the appropriate level of taxation.**
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- **That the Government provide Local Authorities with powers to set rules regarding the use of residential properties for Tourism Accommodation so that local solutions can be developed that balance the benefits generated by sharing economy accommodation with needs of local residents. These powers include:**
 - **The ability to set the maximum number of days per annum that a property can be used for tourism accommodation**
 - **The ability to require the owner of the property to be present if a property is used for tourism accommodation**

BACKGROUND

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.

Sharing Economy UK, the trade association for the sector, use the following definition:

The sharing economy involves using internet technologies to connect distributed groups of people and organisations to make better use of goods, skills, services, capital and spaces, sharing 'access' and so reducing the need for 'ownership'.

The sharing economy is very large and diverse, including online selling platforms such as Ebay, taxi and car hire firms such as Uber and Zipcar, food delivery firms such as Deliveroo and companies that provide freelance workers such as Task Rabbit. However, this inquiry focuses solely on sharing economy companies that provide tourism accommodation. This includes companies such as Airbnb, One Fine Stay, HomeAway and Under the Doormat.

While the concept of “collaborative consumption” had been around for 40 years, the development of the “sharing economy” is much more recent and is believed to have starting a little over 10 years ago in response to a number of social, economic and technological factors that converged to enable “peer-to-peer” transactions.

The companies that provide sharing economy platforms seek to provide a self-regulating online community by registering both buyers and sellers and allowing both parties to comment on the performance of each other. This self-regulation model aims to create an environment of trust within the community whereby good performance is rewarded and poor performance can mean an individual is removed for the community.

The growth of this form of business has been spectacular. The market leader in the tourism accommodation sector is Airbnb which, from starting UK operations in 2012, has grown to the position that it now comprises 160,000 properties that provide 8 million bed nights, generate £502m in economic activity and support 11,629 Jobs.

However, the growth of the sharing economy has not occurred without considerable concerns being expressed by a range of organisations and individuals. Existing tourism accommodation businesses claim that hosts providing accommodation via a sharing economy platform do not comply with regulations aimed at protecting customers, local authorities claim that professional landlords are converting residential long-term leasehold properties to short-term tourism accommodation businesses (thereby putting pressure on residential housing and forcing up property prices) while individual residents and housing groups argue that the operation of de-facto-hotels in residential blocks of flats is damaging local communities.

The aim of this inquiry is, therefore, to determine how the benefits derived from this new business model can be maximised while, at the same time reducing any adverse impacts. The APPG for Tourism 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 protect the consumer and provide a level

playing field for all 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.

BENEFITS OF THE SHARING ECONOMY

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. This business model is revolutionising some sectors of the UK economy including the provision of tourism accommodation and this is now one of the fastest growing areas of the UK tourism industry.

The popularity of the accommodation products provided via the sharing economy, and their scope for future growth has been highlighted by PWC. Their September 2016 review of the UK hotel industry 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.

The London tourism economy is at the centre of this transformation with the market leader, Airbnb, now having almost 68,000 listings in the capital. Proponents of the sharing economy argue that this model is boosting tourism to the UK and London, enabling people who would otherwise be priced-out of the tourism accommodation market the ability to afford a holiday to the UK and providing additional revenue and employment in the capital.

Evidence supplied by the sharing economy suggests that Airbnb guests and hosts have contributed £3.46 billion to the UK economy, generating extra income for households, and increasing visitor spending in bars, restaurants and shops and other local businesses close to the guest's rental.

There was also considerable evidence provided to suggest that the distinction between the sharing economy businesses and the "traditional" tourism accommodation businesses is blurring. As the sector develops and evolves, a number of the large accommodation businesses are purchasing sharing economy accommodation businesses to add to their portfolio of product and are distributing via sharing economy platforms.

There is also considerable evidence that small traditional tourism accommodation businesses are increasingly using sharing economy platforms as a more cost-effective route to market than traditional Online Travel Agents (OTAs). Whereas as OTA may charge an SME between 15% and 20% commission on bookings, sharing economy platform typically charge only around 3-5% (although it should be acknowledged that one of the reasons for this is that some platform providers also charges the customer for each booking).

An additional benefit for small businesses is that OTAs usually place considerable restrictions on the ability of accommodation businesses to sell rooms either through other channels or directly with the customer at a lower price that it is available on their website. We believe that this is detrimental to both accommodation businesses and consumers. We also note that the Competition and Markets Authority (CMA) is currently undertaking an investigation into the sector due to concerns about the clarity, accuracy and presentation of information on OTA websites, which could mislead people, stop them finding the best deal and potentially break consumer law.

In this context it is understandable that many small accommodation businesses are starting to use sharing economy platforms which allow the operator much greater control over the pricing and booking process.

A further benefit that the sharing economy provides for destinations is the ability to provide additional accommodation, especially during peak periods, and to cope with demand associated with specific events. Evidence was presented to show the benefits of sharing economy companies partnering with destinations to provide the capacity needed where regular visitor accommodation stock was limited. A good example was the partnering work between Airbnb and Hull when staging the City of Culture in 2017.

We asked for evidence as to whether the contribution of sharing economy accommodation was expanding the tourism market as a whole or whether it was simply diverting existing tourism flows away from other businesses. On this point, while there must be some switching occurring, we received little evidence from traditional tourism accommodation businesses that sharing economy accommodation had significantly impacted the level of bookings. As such we are of the view that the sharing economy is largely growing the tourism economy as a whole rather than directly impacting the viability of existing parts of the market.

One final point is that sharing economy companies are often perceived as being “disruptors”, shaking up complacent traditional businesses in the marketplace by cutting supply chain costs to provide customers with a fairer deal. We believe that this image, which is somewhat self-styled, is a misnomer. The tourism industry, especially in the UK, has always been highly innovative and is constantly evolving. Sharing economy platforms are simply another step in this process. The innovation is welcome and provides considerable opportunities for growth, but needs to be seen as evolutionary rather than revolutionary.

This leads to the issue of how sharing economy businesses view themselves and their relationship with other sectors of the tourism economy. In the course of the inquiry we heard sharing economy businesses variously describe themselves as technology companies that simply provide a platform for the tourism sector and as tourism companies that operate online platforms depending on the questions posed. It is our view that sharing economy companies in the accommodation visitor sector need to be viewed, and to view themselves, as tourism businesses.

Recommendations

The sharing economy provides significant opportunities for tourism growth in the UK and should be welcomed as a means of providing economic benefits to destinations, increased choice for customers and a mechanism for people to supplement incomes.

We recommend that sharing economy businesses and other sectors of the UK tourism industry find constructive ways of working together to generate new opportunities and enhance customer experiences.

THE SHARING ECONOMY AND REGULATORY COMPLIANCE

Concerns Regarding Customers

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.

The importance that the Government places on maintaining standards in the accommodation sector is highlighted by the activities of the National Tourist Board, VisitEngland, which develops and oversees the National Quality Assurance Scheme for accommodation businesses, produces *The Pink Book: Legislation for Tourism Accommodation* – a 215 page book on how micro-accommodation businesses can comply with all the regulation impacting on the sector which it distributes to thousands of businesses - and publishes Quality Matters magazine for SME operators.

One of the main focuses of this inquiry was regulatory compliance. Concerns were expressed by 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 scrutiny. 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 APPG for Tourism that the problems and discrepancies around regulatory compliance from sharing economy platforms are not related to their being a lack of regulation. Rather, the problems derive from two main factors.

First, sharing economy companies are very poor at providing information to potential hosts regarding their statutory responsibilities regarding the health and safety of their guests. 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. Of particular concern is that sharing economy companies place all responsibility for customer safety with the host.

For example, the Airbnb terms and conditions state:

“Airbnb has no control over and does not guarantee (i) the existence, quality, safety suitability or legality of any listing”

Where there are online checklists provided for the host to complete, these checklists do not include the most important measures that all providers of paid accommodation are required by law to undertake such as completing a fire safety assessment of the property and having gas services check to ensure that the property is Gas Safe compliant.

Of even greater concern is that, if hosts state in the checklist that they do not provide smoke alarms, CO2 monitors or fire safety equipment, the registration process still allows the host to list their property and start taking bookings. This is unacceptable.

The position of sharing economy companies is that they are not agents for either the buyer or seller. They simply an on-line platform that connects buyers and sellers and not party to transactions. As such, they have no responsibility for the products being provided. There is also the view that developing a system to check the safety and legality of properties would either not be possible or would be prohibitively expensive.

Yet we have been provided with evidence from the Holiday Home Association, whose members include letting agents that represent the owners of over 20,000 properties that they have a Holiday Home Industry Code of Practice and individually check all properties to ensure that they are compliant with all necessary regulations. Similarly, we have heard from Cottages.com, who have over 30,000 properties on their books, that they require that all owners to comply with the National Quality Assessment Standards developed by the National Tourism Board, VisitEngland. This demonstrates that it is possible to develop and implement large-scale systems that ensure customer safety without impacting upon the viability of businesses.

Some submissions asserted that there is little practicable difference between sharing economy platforms and companies such as Cottages.com as both connect the owner of the property will customers. As such, sharing economy companies should be 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. Even if there is a legal distinction between the two types of business, we see no reason as to why sharing economy platforms should not have a duty of care to people purchasing products through their websites.

We received evidence form the sharing economy that they take their duty of care seriously and are constantly developing new ways to ensure the safety of customers. Examples include such as Sharing Economy UK developing a Code of Conduct for member organisations and “Trust Seal”, as well as individual businesses such as One Fine Stay and Airbnb working with companies such as Quality in Tourism to implement new and inexpensive accreditation schemes for property agents and host properties.

This is to be welcomed, although the accreditation schemes introduced so far do not apply to all properties. We would therefore like to see this type of scheme rolled-out across all sharing economy platforms and applied to all properties, not just those at the “top-end” of the market.

The second main issue associated with properties listed on sharing economy platforms is that regulatory authorities are not able to locate sharing economy accommodation providers, making it difficult to implement an effective inspection regime.

This is because the listings on sharing economy platforms do not provide information on the exact location of a property until a booking is made and that sharing economy companies state that the Data Protection Act prevent them from 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 tourist accommodation being provided via the sharing economy.

This problem is likely to be experienced by other major cities where the sharing economy is growing strongly - 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 accommodation providers that there had been a significant increase 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. Indeed, this was a recommendation of the *Independent Review of the Sharing Economy* in their 2015 report to Government. The Government's response to this recommendation was to note that:

“The Fire Safety Order is based on the on the principle of proportionality, rather than prescription. It requires a responsible person (usually the employer or owner) to assess the risk from fire in their particular premises and use this assessment to determine what fire precautions are sufficient to reduce the risk to life to as low as reasonably practicable. There is no ‘one size fits all’ to fire safety. Instead, the responsible person will need to use their judgement to decide what fire precautions are appropriate in the light of their particular circumstances and those of their guests.”

The APPG for Tourism agrees with both the sharing economy in that there is a need for a proportionate approach to issues such as fire safety, and with the Government in that current legislation on fire safety already allows for a proportionate approach.

A further argument put forward is that there needs to be a distinction made between “amateur” operators of tourism accommodation and “professional” operators of tourism accommodation. Again, the APPG for Tourism believes that the proportionality approach of current legislation on fire safety allows a softer touch for people who let out their property for a few weeks a year while they are away on holiday compared to people who operate a property that is available to book year-round.

There are two other problems associates with developing an arbitrary distinction that states that people renting tourism accommodation through a sharing economy platform are amateurs, while those using a different route to market are professionals.

First, we can find little 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 traditional self-

catering company such as Wyndhams and someone advertising a self-catering property through Airbnb.

Second, evidence from the Inside Airbnb website suggests that the view that most people who list a property on Airbnb are simply renting out a spare room on an occasional basis is becoming increasingly outdated. Figures from Inside Airbnb research in 2016 suggest that, of the 50,000 London properties listed on the website at the time:

- More than 40% of the properties are operated by someone who is listing more than one property.
- Over half the properties (25,000 properties) are offered to the customer on the basis of exclusive use – ie., there is no one living in the property.
- Almost 60% of the properties (29,000 properties) are listed as being available for more than 90 days a year.

While there will be legitimate reasons for some of these figures (eg., firms managing properties on behalf of the owner), this evidence strongly suggests that online platforms are being increasingly used by professional operators as a low-cost and highly effective route to market.

Therefore, it would be impossible to simply state that properties listed on sharing platforms are amateur and others are professional. And if small traditional B&B and self-catering operators are increasingly using sharing economy platforms as a route to market, then this further removes any reasonable distinction between people using sharing economy websites to list tourism accommodation and underlines the need for sharing economy platforms to ensure that everyone using their platforms complies with fire and health and safety legislation.

Another proposal put forward to create a level playing field was 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 small 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.

Concerns Regarding Hosts

While this Inquiry focused was on the safety of customers and the level of regulatory compliance by people listing their properties on sharing economy platforms, a second set of concerns arose from the written and oral evidence that warrants comment. These concerns relate to the financial risks people face when listing a property on a sharing economy website. Renting a property is a commercial activity and could have significant financial implications for owners who do not have the appropriate insurances or permissions in place.

We are advised that most residential home and contents insurance policies will be invalid if a property is being used for commercial activity. This applies regardless of whether a claim is being made in relation to the actions of a visitor or due to some natural event such as a storm or flood. Similarly, the insurance could also be invalidated even if an incident occurs when guests are not staying in the property.

We recognise that sharing economy companies advise property owners that they hold insurance on their behalf, but we do not believe that this insurance is adequate to cover owners. For example, this insurance will only cover any loss of damage directly attributable to the visitor, meaning that the owner still needs non-domestic insurance to cover damage unrelated to the guest.

In addition, there are a number of other situations where people letting their property may unwittingly expose themselves to loss by letting out their property. These include:

- not informing their mortgage holder that paying guests are staying in the property
- not informing their leaseholder (many leasehold agreements ban this practice)

Another concern the APPG for Tourism has regarding financial liability is people listing their property not being informed that they should purchase public liability insurance to protect themselves in the event of a personal injury, loss or damage being sustained by a guest. While there is no legal requirement to have public liability insurance, people letting a property take a substantial risk if they are not protected. The need for comprehensive public liability insurance is becoming more acute as visitors, and the public as a whole, become more claims conscious.

Again, we were informed by sharing economy businesses that they provide insurance for people using their platforms to provide visitor accommodation. However, we believe that this insurance is adequate. For example, the level of cover provided by Airbnb is just £600,000, whereas the minimum suggested level of public liability insurance for people operating micro-accommodation businesses is £2-5m.

Recommendations

That the Government urgently assess whether local enforcement agencies have adequate resources to carry out safety inspections of tourism accommodation businesses. This has 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.

That sharing economy companies take greater responsibility for informing hosts using their platforms of their statutory obligations, especially in relation to health and safety and fire safety.

That sharing economy accreditation schemes such as those developed between Airbnb and Quality in Tourism, are rolled-out across all properties on all sharing economy platforms.

That sharing economy companies develop and implement procedures that ensure that hosts have, as a minimum, undertaken a fire safety assessment, a health and safety assessment and, where relevant, have Gas Safe certification. Accommodation providers should not be allowed to register properties without proof of these assessments.

That Sharing Economy companies explain to hosts before they register that having paid guests staying in their property will affect their home and contents insurance, mortgage, leasehold agreement and that they should purchase public liability insurance.

That the sharing economy industry work with the insurance sector to help develop domestic Home and Contents Insurance products that are not invalidated if owners have paying guests for a set number of days each year.

That the public liability insurance provided by sharing economy companies is of the same standard, with the same levels of cover, as commercial products.

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 ever increasing tourism numbers are having on local communities. In the UK, similar concerns are being expressed in tourism hotspots such as Cambridge and Bath.

There are a wide range of reasons for over-tourism, from underlying global tourism growth, the rapid expansion of the Chinese outbound market and the increased popularity of cruise ships, through to destinations being associated with popular films and TV programmes. 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 landlords are switching residential rental accommodation more lucrative visitor accommodation on sharing platforms. There was also anecdotal evidence that operators of student accommodation in cities such as Cambridge were also switching properties to cater for visitors, putting considerable pressure on the ability of university students and colleges to find suitable accommodation.

As highlighted in the previous section, the evidence presented suggests that while sharing economy accommodation developed as a result of people wanting to make additional earnings from spare household capacity, this is no longer the case. While some people will be listing their property through Airbnb while they are away on Holiday or posted to a different location on business, the fact that over 50% of the properties available in London are for sole use of visitors strongly suggests that an increasing number of the listed properties are now commercial in nature.

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 without seeking 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 begun to enforce the 90-day rule in London on their platform by prohibiting suppliers taking bookings for more than 90 days, this limitation is easily

circumnavigated by creating users registering through different accounts or using an alternative platform. We were told by witnesses that algorithms within the system would effectively enforce this 90 day rule. However, the apparent lack of any human factor to oversee or monitor the effectiveness of this procedure may be regarded as worrying.

In addition, enforcement of the 90-day rule has proven virtually impossible for many local authorities in London due to their budgets and resources being significantly reduced due to austerity measures. 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. This 54% reduction in funding has resulted in the number of workers employed in compliance roles has dropping significantly.

Impact on Local Residents

Those within the sharing economy argue that the 'trust seal' self-regulation system is much more effective mechanism than legislation for controlling behaviour within the fast-moving environment of the sharing economy. References were made to quality and de facto kitemarks as well as the power of peer-to-peer reviews.

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 the impact that these activities may have on 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 also 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 through planning legislation in the same way as traditional tourism accommodation 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.

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, they proposed that decisions on the appropriate balance between tourism growth and the needs of residents 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.

We agree with the sharing economy on this issue and therefore support a flexible approach to setting the number of days that residential properties can be used for tourism accommodation. The proposal that local solutions should be developed that balance the growth of the industry with the need to safeguard housing stock for residents and to minimise the impact on residential neighbourhoods fits well with the Government's policy of increased devolution of powers to the local level.

Recommendations

That the Government provide Local Authorities with powers to set rules regarding the use of residential properties for Tourism Accommodation so that local solutions can be developed that balance the benefits generated by sharing economy accommodation with needs of local residents. These powers include:

- ***The ability to set the maximum number of days per annum that a property can be used for tourism accommodation***
- ***The ability to require the owner of the property to be present if a property is used for tourism accommodation***

That far more attention needs to be given, and more research undertaken, 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.

TAX COMPLIANCE

Under the Government's Rent a Room scheme, owner occupiers or tenants who let out furnished accommodation to a lodger in their main home are allowed to earn up to £7,500 a year tax-free. The APPG for Tourism supports this scheme as it encourages the growth of tourism and provides additional revenue for residents at a destination without causing significant impact on the level of residential accommodation.

However, 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 investigated in more detail by the Public Accounts Committee.

The APPG for Tourism also noted that during the course of this inquiry, HMRC launched a call for evidence on *The role of online platforms in ensuring tax compliance by their users*, on the basis of research that found a quarter of those operating in the sharing economy through online platforms are not confident about their knowledge of tax obligations.

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 could also be resolved through the introduction of a statutory registration scheme by using the principle of conditionality in the registrations process.

Conditionality would require people listing their properties to provide their tax details as part of the registration process. In addition to ensuring that people operator tourism accommodation paid the right level of tax, this requirement would also resolve the issue of operators listing properties on a number of different platforms.

Recommendations

That the Rent a Room Scheme is continued as a means to support the growth of tourism and provide additional income for residents at tourism destinations

That HMRC undertake an analysis of tax compliance in the tourism accommodation sector as a whole with a view of determining whether or not there is a significant level of tax evasion and, if so, what the most appropriate mechanism to resolve this issue.

FINDING A SOLUTION

The APPG for Tourism is supportive of the development and growth of the sharing economy. As stated previously in this report, we believe that these companies provide significant benefits to consumers, destinations and the tourism economy as a whole.

However, we also believe that more needs to be done to ensure that this growth does not come at the expense of important issues such as the safety of consumers or the support of communities in the tourism industry operates. We also want there to be true competition between all tourism accommodation businesses and to be assured that all tourism businesses are paying their fair share of tax in order for the Government to provide funding for the core services and facilities on which tourism is based.

It should be noted that Britain is not alone in recognising that, despite the benefits associated with the sharing economy, there are adverse impacts and the legitimate concerns of customers and residents that need to be addressed. A wide range of other countries have recently introduced measures to make sure that the sector grows in a responsible way that complies with regulation and is mindful of local communities. Examples include:

Japan

All homeowners wishing to rent out are required to apply for a government registration number. Hosts can only rent out for stays totalling 180 days a year and additional rules have been added by local governments which allow them to set rules on how many days properties are able to be let to visitors and what periods of the year properties can be made available.

Balearics

Under the 2017 law, all properties offered for tourist short term rental must be officially licenced and display their licence number in any online advertising. This holds that it is the responsibility of online platforms to show the registration number of all properties in any advertising.

Switzerland

The canton of Geneva has capped the number of nights apartments can be rented on sharing economy platforms at 60 nights a year.

Denmark

The Danish Government has limiting the number of days an owner may list a property on a sharing economy website to 70 a year and entered into an agreement with Airbnb that owners tax details and income will automatically be sent to the Danish tax authorities to prevent tax evasion.

STATUTORY REGISTRATION

One solution presented to the Tourism APPG was the implementation of a statutory registration scheme for all tourism accommodation businesses, regardless of the type of accommodation provided. It was proposed that councils could operate such a scheme in the same matter that they already register premises that sell food and drink – ie., through an

implied consent process whereby the completion on an online registration form provides consent to undertake the activity.

The benefit 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 premises that they deemed to be the highest risk.

The Development of Tourism Act 1969 contains provisions which enable the Government, through an Order in Council, make provision for the registration of any class of tourism accommodation by the National Tourism Boards in England, Scotland and Wales. The provisions of this Act enable the Boards to:

- Maintain a register of accommodation providers
- Specify the information needed from accommodation providers for registration
- Require the display of proof of registration
- Enter the property for the purposes of inspection
- Provide exemptions from registration
- Charge for registration

The APPG for Tourism believes that these powers could, under guidance developed by the Department for Digital, Culture, Media and Sport, be delegated down to local authorities so that they can implement local registration schemes.

The registration scheme could mirror the current process by which businesses that provide food and drink are required to register with local authorities under the provisions of the Food Safety Act. This legislation requires business to be registered with the local council so that they can be inspected to make sure that they are complying with food hygiene legislation. This registration process is one of implied consent. This means that the process of registering automatically gives the business the necessary permission to undertake the activity. This permission can only be revoked if a future inspection of the premises finds that the business is operating in breach of food hygiene regulations.

It is considered that a similar approach could be used for registration of tourism accommodation, whereby approval to provide accommodation would be automatically granted through the registration process except in cases such as where the address being registered could not legally be used for tourism accommodation. An example of this would be a property that being used to provide social housing.

As part of the registration process, operators of tourism accommodation businesses would have to provide a certain level of basic information such as:

- The location of the property
- The address and contact details of the person operating the business
- Details of their public liability insurance
- A copy of their fire safety assessment
- A copy of their Gas Safe certificate (if appropriate)

We believe that such a scheme, coupled with Government providing Local Authorities with the necessary powers to set rules regarding the use of residential properties for tourism accommodation, would provide an efficient and effective low-cost mechanism to find local solutions to the issues associated with sharing economy accommodation while allowing the sector, and the tourism industry as a whole, to grow in a sustainable manner.

The use of statutory registration schemes is not without precedent. Evidence from the LGA highlighted the growing number of councils that are using landlord registration schemes to help improve regulatory compliance and improve standards for consumers within the residential rental market. Indications are that these schemes are proving successful in both improving the quality of residential accommodation and reducing antisocial behaviour. Similarly, on the Isle of Man it is a legal requirement for all visitor accommodation to be registered with the Department for Enterprise. To register, operators have to provide a copy of planning and building control approval, their fire certificate, proof of public liability insurance and environmental health approval.

Recommendation

That the Culture Secretary launch a consultation on using his powers under the Development of Tourism Act 1969 to establish a low-cost statutory registration scheme for tourism accommodation businesses. Such a scheme could be devolved to councils and would help resolve the main issues identified by this Inquiry. Namely, it would:

- ***Help ensure that all businesses complied with regulations***
- ***Provide enforcement officers with a database of tourism accommodation properties so that they could target their resources to those properties they deem to be the highest risk***
- ***Provide councils with greater ability to manage tourism in their area***
- ***Provide HMRC with a means by which to ensure that all businesses pay the appropriate level of taxation.***

SUMMARY OF RECOMMENDATIONS

1. The sharing economy provides significant opportunities for tourism growth in the UK and should be welcomed as a means of providing economic benefits to destinations, increased choice for customers and a mechanism for people to supplement incomes.
2. That the sharing economy businesses and other sectors of the UK tourism industry find constructive ways of working together to generate new opportunities and enhance customer experiences.
3. That the Government urgently assess whether local enforcement agencies have adequate resources to carry out safety inspections of tourism accommodation businesses. This has 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.
4. That sharing economy companies take greater responsibility for informing hosts using their platforms of their statutory obligations, especially in relation to health and safety and fire safety.
5. That sharing economy accreditation schemes such as those developed between Airbnb and Quality in Tourism, are rolled-out across all properties on all sharing economy platforms.
6. That sharing economy companies develop and implement procedures that ensure that hosts have, as a minimum, undertaken a fire safety assessment, a health and safety assessment and, where relevant, have Gas Safe certification. Accommodation providers should not be allowed to register properties without proof of these assessments.
7. That Sharing Economy companies explain to hosts before they register that having paid guests staying in their property will affect their home and contents insurance, mortgage, leasehold agreement and that they should purchase public liability insurance.
8. That the sharing economy industry work with the insurance sector to help develop domestic Home and Contents Insurance products that are not invalidated if owners have paying guests for a set number of days each year.
9. That the public liability insurance provided by sharing economy companies is of the same standard, with the same levels of cover, as commercial products.
10. That the Government provide Local Authorities with powers to set rules regarding the use of residential properties for Tourism Accommodation so that local solutions can be developed that balance the benefits generated by sharing economy accommodation with needs of local residents. These powers include:
 - The ability to set the maximum number of days per annum that a property can be used for tourism accommodation
 - The ability to require the owner of the property to be present if a property is used for tourism accommodation
11. That far more attention needs to be given, and more research undertaken, 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.

12. That the Rent a Room Scheme is continued as a means to support the growth of tourism and provide additional income for residents at tourism destinations
13. That HMRC undertake an analysis of tax compliance in the tourism accommodation sector as a whole with a view of determining whether or not there is a significant level of tax evasion and, if so, what the most appropriate mechanism to resolve this issue.
14. That the Culture Secretary launch a consultation on using his powers under the Development of Tourism Act 1969 to establish a low-cost statutory registration scheme for tourism accommodation businesses. Such a scheme could be devolved to councils and would help resolve the main issues identified by this Inquiry. Namely, it would:
 - Help ensure that all businesses complied with regulations
 - Provide enforcement officers with a database of tourism accommodation properties so that they could target their resources to those properties they deem to be the highest risk
 - Provide councils with greater ability to manage tourism in their area
 - Provide HMRC with a means by which to ensure that all businesses pay the appropriate level of taxation.

APPENDIX I: LIST OF WITNESSES

First Oral Evidence Session – 20TH Feb 2018

- David Weston, Chairman, The Bed and Breakfast Association
- Alistair Handyside, Chairman, South West Tourism Alliance
- Tony Sophocles, Director of Communications, ALMR (now UKHospitality)

Second Oral Evidence Session – 21st February 2018

- Jenna Cane, Manager, Sharing Economy UK
- Merilee Karr, Chair, The UK Short Term Accommodation Association.

APPENDIX I: LIST OF WRITTEN SUBMISSIONS

ABTA
Airbnb
ALMR
British Destinations
British Hospitality Association
High Wiscombe Ltd
Holiday Homes Association
Hotel Solutions Ltd
PASC
LGA
Ken Robinson
Sharing Economy UK
Short Term Accommodation Association
The Bed and Breakfast Association
Wales Tourism Alliance