



Federal Trade Commission “Sharing” Economy Workshop – June 9, 2015
American Hotel & Lodging Association
Embracing Fair Competition in the Lodging Industry

The American Hotel & Lodging Association represents the full breadth of the hotel industry across the United States, from traditional bed and breakfasts and independent hotels, to the iconic brand companies and major ownership groups. Our industry is responsible for 1.8 million jobs in communities across America and has been a true bright spot of job creation during the recent economic recovery. We have also contributed billions of dollars to local, state and federal coffers. Last year alone, we generated \$134 billion in federal, state, and local tax revenue.

Competition is a hallmark of the lodging industry. It fosters new ways to improve the guest experience while creating a better and stronger business model, driving growth, more jobs, and innovation. Our members embrace and have thrived in a highly competitive business where everyone plays by the same rules. However, there is now an un-level playing field involving some newer market players that are compromising consumer safety, endangering the character and security of residential neighborhoods, and avoiding their regulatory and tax obligations. This is particularly the case with some companies that operate online platforms and the commercial enterprises that are effectively running illegal hotels.

The hotel industry is committed to providing our customers with extraordinary service and a safe and secure environment, from start to finish. Indeed, our industry is guided by certain overarching principles: Ensuring the safety and security of our guests; providing quality guest service; being good partners in the communities in which we operate; and providing jobs and a pathway to upward mobility for our employees.

Yet, increasingly we hear concerns about companies that undermine these principles and raise questions about consumer safety. While we recognize that those engaging in true “home sharing” should be treated differently, those engaged in commercial activity, particularly those running businesses and renting out multiple properties, must pay their fair share of taxes and abide by commonsense safety, security, health, and fire standards. Further, short-term online rental companies like Airbnb – an estimated \$25 billion enterprise – also have obligations to uphold with respect to facilitating compliance in the areas of regulation and taxation.

New York is an excellent example of how certain obligations are not being met. At the workshop, Airbnb’s representative repeatedly said that the company was trying to pay taxes in New York but that the hotel industry was somehow interfering with that effort. Yet, their operations in New York run afoul of the law. Not only that, we learned that Airbnb has never made an offer to pay its fair share of all taxes, and has never made an unconditional offer to pay any lodging related taxes. Rather it seeks legislation that would alter New York’s zoning and real estate laws before making any such payments.

Even more fundamental than tax and regulatory issues, the mere offering of short-term rentals in private residences is outright illegal in some jurisdictions, while in others it may violate certain zoning or regulatory rules in place to protect the safety and integrity of communities and residents. For example,

the New York State Attorney General found that 72% of short-term online rentals listed on Airbnb in New York City are illegal due to a law prohibiting the leasing of residences for less than 30 days at a time if the owner is not home during the rental. In our view, it seems abundantly clear that online platforms, such as Airbnb, should not be enabling or encouraging illegal actions and have a responsibility to prevent their sites from being used for such purposes.

The NY Attorney General's report also showed the prominent place of large scale operators in this growing industry, as opposed to private homeowners who are simply seeking to share their home for an occasional infusion of income. The report revealed that 6% of hosts on Airbnb dominated the site in New York City, generating nearly 40% of total revenue. A report by the San Francisco Chronicle revealed that 5% of hosts have three or more listings and account for close to 20% of all listings. These statistics from New York and San Francisco are a clear indication that Airbnb is making a substantial amount of its revenue off of people effectively running commercial lodging businesses. During a panel discussion at the workshop, Airbnb's representative disputed this assertion, stating that Airbnb's data shows otherwise and broadly implying that Airbnb was willing to share that data, but to our knowledge, they have not yet done so. We encourage the FTC to follow up on this offer to provide more data.

The consideration of the "sharing" economy by the FTC, a body whose job it is to protect competition and consumers, is of the utmost importance, and could help set a path to ensure that these companies respect the law, protect their guests, and compete on a level playing field with other members of the commercial lodging industry.

The hotel industry has set the standard of how to provide high quality guest service while fulfilling its tax, safety and security obligations at the local, state and federal levels. Companies interested in entering into this marketplace should be willing to do the same. As the hotel industry has shown, it's possible to do both.