RURB Tourism Home Sharing Economy: Recommendation on Short Term Accommodation Regulatory Framework

Thursday, 11 October 2018 | Putrajaya Marriott Hotel
• To present draft recommendation on short term accommodation regulatory framework; and

• To solicit input from stakeholders on analysis, options and recommendations.
APPROACH MILESTONES

1. Problem Statement
   Issues on Short Term Accommodation in Malaysia

2. Options and Impact Analysis
   Benchmarking and regulatory options for Malaysia

3. Consultation with Key Stakeholders
   NGO's, Hoteliers, Regulators and other government agencies

4. Proposed Recommendation
   Regulatory options point
   Addressing Uneven playing field and Public nuisance

5. Project Progress
The technological convergence of platform operators have created an uneven playing field that threatens the position of traditional hotels in the market.

Homes rented for short-term stays have drawn objections from some homeowners, citing safety concerns and that it is a public nuisance.
**REGULATORY ACTIONS TAKEN IN ASIA PACIFIC COUNTRIES**

<table>
<thead>
<tr>
<th>Country</th>
<th>Status</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Myanmar</td>
<td>Current law prohibits STA</td>
<td>1947 Immigration Act stipulates foreign visitors on a tourist visa must stay in a hotel.</td>
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<td>Singapore</td>
<td>No prohibition on Short Term Accommodations</td>
<td>Current law prohibits short term stays. Government is conducting public consultations to make policy recommendations</td>
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<td>Indonesia</td>
<td>Establishment of 5 Regulation Points to be proposed as short term stays regulation</td>
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<td>Vietnam</td>
<td>No prohibition on Short Term Accommodations</td>
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<td>New Zealand</td>
<td>Legislation under draft stages</td>
<td>City Councils have passed new legislation for short term accommodation</td>
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<td>What to regulate</td>
<td>Description</td>
</tr>
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<td>----</td>
<td>--------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1</td>
<td>Territorial coverage</td>
<td>Allowing STA in <strong>remote areas</strong> (less business activity) vs <strong>urban</strong> (higher business activity)</td>
</tr>
<tr>
<td>2</td>
<td>Length of stay (LoS)</td>
<td>• Maximum time of <strong>360 days</strong> (a year) for host using services of player in area with fewer inns, otherwise the more hospitable area has maximum time of <strong>180 days</strong> (9 months).</td>
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<td>Taxation</td>
<td>Having recognised that hosts are small and medium business entrepreneurs, such business to be <strong>taxed.</strong></td>
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<td>Business license</td>
<td><strong>All hosts /platform operators</strong> to apply for a business license to operate.</td>
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<td>5</td>
<td>Type of property</td>
<td>Local government to have the authority to <strong>designate which type of properties</strong> for STAs to operate on (i.e. prohibiting the convert of “officetels”, or studios in high-rise buildings designated for office and residence, into lodging)</td>
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<td>6</td>
<td>Season</td>
<td>Local government to have the authority to <strong>designate period for STAs</strong> to operate (i.e. school holidays).</td>
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<td>1</td>
<td>Host registration</td>
<td>Platform operators to <strong>register</strong> and to undergo thorough <strong>screening</strong> with local authorities to post their listings</td>
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<td>2</td>
<td>Occupancy limit</td>
<td><strong>Limit</strong> the number of occupants <strong>in a unit</strong> at any one time</td>
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<td>3</td>
<td>Security deposit</td>
<td>The security deposit shall be used should any damage or claims arises from the action of the STA guest</td>
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</table>

REGULATING OPTIONS POINTS AND IMPACT ANALYSIS TO ADDRESS PUBLIC NUISANCE
ENGAGEMENT FACTS DASHBOARD

15 companies

100 personnel

>180 minutes
03 public nuisance

Maintenance upkeep due to wear and tear

Safety and Security

03 uneven playing fields

Potential loss of revenue from many unregistered operators

Commercial activities operating in residential areas

Competition between STA operators and budget hotel operators

Additional investments in budget hotels
Current Issues

- Invalid background of tenants
- Lack of privacy
- Inadequate fire protection installation in units
- Rise in break-in
- Lack of sense of community due to the increase number of STA guests
- JMB received threats from STA operators acting as thugs

Suggestions

- All STA operators to register with local municipal
- STA for residential operates with JMB approval – with guideline from KPKT e.g. only building with low occupancy & house rules provided;
- Registered tenants will have to provide valid ID during registrations
Current Issues

• Tendency of STA guests to heavily use the shared facilities
• Maintenance upkeep drains the sinking fund

Suggestions

- JMB to impose additional surcharge on hosts
- Use of deposit to make good any damage or claim arising from STA operation
- Monthly fee of certain percentage for the administration cost on STA operations decided by JMB
Current Issues

- It is known that one operator runs at least 5 units or more in one building.
- Increase of commercial activities decreases the tranquillity of the residential areas (i.e. causing lack of privacy).

Suggestions

- Regulate this activities through KPKT/PBT
- Prohibit STAs from all residential areas
- Paying residential rate for utilities when operating commercial STA
**Residences Experience:** NO quality of life due to nuisance and vices brought in by STA unruly guests

**STA business attracts unwanted visitors and nuisance**

Tourist/backpackers with reckless attitude towards safety

Mat Rempits, Wild Parties & Drug Parties

Backpackers Loitering

21 youths under STA who spent the night in ONE unit were chased out
Residences Experience: High foot traffic causes high wear and tear

Massive check-in of tourists staying under STA in one of Residences

Residents are fed up having to deal with different people all the time coming into what was once an exclusive residential condo
Residences Experience: Security Violations

Residences NO LONGER offers the promise of exclusivity, privacy and secured peace of mind even with the private lift system that was meant as added tight security because of the deliberate security breaches of STA through cloning of cards and programmed devices to access the security doors and private lifts –ENABLING ANYONE TO INTRUDE INTO THE PRIVATE UNIT.
Residences Experience: Thefts & Break Ins

In Dec’17, an organized group under STA had broken into the gen-set room at Residences Block and had stolen the entire gen-set and copper cables. This was planned and with the help of an insider
Current Issues

- Business/tourism tax paid by the registered hotels are circulated back to further develop the industry, it is unfair for the paying hoteliers as they are paying the cost to support the industry.

Mandatory for all accommodation providers to register with relevant authorities (PBT) as the first step in unlocking tax-revenue collection.
Current Issues

• Business/tourism tax paid
  Too many STA operators in an area may result in the price war
• Revenue brought into Malaysia by STA platforms are stolen economy from the budget hotel

Suggestions

- Allowing STA in remote areas (urban vs rural areas)
- Determine when STAs (season) are allowed to operate to support the hotel industry
- Re-designate the tourist tax as exit tax
Current Issues

- Investors may be reluctant to invest more as returns from these budget hotels are getting smaller due to the STA operators in the market.

Suggestions

- Mandatory for all accommodation providers to register with local authorities.
- Apportion the amount of tourism tax collected to qualified hotels.
Average 2.16 Million tourists per month = 71,900 tourists per day in average

Total Tourist Arrivals by months for 2017

*https://www.tourism.gov.my/statistics*
Simulation - Demand vs current supply of rooms based on Tourist LOS

In 2017 Foreign tourist LoS is at average 5.7 nights per tourist

<table>
<thead>
<tr>
<th>No. of Rooms vs. Tourist's Length of Stay (LOS)</th>
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<tbody>
<tr>
<td>Rooms</td>
</tr>
<tr>
<td>Ave Tourist per day</td>
</tr>
<tr>
<td>Ave LOS=2 days</td>
</tr>
<tr>
<td>Ave LOS=3 days</td>
</tr>
<tr>
<td>Ave LOS=4 days</td>
</tr>
<tr>
<td>248,795</td>
</tr>
<tr>
<td>71,900</td>
</tr>
<tr>
<td>143,800</td>
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<tr>
<td>215,700</td>
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<tr>
<td>287,600</td>
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</tbody>
</table>

Source:
4. Data no. of rooms are taken from ‘Leisure Property Stock Table Q1 2018’ report by NAPIC
Some facts
Short Term Accommodations from Platform Operators

1.5Mill Guests Arrivals (growing with an average rate of 139% year on year)

US$48.1M earnings to hosts (97% of total US$50.2M receipts – 3% kept by Airbnb)

2.2 nights average LOS

31,900 Listings

RM4,725 annual median income for Hosts

Game Changing

1. All STA operators to register with local municipal
2. STA for residential areas operates with JMC approval – with guideline from govt authorities e.g only building with low occupancy & house rules provided

Actionable patterns and themes across stakeholders we had engaged

- Make it mandatory for all STA operators to register themselves with the relevant Govt. agencies
- Prohibit STAs from all residential areas
- STAs may be allowed to operate should there be low occupancy rate of the said building
- Prohibiting such STA operations at the residence
The Govt. to make it mandatory for all accommodation providers to register with relevant authorities as the first step in unlocking tax-revenue collection.

Registration be made mandatory and STA operations to be overseen by JMB/JMC.

Making it mandatory for STA operators to register with local municipal councils. These councils can then track these operators.

Impose house-rules.

Game Changing:
All host and STA operators to register with local municipal councils.
PROPOSED RECOMMENDATIONS ON REGULATORY OPTIONS POINTS

1. Registration

STA operator to be considered as part of ‘Premis Penginapan Pelancongan (PPP)’. This requires them to be registered to have visibility on the STA operators within Malaysia
- Data can be collected and used for monitoring and enforcing regulations.
- Track tax compliance

2. Approval

STA for residential operates with JMB or management committee (for landed) approval and also subject to government guidelines to be established as Home Sharing Economy.
- This is to ensure the safety for the remaining tenants as well as facilities are well kept

3. Maximum allowable days

Utilities for STA operating in residential are:
- Below 90 days (a year) normal residential rates, > than 90 days will be considered as commercial rate. Data can be sent over to utilities companies.

4. Data Sharing

- Mandatory for STA operators to:
  - provide detailed hosts and tenants for purpose of regulations
  - Undergo through screening or filtering of the listings
  - Tenants are to provide valid identification during registration
### Our options in regulating......

**Regulatory spectrum**

<table>
<thead>
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<th>Status Quo</th>
<th>Self Regulation</th>
<th>Quasi-Regulation</th>
<th>Direct Government Regulation</th>
</tr>
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<tbody>
<tr>
<td>Allowing businesses to operate as usual</td>
<td>Generally characterised by industry-formulated rules and codes of conduct, with industry solely responsible for enforcement</td>
<td>Arrangements where government influences businesses to comply, but <strong>which do not form part of explicit government regulation</strong></td>
<td>Comprises primary and subordinate legislation. It is the most commonly used form of regulation</td>
</tr>
<tr>
<td>E.g. Government to allow STA operators to operate freely.</td>
<td>E.g. <strong>Platform operators</strong> to develop and impose regulations on itself.</td>
<td>E.g. Codes of practice, Advisory notes, Voluntarily Registration, Guidelines and Rules of conduct, issued by either non-government or government bodies.</td>
<td>E.g. Permit or licenses, Mandatory registration or house rules</td>
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What’s Next in Sharing Economy Platform – It’s Not Just About Travel And Hospitality

Danish start-up Blockshipping is developing the world’s first freight container registry, called the Global Shared Container Platform. The system is blockchain-based, and will provide a real-time registry of 27 million containers that could save the industry billions every year.

Feastly: a marketplace to connect adventurous eaters with passionate cooks, amateur or professional chefs. Cooks can publish lists of food that they plan to cook on Feastly’s website and invite diners looking for a meal to buy a seat at their table.

Wingly connects pilots and passengers, allowing pilots to cut the costs of planned trips by taking on board passengers who pay a fee to cover the costs of day trips and discovery flights.

Boataffair offers boutique boat rentals,

DesksNear Me allows office space to be rented out,

Feastly

Wingly

Boataffair

DesksNear Me
## Tiered Regulation for Providers

The higher the transaction the higher the control i.e taxes, inspections

## Limited Intermediary Liability for Platforms

- Platforms exercise sufficient control over the relevant aspect of the transaction i.e. background checks for providers and routine inspections for vehicles or rental property
- Voluntary measures to police provider activity, rather than adopting formal notice-based system i.e platforms only become liable if they fail to take action after receiving a complaint from a user or provider.
- Platforms inform hosts of the local requirements for compliance with the housing and tax code.

## Duties to Third Parties

- A complaint hotline and dispute resolution procedure for third parties who seek to remove listings from the platform or report poor conduct.
- Affected third parties might include landlords who want to prevent tenants from posting listings in violation of a lease, or neighbors of hosts who seek a remedy against a guest for property damage.
- Providers to give notice of their activities to third parties. Maui requires that short-term rental hosts provide notice to neighbors within 500 feet of the listed property.
Building a Dynamic Regulatory Design Journey...
Gather public and stakeholders opinions

Synthetisation and develop regulatory options

Public consultation & Syndication with stakeholders

Policy Recommendation Report

Aug - Sep 2018

Sep - Oct 2018

Oct - Nov 2018

Dec 2018
Sharing economy is here to stay. Regulators should not simply allow the sharing economy to grow in the shadow of the law. Allowing the sharing economy to self-regulate would not adequately safeguard consumers.

Sharing platforms pose new consumer and workforce protection issues, regulators can confront these concerns without shutting down platforms.

Many risks posed by the sharing economy are just as present in the market for traditional service providers. Regulators can also address these risks without forcing platforms to conform to the same rules as traditional service providers.

Responsible regulation of sharing platforms is a necessity, not a choice. Regulatory authorities and legislators have already begun to experiment with balanced solutions, and the outcomes of these efforts will continue to inform future regulations.

Sharing platforms benefit consumers by increasing the availability of service providers, lowering costs, and providing altogether new services.

Traditional service providers need to reinvent their business model by embracing emerging technology that is bringing better experience to tourists at a cheaper rate.
Recommendation report
• Visit to MPC website: http://www.mpc.gov.my

Feedback
• Email to: alamin@mpc.gov.my or szaharah@mpc.gov.my

Deadline for feedback
• 30 November 2018