

Views on Legal Framework for Home Sharing

June 14th 2016

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Sharing Economy Taskforce

1. Promotion of the Sharing Economy

A new legal framework is required to reflect the **specific features of the sharing economy** which forms part of the global “new economy” trend.

| Characteristics of sharing economy | Corresponding policy framework |
|---|--|
| ✓ Utilization of idle properties owned by private individuals | ✓ Mechanism in which individuals can easily participate as service providers under a set of common rules (A registry system, if introduced, should have open and simple requirements for registrants to allow service provision by diverse hosts. Setting strict requirements and complicated procedures for registrants would undermine the purpose of creating a new framework different from the existing laws) |
| ✓ Involvement of platforms (provision of rating systems and other services) | ✓ Platforms to be held accountable to a certain standard of responsibility to guarantee consumer safety and security |
| ✓ Effective use of technology | ✓ Elimination of the face-to-face principle through IT uses |

(Ref.) European Commission Guidance Document

Issued on 2 June 2016

The Commission states that the sharing economy can bring benefits to consumers, service providers and to the EU economy at large, and urges national authorities to take into account the specific features of the sharing economy (such as reducing consumer risks by utilizing rating systems) when reassessing existing regulations.

A European agenda for the collaborative economy (COM(2016) 356, 2 June 2016)

- The sharing economy creates new opportunities for consumers and entrepreneurs.
- The sharing economy can make an important contribution to jobs and growth in the European Union
- By enabling individual citizens to offer services, sharing platforms promote new employment opportunities, flexible working arrangements and new sources of income.
- The sharing economy can provide benefits for consumers through new services, an extended supply, and lower prices
- Some experts estimate that the sharing economy could add EUR 160-572 billion (JPY20-70 trillion) to the EU economy.
- When reassessing the justification and proportionality of legislation applicable to the collaborative economy, national authorities should generally take into consideration the specific features of collaborative economy business models and the tools they may put in place to address public policy concerns, for instance in relation to access, quality or safety.
 - Rating and reputational systems or other mechanisms to discourage harmful behaviour by market participants may reduce risks for consumers stemming from information asymmetries.
 - This can contribute to higher quality services and potentially reduce the need for certain elements of regulation, provided adequate trust can be placed in the quality of the reviews and ratings.

*The term “sharing economy” is used here interchangeably with the European Commission’s original wording of the “collaborative economy” .

(Ref.) European Commission Guidance Document

issued on 2 June 2016 (continued from previous page)

Comments from EU Commissioners (Excerpts from the Guidance press release)

Source: http://europa.eu/rapid/press-release_IP-16-2001_en.htm

Jyrki Katainen, Commission Vice President responsible for Jobs, Growth, Investment and Competitiveness

“...competitive European economy requires innovation, be it in the area of products or services. Europe's next unicorn could stem from the collaborative economy.”



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Elżbieta Bieńkowska, Commissioner responsible for Internal Market, Industry, Entrepreneurship and SMEs

“The collaborative economy is an opportunity for consumers, entrepreneurs and businesses – provided we get it right. If we allow our Single Market to be fragmented along national or even local lines, Europe as a whole risks losing out. ... We invite Member States to review their regulation in the light of this guidance and stand ready to support them in this process.”



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2. Effective use of technology

Take advantage of new technology in a variety of settings

【Government authorities ↔ Hosts】

- ✓ Any administrative procedures required of home sharing hosts should be made easy, convenient and **100% completable online**

【Platforms ↔ Hosts】

- ✓ **Provision of rating systems**

【Hosts ↔ Guests】

- ✓ Identity verification via video conferencing on **tablet devices** should be encouraged
- ✓ Advanced option of using **fingerprint authentication system***
- ✓ **Smart keys** could be introduced to eliminate the process of handing over keys

* The system links a person's passport IC data and fingerprints pre-registered on a cloud system. Foreign visitors can bring out their passport data simply by putting a finger on a fingerprint reader placed at hotels and other places.

3. Objections to operation days limit

JANE **strongly opposes** the introduction of maximum operation days limit

Why?

- Home sharing, which forms part of a broader trend of the sharing economy, is a way of renting out private homes to provide a **novel type of lodging service** completely different from conventional licensed hotel businesses
- Investment recovery is not realistic if the maximum limit is imposed, making it **impossible to utilize vacant houses**
- It would increase **illegal operators**
- **Japan faces an urgent problem of ever-increasing abandoned properties**, a situation not shared by other countries that have adopted maximum days rules
- **Maintaining hygiene standards is possible** with the involvement of platforms and by holding hosts accountable to a certain level

Cf : Results of questionnaire survey on hosts

90% of “owner-absent” hosts and 70% of “owner-resident” hosts responded that they would be unable to continue their service if the number of operating days becomes limited to 180 days per year.

*includes respondents who answered that they would continue illegally

4. Equal footing for both domestic and non-domestic operators

New regulations should be applied to overseas service providers

- ✓ Overseas operators providing services using properties located in Japan need to be registered with relevant authorities and subject to new regulations (**extraterritorial application**) to ensure an equal footing for domestic and foreign players
- ✓ “**Naming and shaming**” system, although insufficient in itself, **can be introduced to deter violations**. Also indispensable is the establishment of a mechanism whereby regulations are **applied extraterritorially** to overseas service providers along with **enforcement by government authorities**

5. Revision of regulations concerning hotel business

Related regulations concerning hotel business should also be reassessed

- ✓ To build a tourism-oriented country, hotel businesses and home sharing operators should complement each other to respond to a variety of needs and demands
- ✓ Regulatory reform is indispensable to bring out innovations from the hotel business

Examples of possible amendments

- Revision on the restrictions for hotel operators to deny lodging to a guest (amendments to the Inns and Hotels Act)
- Allow hotel operators to provide paid guided tours for overseas visitors (amendments to the Licensed Guide Interpreters Act)
- Easing of visa requirements to attract hospitality staff for the tourism industry

*A review of the present framework should take into account views of the hotel industry to consider broader issues including the easing of restrictions on floor area ratio as advocated by "Zenryoren", a nationwide trade union representing hotel businesses

Ref. 1-1 Online survey of hosts

【Question to hosts】

What would you do if a **180-day maximum operation limit** is introduced under the new system?

【Survey Responses】

① Owner-absent home hosts

⇒ **90%** said **they will not be able to continue their service** under the new system*

② Owner-occupied home hosts

⇒ **70%** replied with the same answer

*includes respondents who answered that they would pull out of the business or that they would continue illegally

【Analysis of responses】

The introduction of maximum days limit will likely lead to:

- ✓ It becomes **practically unfeasible to provide “host-absent” rentals** if rules are to be respected
- ✓ Will not be able to **put vacant properties to use**
- ✓ **“Host-resident” type lodging services will be greatly reduced** as majority of “owner-occupied” home sharing hosts answered they would be unable to continue
- ✓ Would **increase black market operators**

*Results of a flash online survey among home sharing hosts conducted between 17 and 19 May. More than 250 valid responses.

Ref. 1-2 Online survey of hosts

Comments gathered from respondents - 1 *Excerpted and translated by JANE

- ✓ **Will quit hosting** as limited operation days would mean losing money
- ✓ will immediately terminate all my rental agreements and **pull out of this business** if the restriction takes effect
- ✓ Maximum days limit would merely **increase black market operators** and is unlikely to solve any problems
- ✓ It would be disastrous for the home sharing business in Japan and **will end up producing failed businesses** in a dire situation
- ✓ Foreign tourists who prefer home-sharing lodgings will not stay in hotels even if there is no alternatives. It will merely **drive them away from Japan** to other countries
- ✓ **Japan will lose in this market** if rule-making continues to drag down the potentials of home sharing

Ref.1-3 Online survey of hosts

Comments gathered from respondents - 2 *Excerpted and translated by JANE

- ✓ Would **diminish opportunities for interactions** with overseas visitors
- ✓ A **life-or-death matter** for those making their living from home while helping to **foster international ties**
- ✓ Rules and institution building should take into account **fundamental added values to the society that the sharing economy can bring**
- ✓ **Will lay waste possible revenue sources.** Home sharing could enable elderly people to become economically independent or NEETs to become breadwinners by making use of their family homes.
- ✓ Will **obstruct our efforts to create jobs for seniors or mothers with young children** in the neighborhood

Ref.2 Home Sharing Income Simulation

Income and expenditure simulation conducted in cooperation with a home sharing host (see following pages)

Simulated calculation based on the actual performance of the following property

Location : Shinjuku (central Tokyo)
Capacity : up to 4 people
Room size : 1K (35.6m²)

◆ Sample images of available properties (not the same property used in the calculation)

1K



1LDK



1LDK



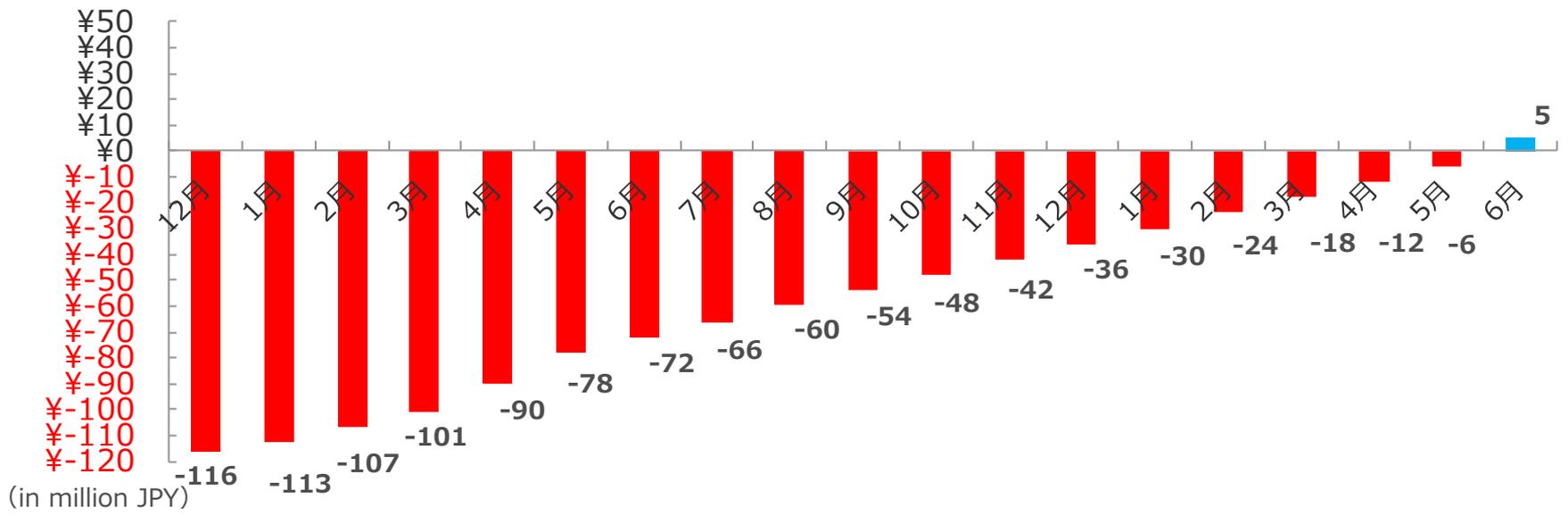
Investment Return Chart (1K room, no max. days limit)

Initial expense **¥1,172,528**

Monthly average sales **¥230,000**

Monthly average running cost **¥160,000**

Monthly average profit **¥70,000**

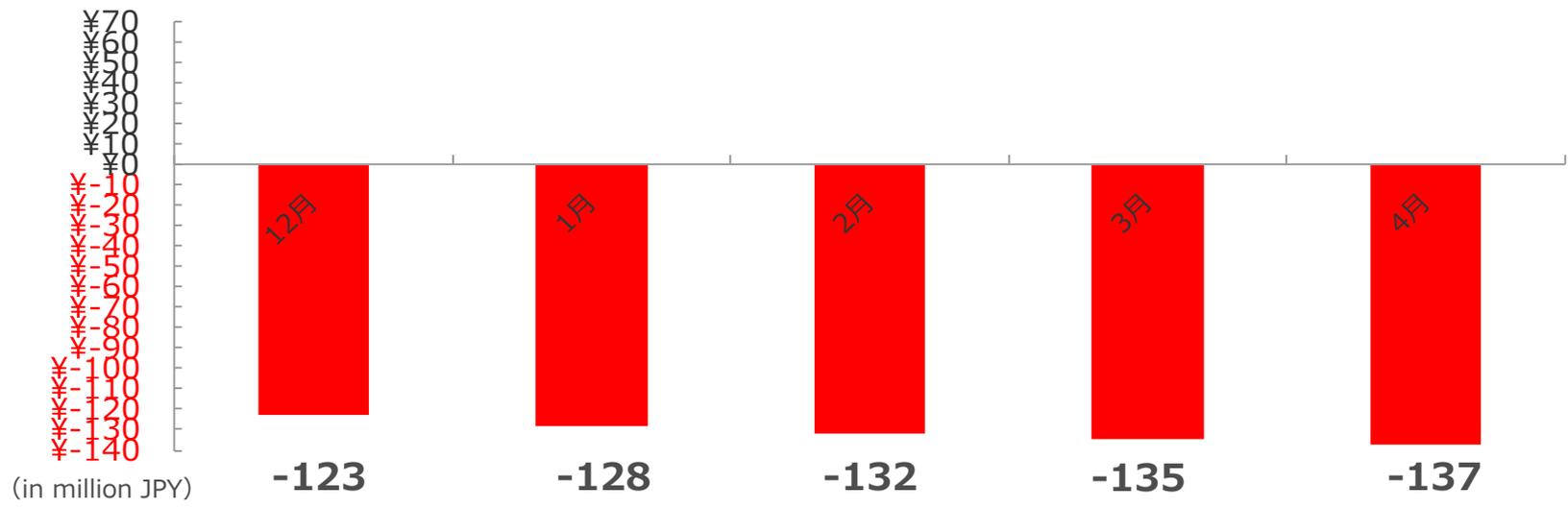


Initial investment can be recovered **in 1 year and 7 months** if there is no limit placed on the number of operating days

Investment Return Chart (1K room, with 180 days limit)

Initial expense ¥1,172,528

Monthly average sales ¥ 110,000 (↓120,000)
Monthly average running cost ¥ 150,000
Monthly average profit ¥ -40,000 (↓110,000)



180 days limit causes negative profit and the initial investment cannot be recovered

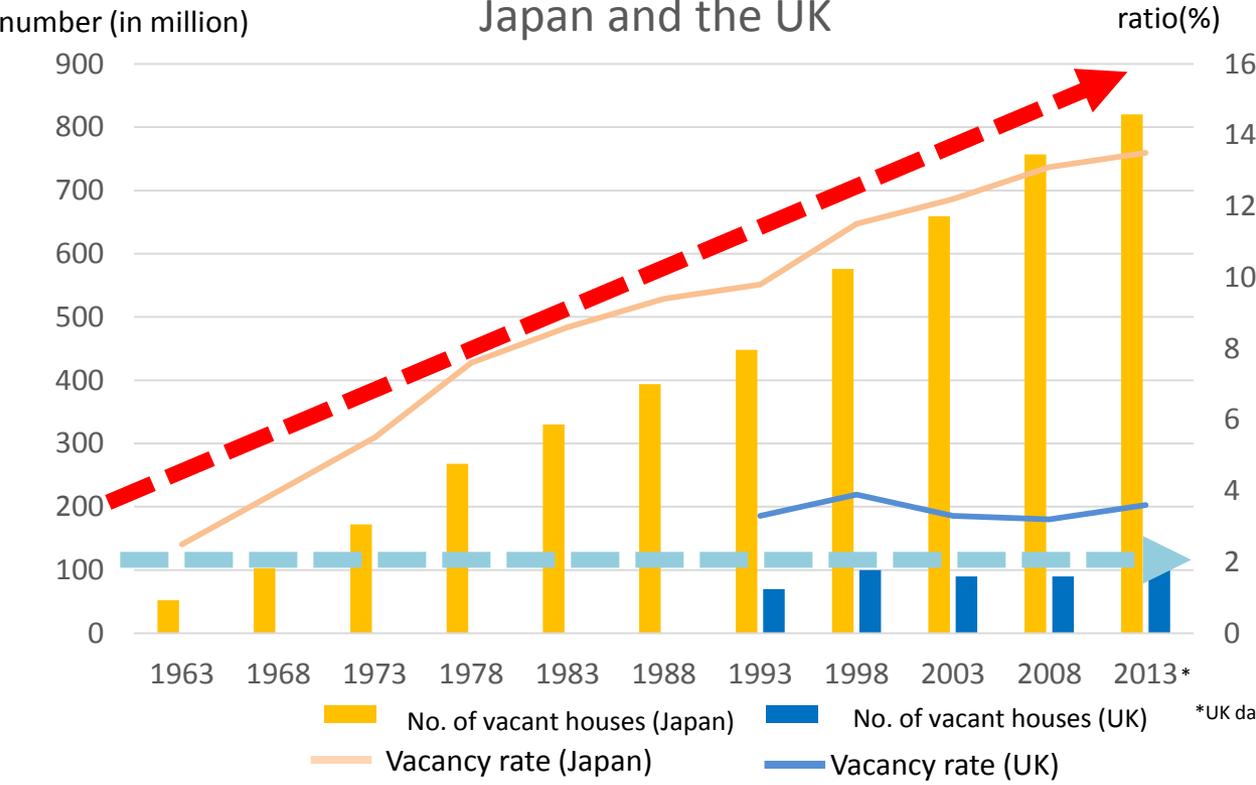
⇒ Home sharing business not viable

Ref.3 Comparison of the number and ratio of vacant houses in Japan and overseas

Housing situation in Japan is **very different** from that abroad
 Rules established overseas (maximum operation days) **cannot be directly applied** to the Japanese case

Overseas: **Soaring rents due to property shortage** and other problems
 Japan: **Urgent need to address the problem of increases in vacant dwellings**
 ⇒ **maximum days limit should not be introduced** as it will hinder this process

Number and ratio of unoccupied houses in Japan and the UK



Number and proportion of vacant homes high and on the increase



Number and ratio of vacant homes plateaued at a low level

*UK data for 2013 was unavailable and substituted by the 2011 data

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新經濟連盟



Japan Association of New Economy