



## Hotel Industry Using Government to Crush Airbnb

Whenever an entrepreneur enters the marketplace, one can be certain that established firms in the same industry will try to use the power of the state to crush their upstart competitor, particularly if he begins taking market share from them. Such is the case with Airbnb, which has seen a significant increase in opposition from all levels of government thanks to a concerted effort on the part of the hotel industry, reports the [New York Times](#).



The *Times* obtained copies of documents recently presented to the board of the American Hotel and Lodging Association, a trade group that includes such juggernauts as Marriott International and Hilton Worldwide. “In the documents,” writes the paper, “the group sketched out the progress it had already made against Airbnb, and described how it planned to rein in the start-up in the future.” The November board meeting’s minutes said the plan was a “multipronged, national campaign approach at the local, state and federal level.”

That the industry would want to put Airbnb out of business is quite understandable. According to [Hospitality Net](#), a hotel-industry website, a report commissioned by the Hotel Association estimated that Airbnb costs hotels about \$450 million in direct revenue per year, with additional losses in the form of lost food and beverage sales and other service fees. The *Times* says Airbnb, which enables people to rent out unused living space on a short-term basis, “has raised more than \$3 billion and secured a \$1 billion line of credit” and is valued at about \$30 billion. In addition, the increase in the supply of lodging has naturally depressed its price, even during peak periods such as holidays, which has also cut into hotels’ bottom lines.

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Government, meanwhile, resents the fact that Airbnb isn’t subject to the onerous taxes it levies on hotel rooms. Hospitality Net reports that local, state, and federal governments miss out on (i.e., are unable to confiscate) \$226 million in tax revenues per year from the reduction in hotel stays in New York City alone.

Thus, it isn’t hard to see why the hotel industry and politicians would join forces to take down Airbnb.

Indeed, the documents obtained by the *Times* list one of the Hotel Association’s objectives: “Build on the success of 2016 efforts to ensure comprehensive legislation in key markets around the country and create a receptive environment to launch a wave of strong bills at the state level while advancing a national narrative that furthers the focus on reining in commercial operators and the need for commonsense regulations on short-term rentals.”

In other words, use government to cripple, if not destroy, Airbnb.

The group’s efforts have already borne fruit. New York Governor Andrew Cuomo (D) signed [legislation](#) in October imposing fines of up to \$7,500 on New York City apartment dwellers merely for listing their apartments on Airbnb or similar websites. Senators Brian Schatz (D-Hawaii), Elizabeth Warren (D-



Written by [Michael Tennant](#) on April 17, 2017

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Mass.), and Dianne Feinstein (D-Calif.) — like Cuomo, members of the party that supposedly defends the little guy from big corporations — sent a letter to the Federal Trade Commission in July “raising concerns about the short-term rental industry,” according to the documents.

Furthermore, writes the *Times*:

The association also met with legislators and attorneys general in dozens of other states to discuss how Airbnb hosts often do not comply with rules imposed on hotels, like anti-discrimination legislation, local tax collection laws, and safety and fire inspection standards. In some markets, the group said, Airbnb is dodging payment of local lodging taxes. In other places, it encouraged officials not to collect taxes from Airbnb hosts so as not to legitimize short-term rentals.

The association claimed legal and regulatory victories last year in Chicago, San Francisco and Los Angeles, as well as in states like Virginia, Tennessee and Utah, where laws were being passed to restrict Airbnb activity. The organization also funded research conducted by a professor at Pennsylvania State University to show that many Airbnb hosts were breaking the law....

This year, the association plans to fund more anti-Airbnb research and roll out a testimonial campaign of people hurt by home sharing, “to provide a counterweight to Airbnb’s strategy of presenting a unified, working-class face,” according to the group’s documents.

In short, as Airbnb spokesman Nick Papas told the newspaper, “The hotel cartel is intent on short-sheeting the middle class so they can keep price-gouging consumers.”

The industry, of course, denies that its efforts have anything at all to do with declining profits. “Airbnb is operating a lodging industry, but it is not playing by the same rules,” Troy Flanagan, the American Hotel and Lodging Association’s vice president for state and local government affairs, told the *Times*.

But if the problem is that there are too many rules unfairly burdening hotel operators, why not lobby to relax those rules rather than to impose them — and more — on Airbnb? Probably because, as with most regulations, the ones governing the hotel industry exist primarily to suppress competition. Large, existing firms can afford the cost of complying with the regulations, while smaller competitors cannot. Besides, it’s easier and cheaper to lobby government to get rid of competitors than it is to do the hard work of innovating and cutting costs to compete in the marketplace.



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