

Travel Impact Newswire

Interview with Bill Heinecke, Chairman and CEO of Minor Corporation



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Monday, September 9, 2019

1) Could you provide some specific numbers to show how mainstream accommodation sector, specifically under Minor Group, is being affected by Airbnb? In which destination?

- First of all, we believe Airbnb's dramatic expansion has the following impacts on Thai tourism sector: **1) disturbance to local residents** **2) safety issues** (Airbnb room owners do not have to comply with the same standards as hotels such as fire safety equipment and security staff) **3) loss of tax income** (since the government cannot collect rental income tax from Airbnb room owners). **4) guest privacy** (there were reports that Airbnb hosts were caught secretly filming their guests by hidden cameras). **5) less significant employment and investment in infrastructure** in Thailand when compared with the hotel industry.
- Rising industry concerns are also among the main outcomes from the rapid growth of Airbnb. **The difficulties to control, regulate and monitor these home-sharing activities are putting the country's tourism at risk.** An accident involving tourists may damage the host country's reputation. This is more important in Thailand than in most places because tourism is such an integral part of our economy.
- **The effects should be felt particularly by smaller hotels, budget hotels or those that are in non-luxury segment,** with more than 60,000 additional room supplies listed in Airbnb (as of last year) in Thai market.
- **Nonetheless, the direct impact on Minor Hotels is not as significant. Minor Hotels are in the luxury and upscale segment** in which most of our guests are looking for excellence in service, in rooms, in dining, in security and safety as well as in everything else a good hotel offers. As such, **Airbnb rentals and our properties do not cross paths directly.**

- Moreover, many of Minor Hotels' properties in the international market are in very fine destinations, in which providing a unique experience for guests is a 'must'. **This group of travelers that we focus on is less price sensitive and very attentive to details.** Apart from **the services and safety issues** that they expect, **staying at the hotels provides less risk of unpleasant surprises** during their holidays.
- But if the issues on Airbnb have not been monitored, controlled or regulated in a timely manner, there would be indirect impacts to everyone in the tourism sector including the country's economy at large.

2) Many SME hotels swear by the OTAs, saying it is a lifeline for them. They really do not care if the OTAs pay tax as long as the activities are helping them to drive business. They say most of the big hotel groups are evading taxes anyway by stashing money in the tax havens. Any thoughts?

- It is no secret that **small and independent hotels are relying more heavily on OTAs to capture their bookings than those big hotel chain counterparts.** OTA's market power has increased significantly, especially those big OTA companies given their billions of dollars advertising spending (which goes into many key online marketing areas such as Search Engine Optimization and Pay-Per-Click). **These hotels have no choice but work with OTAs in order to receive their bookings.** The government and related agencies should therefore step in to protect them.
- Moreover, OTAs use unfair commercial practices to limit hotel's abilities to freely adjust marketing and promotional activities based on free-market principles. **Hotels cannot afford to ignore the OTA channels and were forced to sign "rate parity agreements"** that prevent hotels from offering lower prices from those OTA rates.

- The inherent condition that comes along with OTAs' relationship is **a very high commission fees** that hotels are being charged. Hoteliers often feel trapped in this situation given the cut of the business can go up to **as much as 30% or even higher in some cases and for certain visibility level.**
- In terms of investment and employment, OTAs do not contribute much to **the country's tourism infrastructure development and asset investment**, which support the country's GDP growth, as much as what Thai hotels actually do.
- In terms of taxation, **it is still at best unclear whether OTAs pay due taxes on their income derived from Thailand.** Registered hotel operators pay corporate income and tourism taxes to Thailand which go towards tourism infrastructure. There are allegations made by various media, industry expert and academia sources that the high commission earned by them are not taxed by the Revenue Department and hence **do not contribute to the public interest of the country.**
- Minor Group has been doing business in Thailand for over 50 years now. We have evolved from being a domestic player to become a global player. Contributing back to the society has always been an integral part of our sustainable business model. We are proud to be a good representative of Thailand's tourism industry and the leader of changes and innovations for the industry. **We have continued to pay taxes which have increased overtime alongside our net profit growth as our size expands. We do not evade any taxes and we strongly believe that any businesses are obligated to pay taxes on their income.**

3) Do you have any specific alternative proposals to manage/regulate these groups?

- The government and any related official agencies should issue a clear regulatory framework for Airbnb and other similar activities. They **should be**

subjected to the same standard, tax system, safety requirement and other regulations as those that applied with hotel operators.

Japan, the Netherlands, Germany, Singapore and several US states amongst others have enforced laws regulating Airbnb's commercial practices.

- For OTAs and rate parity clause, the government is urged to step in to help creating a level playing field in the tourism sector. Governments and legislators in other countries including France, Italy, Germany, Belgium and Austria have already **illegalized such unfair commercial practices of OTAs** while others, including Singapore, Australia, Sweden and New Zealand etc. are taking various legal or administrative actions against OTAs.
- We would like to call for a strong commitment, proactiveness and consistency of the government in creating **a free and fair competition and protecting the tourism sector and the country's public interest.**