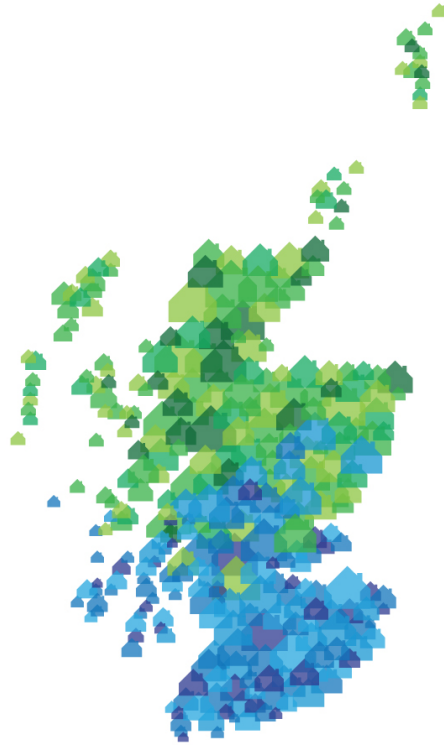


Scottish Expert Advisory Panel
on the Collaborative Economy
– Call for Evidence



ASSC

Supporting self-catering in Scotland

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Introduction

The Association of Scotland's Self-Caterers (ASSC) welcome the opportunity to respond to the call for evidence from the Scottish Expert Advisory Panel on the Collaborative Economy and hope that the information provided will be helpful in terms of policy development.

Founded in 1978, the ASSC is the leading source of knowledge on short-term letting and holiday homes in Scotland. The ASSC is the only trade body representing the interests of the traditional self-catering sector. We have more than 640 Members, operating in excess of 7,000 self-catering properties throughout Scotland. The ASSC lobbies on behalf of self-catering on national and local issues, and is recognised by consultative bodies, and local and central government, as a respected and effective voice. Our ethos is building relationships and working together with others, including VisitScotland, to support self-catering in Scotland, and to work towards the Scottish Tourism Alliance's Tourism 2020 national strategy vision, as well as local economic development strategies.

We also have close links with other European countries, as founding members of the European Holiday Homes Association (EHHA). As part of this umbrella association, we have access to a huge amount of data regarding the impact of short-term rental on housing in other European city centres, which may be of use to the Scottish Government and the Expert Panel.

Overview

We recognise that the Expert Advisory Panel will be assessing a number of areas relating to the collaborative economy, including peer-to-peer accommodation. The ASSC have focused our response on our area of experience and expertise.

The ASSC have concerns that the political direction of travel on short-term lets is one in which regulations will be pursued without sufficient regard for the effect on our sector. The short-term letting sector has recently been the subject of increasing political and media criticism, with policymakers at both a local and national level calling for disproportionate regulation. Instead, we want to constructively engage with policymakers and regulators to find workable solutions to the problems raised, while ensuring that regulations are not advanced which would damage an important part of Scotland's vital tourist industry.

Background on short-term rentals

Short-term rentals have a long history in Scotland, and should not be considered to be the same as the emerging 'sharing economy' or 'collaborative economy' model of short-term rental that is perceived by some to be causing problems in city centres. Indeed, many misconceptions surrounding short-term rentals have appeared as a direct result of the exponential growth of online platforms such as Airbnb. The lines are blurry, however, with some traditional operators now using the collaborative model as part of their route to market.

Overall, there are four very different models of short-term let operation, running alongside each other:

1. Traditional self-catering short-term rental (non-serviced accommodation);
2. Sharing Economy short-term letting via online platforms (Airbnb, HomeAway, HouseTrip etc) (largely non-serviced accommodation);
3. Serviced Apartments (a type of furnished apartment available for short-term or long-term stays, which provides amenities along the same lines as a traditional hotel) (serviced accommodation); and

4. Apartment Hotels (serviced accommodation).

The ASSC have been comparing traditional and emerging business models operating in the short-term let market and assessing how this is impacting on demand and supply in the market since the new routes to market arrived on the scene. We are in a unique position to be able to advise on how short-term lets have, and are now, being marketed.

Furthermore, the ASSC have also recently published an economic impact assessment study of the self-catering sector to the Scottish economy, which was conducted by Frontline Consultants. The aim of the study was to provide an independent, evidence-based, understanding of the direct and indirect economic impact/contribution of the self-catering sector to the Scottish economy. We have attached this paper with our response.

1. What are the key opportunities that you see for the collaborative economy in Scotland?

As already noted, we have restricted our comments to the theme of peer-to-peer accommodation.

It goes without saying that the collaborative economy has brought a new landscape to the tourism industry. The new collaborative economy online platforms offers traditional self-catering operators an alternative route to market and a wider audience, and are being widely adopted.

Traditional self-catering / short-term rental has always been popular and has remained so, in both rural and urban settings. The recent growth of the collaborative economy has enabled the sector to grow very quickly, and possibly too quickly for the general population to take on board.

The short-term rental sector is an integral part of the tourism mix and online platforms can bring benefits to traditional operators. As our colleagues at the EHHA point out:

“Short-term rental is the largest leisure accommodation form in Europe, providing a capacity of more than 20 million beds and an annual turnover of 80 billion euros according to PhoCus Wright’s report “European Vacation Rental Marketplace: 2011-2013”. At the same time, it is an industry with a clear potential to further increase the mobility of travellers all across Europe and to contribute to the economy in ways that benefit hosts, travellers, and local communities. Short-term rental industry boosts local businesses, creates more revenue for tax authorities and more direct and indirect employment opportunities, increases individual incomes, generates more options for tourists and at the same time allows a more optimal use of space.”

The EHHA have also highlighted that:

“In 2015, the P2P accommodation transactions in Europe accounted for 54% (€15,100 million) of the total transactions achieved through collaborative economy platforms. Collaborative economy market growth was +56% in 2014 and +77% in 2015 and the estimate of the EU revenue generated by collaborative economy platforms doubled for 2016. According to a PwC research the five key collaborative economy sectors could generate global revenue of \$335bn by 2025 and P2P accommodation estimated growth is +31%.”

Closer to home, we know that tourism forms an integral part of Scotland's economy, employing 11% of its workforce, and contributing to 5% of Scottish GVA. Identified as one of the six 'Growth Sectors' in Scotland's Economic Strategy, the Scottish Government recognises its key role in the "social, economic, environmental and cultural well-being of Scotland." Therefore, we should therefore maximise the opportunities that the collaborative economy can play in our tourism economy.

2. What are the key challenges that you see arising for the collaborative economy in Scotland?

There are numerous misconceptions surrounding short-term rentals, specifically in city centres. This is being compounded by fears about the rise of the collaborative economy and lack of understanding of its benefits. This could have a hugely negative impact on the collaborative economy, as well as the traditional models, if this is left unchecked.

Frequently aired misconceptions revolve around safety, health and environmental concerns; the fear that rising short-term rentals may diminish the availability of long-term rental houses on the market, especially affordable ones; and that short-term rental effects hotel occupancy.

Considerable research has taken place in the last few years into these very issues, and it is important that we separate the facts from myths.

Short-term rentals are not the main reason for housing shortage:

- Short-term rentals do not reduce the stock of housing for permanent rental.
- As argued by the EHHA, housing stock reduction is much more a by-product of secondary and multi-home ownership, as well as of the mismatch with the creation of new affordable housing; and this should be the focus of political debate and subsequent legislative action.
- Moreover, the EHHA has highlighted that studies carried out have failed to provide evidence that STR accommodation has raised housing prices or provoked its shortage in some cities.

Loss of residential amenity or anti-social behaviour may occasionally be an issue but it is often exaggerated:

- Having investigated two perceived problems of short-term-letting – loss of residential amenity and party flats – Edinburgh City Council's own research (2012) found that these problems happen far less frequently than anticipated, and subsequently came up with a solution to deal effectively with any problems using Antisocial Behaviour Notices (ASBNs) as enforcement.
- In Edinburgh, only three properties have been closed down as a result of complaint since 2015. There have only been 10 new cases (complaints against short-term commercial leisure apartments) raised in the last year (2015/16), compared to 14 cases in 2014/15 and 19 cases in 2013/14.

Hotels are not suffering from unfair competition and dwindling guests:

- Many of the large hotel chains have recognised the increasing market for short-term rental and have diversified accordingly, adding short-term rental to their stock. For example, Hyatt has introduced OneFineStay, Four Seasons has developed Four Seasons Private Residences and Marriott have added 3rdHome to their portfolio.
- The real threat to hotels is not the increasing number of short-term rentals, but a failure to anticipate changing customer behaviour.

- Research from France suggests that there is little evidence of a significant negative impact of short-term rentals on the hotel sector: hotel arrivals in Paris rose by 11.4% between 2003 and 2014.

3. Are contributors (consumers, providers and businesses) to the collaborative economy suitably protected by existing legislation? If not, what are the gaps/how could it be improved?

There are widespread concerns about regulation in sharing economy short-term accommodation. This is not the case in terms of traditional short-term accommodation. Whilst many of the regulations associated with Long-term rental are not law for short-term rental, traditional short-term / self-catering operators follow the landlords regulations, and this is recommended by the ASSC. We provide Guidance Sheets on regulations and legislation to Members.

Demands for strict regulation or a total ban of short-term rentals are often used to mask shortcomings elsewhere, such as the failure to build enough housing to meet increased demand (government/local authorities), or the failure to anticipate changes in consumer preferences and needs.

The rise of online platforms such as Airbnb has promoted short-term accommodation as an 'easy' option. However, a lack of defined guidelines / Code of Practice may put consumers, operators and providers at risk.

It is important to recognise that traditional short-term rental / self-catering is regulated. The ASSC provides comprehensive advice on regulations and best practice. This ensures the safety of consumers, as well as the long-term sustainability of operators. This is the only way to safeguard the security of consumers, operators and local authorities.

The ASSC library of Guidance Sheets covers everything from fire regulations to legionella risk assessments, from Accessible Tourism guidance and Green Tourism to Business Rates (<http://www.assc.co.uk/benefits/guidance-sheets>). The ASSC believes that operators of the collaborative economy should adhere to the same regulations that traditional self-catering operators have to adhere to, both in terms of health and safety, business rates, public liability insurance and tax.

Whilst the ASSC appreciates that 'loss of amenity' and 'party flats' are an issue, specifically cited as an issue with the collaborative economy model of short-term rental, the ASSC wishes to identify a way in which we can encourage best practice and promote a harmonious existence between short-term let apartments and local residents.

All self-caterers have their own terms and conditions, which limit numbers and set out acceptable codes of behaviour. However, the ASSC would like to work with city councils in Scotland as well as operators within the collaborative economy to roll out a recognised Code of Practice to cover short-term letting in city centres (and beyond), addressing the issue of loss of residential amenity, etc.

The ASSC has drafted a Code of Practice for short-term let operators, which may facilitate this, which has been presented to Edinburgh and Glasgow City Councils, and Glasgow City Marketing Bureau, as well as Airbnb, who have all reacted to it positively. This is attached with our submission.

4. Do you think that the collaborative economy is suitably regulated whilst still allowing competition and innovation to flourish? If not, what are the gaps?

Traditional self-catering / short-term rental operators are subject to strong safety standards, with requirements aimed at ensuring compliance with such standards. The traditional model can be seen as 'regulated accommodation'. This is done with the aim of ensuring visitors can enjoy wherever they travel, that the overall quality of their stay is ensured and that the reputation of the destination as a whole is maintained. At local level, building codes and inspections of residential and regulated accommodation establishments exist to ensure the safety of occupants and those around them.

The ASSC believes that providers of peer-to-peer accommodation should adhere to the same regulations as the traditional model. This will ensure that consumers can trust the peer-to-peer operators in the same way as they can trust traditional operators. The gaps could be seen merely as a lack of knowledge of what is required to provide this form of service, alongside traditional models.

5. What do you think are the barriers, which are constraining growth of the collaborative economy in Scotland?

We are concerned about the ratcheting up of negative publicity associated with short-term rentals led by those who are either unaware of the facts, or are deliberately ignoring them to suit their own agenda. We firmly believe that there is a fundamental lack of understanding of the facts and benefits of both the traditional short-term rental / self-catering model and the collaborative economy. There is also a lack of a holistic view as to where the collaborative economy sits alongside traditional models and the housing sector.

6. What role do you think government should play?

The ASSC proposes that the government, local authorities and P2P platforms all promote the ASSC Code of Practice, and promote membership of the only trade body representing the sector and promoting best practice. Government should take a bottom-up approach and engage with STR accommodation players and online platforms in order to agree on regulatory solutions (if needed at all).

The Vice-President of the European Commission, Andrus Ansip highlights that "Collaborative economy is here to stay and we need to adapt the legislation". The Commission's Communication on "A European Agenda for the Collaborative Economy" published last June encouraged Member States to remove barriers and unjustified obstacles to the development of collaborative economy. The EHHA recommended that the main focus of EU legislators and national regulators should be on reducing unnecessary burdens and red-tape, not introducing new bureaucracy through ineffective licensing schemes or other barriers, which only serve to reduce competition in the marketplace. The ASSC concurs with that approach.

7. Do you have any general comments about the collaborative economy?

In relation to any future regulation proposed, the ASSC would respectfully advise that policymakers should be mindful of the significant role our sector plays in the tourism economy. All-encompassing regulation could have unintended consequences not only for our members but the Scottish tourism economy. Approaches to the issue must be based on a full appreciation of the facts and not merely select evidence to fit the policy.

It is beneficial to take cognisance of the fact that self-catering is an important component of Scotland's tourism sector. Short-term lets fulfil a significant visitor

demand in cities, offering an authentic experience of city life, and they contribute directly to the local economy.

Estimates from *Scotland's Visitor Survey 2015* show that approximately 23% of all tourist visitors to Scotland stay in self-catering accommodation. In Scotland alone, according to the study by Frontline Consultants we commissioned in 2017, there are 16,949 self-catering holiday / short-term let properties. The self-catering sector represents 3.4million visitor nights per year where 1.8million are non-Scottish visitors. The study also showed that:

- The annual direct visitor spend is equal to £723.3 million (£470.1 million from non-Scottish visitors);
- Scottish self-catering supports 15,271 direct FTE jobs; and
- Self-catering / short-term rental provides £205.8 million in direct GVA contribution.

Short-term letting in Scotland's cities generates significant spend, particularly so in Edinburgh. Edinburgh's Tourism Strategy 'Edinburgh 2020' headline objective is "to increase the number of visits to the City by one third". The ASSC considers that short-term letting has a significant part to play in achieving this objective. If apartments are being served planning notices to cease trading, this will present a significant barrier to growth.

From an economic development view, short-term letting is recognised by Edinburgh Council as being valuable to the city, and it has been a sector it has historically supported. Having investigated two perceived problems of short-term -letting – loss of residential amenity, and party flats – the Council's own study found that these problems happen far less frequently than anticipated, and subsequently came up with a solution to deal effectively with any problems using Antisocial Behaviour Notices (ASBNs) as enforcement (indeed, this has been used to close one problematic property).

The aforementioned Frontline Consultants report identified considerable economic benefits arising from 1,671 properties in Edinburgh and the Lothians:

- 424,785 visitor nights per year (396,217 non local visitors)
- £87.7 million direct visitor spend (£81.8 million from non-local visitors)
- £54.5 million direct GVA contribution
- Supports 1,797 direct FTE jobs

Likewise, Glasgow City Marketing Bureau (GCMB) recognises the significance of the short-term let market as essential to add to the tourism offer in the city. Short-term let apartments in Glasgow provide the opportunity to grow the tourism product in the city and by extension, Scotland, with monetary benefits to both:

- Consumer trends are changing towards short-term letting / self-catering and Airbnb type models.
- More accommodation stock is badly required in Glasgow, with an economic strategy looking for 2,500 plus hotel rooms to facilitate projected growth.
- The GCMB strategy is to get people staying where they want to stay – in a variety of accommodation types, including short-term letting. The aim is to increase overnight stays by over 1 million.
- With 1,500 rooms in the public domain in terms of the planning process, they still have a shortfall of 1,000.

Conclusion

The collaborative economy is no doubt here to stay, and to grow. It brings opportunities as well as challenges to tourism in Scotland. There is no evidence to suggest that STR accommodation has raised housing prices or provoked its shortage, either in rural or urban settings. There is no hard evidence that STR results in loss of residential amenity, whether via collaborative platforms or via traditional models. Short-term letting is a growing market, so it is now vital to define a framework within which this growing market can flourish, benefit the Scottish economy and contribute to the objective of the Tourism 2020 Strategy ambition of growing tourism revenues by £1bn by 2020.

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