

Scottish Expert Advisory Panel for the Collaborative Economy: Submission by Airbnb

What data or evidence can you provide on the social, environmental and economic impacts of the peer to peer accommodation market in Scotland?

To mark Scottish Tourism Week in March 2017, Airbnb published an impact report¹, based on data from all travel to and from Scotland between 1 March 2016 to 1 March 2017. A copy is included to accompany this submission.

It shows the Airbnb community generated £361 million of economic activity in Scotland last year, including an estimated £293m of guest spending and £68m earned by hosts.

Communities, local businesses and cultural venues across Scotland are seeing benefits from Airbnb. Bringing both an increase in sustainable tourism and economic development, home sharing helps hosts, families and individual households generate a little extra income to help make ends meet.

- In the past year alone, 12,600 hosts welcomed over 802,000 guests to their homes across Scotland.
- Airbnb guests stayed an average of 2.8 nights, and the vast majority (87 percent) stayed for vacation or leisure.
- A typical host in Scotland earned £3,600 by sharing their space for 40 nights a year.
- Almost half (41 percent) of hosts said they use the income from sharing space in their home to help make ends meet.
- Over three quarters of hosts in Scotland (76 percent) share their primary or secondary residence.
- Almost a third (30 percent) of guests would not have visited Scotland or stayed as long without Airbnb.
- During the Edinburgh Fringe festival, more than 70,000 visitors stayed in local homes on Airbnb, helping the city accommodate increased demand.

How can we ensure that both hosts and guests are suitably protected, such as knowing where to turn if something goes wrong and that health and safety standards are adhered to? Where do we see best practice globally?

It is frequently pointed out that trust is the currency of the collaborative economy, and the continued success of peer-to-peer business models is based on the strength of trusted relationships between users and platforms – and between users themselves.

Existing EU legal frameworks regulate online platforms such as Airbnb across issues such as data protection, electronic payments, unfair commercial practices and other aspects of basic consumer law – and our experience is that Airbnb users do not find it difficult to exercise their rights. The European Commission has recently begun reviewing the EU consumer rights framework, and has been undertaking research into the implications of peer-to-peer marketplaces. Airbnb has been providing input to this review, and we look forward to continuing our discussions with the Commission.

The unique dynamics of consumer-to-consumer marketplaces require some *new* approaches to augment this framework. Airbnb has created – and continues to develop – some of the most powerful best practices for peer-to-peer marketplaces in the area of consumer protection.

¹ <https://united-kingdom.airbnb.com/new-report/>

Collaborative Economy platforms have contributed to significantly higher levels of **transparency**, including peer-to-peer reputation systems that allow hosts and guests to review each other after a stay. Potential guests can see what previous guests have liked and disliked about a home. Hosts can make informed choices about who to accept as guests, based on their prior reviews. Secure messaging allows for constant and transparent exchange of information between the parties.

Establishing **identity** is crucial to building trust among strangers. Airbnb continues to develop our ID verification processes to provide greater levels of trust within our community, providing hosts and guests with confidence in who they are staying with.

Airbnb has also pioneered bespoke **insurance and guarantees** for home sharing, providing all hosts with \$1m of automatic protection against property damage², and a further \$1m of protection from claims by third parties for damage or personal injury³. In 2016, there were more than 30 million trips at Airbnb listings worldwide. Significant property damage (claims that were reimbursed under our Host Guarantee program for over \$1,000) was reported to us only 0.009% of the time.

Airbnb has also made **safety** a priority. Hosts are required to provide safe spaces for guests and agree to ensure that all applicable fire and safety regulations are implemented. As well as providing links to all relevant guidance, we have run home safety workshops⁴ with hosts and local fire services to equip our community with advice from leading experts. We have also given out 36,000 free smoke and carbon monoxide detectors to hosts and have made it easy for guests to know who to call if there is an emergency by providing hosts with online safety cards containing important information – such as emergency phone numbers, locations of fire extinguishers, and fire alarms, as well as emergency exit routes.

Finally, Airbnb has a skilled 24 hour **customer service** operation, equipped to deal specifically with trust and safety issues and assist guests and hosts before, during and after trips. The dedicated Trust and Safety team works both proactively and reactively to support our community—using sophisticated technologies to model and flag potential risks, and takes action to support hosts and guests whenever they are needed.

Finally, Airbnb has been a driving force behind the world’s first cross-industry trust “kitemark”, developed for the UK’s collaborative economy association Sharing Economy UK. Working with a panel of experts in trust and safety, and supported by research from the University of Oxford, Sharing Economy UK launched the **Trustseal** in late 2016, and a number of collaborative economy platforms have already been awarded the seal (including Airbnb⁵). This sets a strong foundation for future self-regulatory industry work on trust and consumer protection issues, which Sharing Economy UK will continue to prioritise.

What are your suggestions for mitigating any unintended consequences of the short-term accommodation rental market and how they might be balanced with existing priorities and policies such as Tourism Scotland 2020?

One of the main strategic pillars of Tourism Scotland 2020 is a focus on “providing authentic visitor experiences” – and we know that this is one of the most powerful reasons that guests choose to stay with Airbnb hosts. A recurring theme when we talk to guests – and hosts – is how they enjoy seeking out local food and drink recommendations, finding less-visited local attractions, and seeing their destination through the eyes of a local. In a world where the millennial generation will soon be the dominant cohort of travellers and consumers, and who

² <https://www.airbnb.co.uk/guarantee>

³ <https://www.airbnb.co.uk/host-protection-insurance>

⁴ <https://united-kingdom.airbnbcitizen.com/airbnb-puts-on-meet-the-experts-event-to-promote-trust-and-safety/>

⁵ <https://united-kingdom.airbnbcitizen.com/airbnb-receives-sharing-economy-uks-trustseal/>

consistently choose authentic experiences over mass-market options, actively involving real people in delivering true Scottish hospitality seems like an obvious opportunity. Platforms like Airbnb can also help to deliver flexible accommodation supply that allows places to cope with seasonal demand, or the needs of a major event or festival, by using existing and underutilised capacity.

However, we must always be mindful of the challenges this may present to neighbourhoods that have not traditionally experienced tourism footfall, and to busy urban centres where rental prices are already high and pressure on housing stock is growing.

We know from research conducted in multiple European and US cities that Airbnb's true impact on housing costs is negligible, especially when considered alongside much more powerful factors – such as the historic underinvestment in new housing, the shift from suburban to city living, urban regeneration projects that quickly “gentrify” neglected areas, and the number of empty properties being held as investments, rather than places for people to live.

Airbnb takes this issue very seriously. We first addressed the question head-on in 2015, with the publication of our Community Compact, which commits us to action in places with acute housing shortages in order to ensure that hosts are sharing the homes in which they live.

Proper, accurate data must always be crucial to these determinations, and we urge the Government to rely on proper, accurate sources of data rather than unreliable third party websites who draw misleading conclusions based on inaccurate assumptions. For instance, it is commonplace for “data scraping” sites to infer that properties are booked far more frequently than is actually the case – they confuse availability with nights booked, and typically assume that a host's calendar is blocked because they have a booking, rather than because they and their family are at home and their place is unavailable for guests.

Ultimately, introducing clear home sharing policies will allow proper assessment of impacts, and so that unintended consequences can be isolated, monitored and mitigated. Across the world, home sharing regulations are still in their early days – and Scotland would do well to learn from the experiences of other countries, as well as finding ways to innovate for Scotland's particular needs.

What solutions are there to ensuring that the relevant taxes are identified and collected and that regulations are adhered to?

In the context of taxation, the most relevant for home sharers is income tax – although we note that for some businesses offering accommodation on online platforms, VAT and corporation tax may be more applicable. In many other jurisdictions, we are also engaged in the collection of occupancy taxes on behalf of hosts, but we recognise that these do not currently exist in Scotland.

The position of short term rental and income taxes is already fairly complex, made more complex for those engaged in professional and semi-professional lettings. The situation is also under active review by the current government in Westminster.

It remains the responsibility of an individual host to understand, declare and pay all taxes that are due. Only hosts have the full context of their circumstances to understand what applies to their earnings. Airbnb sends an annual reminder to all hosts, notifying them of the need to declare their earnings if relevant, and pointing them to official sources of information – such as to the guidance on the rent-a-room tax scheme, the announced (but not yet implemented) sharing economy tax break, and the existing property tax breaks such as the furnished holiday lettings scheme.

To ensure that they continue to keep pace with new sources of potentially taxable income, HMRC consulted last year on new powers to source taxpayer data from a range of new sources, including electronic payment providers and “business intermediaries who facilitate

transactions, usually online”⁶. We understand that the new provisions, as outlined in the Finance Bill, are providing HMRC the tools they need to identify and close income tax gaps that may derive from sharing economy activity. For the most part, the online nature of the transactions provides them with the visibility they require.

How can we ensure that any regulations are proportionate, taking account of the range of hosts on platforms – occasional use individuals, professional landlords, estate agents and hotels, whilst ensuring that there is no competitive advantage between platforms and traditional business models?

and

What are your suggestions for any amendments to existing regulations or new regulations?

All towns, cities and countries are unique. Factors such as tourism demand, population density, trends in the private rental sector, local land use laws and other legal frameworks, and cultural variances make it impossible to propose a single set of regulations that would be appropriate for everywhere. This is equally true in Scotland, where the balance of public interests in a dense urban centre such as Glasgow will be very, very different from a more sparsely populated coastal destination.

We would suggest that there are a number of issues for consideration here:

- Examining whether, and to what extent, short-term rentals are having an impact on housing supply in certain areas of certain cities – and how significant this impact is when compared with other factors that could also be contributing to that trend;
- Identifying areas of the country where limits on home sharing or short-term rentals cannot be justified on the basis of housing concerns and where such restrictions may restrict the growth of much-needed tourism revenue;
- Where restrictions might be justified, establishing where the boundary should be drawn between non-professional activity that doesn’t constitute a formal “change of use”, and professional activity that should be more tightly regulated – and how this should be reflected in formal planning guidance to provide a solid legal underpinning;
- What self-regulatory protocols can then be established with short-term rental platforms to assist people and businesses in Scotland in understanding and complying with those rules.

Airbnb has worked at hyper-local level with hundreds of public authorities across the world to define their specific set of policy issues, and work on potential solutions that work for the new world of the Collaborative Economy. Many of these efforts are detailed in our recently-updated Policy Toolchest⁷, which describes many of the ways we have partnered with governments to establish clear rules for home sharing.

Some principles underpin all of these discussions:

A clear definition of the objectives being sought. In the case of London, for instance, the Government wished to deregulate 1970s-era legislation that made *all* short lets subject to change-of-use planning permission. This was being interpreted differently by each of the 33 London boroughs, making for an unpredictable and fragmented picture for ordinary people who wanted to generate some extra income from their homes. The resulting policy change permits home sharing for up to 90 nights a year, before it is considered a “change of use”, thus seeking to prevent the conversion of long-term to short-term rents without planning permission.

⁶ <https://www.gov.uk/government/consultations/tackling-the-hidden-economy-extension-of-data-gathering-powers-to-money-service-businesses>

⁷ <https://www.airbnbcitizen.com/home-sharing-policy-approaches-that-are-working-around-the-world/>

In contrast, the Portuguese Government wanted to encourage a growth in tourism, and reformed its tourism laws to recognise and include home sharing, not just as a valuable source of income for individuals, but also as a catalyst for regeneration in dilapidated areas of cities like Lisbon.

The Scottish Government needs to consider – very carefully – the goal of any new regulatory framework, and consider the most appropriate solutions to achieve that goal.

Target regulation where it is required – based on accurate data. As noted, Scottish hospitality is diverse. What is appropriate and fair in a city may be unduly burdensome in a mountain village. Equally, regulations need to be based on accurate data. If preventing the loss of permanent housing stock is the main goal for Scotland's bigger cities, a foundational question is when it becomes more lucrative for a landlord to switch from longer term lets to short term rentals. In our experience of doing this analysis in a number of places, that tipping point is often higher than policymakers expect. For example, if it only becomes more favourable for a landlord to switch if they can be assured of 180+ booked nights a year, setting much lower thresholds may result in a loss of opportunity for non-professional home sharers, and for the Scottish tourism sector as a whole.

Ensure that rules are fair, proportionate and – above all – enforceable. This has been a key focus for all of the recent EU (and global) regulatory approaches. Traditional industry regulation has been effective because the regulated actors are typically businesses. When attempting to regulate individuals, the challenge becomes harder. In our experience, simple, clear and easily understandable frameworks are much more likely to drive higher levels of compliance. If rules and regulations are disproportionately burdensome – e.g. requiring complex registration or business licensing requirements, or reams of paperwork to be provided in person to local offices – then these frameworks do not succeed. In fact, they have the opposite effect: to drive this activity back into the shadows where the consumer protection is far less assured. The European Commission provided some relevant guidance in 2016. Among a number of recommendations, they urge member states to differentiate between individual providing services on an occasional basis, and providers acting in a professional capacity⁸.

Consult widely. As already noted, peer-to-peer models are driven by ordinary people, who do not usually follow formal government consultation processes, or understand how to participate in them. Industry bodies (especially those with powerful lobby groups and established relationships with those in power) use these channels very effectively, but the Panel should recognise that new regulations will have most impact on the lives of regular Scots who are unused to these processes.

Avoid a company-specific approach. As the Panel can appreciate from the diversity of stakeholders giving evidence to this process, the STR sector in Scotland is diverse – encompassing traditional business models that have been in place for decades, plus newer “digital first” platform-based businesses. Not all have a presence in the United Kingdom or Scotland – but all are providing services here. Airbnb recognises that our brand recognition makes us a natural focus of attention, but this is a large industry and whatever regulatory changes are introduced need to be equally relevant for the rest of the sector. The most effective industry self-regulatory solutions are underpinned by clear statutory or regulatory positions that apply to *everyone* engaged in the market. The Scottish Government should be encouraging – and incentivising – responsible action by the whole industry, based on clear legal and regulatory foundations.

Airbnb

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⁸ http://ec.europa.eu/growth/single-market/services/collaborative-economy_en