

Expert Advisory Panel for the Collaborative Economy

Evidence session on short terms rentals and peer to peer accommodation - 21 June 2017

Response from The Highland Council

Overview

Tourism is the largest industry in Highland being worth around £1.2bn in 2016 and supporting around 24,000 jobs, many of these being self-employed. The industry is overwhelmingly made up of small businesses, particularly in areas away from the “honeypots” of Inverness, Fort William and Aviemore. Seasonality is an issue with most visitors coming between Easter and October although this is reducing with the city of Inverness in particular now seeing higher off-season hotel occupancy levels. Traditionally the Highland area saw a level of additional provision of accommodation by seasonal B&Bs that only opened for a few weeks in summer and although this declined from the late 1990s with the B&B offering becoming more professionalised the recent rise of peer to peer accommodation channels such as Airbnb would appear to be contributing to an increase in seasonal provision again. There are also suggestions that the rise of peer to peer accommodation opportunities and the level of affordability that some offer has attracted in a new (often younger) market who may not otherwise have become visitors to Highland.

The Highland Council has a dedicated tourism section which engages with the tourism industry in Highland. However, this engagement is largely with the main Destination Organisations or sectoral groups and as such most contact with businesses is with those businesses that engage with these groups and attend their events. Contact with those who essentially offer temporary provision at peak times through channels such as Airbnb is therefore uncommon. It is however apparent that many businesses operating in a more traditional sense may also use channels such as Airbnb as additional way of marketing their business.

In preparing this submission, the Council made contact with all seven of the main Destination Organisations in Highland in order to gather a tourism industry perspective on the issues. It is fair to say that the views presented varied quite considerably with some supporting the informality and flexibility that the collaborative economy provides while others presented very strongly held views that there were significant issues around public protection, compliance with legislation, competition and business rates and taxation.

It is also worth noting that The Highland Council has previously made a significant contribution to the written response submitted by SCOTTS - the Society of Chief Officers of Trading Standards in Scotland and would endorse the points within it. With that in mind we have not replicated these points here unless they directly relate to points that have been contributed by others.

Responses to the questions supplied

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

The Highland Council has not gathered any specific data but does have some anecdotal evidence derived from engagement with businesses, business groups and users. In some of the popular areas of Highland, notably those that have seen a rapid and significant surge in demand for visitor accommodation such as areas on the North Coast 500 touring route, the anecdotal evidence is that the peer to peer accommodation market has helped satisfy the level of demand. This is demonstrated by industry feedback such as “There is simply not enough formal B&B accommodation in the Black Isle and around the NC500 route in general and AirBnB fills the gap.” and “Fort William in the summer months operates at capacity and Air BnB provides much needed extra accommodation which ensures extra flow of visitors through the area” Also of note is that impacts are not only on accommodation businesses – only 25 – 30% of tourism spend in Highland is on accommodation and the extra footfall that peer to peer accommodation provides is likely to provide a spin off benefit to other tourism sectors such as visitor attractions, restaurants, cafes and pubs. Property owners offering ‘spare room’ type lets who still live in the property are also more likely to spend the extra income in the local economy unlike, for example, self-catering property owners who live elsewhere in the country.

2. *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?*

This point elicited quite varied responses from the industry. On the one side were suggestions that the process of matching guest to host and the element of “vetting” that is provided through customer reviews gives a reasonable degree of protection. Others questioned whether such systems were robust enough as for example comments could be deleted or false testimonies given. Others felt strongly that more regulation was required as there was both limited protection for the general public but also limited protection to ensure all accommodation providers were dealt with in a fair and equitable way under existing legislation. In particular the view from many in the industry is that they have to comply with more legislation and that compliance by their business is more actively policed than is the case with peer to peer accommodation.

Another notable point is the question as to whether the situation is genuinely a peer to peer arrangement – with some operators of such websites/ booking services taking a commission / fee, some in the industry feel these operators should be treated as an agent and should therefore comply with the relevant legislation.

No industry views were provided that specifically related to the question as to where to turn if something goes wrong. However, evidence from the Council’s own customer contacts show complaints being directed to the Council where the consumer does not otherwise know where to turn. Since VisitScotland’s Quality Assurance team is based in Inverness the Highland Council takes a lead role in liaising with VisitScotland in a national context over areas such as the overlap between quality assurance and trading standards. This has also suggested that there

is a degree of uncertainty with consumers regarding who to approach where problems arise. In terms of best practice elsewhere the Council has limited knowledge but understands that the greater London Area has an agreement in place with Air BnB limiting hosts to 90 days per year to protect to the hospitality industry. While the limit of 90 days may not be appropriate elsewhere the underlying principle that there could be some form of cut-off to differentiate between “occasional” supply and mainstream businesses is worth investigation.

3. *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?*

Some of the feedback suggests that some of the unintended consequences are positive ones – for example provision of accommodation in more quirky properties or in areas previously not commonly visited which can give the visitor a richer and deeper experience. As described in relation to Q1 there are also spin off benefits to other sectors of the economy.

There appear at present to be limited unintended consequences in terms of oversupply of visitor accommodation but that may well be related to the fact that Highland tourism is particularly strong at the moment. There is however an increasing amount of anecdotal evidence that there is a movement of accommodation from the private rented sector to the holiday sector, in part due to increased legislation, and this is having a detrimental effect on the amount of rented accommodation available. The fact that this situation is often seen in key tourism destinations can have an impact on other tourism businesses who traditionally recruit staff from outside their local area as those employees often struggle to find or pay more for accommodation.

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

The Council is not necessarily the best placed organisation to suggest precise solutions but our experience and comments from the industry would suggest that certain underlying principles be taken into account in developing solutions namely:

- Regulations should be transparent and fairly and equitably applied.
- Communication regarding any changes, or indeed the current situation could be improved as many operators appear unaware of the relevant legislation.
- One of the advantages of peer to peer accommodation has been the simplicity that has attracted in new visitors and operators (it can be a simple way to start a business that goes on to become well established in a more traditional sense) and any regulatory changes should aim to avoid complicating the system in such a way that these are driven out.
- Careful consideration should be given to any changes that require additional “policing” as some existing services such as trading standards are already stretched.

5. *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?

Industry feedback on this issue is again mixed with some supporting the degree of flexibility and informality that exists and suggesting leaving things as they are while others support greater regulation. Again it's difficult for the Council to suggest specific solutions but following certain principles such as those in Q4 above would be likely to lead to a better solution. A further principle of ensuring there are clear definitions in place would be helpful – for example if everyone operating above a certain scale or for more than a certain amount of time was classed as a business and had to comply with the same regulations regardless of the promotional and booking channels they used this would ensure fair and equitable treatment of all. Equally, having thresholds below which there are fewer constraints or requirements could still allow some lower key provision that provides the flexibility that some demand.

A similar scenario arose a number of years ago when B&Bs had to embrace greater regulation in respect of fire safety. In the short term this caused a lot of complaint from property owners but wider industry consultation and a pragmatic approach that matched requirements to the scale of the business ultimately led to general acceptance. A similar approach to consulting with the tourism industry and other providers and taking a proportionate approach should be recommended.

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

No specific recommendations but a number of useful comments are made in the SCOTTS submission.

Conclusions

The anecdotal evidence available to the Council would suggest that the growth of the collaborative economy, most notably in the short term / holiday accommodation sector is likely to produce both positives and negative impacts on the Highlands, its economy and its businesses.

In a positive sense, this growth can help by quickly providing extra capacity in areas where accommodation is limited with a spin off benefit to other non-accommodation businesses nearby such as catering and retail businesses.

From a more negative point of view, questions have been raised by more established businesses around the level of regulation and whether there is a “level playing field” when the legislation Hotels, B&Bs etc. have to comply with is taken into account. Further anecdotal evidence suggests there may be some displacement of properties from the residential rented property market towards the holiday accommodation market as increased regulation of rented property makes short term letting for holiday purposes more attractive. This reduction in the supply of residential property appears to be most marked in popular tourist destinations at peak times which in turn can make it difficult for some tourism businesses to attract staff who need to find accommodation locally.