

Scottish Enterprise, Tourism – Response to call for evidence for Scottish Government Panel on the Sharing economy

Short term rentals

Aileen Lamb June 2017

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

Data from STR Global show in 2016 Scotland experienced stable overall demand for traditional hotel accommodation. Key cities including Edinburgh, Glasgow and Dundee reported increases in occupancy, despite net hotel supply growing between 1 – 5%. Glasgow's RevPar is improving slightly and Edinburgh, as the UK's 2nd most popular city destination, continues to maintain strong rates and occupancy increases for each of the past 4 years.

It is interesting to note that of planned and future pipeline developments – particularly in Edinburgh & Glasgow – up to a quarter will in some way mirror some form of short term rental offer (e.g. apart-hotels & serviced apartments) indicating that international and UK brands, (e.g. Moxy) and independent developers are responding to the growing market demand for non-hotel accommodation.

Also of note is that [AirBnB saw](#) growth in guests to Edinburgh of 90% in 2016 (441k guests) with almost 5,400 active hosts, at the same time as hotel provision grew in the city by 5% and RevPar rose by 7%. In this example it appears that due to the strength and popularity of this destination the city has been able to absorb the both the increase in visitor numbers and beds across the entire accommodation spectrum. The city is also seeing increasing numbers of visitors from new markets some of which may be attracted by the increased variety of accommodation available and the range of price points in what can be a costly destination.

Recent Ipsos research confirmed over a quarter of users chose sharing economy accommodation over traditional offers because they felt it offered better value for money. Research by Topsy identified over half of all respondents to a 2016 survey were aware of P2P platforms. Morgan Stanley research saw increasing numbers of users substituting away from hotels to AirBnB (along with other accommodation offers) and Euromonitor International predicts that AirBnB will become the second biggest lodging provider by 2020 (behind Marriott).

With millennials - our fastest growing visitor segment - set to top 50% of travellers by 2025 - and AirBnB/sharing economy accommodations' largest market being millennials (49%) the forecast for continuing demand in this segment looks likely. If Scotland is to continue to proactively manage its visitor economy the above global trends and their implications must be considered and factored into the countries future strategic visitor economy plans.

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?*

The European Commission believes the impact of the sharing economy will be significant; with likely annual growth in excess of 25%. They believe that disruption (how this economy is often categorised) will remain a priority. *'Focus will be on companies proposing disruptive ICT concepts, products and services applying new sets of rules, values and models which ultimately create new markets (e.g. by tackling non consumption) or disrupt existing markets'* (Horizon 2020, SME instrument).

Some guidelines from the EU around the collaborative economy are worth considering – They propose the collaborative economy creates new opportunities for services providers, innovative entrepreneurs

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and existing companies. It leads to greater choice for consumers, and often, lower prices in the market. It can also contribute to increasing economic, social and environmental value of idle assets and resources, and increasing employment through more flexible job schedules. In some cases, the emergence of new business models impacts existing markets, creating tensions with existing goods and services providers. In part this stems from uncertainty relating to applicable regulation, e.g. on licensing, consumer protection, taxation, social security and employment models.

An EU Flash Barometer found that the highest concern for potential users of the sharing economy as opposed to traditional commerce was not knowing who is responsible in case a problem arises (41% of those surveyed).

Vancouver is currently developing policy which will require all peer to peer accommodation providers to become licensed by city authorities. Once in place, unlicensed providers will be shut down. Until this process is concluded the city's destination organisation – Tourism Vancouver – has agreed not to work with AirBnB (which has 5,000 listings) and other sharing economy accommodation providers. This is despite an extremely tight accommodation market at peak times, when compression can see hotel rooms rates upwards of \$500 per night. The short/medium term shortage of accommodation at peak times is impacting on the city's tourism growth potential; however the destination has taken the decision that it is better to wait for city authorities to implement licences, which will then allow for collection of visitor taxes via peer to peer providers. These taxes will be funnelled directly back into Tourism Vancouver for destination development and destination marketing purposes.

A similar approach is taken in Paris where a balance has been reached between the city, peer to peer providers and (slightly grudgingly) the traditional hotel accommodation sector. The city has concluded that proactively engaging with the P2P accommodation sector has helped change visitors perception of Paris from an expensive place where key visitor groups were priced out of the market to one where there is a wide range of options which suit all budgets and travel profiles.

Amsterdam and AirBnB have collaborated since 2015 with the platform collecting tourism taxes on behalf of the city. There are a number of provisos for those offering accommodation in terms of tax etc. In 2015 5.5m Euro was collected. As a destination which identified the need to manage and disperse visitors as far back as 2012, the city is actively using the P2P accommodation sector to support its strategy of spreading visitors to neighbourhoods out with the city centre to lessen impact and improve visitor experience (following overcrowding issues). This is coupled with city planning policy which sees new hotel development focused in a range of Amsterdam's neighbourhoods growing the visitor economy footprint.

The dynamics between Barcelona and AirBnB are well documented. The city has a burgeoning tourism industry and demand from overnight visitors is high. However, the inhabitants and some of the city's politicians are focused on, in their view, the damage that short term rentals are doing to the communities and the essence of the city. Berlin has banned residents from letting their apartments on AirBnB citing the loss of amenity for local residents who may be priced out of the market.

A far reaching example is Seoul. It's positioning itself as the Sharing City; with at its heart [ShareHub](#), an online platform that connects users with sharing services, educates and informs the public about sharing initiatives, and serves as the online hub for the Sharing City, Seoul project.

In the examples above the involvement of authorities in the licensing of P2P accommodation could provide a route to redress, however this would depend on local laws and also capacity of authorities to police these. What is interesting to note is that whilst some demand may be shifted from the traditional

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lodging sector, many places see sharing accommodation as impacting more on the destination than on hotels. The pressure on rents; the potential loss of amenity for permanent residents; the ability of neighbourhoods to bear the weight of large influxes of visitors are all important issues to consider. It is no longer enough to devise strategies to attract additional visitors to destinations – more sophistication is required to balance the nuance of which visitors; in which places; at what times and in what numbers.

Scotland (as with so many other destinations) sells its experience as authentic; the opportunity to be part of a 'local experience' is promoted heavily. Destinations must consider the ability to balance this desire if the very essence of a place – its people – are no longer able to be there in abundance. What does this mean for how we deliver our experience to customers.

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?

Scotland's tourism industry has a strong national framework in Tourism Scotland 2020 (TS2020) and more than 25 Scottish destinations have strategies aligning to its objectives. The short term accommodation market is in reality simply a part of the mix and it should be through TS2020 and destination's own strategies that its provision should be engaged with, influenced and monitored.

TS2020 aims to grow the value of Scotland's tourism economy through using our assets to attract new visitors and through collaboration which will ensure that the quality of visitor experience is consistently high. This will drive visitor spend and recommendations, growing the impact of the visitor economy and the ability of Scotland to attract new markets.

Destinations within Scotland have clearly laid out their growth ambitions and their strategies underpin the delivery of Scotland's ambition to deliver at least an additional £1bn per annum from the sector by 2020. Glasgow has identified the leisure visitor market as a focus for growth (1 million new visitors by 2023) and Edinburgh is clear about its need to concentrate on attracting additional new visits in the Jan-Mar period where the city has carrying capacity.

Dundee is undergoing transformational change with the cities tourism product (particularly accommodation) set to deliver between 36- 48% new supply in the next 18 months. This coupled with the arrival of the V&A in 2018 will create a fundamental shift in the cities potential to deliver growth for both the local and Scotland's tourism economy. So whilst it is clear that Scotland and destinations within it are planning strategically to attract new markets work is needed to better understand the opportunities and challenges which come along with these new customers and what role sharing economy platforms could play.

It is important that market demands are clearly understood as destinations look to drive new business from visitors. Destinations are developing their knowledge of key market opportunities, their size and scope in order to influence strategic decisions and ensure that the product they offer meets the expectations of future customers. However more insight continues to be required in order to enable places to create compelling offers which will attract new visitors. This includes the accommodation mix and how it is shaped. It is also about the overall quality of experience offered by Scottish destinations and it is through engagement and dialogue with everyone involved in the visitor economy that an attractive product will be delivered for our visitors.

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It makes sense for all involved in Scotland's visitor economy to find ways of engaging with the various accommodation sharing platforms in order to find mutually beneficial ways of delivering the objectives of TS2020. Digital platforms can be an important source of data to inform future investments and decision making and with appropriate agreements in place could be a route to identify and collect tax revenues. By engaging with platforms and their providers the tourism sector can influence what's being provided to our visitors and how.

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

Agreed legislation and policy relating to taxes and regulations should be communicated by engaging with tourism providers through the wide number of existing industry networks and channels – e.g. The STA 'Talker'. Through Scottish Enterprise's work with industry in destination groups (often up to 500+ businesses) we would share case studies and best practice to encourage knowledge of relevant regulations.

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?*

It is important to consider regulations in the round, balancing the opportunity for growth in Scotland's economy (and particularly the tourism economy) and the needs of visitors. New, disruptive platforms are opening up new markets for consumers and providers **and** opening up the potential for innovative new digital businesses and entrepreneurs.

Scotland has identified a 'Data Opportunity' which could be worth £20bn between 2015 – 20. This will be made up of more Scottish companies on the supply side being launched and grown **and** industry sectors (including tourism) growing in impact because they are using data driven insight more effectively. To take advantage of this opportunity (where much of the collaborative economy activity sits) - there should be dialogue and collaboration between Scotland's tourism sector and the digital sector. Scottish tourism has the opportunity to benefit from disruptive technology – and clearly articulating the needs of the sector will allow Scotland to drive growth to contribute to the aims of TS2020.

Also important to consider is the amount of business being carried out by accommodation providers. Decisions will have to be reached on when an activity becomes a commercial operation and the levels of regulation around that.

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

UK and International best practice is a sound starting point learning from experience of other economies which rely on tourism as a key economic driver.