



Chief Executive's Report

October 2019

After several extremely buoyant years for tourism in Scotland, the latest figures from VisitScotland are concerning:

- International trips in Q1 of 2019 are down -35% on Q1 2018
- International spend is down -43% on Q1 2018
- Day visits are down -3% on Q1 2018
- Day visit spend is down -11% on Q1 2018¹

As a sector, we have continued to face significant regulatory threats, which have been both time-consuming and challenging, including:

- Continued negative press
- Political pressure at the Scottish Parliament
- The proposed amendment to the Scottish Government's Planning (Scotland) Bill
- Scottish Government consultation into short-term letting regulatory framework
- Planning policy from City of Edinburgh Council
- Transient Visitor Levy/Tourism Tax consultations from the Scottish Government and some local authorities.

In all determinations, we believe that policymakers/regulators should make informed decisions using **accurate and evidence-based data**, as opposed to relying on perception, anecdote or flawed studies designed to meet agenda-based policy outcomes.

To that end, we commissioned an independent report to investigate the various criticisms of the STR sector and to demonstrate the sector's impact on key areas. Our **Far More than Just Houses** provides evidence that:

- STR cannot be blamed for exacerbating the housing crisis
- There are negligible numbers of formal anti-social behaviour complaints
- There is no incentive amongst traditional operators to avoid tax

Let's also not forget the findings of our economic impact study commissioned in 2017, which clearly shows the huge benefit of our sector to the Scottish economy.

¹ Great Britain Tourism Survey, International Passenger Survey, Great Britain Day Visitor Survey

Touching on some of the bad press generated by our friends over at Airbnb (other platforms are, of course, available – but nobody seems to realise!), the reality of **the big bad wolf that is Airbnb** is that:

- There are 35,000 listings on Airbnb across Scotland
- Entire homes in Scotland listed on the Airbnb platform account for **less than 1 percent of local housing stock**
- 84 percent of host accounts in Scotland have one listing on the platform
- 51 percent of hosts in Edinburgh said they used the income from hosting on Airbnb to make ends meet
- 77 percent of guests who stayed with Airbnb in Scotland said they use the platform for a more local, authentic experience
- While guests using Airbnb accounted for just 3% of visitors to Scotland, the Airbnb community boosted the Scottish economy by over £693 million in 2018.

Despite all of this, the self-catering / short-term let sector continues to be blamed for all of societies woes.....

Over the last year, we have again consistently responded with positive news pieces met with local authorities and MSPs to set the record straight.

In February, we published **The Long-Term Approach to Short-Term Letting**, providing a solution to the perceived problem of STR impacting on housing stock in certain areas.

The paper outlines proposals that would see short-term rental properties come under a mandatory registration scheme in order to provide local authorities with as much information as possible. The paper also outlines the ASSC's support for the introduction of rent-pressure zones which would allow local councils to limit the number of holiday lets in areas that meet certain conditions.

If implemented, the Long-Term Approach would address several of the concerns that have been raised about short-term lets by balancing the rights and interest of local communities with those of Scotland's £723million per year short-term rental market.

I worked tirelessly alongside the Short-Term Accommodation Association and Airbnb over 8 months earlier this year, engaging with MSPs and Scottish Government to amend the **Planning (Scotland) Bill** amendment suggested by Green Party Andy Wightman MSP, to ensure that the sector was not negatively impacted by disproportionate planning restrictions. Mr Wightman had proposed that all self-catering properties across the whole of Scotland would require planning permission for Change of Use. This would have put an impossible strain on planning authorities, and cost the sector millions of pounds in planning applications. The unintended consequences would have been unimaginable.

Rachael Hamilton, Conservative MSP, submitted an alternative amendment that proposed that planning permission would only be required where a local authority has established a Short-Term Let Control Zone. Local authorities would have to provide evidence of the requirement for such a zone, in line with our Long-Term Solution to Short-Term Letting.

This amendment was passed as part of the Planning (Scotland) Act. This is a significant win for the self-catering sector, and was well worth the energy it took to get where we are. It does show that strategic lobbying works, and in some circumstances, common sense prevails.

The Planning Bill received Royal Assent and we now await an announcement regarding next steps in terms of secondary legislation and how the Short-Term Let Control Zones will be frame-worked. We look forward to working with MSPs from all parties in Holyrood and the Scottish Government to help get the details of the future laws right and ensure that there is clarity for all those connected and impacted by short-term letting in Scotland.

In September, the First Minister Nicola Sturgeon unveiled the Scottish Government's **Programme for Government** for the new parliamentary term under the theme, *Protecting Scotland's Future*. With the SNP now in power for 12 years, this was the First Minister's sixth Programme for Government statement and the fourth in the current session of the Parliament.

Both the First Minister's statement, and the Programme for Government document, highlighted the importance of the "vital" tourist industry to Scotland, and touched upon the launch of a new Tourism Strategy.

In terms of the impact on our sector, the Programme for Government touched on various key issues including Tourist Tax and Short-Term Lets.

Short-Term Lets:

Scottish Government launched the **consultation into short-term letting in March of this year**, which continues to pose considerable threat.

We provided guidance on how best to respond to the consultation, and we worked with industry stakeholders, met with self-caterers the length and breadth of Scotland, spoke to DMOs and attended workshops all over the country to ensure that a reasoned consultation was achieved.

The Programme for Government document mentioned the Scottish Government's action to tackle issues with short-term lets in some areas: *"To help councils balance the needs and concerns of their communities with wider economic and tourism concerns, we have consulted on the regulatory powers they need and will announce our plans later this year."*

Whatever the outcome, we could not have worked harder to support our sector. We will continue to engage with all stakeholders.

Tourist Tax:

Despite significant objection from all sectors of industry, the Scottish Government reached an agreement on local government taxation with the Scottish Greens in order to support their 2019-20 spending plans at all parliamentary stages.

- The Cabinet Secretary for Finance, Economy and Fair Work, Derek Mackay announced that the Scottish Government would take steps to significantly empower local authorities – this would include the devolution of powers to introduce a transient visitor levy, as advocated by COSLA.

- The Programme for Government stated that the Scottish Government would introduce a **Transient Visitor Levy Bill** to create a discretionary power for local authorities to apply a tax or levy on overnight visitor stays. The decision to implement any tax or levy created will be at the discretion of individual local authorities and receipts will be to fund local authority expenditure on tourism. The consultation on the principles of this levy is currently under way (closing on 2nd December) prior to introducing legislation in 2020.

Like the majority of industry stakeholders, the ASSC oppose the introduction of a tourism tax. 76% of Scottish small firms in Edinburgh are against the policy, as highlighted in a survey by the Federation of Small Businesses Scotland in May 2018, with 73% believing it would have a negative impact on the economy.² Moreover, in June 2018, the ASSC were signatories to the Scottish Tourism Alliance Member Council statement opposing a tourism tax.³

The Travel & Tourism Competitiveness Report 2019 published by the World Economic Forum this week shows that the UK has now fallen to 140 out of 140 countries on price competitiveness and has dropped from fifth to sixth place in this year's overall ranking as a result.

Conditions cannot show more clearly that this is not the time for local authorities to consider implementing a tourist tax which could seriously impact on Scotland's attractiveness and positioning within the global market and harm local economies and communities – particularly with the uncertainty we face with Brexit.

Nonetheless, the ASSC believes that any moves to introduce a tourism tax or levy in Scotland should be subject to extensive, genuine and meaningful consultation with stakeholders. We therefore welcome the opportunity to provide evidence to the Scottish Government's consultation regarding the introduction of a Tourist Tax and welcome the Government's focus on this important issue.

The consultation under way is not about the advantages or disadvantages of implementing a tourist tax in Scotland, or in a specific locality, but deals with the specifics around implementation, powers being devolved to local government, as well as the design, rate and administration of the charge.

Despite views of industry, the political realities are that it is highly likely that a tourist levy will be introduced in Scotland and that as a sector we should try to influence the Bill's progress in a way that will cause the least amount of disruption and negative consequences for ASSC members and the industry as a whole.

The ASSC undertook a survey in order to inform their own substantive response to the consultation. We received 67 responses (10% of our membership). We

² FSB Scotland., 'FSB: Edinburgh businesses say 'no' to a tourism tax', 18/05/18. Url:

<https://www.fsb.org.uk/media-centre/press-releases/fsb-edinburgh-businesses-say-no-to-a-tourism-tax>

³ ASSC., 'Scottish Tourism Alliance (STA) Member Council Issue Statement on Tourism Tax/Levy', 26/06/18. Url:

<https://www.assc.co.uk/2018/06/scottish-tourism-alliance-sta-member-council-issue-statement-on-tourism-tax-visitor-levy/>

then issued a briefing to members in order to inform their own individual responses to the consultation.

National Tourism Strategy:

Scottish Government's Programme for Government also mentioned that the Scottish Government will launch its new Tourism Strategy. The draft strategy was launched at the STA conference on 7th October, and the final strategy will be presented at the spring conference.

I have been part of the Strategy Steering Group for the new Tourism Strategy Beyond 2020. This has been a collaboration between Industry, Scottish Government, VisitScotland and the Enterprise Agencies, driven by an ambitious 2030 vision supported by short, medium and long-term action plans. The core message of the strategy, **The Future Beyond 2020, a Strategy to establish Tourism as a force for good for everyone who visits and lives in Scotland** – is an articulation of the kind of strategy we need to deliver the Vision and Mission that the SSG has identified.

Rural Tourism Infrastructure Fund:

It was also announced as part of the Programme for Government that Scottish Government will extend this Fund, making another £3m available for projects in 2020-21. This can only be good news.

However, there are still threats on the horizon.

We are very aware of a future review of the **Small Business Bonus Scheme** that benefits almost 80% of self-catering businesses in Scotland. We will, of course, be keeping a very close eye on this discussion.

In terms of legislation, guidance has now changed in terms of Energy Performance Certificates:

The ASSC believes that all types of accommodation should not be treated in the same manner in regard to the Long-Term Domestic Standard. Moreover, the ASSC affirms that short-term holiday lets should not be subject to the same regulation as tenancies in the private sector. In June 2018, the ASSC requested legal advice from Brodies LLP, in light of the withdrawal of guidance from the Scottish Government as to the requirement for an Energy Performance Certificate for self-catering accommodation. This advice stated that a "holiday let" of self-catering accommodation does not fall within the ambit of the Energy Performance of Buildings (Scotland) Regulations 2008, such that an owner of such accommodation is not required to obtain and produce an EPC Certificate to a prospective occupier of such accommodation.

Moreover, we are of the view that an exemption should be granted for short-term holiday lets in terms of compliance with EPCs, as occurs in several other European Union Member States.

Even our closest neighbours in England and Wales do not need an EPC if the property meets the criteria of a Furnished Holiday Let and the occupant is not responsible for the energy costs.

However, in Scotland, Scottish Government has taken a different approach. It is their opinion that their position on Energy Performance Certificates is better aligned with Scottish policies and commitments on energy efficiency and climate change, and sets out requirements which help with compliance for both the building owner and the enforcement authority.

With immediate effect, individual holiday homes in Scotland, which are rented out in their entirety to groups of people now require an EPC. We have issued guidance accordingly.

Repairing Standard:

After a conversation that had been going on for over 2 years, it was finally confirmed in June this year that holiday lets are not subject to the Repairing Standard so long as the let is for less than 31 days and expressly for holiday purposes. Consequently, property used for short holiday lets will not be covered by the minimum energy efficiency standards set out in The Energy Efficiency (PRS) (S) Regulations 2019.

This is a small but significant victory for the sector and means self-catering properties will not be obliged to undertake property improvements. This is in contrast to other domestic landlords. It doesn't remove the need for an EPC, but there is no need to fear getting a domestic EPC for larger or less energy efficient buildings.

We will, of course, continue to work with local authorities and Scottish Government to support our valuable sector. There are many conversations still to be had, and we will continue to have them.

Barometer

It's not all bad. According to our most recent Barometer, 64% of the membership have described the 2019 season as about the same or better than the 2018 season. 61% stated that turnover was similar or up on 2018 and 64% noted that guest numbers were similar or up. Barriers to growth or obstacles for success looking towards 2020 were cited as a saturation of the market from amateur operators hosting on online platforms during peak seasons bringing prices and quality down, an increase in the cost in doing business, economic uncertainty, political instability and, of course, Brexit..... Despite this, 79% of the membership are either neutral or optimistic about business in the next 24 months.

We have introduced **regional events** this year, and enjoyed two fantastically well attended events in Dumfries and Galloway and Moray Speyside. These events allow us to meet up with regional members, reach out to potential new members and engage with local MSPs and Councillors, raising the ASSC's profile and getting our message to the people it needs to get to.

I have recently been honoured to be asked to speak at various events, from the Scottish Land & Estates Land Managers event in Perth, to the Glasgow Property Investment Network, to HOST in London – announced as the biggest event dedicated to the 'rentalpreneur and holiday rental community'. I spoke alongside my contemporaries at the Vitur Short Stay Summit in Malaga a few weeks ago, and I am off to Barcelona to speak about pan-European regulations

at the European Holiday Homes Association General Assembly in Barcelona in November. ASSC I most certainly on the map, and Scotland is held in high regard.

Opportunities:

For ASSC members, VisitScotland's themed **Year of Coast and Waters 2020** provides an opportunity to promote and celebrate a variety of unique and authentic experiences showcasing Scotland's unrivalled coasts and waters. Many significant key words associated with coast / water are linked to self-catering: coastal cottages, dog friendly coastal cottages, coastal walks nearby etc.

We are now working collaboratively with VisitScotland to generate more rich content and maximise conversion of bookings, specifically targeting location agnostic visitors. This offers strong reciprocal marketing opportunities with the national marketing body, and clear benefits to our marketing members. We hope that members will take advantage of all of the marketing opportunities surrounding this theme. This is truly our year to take advantage of this national marketing strategy!

VisitScotland's **Scotland is Now** marketing campaign also emphasises the unique experiences that visitors can only get in Scotland. The aim of the initiative is to present Scotland as a forward-thinking country for people not only to visit, but to live, work, study and invest in. Scotland is a bold and positive country, rich in history and heritage but forging forward in a way that is progressive, pioneering and inclusive. Help VisitScotland to spread the word, ensuring that we put Scotland at the top of everyone's NOW list.

The importance of **sustainability and the circular economy** will become more and more significant in terms of the seismic shift in consumer consciousness and subsequent behaviour. We have highlighted this importance in our conference programme this year, and will continue to support member's in their endeavours to take advantages of the associated opportunities.

The Future

With Brexit on all our minds, it will become increasingly important to be agile, to understand and reflect consumer demand, to up our game and ensure that we stay ahead of the game.

ASSC members' commitment to maintaining the principles of "quality, integrity, cleanliness, comfort, courtesy and efficiency" and to offering visitors to Scotland consistently high standards within their self-catering properties has never been more important. The ASSC's vision continues to place our members at the forefront of a professional, vibrant and prosperous Scottish self-catering sector.

We continue to be indebted to our Members for their support and for the invaluable support from our Partners for Business, who help us to support the sector.

I continue to be indebted to the ASSC Board, and network of passionate industry representatives that I work with on a day to day basis to ensure that self-catering is seen as a world class contributor to Scottish tourism.

I'll leave you with a positive testimonial from one of our long-standing members who resigned recently, due to adopting a long-term rental model for her business.

"I recall going to a meeting chaired by Wilma Marshall at McDermott Park in Perth - goodness about 14/15 years ago? And being so impressed by the embryonic organisation, so was easily recruited! Quite a funny story there, enthusiastic young lass from VisitScotland was gently introducing us to the new world of mobile phones, booking at the ends of a phone etc, when several delegates silently produced their phones and slightly embarrassed silence from the lecturer!

Then at the conference when SuperControl was first unveiled I was one of the first to sign up. So pleased as it transformed my life and as others hesitated with grumbles such as too expensive, will this really last? etc etc I felt a touch smug a few years later!

Thank you so much for all your help, the efforts you have put into making this a quite outstanding organisation; the conferences, of which I must have attended at least 12, and all the inspirational folks I have met and also listened to on the platforms.

So the organisation has, I think, been right up there with innovation, leadership and efficiency. Well done!"

Fiona Campbell
Chief Executive