



Short Term
Accommodation
Association

STAA position paper on the impact of the Scottish short-term lets licensing scheme on the industry

Introduction

The UK Short Term Accommodation Association (STAA) is the UK-wide trade association for the short-term rental industry. It was founded in 2017 to represent and amplify the voices of the sector. Its members include large online platforms such as Airbnb, Sykes Cottages, and Vrbo, as well as several property management agencies with operations in Scotland. We engage with policymakers to ensure that regulations work in the interests of communities, operators, and tourists.

The tourism sector is of vital importance to the Scottish economy, and the short-term rental industry delivers multiple benefits to consumers, hosts, and the wider business community in Scotland. In 2019, there were around 17.3 million overnight visitors to Scotland, spending £5.7 billion. [According to the Scottish Government](#) itself, each Airbnb listing generates on average 52 visitors to Scotland per year. Each of these visitors spends approximately £100 per day, of which 43% is spent in the neighbourhood of the host's home. Tourism employs 12% of the Scottish workforce. The proportion is [higher in rural areas](#), with 14% of jobs in rural and remote areas belonging to the food and accommodation sector already in 2017, when we know that at that time only 8% of Scottish jobs nationally were in tourism. This emphasises how vital the jobs created by the short-term let industry, which range from hosts to cleaners to property managers to associated industries such as hospitality and food businesses, are to the overall economic wellbeing of Scotland and its communities.

The Scottish Government's short-term lets licensing scheme, which was passed earlier this year, stands to jeopardise all that, risking the survival of thousands of businesses and depriving the economy, local communities, and hosts of vital income. The STAA believes that the licensing scheme will have far-reaching adverse consequences, which this position paper outlines below.



Impact

Loss of supply

The Scottish Government's licensing scheme creates high costs for operators, which will inevitably lead the market to shrink, as stated by the government's own [impact assessment](#). This shrinkage, in turn, has several knock-on effects:

- **Reduction in guest numbers:** Short-term lets increase the variety of available holiday accommodation stock which may cater better to families or people with certain disabilities that prevent them from holidaying in hotels. It is crucial to safeguard this variety to ensure that travellers have the best experience possible. Short-term lets also help manage increased demand for accommodation during special sports, arts, or political events. When the supply of short-term lets sinks because of the licensing scheme, guests who relied on the sector to have their needs met or find accommodation during peak times will simply stay away.
- **Reduction in accommodation supply:** The government has [estimated](#) that the cost for a three-year licence could be as high as £436, whilst in short-term let control zones, applying for change of use planning permission could cost up to £1,000. This does not even include compliance costs (such as the time and resources spent to understand and meet the licensing criteria), yet it will already cause cash-flow related problems for operators. High licensing costs hit small operators the hardest. Policies that restrict the short-term let market to the extent that the Scottish Government's licensing scheme does have been argued to favour large businesses, who can more easily shoulder the costs. Not only is this unfair towards small operators, but it is a well-known fact that the concentration of [market power results in worse deals for consumers](#). This will inevitably affect demand, resulting in further loss of income for hosts and operators, who will be less able to shoulder licensing costs and uncertainties and will become trapped in this vicious cycle.



Loss of income and economic opportunity

The heightened, expensive barriers to operating short-term lets reduce or completely extinguish vital sources of income for the entire ecosystem around a short-term let.

- **Reduction in income for local businesses:** Where operators are pushed out of the market, the entire local economy loses out. Data from Finest Retreats suggests that a professionally run full-time holiday let contributes over six times more to the local community than a second home and over three times more than an owner occupier or long-term rental. In 2018, Airbnb guests in Scotland alone spent an estimated £440 million. 43% of the money that guests spend overall when holidaying in a short-term let is spent in the local neighbourhood, in shops, restaurants, pubs, and at local attractions. This percentage is likely higher than the one resulting from guests staying in hotels and B&Bs, as booking a short-term let is associated with an innate interest to dive into local neighbourhoods: More than a third of Airbnb guests said that their accommodation enabled them to experience an area they would not have visited otherwise, and more than 50% said they acted on their host's recommendation for a local business or place to visit. This also means that more of the money spent by guests stays in the area, rather than being transferred back to the headquarters of a global hotel conglomerate. Furthermore, short-term lets are more likely to be located in rural and remote areas that are underserved by traditional accommodation providers. Suppliers and contractors to the industry, such as cleaners, linen and bedding companies, property managers, or short-term let platforms will receive less business, resulting in job losses. According to Oxford Economics, five jobs are supported by every 1,000 short-term let guests that visit. The loss of these jobs further reduces purchasing power in the area, a vicious cycle for businesses.
- **Loss of income for just about managing households:** Short-term lets are a crucial source of income for thousands of people in Scotland, which is particularly pertinent during the national cost of living crisis. In 2018, Scottish local households earned £129 million from hosting. Hosting helps people who traditionally earn less money; for example, 20% of UK Airbnb hosts are over 60, and almost two thirds are women. A significant number of people, especially small operators that should be of no concern whatsoever to the government, will lose out on that income entirely, or see significant reductions given the burdensome nature of the scheme and the high compliance costs it causes. Even worse, small operators who are confused by the complexity of the scheme may end up operating illegally because they have not taken the right



action, resulting in disproportionate fines that will certainly put them out of business once and for all.

- **Reduction in investment:** Apart from compliance costs, the significant uncertainty that operators face as part of the licensing scheme deters them from investing in their business, which will in the long term reduce and deteriorate the quality of supply. The uncertain licensing environment will also hit associated businesses, such as suppliers to the industry, who will similarly receive less investment, harming their businesses and the employment opportunities provided by them in the long term.
- **Reduction in accommodation quality:** Where operators can no longer afford to engage intermediaries such as property managers or have the security to invest in the future of their business, the quality of the provided accommodation decreases due to the loss of expertise and investment in the safety of the property. This is the opposite effect of the one intended by the licensing scheme.

Increased pressure

The burdensome licensing scheme is not only a problem for the industry, but also for local authorities who are tasked to fulfil the government's requirements without receiving any investment from the government to do so.

- **Increased pressure on local authorities:** Pressures on local authorities are well-documented. For example, Highland Council has repeatedly voiced concerns about being able to deliver on the licensing scheme, [admitting](#) just recently in June that there was nowhere near enough staff at the council to process the estimated 10,000 licences that would be needed in the area. This is not an isolated issue, as post-pandemic, [staff shortages are still rampant](#) across Scottish councils, as Audit Scotland found. Highland Council has estimated that it would need to hire 30-40 new members of staff to cope with the demands of the licensing scheme. If every local authority needs to recruit at this level, the provision of vital services may eventually be affected across localities when staffing needs focus on licensing. Councils should be able to choose to invest their resources into more valuable projects, including the building of new housing, instead of being forced to invest precious time and resources into a scheme that will end up having a detrimental effect on their local tourism sector. Moreover, there is a big issue with operator awareness of the forthcoming rules. The ASSC estimates that as many as half of STR owners in Scotland do not know that the licensing scheme is coming. The industry is doing all that it can to get the word out, but this reality increases pressures on



local authorities to make their residents aware that the rules are changing. The Scottish Government must do more to make Scottish hosts aware that the licensing scheme will soon be in effect to help take pressure off local authorities.

- **Risk of licensing scheme being applied incorrectly:** The undue pressure on local authorities will lead to delays or inconsiderate decisions, further increasing the uncertainty that the licensing scheme creates for operators.

Reduced competitiveness

Scotland's licensing scheme is amongst the most restrictive schemes in Europe. As both price elasticity and demand for tourism are high, the scheme will cause one of two things:

- **An increase in accommodation prices:** Either the higher barrier to entry or the compliance costs will increase the prices of accommodation in Scotland. Especially in the context of the re-opening of international travel, Scotland cannot take tourists for granted.
- **Market shrinkage:** Alternatively operators will be forced to absorb costs, at a time where the tourism sector is still recovering from the disruption of the previous years, resulting in a reduction of their profit margins or their forced exit out of the market, with all the associated adverse consequences for the Scottish tourism sector and the overall economy outlined above (e.g., loss of varied accommodation stock, reduced quality of accommodation, reduced vital income for hosts). Either way, the licensing scheme in its current form will reduce the competitiveness of Scotland as a tourism destination.

Conclusion

Although the STAA greatly appreciates the changes the Scottish Government made in response to the concerns raised by us and others in the industry, the Scottish Government's licensing regulations do not constitute a necessary or proportionate policy response to the issues around short-term rentals. The regulations are some of the most regressive in the world, are extremely complex, and impose a long list of requirements, most of which will result in substantial costs for owners and councils alike. The scheme will cost valuable tourism accommodation stock, reduce competition, result in job losses, decrease the safety and quality of the accommodation on offer, deprive hosts and businesses that are connected to the industry of vital income, put undue pressure



Short Term
Accommodation
Association

on local authorities, and reduce Scotland's competitiveness as a tourism destination vis-à-vis the rest of the UK and Europe.

We urge councils across Scotland to design their licensing schemes in a way that is as simple and as unburdensome as possible. Lower costs for operators would mitigate some, although not all, of the licensing regulations' harmful effects. It is now for councils to ensure that the vital contribution that short-term lets make to their communities and that the benefits that visitors experience from across the globe can continue. Finally, we urge the Scottish Government to monitor the impact that these regulations have on tourism and small business operators closely during the first 12 months following implementation, and to work with the industry to identify areas where the scheme could be improved and what amendments can be made to the scheme at the 12-month review point.