

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO SHORT-STAY ACCOMMODATION



**TRANSCRIPT OF EVIDENCE
TAKEN AT MARGARET RIVER
WEDNESDAY, 1 MAY 2019**

SESSION ONE

Members

**Ms J.J. Shaw (Chair)
Mr S.K. L'Estrange (Deputy Chair)
Mr Y. Mubarakai
Mr S.J. Price
Mr D.T. Redman**

Hearing commenced at 9.28 am

Ms SHARNA LEE KEARNEY

Joint CEO, Group Marketing Manager, Margaret River Busselton Tourism Association, examined:

Mr STEPHEN FRANK HARRISON

Joint CEO, Group Operations Manager, Margaret River Busselton Tourism Association, examined:

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today for a hearing into our inquiry into short-stay accommodation. My name is Jessica Shaw and I am the Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee. To my right is Deputy Chair Sean L'Estrange, member for Churchlands; and to my left is Stephen Price, member for Forrestfield; and Terry Redman, member for Warren-Blackwood. Yaz Mubarakai, the member for Jandakot, is an apology today. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege; however, this privilege does not apply to anything you might say outside of today's proceedings.

Before we begin with our questions, do you have any questions about your attendance here today?

The WITNESSES: No.

The CHAIR: Would you like to make opening statements?

Mr Harrison: As a very brief opening statement, we would just state that holiday homes are a part of the tourism accommodation make-up in this region. The main tenets of our position statement as an organisation on this issue is that the situation should be fair, safe and well policed.

[9.30 am]

The CHAIR: Could you perhaps give us an overview of your organisation, your membership base and what you exist to do?

Ms Kearney: Certainly. The Margaret River Busselton Tourism Association is a not-for-profit independently run organisation. We run a range of attractions across the regions, including caves, lighthouses and an adventure high-ropes course. The money that we generate from running those operations we put back into operating visitor servicing and destination marketing for the region. We have around 700 members and they stretch from around Busselton in the north right down to Augusta in the south. There is a really diverse range of operators in that set. We have accommodation providers—both traditional and new accommodation providers—wineries, breweries and a range of different attractions and tours as well.

The CHAIR: In your membership base, do you have people who use these short-stay accommodation platforms?

Ms Kearney: The people who are in our membership base are operators themselves, so they will be members that run accommodation. Some of them will run holiday homes. They will be a combination of people who are directly selling their holiday homes and then there will be a combination of other agencies which aggregate accommodation providers. They are usually called holiday home agencies. Then we have, obviously, our traditional supply of accommodation as well.

The CHAIR: What is your view of the impact that these platforms are having on the tourism industry down here?

Ms Kearney: In terms of the specifics like Airbnb and Stayz, they are certainly making it easier for visitors to access that style of accommodation. Holiday homes have been a part of the make-up of the tourism product in the region for a very long time. Certainly, in the 10 years that I have been working with the organisation, holiday homes have been a part of that make-up. I think we are seeing a very significant shift in the way that people are able to access that accommodation more easily as a result of the sophistication of the platforms. I think we are seeing that in terms of the online travel agency marketplace generally. It is much easier for people globally now to access accommodation in this region than it ever has been before. Ten years ago, if you look at how people were booking, they were having to ring accommodation properties directly. They had no visibility over the pricing of those properties or the occupancy level of those properties. Online travel agents have really shaken the market up in terms of how, at the click of a button, you can see accommodation anywhere in the world.

The CHAIR: So it is having a positive impact on the tourism industry down here, do you think?

Ms Kearney: Certainly, the broader distribution channels are. If you look at online travel agents generally, they are making it much easier for people to understand, book and make travel arrangements for our region.

The CHAIR: In September 2018, there were reports that you were considering legal action against the City of Busselton and the Shire of Augusta–Margaret River about the enforcement of local—that is the next witness? Sorry.

Ms Kearney: Did we?

The CHAIR: That is the next witness. I am sorry.

Ms Kearney: That is fine.

The CHAIR: Your view is that generally these platforms are positive for the local area?

Ms Kearney: I am talking about the broader travel distribution platforms. I am talking about anything that lists traditional right through to holiday homes. It allows a degree of visibility for visitors to be able to make their travel arrangements to a destination. I think that if this region was to take itself out of that travel distribution network and other regions were to stay in it, we would be at a very significant disadvantage. Certainly, a lot of the work that we are doing over the next 12 to 18 months is about assisting our operators to develop products which are appropriate for distribution through these channels so that we can increase the visibility of the region and increase our competitiveness.

The CHAIR: Do you have any view on the way that the local government is currently regulating the forms of accommodation and the differences between traditional forms of accommodation and these other Airbnb sort of platform forms?

Ms Kearney: There is certainly a disparity between what is expected and required of traditional accommodation versus, say, the holiday home market. The MRBTA's view is that that should be consistent across the board at both the state and local level.

The CHAIR: Do you have a view as to whether it should be the case that the standards should be brought up for these new forms or that there should be some relaxation from the top down for the more traditional forms?

Ms Kearney: I think, realistically, it could be a combination of both. I think any sort of relaxation of standards needs to be carefully considered in relation to safety and the quality of the product that is being offered to visitors, because I think a central tenet, particularly for a region like ours, is that we are a quality tourism destination and that is part of the brand and the presentation of what we

offer here. If you were to relax standards, certainly relaxing commercial rates on water would not be a big deal, but I think if you were going to reduce safety standards, that would be something we would need to carefully look at in terms of what the implications are for the safety of visitors when they are here in our region.

The CHAIR: Are you aware that there have been any safety issues that have presented themselves through the existing more relaxed forms of accommodation?

Ms Kearney: We have not had any directly through our supply of holiday homes that we put to the market. Obviously, in terms of MRBTA selling holiday homes, we only list and register the accommodation providers that are registered with our local government and we crosscheck those. That is, again, part of our quality assurance that we do for visitors to the region. We have not had any issues around safety and we have not had any complaints come back to us around that. We do, from time to time, get complaints about the general experience that people have, and that is across the different forms of accommodation that we have on our books.

Mr D.T. REDMAN: There have been fairly strong submissions to us in respect to the impact on accommodation providers in terms of their occupancy going down. How much of that do you level at the market and where it is at right now as distinct from the disruptive impact of having these other accommodation providers in the market?

Ms Kearney: That is a great question. I think there are a couple of different things impacting at the moment. Obviously, there is an increase in supply of accommodation in the region as a result of more people finding it easier to list their homes. I think you will find that there is probably a combination of that attracting a new market to the region—people who seek out that style of accommodation or it suits their travel arrangements to use that style of accommodation. I think you will also see there is a shift from people who were using traditional accommodation moving to holiday homes because they prefer that. I do think market conditions, particularly over the last 12 months, have been difficult more broadly for the travel industry in this region. If we look back to last winter, it was probably one of the worst winters this region has had on record in the last five or six years across the board. I think there is a combination of factors there.

Mr D.T. REDMAN: There is a strong sentiment in your submission to support a position of having a level playing field. What are the tools you think should be used to try to achieve that? I guess the committee has got to try to come up with recommendations. There is often a distinction between what the state might do at a state level versus being still able to have the local nuances that a local government might bring to your particular region compared to another region. Have you got a view about that distinction?

Mr Harrison: I will give it a go first. I think there are various elements to that, Terry. One of those would be about the commercial basis of holiday homes. Certainly, our view is that if somebody enters what is a commercial market and puts their house up for rental, then they should be subject to a level playing field. If somebody has to get a registration for that, then it should be across the board. In terms of things outside of state governments—in terms of taxes et cetera—in summary, if you are going to enter into a commercial operation, you should have to face the same commercial regulations, taxes and rates payments. To have a holiday home, which is basically a commercial operation, but not to pay commercial rates, taxes and service charges would seem completely unfair. Outside of that, there is safety. If it is necessary for somebody to rent out their bed and breakfast or chalets with certain levels of safety requirements in terms of fire escapes, fire security and management oversight, then the same thing should apply to a holiday home, both from the visitors' point of view and from the neighbours' point of view. Every aspect of what you have to do

to operate a bed and breakfast, a chalet or other traditional forms of accommodation should apply equally to a commercial operation which is a holiday home.

[9.40 am]

Mr D.T. REDMAN: Steve, what about the tools to try to achieve that? There are statewide tools, which might be a piece of legislation or something and then the local government has its tools, whether they be planning tools or other regulatory tools. Do you have a view about where the responsibility should lie to try to achieve that? There are clearly people who are not complying with what they are required to do, so how should you get that compliance?

Mr Harrison: I think part of that is that there are things in place which are not necessarily being complied with and policed sufficiently at a local government level, due probably mostly to the resources that are available. I think the answer would be a combination that reflects the levels of responsibility. Certainly, from talking to local governments, there is a degree in which they would require or request a greater degree of support from state legislation in terms of compliance and possibly prosecution, but then I think also local governments should have the ability to put in place the same regulatory framework around holiday homes and then have the resources to police that.

The CHAIR: What sorts of things should be policed? What sorts of rules should be complied with? What is appropriate for these forms of accommodation? There are all sorts of things. We have heard an awful lot about compliance enforcement policing. With what and to what end? We are really trying to understand what it is appropriate to control about these particular forms of accommodation.

Ms Kearney: I think anything that is applicable to the traditional accommodation market needs to be applicable to the holiday home market. I do not think there should be a disparity between the two, because, if there is, usually any cost that the business owner bears in terms of meeting that level of compliance is passed on to the consumer. That is where you see the disparity in the price at the end of the day. Sometimes that is a driver of what accommodation you choose. I am not saying that is the only driver, because I certainly think there are product drivers as well in terms of what sorts of experiences you are looking for when you are staying in a region, but price is also an important factor in that decision-making process.

The CHAIR: In your evidence, you said that the rise of these forms of accommodation has delivered a new market that is coming down and experiencing this region. What are the characteristics of that new market and why do you think that this form of accommodation encourages that market to come into this region?

Ms Kearney: I think one of the markets that we outlined in our submission was the Singaporean market. It is usually the travel configuration that they have. Singaporeans, for our particular region, tend to be in multi-generational family groups when they travel, so it can be grandma and grandad, mum and dad, and children. Sometimes they find that the accommodation configuration of traditional accommodation does not always meet their needs, so holiday homes can be very helpful in assisting with that because they can all stay under the same roof with multiple houses. It does tend to suit family groups and the like.

The CHAIR: Are there any differences in the way that they holiday, the money that they spend here or the sorts of other experiences that they have?

Ms Kearney: No, I do not think so. I think, particularly for our region when it comes to international markets, they all tend to be reasonably high yielding markets. They are really generally attracted to the region because of the nature-based tourism that we offer here and they generally tend to explore quite widely and do a lot while they are here. That is characteristic of the South-East Asian

markets which we get here generally. They usually try to jam quite a bit in their holiday while they are here.

The CHAIR: What about the intrastate market? One of the things that has been put to us is that this form of accommodation makes holidaying a lot more accessible and affordable for families that otherwise could not afford to book two or three hotel rooms for themselves and three kids, so the rise of this form of accommodation makes holidaying far more accessible for lower income groups. What is your experience with that?

Ms Kearney: I do not think we have any particular experience with that. I think in terms of the intrastate market, the numbers to our region have moved marginally over the last five years. I would not say that they have increased at a rapid rate. I think the increase for our region in terms of visitor groups has been from the interstate and international markets. That is where we are seeing those shifts, so I am not sure that I could support that statement in our understanding of how people travel to the region.

Mr D.T. REDMAN: Does any of your membership describe some issues with a displacement in the market with their employees, for example? In other words, because they are using holiday accommodation or normal long-stay accommodation for short-stay accommodation, there is nowhere to go for all the employees and therefore there is a disruption in the normal rental market.

Ms Kearney: We have not had that feedback directly from members, no.

Mr D.T. REDMAN: Are you aware of any operators that are coming in and being described, I think, as “superhosts”? They engage in the business of picking up short-stay accommodation and managing them on behalf of vacant landowners.

Ms Kearney: Yes, certainly.

Mr D.T. REDMAN: How widespread is that in Margaret River–Busselton?

Ms Kearney: I do not know. The difficulty for us is that we list holiday homes through our own platform as well, so we tend to see a specific type of holiday homes. They are usually people who are running it as a commercial operation. It is their home. They might stay in it for two weeks of the year. We do not really carefully watch the Airbnb-style platforms and exactly what people are doing on there. We just know that it is part of the travel make-up of the region.

Mr D.T. REDMAN: There was also a presentation from the City of Busselton that described—I think they said out of about 1 600 listings, about 150 were noncompliant. Some of the presentations we had yesterday afternoon did not accept that. What is your understanding of the level of noncompliance to being registered as a provider out there in this marketplace?

Ms Kearney: I do not think we have any visibility over that to be honest. We do what is in our power to make sure that the people who are listed with us are doing the right thing. We obviously do not have any visibility over what people who do not book with us are doing more generally. All we can really take note of is broader market trends.

Mr D.T. REDMAN: If you had to put a percentage on the impact it is having on your membership and their accommodation by the non-registered short-stay accommodation providers, what would be the commercial impact?

Mr Harrison: It is really difficult to answer that question, I am sorry.

Mr D.T. REDMAN: Yes. It is subjective.

Mr Harrison: We do not know the ones that we cannot see. Because we operate a system whereby to be our members, they have to be regulated and they have to have been approved by local

government, those ones, by definition, who are not that do not approach us. Very few of them do approach us because they already know they are outside that rule. Quite what impact those ones are having, we do not know. I suppose one of the tenets of the submission we made is that it is hard to know the size of the problem until those ones which are noncompliant and non-approved are removed, one way or the other, from the marketplace. If we can get to that point, then you would know what impact the increase in legitimate holiday homes is having on the overall make-up of the accommodation sector and then what impact it is having on other social aspects in the region in terms of the availability of accommodation for other people, be they low-paid workers or whoever. At the moment, we do not know the size of that and we can only take the local government at their word when they say what the percentage is.

[9.50 am]

Mr D.T. REDMAN: So then you would support a position, whether it be state enforcement or local enforcement, that does make the data available of what is actually going on out there? So, part of anything should be information which gives us an understanding of what is actually happening.

Mr Harrison: Absolutely, yes—the more information the better.

Mr D.T. REDMAN: I have one more question. There is a group like your hosted accommodation providers who rent out a back room. Is there any sensitisation amongst your membership to that group?

Ms Kearney: No. We have a reasonably flat membership structure, which is based on the benefits you receive. So it does not actually matter for us about what sort of accommodation or what sort of tour you are operating. It is a very flat \$299 fee for benefits and then, if you want to purchase more benefits, you pay for that. We do not try and say, “You’ve only got one room”, “You’ve got five rooms” or “You’ve got 30 rooms.”

Mr D.T. REDMAN: The sensitisation is to the unhosted accommodation providers that are not registered. That is where the sensitisation seems to be with the community feedback. There are also people who might be pensioners that rent out the back room to make some money. Are you getting feedback from your membership about any concerns with that cohort?

Ms Kearney: Not specifically. I think the majority of the accommodation that would be listed in this region is whole-of-house lets. There would not be a lot of stuff is happening in terms of single rooms within a hosted arrangement.

Mr S.K. L’ESTRANGE: Just linked to what Terry was saying, following on from policing and compliance, you put in your submission that you would like that to be done better to make sure that everybody is regulated across that level playing field. The council may not be adequately resourced to do that task. Do you have an idea of how that might be achieved?

Ms Kearney: Not specifically, no.

Mr Harrison: From what we know, I do not think we can see any other way of doing that, other than the local government having the resources to do it. Whether those resources are extra expenditure on that or better information sources about what is happening and where, then the ability and I suppose also the legal backup that might be state legislation to enable the local governments to take action where people are looking to make money out of renting out their homes, as opposed to being caught in the act of doing so.

Mr S.J. PRICE: Just going back a little bit to what Terry was touching on in regards to your members, you said you have a variety of accommodation providers as members of the association. We have not had a lot of big accommodation providers come and talk to us about the impact that other

sources of accommodation are having on their particular business. Have you had any direct feedback from your members that are the larger accommodation providers that the online platforms are actually having a negative impact on their business? There has always been a variety of accommodation styles available in the area. My family has been coming to Siesta Park for 50 years. There have been options of different experiences for a very long time. Is this just another, I suppose, incarnation of accommodation experiences that are available to people and are not necessarily having a significant impact on the larger providers, or do you think it is actually having a big impact?

Ms Kearney: I think the way that larger accommodation providers are structured is often quite different to the way smaller accommodation providers are structured. Certainly, the feedback we have had from our membership group has tended to come from those with a smaller room inventory rather than a larger room inventory. Larger room inventory, in this region, can be set up with timeshare arrangements and a whole range of different things. There would be particular properties that run at 90 per cent occupancy year-round because of the way that they have set up with the timeshare. They have other strategies in place to fill their rooms. They do not just rely purely on the leisure market. That is probably why we have not seen that.

They also tend to be more visible in the travel distribution systems. They quite often attend trade shows on a regular basis. They have a lot larger marketing budgets. They are probably better equipped to be able to respond to some of the challenges that have been brought about by this new kind or new type of—it is not really a new type, is it? Holiday homes have been here for a long time. It is really just the way in which people are able to access that more easily. Certainly, I think those larger, traditional accommodation providers went through this 10 years ago when OTAs really started coming online. They were getting all their bookings direct then, all of a sudden, they had to start dealing with the fact that they might have to pay commissions. They really did that 10 years ago and are now very, very savvy about the way they use OTAs and are very judicious about how they use them. They have a very sophisticated booking strategy about how they then go and acquire that as long-term booking leads for their business. They are very, very different sectors, I imagine—well, they are in terms of someone who has 100 rooms that they are selling versus someone that has four rooms that they are selling.

The CHAIR: Do you ever get any feedback about the consumer experience? We have had some evidence put to us that you get these party houses that emerge and big, destructive groups that could potentially have negative impacts on other tourists' experiences of the region. Have you had any feedback to that effect?

Ms Kearney: No, and I do not know if that is just a function of the fact that the holiday homes that are listed with us are doing the right thing. We do, from time to time, get feedback generally about people's experience of the region as a whole. It is not frequent because most of the feedback that we receive is specifically about properties or experiences that have been booked through our channel. We have not had anything specific to say, "I came down and stayed in the region next to a party house" or anything like that. We have not had that feedback from our operators who have said, "I've got a party house right next my accommodation property and that's causing me issues in terms of securing future bookings."

Mr Harrison: If my understanding is correct, then one of the local government regulations about registered holiday homes is that a management contact has to be available. If that house is creating too much noise for the neighbourhood, then there is somebody that can be contacted and some action that can be taken. In our view, that should be part and parcel of the regulatory process and the policing of it as well.

Mr D.T. REDMAN: The tenet of your submission was about getting a level playing field and I understand that. It has been a big part of what you have talked about here. But some have presented to us suggesting that we might want to have some other constraints, i.e. set a number of days in the year that unhosted short-stay accommodation can operate. I think New South Wales has 180 days or something like that. I do not know how you are going to get compliance on that but that is what they are suggesting. There were even suggestions from presentations we had yesterday about having a minimum stay—for example, of 14 days—and a maximum of two months. Do you think there should be any other constraints on unhosted short-stay accommodation, other than a regulatory level playing field?

Mr Harrison: The position in our organisation's policy is that we think it should be a level playing field. Level is level. If somebody operating a holiday home has to pay the full commercial weight of operating a commercial property, then that will influence how much they tend to come in and out of the market. If I am going to set up my holiday home and go through all the regulatory processes, pay the proper commercial rate, pay tax on my income and all those things, then the degree to which I am tempted to come in and out of the market is going to be changed. It may not be, but it is likely to be changed. In our view, until you can see what happens when you have a level playing field, to then tip it further is something which we do not know whether we need to or not because it is not level yet, if that make sense.

Mr D.T. REDMAN: Yes. I asked a question before, which I just want to get some clarity on. This notion of what the state does versus what local government does, I think, is a really important point. Would it be your view that you would like to see preserved in any decision-making of government that local government still maintains some autonomy to be able to put out some rules that are locally based? You operate in two jurisdictions here: the City of Busselton and the Shire of Augusta–Margaret River. I think there are probably even some differences in how they approach this issue. Would you still like to see a level of local government autonomy in the outcomes that we present?

Ms Kearney: I think it would be helpful. Certainly, in our region if there was some consistency amongst our two local governments from a tourism destination point of view, I think that would be very helpful. I think the place that different destinations are at in that development cycle as a tourism destination is going to be very different. I think we are a very sophisticated tourism region. We have a very high supply of product. Our needs are going to be very different to, let us say, Kalgoorlie, which might be in a very different position. I think there should be some sort of allowance for different destinations' sophistication to be taken into account in that legislation.

The CHAIR: What are the things do you think that need to be consistent across the board? Clearly, there are differences between regions, as you flagged. You need a regime that can be flexible and adaptable, but what are the things that need to be consistent between the regions to enable a government mechanism to be effective?

Ms Kearney: I think certainly anything to do with the quality and safety of the product that is being offered to the market and certainly anything to do with the cost that the business is required to meet need to be consistent.

Mr Harrison: Just in relation to the question you were asking about the local governments having the ability to still have local control, I think it would be helpful if there was a state framework about the things we have been talking about in terms of fairness and a level playing field and then allow local governments to operate and have flexibility within that.

The CHAIR: Thank you. I will proceed to close today's hearings. Thank you for your evidence before the committee today. A transcript of this hearing will be emailed to you for correction of minor errors. Any such corrections must be made and the transcript returned within seven days of the

date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added by these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence.

Hearing concluded at 10.02 am
