

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO SHORT-STAY ACCOMMODATION



**TRANSCRIPT OF EVIDENCE
TAKEN AT MARGARET RIVER
TUESDAY, 30 APRIL 2019**

SESSION FOUR

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 5.05 pm

Mr GRAHAEM REECE DONOVAN

Major Shareholder and Director, Andabrook Pty Ltd, trading as Bunbury Apartment Motel and Bunbury Motel, examined:

Mr RODERICK PAUL LISSON

Director, Footprints at Preston Beach, examined:

Mrs SUZANNE KEYNES

Accommodation Owner, Inn the Tuarts Guest Lodge, examined:

Mrs HENRIETTA HUGHES

Owner/Proprietor, Toby Inlet Bed and Breakfast, examined:

The CHAIR: On behalf of the committee, I would like to thank you all for providing a public deposition for the committee's inquiry into short-stay accommodation. My name is Jessica Shaw, and I am the Chair of the Economics and Industry Standing Committee. The other members of the committee are: Sean L'Estrange, Deputy Chair and member for Churchlands; to my left is Stephen Price, member for Forrestfield; and Terry Redman, member for Warren-Blackwood. Yaz Mubarakai, the member for Jandakot, is unfortunately an apology. Before you begin, 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.

This is a new process. We are the first parliamentary committee in WA to give this a go. We really do see it as a great way to give as many people as possible the opportunity to have a say. This inquiry has received a record number of submissions into a parliamentary process, reflecting a very diverse range of views and opinions. If we were to hear from all 500 people in 45-minute to one-hour sessions, we may never get through the evidence and may never get to a report. We want this to be a very efficient way to hear from as many people as possible on your views and perspectives. Because this is the first time we have done this, we were not sure how many people were going to request a deposition. Based on the submissions, we were worried about coming down here and having the line out the door. What we have had are four people indicate a willingness to provide a deposition, so we have a little more time than we had thought.

What we will ask is that each of you provide your depositions and, when it is your turn, to introduce yourselves and the capacity in which you appear. Then you can make your statement. You will each have three to five minutes. David will give you an indication of when there is a minute to go. When you all have given your depositions, because we have got a little more time, my colleagues may have some questions for you. We really are trying to get as much information through this process as we can. We really do appreciate you coming along today and taking the time. We will be as gentle with you as we can be. Please be gentle with us because this is experimental for us, too!

Thank you very much for coming. Would you like to begin?

Mr Donovan: My name is Grahaem Donovan. I am a major shareholder in the Bunbury Apartment Motel and Bunbury Motel. Our business is basically a community facility. It provides a 365-day service. It has 15 hours of reception every day. It costs us between \$500 and \$1 000 a day to provide

that reception. We have 24-hour phone contact for our guests in case of emergencies. At the moment, we are providing breakfast at 4.00 am for a group of workers. Jobs and training we do for the local community—we employ local firms. We provide a refuge for women and families in times of crisis. We have night security patrols. We provided free rooms for the Yarloop fire victims. We sponsor many local sporting clubs. We support the police in their investigations, and they picked up a bloke today. We give to community groups an enormous quantity of things: over 100 beds—nearly 200, actually; sheets, blankets, bedspreads, lounge suites to all sorts of members of the community.

Our developments serve the community long after we have gone. I developed all the units in Bridgetown. That town now benefits from having 40 rooms that they can lease and, at the moment, they are 100 per cent occupied. Imagine the employment that creates. Bunbury actually needs a critical mass of accommodation to compete for events and projects. It is quite a different place to other places that are represented. Bunbury at the moment is in a crisis. One property is being closed and knocked down. One is in receivership—of my type. A major hotel operator has quit or has been given a push in the back—one of the two. Another has been trying for three years to sell. Fortunately, they did not because that place is now 100 per cent occupied by taking people from Greenbushes. Again, the employment effect is enormous. But let us face it, when hundreds of extra rooms come on the market willy-nilly, there will be casualties and, unfortunately, we have had them.

[5.10 pm]

Our community workers are like family to us. They have worked with us for many years. One lady is 28 years. The managers have been with us 22 years. We treat them like a family. We give them Christmas hampers. We help them out in financial hardship. Two old fellas retired from working for me in their 90s. In fact, one old bloke could not find his way home. It actually pained me when in the last period we have had a massive drop in the quantity of wages that we pay. It is from various sources—obviously, the economy and also the introduction and rapid proliferation of unregistered accommodation. I believe that they cost us over \$180 000 a year and they are taking some of our traditional customers.

Our society has standards and they are listed in all sorts of things—work health and safety, taxation, blah blah blah, public liability. We comply with all of these and that costs us money. It is a serious cost to us, but we think it is perfectly reasonable. These things protect the fabric of our society and provide for orderly land use. They provide standards for health and safety for workers and consumers alike. The protection impacts should apply to all accommodation facilities and no paying guests should be subject to unsafe or unhygienic conditions. The Planning and Development Act 2005 and the City of Bunbury town planning scheme 7, part 2, basically lists a few compliances for unrestricted residential accommodation.

I have been speaking with the architects and planners over the last period because I am thinking of buying a property next to where we are. They tell me that if we want to do anything to it, we have to satisfy the NCC—National Construction Code—1b because that is the thing that covers short-term accommodation. Even if you are going to do it part-time—like a butcher and you want to be a two-day-a-week butcher or a three-day-a-week baker—you still have to comply. You cannot just suddenly come and do it. But in our industry, in you come, hang up your shingle, open whenever you feel like and bankrupt a few of the people who are actually paying decent money to do it. Ignoring this may mean that the council has a liability for accidents that occur in unregulated accommodation as they knew they existed, but they did not take the appropriate steps to protect the public, as they are empowered to do so. In conclusion, basically, if you are going to play in the short-term accommodation field, you should abide by the rules, pay the costs, and comply with the standards. It is immensely unfair, as it stands, with the massive proliferation of those who want to

play with their own ball. This is society's field and all of those who play need to understand and comply with the rules that are there for all for the wellbeing of all. I believe this is more about fairness. I can go on about what is not fair and fair, but is it fair that in the times that are good that somebody—an extra 80 or 90 rooms—can come on and take business from me and I open for 365 days a year? I do not think it is, especially since we have not got a clue if they comply or whether someone is going to stick their finger in a socket and it will go zip. All of my staff have to be able to dive to the bottom of the swimming pool to see if they can rescue someone. I paid 400 bucks for them all to do a course they could go on. I think it is reasonable at the end of this process that we end up with rules and regulations, and things that are fair to everyone and we get on with it.

The CHAIR: Thank you, Mr Donovan. We appreciate that. On occasion it is helpful for Hansard to have access to notes, particularly if they have missed something. If you are comfortable providing your notes to Hansard, I know they would greatly appreciate it. It is completely at your discretion, but it does help Hansard and I am getting big smiles from Hansard, so if it helps them —

Mr Lisson: I do not know if they could read these.

The CHAIR: Equally, my notes are useless to Hansard.

Mr S.K. L'ESTRANGE: They have to adapt to our very creative and different debating styles in Parliament, but if you just try to speak into the microphone, it will help.

The CHAIR: Yes, great. Mr Lisson, if you would like to introduce yourself.

Mr Lisson: My name is Rod Lisson. I purchased the management rights of Footprints Preston Beach about three and a half years ago as an extra business, but possibly when I retire we thought it would be a good idea. They are all strata title sublet accommodation. We have the management rights and the rights to provide the letting agreements. They are all two-bedroom chalets. There are 77 of them near Preston Beach. It is pretty much the only resort-style accommodation. We have got a reception, a function centre, a cafe, swimming pool facilities—all of those sorts of things. We have similar sorts of staffing and similar sorts of issues. I guess, just as a little bit of background—I did put most in the submission, so I am not going to go through everything I had in the submission—we have recently completed our taxes for the year and in the last three years the accountant has written off about \$600 000 in losses. Investigation into that has shown that despite improvements we have made to the resort since we took over—we have tidied the place up, made everything look nicer and we have achieved a four-star rating when they used to be three-star. That is a fairly significant uplift when you are looking at TripAdvisor and mostly people who have just complained. We have made it all the way through to there. We are running ads. I doubt there are many people who would live in the south west but would not have seen Footprints Preston Beach ads on television. Fantastic, yet occupancy is still dropping continuously. We are down to—I hate to say it—less than 20 per cent occupancy for the year in Preston Beach. The reason I bring that up is —

Mr D.T. REDMAN: For the 2019 year or the financial year?

Mr Lisson: The 2018 calendar year. We go Christmas to Christmas. That is how the hotel system works down there. Of course, it is probably looking a little bit worse this year so far. Easter was good. The rest of the year—absolutely terrible. Our costs cannot go down. We have our staff. In the last few years hospitality wages, as everybody knows, have gone up and continue to go up—three per cent a year, I think, in the last few years. Our costs cannot go down. Our pricing cannot go up because of competition. But the big thing we have noticed is that it is not so much us competing against Airbnb or the like—short-stay accommodation—in our particular area. What it is is that a place like Preston Beach is regional WA. We are competing against the likes of right here where we are now—Margaret River, Dunsborough, Busselton. This is the difference for us probably to what

you have seen. Let us take Busselton for instance. It is terrible that there is so much more accommodation around that they have had to discount their accommodation so much. But what it means is they have not increased the number of tourists coming to Western Australia. What they have done is focused them in some of the more critical areas—Dunsborough, Busselton, Margaret River. Regional WA, all of the little towns that used to have guests, they just do not have them anymore. Why would you go to Preston Beach when you can go to Dunsborough and stay in a house for the same price? We have all two-bedroom apartments, so we are competing exactly with two-bedroom apartments or houses. We are not necessarily competing with hotel rooms. And we used to be cheaper, because Busselton was so popular. You would be paying \$400 or \$450 a night for a place there. We were only \$200. We were great. We were cheap. But now you can get the same with Airbnb, it has decimated us. Year after year, the figures just keep going down. The reason I found that is just basically analysing our statistics. You can see them going down year after year. We looked at the advertising. We looked at everything you would do to improve tourism and customers. We have done the right things, it is just that they are not there anymore; the customers have all gone somewhere else and we cannot combat that. That is the crux of it. Everyone has moved to the hotspots. The last thing I will say is I have recently watched a film called *The House* with Will Ferrell. I am not sure if anyone has seen it.

The CHAIR: I have.

Mr Lisson: They set up a casino in their house to pay for their kids' education. You take a look at that. I cannot set up a casino in my house. I cannot even run a poker game in my house and make money from it. It is against the law. It is illegal. I cannot do it.

The CHAIR: Or you are bad at poker!

Mr Lisson: That is it. I cannot set up a bar in my house and sell alcohol to people. It is illegal. I do not have the regulations. Why should anyone else be able to set up an illegal hotel room and rent it out when we have put so much effort into regulation and everything else we do to do it right?

The CHAIR: Thank you, Mr Lisson.

Mr D.T. REDMAN: Thank you.

[5.20 pm]

Mrs Keynes: My name is Suzanne Keynes. My husband and I are the owners and operators of Inn the Tuarts Guest Lodge, which is located on nine acres in the Ludlow tuart forest about seven kilometres out of Busselton. Over 10 years ago we moved up here from Denmark with our young daughter to be closer to my husband's elderly parents, because my father-in-law was diagnosed with dementia. After consultation with the Busselton shire, we purchased our home with a plan to open a six-bedroom bed and breakfast. I know there is a lot said about a level playing field. I would like to share some of our experiences and what it took for us to get open—to allow 12 guests to stay in six bedrooms, 12 guests being the holiday house limit that most houses have. Of course, to gain a licence we had to submit the building plans and apply and pay for planning and building approvals and engage a surveyor to provide a site plan. We also had to provide a landscaping plan with a minimum of 200 native plants listed for shire approval, which was inspected after planting, keeping in mind that we live on nine acres of tuart forest and our house and grounds take up less than two acres. We had to advertise and pay for the shire to contact all our neighbours for their approval and concerns. We also had to provide on-site parking with lined bays and enough parking for each bedroom and two for ourselves, even though we have over 400 square metres of brick paving around our house which is not visible from the street and we could easily park up to 14 vehicles. We

currently have 12 bays and two double garages. Of course, we had to meet all the food handling and health department requirements and regulations.

After months of building extra bathrooms, renovations and fittings, we were finally ready to open, and on the final inspection before opening day, we were declined our licence because our house, like many holiday houses we have seen on the web, is over 300 square metres in size. This meant that we would require fire sprinklers, self-closing doors and all that is required for fire safety in a hotel. Fortunately, we were able to broker an outcome-based solution with the shire, but this added in excess of \$20 000 to our costs. We were required to engage a fire engineer, install 14 hardwired interconnected smoke alarms and two smoke–fire separation doors, and ensure that all rooms have outside egress by modifying the building to install an extra two outside doors. We also had to install emergency lighting and exit signs which operate if the power fails, and the usual fire extinguishers and fire blankets et cetera. And it is a condition of our licence that we live at the property and we host our guests. We actually cannot go away unless we engage a bona fide registered manager to be on site.

A couple of years later, we decided to add two extra rooms by fitting out two unused garages which were part of the actual building. To gain approval, we then had to install a wheelchair compliant bathroom, 900 millimetre doors and disabled parking. I believe today to license a four-bedroom bed and breakfast you have to have a fully compliant disabled bathroom and to make the house wheelchair accessible. I am advised that there are over 1 500 active Airbnb listings or holiday homes in Busselton and 94 per cent of those are entire unhosted houses with up to five bedrooms. I think I am correct in assuming that not one of these accommodation businesses has been asked to install a disabled bathroom or any accessible facilities, which has resulted in a large segment of our accommodation market being rendered unsuitable for disabled guests.

We have invested over \$1.5 million and everything we have in the belief that our investment would be protected by the regulations and the state legislation in place, as opening a six-bedroom bed and breakfast was a very expensive and arduous endeavour that not everybody would be willing to undertake. But it seems now that these regulations do not apply to everyone. Today, if we wanted to share our home, we could simply apply to be a registered holiday house and list on Airbnb.

Since September, we have started noticing a dramatic drop in our turnover. Over the last year, it has been dropping by 10 per cent a month, accumulating in March's drop of over 35 per cent. As a result of this, we have had to reduce our costs and change our business model, because there simply are not enough guests. Until a month ago we employed trainees. We always had two to three junior staff working on weekends and the school holidays from the local school. We had a part-time cook, front-of-house staff and office staff. Now we only employ two casual cleaners when they are needed. This, I believe, is one of the hidden effects that Airbnb has had on our community. Unlike the city, the economies of rural communities are reliant on small businesses like ours, which are mum-and-dad businesses who are collectively major employers in the region. Without jobs, we will lose our young people to the city. Our business has suffered, but the most difficult and heartbreaking change has been firing our staff. There was one young woman who was long-term unemployed that I personally mentored. We gave her a full-time job. She started part-time and then she was made full-time. Her and her partner signed up to build their first home through Keystart and I had to sack her. It was devastating for all of us. We already know the negative effect that Airbnb has had in many towns and cities all over the world. We do not need to follow their path, in my opinion. We have the opportunity to protect our rural communities, our residential areas, the accommodation industry, jobs and our region. Thank you for your time.

The CHAIR: Thank you, Mrs Keynes.

Mrs Hughes: Good evening, my name is Henrietta Hughes and I am the owner of Toby Inlet Bed and Breakfast, located in the vicinity of Dunsborough. Our family unit consists of my husband, myself and our 11-year-old son. Both my husband and I manage our business, which is a short-stay hosted accommodation providing breakfast for our guests, up to eight people. We have four rooms. It is the source of our family income, and we do not employ others, which means my husband and I are the chefs, kitchenhands, waitstaff, front-of-house reception, housekeepers, gardeners, maintenance and accounts departments. I give you this information to show you that we are a mum-and-dad business and that we have made a significant financial investment into this business 12 years ago.

Onto our income—just briefly—if I compare 2016, 2017 and 2018 as in calendar years, we are down in 2018 by about 15 per cent. I put this down as a result of the mass increase of holiday accommodation in the form of residential homes being made available for short-term rental. Should the slide continue, it would be very difficult for my husband, who is in his early 60s, or myself, in my mid 50s, to gain meaningful employment elsewhere.

I would like to go on to land use. We have all the appropriate licences from the City of Busselton to run our bed and breakfast and have it registered as running a business in a residential area. Our land use is classified as tourist, which is reflected in our gross rental value—our GRV. I will speak to that in a moment. Our residential neighbours have the same size land and house and are valued at 36 per cent less than us in their gross rental value. This means we pay 36 per cent higher council rates and water rates, not to mention the toilet tax, where we have six toilets used by three members of the family and on weekends possibly eight guests, as opposed to a residential house who may be on Airbnb with 12 or more people who only use two toilets.

Some of our other expenses—we have public liability, we pay insurance, we have food licences, we pay for yearly inspections, we have fire alarms, fire extinguishers, inspections for spas, kitchens, fridges. We pay to the local visitor centre memberships. All of this contributes to the investment the region makes into these visitor centres.

[5.30 pm]

We are hosted. One of the hardest parts of managing a short-term accommodation is the control of the guests. It is us, those that are on site, that must deal with the situation in a polite and diplomatic way to ensure that everyone behaves appropriately. If we wish to go on holidays, we actually close down our property, which also means that we do not have an income.

Then I would go to the fire risk. At this point I have a couple of diagrams where you can see our house. We are totally surrounded by trees, but I will go into that. Then there is the risk of fire. The region itself has three fire periods: prohibited, restricted with permits only, and open fires permitted. However, many city people have no awareness of these periods. Nights are cool in the south west, even in January. The temptation is great for holidaymakers in unhosted holiday homes to have a few drinks around an open fire. They have complete ignorance of when the fire bans are on and the ramifications of open fires in regional bush areas. We live in what is classified as a bushfire prone area. In our strip where we live there are four houses, as you can see there, each with approximately one acre of land. We have no boundary fences and we are within a restricted nature reserve, due to the natural environment of protected species such as the ringtail possums and southern brown bandicoots.

Then comes along my immediate neighbour. My neighbour—he is my immediate neighbour—has been living next door for approximately four years. He is a single guy—no children, a fly-in, fly-out worker. He has recently placed his house on the short-term accommodation market, advertising on Airbnb. However, he is not a host. It is managed by a different person: a super host, who is so-called

for hosting 15 different houses in the Dunsborough–Yallingup area. Let us briefly compare our properties. He is unregistered with the City of Busselton. His gross rental value does not reflect his land use—that is a 36 per cent increase for him. He does not have public liability. His insurances, no inspections—they are all unaccounted for. He pays no contribution towards attracting the tourism market to this area, he just reaps the benefits. He is unhosted. As we have a private access lane behind our immediate house to service the neighbours' properties, I now have cars racing behind our property and I have loud music emanating from the neighbour's property. All of these things are things that I must control within my environment because I am hosting.

The fire risk—we both live in what is classified as a bushfire prone area. As you can see on the map—I know it is a little bit grey—we are totally surrounded by trees. These are peppermint trees, which are the main food source for possums and the like. What happens next door with regards to open fires will affect me, not only by the house that we live in, but also our ability to earn an income. You can also, if you wish to, refer to the bushfire zone to see what mappings there are.

My neighbour has the best of both worlds. This is a man who already has a main stream of income. The holiday house is the cream on top, so if he wants to play in the short-term rental market, why does he not have to adhere to the same conditions that I have to? I would absolutely love it if my land and water rates were to drop by 36 per cent and not have to pay for my yearly inspections to ensure the safety of my guests.

I cannot stop his desire or need to have someone in the house, but his options are not only short-term rentals. He can rent out his spare rooms to more permanent renters—people who will look after the place, live amongst the neighbours, share within the community and spend during the week and when the tourist season is low. That is my statement for today.

The CHAIR: Thank you very much.

Mr D.T. REDMAN: Thank you very much for your presentations. There is a fair bit of stuff in there that is quite confronting in many ways, because you are facing it as business people and you are having to invest and seeing a pretty significant change that is having an impact on you. In terms of recommendations from the committee—at some point we have got to put down on paper what recommendations we are putting to government out of a report—what is your advice to us on that? The general theme I get is simply the difference in the playing fields. If there was a mechanism to equal up the playing fields, is that sufficient to where you see an action coming out of this report, or is there something else you think we should be recommending?

Mrs Hughes: I think that evening up the playing field first of all will deter a number of people who find it so easy to just place their house on the market. Similar to what happened with Uber, it is not just a matter of, "I'll just have a car and I'll drive someone around." I think they need to think twice. You are comparing now people with investment homes who are long-term renting and short-term renting. If it is not made as attractive, they will think twice, based on what they have to invest in. Would anyone else like to make a point?

Mrs Keynes: One of the things we witnessed in our town is that a lot of the holiday houses, particularly during the high season, have in excess of 12 guests. Most of these are four or five-bedroom houses, which a normal family would live in. That would normally be five or six people. My recommendation would be that the number of people permitted in these houses be dramatically reduced, so that you have a situation where you do not have lots of cars parked in the street, big parties—that there is some mechanism or regulation that reduced that number. I think that 12 is far too many.

Mr Lisson: My position is that it should never be unhosted. If you go to a friend's house, great, that is all good. Rent a house because you are living there permanently. Buy your own holiday home, because then you still have responsibilities to your neighbours and those sorts of things. It should never be unhosted. For the hosted ones, do exactly what these ladies have done—go through the official process. That is really the only way to level the playing field. Unhosted, you are just asking for trouble with guests and police and everything like that.

Mr D.T. REDMAN: If I can just put another layer —

Mr Donovan: I bet you do not want to pay my rates! Last year, it was 133 grand. Fifteen years ago, they were \$26 000. I owned the land next door and bought the property. I had to rezone the land to build, and, of course, the rates started to go—gross rental value went. The good old water authority has gone from \$6 000 to \$60 000.

Let me come back to the situation as it is. Our society is actually organised around a fabric which says that if you are in a residential area, that is what happens in that area. The bloke next door cannot open some sort of business which is obnoxious to where you are, because this is a place where you sleep or whatever, including the fact that you do not expect that your neighbours are going to change every second or third day. That is what residential 1a means under the building codes. There is a clear, clear path that says that if you change that use, you should be under NCC 1b. That is the first thing. That would mean a cost to everyone. That is a reasonable cost, because if you are making money out of it, you are commercial. We are not swapping beads or anything here; this is actually a commercial arrangement—the people are doing it for dough.

[5.40 pm]

So they then have to follow the rules that all of us do, when we are actually in it to make a commercial business. It does irk me a bit that I did knock down the old rooms there a few years ago, spent \$2.5 million building what I have done now, and my business went backwards instead of forwards. Do not let me be misunderstood: we have the capacity to do this. I think one of the problems we have got is that here is my first letter from the council about the house behind—speaking with the building guy yesterday, yes, you will have to have planning approval to change the house into short stay or office or whatever. You would have to have it rezoned and then you would have to come to us and satisfy 1b if you want it to be short stay, 4 or d if you want it to be an office or whatever. We have mechanisms in place, but it does appear to me that perhaps the shires are underfunded and that this is problem that is just too difficult to handle for them. They do actually have mechanisms there. I mean, the B&B-type mechanisms are there; they are actually in place. But what happens in this situation is that these guys do not put up their hand; they actually do not let anyone know. There is no regulatory business to say, “You have to actually nominate that this is what you are going to do.” If we had a process that says you have to nominate, then we can put in regulations where you can govern. But right now, all they have to do is put the place on Airbnb and away you go; you have a shingle. Of course, as we know with Airbnb, they spend 50 per cent of their income on lawyers. They are beauties. They are in courts all over the world all the time, basically because they have made the rules in somebody else's jurisdiction. They are not taking any risk; no risk at all. The bloke that is taking the risk is the owner of the property that put it up. They have got nothing to answer for. They are perfectly out of the way.

The CHAIR: Thank you.

Mr D.T. REDMAN: The extension is that you were talking about unhosted accommodation as being largely the target issue that you have put on the table. There is a group out there that also rent out a back room—pensioners and whatever else. Are you sensitised to that at all?

Mrs Hughes: I do not think that is of any competition to us.

Mrs Keynes: That is no competition.

Mr Lisson: No real competition.

Mr Donovan: It is actually to us, because we are in a different market. We are in a business town. We are in a purpose town. You come to Bunbury for a purpose—you come for your work, you come because there is an event and so forth. The situation is a bit different. We have got people who have been staying with us for years who are doing relief work for the government and so forth. They are people who are given an allowance. They used to always stay with us. It is a problem for us that now, a traditional customer of ours, we see them down the street, shake hands, say hello and how are you going, but we know where they are staying because they tell us, because they are saving an extra 20 bucks or 25 bucks a night. There we go. For us, they are a problem and they are taking away our traditional customer.

Mr D.T. REDMAN: You said just a second ago that these people are not putting their hand up. Correct me if I am wrong, but I thought that if you are going to put people in there, there still is a formal requirement now. The issue is ensuring compliance or having a mechanism to ensure that people are compliant to what is currently a formal requirement. What is your advice as to what the tool should be in order to achieve that compliance? Is it a massive fine? Is it a bit of state legislation? Should you target the platform? Should you target the owner? How do you do that?

Mrs Keynes: What I find concerning is that for us to open our place, which at the time was only six bedrooms and 12 guests, the amount of compliance that we had to go through and the regulations was extremely expensive and there was no way we were permitted to operate, and then had to go through fire and safety and all the rest of it. At the moment, it just seems that the council says they do not have the staff to access who is on Airbnb and who is licensed, but there is no deterrent.

Mr Lisson: Or they do not know.

Mrs Keynes: We know who they are. I could sit there in front of a computer and look at these houses that I drive past and drive around and I can tell you where they are. I live in the town, so if we can do it—but they do not have the funding to pay somebody to do that. There is no deterrent from people doing this. There is no heavy fine. There is no legislation in place. That says that if you start up an unregistered holiday house and have 12 to 20 guests staying there and have wild parties, that is fine. Nothing is going to happen. One of my cleaners lives in Provence in Yalyalup, which is a Satterley development which was designed and built for young families and it is where the Georgiana Molloy school is. She has five Airbnbs in her street and two young daughters. In the high season they cannot ride their bikes. They cannot play in the street. There are cars whizzing up and down. But there is no consequence to that—absolutely none. Nobody can stop them.

Mr Lisson: I guess, when you talk about the mechanism, if I were to, as I said, start a casino in my backyard, or a bar in my backyard—liquor and gaming—if I break one of those two laws, I will probably go to jail for it.

Mr Donovan: The community may—the butcher, the baker, the candlestick maker. You start anything, and somebody down the road says something about it, they will be round to look at you.

Mr Lisson: But nothing seems to happen with these. We do not know if it is maybe the councils do not know that they are not supposed to be doing it or who knows? But we know they are not supposed to be doing it and they should be complying to regulations.

Mr Donovan: The regulations are really there. That planning thing in Bunbury that is there—if you read through it, it is actually there. They are not actually taking the option of taking any action.

Mr Lisson: It obviously is because they tried to do it the correct way.

Mr Donovan: And, of course, you see, Airbnb are cunning. When you look them up on the net, they do not give you an address. They give you an area. So for you as a regulatory authority to find out what they are doing you actually have to register to go there then the person will send you the address. You actually need somebody physically making bookings and cancellations to discover where all the people are in your area. But, again, it needs to be funded because the growth is incredible. The ATO reckons it is a \$15 billion industry, which is not paying \$1.3 billion of GST. It has a serious effect. They do not give us much of it, but it is probably worth \$60 million to us at 35 per cent of what we get. It is society's problem and as a society we have got to attack it and make sure that we are in control because it is totally wrong that five people in a street where kids and things are—the place is being used not for the purpose it was built.

The CHAIR: One thing that has been put to this committee is that this form of accommodation is a stepping stone for the development of a tourism industry where there are small towns and there are no hotels and there is not a critical mass of tourists coming through to justify developing a new hotel or a resort—that short-stay accommodation in the Airbnb format is a stepping stone that encourages tourism and then eventually other forms will develop. That has been put to us. I just wondered what your view was?

Mr Lisson: I would challenge that. It is exactly what I said prior. It has got nothing to do with a small town having an Airbnb. In Preston Beach there is probably quite a few and they really have no effect on our business. What has an effect on our business is the 1 500 in Busselton. Why would you go to those towns? I can go and stay in beautiful beachside Busselton or Dunsborough. The places are established. They have got shops. They have got everything. I am going there for my holidays. I have got friends who said, "We've just gone away for Christmas. We went down to Dunsborough." I thought, "You didn't come and stay at my resort, dammit!" Because they can stay at an Airbnb, they get three bedrooms. It is just like having their house there. I would completely reject the fact that people would go to these towns because there is an Airbnb there. I think they go to the towns that they want to go to and they will choose whatever is the cheapest way to get there.

Mrs Hughes: I was just going to add to that—we have discussed it—it does not service the satellite areas around that Busselton, Dunsborough, Margaret River area. When those areas are full, it will push people to more satellite towns, which is clearly having the impact there. When you have got the influx—do not forget that if you have got two and a half thousand homes in the past year that have gone on Airbnb, for example, in the Margaret River—Busselton—Dunsborough area, times that by, let us say, 10 beds—that is a lot of beds at peak times during Easter, Christmas and things like that—that they are now servicing. Those people are not being pushed to further satellite town areas. Take Easter, for example. I had availability up until three days beforehand. I knew I would fill those rooms. In days gone by it would be a month or two months or something like that. I knew I would fill those rooms because people do come down, but you now look at the satellite towns that little bit further out are being impacted because there are so many additional beds.

[5.50 pm]

The CHAIR: Do you use Airbnb yourself? Do you advertise?

Mrs Hughes: To be honest, I have in the last year probably had one or two customers. The reason being is we provide breakfast. Airbnb is air, bed, no breakfast. So I cannot compete. To be able to compete I can take breakfast off.

The CHAIR: So that is actually a condition of registering with Airbnb? That you not give breakfast?

Mrs Hughes: Airbnb is air, bed, no breakfast—not bed and breakfast, which is what everyone else would traditionally believe it to be.

The CHAIR: Can you just register the room and not say that you provide breakfast and then when someone turns up —

Mrs Hughes: I have toyed with that and then I get so many people—we are Toby Inlet Bed and Breakfast—that I say, “Sorry, you have booked a room only. Because that is what I have to do to compete, and if you want breakfast, this is the additional charge.” An additional charge? What?

Mr Lisson: Then you get bad reviews. They go straight to TripAdvisor.

Mrs Hughes: And suddenly it is on TripAdvisor.

Mrs Keynes: We have done the same thing in changing our business model. We offer a room only. We used to provide a dining room breakfast, but we do not have enough guests now so we do an in-room breakfast, which has meant a cut of staff. But Busselton itself has an average occupancy of around about 51 per cent, which means there is an enormous amount of accommodation available before Airbnb came on the scene. There is something like 13 000 beds in Busselton. It does not have a shortage of accommodation. It certainly does not need any more. This is why Busselton has been absolutely—the accommodation industries have just been wiped out. The truth is, if this continues for us we will have no choice but to sell. We cannot keep trading.

Mr D.T. REDMAN: Just while this point is made, we had presentations from Busselton today and they said that in January this year there were 1 600 short-stay listings and the research that they have done—through BnbGuard I think is where they got it from—was that there was 150 of that noncompliant. Would you dispute that?

Mrs Keynes: Absolutely. There is 150 noncompliant? No, I do not agree with that.

Mr Donovan: It is really interesting. Basically, I think that is a vested-interest comment—that it actually helps tourism. Think about it quickly. If you go on the net and you are going to look for where you go, you do not scatter shells everywhere. You say, I want to go to Busselton or wherever it may be and you focus there. Those people have already made the decision. They are not going to look up Narrogin or Bridgetown, where I used to be, and Margaret River—I used to be here. This is the hardest market I have ever known. This is a very tough market. The health inspector was with you. I think there was four health inspectors and I think each one of them cost me between five and 20 grand. This notion that you are actually expanding tourism is not necessarily true, because the focus is already there. The decision is made. I am going to Sofia in Bulgaria this year. Our grandchildren live in Sweden, so we try to go somewhere else every year. We look—that is where we are going to go. They do not spread their shots any further than that. The problem we have got is that I bet you that there are not too many more developments in Busselton happening where people are making massive capital improvements.

Mr Lisson: Sorry, I just had one more thing, if you don’t mind. As I was saying about focussing in particular areas—so it is encouraging people to be focussed in the areas because you have added all of that capacity to one area—you are also focussing dates. People might not have necessarily all gone on holidays at Easter, so it could be a traffic thing as well—coming down south. People would have looked at it and said, “You know what? It’s really hard to get anything around Easter down there. We’ll go two weeks after Easter. We’ll go three weeks after Easter.” What you have done now is you have made it “Easter was great. Hey, we were 100 per cent full at Easter. Fantastic! And Australia Day.” The rest of the year? Well, you figure—we have got 20 per cent occupancy, so there are tumbleweeds. I am sure that happens everywhere now. There is so much accommodation

available at those times. Everyone goes on holidays at exactly the same time. And that is a strain on the entire state.

Mrs Hughes: If I can just, probably, also make mention of a bit of a trend that we have noticed. Many people have investment homes. Many people come to—I will say Dunsborough because that is where I am based. Many people come to Dunsborough. They love it there. They go, “Wouldn’t it be great to have a holiday home down here?” So they purchase a home in a residential area, in our lakes area—affordable living. It is all quite affordable. It is not the top end of the market. They come down maybe once a month—holiday home. Then they come down and find they come down once in six months. Then they come down at Easter time and at Christmas time. And they go, “This holiday home is not really working for me. I’ll put it on the market.” They want to sell it. They will hand it to a real estate agent. The real estate agent, possibly, will go—I am not saying this is all real estate agents, but a high number will also then say, “Let’s rent it out short-term. Inspections—we don’t need to worry about people being there. We don’t need to organise 24-hour notice inspections. We don’t need to worry about a lease because you don’t have anybody in the property. If it is sold, there is no need to worry about leases.” These places are being maintained. What you also have—I will say just purely in the Dunsborough area or Yallingup area—is there are a lot of houses that are on the market because people have every good intention to use them as a holiday home. They find out it is not really working for them. They are not spending that time that they thought they would. They will go to Bali. But let us just say they will put the house on the market and the real estate agents will say, “Let’s put that on short-term rental as well. It’s easier for them to sell. It’s clean for inspections. They don’t need to worry about leases.

The CHAIR: It is furnished.

Mrs Hughes: That is also something that—yes, it is furnished. It looks like people are there. That is a trend that is happening in our area.

The CHAIR: Thank you very much for that. Thank you for your evidence to the committee. A transcript of the public depositions 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. Thank you all so much. We really appreciate it.

Hearing concluded at 5.58 pm
