

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO SHORT-STAY ACCOMMODATION



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 19 JUNE 2019**

SESSION TWO

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 10.06 am**Mr CHRISTOPHER RODWELL****Chief Executive Officer, Chamber of Commerce and Industry of Western Australia, examined:****Mr RICK NEWNHAM****Chief Economist, Chamber of Commerce and Industry of Western Australia, examined:**

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today for a hearing for 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, Yaz Mubarakai, member for Jandakot; to my left, Deputy Chair Sean L'Estrange, member for Churchlands; Stephen Price, member for Forrestfield; and our other member, Terry Redman, is just running a little late.

I advise that the proceedings of the committee's hearing will be broadcast live within Parliament House and via the internet. This broadcast may include documentation provided by you to assist the committee in its investigations. 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 Rodwell: We would, thank you. Good morning, and thank you for the opportunity for the Chamber of Commerce and Industry of Western Australia to appear before today's committee inquiry into short-stay accommodation.

The emergence of the sharing economy and the rise in the popularity of online platforms such as Airbnb and Stayz has materially changed the short-stay accommodation landscape. Current planning and land use legislation has not accounted for that growth in those online platforms. Consequently, we have discrepancies that have arisen in how both conventional and online providers are regulated. CCI's approach to regulation is that it is only warranted where it addresses a market failure and where the benefits would exceed the costs. We therefore believe that this inquiry could have equally focused on inquiring into the regulation of online short-stay accommodation platforms, and the opportunity for reduction in the regulation of traditional accommodation providers, especially the hotels, but not specifically limited to them.

With the focus of the inquiry ultimately being on the regulation of online short-stay accommodation, CCI's approach to our submission has been concentrated on analysing the impact of online booking platforms on the short-stay accommodation sector through an informed jurisdictional comparison. It has also considered the four key objectives of the State Government's recently announced two-year action plan to grow Western Australia's tourism industry. Really, the primary recommendation for our submission is for a statewide planning framework to be developed that is aligned with other Australian jurisdictions, with our preferred approach being for South Australia and Tasmania to be considered the ideal models for regulating homesharing. This would ensure that hosts can comply with local planning policies without being burdened with unnecessary regulation, which could potentially put WA's tourism industry at a competitive disadvantage. WA does not have the luxury

to create policy in isolation, in the belief that somehow our tourism product is so unique that it trumps any consideration of price. It is absolutely the case that price matters to visitors.

Eighty-eight per cent of respondents to a recent Haaga-Helia University survey stated that price was a key factor when they chose their travel destination. This means that any increase in regulation that makes it more difficult for people to list accommodation on short-stay accommodation platforms will decrease supply and increase prices. The relationship between regulation and visitor attraction is essentially inverse. If online platforms are subject to higher levels of regulation, accommodation becomes relatively more expensive, and prospective travellers choose to either travel to another destination or not travel at all.

The East Coast, we should say, already has a significant advantage over WA, which is principally due to its connectivity. We cannot afford to give tourists another reason to put WA in the too-hard basket because we cannot provide access to the type of accommodation that tourists want at the price that they have come to expect. In 2015–16 alone, more than 60,000 Airbnb guests stated that they would not have visited WA or would have shortened their trip if it were not for Airbnb being available.

The CHAIR: Which survey was that data drawn from?

Mr Rodwell: That is from a piece of work carried out by Deloitte that was published in 2017. To put this in perspective, that is equivalent to approximately \$54 million in lost spending in the State's economy, which would have supported approximately 270 jobs in 2015–16 alone. For us, this is not about short-stay accommodation providers such as Airbnb and Stayz versus the hotels. It is about giving choice to consumers, which benefits the wider economy.

In fact, 94% of Airbnb's listings are out of Perth's major CBD hotel district, which means Airbnb also spreads the benefit further into the community—into bars and into regional tourism operators—and the unique features of online accommodation platforms attract additional visitors who spend more in the local economy. Again, from that 2015–16 analysis, Airbnb guests spend around 59% more than the average tourist in WA per day. That is money that benefits local pubs, retail stores and tourism operators.

Online homesharing platforms promote spending within the community rather than discretely within the accommodation sector. Whereas previously many guests saw the hotel as the destination itself, many travellers are now looking for a fuller travel experience. These guests are boosting the economies of local communities and supporting regional tourism.

Finally, while we accept that a regulatory framework is required for short-stay accommodation providers, our view is that creating onerous and unnecessary regulation that is out of step with the other states is not the answer.

Thank you for the opportunity to make that opening statement. Both myself and our chief economist Rick are available to answer questions.

The CHAIR: Thank you very much. As I am sure you appreciate, this is an extraordinarily complex topic. There are at least, I guess, five key different perspectives, if you like. We have done inquiries in the past where it has been very easy—"There is an issue here that needs to be addressed." But with this, there is an extraordinarily broad range of differing interests and perspectives that we are mediating.

The CCI itself is also a very broad church, and from my past life, I appreciate that you have an extraordinarily diverse range of opinions within your organisation. Could you give us a sense of your membership base; the degree to which your members are traditional accommodation providers; and, amongst that group, small businesses and large businesses; if any of your members, indeed,

are these providers or platforms? How did you go about consulting with your membership to form the position that you have put to this committee, and how do you gauge what your business members—the business community—feel about this? We are getting a lot of diverse opinions from the business community, but as I know you would appreciate more than others, there is extraordinary diversity in that community itself.

Mr Rodwell: I might answer some of the first questions around CCI and who it represents, and I might ask Rick to talk about the consultation that we have done around this policy development.

CCI's vision is for WA to be the best place to live and do business. What underpins that is a mission which is really around supporting free enterprise. You rightfully point to the fact that we are a broad church; we very much represent every sector and every size of business, from sole traders through to major corporations. There are 7,500 members—there or thereabouts—of the Chamber of Commerce and Industry. Around half of them are based in the regions, so there is very strong representation across regional Western Australia, and about 90% of them would fit into the small business category. It is very much reflective of the WA economy, and if we were to relate it to other states, our membership is greater as a total percentage of the total number of businesses in Western Australia than in any other state.

Yes, we have traditional operators—hotels—and we also have online providers such as Airbnb who are members of our organisation. But we also revert back to, as I said in our opening statement: what is it that we can do to ensure that WA is the best place to live and do business, and really as champions for the entire business community, and calibrating the views across our broad membership?

Mr Newnham: If I can add to that, we do have a difficult task, as you do, in balancing that view. No doubt there would be a diverse range of opinions within our own membership, as there is across the WA community on this topic. Our starting point is what is the most optimal outcome to grow tourism for the State. When considering regulation, why can that be introduced only when the benefits outweigh the costs? That is the work that our members expect us to do on their behalf, which is how we have come to these positions. But we do regularly survey our members and have done on this topic in the past, which has helped inform and develop our positions on this.

We have got hundreds of members that are tourism providers—hotels, B&Bs themselves, Airbnb included, but also pubs, cafes and restaurants, which all benefit from additional tourism and particularly benefit from tourism that is outside the CBD, which Airbnb enables. It allows people to travel and experience Western Australia outside of the central hotel district, which is the CBD.

The CHAIR: Did any of your members directly approach you in the preparation of this submission to put forward a particular perspective on how the Chamber might frame its submission?

Mr Newnham: We sought out member views on this topic. We created that opportunity and received a range of feedback, primarily through surveys on that.

The CHAIR: Any particular hotspots across the State where you were seeing one particular perspective being offered?

Mr Newnham: I think what you will be seeing, if you have not noticed already, is that regions vary greatly in their opinions. The opinions have solidified within particular regions. Some regions, where there is not ample accommodation available as it is, are really embracing Airbnb because it allows for people to come and stay and be tourists in their town where they do not have a large hotel or a range of accommodation providers. Others, that are perhaps more established tourism hotspots, appear to be blaming Airbnb for some factors that are actually outside of the remit. There is one particular region in the South West that has particularly solidified around this point.

The CHAIR: I really want to tease that out. There are two things that I would very much appreciate your comments on. There is a view in the CBD that has been put to us by traditional large accommodation providers that Airbnb or short-stay accommodation platforms are responsible in part, or have a significant part to play, for a decimation in the hotel market. There is a contrary view that there have been some pretty bullish assumptions made on demand for hotels in business cases underwriting and justifying their development. I am trying to test the degree to which the low demand now for traditional hotels in Perth is because of short-stay accommodation or because there was an assumption that there would be this massive ongoing demand for hotel rooms in the CBD. That is one issue. In the regions, what is the responsibility of short-stay accommodation for the undermining of business models down there as opposed to a general economic trend that we are seeing, or activity in the tourism sector more broadly?

Mr Rodwell: Can I deal with the CBD one? It is why we cited in our opening statement that 94% of Airbnb listings lie outside of the Perth major CBD hotel district. I think, when we look at the current fortunes of the hotel industry around Perth, there is obviously a number of factors at play, which have been subject to policy changes and investments that the State Government has made, especially in the past year, to try to attract additional tourism to the State.

Most recently, this morning we saw the release of some new numbers in relation to the tourism sector. I think to put the problem at the foot of online accommodation or short-stay accommodation providers is to oversimplify the challenges that are faced. We need to look at how do we build the entire pie for the tourism sector. That is why we have clearly made the statement that there needs to be a view around regulating as it relates to other state jurisdictions, and with the very clear intent of growing the sector and looking at the potential to look at reducing the regulation on traditional providers.

Mr Newnham: I think that the broader context is really important for WA. The domestic economy has been contracting for five years. That is going to be a painful situation for any accommodation provider. Business investment has fallen every year for the last five years since the peak of 2012 by a pretty significant amounts each year. Business investment in WA is roughly half of what it was in 2012. Business visitors to the State track very closely with business investment. To think that a change within the industry would be the primary cause, given the context the State is in, is a strange conclusion to make.

It misses the broader picture, which is that there are fewer and fewer people visiting the State because of the economic climate that we are in. Business visitors make up a large proportion of those travelling. In terms of regional areas, I do not think you can conclude that Airbnb is causing problems for the business models, because there are regions where Airbnb is so strongly welcomed because it is driving more people into regional areas. We know that visitors who stay with Airbnb spend more in the local area where they are staying, so if someone visits and stays at Airbnb, other providers around them benefit from that as well.

The CHAIR: That has been so disputed for us, though. Some have said that they spend less, they bring their own food, they bring their own wine, they stay in the house, they do not spend money locally. Others have said it is party time when they arrive.

Mr Newnham: That might be true for the accommodation provider, but those that are around the visitor, such as cafes, restaurants, tourism providers in the South West and wineries, they benefit from the person visiting, and the visitor has a much more authentic experience because they are staying in someone's home. Quite often they are guided to, "Go to this cafe or check out this restaurant. It's great." The experience they have is far more enhanced and localised. That then drives additional traffic to the state, because these are conversations and experiences that they

share with those back home. We know that tourism areas that do well are those that have exceptional experiences. That is the change in taste that visitors now have. Those that can share these experiences through social media drive additional traffic. All of these things are important. That is the evolving business model of tourism in general. This is just a highly visible part of that changing landscape.

Mr Rodwell: I might just add as well, we understand there may be some anecdotes around spending less and so on, but the analysis that we pointed to in the opening statement was that Airbnb guests spent 59% more than the average tourist in WA per day in 2015–16. That is a pretty compelling figure.

Mr S.K. L'ESTRANGE: Gentlemen, the Australian Hotels Association of WA will have members which may also be members of the CCI. Your position, listening to you and from your submission, is obviously different from the AHA's. Have you sat down with the executive members of the AHA to work through where you think a recommendation from this committee would be best positioned to support the industry and your membership?

Mr Rodwell: There have been no formal conversations with the AHA in relation to this, although we do meet from time to time with the AHA and also the Tourism Council of Western Australia. I think it is important that we do continue to have discussions with them and look to work out what may be the solution on this. But we would come back to the point that the answer is not putting too much of a burden on the online short-stay accommodation providers. We do need to look at reducing regulation on those traditional operators. We would certainly be wanting to steer the conversation to that point.

The CHAIR: How would you propose that the regulations be reduced? This is something that has kept cropping up. There is the argument about whether to create a level playing field you bring some up or some down. How would you see the traditional forms of accommodation being differently regulated?

Mr Rodwell: I think that because that was not the subject of the inquiry, we have not done a deeper piece of investigation around that. I am not sure it would be appropriate for us to provide a deeper analysis of that without having done that piece of work with our membership and having those conversations. I expect there are a number of avenues. It might be something that we could take up through other bodies, for instance. I am a recently appointed member to Streamline WA, which is looking at the overall regulatory burden in WA and looking to prioritise a set of projects that may be able to release some of that burden. They will tend to be sectorally focused with some whole-of-the-economy issues and it could be something that could be investigated through that.

Mr S.K. L'ESTRANGE: You mention in your recommendations to consider the Tasmanian approach. You mention South Australia as well but I want to focus on Tasmania. We heard evidence from some Tasmanian-linked witnesses that indicated another thing we have heard, which is called the Venus effect; that is, where an area becomes so popular for tourists that Airbnb becomes saturated through a particular area and that actually pushes out from being able to rent in that area those who are living in that area. Have you done any second or third-order consequence analysis of the impact that that could have on the frontline workforce to try to sustain the tourism sector itself in that area?

Mr Rodwell: I think at the outset we would say that we do not foresee that WA will have a Venus-type effect challenge anytime soon. We fundamentally need to grow the tourism sector.

Mr S.K. L'ESTRANGE: I will let you continue. Just to let you know that I agree for the State, but there has been evidence suggested to us that during the summer peak season in Margaret River, for

example, between say October and March, people's six-month leases are stopped at that October point. That property is then put on Airbnb and some of those frontline workers who want to rent have to move to Bunbury or somewhere and then travel those distances to try to do their job as a cleaner in a motel, for example. I accept that for Western Australia we will not see the Venus effect, but we may see it in pockets of Western Australia at certain times.

Mr Rodwell: On that one, I think it is relevant to look at where the median rental price has been. We can cite these statistics for the Margaret River region, and the source is REIWA. The average median rental price in 2014 in Margaret River was \$375. It went to \$395 in 2015 and back to \$389 in 2016. It was \$391 in 2017 and \$388 in 2019. We have seen no discernible change. It has remained flat over that entire period.

The CHAIR: That is presumably an annual average figure. There is obviously seasonal variability, which goes to Sean's point. Do you have any visibility of that?

Mr S.K. L'ESTRANGE: There was evidence to suggest that, notwithstanding what you just said, that those rental properties are taken off the market and put on Airbnb, and then they are put back on the market, probably at those rates. My question was not for you to try to solve that problem. My question was whether you had done any analysis of the impact of that effect on getting workers to service the tourism sector during those periods.

Mr Newnham: There will always be seasonality in tourism. That is the nature of the business. The point we would make is that if there was a shortage of rental accommodation showing up in those areas because of the problems you have identified, that would show up in rental prices because the demand would be so high for that accommodation that, as you suggest, it might not be available. But that does not show up in the rental price data. If there really was a shortage of accommodation because people are being booted out of their houses to accommodate Airbnb guests, that would change the demand–supply balance, but that is not the case in the data, which is what we put forward.

Mr S.K. L'ESTRANGE: Do you have data for specific tourist regions throughout WA?

Mr Newnham: REIWA has the data, and we can share that with you on notice.

Mr Y. MUBARAKAI: Chris, thanks for being here. In your submission you mention short-term accommodation being the support of industry, for the reasons you provided in your introduction. You state that regulation is warranted only when it addresses a market failure and when the benefits exceed the cost. I want to touch on that with the scenario I am going to play out. If in the future there is another online platform that introduces a service where one's premises could be used as a commercial kitchen or one's garage as spare premises could be used as a mechanical service to the neighbourhood, again mirroring what is going on with the short-stay rental accommodation, I would like to hear your views on whether this is a level playing field in the current market for what the future trends could be. Today we have the primary residence being used with a spare bedroom on the online platforms for short-term accommodation, but in the future if there are other online platforms that provide other services for a primary or residential property, to use the kitchen or garage for other purposes, how would you view that future trend with the current trend that we are supportive of?

Mr Newnham: The circumstances of that question are quite different from what we are dealing with. We would be happy to address that in a future parliamentary inquiry into leasing out your kitchen. The reality is that those circumstances probably will come to pass in the future. I think I have seen a start-up that is doing exactly that in terms of kitchens, but again, we would need to

take the same approach we have, which is engage our members and weigh up the balance between additional regulation and benefit and costs to the community.

Mr S.J. PRICE: Your submission under the households section on page 10 states that a typical Airbnb host in WA earns \$7,600 a year from homesharing services. Footnote 11 for that refers to “Airbnb internal data”. I am curious where you have got that figure from?

Mr Newnham: It would be from Airbnb, which I assume would be publicly provided data. We can take that on notice and come back to you on that.

Mr S.J. PRICE: It has been said to me that you could possibly have a conflict of interest here today through a commercial relationship with Airbnb to advocate on its behalf the benefits of its platform. Is that correct? Do you have a commercial arrangement with Airbnb to advocate on its behalf? If so, how much is it paying you?

Mr Rodwell: We take exception to that. There is no commercial relationship between ourselves and Airbnb and I think we have fully stated how we operate as an organisation.

Mr Newnham: They are one of our 7,500 members, and that is the only relationship we have with them.

The CHAIR: You have said in your opening statement that the Chamber supports a light-handed approach to regulation. What then are the key features that you would suggest we incorporate in the regulation? A lot of people have talked to us about registration and I have tried to tease this out with a number of different witnesses. What do you actually want the State Government to do, and what is appropriate to be left to local government authorities? If we are asking for registration, what are we asking as part of that registration process? Do you have a view on what light-touch regulation actually looks like?

Mr Rodwell: Our view, as we mentioned in the opening statement, was that we need to be cognisant of what is happening in other jurisdictions across the nation and that if we were to look at models, then we would look at South Australia and Tasmania for those models.

The CHAIR: Do you have a preference for either or an observation on—obviously, it is very early days—which one we should have a particular mind to?

Mr Rodwell: I think either. There are parts of them that are appropriate. I would say we also would be content to accept that there would be some kind of code of conduct. For instance, in other states such as Victoria and New South Wales, they have a two or a three strikes policy in terms of the conduct of guests at those residences.

Mr Newnham: I think the overarching principle should be that it should be as easy as is practical for those that want to put their property on Airbnb or a similar platform as possible. That is because it creates additional supply in the housing market, which is additional competition, and it evolves and makes us more competitive as a tourism market overall. Whichever framework you are considering, I think it is important to ask the question: is there any reason why WA should have a more onerous regulatory environment to every other state in the country? Unless you have heard of something that is unique to WA and that you think that you can justify an additional regulatory burden to the other states, or if you believe that every other Australian state has gone through this process and got it wrong, they would be the only two circumstances where I think a different regulation would be provided. From what we have seen and heard, I would suggest that neither of those are the case.

The CHAIR: Thank you very much. I will proceed to close today’s hearing. 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 via 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 very much.

Hearing concluded at 10.40 am
