

Economics and Industry Standing Committee

Enquiry into Short-Stay Accommodation

Submission by Keith Melville. Managing Director of Select Stays

Name: Keith Melville

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Position: Managing Director, Select Stays

1 INTRODUCTION

My name is Keith Melville. I have been involved with the short stay accommodation industry in Western Australia for 18 years, as an owner operator of 19 properties in both Perth and regional WA and also through my business, Select Stays. Select Stays still has more than 150 properties listed, although Airbnb's have subsumed the market at the expense of local companies such as Select Stays and even national companies such as Home Away (formerly Stayz).

Throughout this time I have been a user of the services of a number of on line booking platforms such as:

- Stayz (now Home Away)
- Airb'n'b
- Trip Advisor
- Booking.com, and of course Select Stays.

I am arguably the most experienced and knowledgeable person in Perth in the short stay industry. This claim, which I do not make lightly, emanates from association and activity with the sector, the significant activities being:

- Owner operator of both apartments and houses across many suburbs in Perth
- Owner operator of apartments in regional Western Australia, notably Kalbarri
- Personally processed thousands of bookings
- Personally managed the service delivery of thousands of bookings
- Intimate knowledge of how all on line booking sites operate
- Author of a detailed and extensive operating manual and toolkit for the management of short stay properties, including operator code of conduct, cleaning standards and processes, pre guest arrival Quality Check, guest interaction processes, model Occupancy Agreement, compendium templates, property profiles, to name only a few attributes
- Formation of a registered industry body, iHosts, to represent short stay operators
- Attempt to progress the formalisation of the industry via iHosts, including accreditation (working with Tourism Council), regulation and a baseline set of operating standards
- Experience with many local councils as well as strata bodies
- Representation on behalf of 32 owner operators to the City of Joondalup (mayor, councillors and Council meetings)

Short stay accommodation has been my passion for this entire time.

I will address each of the 4 terms of reference in a summary manner, and attempt to make the points which I believe are the most significant. It is my hope that the Committee will recognise the wealth of information I possess and will offer me the opportunity to appear personally before the Committee.

2 FORMS AND REGULATORY STATUS

There is a fundamental truth which needs to be accepted by anyone dealing with short stay:

There will always be a demand for short stay

This is the truth which should guide the formation of the governance frameworks. Not the "how can we stop this?" approach I have witnessed in some local councils, notably City of Joondalup.

There is no consistency across the local councils, whose approaches range from a well regulated model in Fremantle to draconian prohibition in City of Joondalup. I believe the negative positions taken by many Councils stem from a fundamental lack of understanding of the industry and an inclination to

adopt existing models thereby perpetuating the unsound base and a knee jerk reaction to shut it down. Over my many years of interaction with Councils, the negative arguments raised by Councils have been:

- It is not residential usage. This is a claim mythically derived from a legal opinion which to my knowledge has never been tested. Moreover, there is not a lay person anywhere who would agree that such usage is not residential.
- It affects the amenity of the area. No-one in any Council has ever been able to explain exactly what this means; it has become a phrase to hide behind without any qualitative nor quantitative basis. I have explored the many alleged concerns which Councils have and found none to be either true nor able to be supported by any statistical fact:
 - Car parking
 - Noise
 - Rubbish
 - Parties
 - Neighbourhood safety

I have challenged Councils to produce statistical evidence to support such concerns and the fact is that they do not have any, nor do they have the resources to collect them! Without being trite, aren't these the same issues as confront the Council in their administration of both owner/occupier and residential tenancy Act tenants? Why are these issues the province of short stay properties alone? But, unlike both the owner/occupier and residential tenancy Act tenant, the industry is less likely to experience these issues AND is able to quickly and effectively move to resolve the issue.

One can reasonably ask how does short stay accommodation stack up against owner occupiers and Residential Tenancy Act occupants in terms of impact on residential amenity?

In my view, **far better** for the following compelling reasons:

- The profile of persons generally who avail themselves of short stay are 30 – 60, middle class, good income families. There are no such controls over either owner occupiers or Residential Tenancy Act occupants
- There are explicit controls over the number of occupants
- There are explicit controls over the number of vehicles
- There are explicit enforceable controls over the behaviour of guests
- There is a fundamental commitment to having the property be best presented at the street face as possible

These are all areas which local Councils struggle to enforce in both situations of owner occupiers and Residential Tenancy Act occupants.

In summary, I challenge that there is any statistical evidence to suggest there are issues with the use of premises as short stay in comparison with premises occupied by owners or tenants.

Councils have the existing powers to manage all issues.

There can be claims of "I don't know my neighbour and I don't feel safe". It is a fact of our modern day society that the notion of the "neighbourhood" has changed forever. It is the exception nowadays that people know their neighbours and is a product of our busy lives, computer games, the Internet social networking, home entertainment, longer working hours etc. Why is it the social responsibility of the short stay industry alone to be responsible for this?

Council attitudes should also be formed within the context of the attitudes of the State Government which is:

The State Government formally recognises the industry, testament to which are the following:

- The State Government enacted changes to the Real Estate Act in 2006 explicitly driven by the need to legalise short stay accommodation providers; up to this point it was illegal for anyone other than a qualified Real Estate Agent to accept monies for a tenancy.
- The State Planning Commission has published Planning Bulletin No. 99 Holiday Homes Guidelines (September 2009). The bulletin states:

It is recommended that holiday homes be introduced as a use class in the zoning table of local planning schemes, and be made a D or an SA use (discretionary or discretionary subject to advertising). Initial approval should be granted for a limited period of one year, and renewed on a three year to five year period subject to compliance as determined by a local government, to ensure that there is minimal impact on the amenity of neighbouring properties. This is designed to provide a degree of certainty to operators, while also enabling the local government flexibility to terminate approvals of non compliant operators. Existing holiday homes (where it can be demonstrated that there is a history of operation with minimal or no conflicts) should be considered for the identified longer approval subject to the requirements of the relevant local government.

It also recognises a potential “conflict between holiday homes and ordinary dwellings, particularly in residential zones, and suggests that ideally they should be located in preferred areas identified either through the tourism component of the relevant local planning strategy, or in a local planning policy.”

- The Tourism Council supports the WA Planning Commission Planning Bulletin 99 - Holiday Homes Guidelines and its position is that Holiday Homes need to be licensed, or receive approval for operation, through their Local Government Authority. They have also published “Holiday Rental Best Practice Standards” for the operation of short stay properties.

It is my vision to have an appropriate governance framework to enable Councils to be confident that short stay premises are being well run in compliance with established standards and to fend off NIMBY complaints with a sound governance framework, solid business logic and fact. It was this vision that led me to form iHosts (Independent **H**osts and **O**perators of Short **S**tays) in 2011, a formally registered incorporate association whose objects were:

1. Be the industry body to represent and support short stay accommodation providers
2. Promote the short stay accommodation industry
3. Work with state and local government authorities, agencies and organisations to develop appropriate governance standards to ensure a well-managed and operated industry.

It was under the iHosts banner that I represented 32 operators in their opposition to the City of Joondalup’s attitude towards short stay. Following that exercise I sought to consolidate membership of iHosts and was shocked that not a single person took membership. It was at this time I came to realise that most operators were “hobby” operators and took the view that if they kept their heads down their operations would go unnoticed.

This realisation only strengthened my conviction that the industry had to be formalised and regulated. As a person deeply involved in the industry it is my strong view that:

- The industry should be regulated
- There should be an accreditation standard (I was planning to customise an existing Tourism Council accreditation standard)
- Local Councils should be engaged in licensing short stay premises

Whilst I have found the number of errant operators to be very small, formalisation of the industry would weed them out, as well as the hobbyists whose commitment to industry standards and ethics would be challenged.

3 THE CHANGING MARKET AND SOCIAL DYNAMICS IN THE SHORT-STAY ACCOMMODATION SECTOR

There is no doubt that the popularity of Airb'n'b, which term has permeated into every day speech including in film. Air b'n'b has altered the dynamics of the short stay industry. Prior to that time there were approximately 9070 short stays throughout Perth, almost all of which were entire houses or apartments rented as entire premises.

The situation has become a lot more complex now as Airb'n'b, which until that time mainly catered for room rental, but a majority of operators of short stay properties now list them on Airb'n'b.

The other significant change to the social dynamic is the almost fanatical adoption by Australian society of social media, specifically through smart phones. All of the major short stay accommodation companies have phone apps; the saturation advertising by Trip Adviser, Trivago and Booking.com (although not targeting short stay it is accommodation based) are testament to the popularity of this means of communication.

There has been another significant change I have observed over my 18 years, which again I would attribute to the advent of social media. During the earlier years, guests generally made booking months in advance, however over the recent 5 years or so, this has dramatically changed, and synonymous with the "I want it and I want it now" psyche of current society, most all bookings are last minute, commonly next day!

It is a mistake to group all forms of short stay into the one bucket and attempt to apply a one size fits all approach.

Short Stay Properties offering the entire property

There is a myth which needs to be dispelled;

Contrary to what many people expect, the minority of the frequenters of short stay properties "tourists" / holiday makers.

The vast majority of short stay clientele are family groups doing a reconnoitre prior to migration, newly arrived migrants, family occasions (weddings, funerals, reunions, graduation ceremonies), medical treatment, corporate relocation, work assignment (doctors, nurses, police academy attendees, lecturers), interstate work teams (e.g shop fitters, telecoms etc.), relocation agents, migration agents, corporate clients).

Short stay (complete properties) do NOT encroach on the traditional territory of hotels, bed and breakfasts and motels.

B'n'B and hotels and motels are satisfactory for a few days and for stays of this duration the main focus is the reason for their trip, not lifestyle. Invariably guests want more independence, more space and their ability to cook their own meals as they stay longer – it is a drive within the human psyche to carve out you own niche and have your own "space", and create your home away from home. Short stay accommodation perfectly meets this requirement. Guests do not want to be herded into an artificial tourist precinct but want to experience life in the suburbs - the true Australian way. Additionally they need to reside in residential areas which are in the catchment area for the school to which they plan to send their children. My target market is for stays greater than 7 nights, and I believe this is a reasonable minimum period of stay to set for short stays.

Room Rental Clientele

I do not operate in the room rental space and so I cannot support my assertions with hands on experience however my views are as follows.

I believe that room rental operations need to be treated differently from complete properties, a significant reason being that room rentals have encroached onto the market of hotels, bed and breakfasts and motels, particularly in regional tourist locations. The availability of rooms via on line booking systems has opened the market to a more tourist centric market.

Such operations are more akin to the lodging and bed and breakfast models that Councils already operate.

This does not however justify a need to shut down short stay operators; it merely means that the approach in these areas needs to be more customised.

In summary, **it is a mistake to group both forms of short stay into one bucket.**

4 ISSUES IN THE SHORT-STAY ACCOMMODATION SECTOR, PARTICULARLY ASSOCIATED WITH EMERGING BUSINESS MODELS UTILISING ONLINE BOOKING PLATFORMS.

I struggle with this term of reference as I fail to see the relationship between alleged issues in the short stay industry and on line booking platforms. All such issues can be addressed with appropriate regulation, licencing and accreditation. The only tenuous relationship which could attempt to be argued would be that the increasing popularity of on line booking has led to more issues by virtue of frequency!, but I dismiss this.

For my part, as director of Select Stays, my company provides to all its members a detailed, robust and pragmatic Occupancy Agreement in which all conditions of occupancy are spelled out, including those related to properties within strata entities. I upload these to other sites such as Airb'n'b as conditions which apply to my properties.

5 CONCLUSIONS

Firstly I am fully aware that my comments in this document do not address room rental operations nor the context of regional locations. It is not that these are not important industry sectors but they are different to the domain in which I have extensive experience and must be dealt with in their own right.

For example, in the regional locations:

1. The clientele are predominantly tourists, unlike the Perth market
2. The short stay premises do compete with the Hotel , motel and Bed and breakfast market

Notwithstanding I believe these may be fully addressed in a strategic and holistic approach.

I would also urge the Committee to stay true to its terms of reference and the big picture – I have heard many an incorrect reference in public discussion to the Committee's task as being an investigation into Airb'n'b; this further illustrates the extraordinary marketing success and profile of the company!

To reiterate some of my earlier comments:

- There will always be a demand for short stay.
- It is a mistake to group all forms of short stay into one bucket.
- Contrary to what many people expect, the minority of guests of short stay properties are "tourists" / holiday makers.
- The perception of behavioural and amenity issues are grossly exaggerated and not substantiated by statistical fact
- Because of a lack of a uniform approach and standards, coupled with the inexperience of many operators, there can be instances of a lack of diligence and a degree of naivety in the operation of premises

- Short stay (complete properties) do NOT encroach on the traditional territory of hotels, bed and breakfasts and motels.
- The short stay industry provides substantial economic benefit to WA. There are unfortunately few accurate figures available. In the instance of my submissions to the City of Joondalup I used WA tourism industry statistics as a basis of . According to those figures the average “tourist” spends \$78 per day (source: WA Tourism “International visitor Review 2005”) leading to a very conservative estimate across the 100 short stay properties in Joondalup of expenditure to be greater than \$5 million per annum in Joondalup.

The short stay industry is a complex, multi faceted industry and not easily dealt with. A strategic approach and integrated multi faceted model is required which addresses all models of short stay provisioning and within the character of each geographic location.

Claims of insisting on “a level playing field” from the AHA should be resisted. Whilst I have already declared my position on regulation, the AHA have a record of aggressive objections to almost anything that may impact their monopoly even in the smallest way. Regulation needs to be introduced, but it needs to be pragmatic and practical, and not to the point of creating a bureaucratic monster.

There are a number of guiding principles I would advance to assist the formulation of a legal and supported framework to support short stay accommodation:

1. Short Stay accommodation is acknowledged as a significant accommodation provider in Western Australia which needs to be supported
2. Short stay accommodation delivers substantial economic benefit to the WA economy
3. There are many types of accommodation delivery models within the short stay sector and these need to be individually addressed
4. The operational framework for short stay accommodation depends on the location and the different frameworks need to be individually addressed
5. A one size fits all approach is not appropriate nor workable
6. Regulation, licensing and accreditation form the three underpinning foundations for a well managed and operated short stay industry sector
7. Local municipalities are best placed to administer models for short stay within their municipality
8. There are existing accreditation and licensing models which can provide strong starting points for the development of equivalent models for short stay, but it must be remembered that you cannot fit a round peg in a square hole i.e. do not try to force short stay into the existing models
9. Guest safety and amenity is paramount
10. The amenity of the neighbourhood cannot be adversely affected

Thank you for the opportunity to contribute to the considerations of the Committee. As I said in my opening remarks it is my hope that the Committee will recognise the wealth of information I possess and will offer me the opportunity to appear personally before you.