
The Honourable Members of the Economic & Industry Standing Committee

Dear Committee Members

We are a 3.5 Star rated Motel with six rooms in Margaret River run by myself and my wife. We employ three part-time employees, and several casual relief management staff.

The business has been operating for over 30 years and we have run the business for the past seven years. When we purchased the Motel in 2012, it was rated 14 out of 20 on Trip Advisor, had an average occupancy of 75%, and an average room rate of approximately \$114 per night. The property was quite run down and we saw an opportunity to invest in the business, work hard and reap the rewards.

Subsequently, after spending in the region of \$300,000 on the property, all spent with local suppliers and trades people, the occupancy increased to 92%, room rates increased to \$140 per night, and our rating on Trip Advisor jumped to number three in the region. We have continuously achieved a rating with Booking.com of over 9.2 and have topped the Star Ratings Gold list on a number of occasions. We have won a Certificate of Excellence from Booking.com every year since 2013. We were awarded "Travellers Choice" awards by Trip Advisor in 2013 and 2014, won "Trivago Top Hotel" in 2015 and was voted "Best Value Motel in WA" by Lonely Planet.

We mention these details to point out that, contrary to the claim by AirBnB that traditional accommodation providers are "old School" and are no longer relevant, we are still maintaining the appreciation of our guests and providing first class service to tourists and travellers. Contrary to claims by AirBnb that we do not supply an "inclusive local experience", we spend approximately 30 minutes with each guest explaining the many attractions and features of our region and we are constantly praised in our guest reviews for outstanding customer service. In fact, guests often say "you should work at the Visitor Centre, they never told us half the things you have."

Despite this record, and our continued best efforts, we find ourselves in the worrying situation that our occupancy and daily rate are continuously declining. The past two years have shown a decline in occupancy of approx. 17% and a decline in turnover approaching 20%, over the previous five years.

It has been reported that tourism numbers are down in WA by around 10%, and that visitors are spending less also, so some of the above decline in numbers would be explained by this fact.

Tourism numbers are increasing in every other State, so this decline in WA should be of great concern to the State Government. However, this is a secondary issue not relevant to the Committee.

Therefore, if we as a business are reinvesting in the property, still providing an acceptable standard of service, and the region is still attractive to travellers, why is our business in decline?

We believe that the answer lies in the huge growth of short-term holiday homes in the region. The number of AirBnb listings in the region has almost tripled in the past two years, and 88% of these listings are entire homes. These homes can accommodate up to 15 guests, so they are hosting huge numbers of guest-nights.

AirBnb are quick to claim that this demonstrates that travellers are embracing “new technology” (there is nothing new about AirBnbs’ platform compared to other platforms other than the range of products available) and that travellers are creating the demand.

This of course is correct, travellers are driving this change. Whilst some of the demand is explained by larger groups of travellers wishing to share a home together, our feedback from many enquiries is that price is the defining factor in choosing the entire holiday home model.

The Shire of Augusta Margaret River have agreed that many of these listings are unlicensed and have begun steps to employ a Compliance Officer whose sole purpose is to find unlicensed operators and either shut them down or force them to become registered. The Shire would not take this step unless they recognised the extend of the problem.

The obvious question that arises from the popularity of entire holiday home is, how can the unregistered operator provide a cheaper option than mainstream accommodation providers?

The answers are:

- 1) A person running a registered business must collect and pay GST on every cent received. Unregistered operators may not in all probability do the same, instantly creating either a 10% price gap or a corresponding increase in profit. Whilst GST arrangements do not fall within the scope of The Committee, forcing all accommodation providers to be registered will provide an easy way for the ATO to monitor the financial activities of all businesses and thus provide a more level playing field.
- 2) A registered business must pay commercial rates. Our rates have increased by over 40% in the past five years, as against an average of 3% for domestic rate payers. Those operators not registered have not only a big cost saving but are unfairly denying the Shire their due rates. This impacts on all aspects of the community. Landgate assess our GRV based on our profitability, so the harder we work, the more rates we pay. All operators should incur the same level of rates.
- 3) Registered operators are subject to land tax.
- 4) Registered operators employing local staff are bound to pay workers compensation or face hefty fines. Unregistered operators do not have this cost.
- 5) Registered operators pay Capital Gains Tax (if and) when they sell their business, unlike unregistered operators who can get arounds this impost easily.

- 6) Registered operators pay commercial rates for water and electricity, unlike unregistered operators.
- 7) Registered operators have substantial public liability insurance premiums. It is not known whether unregistered businesses are paying this cost.
- 8) If someone decided to open a new Hotel/Motel/Guesthouse in the region, they would be subject to a whole raft of scrutiny, including the suitability of the proposed development in relation to its impact on the environment and surrounding occupants, the visual impact, parking, access, bush-fire risk (a serious problem in the region) liquor-licensing (it can be difficult to obtain a liquor license, however an unregistered operator will allow unlimited consumption of alcohol on their premises, leading to anti-social behaviour) whereas an unregistered operator can just go ahead and do as he/she wishes.
- 9) The Shire insists that we live on-site so that we can monitor and supervise our guests 24/7. Unregistered operators can do as they like and do not provide adequate supervision of guests leading to the advent of "party houses" that are a blight on the community.
- 10) All our income is subject to scrutiny from the ATO. Unregistered operators may be able to hide their income and deprive the general community of tax collections. Indeed, the ATO has already announced an investigation into 190,000 operators who may or may not be declaring their incomes, so the ATO must believe that there is a problem in this area. Forcing all operators to be registered would assist the ATO to monitor these businesses and provide a more level playing field for everyone in the industry.

Our submission to the Committee based on the above is as follows:

- 1) All accommodation providers must be registered and pay a substantial fee for registration.
- 2) Entire holiday homes used for short stay accommodation must be approved for registration by the local Shires, and the State Government should provide the Shire with laws and regulations that allow the Shires to do so in a more restricted and regulated environment.
- 3) Online booking platforms should not be allowed to offer the services of non-registered businesses
- 4) Un-hosted entire homes or apartments should be unable to offer less than a three day stay period
- 5) Penalties for non-registration or non-compliance should be sufficient to deter non-registration.

Summary

AirBnb have labelled attempts by registered accommodation providers to introduce new regulations to the industry as being instigated "by the big end of town", meaning of course larger, more profitable businesses only interested in protecting the status quo. In Margaret River, the majority of accommodation is provided by small, family run businesses employing often two or less people.

Not all travellers want to stay in an entire home, nor share a bedroom in a strangers house, so there will always be a market for traditional Motel/Hotel/Guesthouse operations. The big question is whether any of these will be operating in five years time, and if not what impact will that have on the tourism industry?

I had a telephone conversation with the Honourable Libby Mettam last year which to me sums up the whole situation.

Ms Mettam referred to the boom in tourism in Tasmania and ask whether it was because of the massive increase in popularity of their AirBnb listings, not traditional Hotels/Motels?

I answered that perhaps travellers had little choice, as why would anyone invest millions in a traditional accommodation business when anyone with a room or holiday home or investment property could compete unfairly? In other words, the unfair, unfettered allowance of unregistered businesses had effectively killed off the mainstream operator. The long term effect of this is yet to be seen.

We thank you for consideration of this submission.

Yours sincerely