

Dr David Worth
Principal Research Officer
Economics and Industry Standing Committee – Legislative Assembly
Parliament House
Level 1, 11 Harvest Terrace
WEST PERTH WA 6005

By email: laeisc@parliament.wa.gov.au

Dear Dr Worth;

Please find below a submission into Short stay Accommodation inquiry.

I am the operator of a 4 star resort consisting of self-contained resort accommodation. I have been operating the business for 15 years and in that time seen many different changes in the industry. We employed up to 12 FTE staff several years ago during the peak season but that is now down to about 7 FTE as the industry is in a sustained downturn for several reasons.

We are an active participant with local industry and have a business phone list consisting of some 33 different local business that we use for the provision of services and / or goods in the town. We source around 95% of our routine operational goods through these local businesses ranging from simple hospitality supplies to Wifi parts and servicing. It is estimated that we plough back into the economy approximately \$373,000 in wages, and \$260,000 in the procurement of services and goods.

We have noticed in the last several years a decline in the occupancy of our family units (2 and 3 bedroom apartments). A recent survey of listings on Airbnb indicated over 200 properties listed for Broome, with many whole house listings. That is in town a where there are only 1700 commercially registered accommodation rooms. This level of Airbnb listings is more than 10 % of the existing stock. We have noticed a significant reduction in rental of the family units as listings on Airbnb increased, with a drop in family tourists of up to 45%.

We have been directly on the receiving end of the opportunistic attitude of Airbnb operators and their casual and non-committal approach to the tourism industry. They come in and out of the industry at a whim, taking cream off the operators who are committed to staying open for 12 months of the year. These same Airbnb and unregulated operators also contribute nothing to the tourism marketing of Broome as they do not pay the tourism levies, charge by the Shire through their rates system, that normal accommodation businesses have to pay.

1. Last year we were asked to provide accommodation to 10 guests for 5 bookings as the guests no longer had accommodation available to them.

The owner of an Airbnb property, who had taken their bookings through Airbnb, had decided to sell the house. The bookings had been taken some 8 months earlier and only 2 months before the guests were to arrive, they were told that they no longer had accommodation available for them as the owner had decided to sell the house. This is bad for the image of Broome and these are the issues that are often commented on in online review sites.

2. There was a major project on an infrastructure upgrade where around 20-30 personnel needed self contained accommodation for 6-8 weeks. We found out from one of the employees that we were unsuccessful in the bid for accommodation for the employees as the company had found entire houses on Airbnb for the 6-8 weeks, in residential areas. Renting of whole houses is in contravention of Shire of Broome policies and regulations and needs to be enforced.
3. An acquaintance was telling that he rented out a granny flat on Airbnb and was going to close at the end of October as the season slowed down. However he managed to procure a 6 week booking and decided to stay open for those 6 weeks. The guest made the choice based on the fact that the house had a pool and he could swim in the warmer weather. The pool in the house has never been inspected for compliance with swimming pool regulations by the Shire of Broome, nor is the property registered as a Bed and Breakfast as per shire planning requirements (see Reference A Shire Planning Information Sheet – Starting a bed and breakfast and residential buildings).

We incur significant compliance costs in many areas, that Airbnb operators do not, including:

- Levying of higher shire rates on tourism properties with the extra funding going to the marketing of Broome:
- We pay higher water rates, tip fees, and electricity rates as Habitat is deemed to be a commercial property:
- Pool monitoring to comply with state legislation costs \$11,200 per year, including twice daily monitoring, monthly sampling and fencing and other compliance costs, as well as obligations to have trained personnel available, documented procedures, signage and other control and safety measures,
- Much of the cleaning services in Airbnb properties is done by cash in hand practices and none of this is declared to the tax office and the hourly rates paid are much lower than legal rates.
- Specifically our property spends over \$62,000 per year in marketing expenses to do destination marketing and marketing of our property. When potential guests decide to come to Broome based on this marketing, there is the inevitable leakage of bookings as the Airbnb properties can offer lower rates as they have no compliance costs and do not incur commercial levies.

The rental prices for whole houses on Airbnb has had a significant impact on the prices for our 3 bedroom bungalows. Our rates, except for a brief window in July and August, are often close to or similar to when we first took over the business 15 years ago! This is directly attributed to the price pressure from Airbnb listings and we have had potential guests call us back and asked us to price match Airbnb listings. We often lost those guests as we can not compete on price alone. This would happen at least 6-7 times per year, with many other guests not even contacting us to price match.

However given that we have higher costs bases for utilities, shire rates, staff wages, compliance and marketing costs there is no level playing field. Currently the local shire has the power to enforce conditions to ensure compliance with Shire policies but they choose not to, citing lack of resources. This is a cop out. Some ten years ago there was over 60 properties registered in the shire as a bed and breakfast and the shire managed the process then. Now there is less than half a dozen registered bed and breakfast properties.

In refence to term 3 of the terms of refence, short stay business are also subject to the dualopolistic effects of the Expedia and Booking.com platforms that abuse market powers to apply anti-competitive clauses in our contracts and market abusive strategies of providing priority listings on a commercial basis but not advising the consumer of this strategy. These companies, including Airbnb, are opaque overseas listed companies that in many cases selectively apply local laws and

Note that the phrases 'sharing economy' and 'disruptive technologies' are just marketing phrases coined by the likes of Airbnb and others. This is not a new paradigm. It merely a marketing phrase coined by multinational tech companies. Their modus operandi is to avoid regulatory requirements and also taxation requirements by using technology platforms to provide mass circumvention of these requirements and produce a diffuse problem that is very difficult for authorities to counter. Similar services have existed for decades but just not had the clout and distribution that current technology has eg local bulletin boards.

What we want is a fair and level playing field where all business operate under consistently and equally applied rules and regulations, for the benefit of individuals and the community alike. There are already mechanisms that are in place that would allow this to happen.

What needs to be done.

Reference A clearly and concisely states what is allowed and that properties that rent out rooms should be registered as a Bed and Breakfast. This is a definitive document.

- The Shire of Broome should be forced to ensure compliance with its own policies and regulations. This is in the interests of ensuring that rate payers' interests are protected from any litigation if the shire is found to be negligent

in ensuring compliance. The shire should also be forced to ensure compliance in areas where there is state legislation in relation to pool compliance. This will all come to ahead when someone is seriously hurt.

- All short term rental properties should be registered as per council bylaws and regulations and pay the appropriate fees. Fees should be designed to ensure cost recovery which would ensure the availability of resources. Existing properties such as Habitat already have to pay pool monitoring fees based on the cost recovery model so there is plenty of precedent.
- Reference A clearly states Holiday Houses are not allowed. This must be enforced or rewrite the Town Planning Scheme.
- Short stay properties should have clearly defined compliance requirements that have to be submitted or reviewed by shire staff annually;
- Permits should be issues by the shire for the letting of compliant properties, the permit number should be displayed on the listing platform and it should be illegal for companies like Airbnb to list properties that do not provide a compliance listing number. This number should be clearly shown on the exterior of the property.
- Part of the application process should allow for input from neighbouring properties to ensure that issues such as parking, amenity and peaceful enjoyment of the neighborhood are addressed.
- If the shire does not adhere to these basic requirements, it should not be entitled to promote itself as a 'Small Business Friendly' shire as per the program guidelines.

END OF SUBMISSION

Please do not hesitate to contact me if you have any questions or require clarification.

Yours faithfully,

Michael Leake
25 January 2019

Secretary/Treasurer - Broome Tourism Leadership Group Inc.
Manager - Habitat Resort Broome

References

A: Shire of Broome: Planning Information Sheet – Starting a bed and breakfast and residential buildings

<http://www.broome.wa.gov.au/files/3525da88-8dc5-472f-b3b6-406ef8de2c22/Bed-and-Breakfast-Information-Sheet.pdf>



WHAT IS A BED AND BREAKFAST?

A **Bed and Breakfast** is where a dwelling with a permanent resident is used to provide short stay accommodation for paying guests. Breakfast may be provided to the guests as part of the Bed and Breakfast.

Short stay accommodation is defined as providing accommodation for a term less than three months in any twelve month period.

HOW MANY GUESTS CAN BE ACCOMMODATED AT A BED AND BREAKFAST?

Up to two rooms within a house can be used to accommodate not more than four adults or one family at any one time.

WHAT IF I WANT TO ACCOMMODATE MORE THAN FOUR GUESTS?

If you are intending to accommodate more than four guests or one family, the land use becomes a 'Residential Building'.

Different development standards apply to a Residential Building, for example additional parking bays are required, a management plan must be prepared, etc.

WHAT IF I DON'T HAVE A PERMENENT RESIDENT AT MY HOUSE BUT STILL WANT TO PROVIDE SHORT STAY ACCOMMODATION?

If you intend to rent out your house for short stay accommodation without a permanent resident, the land use becomes 'Holiday Home'.

Holiday Homes are not permitted to be undertaken from any Residential zoned property in the Shire of Broome. If you want more information on Holiday Homes, please contact Planning Services on (08) 9191 3456.

DO I NEED DEVELOPMENT APPROVAL?

Yes, Development Approval is required if you want to operate a Bed and Breakfast or Residential Building.

The information in this fact sheet applies to operating a Bed and Breakfast or Residential Building from a Residential zoned property. For information on the requirements for this type of development in any other zone, please contact Planning Services on (08) 9191 3456.

The Shire is not able to give approval for a Holiday Home to be operated from a residential property. The only way this could proceed is through an amendment to the Planning Scheme. For more information on what would be required in these circumstances please contact Planning Services on (08) 9191 3456.

HOW TO MAKE AN APPLICATION FOR DEVELOPMENT APPROVAL

Your application for Development Approval for a **Bed and Breakfast** must include the following:

- A completed Shire of Broome Application for Planning Approval Form: (<http://www.broome.wa.gov.au/Building-Development/Planning/Planning-Forms-Fees>) signed by the landowners of the property.
- Payment of the application fee, which is \$295 if no building works are proposed.
- A Site Plan (to a scale of 1:200) of the property showing sufficient car parking bays (minimum size 2.7m x 5.5m) as follows:
 - one bay for each guest room, located on the property and not within the verge or in the property's garage/carport; and
 - two bays for the occupants of the dwelling, located on the property (can be within the garage/carport) but not within the verge.