

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO SHORT-STAY ACCOMMODATION



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

SESSION THREE

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 10.41 am

Mrs PENELOPE ROBINS

Neighbour to a short stay, examined:

Mr EMILIANO BARZOTTO

Managing Partner, Anchorage Guest House, examined:

Mr BRIAN SPITTELER

Proprietor, All About Margaret River Pty Ltd, examined:

Mrs SAMANTHA REECE

Advocate, WA Apartment Advocacy, examined:

The CHAIR: On behalf of the committee, I would like to thank you all for providing depositions for the committee's inquiry into short-stay accommodation. My name is Jessica Shaw and I am Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee. To my right is Yaz Mubarakai, member for Jandakot. To my left is Deputy Chair Sean L'Estrange, member for Churchlands, and Stephen Price, member for Forrestfield. The other member of the committee, Terry Redman, is running 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 us in our investigations. Before we begin, it is important 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.

We ask that when it is your turn to speak, you approach the table, introduce yourself and state the capacity in which you appear, and then make your statement. We will have three to five minutes per statement. David will give you a bit of a signal as the end of your time is approaching. With that, thank you very much, Mrs Robins.

Mrs Robins: Good morning, everyone. My name is Penny Robins. I own a 5.5-acre property next door to a short stay at the back of Bullsbrook hills. We live in a community of properties. All of them are around five acres, all with waist-high wire fencing. Our street was a quiet cul-de-sac—was. The area is zoned as vulnerable land because of its fire risk. There are lots of trees and leaf litter between all the properties.

The property next door to ours was bought three years ago by a couple who actually live in Como, an hour away. It has since been rented short stay to 12-plus people. Although the council permit limits them to eight people, most often it is overbooked. This leads to drunkenness and noisy parties. Sometimes we have drones, firecrackers. They also conduct many other events, including art, craft, cooking, fashion and fitness classes there; meetings, corporate gatherings and luncheons with guest speakers; and winery and wildlife tours on and off site—all of this without a fire management plan that I know of, to this day. This has also increased the traffic no end, with crowds and cars going up and down their steep gravel driveway, which runs up alongside ours. Their guests sometimes want to use our driveway, as it is bitumen. Our properties are divided by a gate at the top. It is a lovely family home, the place next door, with a pool. It is advertised on Airbnb, Trivago, Stayz, Expedia and the whole gamut. It is now being offered for sale as a fully operational business, to include its

website portals, still without, as far as I know—the council has no satisfactory fire management plan.

We have lost our amenity and our security, and had hoped to eventually retire amongst the birds and the kangaroos. Our hope is that with this inquiry, laws will be set to govern this neighbourhood nuisance and prevent family homes from being used as community centres. We actually had a brand-new community centre that our council built two years ago down town.

The CHAIR: I went to the opening.

Mrs Robins: You went to the opening. It is five minutes away from our place. It does not seem to get a lot of business.

The CHAIR: Thank you very much, Mrs Robins. I know what a beautiful part of the world Bullsbrook is. Thank you very much for taking the time to submit to us.

Mrs Robins: Thank you very much for hearing me.

The CHAIR: Hello.

Mr Barzotto: Good morning. Madam Chair and committee members, thank you for your time and courtesy. My name is Emiliano Barzotto. I am part-owner and managing partner of the Anchorage Guest House in Rockingham.

The Anchorage Guest House has been a registered, licensed and fully approved bed and breakfast since 1996, and was built as a B&B. It is not a converted house; it was built. It has a great reputation. We are 4.5-star rated and, up until about three years ago, business was booming. When I put in my submission, I said that business had dropped 30%; it has dropped about 50% now. In the City of Rockingham, there are over 250 unregistered, illegal B&Bs. What I propose to do this morning is to give you a snapshot of what it has been like trying to run a business like this in the City of Rockingham.

Let me say from the outset that regulation to control B&Bs and short-stay accommodation are very clear and succinct in the City of Rockingham. Under the Planning and Development Act, town planning scheme No 2, of course, you require approval. The problem is, as I have said in my submission, the growth of Airbnb in WA is simply a failure of local government. I first raised this matter with the mayor, who was my local councillor, in October 2017, and I had continuous meetings. I have to tell you, all I have been getting are *Yes Minister* replies. I can say without a shadow of a doubt that Sir Humphrey Appleby is alive and well in the City of Rockingham.

The key thing here, of course, is the safety and security of residents. I also turn to the fact that Airbnb is not an “air B&B”; it is an unhosted, short-stay accommodation provider. When I approached the City of Rockingham: “Very good, Mr Barzotto. We act right away. We are complaints driven.” So I lodged a complaint. “No, we know there are 250 illegal but you have to give us the individual addresses.” I said, “Airbnb is a secretive organisation. They will not give their information to anybody.” So, that was the end of that. There have been 18 complaints and some have been closed down and some have been registered.

Where do we go from here? As Ms McGowan said in her submission —

It is certainly a really vexed issue. It depends to a degree—if you talk about local government, for instance, that will depend in a large part on the sophistication and capacity of a local government. Enforcement, no matter what we do, will always be an issue, and has been an issue in many cases.

You know, the rules are there. You need someone to enforce them. If you have recalcitrant local governments, what are you going to do? It is all too hard.

Let me now turn to what we could do. Members of the committee, do not underestimate what you are here to do. Short-stay accommodation is but the tip of the iceberg. We have seen taxidriviers go down the gurgler. Now, we invested just shy of \$2 million. We have seen that business go from shy of \$2 million to house value in a declining market. So, what are you here to do? You are here to set out exactly what sort of government, what sort of society we want. Ask yourself: what is the role of government? The role of government is to preserve order and stability, especially in the business community, and you have seen it go out the window because no-one wants to enforce the law.

Are we going to have a level playing field, where everybody is treated the same and everybody is, as I said, on a level playing field, or are we going to have a society, particularly a business community—you have just had the chamber here—where the next corporate thug comes in and takes over? For example, what about air restaurant? Airbnb will tell you it is your house and you can do what you want. Well, I have a lovely dining room and kitchen, and I am Italian—boy, can I cook—so I am allowed to have friends around for dinner. Why do I not set up an air restaurant? People can pay \$100, come to my house, have a meal and it is all hunky-dory. Plus, I have a lovely al fresco area; I will set up a coffee shop.

The CHAIR: That sounds lovely!

Mr Barzotto: Yes. Then you will see business implode. As I said, of course, in my submission—I will finish—unregulated competition is a naive metaphor for anarchy, and that is where we are. Thank you for your time.

The CHAIR: Welcome.

Mr Spitteler: I am afraid I cannot speak with such passion or without notes! Thank you for this opportunity. I would like to mention a little bit of my background. It might give you an understanding of my position in things. I recently retired from the travel industry after a career spanning 50 years. I know you find that hard to believe! During that time, I founded two of Western Australia's largest travel organisations. The first was New Horizons, which reached a turnover of \$25 million and uplift of 25,000 people a year out of Perth on its packaged holidays. The second was an organisation that became Travel Tree (Australasia), and at its zenith, it turned over \$40 million. So I come with a broad-ranging financial business tourism background. As part of that, in 2001, separate from the travel business, I purchased Bussells Bushland Cottages in Margaret River.

Since then, in 2003 I added Peppermint Brook Cottages and in 2009 Margaret River Hideaway and Farmstay. We have since built a further 11 units of accommodation in the town, comprising 26 bedrooms, and we now have a total of 65 bedrooms in Margaret River within five kilometres of the town. Moving out of travel, where I operated a dynamic business, into this position of semiretirement, I operate a slightly less dynamic business, but certainly one that is growing very rapidly and will soon approach 100 bedrooms in Margaret River.

I acknowledge that it has become harder in the last two to three years following the entry of Airbnb particularly. Stayz has been there; it is not an issue. It drags its feet and it is not a competitive challenge. I can confirm that during the last two to three years, our average yield has diminished. However, using the skills I have developed over 50 years and active in the areas I have been, we have been able to maintain our occupancy, and I think that is something that very few people in the South West could suggest they could do. However, it takes much more effort, and I am involved on a daily basis. That is part of the secret of our success.

Last year, we sought approval of a three-bedroom guesthouse within 600 metres of Margaret River township. We had to pay for a BAL fire amelioration plan, provide a professionally developed fire and emergency escape plan and pay a fee of \$350 so the shire could communicate with our

neighbours and satisfy themselves that what we were doing was appropriate within a residential area but still close to town. The shire's planners insisted that we have one off-street car bay per bedroom and that one of the bedrooms be handicap-ready. All these costs, combined with the uncertainty of the market in relation to Airbnb and the high cost of construction, caused us to walk away from the project.

Here is the rub: within the past 10 years, during which we have added 11 units of accommodation—that is actually 11 buildings—there have been few other additional accommodation properties constructed within the town of Margaret River. I doubt that there would have been another 11 units. So, people are not building and it is becoming less and less likely they will build because of the uncertainty in the marketplace. Is the market going to be dominated by holiday homes and not true accommodation facilities? We have ownership of two development sites in Margaret River and we have put both plans on hold until such time as this matter is resolved.

Most unregistered Airbnb providers have not supplied the Shire with a BAL; neither will they have one off-street car bay per bedroom or a fire and emergency exit plan. They will not have sought approval from their neighbours, they will not have a property supervisor and they will not offer handicap facilities. They will not pay GST and it is highly unlikely that they will declare their income for taxation purposes. I have seen Airbnb providers stating that if they were regulated and had to pay charges, it would not be worth their while, but they are happy to skim revenue off the top. I employ three managers, a property supervisor, a full-time assistant, a part-time handyman, a part-time graphic designer and 11 cleaners. Each year, we spend between \$1 million and \$2 million within the local community, and we also pay GST and company tax.

Finally, while I have been able to maintain our position, I have had a very recent experience in this last week where I have been offered an opportunity to take over a mid-sized property in Margaret River. They have had a 50% drop in revenue and occupancy within the last three years. So, while it has not affected me directly, I can see just how bad an impact this has had. I have no issue with owners renting rooms in houses; however, I do believe that they should observe the same rules and regulations and that online travel agents should be barred from promoting any provider who cannot show that they have been approved by the local authority. Thank you.

The CHAIR: Good morning.

Mrs Reece: I am Samantha Reece. I am the Director of WA Apartment Advocacy, so I am actually here as a community of people who choose to own and live in apartments. We started that movement in 2016, and we have now gone on a national basis. I am here today to talk about research findings that we have done. My submission detailed a research report that I had done in October 2018. That was only with 130 respondents. Since then, we have sent out research to 3,300 people who recently completed a survey with us. We had a response rate of 2,500.

The CHAIR: Wow.

Mrs Reece: What that research showed us was that in fact 37% of WA owners in apartments feel they are being impacted by short stay in some way—in a negative way. This has increased to 50% in the other states. I think it is quite clear that we have got a disruptor in the industry at the moment. We are not against disruption at all. What we actually believe, though, is that that disruption needs to provide a level of safety to people who have purchased a home with the intent to live in it, and not necessarily live in a hotel near them. The fact of the matter is our recent research in October showed that 42% of owners of properties which are being used for short stay, and 70% of neighbours, want to see the industry regulated. It is coming from the industry itself. That is because there are some bad apples in the situation which we want to see weeded out, and we believe would be appropriate.

The fact of the matter is we have got a number of states, and also other countries, making movements to regulate the industry. The reason for that is that it is a growing industry. Some of the stats, for example: there were 180,000 Airbnb listings in Australia in 2017, up 1,300% from 2013. There was an 87% increase in total listings over 2017, and homes available for rent have increased from 43,000 in 2016 to 89,000 in 2017. Host earnings in 2017 were \$978 million; over a 60% increase from 2016. That is a big industry. Of that, Airbnb nets something like \$2.6 billion, with a \$93 million profit. The question is: do we want to start seeing the people who host these short stays take some of the responsibility for how they regulate their market? That will take responsibility off the councils because there is a mismatch of councils in terms of policies. From what I can see, the LGA is not enforcing those policies on a state level or council level. It also removes the responsibility from the State Government, and I think that we should not allow industry to be self-regulating.

What we have seen in New South Wales in 2018 is that they introduced new legislation regarding short-stay accommodation. Under Australian laws, Australian corporations will have the ability to ban the use of Airbnb if the owner does not live in the rented unit—so, if it is not hosted—or if 75% of the people in the complex vote for it to be ruled out. We do have an issue where some strata bylaws say there is no Airbnb or short stay, yet it is going ahead. We have also seen similar action being taken in San Francisco in 2015, which is the home of Airbnb. What they have actually done is introduced legislation which provides a right of action in specific cases. They have also allowed for Airbnb to launch a pass-through registration system that allows hosts to apply for a short-term residential rental certificate and business registration certificate. It means they can allow the LGAs to have that information about what is happening in their LGA.

We believe there should be a short-stay portal which allows people to register their complaint. Like Uber, if there are more than three complaints made against a host, that property is removed from the platform for a period of 12 months. If it then reoffends, once it is reintroduced, it is removed entirely. We also believe that there needs to be a pass-through registration system—it is already created; we just need to basically put it into place here in WA. The mechanism is already there. What I am asking you to do is provide surety to people who own a home and want to live in it with peace and quality, and they do not expect to then be interrupted or have these issues that we are seeing with short stay, especially when we have 37% being impacted. Like I said, the other states are at 50%, which we can only expect to grow, unless we take some action.

While Airbnb and the short-stay operators will not be happy with that decision, at the end of the day, they have got the resources, financially and otherwise, to regulate that. That will provide a solution for this State and the Government, both at a State Government level and an LGA level.

The CHAIR: Thank you very much.

Mrs Reece: Thank you.

The CHAIR: Thank you all for appearing today. I will very briefly explain the process from hereon in. As a parliamentary committee and a bipartisan committee, we are not the government; we are part of what is called the legislative branch of the Government, broadly conceived. We will make recommendations and findings to the government, to Mr McGowan's team, and they will consider those recommendations and then come up with a response that will implement a series of changes of whatever shape. They will either accept what the committee recommends or they will not. The important thing to appreciate is that we really do genuinely appreciate the time that you have taken to appear before us today. This is a very novel way that this committee has chosen to try to engage with people and seek feedback. On inquiries like this, there tends to be very well resourced lobbying organisations that appear, and we do not necessarily get to hear from people who are directly

affected. We do really thank you and appreciate the time you have taken today to appear before us. Thank you very much.

I will proceed to close today's hearing. Thank you for your evidence before us today. A transcript of this hearing will be emailed to you for the correction of minor errors. Any such corrections must be made and the transcript returned within seven days from 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.

Hearing concluded at 11.05 am
