

17th January, 2019

Ms Jessica Shaw MLA, Chair Economics and Industry Standing Committee Legislative Assembly Parliament House, 4 Harvest Terrance WEST PERTH WA 6005

Dear Ms Shaw MLA,

Re: The Regulation of the Short-Stay Accommodation in Western Australia - Submission

Thankyou for the opportunity to present a submission to this enquiry. Our submission is from the perspective of a current short stay accommodation operator of long-standing reputation.

Credentials:

We own and operate a short stay (self-contained) accommodation business between Albany and Denmark on the south coast of Western Australia. We established the business 20 years ago in 1998 with one cottage and have gradually developed to now offer 6 cottages as our sole source of income. We are proud of our multi award winning reputation in both the tourism and business sectors having being inducted into the Halls of Fame in both the WA Tourism Awards and the Albany Chamber of Commerce and Industry Awards. We have been recognised by the independent Lonely Planet guide as one of the "Best Places to Stay" and a "Top Choice" for accommodation in Western Australia. We are a 4 $\frac{1}{2}$ star rated and Tourism WA accredited business. We are included on the top ten Gold List for Self-contained accommodation by the Star Ratings assessment agency based on verified guest reviews and maintain a high 9.1 review score on Booking.com.

1 Internet Impact:

When we commenced trading, the internet was in its infancy. Business success relied on traditional marketing and advertising strategies primarily through print media, brochure distribution and bookings from agencies such as Visitor Centres. We established our own website in 1999 and have adapted our business practices to cope with constant change. For many years we invested in good search engine optimisation (SEO) so our website retained first page prominence. We also invested in a booking engine to allow guests to securely book and pay directly online through our website.

The development of the Online Travel Agents (OTA's) Stayz and later Wotif were game changers. As a small business it was difficult to compete on price and also pay commission (6%-15%) without eroding profitability. After listing with Stayz for a trial period, we discovered that initially there was minimal detrimental financial impact because we were still securing strong direct bookings possibly due to a certain amount of distrust by consumers of the OTA's booking process.

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As consumer confidence grew and other major players such as Booking.com and the Expedia Group strongly established themselves, there was a noticeable impact on our business. These juggernauts could afford to dominate the top 5+ positions in search engines results for a vast range of key word searches. It was no longer viable for us to continue paying for SEO instead we opted to redirect this cost towards offsetting some of the OTA's commission charges. It was definitely a case of "you can't beat them, join them" if we were to maintain visibility online. Now more than 38% of all of our bookings are sourced through OTA's and growing. What is detrimental is the impact these OTA's have had in driving prices down. They focus on discounting as a way to increase their business believing that high occupancy rates are what operators strive to achieve. This is not a sustainable strategy in the long term and indicates that their primary focus is on their own profitability not that of operators.

Conclusion:

OTA's are here to stay and are now an important sector in securing online bookings. Operators have had to develop business models that find a price point that provides sufficient income and profit without incurring the additional costs associated with high occupancy rates. In saying that, to remain competitive in this market, our tariffs have not increased for more than 5 years but costs such as electricity, gas, linen hire, rates, insurances, staffing costs and motor vehicle operating costs have risen. Operators have had to become smarter in the way they operate by developing innovative marketing methods and value adding to ensure their direct business can offset some of the loss of profitability associated with OTA bookings.

2 The Sharing Economy:

When Airbnb established in Australia, it brought many more challenges. A substantial increase in competition, an operating cost advantage for those unregulated providers over bona-fide businesses and probably less obvious is a shift in guest expectations and behaviour.

Airbnb and similar organisations have the advantage of being able to purchase dominant positions within web search rankings and advertise heavily - a position in which we cannot afford to compete. We felt we had little option but to list our cottages on Airbnb (with the benefit of a lower commission charge than the other OTA's) to maximise our online visibility. But it is this lower commission and a casual attitude towards regulations that attracts a significant number of properties to list with them and is evidenced by the massive growth of this platform.

The Denmark Shire recently stated that a very high percentage of residential properties in the shire now have absentee owners the majority of which are believed to be used for short stay accommodation creating a serious lack of rental properties for residential tenants.

Airbnb and home holiday operators providing unregulated accommodation do so without incurring the costs of:

- a) compliance with council planning approval to operate an accommodation business including but not limited to types of allowable construction materials, numbers of parking bays, screening from visibility, amenity (noise, pollution) protection for neighbours, signage and environmental factors,
- compliance with council environmental health and safety by-laws incurring random audits requiring but not limited to the provision of fire extinguishers and fire blankets, evacuation plans, hard-wired smoke detectors, fire-fighting water supply, pest control, exhaust and ventilation systems, waste disposal, fridge and hot water temperatures, quality of finishes and fittings, hazardous chemicals handling procedures,
- c) formal business registration,
- book-keeping and accountancy to comply and pay GST and tax,

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e) obtaining and maintaining tourism accreditation requiring annual audits of procedures, health and safety measures, business planning, risk management, human resource management,

f) obtaining and maintaining an internationally recognised star rating providing guests with confidence in the standard of the accommodation on offer. This gives a marketable advantage but requires continual investment to deliver high-quality assets like fixtures and furnishings plus a rigorous maintenance schedule,

g) contributing to tourism marketing initiatives bringing visitors to the region,

h) membership of industry advocacy agencies (Tourism Council), Regional Tourism authorities, visitor centres and other industry associations,

i) maintaining full and sufficient insurance to protect guests and their belongings, staff, property and contingencies such as damage caused by guests and loss of rental income,

 j) ensuring someone is available at all times to assist guests in cases of emergency (bushfire evacuation or medical issues) or simply for maintenance needs (eg: gas supply, breakdown of equipment).

Unregulated operators can afford to be considerably more price driven than bona-fide operators yet they benefit from the contributions that regulated operators provide both financially and professionally. Their earnings are often not their sole source of income.

Quite a few of our experiences with "sharing economy" guests have been problematic. Our evidence is that guests booking through the likes of Airbnb are less likely to follow house rules such as turning up with or "smuggling" in extra non-paying guests; bringing dogs when we do not allow pets; booking more than one cottage for large groups causing disturbances for other guests and neighbours; leaving the property in a dirty state; being disrespectful of our property; arriving late after reception has closed and checking out late. We have witnessed bad behaviour, suffered physical threats of violence, have had to evict guests or refuse them entry all the whilst being held to ransom over the threat of bad reviews or publicity. Unfortunately, this behaviour has started to spread across into our mainstream business and we can see a shift in guest attitudes and expectations in "renting" accommodation.

Conclusion:

We agree that there is a need for extra short stay accommodation at certain peak times of the year when commercial operators may be close to capacity. We have stayed in Airbnb properties and the like ourselves with varying degrees of satisfaction. We believe that all operators need to be regulated to some degree to ensure:

- a) guests are provided with a safe and secure environment,
- b) guests enjoy their stay and come back again or recommend others to visit,
- c) consideration is given for bona-fide operators whose businesses provide their only or primary source of income,
- d) operators contribute fairly to tourism marketing which drives business to their door,
- e) fairness in operating costs which reflects in fairer pricing across the board,
- f) the local neighbourhood and community are respected,
- g) a professional, ethical and trustworthy business and industry that is sustainable in the long term.

Kind regards

Gaynor & David Clarke

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