

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO SHORT-STAY ACCOMMODATION



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 10 APRIL 2019**

SESSION TWO

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 10.44 am

Associate Professor HADRIAN GERI DJAJADIKERTA

Associate Dean for Research, School of Business and Law, Edith Cowan University, examined:

Professor KERRY ANN BROWN

Professor of Employment and Industry, School of Business and Law, Edith Cowan University, examined:

Dr CHRISTOF PFORR

Professor of Tourism and Researcher, Curtin University, examined:

Dr MICHAEL VOLGGER

Researcher/Lecturer, Curtin University, examined:

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today for a hearing 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, Yaz Mubarakai, member for Jandakot; and to my left, Terry Redman, member for Warren-Blackwood; and Stephen Price, member for Forrestfield. Deputy chair Sean L'Estrange, member for Churchlands, will join us shortly

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 the committee in its investigations. It is important that 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. Could you please introduce yourselves for the record.

Prof. Djajadikerta: My name is Hadrian Geri Djajadikerta. I am the associate dean of research from the School of Business and Law at Edith Cowan University.

Prof. Brown: Kerry Brown from the School of Business and Law at Edith Cowan University. I am a professor of employment and industry.

Dr Volgger: My name is Michael Volgger. I am a senior lecturer at the School of Marketing at Curtin University and director of the Curtin Tourism Research Cluster.

Dr Pforr: Christof Pforr also from Curtin University from the Faculty of Business and Law. I am a professor in tourism. I am also the discipline lead for tourism, hospitality and events.

The CHAIR: Thank you for providing submissions and producing some really interesting reports that have given us some real insight into the dynamics at play in this industry. Would you like to make opening statements to start us off? Mr Pforr, let us start with you.

Dr Pforr: Okay. Madam Chair, committee members, we would like to thank you for the opportunity to discuss our recent research on the impact of Airbnb on tourism in Western Australia. Being academic researchers, our approach to the topic has been evidence-driven. Given the context of the sharing economy, with circumstances constantly changing, one of our key recommendations has been to continuously monitor Airbnb developments to enable governments to respond adequately, effectively and efficiently. In recent years, the rapid growth of the sharing economy or collaborative

economy or peer-to-peer economy, as the phenomenon is often referred to, has changed traditional economies in many countries around the globe. This type of sharing or exchange is generally facilitated by online platforms that match demand and supply. It is this web-based business model that adds new dimensions and opportunities to scale, convenience and costs of economic activities.

For tourism, Airbnb is probably the most prominent example of this so-called sharing economy. As I am sure you are very well aware, Airbnb is a web-based platform that enables people to list, find and book accommodation. Currently, the platform hosts almost six million listings in more than 190 countries. According to Tourism Research Australia, in Australia Airbnb is by far the most commonly used website and online platform to book private accommodation. Despite this prominence, prior to our research, there was very little reliable information available to assess the extent and impact of Airbnb in Western Australia.

Our study, which we carried out between 2015 and early 2017, has therefore made an important contribution towards better understanding of the impact and influences of Airbnb on tourism in Western Australia. Also, we have since continued our research on Airbnb and the sharing economy. We have focused less specifically on Western Australia. It is therefore critical to keep in mind that our findings, as far as Western Australia is concerned, depict the situation from two to three years ago. Things have evolved dynamically since, as our most recent piece of research looking at Australia as a whole indicates. We should also add that while our study has been very comprehensive and, in that sense, possibly is unique in Australia and beyond, it was also very broad in scope and therefore some more specific questions have remained unanswered. I would like to hand over to my colleague, Dr Volgger, to highlight some of the specific findings.

[10.50 am]

Dr Volgger: Dear Chair and committee members, our research was built on four pillars mainly. First, it collected some of WA's tourism stakeholder opinions on the phenomenon, including their thoughts on opportunities and concerns. The second pillar was the research tried to make an inventory of Airbnb supply, which is obviously very fluid, dynamic and not necessarily easy to grasp. But we tried it and we analysed its characteristics.

The CHAIR: That was two years ago?

Dr Volgger: That was two years ago, yes; that is correct. Third, our study explored Airbnb demand structures; and fourth, we explored some policy responses to Airbnb in different places around the world, with less focus on Australia and more focus internationally. I think it needs to be emphasised at the outset that the research was not designed to specifically analyse Airbnb's impact on the so-called traditional accommodation in Australia, which is a very specific and challenging endeavour in itself. Let me highlight just very briefly some of the main findings from the four pillars.

In terms of stakeholder perceptions, what Western Australian tourism stakeholders expressed were concerns and opportunities. Perceived benefits of Airbnb included additional income; additional competition in the sector; potential distribution advantages in a sense that regional areas could benefit who may otherwise lack an accommodation offer; the global region divisibility of the platform; as well as an increased flexibility in supply. Some had the idea that it is an opportunity to turn supply on and off. Perceived concerns included neighbourhood amenity issues, the need for monitoring and up-to-date information, safety and liability, fairness in taxation and potential impacts on hotel investment models. In general, stakeholders called for close monitoring of the evolution of Airbnb and for governance of the phenomenon—so exactly what you are doing here with this inquiry.

Second, in terms of Airbnb supply, we estimated that WA's Airbnb supply in March 2017 consisted of roughly 8 000 listings, which back then was already a significant part of WA's room capacity available for tourism. During the observed period—roughly a year—we estimated Airbnb supply to be growing at about four per cent per month, which means about 50 per cent per year, which were lower growth rates than had been observed in the years before, which were very close to, if not beyond, 100 per cent.

The CHAIR: Were those growth rates consistent with —

Dr Volgger: Can I just continue? Sorry. You can ask if you want in between.

The CHAIR: You may cover it, but I would be interested to see how the rate of growth compared with other jurisdictions where Airbnb is present.

Dr Volgger: I do not cover it but I can answer.

The CHAIR: Yes.

Dr Volgger: I think it is relatively similar that all over the world, actually, we have seen dramatic growth rates which, in detail, might be different, but it is usually double-digit or three-digit percentages per year. In our very latest piece of research, we have looked at Australia as a whole and less on the supply side but more on the demand side. What we have seen for Australia as a whole—demand, not supply—was that demand was increasing by roughly 75 per cent per year from 2015 to 2017 on average. However, we also saw that in this demand-focused piece, the growth rates had peaked in quarter one 2016. In the very latest data, we still had significant growth rates but slightly lower.

I think an important question in all of this relates to the degree of professionalisation of Airbnb hosts. In other words, to what degree Airbnb activity of hosts remains in their private location or realm or is systematically used for business. It is obviously difficult to give a definitive answer to this question, but often the indicator of the number of listings per host is used to identify more professional hostings, because professional Airbnb hosts can be assumed to be more likely to offer more than just one single accommodation on a platform. Although the indicator is neither perfect nor completely free of potential manipulation by hosts themselves, it may provide an idea, in particular if used in relative terms. So of the 8 000 Airbnb listings we observed, there were offered by close to —

Mr D.T. REDMAN: In Western Australia?

Dr Volgger: In Western Australia, correct, yes. They were offered by close to 6 000 hosts. This means that about 80 per cent of WA's Airbnb hosts appear to have only one listing, which seems to be a lower figure than in some other places around the world.

The CHAIR: I have seen super hosts that are agents managing multiple Airbnb listings for multiple private owners. They count as a single Airbnb host, but they have four or five, six, seven, a dozen properties that they manage. They are an agent, essentially. Are they a big part of that 20 per cent or are there a whole heap of little Airbnb moguls out there?

Dr Volgger: Yes, we found 34 hosts, which is less than one per cent in total, who appeared to have more than 10 listings on the platform.

The CHAIR: Right, so sort of an agent phenomenon?

Dr Volgger: Yes, could be an agent. But as I said before, obviously this can be hidden, the person, from the platform.

Occupancy rates of Airbnb listings are another potential indicator of the degree of the professionalization of those activities. Although assumptions need to be made, and estimates are definitely subject to error here, we estimated the average monthly occupancy rates to be below, or equal to, 21 per cent, which means these properties were occupied, on average, about 70 days per year.

Looking at the type of buildings that were used for the type of listing we have, about 50 per cent were estimated to be in standalone houses or standalone houses; and 25 per cent were apartments—full apartments, or rooms in apartments. We also estimated that more than 60 per cent of all listed and available WA accommodations on the Airbnb platform are either entire homes or entire apartments. That is slightly different from what I said before—one is looking at the type of building, the other one is looking at whether the entire place is rented out—and that is 60 per cent, and growing.

Regarding the geographical distribution, two principal hotspots of WA Airbnb listing were identified. The first hotspot covered the area on both sides of the Swan and Canning Rivers, as well as some parts of the metropolitan coast in Perth. The second hotspot was clearly located in the south west corner of Western Australia, in particular the wider Margaret River region. That is supply.

In terms of demand, and it would be shorter here, we have better data for international users than for domestic users, although the domestic users in actual terms and actual numbers are bigger, but I will focus on the international ones. The data we had indicated that back then—in 2016, actually, about six per cent of Western Australian international guests also used Airbnb while they were staying in Western Australia, and that about 10 per cent of Western Australian international holidaymakers used Airbnb.

Mr D.T. REDMAN: Can I just get clarification—“used Airbnb” could mean use it for traditional investment accommodation facilities, not un-hosted, necessarily?

Dr Volgger: It means they booked at least one of their accommodations while they were in Western Australia via the Airbnb platform. It does not tell us anything about which type of listing they booked—it could be a hotel, for instance.

This shows us that the share of holidaymakers, compared to business travellers or visiting friend and relative guests, is much higher among Airbnb users than on average. Moreover, during our observation period, we also saw that Airbnb users differed in quite a number of categories from other guests in Western Australia, or Western Australian guests on average. For example, they differed in their distribution regarding source markets. Interestingly, in 2015, visitors from Singapore and Malaysia were a very big share of Airbnb users in Western Australia. They actually accounted for almost 50 per cent of all international tourists who used the Airbnb platform to book accommodation in Western Australia.

The CHAIR: Do you have any visibility of why?

Dr Volgger: We can speculate around that.

The CHAIR: Because we were just talking to Tourism WA about the maturity of Airbnb as a platform in the home country, and the familiarity of it at home means you are far more likely to use it when you travel. Is that potentially a reason?

Dr Volgger: We tried to speculate and create some hypotheses around that. What the data shows, and actually also by looking at the whole of Australia, is that some of the most traditional markets, such as the UK or New Zealand or so, have, interestingly, lower participation rates or participation rates on average, and also some of the very new markets, such as China and India, also have lower participation rates, although growing—strongly growing. Interestingly, these somewhat mature

markets, such as Malaysia and Singapore, have high participation rates. It might have to do with the maturity of the market, but it might also well have to do with the internet savviness of the population. It might have to do with what is offered in their home places. It might have to do with what their friends and relatives do, and so on. However, we obviously control for other factors impacting on that, so it is not that there were simply more students among people from Singapore, and therefore the Singaporeans were higher. That is not the case. So we control for these different factors.

We also found that Airbnb users more often travelled as couples, families or groups of friends and relatives; so they are much less likely to travel alone. They also had an above average tendency to visit wine regions such as Margaret River and the Swan Valley, for instance.

[11.00 am]

Fourth, and finally, in terms of policy responses required, what really caught our attention at that time was that there was a broad range of policy responses, partially going in completely opposite directions. Moreover, these policy responses were evolving dynamically and often shifting from one end to the other, even within the period of observation, so huge dynamism in that field. At that time, we realised that policy responses range from more proactive approaches, for example in Amsterdam and London, to more restrictive approaches, in Berlin and New York. Jurisdictions often tried to manage potential adverse effects by defining a line between occasional and private, and what is a commercial realm of operation. Some cities even had signed agreements with Airbnb in order to help to implement and monitor the situation. Based on these observations, we have tried to design a policy toolbox that at least outlines some of the mechanisms that have been used.

Finally, we would like to conclude by emphasising that one of the very distinct characteristics of the phenomenon we found is really its almost unprecedented fast evolution as far as tourism is concerned, so it is challenging for everyone involved. Therefore, we feel that from an academic point of view, there is an urgent need for continuous monitoring of the phenomenon in order to ensure that we have evidence-based decisions and that we can ensure that we are adaptable and enable ourselves to create quick responses.

Our research provided an overview of the situation, as I said, between 2015 and the beginning of 2017. However, it is really very likely that things have evolved further since then and therefore additional updates and analysis would be very much warranted, actually. Thank you very much for your attention.

The CHAIR: Thank you. Professor Brown.

Prof. Brown: Thanks for the opportunity to discuss this topic with the committee. I will make a short introductory statement and then Hadrian will go into some of the details. We focused quite specifically on the regulatory impacts as well, so part of our approach is to look at understanding the regulatory regimes. We also looked globally across those regimes at some of the effects, either intended or unintended, that flow from either over-regulation of Airbnb and the online platforms, or perhaps under-regulation.

What we saw from the tourism industry—which is what you want to have a look at, the impact of the online platforms particularly on the tourism industry—it is based on consumption. Consumers govern the production and consumption in the economy quite differently from particularly just the production of goods. So what you have is a social element, and what you have is a much more intangible response, in a way, to how hospitality and tourism come together.

So what we have seen over the past decade is that the increasing use of the internet, and the reliability of personal computers and the fact that they can be used in country and while you are on

your travels, actually has made a huge difference to the way people book and organise their travel. So it is not going through a travel agent often months in advance. Sometimes people are booking on the run as they go through the region. This phenomenon has also supported what is available through Airbnb.

These sophisticated platforms have led to significant changes in the way that businesses, and particularly the policies around that, are designed and framed. Often policy and regulatory regimes take a while to catch up, so there is a lag effect. That is what we are seeing—that the phenomenon of Airbnb, for example, or the online platforms explode into the market and the regulatory regimes then have to catch up to see what they can do in terms of ameliorating the poor effects or the dysfunctional effects of something that has been new to a market.

The variations in understanding the features of disruption have resulted in new trends for conducting businesses in several sectors of the economy. The one we think is most affected is the tourism sector, but we also see tourism as being for business and for pleasure. Tourism is part of that business travel as well. Tourism for purposes of personal and corporate business, visitation or pleasure and the rise and development in destination visitation is actually quite unprecedented.

Tourism and travel services account for almost \$3 billion per day in the industry—that is from figures from the world tourism council—with a contribution of over \$2.6 trillion annually, so it is huge numbers globally. Being people-oriented, it accounts for quite a number of jobs—119 million jobs worldwide; that is the figure for 2018—so it has a huge impact. The employment prospects for this industry is something that we look at in terms of economic development.

The CHAIR: When you say “this industry”, you mean the tourism industry broadly and not the short-stay accommodation sector?

Prof. Brown: The tourism industry broadly. That is one of the points that we are cognisant of, in that we are looking to see is that the short-stay accommodation sector adds more value to tourism and to regions and their prosperity, instead of being part of a mix that takes away from the economic mix particularly in regions. For us, in our research, what we are looking to see is whether there is an increase in tourism and visitation activities because of these online platforms, or is it that the mix becomes more diluted across Airbnb online platforms and traditional hotel and other forms of accommodation. Our research, which is in its early days, is to look at how that increases in terms of building resilience within regions.

The CHAIR: That is a really material question for this committee, because we have had extremes put to us from either end. It is going to be very interesting for us to understand, even though it is early days, what your research is pointing towards, because we are trying to find the truth that lies in between these extreme positions put from either end of the spectrum.

Prof. Brown: That is right; yes. Hadrian has some more detail on that, when he will talk to our submission.

Mr D.T. REDMAN: And by extension to that, whether there is scope for jurisdictional intervention on that to enhance the opportunities, and what those tools might be.

Prof. Brown: Yes. And obviously there is, but what you do not want is the heavy hand of legislation to have a fleeing to another global location. What we do not want is that if there is a desire to improve tourism numbers and a desire to protect the established hotels or accommodation, that that does not actually cause a pincer movement within regions to have a mobile tourist go somewhere else. That is what you do not want.

New York is a high-quality destination. If you have draconian legislation, as we have seen and as your research has shown, that does not necessarily have a devastating effect on New York, but it

does have a devastating effect on some sectors within those tourism providers. What we suggest, in Western Australia, is it could have a devastating effect or it could have a positive effect. But what we cannot assume is that those levers that are used elsewhere are actually fit for purpose for a state like Western Australia. We are very diverse, we are very dispersed and we rely on tourism in a way that builds the resilience of regions. I think there is a sensitivity for our geography, at least, and, secondly, our place in the world so that we need to be quite careful. But we also do not want fragile regions spoilt by over-tourism, which we have seen in some other areas as well.

[11.10 am]

The CHAIR: Yes.

Prof. Brown: I think there are definitely policy levers, but there are also ways that we can sensitively manage that.

I think that the work we have done is to just say that the visitor economy and tourism industry is an important economic driver for national and our regional development as well, and that is where our research is more focused. In these figures from 2016 and 2017, in Australia, tourists spent \$16.4 billion on accommodation. According to Tourism Research Australia, there are 306 million paid nights. That is quite significant for us. In Western Australia, for our tourism—I am sure you have visited and revisited these figures—tourism injected over \$11.8 billion in 2015 and 2016, and created 104 000 jobs, so it is significant for us.

Mr D.T. REDMAN: You just said 2015 and 2016. Are you talking about a one-year period or a two-year period?

Prof. Brown: It is one year.

Mr D.T. REDMAN: So the 2015–16 financial year?

Prof. Brown: Yes; 2015–16. In fact, there is a study we looked at—we did not do it ourselves—that showed that Western Australia is sort of somewhere in the middle in terms of our Airbnb bookings. You can imagine that New South Wales and Victoria are the leading states with over a million nights booked, whereas, here in Western Australia, we actually have 300 000 nights booked in total.

Mr D.T. REDMAN: Just to drill down on that point a little, do you have anything that gives some data on how much Airbnb is supposed to have displaced on the unhosted market versus the normal commercial tourist market?

Prof. Brown: No, we do not have that level of detail.

Mr D.T. REDMAN: That is a fairly significant factor, is it not?

Prof. Brown: It is.

Mr D.T. REDMAN: We can look at the global Airbnb numbers, which we know are on a massive rise, but if that is simply displacing from one sector to another, then it is not —

Prof. Brown: That is our concern, and it is obviously the concern of Curtin researchers. But to get that granularity of detail is very difficult. What we are doing is a project with the Margaret River–Augusta shire to get that granularity so we can then look at whether we can use that as a template or working model to be able to look at other areas and regions. It is very difficult to dig down with the data we have. The Tourism Research Australia data is not at a high enough level of granularity and, also, the records that are kept are not across the state. That might be something that I would suggest that is an important element for us to start tracking—whether we have a repository or our own way of tracking that so that we can check that. As I said, it is one of the elements that we are interested in working through because of the displacement factor. We can see in the US that there

is data that has just been out that says that Airbnb has now grown to 30 per cent of the market, but, again, we do not know if that 30 per cent is an increase or a displacement.

Mr D.T. REDMAN: Through the Chair, and with the Chair's support, it would be great to get some advice from yourselves as to what your recommendation to us would be on what data to seek out and what mechanisms you might use in a regulatory sense to achieve that.

The CHAIR: Yes, definitely.

Prof. Brown: Just in finishing, so that I can hand over to Hadrian, on the peer-to-peer and consumer-to-consumer initiatives we need to make a distinction about whether or not someone is a host and part of the cultural experience of a region or whether they are—as is some of the worry—actually just a business that has less regulatory pressure on them to operate that business. I think some of the ways around understanding that is that there is less regulatory, tight pressure on the host arrangement than the one that looks like it is in competition with hotels. I think the sharing economy is much more around that idea of the host than the other idea that it is simply a way around business regulation and putting at risk existing businesses within a region. For us, our research is trying to understand at what level are we seeing hosts and at what level are we seeing that displacement.

The CHAIR: Thank you.

Prof. Djajadikerta: Thank you very much, Madam Chair. I do not want to repeat things that Professor Brown has already mentioned. I think she has actually described a lot of details of our research. But I want to clarify one thing first. When Professor Brown talked about the US situation where Airbnb is taking 30 per cent, it is actually not only Airbnb. There is a difference between Airbnb and other short-term accommodation providers. The data in the US that just came out—this is 2018 data—is that Airbnb now has taken about 20 per cent of the market; 70 per cent is taken by the traditional hotel providers and 10 per cent is coming from HomeAway. What I actually want to mention is that certain accommodation is actually not new. Airbnb is considered a disruption, because there is a reason for that. HomeAway was established in 2005. Airbnb was actually established in 2008. So there was a platform prior to Airbnb—it was actually available before Airbnb. The difference between Airbnb and HomeAway is that Airbnb goes down to the home sharing or house sharing and room rentals level, while HomeAway focuses on whole house or whole apartment rentals. That is clearly the disruption, because the target market for Airbnb is now broader. It goes beyond the industry people or the people who cannot afford, if you like, to rent the whole house or whole apartment. It goes down to even backpacker level, if you like.

The CHAIR: But the data shows that, typically, even Airbnbs, particularly in Western Australia, are predominantly the entire dwelling rentals?

Prof. Djajadikerta: Yes, correct.

The CHAIR: But there is just an add-on market?

Prof. Djajadikerta: Yes, correct. It depends on the area. What we have is the data from the US as a whole, but when we actually go to different cities and different areas, there will be differences in terms of what they actually offer. I just tried this last night to go to both the Airbnb and HomeAway websites and go to Margaret River. They actually offer similar accommodation, but there are differences here and there. There are some rooms, even though there are not many, that are offered at Airbnb but not at HomeAway. So the focus between the two is still the same. Airbnb has obviously taken over HomeAway at the moment—it is estimated to grow; it is actually quite clear—but HomeAway in terms of the number of accommodation that is offered is still more than Airbnb. So what I want to emphasise is that we should focus on the idea of short-term accommodation providers rather than just Airbnb.

The CHAIR: Indeed, our terms of reference are deliberately broad to capture just that.

Prof. Djajadikerta: Moreover, if you go elsewhere, to other countries, there are even informal providers that are outside Airbnb and HomeAway, the biggest two at the moment. In some countries and some areas, these are regulated, but those actually are really informal, and it is very difficult to go into the regulation side.

[11.20 am]

The other thing that is important is that at the moment, we always think about the idea of the implications for traditional hotels and service providers, as you mentioned before, the burden on the local community regarding the increase in prices of long-stay rentals, and the general shift from community residences to a visitor economy. But we actually need to understand the reasons that people go for a holiday or become a tourist.

There are many reasons for that: life experience, cost of living, literacy level, access to gain entry to country—not all people can come to Australia, for example, and go to Margaret River—education level, and availability of finance. There are many other aspects that contribute to why people go as a tourist and why they choose Margaret River, for example. It means that it is an issue also of the needs of tourism and the shires, whether they need more tourists to come or they have a vision where they want to maintain the culture, if you like, of the people, but also get some tourists. If we go to the vision of the Margaret River shire, it is cleaner and greener.

That means that we look at the idea of sustainable tourism. We want to see whether this issue influences the sustainable tourism that they still want to pursue. When we talk about competition, there is also the issue of cost. If we just focus on Margaret River, we also focus on the idea of competitions. There are many competitions around. The closest one is Bali, for example. Western Australian people can go to Bali for probably similar, or even less, cost.

The CHAIR: I know the wine is better though!

Prof. Djajadikerta: Yes! That also creates another factor, if you like, or indicator, that cannot be avoided in this issue. There are broader aspects of this issue, not only just the issue of whether there should be equity in terms of regulations that can satisfy both or all providers, but also the issue of the needs of the shire rather than the needs of tourism, and even the hoteliers—how the traditional hotels keep up with the changes in this issue.

There are some issues as well in our researcher that focuses on the equality system—the affinity, if you like, of people in the area. The issue of a sense of belonging, for example. Unfortunately, upward mobility, class, social capital, those issues that are embedded within the people within the shires is actually important to look at. So our focus not only needs to get to the ideas of just the economic benefits or sharing the classic economic benefits for who and for what; we also need to see the perceptions of people—what they actually want. I think that will influence the whole idea of how, if we go to other regulations, how we actually go to that part.

The CHAIR: Just on that point, it is almost like these things can be too successful for their own good. We have had evidence put to us that in some communities, there has been so much short-stay accommodation that it has crowded out local people, and housing affordability becomes an issue. The very reason you go to visit a town to immerse yourself in a culture or an experience evaporates because the people have been driven out. Have you looked specifically into that phenomenon in your research?

Prof. Djajadikerta: At the moment, it is early days, but that is also the thing that we included at the moment as a part of our research for the future.

Prof. Brown: What we found is that there have been some good attempts to keep the mix of neighbourhoods and tourists through regulation.

The CHAIR: How? What have they done? How have they regulated to try and ensure there is a balance?

Prof. Brown: There are inspections and applications through registration for Airbnb accommodation. This inspectorate is responsible for checking and making sure that the mix in the neighbourhood is appropriate and that the amenity of the area is kept.

The CHAIR: Where is that being done and who ran the inspectorate? What level of government was running the inspectorate?

Prof. Brown: At local government level?

The CHAIR: Right. Where was this?

Prof. Brown: That was in Margaret River—Augusta. I am sure you will be hearing from them.

The CHAIR: We will be going down there.

Mr D.T. REDMAN: Does that extend to saying that some who might want to register are knocked back from registering in the endeavour to maintain a certain split between longer stay accommodation versus online short stay?

Prof. Brown: The answer is it could, but the issue is that the council seems to be looking to support the accommodation as a short stay, and so it might mean that only part of the accommodation is allowed to be offered for Airbnb or short-stay accommodation; that there are certain regulatory requirements about noise, about the number of people who are allowed in there; and, also, I can foresee a time when the short-stay accommodation is actually short stay. There is an ability to offer between two, three, five or seven nights and it might be that the regulation in the future says that you cannot have one night accommodation in short stay, that you might have to have two to three or five to seven nights. That might help the turnover and the pressure on regions and neighbours to deal with —

The CHAIR: So, has that been done, where there has been time limits put on specific communities, can you not do it for one night? Has that been successful where it has been implemented?

Prof. Brown: It is only a feature of the platform itself, and for me the research into that has not been done at a regional level. But to me it is a way forward about—Terry, you were asking about what levers are available. It could be that this is a lever that is available on the platform that needs to be extended into the regulatory processes.

Prof. Djajadikerta: If I may add a bit, the idea of inspections and audits for the premises at the moment is based on complaints. So, they are reactive. It is a reaction to complaints. So, when they receive complaints, they action it through inspection—loud noises, rats or whatever the complaints were. What we heard is that the idea of who complains does not actually matter for them. So, they hear complaints for quote/unquote people who are not actually the people who receive the disturbance, so the issue is outside the actual thing that happened to the people or the surrounding community. Some come from people who have probably different motives for complaining. So, that is what they have been doing there. But there is a limitation there at the moment about that, because if there is no regulation that allows them to do more than just that, that limits what they can do.

The CHAIR: Can I ask a question on the economic impact of short-stay accommodation? We have had conflicting evidence presented to us to say that the short-stay accommodation sector does very little in terms of delivering economic growth into regional communities and others who say it is

great, it brings tourists in, they spend their money, and then a bit of a debate over total spend by people occupying one form of accommodation versus total spend—that, to me, is a pretty arbitrary measure of the economic measure of a tourist when you consider their total spend will be lower if their accommodation costs are lower, for example. I wonder if either of you or your organisations have researched that particular question and whether you might be able to share some of your findings with us?

Dr Volgger: I think it is a very critical question, but it is not easy to answer. I would be very cautious, personally, and I think we both would—easily and fair causality into that kind of thing. However, what we have seen is that, for instance, spending behaviour is the first step. It is not enough to just look at spending behaviour, but looking at spending behaviour is the first step to understand economic impact. Looking at spending behaviour and the data both for Western Australia and Australia as a whole and the DLA data gives a good understanding. It is a sample, but it gives a good understanding of the spending. There is not a big difference. So, it is not that one group spends a lot more than the other group. It is actually quite similar in the overall spending.

However, and this was mentioned before, this does not tell us whether people switch from traditional accommodation into short-stay accommodation. Finding this out is the most difficult part because we need to play with scenarios. We need to ask people, “Would you have come if you had not had this kind of offer?” From a research point of view, it is quite challenging to do and it has been done on very few occasions around the world. There are one or two examples from the US and some of the biggest consultancies have come up with their figures. I would say that is very rough estimate. It is very hard to understand.

[11.30 am]

A final point, obviously, and you are well aware of this, the short-term accommodation sector, the holiday homes, have always been a significant part of the Western Australian tourism industry in the state. So, obviously, if we look even at the sheer numbers of how many people stay here and there in holiday homes in general without looking at any of the new developments, new platforms, then we see this has always been an important phenomenon, actually, and a significant part of it.

Prof. Brown: I think also what is untapped or unknown about this is the idea that for perhaps peripheral regions or regions that are not mature tourism destinations, it is quite a low risk entry, in a way, to opening the region to tourism because for years Fremantle did not have a system of hotels even though it was a highly desirable tourism destination. It relied on short-term accommodation to support that tourism industry. So, I think what we see is that this provides a soft entry point for people or regions that are interested in developing up tourism without having to put the expensive infrastructure in place to try this out. So, it is a different mechanism by which tourism can be approached and developed across a state like ours.

Prof. Djajadikerta: The added factors that contribute to the difficulty of doing research like this, there are differences of factors that contribute that belongs to each area. So, when we talk about the effect on the economy and spending, for example, made by different tourists or visitors, who actually stay at hotels or stay at short-stay accommodations, we have to look at what is available in the area. If people go to Margaret River, for example, the way they actually spend depends on what is available in the area in terms of how they spend their money. If they go to Perth or Melbourne, for example, obviously there are differences in terms of how they can actually spend. It also depends on who actually comes as visitors. Is it family? Is it a single person? Is it young people? They contribute to the complexity of trying to get, if you like, reliable results or findings in terms of that, so rough estimates probably can be made, but it also needs to be carefully looked at because it will be difficult to generalise the findings.

Dr Pforr: I think we probably also need to be careful not to make the assumption that people go to a destination only because there is an Airbnb available. I think that is important. It is about the choice you have within a destination and I think it is more important to look at how profiles of Airbnb users differ from non-Airbnb users to see if they behave differently. This is a new group. I think that probably would help more in that respect.

Mr D.T. REDMAN: One point that comes up with this pretty regularly is the notion of everyone being on a level playing field. That seems to be a common bit of commentary about this disruption and what is happening. There has been feedback that in other jurisdictions—and you have more exposure than most to that—I think Japan was the example where they had a level of national legislation where it said, “If you are going to be a provider using an online registration, you have to have registration up on your website before you know it is registered up-front before it even goes online.” What is your understanding of examples of that and whether, to go to your earlier point, that has had a negative or downward influence on these platforms as a way of growing the tourism pie?

Dr Pforr: I think maybe I can answer in more general terms. We can all learn from the experiences and the responses elsewhere in different jurisdictions, but I think it is very important that it is location specific. We need to understand that we can learn about the different tools and mechanisms that exist and that you can employ, but it is very important to understand that it is not a one-size-fits-all approach and that the situation in Margaret River might be quite different from the situation in Karratha, for instance. I think you need to remain flexible in how you respond to specific circumstances. I think that is important. That came also through our research: what happens in London does not necessarily mean that it is significant for us here in Western Australia.

Mr D.T. REDMAN: Do you think the simple principle of registration is jurisdiction and location-specific as distinct from other factors that might be in play?

Dr Pforr: Yes, I think this is one way to respond to come up with a registration approach. They have trialled this. They looked at this in the Tasmanian context. The question needs to start a little bit earlier. It is very important that any jurisdiction understands the supply situation. From that, it is very important to also understand the dynamics, because this actually relates to how you respond to implications. From that point, it is very important. What you can see is that the fundamental question is: how do you define Airbnb offerings? How far is it private? How far is it commercial or professional? This was always the underlying question before all the jurisdictions started thinking about certain mechanisms and tools. That is the starting point.

But even before that, you need to understand how your supply develops. Only then can you adequately respond. This response requires, in our view, also a degree of flexibility because things change fairly quickly. We looked at nine international jurisdictions. Within two or three years you could see a lot of changes happening. That is the challenge, I guess. How far do you go with regulation and how far do you still support innovation, which is so important to the industry? I think that is the fundamental starting point.

Dr Volgger: Just to elaborate briefly on the key point: yes, fairness is the key principle that needs to be there. Two questions need to be asked: first, what is the line between commercial and private? The fairness principle needs to apply first of all to commercial operators. Obviously we would agree that all commercial operators in the marketplace need to abide by the same rules. Just to emphasise that, what needs to be answered first is what is commercial and what is just location and private. We have different indicators that can be used from perhaps time used per year to the amount of units and so on and so forth.

The second thing, I guess, which is also a critical question in all jurisdictions, is: do we use the existing rules we have, and are they sufficient, or do we need to introduce new rules so it generates rules that are just applied to this single case? Is there a case for introducing new rules or is it just about applying and monitoring the rules that already are out there? Different places, different jurisdictions, have answered these questions slightly differently. But from my point of view that is really the key question to be answered first in order to tackle the critical fairness issue. That is really important.

The CHAIR: I think you have just written the introduction to our report!

Prof. Djajadikerta: Just to add, based on our research from different jurisdictions, there is one common thing, though: the regulations try to differentiate between who actually provides the short-term accommodation, whether it is people who live there or investors who do not actually live there. That is the basis of what we have seen from our research based on the regulations. They have tried to restrict the involvement of the external investor into this business.

[11.40 am]

Prof. Brown: From our research, we agree with the Curtin team that it is not a one-size-fits-all, not a one-state way of operating through this. Regions have varying differences across Western Australia. What we see internationally and from other states is that capital cities are treated slightly differently than regions. Those who have hosts in the house or accommodation are treated differently to those who have an arms-length relationship with the accommodation. Even from that point of view, there is differentiation that needs to be made in terms of the way in which the treatment of short-stay accommodation is handled at a state level, but also on a region-by-region basis. For us in thinking through this, a logical region by region is at a local government authority level. Even within the other jurisdictions there are differences and different treatments.

The other thing that is really important is this displacement of local populations and the inability to attain long-term rentals. For me, there is never actually a level playing field in a way between different subsectors within a particular industry, but certain consistency of regulation. For that competition, it is actually between the long-term renters and the short-term renters. That way of thinking about who is in a region and who has access to accommodation is a broader question, but that is well located at a state level and in conjunction with local government.

The CHAIR: That is a very important point. Can I briefly return to the differences you identified in other jurisdictions between the treatment of capital cities and regions? Do either of your teams have any observations to make about the differences specific to Perth? We have certainly had some evidence that Perth is very different from the regions and there is a particular set of dynamics emerging in the Perth short-stay market. Have you observed any fundamental differences and do you have any recommendations as to how Perth should be treated?

Dr Volgger: First of all we have not looked necessarily at local government regulations but what we have seen is that there is quite a bit of similarity, interestingly, in terms of the size of the phenomenon in some of the local governments within Perth and in the south west area. Margaret River and Busselton have similarly the same amount of supply than some of the bigger, more important local councils in the Perth metro area. From that point of view, there is a similarity. But beyond that, I would completely agree that there are mostly differences. Personally, I think that the main difference comes from the pressure points. You can have a pressure point that is long-term rental shortage. Do you have this pressure point in a place or not? There is a huge difference between Berlin and Perth, I guess. If that is the pressure point, one type of regulation is good, but not necessarily the other.

The CHAIR: Do you observe that in Perth, this tightness of the long-stay rental market?

Dr Volgger: In our interviews with all the stakeholders, this point has never come up in two years, so that is what we can say.

A second pressure point in some cases is the over-tourism phenomenon—Barcelona, Paris, Amsterdam. That triggers also a different type of regulation, so you want to be able to say “No” simply. A final pressure point, which might be the most important one here, is really to ensure the level playing field, as we mentioned—the fairness. It is more about competition than these other triggers. That is the real reason you need to have also different approaches and subsidiarity in your approach.

The CHAIR: The commercial level playing field is more of an issue in the city, in Perth, than in other —

Dr Volgger: I would not necessarily say that. It could be.

The CHAIR: Right.

Dr Pforr: I think it is difficult. Sometimes you have a different situation in the regional areas in regard to what kind of accommodation offerings you have. In some regional areas, if you have a particular event, it probably is quite useful to have some flexibility in opening up new provision. I think it very much depends also on the specific situation in regional areas with regard to providing certain types of accommodation.

Prof. Brown: In regional areas there is seasonality. The more formal accommodation providers would feel under pressure from the short-stay accommodation, particularly Airbnb, because they do not have 100 per cent occupancy. When they do have low occupancy, there is a difficulty for them to be sustainable within a region. I think, to me, the ongoing business model of organisations and firms who have built and really contributed to structural locational hotels, that if there is excess capacity there, there is a lot of wasted capacity.

Now, whether or not that business model is sustainable for the future, that is a broader question. But to see excess capacity at the same time as there are other more flexible forms at capacity, then that is obviously a strain within a region to have buildings that are able to handle more people staying in them and they are not there, and that becomes a business liability issue. Do councils and the Western Australian government take an interest in that? I would say yes, a really low-scale interest, but as a regional economic development interest, of course.

Prof. Djajadikerta: It goes beyond even regional versus city. In the case of Sydney, for example, they differentiate greater Sydney and outside greater Sydney. Outside greater Sydney does not mean it is regional; it is just outside the boundary of, if you like, the city area, and they differentiate the regulations because of that. If we look at Perth’s situation and try to compare it and make an analogy to Sydney, I think it is also different, because our city is not the same as Sydney. That is actually contributing to the complexity of the issue.

Dr Pforr: Also, not every region is the same. I think that is important, too. I think if you compare Margaret River with some other region, that is difficult, again. I think what I would like to say and what is very helpful, and I would like to reiterate, is to have the right data set to understand the demand and the situation not only in Perth, but also in regional areas. If you look at our report, which is now a little bit outdated in regard to that, but you can drill down to local government levels to understand how Airbnb supply actually has changed over the period of time of our analysis. But I think that is fundamental for any decision-making in the end to understand what is happening in Margaret River and in the golden outback or in Perth.

Mr S.J. PRICE: Just going back to this different approach of regional versus capital city, and the challenge in some areas in regard to long-stay accommodation availability having pressure put on it through people opting to put their properties up for short stay, established short-stay accommodation providers in regional areas are certainly finding it difficult to compete against the platforms these days.

One suggestion through one of the submissions we had was to take a different approach in regard to looking at this level playing field, and that was to allow some of the established short-term accommodation providers to actually provide both short term or long term as an alternative to, I suppose, one and create other opportunities for their business, but also deal with this pressure on long-term accommodation. Have you heard of that anywhere? Do you have any views on whether that is something worth considering into the future or not?

[11.50 am]

Prof. Brown: Yes, I think that is worth considering. You could look at the Gold Coast because that is a tourism area and that has long term and short term in the mix. I mean, there is just an economic trade-off there in terms of do you have the certainty of long-term accommodation provision and a lower rental per week, or do you charge more per night for short-term accommodation but your occupancy rate could be variable between 50 and 80 per cent.

I think that certain tax treatments, certain incentives, could go a long way to supporting that. We need to know what are the underlying motivations for people to rent out their accommodation under that short stay or short term. Are they travelling for half the year and have their house available? Are they wanting more flexibility, or is it available 100 per cent of the time for a particular amount of time while they pay their mortgage off and come to retire in the region, or are they trying to stay in the region? This is what we found in some of our interviews, that people who were offering their accommodation, or parts of their accommodation, for Airbnb were actually residents in the region who wanted to stay there. They were putting together casual jobs, seasonal jobs and Airbnb to be able to retain their home in the region.

I think your point is a very good one about allowing a mix of short stay and long stay. I think tax treatments also, because if you are able to allow that benefit for long stay if there is stress in a region for people being able to access long-stay accommodation or long-term rental, then that is a good way of trying to see if there is change in the mix.

Prof. Djajadikerta: In Tasmania the government offered between \$10 000 and \$13 000 to encourage landlords to make properties affordable to low-income tenants with a longer term lease. The effort has been made in Tasmania to encourage this. In terms of the provider itself, Airbnb actually at the moment has acquired a new business unit, and that new business unit has actually offered similar to, if you like, traditional hotels, to avoid the adage that they only offer short-term accommodation. Efforts from both sides, I believe, actually have been evidenced. The effect of it has obviously not been set yet.

Mr Y. MUBARAKAI: Professor Brown, in your opening statement you made a remark about a pilot project that you have currently got going—I may have misunderstood—in the south west.

Prof. Brown: Yes.

Mr Y. MUBARAKAI: Could you sort of elaborate a bit more on this pilot project you have got going?

Prof. Brown: As we have talked about here today, the project we are looking at is to try to drill down to look at: is there a displacement of tourists and visitors from more traditional accommodation, or is it actually an ability to gain more tourists within the region, and also to drill down into the phenomenon of what are the motivations of people in the area of short-stay accommodation? Is it

an anonymous business model that is looking to get around the legislation and regulatory requirements of the more formal sector, or is it actually people who are investing and wanting to either come to the region later or stay in the region or make a contribution to the region in a way that allows them more flexibility? So they are the two elements that we are looking at, and we have a PhD student —

Mr Y. MUBARAKAI: Professor Brown, I am sorry, but we are cognisant of time. Would you be able to—and if it is okay with the chair—share some of those details with us as a question on notice?

The CHAIR: I was going to suggest that. Perhaps if you could provide it, because we are going down there, and we will be able to ask some questions so that our transcripts might prove useful for you. If you could provide us with a bit of an overview on notice, that would be fantastic. We have to be across the road at 12 or we get into trouble, so I am sorry to have to wrap it up. That was fabulous. Thank you so much.

I will proceed to close today's hearing. Thank you for your evidence before the committee today. A transcript of this hearing will be emailed to you for correction of minor areas. Any such corrections must be made and the transcript returned within seven days of 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. Thank you so much. That was really informative.

Hearing concluded at 11.55 am
