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25 January 2019

Ms Jessica Shaw MLA
Economics and Industry Standing Committee
Parliament House
4 Harvest Terrace
WEST PERTH WA 6005

Via Email: laeisc@parliament.wa.gov.au

Dear Ms Shaw

Thank you for inviting the Chamber of Commerce and Industry of Western Australia (CCIWA) to contribute to the Economics and Industry Standing Committee's *Inquiry into Short-Stay Accommodation*.

Please find attached a copy of CCIWA's submission for your consideration.

I trust that the submission is useful for your review and CCIWA looks forward to engaging further on this matter once the Committee's initial findings are published.

If you have any questions regarding the submission, please contact Mr Justin Ashley, Acting Manager - Policy on

Yours Sincerely

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Chamber of Commerce
and Industry WA

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Submission to the Economics and Industry Standing Committee

Inquiry into Short-Stay Accommodation

25 January 2018

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Summary of Recommendations

In response to the terms of reference of the inquiry into short-stay accommodation in Western Australia (WA), the Chamber of Commerce and Industry WA (CCIWA) makes the following recommendations to the State Government (the Government):

1. Develop a state-wide planning framework that clearly accounts for online short-stay accommodation providers (such as Airbnb and Stayz) and align regulatory approaches across all local government areas.
2. Consider the South Australian and Tasmanian approaches as model frameworks to regulating online short-stay accommodation.
3. Support the inclusion of online accommodation providers as positive contributors to WA's economic and social fabric.
4. Validate the use of private residences for visitors and confirm that it does not constitute a 'change of use' that requires permission.
5. Develop self-assessment guidelines that negate the need for home-sharers to register listings or apply for unnecessary permits.
6. Engage with online operators during the inquiry process to establish a mutually-beneficial aggregate data-sharing partnership.
7. Ensure that the proposed regulatory framework does not put the domestic WA tourism industry at a competitive disadvantage.
8. Do not impose restrictions in the form of caps or floors on the amount of nights online hosts can share all or part of their principal place of residence.
9. Relax the onerous regulations applied to the broader short-term accommodation sector.

Introduction

CCIWA is the leading business association in WA and has been the voice of business for more than 125 years. CCIWA represents employer members from across all regions and industries in WA, including local chambers of commerce, industry associations and employers, particularly small and medium enterprises, both in the private and public sectors. Our vision is to make WA the best place to live and do business.

The emergence of the 'sharing economy' and rise in popularity of online platforms has materially changed the short-stay accommodation landscape. Current planning and land use legislation has not accounted for the growth in online platforms such as Airbnb and Stayz. Consequently, discrepancies have arisen in how both conventional and online providers are regulated.

Regulation is only warranted when it addresses a market failure and the benefits exceed the costs. This submission analyses the impact of online booking platforms on the short-stay accommodation sector and outlines CCIWA's key policy recommendations through an informed jurisdictional comparison.

Western Australia's Tourism Industry

The increasingly turbulent global economic landscape and corresponding commodity price volatility means it is crucial that WA explores opportunities for economic diversification to boost long-term growth. The WA tourism industry is in a unique position to contribute to economic diversification and plays an important role in fulfilling growth priorities in other key focus areas, including investment attraction, export development and strategic land development.¹

In preparing this submission, CCIWA has considered the four key objectives of the State Government's recently announced *Two-Year Action Plan*:

1. Position the State as Australia's western gateway.
2. Promote Perth as an affordable, vibrant destination close to nature.
3. Attract more people to regional WA.
4. Intensify promotional activity in target markets to encourage travel.

While CCIWA commends the State Government for identifying tourism as an important source of growth through the launch of its *Two-Year Action Plan*, WA still lags behind the rest of the country in a range of tourism growth metrics.

In the six-year period from June 2013 to 2018, WA was the second worst performing state or territory by change in international visitors, recording an average year-on-year growth rate of 4.2 per cent (Figure 1). This pales in comparison to Tasmania (12.2 per cent), and Victoria (8.5 per cent) who have experienced strong growth in visitor

¹ Tourism Western Australia (2012), *State Government Strategy for Tourism in Western Australia 2020*. Available [Here](#).

numbers despite having access to fewer direct international flights. Also of concern is WA's 5.3 per cent decrease in total visitor nights in the past year – indicating that international visitors are spending less time in WA per trip.

Total domestic expenditure by international visitors has also flatlined, experiencing a year-on-year average growth rate of just under one per cent over the 2013-2018 period – the lowest across all Australian jurisdictions (Figure 2). This was largely driven by an 11 per cent decrease in international visitor expenditure over the last year (June 2017-2018), representing a net loss of \$249 million.

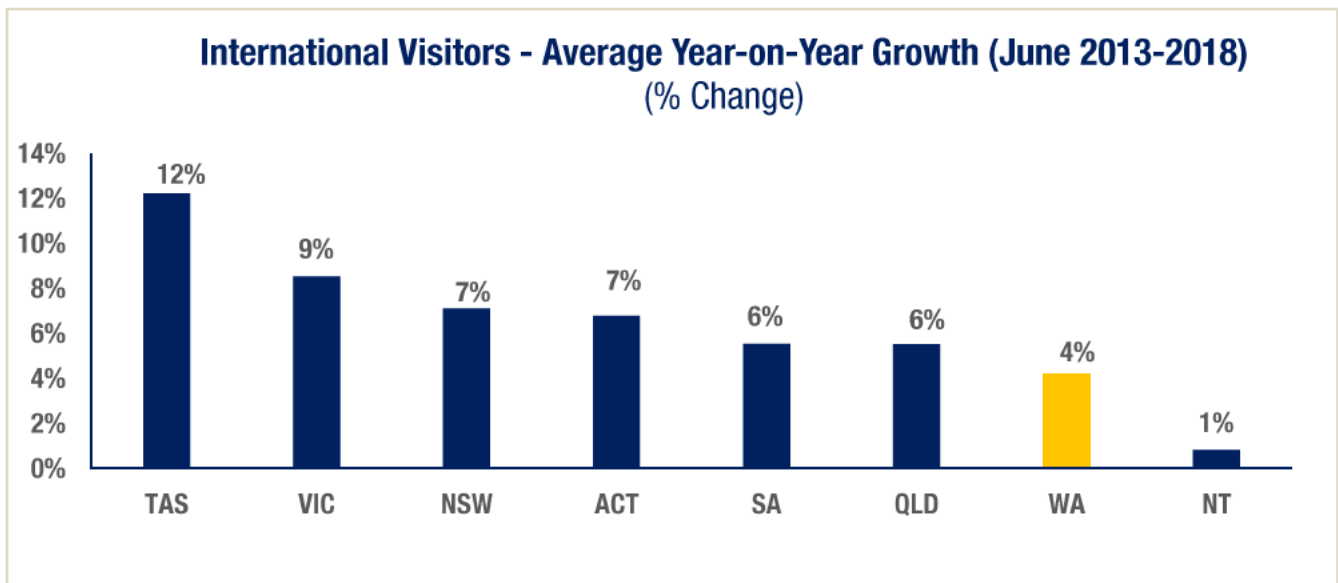


Figure 1: Average Year-on-Year Growth by State – International Visitors: June 2013-2018. Source: International Visitor Survey Time Series 2018

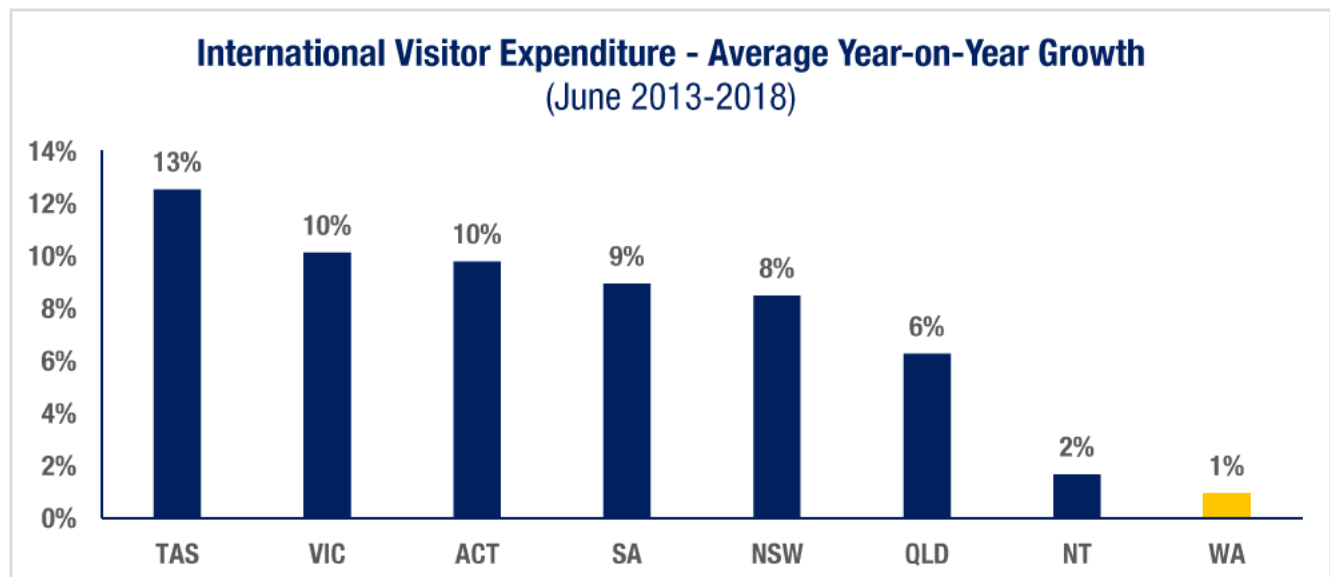


Figure 2: Average Year-on-Year Growth by State – International Visitor Expenditure (June 2013-2018). Source: International Visitor Survey Time Series 2018

Economic and Social Benefits of Online Short-Stay Accommodation

The short-stay accommodation market has evolved considerably in recent years and has been shaped by a shift in the demand profile of modern travellers.

The benefits of online providers in stimulating the growth of the domestic economy extend across a broad range of industry sectors and are well validated, with the independent Productivity Commission identifying that businesses like Airbnb offer improved utilisation of existing domestic resources.² As discussed below, online home-sharing platforms have become embedded in WA's economic and social fabric and have contributed positively to the growth of both the short-term accommodation sector and broader domestic economy.

Expanding the size of the short-term accommodation market

Online booking platforms list a wide variety of property types and allow travellers to filter their search based on personal preferences, as opposed to the relatively homogenous product offerings of major hotels. Closely and efficiently aligning consumer preferences with the market improves the likelihood of a traveller finding accommodation that satisfies their wants and needs. Moreover, the relatively lower average prices and innovative features of online home-sharers compared to traditional providers may induce travellers who previously could not afford to travel. As a result, online booking platforms expand the net stock of accommodation available in terms of volume and variety³, improving the management of peak tourism periods and providing a more diverse product offering to prospective travellers.

A report by Deloitte Access Economics found that in WA over the 2015-16 period, Airbnb alone welcomed 171,500 guests who spent \$155 million, supporting 780 jobs and \$100 million in Gross State Product⁴. These statistics are significant given 35 per cent of Airbnb guests reported that without Airbnb they would not have travelled at all or would have shortened their trip⁵.

Appealing to the Modern Traveller: Changing Social Dynamics

Experiential travelling is an emerging trend in the tourism sector. Where previously guests saw the hotel itself as the destination, modern travellers look for a more authentic travel experience⁶. The increased demand for a more culture-orientated holiday has correlated positively with the rise of online home-sharing platforms, as holiday-makers utilise the cost savings of home-sharing to engage on a deeper level with the local community.

Deloitte Access Economics estimated that Airbnb generated cost savings of around \$26 million in 2015-16 for guests staying in Sydney who might otherwise have stayed in traditional accommodation⁷. Further, Airbnb's

² The Productivity Commission (2015), Draft Report on Business Set-up, Transfer and Closure, p. 179. Available [Here](#).

³ Deloitte Access Economics (2017), *Economic effects of Airbnb in Western Australia*, p. 2.

⁴ Ibid.

⁵ Airbnb Submission (2015), *Adequacy of the Regulation of Short-Term Holiday Letting in New South Wales*, p. 3

⁶ Quynh Nguyen (2014), *A Study of Airbnb as a Potential Competitor of the Hotel Industry*, p. 29. Available [Here](#).

⁷ Deloitte Access Economics (2017), *Economic effects of Airbnb in Western Australia*, p. 2

'Experience' interface within the application facilitates a seamless integration with things to do in the area by providing guests with personalised recommendations that appeal to their tastes and preferences.

Access to affordable accommodation is essential to attracting more visitors for longer periods. As outlined in Table 1, the average daily rate of all accommodation across WA (\$165) is almost 1.8 times higher than the average price of a private room with an online home-sharing provider (\$92). A recent study by Haaga-Helia University found that leisure travellers are highly price sensitive, with 88 per cent of survey respondents selecting price as a key factor influencing where they choose to stay⁸.

Category	Average Daily Rate (ADR)
Home-Sharing Platform – Private Room	\$92
All Accommodation in Western Australia	\$165

Table 1: Average Cost Comparison of Online Home-Sharers and All Accommodation in WA.

Source: Tourism Research Australia 2018 + Inside Airbnb 2018

Diversifying Tourism

Not only do online short-stay accommodation providers and traditional accommodation providers differ in their product offering, they operate in different segments of the accommodation market. Of the 11,802 Airbnb listings in WA, 715 are located in Perth's CBD.⁹ This means 94 per cent of Airbnb's listings lie outside Perth's major hotel district.

Operating outside of conventional tourist areas promotes regional tourism and supports the economy of local communities by dispersing tourism income. Increasing the supply of accommodation in regional areas supports the State Government's recently announced 'Road Trip State' campaign by providing travellers with greater choice and allowing them access to affordable accommodation in close proximity to their chosen destination.

Given that WA is the only Australian jurisdiction (other than the Northern Territory) to observe a decrease in regional expenditure (-10 per cent) by international visitors in the 2017-2018 period (Figure 3), it is essential that the Government continues to support the growth of home-sharing in regional areas.

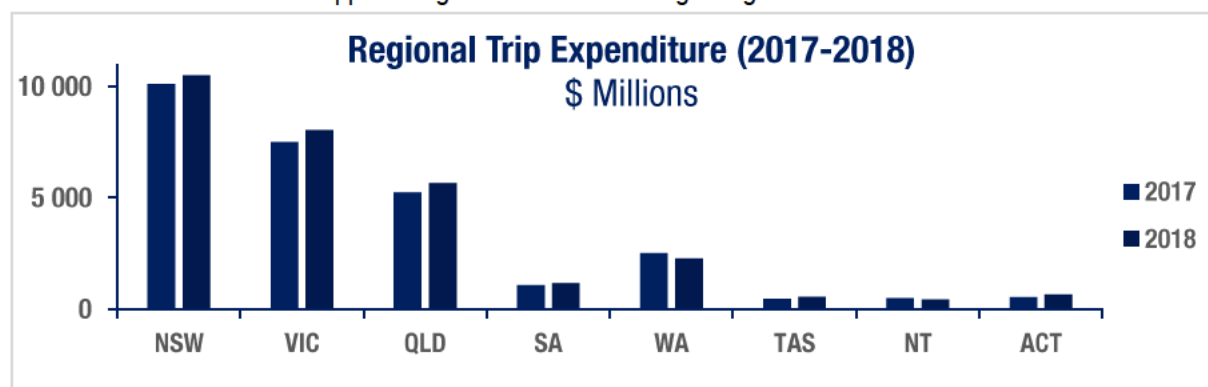


Figure 3: Regional Trip Expenditure – International Visitors. Source: International Visitor Survey 2018

⁸ Valeriya Naletova (2014), *How Travelers Choose Accommodation Online*, p. 33. Available [Here](#).

⁹ Inside Airbnb (2018), *Western Australia Visual Dataset*. Available [Here](#).

Further, the relatively higher discretionary spending of home-sharing travellers (Table 2) compared to the average traveller boosts the economic viability of local businesses and service providers that may otherwise operate at a more marginal level. The Bankwest Curtin Economics Centre reported that utilising Airbnb when visiting WA is relatively more appealing for domestic overnight tourists who like to visit local attraction points and participate in a range of tourism activities¹⁰. Supporting regional engagement and attracting more inter-state travellers by appealing to their demand preferences aligns with Objective 2 and 3 of the State Government's 'Two-Year Action Plan'. In 2015-16, Airbnb guests spent 59 per cent more than the average tourist in WA per day. This is likely due to the reduced cost of online home-sharing accommodation and the contrasting preferences of both types of travellers.

Category	Average Spend Per Visitor Per Day
Average Visitor*	\$134
Airbnb Visitor	\$213
% Increase	+59 per cent
*Based on all visitors in Western Australia	

Table 2: Daily Spend Comparison of Airbnb Visitors and All Visitors in Western Australia - 2015/16
Sources: Deloitte Access Economics, Tourism Western Australia

Households

The growth in online home-sharing has provided households with the opportunity to supplement their primary income and engage culturally with travellers of all backgrounds. Increased disposable income allows households to make financial decisions that can improve their standard of living. A typical Airbnb host in WA earns \$7,600 per year from home-sharing services¹¹ – funds that could be used to pay down personal debt, build up savings or increase discretionary spending in the local economy.

For many online home-sharers, this opportunity represents an important financial lifeline and a method of making ends meet. According to internal Airbnb surveys, 49 per cent of Airbnb hosts in WA live in low to moderate income households and 50 per cent report that income earned from hosting has helped them stay in their homes.

The benefits of online home-sharing to neighbourhoods and hosts extend beyond the income they earn. Online home-sharing platforms provide hosts with a unique opportunity to connect on a cultural level with guests and allow them to share personal recommendations on local activities.

It is important to dispel the notion that the online platforms are predominantly used by commercial providers to circumvent the regulations currently in place. According to Deloitte Access Economics, over 80 per cent of Airbnb hosts across Australia list the home in which they live¹².

¹⁰ Bankwest Curtin Economics Centre (2017), *The Impact of Airbnb on WA's Tourism Industry*, p. 59. Available [Here](#).

¹¹ Airbnb Internal Data (January 2019)

¹² Deloitte Access Economics (2017), *Economic effects of Airbnb in Western Australia*, p. 35.

The Current Regulatory System: Planning and Zoning

The rapid evolution of online short-stay accommodation was not foreseen by the current land use policy framework and there remains considerable ambiguity around the obligations of online home-sharers to comply with planning and land use regulations. The principal statute that governs planning in WA is the *Planning and Development Act 2005 (WA) (the Act)*, which assigns power to local government authorities to establish local planning schemes and policies in their respective district.

In many cases, the land use and zoning policies implemented by local governments have not accounted for the growth of online providers, with many drafted before the rise of the internet. The concept of short-stay accommodation has traditionally been associated with hotels, bed and breakfasts or other forms of traditional accommodation and has thus been created on outdated assumptions on how the accommodation sector operates. The lack of clarity, consistency and transparency from one local government area to another has created an unpredictable regulatory landscape that is difficult to navigate for both accommodation providers and planning policy makers.

It is critical that the Government develops a state-wide planning framework that clearly accounts for online providers and aligns regulatory approaches across all local government areas. This will ensure hosts can effectively comply with local planning policies and lead to a more efficient facilitation of online home-sharing in local communities.

RECOMMENDATION

Develop a state-wide planning framework that clearly accounts for online providers and align regulatory approaches across all local areas.

Jurisdictional Comparison: Regulation of Online Booking Platforms

While the growth of online short-stay accommodation providers is a relatively new phenomenon, most Australian jurisdictions have accounted for these providers within a developed and equitable regulatory framework.

South Australia

In 2016, South Australian Deputy Premier John Rau stated that short-term stay in a residential property does not constitute a change of use under the Development Act 1993 (SA) and there is subsequently no requirement for a host to apply for a development permit unless there is actual physical alteration to the premise. This announcement was supported by the publication of a Planning Advisory Notice, which clearly and transparently affirmed the regulatory status of online home-sharing providers in South Australia.

In supplementary comments, Mr Rau stated that “home sharing is great for tourism in our state”, and “South Australians who want to supplement their income by renting their residential property now have the added

assurance that they can do so without seeking a development approval.¹³ South Australia's light touch approach to regulation has helped diversify their tourism base and provide a significant boost to regional areas of cultural significance, including the Barossa Valley and McLaren Vale. Allowing the home-sharing industry to self-regulate minimises compliance and enforcement costs and promotes a sense of accountability.

Tasmania

In July 2017, the Tasmanian State Government deregulated online home-sharing through the release of a new Visitor Accommodation Planning Directive (PD). The PD introduces a state-wide framework that makes it clear hosts can list their properties without the need to attain licenses or approvals, providing certainty to home-sharers and local governments. Underpinning the Tasmanian approach is a self-assessment process that negates the need to establish costly and inefficient licensing requirements and promotes the responsible use of online home-sharing.

Both the South Australian and Tasmanian approaches to regulating online providers maximises economic and social outcomes and should be viewed as model frameworks from a regulatory perspective. CCIWA strongly supports these approaches and urges the WA State Government to develop a similar state-wide planning framework that transparently supports the inclusion of online accommodation providers as positive contributors to WA's economic and social fabric.

RECOMMENDATIONS

Consider the South Australian and Tasmanian approaches as model frameworks to regulating online short-stay accommodation. This includes:

- Supporting the inclusion of online accommodation providers as positive contributors to Western Australia's economic and social fabric within a state-wide planning framework.
- Validating the use of private residences for visitors and confirm that it does not constitute a 'change of use' that requires permission.
- Developing self-assessment guidelines that negate the need for home-sharers to register listings or apply for unnecessary permits.

New South Wales

In July 2018, the New South Wales (NSW) State Government introduced a state-wide framework for short-term rental accommodation that supports the growth of the sharing economy and acknowledges the importance of online providers in stimulating the NSW tourism industry. The framework provides a clear and transparent definition of short-term accommodation and permits short-term letting (as an exempt development) 365 days a year when the host is present. When the host is not present, there is a limit for hosts to rent properties via short-term letting of 180 days in Greater Sydney, with no limits applied to all other areas of New South Wales.

¹³ The Advertiser (2016), *South Australian's renting out rooms through Airbnb won't need development approval*. Available [Here](#).

The framework includes a mandatory Code of Conduct that ensures home-sharing platforms will be held accountable for anti-social behaviour through a ‘two-strikes-and-you’re-out’ policy. While the NSW approach acknowledges the value of online home-sharing to the domestic economy, it ensures the safety and protection of residents and local communities through light-touch social policy measures. NSW State Minister for Better Regulation, Matt Kean stated that the reform plan will support the sharing economy and give consumers more choice while cracking down on bad behaviour¹⁴.

As part of the Code of Conduct, online home-sharing operators will also be required to provide relevant internal data with the NSW State Government. Sharing internal data will give the NSW State Government access to valuable tourism information, allowing them to accurately shape the direction of tourism campaigns to appeal to specific travellers.

CCIWA proposes that the WA Government could also benefit from the provision of internal aggregate online home-sharing data. For example, in WA aggregate data could be used to understand the preferences of international travellers and identify key tourism hotspots. This could then be used to target tourism marketing and attract more international travellers by better appealing to their demand preferences through a more personalised tourism product offering.

RECOMMENDATION

Engage with online operators during the inquiry process to establish a mutually-beneficial aggregate data-sharing partnership.

WA’s tourism industry is lagging significantly behind the rest of the nation. While other states are forging ahead, WA is struggling to attract and retain international and domestic visitors. It is essential that the Government’s response to regulating short-stay accommodation in WA does not position the domestic tourism industry at a competitive disadvantage. CCIWA submits that supporting the growth of online platforms will bolster WA’s tourism offering and ensure the long-term sustainability of the tourism industry.

RECOMMENDATION

Ensure that the proposed regulatory framework does not position the domestic tourism industry at a competitive disadvantage

Perceived Issues in the Short-Stay Accommodation Sector

All Australian jurisdictions have followed similar approaches to regulate online short-stay accommodation. Each subsequent State Government has addressed the prevalence of online providers via a regulatory framework that recognises home-sharing as a positive contributor to the economic and social development of their respective

¹⁴ NSW State Government Media Release (2018), *Short-term holiday letting plan a win-win*. Available [Here](#).

state. With the exception of Greater Sydney, no other Australian jurisdiction has imposed unnecessary caps or registration requirements on those wishing to share a spare room in their home.

Implementing restrictions on the amount of nights hosts can share their property will be a complex bureaucratic process and create further confusion around the compliance obligations of prospective hosts. CCIWA urges the State Government to harmonise approaches with other Australian jurisdictions and not impose unnecessary restrictions in the form of caps or floors on the amount of nights online hosts can share all or part of their principal place of residence.

RECOMMENDATION

Do not impose restrictions in the form of caps or floors on the amounts of nights online hosts can share all or part of their principal place of residence.

Regulation Inequality and Safety

CCIWA submits that conventional accommodation providers and online home-sharers are not directly comparable and thus must not be regulated in the same way. A household that wishes to supplement its primary income by letting out a spare room cannot be compared to a commercial hotel that operates on a larger scale, and thus should not be forced to comply with the same planning, building and fire safety standards. During the construction phase of a new residential property, all design and building plans must undergo rigorous safety approval processes to ensure the building meets an appropriate safety standard. CCIWA submits that if the safety risk is considered acceptable for the incumbent resident upon construction, it should also be acceptable for the housing of a short-stay guest. Imposing additional regulations would be an unnecessary and retrograde step and would be unprecedented in Australia.

Many online providers, including Airbnb, have reinforced the importance of community safety by promoting responsible hosting. Airbnb's key self-regulating mechanism is a system of bidirectional reviews, where both hosts and guests rate each other upon the completion of their stay. This system incentivises both parties to build up their reputation and encourages a sense of trust, as reviews and ratings are visible to all prospective guests and hosts. According to Deloitte Access Economics, the average star rating for Airbnb listings across WA is 4.7 out of 5¹⁵ - indicating an efficient, safe and responsible delivery of service.

Imposing onerous regulation on households that aim to supplement their primary income will stifle the growth of tourism in WA and impact the direct and ancillary beneficiaries of this industry throughout the domestic supply chain. For example, local bars, restaurants and retailers who rely on domestic and international tourism to hit their margins will demand less from their suppliers, and so on. Unnecessarily restricting the freedom of online operators

¹⁵ Deloitte Access Economics (2017), *Economic effects of Airbnb in Western Australia*, p. 2.

will only serve to address a problem that is perceived by conventional accommodation providers who do not necessarily compete with online providers in the first place.

Decisions to participate in the sharing economy are made when the marginal benefits of doing so exceed the marginal costs. Any incremental regulation of online home-sharing reduces the likelihood that prospective hosts will decide to list their property, resulting in a contraction of the domestic accommodation supply and an increase in the average price of accommodation. This will result in less visitors to WA.

The relationship between regulation and visitor attraction is inverse. As online platforms are subject to higher levels of regulation, accommodation becomes relatively more expensive and prospective travellers choose either to travel to another destination or not travel at all. Unnecessarily regulating online platforms will reduce the competitiveness of WA's tourism industry and run counter to the State Government's *'Two-Year Action Plan'*.

The unique features of online accommodation platforms attract additional visitors who spend more in the local economy. Increased tourism demand benefits all accommodation providers in aggregate, including hotels and guesthouses.

CCIWA considers that unwarranted protectionism of a domestic industry will negatively affect the broader economy and should not be pursued. Instead, CCIWA recommends that the Government considers relaxing the overly onerous and unnecessary regulations applied to the broader short-term accommodation sector.

RECOMMENDATION

Relax the onerous regulations applied to the broader short-term accommodation sector to attract additional visitors to WA and ease cost of living pressure for WA households.
