

ECONOMICS AND INDUSTRY STANDING COMMITTEE

INQUIRY INTO SHORT-STAY ACCOMMODATION



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
FRIDAY, 24 MAY 2019**

SESSION THREE

Members

**Ms J.J. Shaw (Chair)
Mr S.K. L'Estrange (Deputy Chair)
Mr Y. Mubarakai
Mr S.J. Price
Mr D.T. Redman**

Hearing commenced at 11.43 am**Ms ELIZABETH JACK****Chief Executive Officer, Denmark Chamber of Commerce, examined:**

The CHAIR: On behalf of the committee, I would like to thank you for agreeing to appear today for a hearing for our inquiry into short-stay accommodation. My name is Jessica Shaw and I am the Chair of the Economics and Industry Standing Committee. I would like to introduce the other members of the committee: to my left, Terry Redman, member for Warren–Blackwood; Stephen Price, member for Forrestfield; and Yaz Mubarakai, member for Jandakot. Deputy Chair Sean L'Estrange is an apology for today's hearing. 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.

Before we begin with our questions, do you have any questions about your attendance here today?

Ms Jack: No.

The CHAIR: Great. Would you like to make an opening statement?

Ms Jack: Just to thank you for the opportunity and to thank, on behalf of our tourism members, the fact that we are having the parliamentary inquiry because certainly within regional WA, it is a critical subject in terms of the economic viability of towns like ours that are dependent on tourism.

The CHAIR: Thank you. I would like to understand a little bit about the profile of your community. As you are probably aware, we were down in Margaret River a few weeks ago and we got a bit of a sense of what is going on in the tourism sector in Margaret River, Busselton and Bunbury. Could you maybe give us a bit of an overview of the industry in Denmark and how this issue is affecting your community down there?

Ms Jack: We have a population of 5,500 to 6,000 people. We have some distinct tourism seasons—obviously, school holidays in terms of the education system, and a relatively regular grey nomad period, many of whom are pulling their homes so this is not particularly relevant. Within that population, we have 700 registered businesses. We have 2,500 registered ABNs, of which 50% are sole traders. Of that, we have a very small number—probably 25 to 30% of those businesses are earning more than \$75,000 a year. The average annual wage is around \$42,000 to \$45,000 a year. We also have a large number of retirees. The average age in Denmark is 49.

We are seeing an increase in population growth from the retirement sector and because of the NBN, we are beginning to see an increase in school numbers, certainly in the primary school. There is the beginning of an attraction for what they call the returners. People who might have had a rural upbringing or have connections to rural Australia are looking at Denmark as an opportunity to come and bring up their kids, often reconnecting with parents or grandparents, and/or parents and grandparents are following those young families that are moving in. From an economic perspective, that means that we potentially have a large number of people within the community who are not engaged in the workforce but who will be spending money and potentially attracting visiting friends and relatives.

We also have a large number of people who have to innovate and start a small business if they want to work in Denmark or they are commuting—FIFO, DIDO—through other parts of the State. For

many of those, tourism is a really easy industry sector to get into because there are very limited barriers of entry to working in the tourism industry. You have to have been a tourist. There is no licensing required other than local government requirements. So for a lot of people, it does present itself as an economic opportunity to supplement other income.

The CHAIR: Are any of your chamber members operating these short-stay accommodation forms?

Ms Jack: Absolutely. I should have brought the numbers but we would probably have 25 members in accommodation who are members of the chamber. Recently, the Denmark Tourist Bureau, which started operating in 1966, closed as an association and those members were integrated into the chamber as well. We have picked up that slack. Most of the businesses that are in the sector that you are interested in would be members of what used to be the Denmark Visitor Centre. We do have them and some of them are involved in Airbnb. Increasingly, it is being seen as a complementary platform to the Expedias and Booking.coms.

The CHAIR: That is a nice segue to a question I wanted to ask. It has been put us that for regional locations that do not have the sort of baseload throughput of tourists to underwrite big hotel developments, this type of accommodation platform is a good bridge and helps economies develop a trickle, leading on to hopefully quite an extensive throughput of tourists into local areas. What do you see as the benefits or otherwise of these sorts of platforms as actually facilitating the growth of a tourism industry in a regional location like Denmark?

Ms Jack: Certainly, they do provide the opportunity for an increased level of visitation. One of the issues is that for those people within existing commercial accommodation, the investment that they put into that accommodation now has a limited return because it is hard to sell. So there is a massive issue there in terms of infrastructure that, within a regional context, private sector operators do not necessarily have the capacity to upgrade. There are no external investors necessarily purchasing, although having said that, within the last year, we have seen some of the more traditional-style accommodation being purchased by new owners. It would be interesting to get their views in terms of the impact of Airbnb. But it does increase visitation and therefore the ripple effect will obviously be seen amongst the secondary beneficiaries of that tourism dollar.

Mr D.T. REDMAN: Thank you, Liz, for taking the time to come. I really appreciate that. I am just looking at Town Planning Scheme Policy 19.5, which talks about the Denmark Shire and its approach to zoning in respect to holiday homes. If someone was to go and seek formal approval in an area zoned residential, there is discretion for the Shire to offer that. Many other shires—we just had Broome on this morning—do not allow anything in areas zoned residential. My question is: if parties that were offering whole-house holiday home short-stay accommodation unhosted were required to register, what would be your view in Denmark about how many would choose to do so and the likely approach the shire would take to the decision if that was located in a residential area?

Ms Jack: I think Weedon Hill is a good example. Weedon Hill has a mix of residential and holiday homes. That is where in the past some of the conflict has occurred in terms of unhosted accommodation. At the moment, the Shire of Denmark indicates to us that they are monitoring the Airbnb properties, primarily based upon the complaints and/or dobbing in—dare I use that technical word—from other people within the vicinity. From a Shire perspective, a human resource is required to monitor. In terms of the residential locations, Weedon Hill already has those types of facilities at the moment, so creating enclaves in that instance potentially has some benefit.

However, the flip side is that we end up losing community connection for those residents who have purchased in those places as long-term residents. For areas like bushfire mitigation, it becomes a real problem because you have a completely unhosted property and things like gutter cleaning,

whilst we all try to do it, they sometimes do not always get done. There is an opportunity to create residential areas with these types of facilities.

I think the advantage of the hosting component is that you do have somebody there who can monitor and manage, but there a flip side from the development of community capacity and collateral, which I think we missed. There is a balance. Certainly, the Shire of Denmark had their home holiday policy a number of years ago and they did look at restricting the size of holiday homes, and the question of hosting came up in that.

Mr D.T. REDMAN: Do the tourism accommodation providers in the Shire of Denmark have an opinion about decisions around offering unhosted short-stay accommodation in residential areas?

Ms Jack: I do not know that, Terry. I have not monitored that but we certainly could. Some of those commercial accommodation operators that are operating smaller style home-based properties—South Coast Escapes, for example—are operating on Airbnb so a number of them will be using the platform. What we had more of is the larger style traditional forms of accommodation, where occupancies have dropped or have remained static over the last couple of years. They do not necessarily have the chance to upgrade their property as it is currently zoned and actually is not of much use to do anything else with, so they are sort of stuck between a rock and a hard place.

Mr D.T. REDMAN: One of the deliberations that the Committee here will be working through is whether there is scope at a State level to have legislation or whatever tool might be available to force compliance with registration—that is, going to the shire, sign up, tick the boxes, all the things, and get approval. There is a fair bit of evidence coming to us to suggest not getting involved with some of the local nuances, which are different between different communities. Would that position be consistent with the Chamber's view about how your recommendations to us might go?

Ms Jack: I think the question of a level playing field is the big question that everyone has been stating. The only other question there is the resource issue. How does that resource issue fall down through to local government, because we are still working at the moment on the basis of the goodwill of the operator or the fact that their neighbours are advising council that they are operating illegally?

Mr Y. MUBARAKAI: Thank you once again. I am a big fan of Denmark and Albany. When my family has visited from overseas, Albany and Denmark are one of the key spots for us. I love the place. Thank you for your time here today.

I am going to draw your attention to your submission and ask you to describe to me your thoughts with your intent. It said —

If traditional, commercial accommodation continues to be disrupted, it is imperative that we find alternative town planning scheme solutions that help transform ...

You have given us an idea on your thinking of maybe even allowing it to be used as affordable housing for 50,000 and over. What could you tell us more about in regard on your mindset as local government to assist the traditional short-stay providers to sort of have an even playing field in terms of making provisions?

Ms Jack: The sort of thinking in terms of that idea—obviously, my job is not to work out whether it is going to work or not because it might not. As you move into a sea change tourism destination, the availability of rentals becomes problematic. This is where we get the double-edged sword of tourism. We are seeing more people arriving. We have about a three per cent population growth, which is reasonably good for regional WA. However, finding a home at an affordable price because of a gentrification of the community, so property investment, tourism is difficult.

If you are looking to relocate to Denmark to work, finding a place to live can be challenging. Average rents are sitting around \$350 to \$400 [per week] for fairly average properties, often, and the quantity of supply available is being consumed, because Airbnb or tourism provides potentially a better return on your property investment. If that continues and there is some flexibility, obviously, for people to pursue that, then some of the ageing infrastructure like self-contained chalets might be zoned tourism. I would like to see an investigation as to whether that restrictive zoning has some flexibility.

In Denmark, for example, we have a motel. There is a whole range of other issues around age of business owner and capital investment to maintain. They were looking for an investor and that has not happened. But they have a whole range of units that at the moment are just not open for business. If we could investigate the chance for that zoning of tourism to be considered in a different light, then we open up a chance for increased accommodation options for people in the area. It is about trying to support the business owner so that their investment is not useless but equally it is also about trying to increase the supply of permanent homes so that we can have population growth. A community like ours needs tourism—obviously, it is an economic industry—but what we truly need to make our town thrive is population.

Mr Y. MUBARAKAI: Again, based on that thinking, I really appreciate the way you are thinking outside the box. Have you been able to take your thinking to the Shire of Denmark to the planning department to discuss these matters?

Ms Jack: No. To be honest with you, I have not—but, certainly, if there is something that came out of this inquiry, that could be an opportunity. We are also about to undertake a town planning review. Over the next 18 months to two years, because they take a bit of time, that is certainly something that the chamber would be putting forward as a consideration in terms of supporting population growth and/or supporting disruption to the tourism industry.

Mr D.T. REDMAN: I have just an additional question to Yaz's, and I think you have probably answered it already. The example that you talked about, the motel maybe moving into a more permanent accommodation space, I assume fits in with the local government jurisdiction. That would not be something that state would have a role in. But your point is that if the state was to—because that is evidence presented to us—say that this is something that might add to the flexibility that would take away from the local issues, that is really what you are talking about here. Is that the case?

Ms Jack: Yes. Obviously we are dealing with a local planning policy that is guided by a state planning system. It would be interesting to see whether this example is replicated throughout other communities that you are talking to—whether there is an ageing bricks and mortar infrastructure that really is not that attractive anymore to the market because it is not being maintained in a style that visitors expect but also there is no other opportunity for it because of the zoning within that tourism space. Tourism zoning is something that has always been held onto so that we do not lose that tourism capacity. But at the moment, in terms of something like Airbnb, is it relevant?

Mr S.J. PRICE: Just following on with that, if I pick up on what you are intimating, essentially it is for the ability of registered short-term accommodation providers to be able to provide some part of their business as potentially long-term accommodation—is that pretty much the point?

Ms Jack: Yes, absolutely, so that they have flexibility and the local population has a place to live.

Mr S.J. PRICE: We did receive in one of the submissions that exact suggestion not because of the condition the property was in, but just as another way of supporting their business and creating another opportunity for marketing. If a fairly modern, well-kept, short-term accommodation

provider was able to have that flexibility—provide long-term accommodation as well as short-term accommodation within their one complex, so to speak—is that something that the chamber would support?

Ms Jack: It is something that the chamber would be interested in supporting in relation to investigating its viability. Obviously, you have an interface then with residents and visitors—does that work? But from the chamber's perspective, our position was that it is an opportunity that warrants some investigation because it still keeps your capacity in terms of tourism. I did a ring around of the 15 accommodation members that we have on our books at the moment. In terms of occupancy, if you have four rooms or three rooms, a couple of them were sitting at around 75%. It has been static for the last couple of years, but some of them were operating as low as 30%. That is not a business; that is an advanced hobby with a large asset that requires maintenance and a whole range of compliance licensing costs that you have to pay, which I do not if I open up my back room. I think the tourism industry is being disrupted. We have to support that disruption but we also have to provide some form of outlet for these people who often have invested life-savings into bricks and mortar because that just happened to be the era in which they started in the industry.

Mr Y. MUBARAKAI: Could you tell the Committee if, in your role as the CEO for the Denmark Chamber of Commerce, you have come across any of the traditional businesses that have had to shut their doors because of the disrupted behaviour?

Ms Jack: No—not directly in relation to the disruptive behaviour of online platforms. There are a multitude of reasons, of which that would be one.

Mr Y. MUBARAKAI: Just one more question with regard to that. Are you aware of any new investments from hotels or motels coming to Denmark; are you aware of any new projects?

Ms Jack: I am aware of a number of the larger traditional establishments that have now changed hands, and whether they are investing in upgrades, I am not familiar. Certainly, within Albany—45 minutes away—there is more investment into Albany because of its regional hub. In terms of Denmark, not that I know everything obviously, but I have not been advised of any new accommodation developments other than the Amaroo aged-care facility that has been developed.

The CHAIR: I will just ask one final question. It has been put to us that there is a difference in the spend profile between people who occupy traditional forms of accommodation and people who use short-stay accommodation houses. Is that something that your members have noticed in the way that the different customer types spend their money when they come to a location like Denmark?

Ms Jack: Yes; good question. I have not got that directly from them. If price is an issue, though, one might be able to argue that you will be a bit more self-contained coming into an Airbnb, for example, because of that sense. But I have not heard that directly from any of the members who we have spoken to at this point.

The CHAIR: But I would imagine that a community like Denmark would rather have a lower spending tourism market than none at all? Let me rephrase my question. If this form of accommodation is attracting people who otherwise would not be able to afford to holiday to come to somewhere like Denmark, then, yes, they may not spend as much as someone coming down from Cottesloe, but they are nonetheless still spending money and that is still a tourism market—it is just a slightly less well-heeled one. Surely a town like Denmark would rather have them than not?

Ms Jack: It is a very good question and I am going to say, “Yes, and” to that. Yes, obviously a community like Denmark needs the economic flowthrough. However, what we do not look at in this equation is the social and environmental impacts that vast numbers of tourists have on the infrastructure and the capacity of a town like Denmark. There does become a question around the

yield that a mass number of visitors spending a small amount of money has on a community like this. Unfortunately, I would argue that within our tourism industry across the state, we are not looking at this as a management question for the long term. If we end up having very low prices for tourism accommodation based upon the fact, “Well, at least you’re getting it and they’re spending a little bit of money”, the state tourism body is not addressing the social, cultural and environmental impacts of mass tourism to a destination like Denmark.

We have no monitoring across this state other than the national tourism figures. Local area data monitoring is almost non-existent. We are taking tourism as a godsend, and, in some respects, it is, but in my years working in the tourism industry, it is a double-edged sword. The statement is: “It can keep you warm and it can burn your house down at the same time if you do not manage it.” Whilst I would agree with you that, yes, from our community perspective, we do need that economic flowthrough, at what cost, if it is not managed, are we going to put up with that?

My comment back to the parliamentary inquiry, which goes beyond Airbnb, although it is an interesting catalyst, is: who is out there monitoring the impact of tourism if we are going to just open the doors and the lowest price wins because we figure that they are spending money in our local economy with no data to actually prove that?

The CHAIR: Do you have a sense of the degree to which the inbound tourism to Denmark is from Perth, interstate or overseas? Do you have a sense of that or do you collect any data at all?

Ms Jack: We do not collect data on tourism. The chamber of commerce network is privately funded through small business. The agencies that need to be collecting that data are the state-funded tourism organisations. I am not clear that they do. I do not believe they do. From the 30-plus years that I have worked in the tourism industry, Perth is the dominant market at somewhere between 70 to 80%, and it has been for decades. The Amazing South Coast—the State Government spent a million dollars to promote that—has seen increased visitors coming into our community from the Eastern States and overseas. The reality is that we are still dealing with a domestic market from Perth and, from a Denmark perspective, the regions of what I call the west coast—Margaret River—and the Goldfields.

The CHAIR: Thank you very much for your evidence. 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 errors. 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 very much.

Hearing concluded at 12.11 pm
