



Taxing holidays — proposed regulation of short-term accommodation in WA

CCIWA Submission, March 2022

Executive Summary

CCIWA is the peak organisation advancing trade and commerce in Western Australia. We want the best for communities across the State: we're fundamentally committed to using our insights to develop and advocate for public policies that reflect the needs of all our stakeholders — businesses, families, consumers and the WA workforce.

Notwithstanding major and ongoing disruptions to supply chains and access to skilled labour, the WA economy enjoyed extraordinary success during the first two years of the COVID-19 pandemic. As is always the case, when global commodity markets are strong, the WA economy is strong.

We continue to rely on mining more and more: it now comprises almost 50 per cent of our economy — the highest proportion on record. But commodity markets will one day turn. In the 2021 State Budget, while the Government forecasted extraordinary economic growth of 3.5 per cent in 2021-22, it expected this to slow to between 1.0 – 1.5 per cent as we approach 2025.

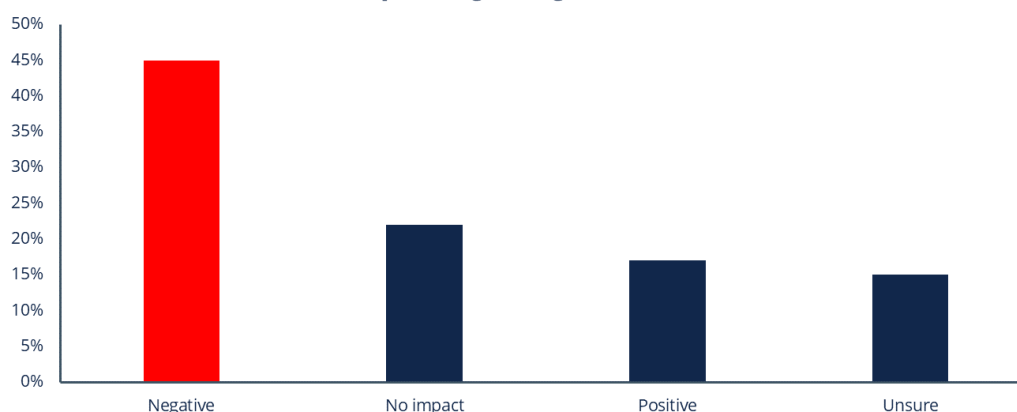
It is crucial that WA explores opportunities for economic diversification to address this expected slowdown, and the WA tourism industry is in a unique position to contribute.

Over 2018-19, tourism generated 100,900 jobs and injected \$12.2 billion into the WA economy. Around half of this was spent in regional WA. The Government's economic development framework, Diversify WA, identifies tourism as a priority sector for strategic development. And Infrastructure WA's draft 20-year strategy highlights that the State's tourism strategy should ensure the State is ready to harness growth when more regular travel patterns resume post COVID-19. The Government is now investing heavily in attracting tourists back to WA now that our border restrictions have eased.

We are gravely concerned that the Government's proposed short stay accommodation regulations run counter to these strategic objectives, thwarting sustained, stronger growth in WA's tourism sector, and in turn, diversification. The proposed regulations will reduce the supply of short-term accommodation in WA and decimate tourism in regional areas. They will hurt local mums and dads trying to supplement their primary income, as well as local travellers looking for an affordable holiday that aligns with their needs.

Indeed results from CCIWA's March Consumer Confidence Survey reveal almost half (45%) of Western Australians believe increasing regulation on online home-sharers would have a negative impact on spending in regional areas (see chart).

What impact will regulating online short-stay platforms have on spending in regional areas?



These costs to the WA community are even more egregious given the proposed regulatory framework appears ill conceived and confused.

As an example, some short-term rental accommodation providers would have to both apply for a Development Approval and register under the registration scheme — there is no clear rationale for requiring two approvals processes for the same premises. There is also no clear rationale for the level of the proposed 60-day cap, nor explanation of how short-term rental accommodation used for non-tourism purposes will be delineated or treated.

When developing any policy response to a perceived market problem, it is essential that a balanced assessment of the benefits and costs is undertaken. In this context, the proposed regulation must ensure that the vast economic and social benefits of online short stay accommodation are not constrained, but rather supported within a straightforward, consistent, simple and accommodative regulatory framework.

To strike a stronger balance between addressing the key issues whilst enabling WA's tourism sector to thrive, CCIWA recommends the following:

- Allow all forms of short-term rental accommodation to operate 365 days a year without requiring a Development Approval, as the default position for all local councils across the State.
- Include a registration scheme with the sole purpose of collecting data about the extent of short-term rental accommodation in WA, and which draws on data that online platforms already collect rather than requires providers to apply via an onerous, government run process.
- If further regulation is considered absolutely necessary, allow for local councils to 'opt in' to requiring Development Approvals, but only for un-hosted short-term rental accommodation let out for more than 180 days per year.
- Review existing regulations that apply to traditional accommodation providers, with a view to modernising any outdated pre-existing regulatory requirements.

The regulations will cost the WA community and tourism

There's a lot to lose if we get this wrong

Online short stay providers contribute a lot to WA's economic and social fabric — and it's not just us who shares this view.

In 2015, the independent Productivity Commission identified that online platforms (like Airbnb and Stayz) offer improved utilisation of existing domestic resources¹, and a report from Deloitte Access Economics found that in FY2016, Airbnb welcomed 171,500 guests to WA who spent \$155 million, supporting 780 jobs and contributing \$100 million in Gross State Product.

Setting the numbers aside, how do the key features of online platforms help to deliver economic and social benefits to local communities?

- By listing a wide variety of property types, customers have more choice and their preferences are better aligned with the market. This increases likelihood of a traveller finding accommodation that satisfies their wants and needs.
- The lower average price of online short stay accommodation (relative to traditional providers) attracts more visitors for longer periods, benefiting regional economies.
- By expanding the net stock of accommodation (in both volume and variety terms), peak tourism periods are more effectively managed and the overall 'product mix' is diversified.

All told, there is a clear link between the growth of online short stay providers and the success of WA's tourism industry (and broader economy).

The Government's proposed regulatory framework risks breaking this link; it will stymie the growth of tourism in this State — harming regional economies in particular — and make holidaying in WA less accessible for a range of local, international and interstate tourists.

Accommodation shortages and higher prices will hold back tourism growth

When an individual or family decides to participate in the sharing economy by listing their home, costs are a critical factor.

The additional regulation of short-term accommodation proposed by the Government would increase the costs to these households, reducing the likelihood that they decide to list their property and participate in the sharing economy.

In turn, this means there would be less accommodation available for both locals wanting to travel within the State, and interstate and international tourists.

The effects of this would be felt most acutely during peak periods. One significant advantage of online short-stay platforms is that accommodation supply fluctuates with the market cycle. Hosts can opt in and out on a seasonal basis. In the same way, they

¹ The Productivity Commission (2015), Draft Report on Business Set-up, Transfer and Closure, p. 179. Available [Here](#).

are able to adapt to once-off or irregular peaks in demand triggered by major events — like conference, sporting games, and music festivals.

For hosts who decide to continue to list their property, the additional costs of regulation would be passed on to travellers through higher prices.

This tax on holidays — the worst in the nation — means fewer travellers would choose short stay holidays in WA, shrinking the overall tourism pie.

Importantly, this would not necessarily lead to an increase in customers for more traditional forms of accommodation. This is because many travellers do not view online short-term accommodation and traditional accommodation as interchangeable. Rather, they see them as completely different product offerings.

For instance, users of online short stay accommodation platforms are more likely to be young, and less likely to be travelling alone² than typical users of traditional accommodation. These travellers are looking for an authentic, culture-orientated travel experience, and consider the accommodation a ‘home base’ rather than the final destination.

For these travellers, it is clear that the price of accommodation matters. This was also a key finding in a study by Haaga-Helia University, which revealed 88 per cent of respondents to an empirical research survey selected price as a key factor influencing where they choose to stay³.

In addition to these impacts, the reduction in short term accommodation would hurt individuals and families looking to supplement their primary income by making their property available for others to stay in.

Regional economies would lose out

We also know that people who use online short stay platforms spend more in the local community relative to those that use traditional accommodation.

According to a 2017 report by the Bankwest Curtin Economics Centre, in 2016 the median total expenditure for users of Airbnb was almost \$100 higher per trip than non-Airbnb travellers⁴.

Indeed, those that use home-sharing services may be more likely to head down to the local café for breakfast, pay for a guided walking tour of the local sights, get an afternoon coffee and cake from the local bakery, and then head to the pub for dinner, drinks and to see a band. In contrast, guests staying at more traditional accommodation are more likely to spend their time and travel funds on-site, such as at the hotel bar or restaurant.

² Bankwest Curtin Economics Centre (2017), *The Impact of Airbnb on WA's Tourism Industry*, p. vi. Available [Here](#).

³ Valeriya Naletova (2014), *How Travelers Choose Accommodation Online*, p. 33. Available [Here](#).

⁴ Bankwest Curtin Economics Centre (2017), *The Impact of Airbnb on WA's Tourism Industry*, p. 52. Available [Here](#).

Fewer visitors and less spending would lead to a reduction in economic activity in regional centres, costing local jobs and livelihoods in the process.

Traditional accommodation providers in regional centres would lose out as well. Young people and families who prefer to stay in online short stay accommodation would no longer make their trip, meaning their friends and other family members — who might prefer to stay in a hotel and may have separately made the trip — wouldn't hear about the destination via word of mouth.

Regional big group travel in particular — say for weddings, where younger people stay in short stay accommodation and older people stay in a hotel — would become a thing of the past.

Impacts on WA's competitiveness

As COVID-19 restrictions ease in most other jurisdictions, competition for overseas, interstate and local tourists will intensify. And with comparatively higher levels of restrictions here in WA, we need to do everything possible to ensure WA isn't left behind.

With WA's borders now open, ensuring the State is well positioned as a top-tier tourism destination must remain a key priority. Indeed, nearly half of international online short-stay holidaymakers that travelled to WA before the pandemic hailed from Singapore or Malaysia⁵ — our close neighbours.

And it's not just international or interstate tourists. Many Western Australians are looking to travel now our borders are open, keen to reunite with families or travel overseas.

We can't afford to shoot ourselves in the foot just as WA reopens to the world — our tourism sector cannot afford to bear the impacts. Prior to COVID-19, we lagged the rest of the country on a range of tourism growth metrics:

- From June 2013 to 2018, WA was the second worst performing destination by change in international visitors, recording average year-on-year growth of 4.2 per cent (compared to, for example, 12.2 per cent in Tasmania).
- From June 2013 to 2018, expenditure by international visitors flatlined, with a year-on-year average growth rate of just under one per cent — the lowest in the country.
- From June 2017 to 2018, the amount of time international visitors spent in WA per trip fell 5.3 per cent. Over the same period, international visitor expenditure decreased by 11 per cent.

⁵ Bankwest Curtin Economics Centre (2017), The Impact of Airbnb on WA's Tourism Industry, p. 62. Available [Here](#).

Going it alone means the entire tourism network will suffer

The Government's proposed reforms are the most restrictive in the nation (see Table). If legislated, these changes would place local tourism operators at a competitive disadvantage, damaging the longer-term sustainability of WA's tourism industry. It would also hold back progress to diversify the WA economy, one of the Government's key strategic objectives.

As mentioned, higher accommodation costs and a less diverse product offering will make travelling overseas or interstate much more attractive, meaning fewer tourists for WA. There are significant 'knock on' effects associated with this; visitor word-of-mouth is a powerful organic marketing tool that generates significant tourism growth.

Importantly, it's not just online short-stay providers that bear the brunt of these reforms. The implications extend right throughout WA's tourism network; hotels, traditional BnB's and the myriad of local businesses that depend on their success.

Table 1: Jurisdictional comparison – Online STRA Reform, Australia

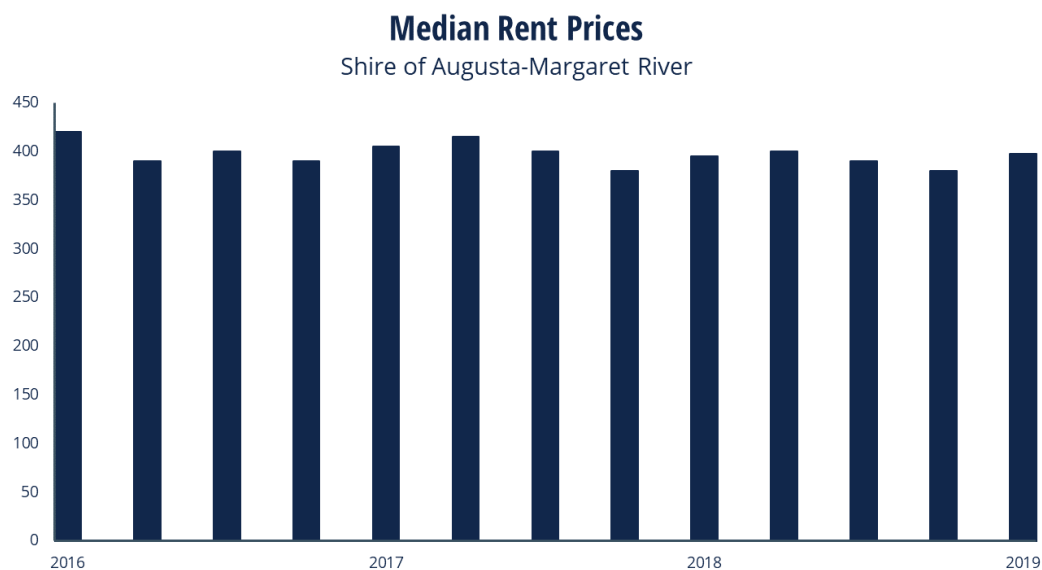
| State | STRA Reform Undertaken or Commenced? | Regulatory Approach | Stringency Rating* |
|-------|--------------------------------------|--|--------------------|
| VIC | Yes | Managed through existing regulatory frameworks <ul style="list-style-type: none"> Changes to the <i>Owners Corporations Act 2006</i> to help prevent unruly parties in apartment buildings (owners corporation schemes). Victorian Civil and Administrative Tribunal able to fine people for inappropriate conduct and prohibit use of a home for home sharing if three instances of inappropriate conduct in two years. | 1 |
| TAS | Yes | State-wide regulatory framework <ul style="list-style-type: none"> Hosts register for permit with local council or claim exemption if their listing is eligible (e.g. if property is a primary place of residence). Booking platforms such as Airbnb must collect information from hosts regarding planning approval. Data shared with government quarterly. | 2 |
| SA | Yes | Short Term Holiday Rental Accommodation Bill 2021 introduced June 2021; not yet passed. <ul style="list-style-type: none"> State-wide regulatory framework. Bill proposed a register of residential premises used for short term accommodation and a simple code of conduct. | 2 |
| NSW | Yes | State-wide regulatory framework <ul style="list-style-type: none"> 180 days per year limit on un-hosted STRA in Greater Sydney and nominated regional LGAs (exemption for bookings of 21 consecutive days or more). Government-run online STRA register. Mandatory code of conduct. | 3 |
| WA | Yes | Proposed policy <ul style="list-style-type: none"> Inconsistency across LGAs permitted Development approval required to rent out STRA for more than 60 nights STRA to be listed on state-wide register | 5 |
| QLD | Yes | Government reference group formed in 2018 to develop a regulatory framework. No further progress has been made. | N/A |
| ACT | No | - | - |
| NT | No | - | - |

*1 = light touch, 5 = severe

Dispelling the myths

Myth 1: The rapid growth of online platforms like Airbnb and Stayz have reduced the affordability of long-term rentals, particularly in regional areas.

There is no evidence to suggest that online platforms have contributed to a rise in rental prices in WA's regional areas. In fact, the data suggests the opposite; average rental prices in the Margaret River region — where there is a high concentration of online short-stay properties — fell 5.2% over the three years prior to COVID-19 (Dec '16 – Dec '19). This is because many online listings were previously used as personal holiday homes, rather than long-term rentals.

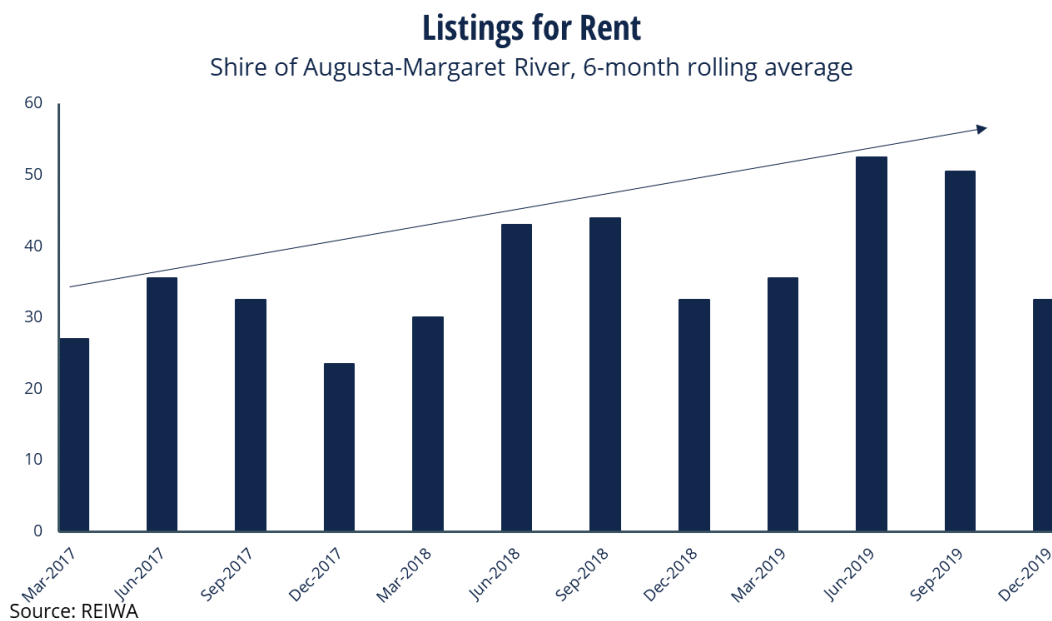


Source: REIWA

Myth 2: STRA contributes to rental shortage (e.g. in regions) because "for every property that gets put onto the short-term market it takes away from the long-term market"

There is little evidence to suggest that un-hosted short-stay accommodation listings curtail the overall supply of the long term rental market. In fact, many un-hosted properties are used simultaneously as private holiday-homes, with the owners choosing to list the property when they aren't using it for personal holidays.

In fact over the three years prior to COVID-19, when online short stay listings experienced robust growth, seasonal fluctuations in long term rental listings in Margaret River increased on an annualised basis (see chart below).



The path forward

Online short-stay platforms have delivered significant economic and social benefits for the Western Australian community. They have played an invaluable role in absorbing the surge in intra-state tourism and supporting WA's economic recovery; and in accommodating arrivals from overseas and interstate that need to quarantine due to COVID-19.

CCIWA believes that the government's proposed regulations would curtail these benefits, thwarting sustained growth in WA's tourism sector and in turn, diversification. Crucially, this runs counter to the Government's existing diversification strategy, with Diversify WA identifying tourism as a priority sector for strategic development.

When considering any new policy reform, CCIWA considers it essential that the intent and purpose of introducing new regulation is clearly articulated, and the benefits outweigh the costs.

In the context of the government's proposed short-stay accommodation policies, CCIWA does not believe that the above thresholds have been met and that a case for regulation has been sufficiently made.

To this end, we implore the government to reconsider all proposed regulations, and to only implement a regulatory framework that:

- Allows all forms of short-term rental accommodation to operate 365 days a year without requiring a Development Approval, as the default position for all local councils across the State.
- Includes a registration scheme with the sole purpose of collecting data about the extent of short-term rental accommodation in WA, and which draws on data that online platforms already collect rather than requires providers to apply via an onerous, government run process.

- Allows for local councils to 'opt in' to requiring Development Approvals, but only for un-hosted short-term rental accommodation let out for more than 180 days per year.

In addition, we recommend that the Government review existing regulations that apply to traditional accommodation providers, with a view to modernising any outdated pre-existing regulatory requirements.