



Tourism Industry Council Tasmania

Submission to

the Legislative Council Select Committee inquiry into

Short Stay Accommodation in Tasmania

August 2018

Contact:

Luke Martin
Chief Executive Officer
Tourism Industry Council Tasmania
p: 0434 307 838
e: luke.martin@tict.com.au

About TICT

Tourism Industry Council Tasmania (TICT) is the peak body that represents and acts for the Tasmanian tourism industry.

The Council is a not-for-profit and non-partisan organisation that promotes the value of tourism in the Tasmanian community. TICT provides a strategic direction and united voice for the sustainable development and growth of the Tasmanian tourism industry and in advocating policy on behalf of the industry.

TICT has a large, representative based board, bringing together various industry sectors. This includes representatives of accommodation and hospitality operators; visitor attractions, experiences and tour operators; transport operators, ports, and tourism-related industry associations.

TICT is a signatory and partner with the Tasmanian Government on the dual industry-government strategies guiding the growth of tourism and the visitor economy in Tasmania;

- *T21 – The Tasmanian Visitor Economy Strategy 2015-20*
- *Parks 21: Joint Action Plan for Tourism in Protected Areas in Tasmania 2015-20*

TICT commends the Legislative Council for initiating this timely and important inquiry into the impact of Short Stay Accommodation in Tasmania and welcomes this opportunity to contribute to the committee's deliberations.

Tourism Accreditation

For background, it is also important the committee understand TICT's role as the industry accrediting body for Tasmanian accommodation operators. Since the mid-90s, TICT has delivered the Australian Tourism Accreditation Program (ATAP) in Tasmania. ATAP is by-far the largest quality assurance and business standards program for Australian tourism operators, with over 6,000 participating operators nation-wide.

ATAP certifies tourism businesses who are committed to exceeding consumer expectations with great customer service and the highest standards of business practice. To be ATAP accredited businesses must meet a specific quality assurance and compliance criteria including:

- Ensuring the business has all required licenses and permits to operate legally
- Insurance details including at least \$10 million of public liability insurance
- Documented customer service procedures, booking and cancellation policies and customer feedback processes, including complaints and dispute resolutions
- Business operating systems and human resource procedures relevant to the scale of their business
- Economic sustainability including accounting standards
- Signed an industry code of ethics

ATAP requires an initial online self-compliance process and annual updates of current permits and certificates of currency. An on-site verification is undertaken to validate statements and practices. All accredited operators are required to undertake a review every three years.

Tasmania has the highest rate of voluntary industry accreditation in Australian tourism, with over 1,100 operators currently accredited or registered for accreditation. Around 70% of these operators provide short-stay accommodation, and 85% of these are small and micro businesses. The Tasmanian

tourism industry is extremely proud of its commitment to quality assurance and the high levels of industry accreditation.

Response to Terms of Reference:

1. The Growth of short stay accommodation in Tasmania and the changing market including recent trends in online letting of short stay accommodation;

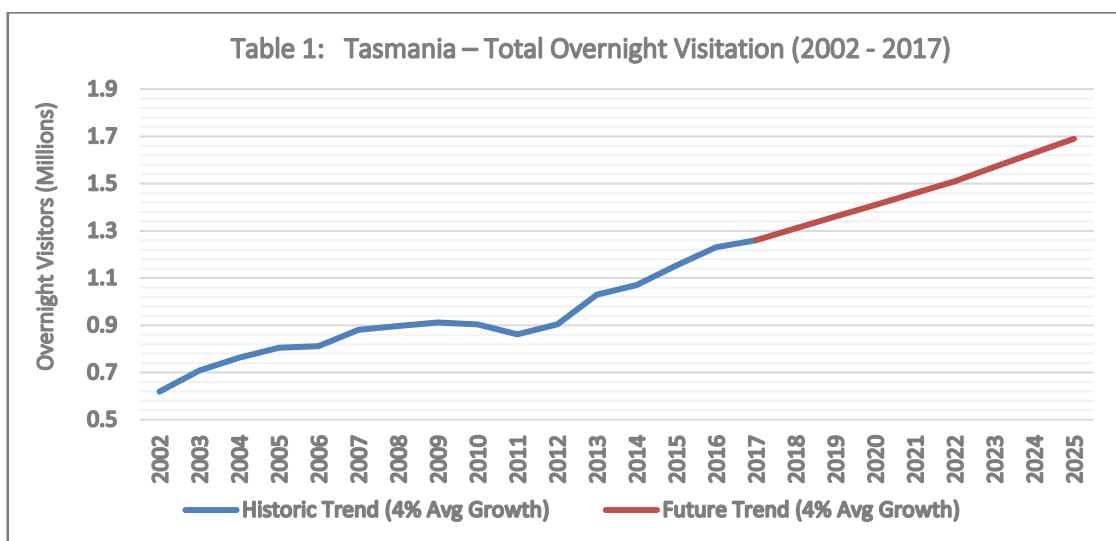
In considering the changing nature of short stay accommodation in Tasmania, it is important the committee understands the context of visitor growth to the State.

While much has been said and written about the ‘tourism boom’ in Tasmania, the numbers indicate that rather than a short-term ‘boom’, the State is really experiencing a relatively long and consistent period of steady visitor growth, interrupted only by the market disruption caused by the Global Financial Crisis.

Since the introduction of the twin *Spirit of Tasmania* ships and low-cost airlines in the early 2000s, the State has averaged 4% per annum growth in overnight visitors from around 520,000 overnight visitors in 2002, to about 1.3 million this year. Indeed, in the context of the so-called ‘boom’, overnight visitor growth to the State over the past two-years at around 3% has been below the average rate of growth since 2002.

This is an important point in the context of considering the demand for visitor accommodation across the State. Tasmania is not experiencing a short-term ‘boom’, but rather a relatively long and sustained period of growth in tourism to the State.

We know nearly all visitor growth over the past five years has been generated by the holiday leisure market (as opposed to Visiting Friends and Relatives and business travel), and this market will continue to fuel visitor growth to the State in the foreseeable future. This market generates demand for traditional visitor accommodation properties (hotel, motels, self-contained and hosted accommodation), as opposed to the VFR market who are more likely to stay with family and friends.



The sustained growth in visitation to the State since the turn of the century has fuelled strong demand for visitor accommodation across all sectors of the market.

The Tasmanian Visitor Survey undertaken for and on behalf of Tourism Tasmania gives insights into the structure of the visitor accommodation market in Tasmania. The TVS indicates that just over half of Tasmania's visitors will stay for at least part of their trip in a traditional hotel, motel or hostel, and around 20% stay in hosted or self-contained accommodation.

Table 2: Tasmanian Visitor Survey Stats on Accommodation Market Trends		
	Overnight visitors (share of market)	Three Year Growth 2014 – 17
Hotel / Motel	615,096 (47%)	1.6%
Friends/Relatives home	359,166 (28%)	- 4.9%
Hosted & Self-Contained Accommodation	237,746 (19%)	20.2%
Youth Hostel or Backpackers	53,884 (4%)	- 5.7%
Rented House, flat, unit and serviced apartment	208,891 (16%)	-5.1%
Caravan Park	146,211 (11%)	4.3%
Wilderness Lodge	71,024 (5%)	2.5%

The TVS data over the past three-years indicate low growth in the traditional hotel/motel market, at the same time as significant growth in the Hosted and Self-Contained Accommodation market in Tasmania. This aligns with the rise of sharing accommodation platforms in the State, including Airbnb.

While at the same time, Tasmania's hotels and motels have maintained some of the strongest business conditions in Australia. The Australian Bureau of Statistics most recent Census Results on Capital City Accommodation shows that in terms of occupancy rates and average price by room night, in 2016-17 Hobart had the third most robust hotel accommodation sector in Australia behind only the major cities of Sydney and Melbourne.

Table 3: ABS Stats on Capital City Accommodation Sector (2016-17)		
	Occupancy Rate (Annual Growth)	Average Daily Rate (Annual Growth)
Sydney	85.2% (+ 0.3%)	\$225.38 (+ \$9.55)
Melbourne	83.4% (+ 0.0%)	\$185.13 (+ \$0.20)

Hobart	82.1% (+ 0.2%)	\$173.56 (+ \$5.32)
Adelaide	77.9% (+1.9%)	\$151.91 (+ \$2.04)
Canberra	76.7% (+3.7%)	\$170.29 (+ \$6.06)
Perth	75.5% (- 3.8%)	\$175.83 (- \$15.09)
Brisbane	72% (- 0.2%)	\$155.91 (+ \$2.04)
Darwin	69.7% (+ 3.8%)	\$149.84 (+ \$6.06)

Launceston is experiencing similarly strong hotel accommodation market conditions relative to comparable regional markets across Australia:

Table 4: ABS Stats on Regional Centres Accommodation Sector (2016-17)		
	Occupancy Rate (Annual Growth)	Average Daily Rate (Annual Growth)
Geelong	76.5% (+ 2.3%)	\$160.60 (+ \$9.57)
Launceston	74.4% (+ 1.3%)	\$139.03 (+ \$2.76)
Alice Springs	71.5% (+ 2.7%)	\$117.07 (+ \$1.90)
Hunter Valley	65.9% (+ 5.0%)	\$179.12 (+ \$3.34)
Ballarat	62.3% (+ 0.9%)	\$ 143.29 (+ 0.9%)
Townsville	60.7% (- 2.8%)	\$127.08 (- 0.77%)

Considering the ABS and TVS data together indicate that while Tasmania is experiencing strong demand for visitor accommodation, which has maintained high occupancy and revenue for hotel and motel accommodation operators in the cities, supply in this market has been slow to respond.

This has created capacity restraints and high price positioning in the hotel accommodation market, particularly in Hobart over peak visitor periods, which has fueled consumer demand for alternative hosted and self-contained accommodation options. This sector has been quicker to respond to the market demand with injections of capacity facilitated through digital platforms like Airbnb.

Market research commissioned by the Tasmanian Government's Office of the Coordinator General on the accommodation demand across Tasmania confirm this, with significant supply shortages across the hotel and motel sectors in cities and regional areas of the State. With over 700 hotel rooms currently under construction in Hobart, and a further 500 approved for development, it is inevitable there will a market readjustment within the accommodation sector over the few years as these hotels enter the market.

Nevertheless, on current visitor growth projections and the scale of the historic under-supply in the accommodation market in Tasmania, it would be fraught with risk to predict the arrival of new hotels will trigger a significant decline in demand for self-contained and hosted accommodation across the State. We believe the growth in the self-contained and hosted accommodation sector is likely to be a permanent market shift rather than a short-term response to the capacity restraints in the Tasmanian hotel accommodation market.

The self-contained and hosted accommodation sector has been the backbone of Tasmania's tourism industry for decades. Hosted 'bed and breakfasts' and self-contained accommodation have been an important feature of the Tasmanian visitor experience especially in regional parts of the State for our traditional self-drive touring market. In many regional destinations across the State this style of accommodation is the only option for visitors.

Digital platforms such as Airbnb and Stayz have generated growth in this sector by providing a cost-effective and easy way for property owners to enter and compete in the market. It has also facilitated growth in home-sharing as an attractive alternative visitor accommodation choice appealing to a growing segment of the visiting public who prefer to stay within a genuine 'home' environment as part of their visitor experience rather than a less personal 'commercial' hotel option.

From the industry's perspective, we welcome the expansion of the self-contained and hosted accommodation market in Tasmania, and the opportunity digital platforms such as Airbnb provide for more Tasmanians to participate in our successful and growing visitor economy. We also recognize the consumer demand for 'home sharing' style accommodation and believe as an innovative and responsive destination, Tasmania should always strive to be at the forefront of consumer trends.

The challenge for the tourism industry and all levels of government is to manage these market trends through appropriate regulatory, policy and planning responses that enables the market to achieve its potential. But also maintains the integrity of the operating framework established accommodation operators have designed within their business, and the impact of these market changes on the broader community and economy.

This is essentially the challenge for Tasmania in responding to the Airbnb phenomenon – as it is for just about every other jurisdiction and visitor destination throughout the western world.

2. The impact of short stay accommodation on the residential sector

As a tourism organisation, TICT is cautious in offering any commentary to the committee about the implications of short stay accommodation on the residential sector and housing affordability in Tasmania.

On the figures we have referred to in this submission outlining the market demand for short stay accommodation in Tasmania, along with research released by the University of Tasmania's Institute for Social Change and Anglicare Tasmania on the private residential market in Tasmania, we accept the view visitor growth is having some negative implications on housing affordability and availability in Hobart and some regional centres.

The growth in visitor demand to Tasmania coinciding with the availability of cheap and effective online booking platforms, has encouraged significant numbers of residential property owners to convert their investment properties from residential rentals to short-stay visitor accommodation.

This has exposed a long-term under supply of both residential and visitor accommodation in Tasmania. As we have stated earlier, we do not believe this is a short-term trend that can be effectively re-adjusted through regulation or market trends, but rather through an increase of supply into both the visitor accommodation and residential property markets.

3. The impact of short stay accommodation on the tourism sector

We have already outlined the significant changes in the visitor accommodation market in Tasmania with the expansion of hosted and self-contained accommodation through Airbnb, Stayz and similar online booking platforms.

An outcome of the emergence of these platforms in facilitating new entrants into the accommodation market has been the uneven cost structure it has created within the sector between traditional accommodation businesses and new entrants into the market using these online platforms.

Traditional accommodation operators have every reason to be angry and frustrated by the clear discrepancies in their cost structure compared to newer entrants into the market.

The following table offers some examples of the kind of everyday cost incursions that established accommodation businesses in Tasmania are required to cover, that new entrants into the market predominantly driven by Airbnb are exempt from paying.

Table 5: Examples of Operating Costs for Traditional v 'New' Accommodation Operators		
	Traditional Commercial Accommodation Businesses	'Airbnb-style' New Accommodation Operators
Energy	Metered at Business Energy Tariffs	Metered at lower Residential Tariffs
Insurance	Required to obtain business insurance, public liability insurance, workers compensation insurance	Most operators would have land lord insurance, if anything.
Foxtel	Accommodation Subscription – around \$10,000 p.a. for a small-medium motel, or \$115 a month for a small accommodation business.	Can access residential packages starting at \$49 a month.
Tag and testing of electrical equipment	Most accommodation business undertake annual or bi-annual testing at cost of several hundred dollars	Very unlikely this is even an consideration for most operators
Local Government Rates	Pay higher Commercial Rates in local government areas where they apply.	Pay lower Residential Rates

Waste	Medium-Large accommodation businesses pay for waste collection	Not an expense – collected as part of their residential waste collection service.
Food Inspections	Subject to Local Government inspections	Not regulated
Liquor Licenses	Must obtain a liquor license if part of service	Not regulated
Accreditation / Industry Investment	Support and investment in local tourism industry activities / cooperative marketing	Generally, avoid these industry costs. Can be argued benefit from the investment generated by the traditional industry in creating demand.

There are also set-up and capital costs that traditional commercial accommodation businesses have met around planning and development costs that are very different to the minimal set-up costs for converting an existing residential property into visitor accommodation.

This is particularly relevant in high value property areas such as Battery Point and the Hobart waterfront, where the value of commercial-zoned land is significantly more than residential. The small number of traditional commercial accommodation operators established along Hampton Road Battery Point, for example, are operating their businesses off a dramatically different capital cost structure than the Airbnb-listed properties operating literally within eye-shot in the residential zoned areas of Battery Point.

It is important also to make the point these operators are all operating within the same visitor market.

In July 2018, TICT surveyed its accredited accommodation operators, which range from large hotels through to hundreds of small hosted and self-contained accommodation operators scattered across Tasmania.

The survey found:

- 55% of accredited accommodation operators are currently listed on Airbnb
- 28% of accredited accommodation operators are currently listed of Stayz
- 40% of accredited accommodation operators are not currently listed on Airbnb or Stayz

This confirms there is no distinction within Airbnb listings in Tasmania between traditional, legitimate and accredited accommodation businesses and new entrants to the sector exclusively using Airbnb to obtain bookings. Traditional accommodation operators are listing on the service alongside 'home sharing' hosts.

The online services do not differentiate when listing products, and there is no evidence the consumer differentiates when purchasing their accommodation. Yet, often these accommodation providers are working off diametrically different cost structures and overheads. While accepting the disruption that has occurred in the market, steps must now be put in place to ensure all accommodation operators in Tasmania are operating in a fair and equitable market.

4. Regulatory issues including customer safety, land use planning, neighborhood amenity and licensing conditions compared to other jurisdictions in Australia and worldwide;

TICT reaffirms two key principles that guide our approach to this issue:

- We believe Tasmania's evolution and growth as a world-leading visitor destination rests in our reputation for outstanding visitor experiences underpinned by quality tourism businesses. Our commitment to industry accreditation and standards is evidence of our enduring commitment to leading an industry renowned for the excellence of our operators; and,
- We want more Tasmanians to be part of our industry and share in our growing visitor economy by encouraging growth that supports our community and adds value to our destination brand.

To this end we are determined to work towards a regulatory and planning framework in Tasmania that embraces new entrants to our industry.

It is important to acknowledge every jurisdiction in Australia is grappling with the challenge of securing an appropriate regulatory and planning structure to manage the growth in Airbnb and short stay hosted and self-contained accommodation. To date, no State or Territory seems to have landed on an effective framework that all stakeholders agree achieves the balance in enabling market disruption and growth, while maintaining an appropriate layer of control over the nature and scale of short stay accommodation.

In this context, the Tasmanian Government has been quite proactive compared to other jurisdictions in recognizing the disruption. Indeed, you could argue Tasmania continues to serve as a test bed for regulatory and planning solutions to the changes in the short stay visitor accommodation market in Australia.

It is important to note since the abolition of accommodation licensing in Tasmania in the mid-2000s, the Tasmanian Planning System is really the only resource the State has in regulating the proliferation of short-stay accommodation in Tasmania. By design the planning system is notoriously slow and reactive in recognizing and managing disruption but from our experience the process to this point with this issue has been relatively fluid in its design.

In early 2017, the-then Minister for Planning, the Hon Peter Gutwein MP released his ministerial directive that essentially defines short stay accommodation around three segments in terms of how they are managed under the planning system:

- Complete deregulation of home sharing accommodation from a property owners principle place of residence
- Requirement on property owners to obtain a non-discretionary permit if they wish to use their investment property or secondary residence (i.e. holiday home or shack) for short stay accommodation if their property is less than 300 meters in size
- Requirement on property owners and developers to lodge a standard development application or change of use application for properties larger than 300 meters in size.

(In May 2018 the Tasmanian Planning Commission recommended the provision for non-discretionary permits be restricted to 200 square meters in size, which was accepted by the Government.)

TICT has endorsed the decision to effectively deregulate genuine 'home sharing' accommodation in Tasmania. We resolved that Tasmanians should be free to do with their own home what they see fit and in a practical sense we see how difficult and impractical it would be to even try and regulate this type of commercial activity in someone's primary place of residence. While there are inherent risks for the consumer around 'home sharing', hosts and their guests who choose this style of accommodation are generally doing so with a heightened understanding of those risks.

Where it is much more challenging is around investment properties and secondary properties being used as commercial accommodation businesses. As has been outlined in this submission there is no distinction between traditional accommodation businesses and 'Airbnb' style accommodation businesses, and both groups of operators should operate off the same playing field. While the Government has established a framework for those types of accommodation operators to be legitimate, compliance has been a challenge.

The requirement on property owners to obtain a permit for their investment property or holiday home before listing legitimately on Airbnb and other platforms is designed to ensure a basic level of compliance and integrity in the short stay accommodation sector. From our perspective we think this model has the potential to be an effective system for Tasmania. But for the system to work it needs to be enforced and clearly this has been the failing in the design and execution of the Minister's planning directive.

While Local Government is responsible for compliance and enforcement of the Planning System clearly this has not been occurring in most Local Government Areas. Councils in regional parts of Tasmania with stretched budgets and small planning departments obviously do not have the resources to regularly trawl websites looking for properties within their municipality being advertised for short stay accommodation without permits. The process for then following up with these properties with enforcement can be resource intensive. It's not ever going to work.

For this reason, TICT welcomes the State Government's recent announcement that it intends to legislate to compel all accommodation booking sites and property owners to ensure they have all necessary permits in place when listing their property for short stay accommodation. Clearly there needs to be some element of 'stick' for both the online providers and property owners to meet their requirements under the planning system. We believe this will go some way towards achieving the 'even playing field' our traditional accommodation operators expect.

The challenge remains enforcement and compliance, and ensuring Councils understand and meet their responsibilities in maintaining the integrity of the planning system. The 2017 Ministerial Directive enables Councils to charge up-to \$250 for a permit, which negates concerns about resourcing compliance. In some Tasmanian local government areas with significant numbers of short stay accommodation operators, robust compliance may ultimately become an effective new income stream for the Council!

TICT is not convinced by other suggested models for regulating short stay accommodation, such as a reintroduction of accommodation licensing in Tasmania, which would just add red tape and expense for traditional operators and require a whole new layer of expensive State Government bureaucracy to manage compliance and enforcement.

Nor do we support proposals to ban or cap all short stay accommodation in certain high demand areas. While this might in the short term limit the proliferation of existing residential properties being turned into short-stay accommodation, it would also restrain investment in new commercial visitor accommodation in areas where supply is most needed.

In Hobart, for example, a ban on any further short stay accommodation listings would simply drive up the market for existing visitor accommodation and create an even wider gap between the two markets. In regional areas it would likely drive up property values in areas of high-visitor demand, such as the East Coast, further undermining housing affordability in relatively low-income areas.


5.) Any other matter incidental thereto

While beyond the intent of this inquiry, TICT encourages the Committee to consider barriers to attract investment in commercial visitor accommodation in Tasmania. Encouraging sensible and appropriate investment in regional areas of Tasmania is critical to increasing supply. Parts of Tasmania experiencing strong visitor growth are not seeing the investment pipeline of new visitor accommodation being experienced in Hobart and Launceston.

There are more examples of development proposals in some of these areas of high demand for visitor accommodation falling over due to resident's opposition and other factors. An example being Vos Group's relatively low-impact proposal for accommodation at Boat Harbor.

While the current debate about a large development proposal on the East Coast is unfortunately casting a shadow over all tourism development in a region that desperately needs new investment. Finding parameters through the Planning System and local leadership to attract and facilitate appropriate and broadly-supported investment will be critical to local community's capacity to grow their visitor economies.

TICT welcomes the opportunity to share our perspective on this critical matter for our industry and looks forward to discussing our concerns with the committee in the hearings.



Luke Martin
Chief Executive Officer
Tourism Industry Council Tasmania