

**Submission  
No 159**

**ADEQUACY OF THE REGULATION OF SHORT-TERM  
HOLIDAY LETTING IN NEW SOUTH WALES**

**Organisation:** Australian Regional Tourism Network  
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**Position:** Chair  
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9<sup>th</sup> November 2015,

The Chair, Committee on Environment and Planning  
Parliament House  
Macquarie Street,  
Sydney NSW 2000.

**RE: ARTN Response Inquiry into the adequacy of the regulation of short-term holiday letting in NSW**

Thank you for the opportunity to make a submission on the above Inquiry. We note the Terms of Reference for this Inquiry as being:

- a) The current situation in NSW and comparison with other jurisdictions
- b) The differences between traditional accommodation providers and online platforms
- c) The growth of short-term and online letting, and the changing character of the market
- d) The economic impacts of short-term letting on local and the state economies
- e) Regulatory issues posed by short-term letting including customer safety, land use planning and neighborhood amenity, and licensing and taxation
- f) Any other related matters.

**About us**

This submission comes from the Australian Regional Tourism Network. The ARTN is the peak body that represents regional tourism across Australia. Regional tourism is a vital sector of the Australian economy and to the sustainability and vibrancy of many of our communities. Nearly half of the nation's tourism expenditure occurs in regional Australia, equating to more than \$18.8 billion in revenue. As well, tourism employs more Australians than mining and more than forestry, agriculture and fishing combined. The ARTN advocates the fostering of sustainable regional development and amplifies key messages to government, other industries and industry sectors, researchers, educators and the public.

**Why we support short-term holiday letting in NSW**

The ARTN notes that short-term holiday letting in NSW is an established practice that offers benefits to the owner, host, consumer and region where it is located. In some regions of NSW, it is a lack of suitable accommodation in line with market demand that holds back growth in overnight stays and subsequent economic benefits to that region. In some cases, short-term holiday letting fills this gap in the market, triggering increased spend and increased length of stay in the region, and generating flow on employment opportunities through the wider visitor economy. Where a regional economy cannot attract investment to build tourist accommodation, short-term holiday letting can be the next best option to meet demand and support the broader visitor economy.

The ARTN believes that short-term holiday letting in NSW also benefits regions by generating greater use and return from otherwise 'lazy assets'. Many regional economies have had to face their regional economies once based on successful agriculture, mining or other industry contracting, triggering reductions in consumer spending, employment and investment. This can result in the withdrawal of residents and businesses from homes, commercial and industrial buildings. These semi-abandoned buildings become lazy assets, at best static and underutilised, and at worst subject to deterioration from neglect, vandalism or even arson. Short-term holiday letting offers these assets an opportunity to be renewed and repurposed. This not only reactivates the asset but presents the location as an active landscape – critical for consumer confidence and community pride.

We also believe that when short-term holiday letting is grown and managed with a vision, it can do even more. For example, a recent shift away from traditional tourist areas and attractions in Europe in favour of more authentic experiences has seen hipster neighbourhoods become increasingly sought out. The latest Euromonitor Global Trends Report shows that travellers are increasingly keen to experience “hipster culture” on their holidays – from pop-up restaurants to vegan cafes, independent shops and craft galleries. Millennials make up the main market for this type of travel, with a range of relative newcomers to the travel arena driving the trend. Online sharing economy distribution operators have played a central role in opening up these areas to tourists, as many lack hotels, with private rentals often being the only option for staying locally. The opening up of these alternative areas is helping battle the negative effects of mass tourism such as overcrowding and traffic, instead diversifying the tourism appeal of many European cities. This approach could be applied to regional areas of NSW, giving them greater differentiation in the marketplace.

### **The game changing issue**

The ARTN believes that the significant game changer relating to holiday letting in NSW has been the growth in the sharing economy-based online distribution systems in the past five years, such as Airbnb. These distribution systems have massively expanded access between the market and suppliers of short-term holiday letting in NSW, and indeed all regions of Australia. This expanded access has brought many new players into the market, and also benefitted many ‘established accommodation operators whose buildings have been approved for this use by local government. These operators have been able to join the system and sell room nights to consumers that they otherwise may not have reached, resulting in increased occupancy, viability and economic benefits to the visitor economy and host region.

### **Key issues**

Our concern starts with the speed at which these distribution systems have attracted inexperienced players into the market. This growth has been faster than the response of the tourism industry and government to understand and work with it for the benefit of all. This leads us to the three main concerns of the ARTN in relation to short-term holiday letting in NSW:

1. The lack of awareness of the consumer in what to expect from this product, versus short term accommodation that has met standards and been approved by local government for the prescribed use
2. A high number of inexperienced ‘operators’ that have minimal knowledge of their obligations to the consumer
3. The unpreparedness of local government to respond to the above

The ARTN recognises a major disparity in what is required for short-term holiday letting versus short-term accommodation that has been approved by local government through its Development Approval mechanism. Buildings built for or adjusted to meet DA requirements have had to meet specific requirements designed to manage risk to the consumer. In particular, these buildings address fire and evacuation procedures that place the safety of the consumer at the centre. Short-term holiday letting is not regulated to address this; which increases risk to the consumer, the ‘operator’ and the wider industry.

### **The need for consistently applied accommodation categories**

The ARTN recognises that there is a legal issue in adequately defining some forms of short-term accommodation. The ARTN notes that the Airbnb's submission to the NSW government's planning white paper said the current definition of 'tourist and visitor accommodation' was inappropriate for its users. They have argued that the law should make clear that the occasional short-term rental of a primary residence was not a commercial use. Local government does not have sufficient categories to identify the range of short-term holiday letting that has recently joined the sector. Consequently, it may be that some local governments are over-relying on the category of Bed and Breakfast to capture what is probably two to three categories of short-stay accommodation. The limitations are highlighted by the B&B definition including suitable facilities for serving cooked food (typically breakfasts) when some short-term holiday letting accommodation operators choose to only offer uncooked food. We also note that some Sydney Council's have accepted that some short term stays based on the minority portion of a building, where the owner continuously occupies equal or majority footprint area, is a 'lawful ancillary use'. The ARTN notes that Queensland and Victoria have clearer categories and subsequent rules than NSW. These categories need to be shared with NSW local governments, so they are empowered to consider further legal definitions in their own regulations.

### **Empowering the consumer**

The ARTN recognises that some larger metropolitan-based local governments have been quicker and more adaptive to respond than the majority of local governments based in regional areas. We therefore suggest to the Committee, that the innovations being introduced by lead local governments like the City of Sydney, are shared with the regions, so they are empowered with potential responses. Some of the responses that local governments could be made aware of include:

- Establishing a landing page on local government websites and on local and regional visitor information websites, outlining:
  - what non-approved accommodation is;
  - what the risks of using it are and what evidence to look for in the accommodation being used;
  - how to report unauthorised accommodation that appears to present risks
- Establishment of an online reporting mechanism for unauthorised accommodation
- Establishment of a position or team of persons that are trained to investigate reports of unauthorised accommodation, and who work closely with the NSW Police, Fire and Rescue NSW, NSW Fair Trading, the Australian Taxation Office and other relevant agencies

The ARTN has a strong relationship with the Australian Local Government Association. In this capacity, we could work together to address measures such as those listed above.

The ARTN would also like to propose that properties that are DA approved by local government for use as short-term accommodation, and are listing themselves via online visitor economy distribution systems, be recognised by the distributor operators as Council approved accommodation', so that they stand out from the other properties that are not approved.

**Empowering the 'operators'**

The ARTN would also like to propose that the NSW government prepare an Information Sheet for those already in or contemplating joining the short-term accommodation sector. The Information Sheet could address the difference between approved and unapproved accommodation, the regulations and potential fines from breaking them, innovations being trialed for the sector and organisation contacts to discuss the issues further. The Information Sheet could be distributed through the online sharing economy operators like Airbnb, as well as local governments, regional and local tourism organisations across NSW.

Best regards



David Sheldon

Chair

Australian Regional Tourism Network

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