

Legislative Council, Select Committee, Short Stay Accommodation

Submission by Huon Bush Retreats

Impact on Compliant Accommodation Providers

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Overview

- Previous illegal operation has been made legal
- Many operators still have illegal components in their model but are allowed to continue
- Compliance costs us (in Nov 2014) \$21,782 extra pa to operate in compliance (see table at end)
- We put our profit back into the Tasmanian economy plus we pay all our taxes and other fees
- Air BnB operators send 15% profit straight out of Tasmania and mostly do not pay commercial taxes and fees
- The non-compliant operators undercut us and make our operation difficult
- Non-compliant operators are allowed to continue to operate

Establishment

We built compliant

- Development application
- Change of use
- Objections
- Redesigned our operation to comply with objections

Requirements for special facilities during construction

Required facilities:

- Building Fire safety
- Wild fire safety
- Disabled x 2
- Health requirements
- Car parking
- Public road improvements

Commercial rates charged by council

Ongoing

This costs us extra ongoing

- Commercial council rates
- Commercial bank interest
- GST compliance costs
- Insurance
- Fire and other safety inspections
- Contribution to Tas joint marketing
- Building Fire safety inspections
- Form 56 inspections
- Wildfire protection
- Health commercial kitchen yearly licence

How much it adds up to each year

Here at Huon Bush Retreats, compliance costs us about \$21,400 per year, including the yearly ongoing costs and amortised capital costs. Spread over our 7 accommodation units, that is over \$3000 per room per year. Remember, these are costs imposed on us by law. A non-compliant operator listed on Air BnB, who does not meet the standards, does not have these costs so can pocket this as extra profit or can undercut a compliant operator.

Law

New players operated illegally

It is often stated that the Government changed the law to restrict Air BnB type operations. However this is a misrepresentation. What actually happened was that the law was changed from such operations being always illegal to being allowed in most circumstances.

Authorities failed to stop breaches

Finding illegal operators is easy. However the authorities do nothing, neither before the law changes or since.

Govt changed law

When accommodation law was changed, our extra costs did not suddenly disappear. Once a property has been constructed to standard, the standard can't suddenly be dropped and the expended costs recovered. But now conventional house owners with near zero costs are allowed to operate in competition without ever having incurring these costs.

Results

Now anyone does it without requirements that we faced

Allowing regular houses to be used as tourist accommodation it is not as simple as it looks at first glance. There are vastly different construction and operation requirements for commercial and residential properties. This includes off street parking, extra fire protection, extra water and sewage requirements, disabled facilities, safety glass, extra exits, extra insurance, inspections, food and alcohol licenses, yearly inspections and accreditation costs.

How AirBnB undercut us

Although required by law, AirBnB operators defy the law in the following, cost saving ways:

- Don't pay GST
- Don't pay income tax
- Don't pay commercial council rates
- Don't pay commercial waste disposal fees
- Pay cash cleaners who don't pay superannuation, income tax etc

They also save by skimping on the following that are not legally required but should be:

- Inadequate or no insurance for commercial operation
- Inadequate safety management: Fire inspections, form 56, electrical testing
- Don't contribute to co-operative marketing campaigns run by Tourism Tasmania and the various regional marketing organisations
- Don't provide disabled facilities
- Don't provide off street parking

Distribution commissions sent out of Australia

- The distributors such as Stayz and AirBnB take typically 18% out of Australia
- They don't pay Australian tax

Should be level playing field for everyone

Either:

- Compensate us for compliance costs or
- require same compliance from everyone

Table: Extra Costs due to doing it right

This \$21,782 is the extra cost on top of what we would have if we had just built and operate the same facilities illegally. These costs are far greater than the base costs that would normally be associated with a residential situation providing illegal short term accommodation. Once off costs are amortised over 10 years (X 0.1). Extra interest is applied at 5% to the **extra** construction costs only, not the base. Additionally we have to pay staff workers comp and superannuation, which an illegal servicing the facilities themselves would not pay. This data was extracted in November 2014, so current costs will be a little higher. Costs change year to year, these are typical.

Item	Cost	Time	multiplier	Line Cost	Note	
	Total Extra Cost per year			\$ 21,782		
Planning						
Development application	\$ 2,000	once off	0.1	\$ 200	Required by council	
Planning tribunal	\$ 1,000	once off	0.1	\$ 100	Required by council	
Design fire facilities	\$ 5,000	once off	0.1	\$ 500	Required by council	
	Planning Total Yearly Extra			\$ 800		
Construction	Amortised over 10 yrs					
Disabled Cabin facilities	\$ 8,000	once off	0.1	\$ 800	Required by council	
Disabled Day Use facilities	\$ 12,000	once off	0.1	\$ 1,200	Required by council	
Advanced fire fighting facilities	\$ 30,000	once off	0.1	\$ 3,000	Required by Fire Service	
Fire weather meter	\$ 300	once off	0.1	\$ 30	Required by Fire Service	
Fire resistant building extras	\$ 10,000	once off	0.1	\$ 1,000	Required by Fire Service	
Extra Car parking	\$ 2,000	once off	0.1	\$ 200	Required by council	
Commercial kitchen	\$ 15,000	once off	0.1	\$ 1,500	Required by council	
Commercial kitchen equipment	\$ 3,000	once off	0.1	\$ 300	Required by council	
		once off	1.1	\$ -	Required by council	
	Construction Total Yearly Extra			\$ 8,030		
Ongoing Required						
Interest on extra construction	\$ 8,030	Yearly	0.05	\$ 402	Required by council	
Liquor license	\$ 200	Yearly	1	\$ 200	Required by State	
Food license	\$ 200	Yearly	1	\$ 200	Required by council	
Fire equipment inspections	\$ 40	twice/yr	15	\$ 600	Required by State	
Workers Comp Insurance	\$ 100	fortnightly	26	\$ 2,600	Required by State	
Superannuation	\$ 100	fortnightly	26	\$ 2,600	Required by State	
	Required ongoing extras			\$ 6,602		
Ongoing Voluntary						
TICT accreditation	\$ 150	Yearly	1	\$ 150	Voluntary	
HVKTA Membership	\$ 150	Yearly	1	\$ 150	Voluntary	
DST Membership	\$ 750	Yearly	1	\$ 750	Voluntary	
Contribution to zone marketing	\$ 150	Yearly	1	\$ 150	Voluntary	