



Why do governments hate bed and breakfasts?

Louise Staley

Government action is rarely harmonious.

Policy aims, and the methods used to achieve those aims, differ from one area to the next. Tourism, for instance, suffers from this regulatory dissonance. One side of government proclaims its virtues, while another side undermines it.

Governments of all political hues have repeatedly used rhetoric encouraging local governments and communities to pursue tourism as a way to broaden economies based on agriculture, forestry or mining. The Greens repeatedly suggest that ‘unsustainable’ agriculture can be readily replaced with ‘ecotourism’—an industry which exists more in the Qantas in-flight magazine than in reality.

Some regions have embraced this advice with gusto, creating clusters of bed and breakfasts, guest houses and hotels. The regions offer fine dining and activities such as wine tastings or spa treatments. Victoria has the Goldfields region and the Great Ocean Road, South Australia the Adelaide Hills, Western Australia has Margaret River, and New South Wales the Hunter and Blue Mountains. Typically located within a couple of hours of the capital city and centred on quite small country towns, they cater to the long weekend or mini-break markets. Across Australia the total amount spent annually in the B&B market is over \$1.55 billion, with over 80 per cent of this spent in country areas.

Farmstay and farm-based bed and breakfasts are another growing category, as families seek the experience of staying on a working farm or within a completely rural community. For the property owners, operating a Farmstay (with farming activities included) or renting out the shearers’ quarters as bed and breakfast may be the only

option for additional income if distance from town, lack of experience or poor telecommunications rules out the ‘tree-change’ options of working from the farm as a journalist or graphic designer or any of the other well-paid jobs often highlighted as alternative options for those living on farms.

For tourists, bed and breakfast or Farmstay offer a particular kind of experience not available in motels or large hotels. For a start, they all provide breakfast with the tariff and the accommodation is usually limited to four or five guest rooms, often in a house shared with the owners of the premises. Some offer dinner, particularly in remote areas, and most will have a communal lounge room for all guests. The other major difference between them and larger accommodation is the interaction between the owners and guests. As the NSW B&B guide puts it: ‘there is also the host’s focus on a positive personal welcome for all guests as the beginning of establishing a warm and friendly, yet not intrusive, relationship with them’.

Running a country accommodation business should be an achievable goal both for escapees from the city and long-time country people with relatively limited capital (as the property usually doubles as a principal residence). Typically the building is older, perhaps a Victorian terrace or old shearers’ quarters, and the furnishings are designed to match the age and character of the house. B&Bs cater to affluent, older travellers. The most recent survey of B&Bs found that 41 per cent of guests had incomes over \$78,000, much higher than the incomes of travellers staying in other types of accommodation. To meet the expectations of guests, the average B&B is rated three stars or greater. B&Bs are successful in meeting their guests’ needs, with very high levels of satisfaction reported by guests (the sector is second only to eco-lodges in terms of satisfaction) and with an overall satisfaction level of 98 per cent.

Given all this, it could perhaps be assumed that the various levels of government responsible for regulating B&Bs would take the view that light-handed regulation would best suit the sector. After all, these are typically very small

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businesses, located in rural and regional Australia, run by people offering a superior level of accommodation and service to meet the market. Dodgy operators just don't survive in an industry characterised by word-of-mouth recommendations and privately run industry accreditation.

Yet this is not the case. As the NSW B&B and Farmstay Association laments, 'the law that applies to B&Bs and Farmstays is mounting in breadth and detail almost by the day'. Similar tales of regulatory complexity and overload are voiced by Victorian operators who note that a B&B or Farmstay operator needs to comply with a minimum of seven groups of regulations, administered by all three levels of government. To compound the problem of over-regulation, there is little consistency across local government areas in the implementation of food and planning laws, which makes it difficult, if not impossible, for B&B associations to create 'how-to' guides for their membership which would help new entrants navigate their way through the maze of regulation.

Looking more closely at the current regulations shows that some were designed for other types of accommodation such as large hotels, others lack sense, and yet others are merely revenue-raising exercises. All of them add cost and complexity to running B&Bs and Farmstays, yet many could either be totally abolished or substantially reworked.

Do more Oregonians get food poisoning?

Food safety regulations are particularly onerous in some States, despite the move to so-called outcomes-based regulation instead of the previous idea of specific prescriptive rules. For example, a Victorian regulation specifies two fridges, one for guests' food and the other for the owners. But are the owners more likely to have rotten food in their fridge? If there must be two fridges, it is probably more sensible to divide them by function, with perhaps dairy and meat in one and fruit and vegetables in the other. Another regulation requires the checking and recording of fridge temperatures every four hours. This is the same requirement faced by butchers and delicatessens and it may be

Example of regulatory costs for a small B&B

annual gross income roughly \$21,000

Registration of premises for B&B	\$300
Prescribed accommodation licence	\$200
Liquor licence	\$60
Public liability (2-room operator)	\$1800
Tourism association membership	\$200
Accreditation Fees	\$180
Star Ratings	\$300
Annual Compliance Total	\$3040

Source: IPA

defensible as a management technique in an environment where many people are in and out of the fridge and there is a chance of a break-down going unreported.

But B&Bs are in someone's home, with only the owners and perhaps a part-time employee using the fridge. Unlike high turnover premises, surely the issue with B&Bs is to guard against the slimy lettuce or three-day-old fish lurking in the back somewhere.

Compulsory training has become a cornerstone of food safety regulation, with courses in awareness of (if not compliance with) the regulations offered by many TAFEs where B&B operators can become 'food safety supervisors'. By contrast, to become a licensed food handler in Oregon you can take an online course. Why can't Australians learn online like Oregonians? Are there any statistics anywhere to show that Oregon, USA has a worse record of public food poisoning than Australia?

Moreover, in addition to food safety regulations, there are rules about what kind of kitchen a B&B or Farmstay can have if preparing food for guests. Some of the common requirements such as cleanliness, double sinks and splashbacks are not onerous and, for most people, would require little capital expenditure to achieve them. However, these laws are implemented and in some cases devised by local government. As a result, there is no consistency. Furthermore, horror stories abound of over-zealous new inspectors failing kitchens that have previously

made the grade. Other councils have woefully insufficient resources to police these and the food safety regulations, making compliance effectively voluntary. According to the NSW State Government's own guidelines, 'the B&B industry cites numerous instances where particularly onerous and costly commercial kitchen fitouts have been required which are cost prohibitive to a small scale B&B operator'.

In the B&B and Farmstay market, anecdotal evidence suggests that the current lack of clarity in what is required to meet food safety and kitchen registration has resulted in many operators of cottages and shearers' quarters doing no food preparation at all, and only serving pre-packaged food: those awful mini-milks and single-serve breakfast cereal. As a result, their guests miss out on a better quality product. Even if the apparent fear of being unable to comply with all the food regulations is misplaced, the fear still remains, leading many to remain unregistered micro-businesses.

Fire & water & bricks & mortar

Some councils require registration of B&Bs, others don't. Some only require registration if offering more than seven beds, others specify two rooms. Some councils ban B&Bs altogether. Some place effective barriers to entry by letting existing operators continue without registration while making new entrants comply

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with very onerous rules.

In Victoria, for example, the regulations for Ballarat and neighbouring Clunes have significant differences, particularly about how many people can stay before the business must be registered. This perhaps wouldn't matter much except the regional promotion is centred in Ballarat and that council has effectively forced Clunes B&Bs to comply with Ballarat regulations if the operators want to be listed in the tourism directory and have their brochures available from the visitor information centre.

Being registered has direct costs of roughly \$500 per year, depending on the council. The insurance industry has piggy-backed on building registration as a requirement for public liability insurance. Public liability insurance is itself a huge expense for many operators, particularly those in heritage buildings with premia as high as \$20,000 for larger establishments in old two-storey buildings and about \$1,800 for smaller operators with only two rooms in a single-storey cottage.

Even something as vital and simple as fire safety is regulated by three or four Acts and Codes. No wonder people have difficulty determining if they are complying.

Water in the country brings its own challenges. Apart from the widespread lack of it, many rural properties are not connected to town water. In the past, the general rule was that if it looks clean, smells clean and tastes clean and comes from a well-maintained catchment area (that is, a roof), then an operator was regarded as doing the right thing. However, at least in New South Wales, this is insufficient and B&B operators are required to implement an eight-point water management plan, including monthly testing at \$100 a month, and the possible installation of costly filtration devices despite the fact that the owners also drink the water and therefore have a strong personal incentive to ensure its potability.

Keeping Australia's electricians in work

Every electrical appliance needs to be tested and tagged every two years by a qualified electrician or someone who has done the appropriate TAFE course. Because of the nature of B&Bs and Farmstays, the home is the business, so every toaster, iron, vacuum cleaner, bed lamp, hair dryer, computer, television, fridge etc. *ad nauseum* must be tested and tagged every two years. This is just one of the occupational health and safety requirements of running a B&B.

What can be done?

In Australia there is a national system of star ratings for B&Bs and Farmstays operated by AAA Tourism, a partnership between the various State-based motoring organisations. AAA claims that more than 70 per cent of travellers use the star rating system to determine where to stay. Additionally, the industry has formed the Australian Tourism Accreditation Association (ATAA) which focuses on business practices rather than the more facilities-based assessment of AAA. In Victoria, the Government has mandated membership of ATAA for tourism businesses that want to be included in government marketing programmes such as the jigsaw campaign or B&B directory.

AAA assesses premises on over 1,000 criteria, including cleanliness, working order, appearance and standard, while ATAA assesses operators on all the behind-the-scenes business practices including OH&S, marketing plans, financials, customer service and environmental sustainability. Either one of these bodies is far more thorough than a rare visit from a council food safety officer or building inspector. Because these organisations offer something valued by B&B and Farmstay operators, many pay the dues even though it is voluntary. This stands in marked contrast to the common feelings of being overburdened with unne-

cessary and costly government regulation.

At the moment these two organisations require compliance with the plethora of regulations as a prerequisite to membership. However, an alternative approach, as a first step to repealing some of the registration requirements, would be to exempt those B&B and Farmstay operators from compliance with the registration, food safety and OH&S regulations who are star rated or accredited by ATAA. Over time, it would be able to determine if these rated or accredited businesses had fewer Workcover claims and, if so, whether being a member of one of these bodies could translate to lower Workcover premia. Similarly, the public liability insurers may find that these operators make fewer public liability claims and their premia could also fall.

Tangible cost reductions could therefore flow through to these small rural and regional businesses while at the same time achieving the public policy goals of safe and pleasant accommodation options for tourists. Apart from any cost reduction, such a scheme would also massively reduce the double compliance which occurs at present, where operators have to comply with the government rules but then choose to submit themselves to greater scrutiny by the private organisations in order to gain the benefits of membership.

The proposed dual system of private and government assessment and accreditation or regulation could run for a number of years to provide the evidence needed to show that industry can effectively police itself and scrap some of these regulations. At that point, the politicians' claims of wanting to help small business and help rural and regional economies diversify might actually be more than empty rhetoric.

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