

Appendix: Article in The Age & Sydney Morning Herald

Australia backpacker hostels: International border closure causes pain

 Julietta Jameson | Mar 14 2021



A school group of 150 kids packed out the funky hostel digs of the Sydney Harbour YHA last week, followed by a group of drama teachers doing a course with the Bell Shakespeare Company.

"The rooms are modest but okay, and the views are spectacular," said course participant, Victorian teacher Geoff de Manser. "This hostel in particular is very affordable and very central."

But the YHA Sydney flagship is one of the lucky ones.



Drama teachers Paula, Geoff and Anne staying at Sydney Harbour YHA - The Rocks. Photo: Steven Siewert

As Australians get set to use 800,000 half-price airfares to travel to 13 tourism-reliant regions thanks to the Federal Government's recently announced travel industry assistance package, they may discover hostel accommodation is harder to find.

Traditionally reliant on international students and backpackers, the cheap and cheery end of the accommodation market was faced with empty beds for most of 2020 when this revenue stream ended with the closure of Australia's international borders,

And while domestic travel has opened up again, the sector has been forced to deal with social distancing rules that challenge its mostly dormitory-style, shared accommodation model. And that's led to closures.

A Melbourne hostel operator who did not wish to be named, said while he was not aware of the exact number of hostels shutting up shop, the figure would be "... significant. It's pretty depressing," he said. He ran two inner-city boutique hostels in rented premises but was forced to close one mid-last year and is barely hanging on to the other. "It's now up to landlords. They've given us a cheaper rent since April-May last year, but we're just not sure how much longer that's going to last. We're preparing for the worst."

This is despite having every bed the hostel is allowed to offer full. "We are just operating as the Victorian government guidelines suggest, and that's meant we can't open dorm rooms," he said.

To that end, the business is operating at a barely sustainable 30 per cent capacity.

Twelve months ago, Youth Hostels Australia had a network of around 70 hostels, 30 directly owned by YHA and 40 franchises. At least 10 of those have closed for good and many are operating around 30 per cent occupancy and have been since mid-last year.

The impact has been mainly felt in big cities, particularly in Melbourne, which endured a long second-wave lockdown followed by another snap lockdown.

"Though sporting events and shows are beginning to come back, there are no reasons for people to come to big cities," said YHA CEO Paul McGrath.

"That has really impacted us and continues to be hard for us because they are generally our bigger properties and generate a lot of income."

In both Perth and Melbourne, YHA had "consolidated" down from two properties to one and had been forced to cut costs by around 35 per cent.

McGrath said the regions were showing green shoots and some were performing better than others, such as Byron Bay where YHA has two properties, one trading around 60 per cent occupancy, the other 40 per cent. And the glam Sydney hostel was another exception.

Overall, though, he said, Australians remained nervous about the prospect of border closures and being stuck. And even if international borders re-open in November or December this year after vaccination programs are largely complete, there is still unlikely to be a sudden deluge of visitors.

"In our market, the 18-to-35 age group, we anecdotally know that there is pent-up demand for people to travel. They are keen to go, but it will depend on things such as price of airfares, what is going to be open when they get here and what restrictions will be on them when they get here," he said. "So we see it as more of slow ramp-up."

Meanwhile McGrath said if occupancy didn't improve, his team may face job cuts.

"We've got a couple of hundred staff and they've all been on JobKeeper. It's been a tremendous support and has enabled us to keep properties open and keep people in jobs. Once it ends this month, if occupancy doesn't improve, we will have to make some more tough decisions."