

CCI sub 67

Abernethie, Loraine

From: Lino Brolese [LinoB@aspenparks.com.au]
Sent: Friday, 15 May 2009 6:05 PM
To: Committee, Economics & Industry Standing
Subject: RE: Making a Submission to a Parliamentary Inquiry
Attachments: Parliamentary Inquiry - Caravan Parks May 2009 (Aspen Parks).doc

Lorraine

Please find attached for your consideration our submission for the above inquiry

Regards

Lino Brolese

Lino Brolese F.Fin, AAPI, MRICS
Chief Executive Officer - Parks
Aspen Parks Property Management Ltd

☎ 08 9220 8484 | 📠 08 9220 8485 | 📞 041 992 8899 |

💻 linoB@aspenparks.com.au |

✉ PO Box 3442, Adelaide Terrace Perth, WA, 6832 |

aspenparks.com.au

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From: Committee, Economics & Industry Standing [mailto:laeisc@parliament.wa.gov.au]
Sent: Friday, 17 April 2009 3:27 PM
To: lino.brolese
Subject: Making a Submission to a Parliamentary Inquiry

Dear Mr Brolesi

Thank you for your interest in the Committee's Inquiry into the Provision, Use and Regulation of Caravan Parks (and Camping Grounds) in Western Australia.

As discussed, please find attached some information on making submissions and appearing at hearings.

Please do not hesitate to contact me if you require any further information or have any questions.

best regards

Lorraine

Dr Loraine Abernethie
Principal Research Officer
Legislative Assembly Committee Office
Parliament House
Perth WA 6000
Australia
Ph: (61 8) 9222 7496
Fx: (61 8) 9222 7804
labernethie@parliament.wa.gov.au

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Aspen Parks Property Management Ltd

ABN 91 096 790 331
Level 8, Septimus Roe Square,
256 Adelaide Terrace,
Perth WA 6000
PO Box 3442
PERTH Adelaide Terrace WA 6832
T: (08) 9220 8484
F: (08) 9220 8485
E: info@aspenparks.com.au
aspenparks.com.au

15 May 2009

Dear Sir/ Madam

PARLIAMENTARY INQUIRY – PROVISION, USE AND REGULATION OF CARAVAN PARKS (AND CAMPING GROUNDS) IN WESTERN AUSTRALIA

As the Chief Executive Officer of Aspen Parks (Aspen) I am pleased to make this submission to the Parliamentary Inquiry – Provision, Use and Regulation of Caravan Parks (and camping grounds) in WA.

Who is Aspen Parks?

Aspen Parks is an unlisted property Fund with over 1,800 investors. We invest solely in the Australian tourist and accommodation park industry and since inception in July 2004 have built a portfolio of properties valued in excess of \$267 million. Aspen Parks is one of Australia's largest professional park operators with 25 properties located in five states around Australia. Our management team is also well experienced in managing a wide variety of property types including tourist resorts, family holiday parks and accommodation camps for mining and resources workers.

Within Western Australia, we are the largest owner operator of caravan parks, with eight caravan parks and two resorts. Our properties are diverse in both geography and composition with properties located in the Perth metropolitan area, Coral Coast region, Pilbara and the Kimberley. Furthermore, our properties comprise caravan and camping sites, cabin accommodation, backpacker facilities, worker accommodation and permanent residents.

As we cover most aspects of the caravan industry, not only in WA, but nationally, we believe we have a solid understanding of the caravan industry and forward the following report to the Parliamentary Inquiry.

1.0 Structure, conduct and performance of the caravan park industry

1.1 Structure

The caravan park industry in WA is a diverse and multi-faceted industry covering tourism, worker camps, permanent and low-cost housing.

Tourism

Within regional areas, caravan parks are the major source of tourism, catering for caravan and camping sites ('grey nomads' and family groups), tourist accommodation (family groups, coach groups, free and independent travelers (FTI)), school camps and backpacker facilities.

Worker Camps

Within regional mining towns, caravan parks offer accommodation alternatives to house a dynamic workforce within the community.

Permanent and Low-cost Housing

Caravan parks provide low cost housing for permanent residents who reside in the park as their principal place of residence. Furthermore, caravan parks offer low-cost housing for the local community and service providers who can't afford inflated rental values for traditional housing in booming mining towns.

In broad terms, the industry can be categorised as follows:

Tourist Parks: A facility which contains a diverse mix of tourist accommodation and sites and whereby all occupants are 'holiday makers' where an occupier may stay no longer than 3 consecutive months.

Mixed Parks: A Caravan Park which contains all forms of tourist accommodation and sites and are occupied by 'holiday makers' and 'annual' or permanent residents.

Residential Parks: A facility which contains predominantly park homes and caravans and whereby all occupants are long stay residents.

Transit Parks: A facility where an occupier may stay no longer than 3 consecutive nights.

Nature Based Parks: A facility where an occupier may stay no longer than 3 consecutive months.

Park Home Parks: A Caravan Park at which park homes, but not any other caravans or camps are situated for habitation.

Land tenure within the industry is also diverse, with both freehold and leasehold properties leased by state government authorities, local government authorities and private owners for varying terms of tenure

The industry also operates across a number of government agencies and as is regulated by a number of different Acts of Parliament and legislation. Examples of which (but not limited to) include the following:

- Caravan and Camping Ground Act 1995 (as amended);
- Caravan and Camping Ground Regulations 1997 (as amended);
- Planning and Development Act 1995 (as amended);
- Residential Tenancies Act 1987 (as amended); and
- Residential Parks (Long Stay Tenants) Act 2006 (as amended).

1.2 Conduct

Ownership within the industry comprises 3 broad types of operators being:

1. Corporate owners - comprising Aspen Parks and Discovery Holiday Parks;
2. Private multi-park owners – Acclaim Parks; and
3. Family or small business operators.

Although diverse in ownership, the industry as a whole, acts in a complimentary manner in promoting the caravan park industry as an affordable holiday alternative within the tourism sector. With most parks within environmentally sensitive areas, the industry also strives to achieve 'best standards' in reducing adverse impact within these areas.

The industry supports the Caravan Industry Association of Western Australia (CIAWA), the peak industry body for the Caravan and Camping sector in WA.

As an industry, we strive to:

- Promote the caravan and camping lifestyle as affordable holiday alternative within the tourism accommodation market;
- Educate industry and government of the importance of the caravan park industry within tourism in Western Australia;
- Promote affordable residential housing for long-stay tenants;
- Promote long-term sustainability issues that threaten the industry;
- Encourage sustainable economic, environmental and socially responsible management;
- Support our association and its members.

1.3 Performance

Economic Performance

Due to the diversity of the industry, the economic viability of caravan parks is dependant upon which sector they cater for.

Mining town caravan parks have gone through a significant 'boom' and have been highly profitable over the past few years. However, the current downturn has affected the reliability of this income stream and profitability due to higher than normal labour costs

and charges. Leasehold parks with market rental reviews pending will also be affected with historic values not reflecting current economic conditions.

The 'boom' enjoyed by these properties has been to the detriment of the tourism industry within WA with tourist unable to obtain accommodation. Attracting the tourist market back to these areas may take some time to achieve should the downturn in mining continue.

Tourist and mixed-use parks are under constant pressure to remain profitable due to increases in fixed and variable costs in operating a diverse tourist property. In general, the industry is highly price-sensitive, therefore increased costs may not in every instance be passed on to the end user. Furthermore, in some regional areas where tourist peak periods are concentrated over a few months, inclement weather or cyclones can interrupt income generation for these properties. However, given the current economic crisis and a push by tourism organisations for Australians to 'holiday at home', there may be increased patronage within the caravan park industry in offering an affordable tourism product in WA.

It should be noted that the Caravan and Camping Industry in regional areas is the main tourism provider and major employer of the regional workforce (reception, cleaners and grounds men) and associated businesses and service providers (service stations, tyre retailers, restaurants, tour operators, etc.) and have a major role in the economic viability of regional towns.

The industry is also conscious of its role in providing quality and affordable permanent living which may not be as profitable as the tourism sector but provides a reliable income source for operators.

Land Tenure

Aside from Freehold properties, the performance of Leasehold properties within the industry is hindered by the length of tenure offered by legislative controls. Generally within the market place, the maximum length of tenure offered by State and Local Government departments is restricted to a 21 + 21 year period. The majority of leasehold properties have been operating for a number of years and have less than 20 years left to run in their lease.

Issues faced by the restriction in tenure resulting in short pay-back periods for investment:

- Bank refinancing;
- Infrastructure investment with most parks built in the 60's (ageing power, water, sewer and gas infrastructure);
- Investment in tourist facilities within the property (i.e. resort style swimming pools, etc); and
- Investment in communal building (games rooms or ablution blocks).

It should be noted with the restriction in pay-back periods, pricing pressure in recouping investment adds to the cost to the end user in a tight price-sensitive industry.

Town Planning

Due to the evolution of the Caravan Park Industry and diverse market sectors that it services, Town Planning regulation for the industry in some circumstances falls 'between the cracks' and adds confusions for some Government departments in dealing with the development of a property.

Example:

A case in point is the evolution of the 'living village' concept which crosses boundaries between caravan park development and small lot subdivisions.

Rezoning of caravan park properties has been mooted by Government departments as a solution to the diminishing number of caravan parks within WA. A number of properties have been sold to developers and developed as residential or resort properties to the detriment of the caravan park industry. We believe the focus should not be on the rezoning of existing properties (to the detriment of the current operator) but on identifying alternate properties in strategic locations for future generations to come.

The previous Labor state government announced the 'land bank' initiative in combating the loss of tourist properties and to some extent caravan parks. It is our opinion that this initiative has been an abject failure with few 'land bank' properties identified and no properties developed.

Environmental Sustainability

With most caravan parks located in highly desirable areas, either by the ocean, river or national park, the industry is in most instances leaders in eco-tourism.

A perceived misconception, typically within government departments, is that park operators are detrimental to the long-term sustainability of environmentally sensitive areas and any development or improvement should be curtailed to diminish use of the area. The opposite should be the case. In most instances, it is the park operator that is most concerned with the long-term sustainability of the natural environment as it is this environment or location that attracts patrons to the property to holiday. Therefore, by protecting the environment, they are protecting their livelihood.

Aspen Parks has a number of properties in highly sensitive areas and nature reserves and are highly conscious in protecting the environment. We believe that developing existing properties and facilities in these areas will aid in the control of the swelling number of tourists within strategic areas. However, over the years, in promoting tourists to these regions and providing a quality 'whole of trip experience' within WA, our attempts in developing and raising the level of accommodation and service is constantly hampered by a myriad of State and Local government departments and interest groups.

Aspen Parks has properties located in the following environmentally sensitive areas:

- Woodman Point Holiday Park – Woodman Point Reserve (Department of Environment and Conservation)
- Ningaloo Reef Resort – Coral Bay (Ningaloo Sustainable Development Authority)

- Monkey Mia Dolphin Resort – Shark Bay (World Heritage Area)

Due to frustration in developing our properties in an environmentally sensitive manner, all properties listed above remain undeveloped and obsolete in the level of accommodation provided within some of WA's iconic locations.

Demand, supply and costs, and trends thereof, of caravan park sites and related services

1.4 Demand Trends

With no statistical information to back up our understanding of demand trends within the industry, our observations are purely anecdotal.

Within our 3 Perth metropolitan properties, we have seen increased patronage year after year for the past 3 years. This, we believe, comes from the pressure of high occupancies for hotel and motel accommodation within the Perth central city area, pushing tourists and corporate markets to outer metropolitan areas.

Through our 3 properties in the Coral Coast region, we have seen lower occupancies but higher returns primarily due to less people travelling but staying longer. We have also had increased patronage from mine workers coming down from the Pilbara region on their week off with highly expendable incomes.

Within our 3 properties in the Pilbara, the primary demand has been from mine workers on long-term leases. This has come to the detriment of the tourism market, however, through increased profitability in these properties, we have been able to reinvest in new resort/communal facilities and cabin accommodation which, when the 'boom' ends, will have been substantially paid back leaving a modern resort park for tourists to enjoy in the future.

1.5 Supply Trends

There is a common perception within the marketplace that there is a shortage in the number of caravan sites. This could be attributed to the closure of caravan parks and redevelopment into alternate high yielding uses (10 closures in WA over the past 10 years) or conversion of sites to affordable permanent residential living, resulting in the loss of caravan sites for tourism.

Introduction of Overflow Areas

Caravan and camping operators, like other tourist operators, come under pressure during peak holiday periods where caravan parks are full for extended periods of time and there appears to be a shortage of sites within the industry and regional areas. However, pre and post peak periods, the properties experience low levels of occupancies, with caravan parks typically running at 30%-35% occupancy year round on sites.

In these circumstances, we believe the solution is the provision of overflow areas where the existing park operator manages land adjoining the property and not necessarily

under strict caravan and camping regulations during the peak periods then closing down the area in non-peak periods.

Another solution that has operated with success in the north-west regions of the state during peak periods is for councils to allow overnight camping in local ovals while caravan parks are full. When a vacancy appears in the park the free camper is asked to move to the park.

Development of new Caravan Parks

With urban pressure surrounding once remote caravan parks/towns, land values have outstripped the value of a caravan park as a going concern which has resulted in the closure and redevelopment of many caravan parks within WA.

Government initiatives within the industry, in an attempt to stop the closure of parks for development into alternate uses by rezoning of the land in some instance from 'Tourist' zoned land to 'Caravan Park', was in our opinion shortsighted and a band-aid solution to the problem. The initiative also placed an unfair burden on the current operator having to face a potential write-down in value of the property as a result of the rezoning.

Government intervention can aid in the development of future caravan parks by identifying appropriate land in strategic locations away from urban encroachment and resultant pressure on land values. It should be noted that caravan parks that have closed and redeveloped as high yielding properties were once in remote areas away from the then urban encroachment.

State and Local Government departments could become leaders in Australia, in our opinion, if they adopt some of the following initiatives in the creation of a new caravan park built from 'scratch'.

- Long term lease terms of 50-100 year tenure improving investment risk;
- Zoning from its inception as a caravan park allowing the operator to make an informed investment decision;
- Moratorium during first 5 years on rates and taxes to be capitalised and paid off over a 10-20 year period;
- Royalty rents based on a percentage of turnover – during the early years where the business is establishing itself and income streams are low and 'immature' the percentage rent model allows the operator to pay less rent then as income increases additional rent can be paid;
- Aid from tourism authorities in the promotion of the region and the new property.

Development of Additional Sites

Typically, caravan parks occupy large tracks of land that, in most circumstances, have a portion of the property undeveloped. There is an opportunity for additional sites to be developed within these areas, however, is subject to the same cost and profitability constraints of a new development (30%-35% occupancy for sites). Government

intervention in promoting the development of these areas with initiatives listed above would aid the industry in producing more sites to cater for peak demands.

Example:

Aspen Parks has been negotiating with various Government departments for the past 5 years, as well as our predecessors 3-4 years prior to that, to acquire a 4ha parcel of land adjoining one of our properties to develop into a mixed use cabin and caravan park to compliment our adjoining operation. From the onset of negotiations to amalgamate the two parcels of land, all major stakeholders were agreeable as to its suitability as a caravan park. However, it has taken up to 9 years to acquire this land to develop additional sites, and negotiations are still being finalised in an environment where 10 caravan parks have closed during the same period. We believe this example highlights not only the frustration in dealing with government departments in developing this industry but also the priority given in freeing up land for development as caravan parks.

1.6 Cost Trends

Cost trends, as with most businesses, are under constant pressure from the 'boom' experienced over the past few years. These cost pressures within the caravan industry have included the following:

Wage increases: With the mining boom driving up the cost of labour, the caravan park industry, as with the tourism industry as a whole, has been under a lot of pressure in matching wage levels, resulting in sporadic employment trends and skilled labour shortages.

Council Rates: With the Valuer General adopting a new regime of assessing Gross Rental Values for the caravan park industry, GRV's increased dramatically resulting in increased Council Rates.

Land Tax: Levied on the land value against the 'highest and best use' provided for by the zoning of the land. As a result, land tax bills have often increased beyond the earning capacity of the park.

It is acknowledged that some relief by the 50% concession in Land Tax in 2005 has been beneficial to the industry, however, a further reduction or complete exemption is considered necessary to ensure those remaining within the industry continue to remain profitable, irrespective of the zoning of their land. Other states including Victoria and South Australia have abolished Land Tax on caravan parks which should be adopted here in WA.

Land Rental: With growing pressure from increases in land and rental values, rent reviews on leasehold parks are experiencing sharp increases which further add to the operating costs of the business.

Example:

Aspen Parks has a leasehold property which underwent a market rent review which saw the rental figure jump from \$25,900.50 pa to \$176,400.00 pa, an increase of 581%. It should be further noted that the local government agency was late in assessing the rent review by 3 years, resulting in a claim for back-payment of rent totaling \$346,369.81.

Quite often rental income received by government departments are invariably added to consolidated income with no additional investment into infrastructure upgrades in the property where the income is derived, resulting in additional operating costs for the operator in repairing obsolete infrastructure which is the responsibility of the landlord.

Given the price-sensitive nature of the industry, these increases quite often can't be passed on to the end users who include retirees travelling around Australia and an increased domestic demand for 'the affordable family holiday'.

Long-Stay Permanent Sites: With the increase in the cost of living and median house prices within WA, the demand for affordable living has put pressure on caravan parks to take on more long-stay permanent residents, which has the benefits of providing the park with a steady long-term income stream. This change in usage of caravan sites comes to the detriment of tourism within the state but provides a surety of income for the operator to budget for with increased cost pressures.

Consumer Demands: Generally across the board, there has been a shift in the expectations of holiday-makers and long-stay tenants. With the development of some caravan parks into resort parks and the growing sophistication of holiday-makers seeking a wider choice in accommodation (2 and 3 bed park home/cabins or larger RV sites) and a higher standard of private and communal amenities (resort pools, camp kitchens and recreational activities) constant reinvestment of large sums of money is required placing operators under ever increasing financial pressure in order to keep up with market demands.

Long stay tenants are, on the other hand, 'demanding' privacy and separation from holiday-makers and to some extent expecting private recreational and communal facilities for their exclusive use. These expectations significantly increase the cost of operating and maintaining a caravan park.

Supply and demand for long- and short-stay sites including camping sites

1.7 Long stay (residential caravan parks)

With increased pressure on housing affordability, the caravan industry has evolved over the years in the development of affordable living alternatives with the evolution of caravan parks from tourist parks (100% tourism) to mixed use parks (combination of tourist and permanent living) to the development of residential parks or 'living villages' (100% permanent living).

Given the diversity of the products on offer, it is difficult for industry, government departments and interested stakeholders to produce a 'one size fits all' operational, legislative and planning model for the industry.

Attempts have been made in the past to regulate the industry with regard to the number of permanent sites allocated to permanent living versus tourism use. It is our belief that current parks should not be regulated with regard to ratios of permanent versus tourism and that the level of use is determined by market demand. Any distortion of free market forces would, in our opinion, place an unfair burden on existing operators who have invested in the industry on the premise of flexible development opportunities.

It should be noted that we believe that any future land offered by Government authorities can and may stipulate a ratio of Permanent versus Tourism use in controlling future development of the industry. This allows the potential investor/operator to acquire the property taking into account the risk return associated with the income potential of the property.

Example:

Aspen Parks owns and operates the Woodman Point Holiday Park at Woodman Point. The lease specifies that there is to be no more than 40% of sites offered as permanent living. This stipulation was noted from inception of the caravan park and developed accordingly. When Aspen Parks made the decision to acquire the property, the income stream, taking into account the ratio, was assessed and investment made taking into risks and returns associated with the income stream.

1.8 Short Stay

Given recent trends for affordable family holidays, 'holiday at home' tourism campaigns and the increasing number of retirees travelling around Australia in caravans the short stay (tourist) market can be a highly lucrative market. However, given the fact that most caravan parks are located in regional areas and users are required to travel long distances, particularly in WA, the use of these sites is highly volatile. Compounding this are short and defined peak tourist seasons that see townships and caravan parks swell to capacity only to experience high levels of vacancies in non-peak periods. The market is also highly influenced by climatic conditions with some caravan parks in remote cyclonic areas or areas of high temperatures, making holidaying at these times undesirable.

Short Stay sites can be occupied by caravan and camping users or permanent cabin accommodation, both tourism orientated. However, the growth of cabins within the industry has impacted on the number of caravan and camping sites available.

2.0 Impact of existing legislation, and state and local government policies regulating caravan parks, particularly relating to:

- **Maintaining a viable caravan park industry**
- **Protecting the rights of operators and users, and**
- **Providing an adequate mix of long- and short-stay facilities and sites**

Existing Legislative Framework

The development and management of all Caravan Parks within WA is undertaken by a number of different legislation under the control of various government agencies, a list of the more prevalent legislation by which the industry is monitored (but not limited to) is as follows:

- Caravan and Camping Ground Act 1995 (as amended);
- Caravan and Camping Ground Regulations 1997 (as amended);
- Planning and Development Act 1995 (as amended);

- Residential Tenancies Act 1987 (as amended); and
- Residential Parks (Long Stay Tenants) Act 2006 (as amended);

2.1 Maintaining a Viable Caravan Park Industry

The industry as a whole, primarily through CIAWA, is continually working with State and Local Government agencies and major stakeholders in the regulation and sustainability of the caravan park industry. Given the evolution of the industry over the past 20 years, quite often the development and operation of caravan parks fall 'between the cracks'. In some instances the reworking of legislation or regulations place further administrative burdens on the operator and in some instances diminishes the right of the operator in the management of their own property.

With a variety of products offered by caravan parks and diversity of geographical locations in environmentally and socially sensitive areas, the caravan park industry is constantly being reassessed as to its suitability and viability by various groups in trying to socially engineer desirable outcomes, in some instances without consultation with the industry. As a result, the industry is constantly on watch for external influences and trying to maintain operator rights and viability.

The viability of the industry is not confined to the protection of operation of existing caravan parks, but also dependant upon the development of new caravan parks and the expansion of existing landholdings.

Given the multi layers of approval for tourism development in the state of WA and taking into consideration the economic, social and environmentally sensitive areas caravan parks are located, the development of a caravan park may take years to achieve. This very fact may be the single most important issue affecting the viability of the industry as a whole into the future.

As previously stated, the previous Labor state government announced the 'land bank' initiative in combating the loss of tourist properties and to some extent caravan parks. Once again, it is our opinion that this initiative has been an abject failure with few 'land bank' properties identified and no properties developed including caravan parks.

2.2 Protecting the Rights of Operators and Users

The protection of rights for operator and users within the industry to some extent can be confined to the relationship between operator and long-term permanent residents and the introduction of the Residential Parks (Long Stay Tenants) Act 2006.

Long-Term Residency

The recent legislation introduced has been met with discord by both the operator and users, primarily due to the cumbersome nature of the new documents and administrative burden that has been placed upon the operator. In broad terms, the rights of residents in obtaining longer terms of tenure, which was their primary goal, has not changed and from the operator point of view, their rights to control and operate the park freely and openly has been diminished by the over-burden of penalties and infringements not

previously in place which places the operator under undue stress and burdened by a multitude of administrative paperwork.

In contrast, in the eastern states of Australia, the documentation in registering the rights of operator and users is contained in an 8-10 page form. In WA the new legislation has led to a 30-40 page document cluttered with superfluous information and, in our opinion, bureaucracy gone 'mad'. Having been on the legislative subcommittee for the CIAWA in dealing with the new legislation, I witnessed this bureaucracy first-hand.

Sale of Moveable Dwellings

In considering the protection of rights for operators and users, the sale of onsite caravans and mobile homes continues to be a 'bone of contention' in the industry on a number of different levels.

New purchaser (in-coming tenant): The sale of a caravan or home is the right of the owner (user) and they may choose who they sell to and when. However, as their right of occupancy is determined by a license/lease, then a new purchaser of the onsite accommodation is a new tenant and needs to be approved by the landlord (operator). Quite often sales occur without the knowledge of the operator and quite often they are faced with a potentially undesirable tenant who is demanding right of occupancy as the new owner of the onsite accommodation. With a duty of care placed on the operator to ensure a safe working and living environment, this places undue pressure on the operator.

Other instances have occurred where the sitting tenant has been advised of their requirement to relocate their onsite accommodation for redevelopment of the area. In which instance they have on-sold the accommodation to an unsuspecting purchaser expecting to occupy that very site only to be burdened by the relocation.

Value of Accommodation v. Value of Land: In its strictest sense, the valuation of house and land package attributes a diminishing value on improvements, while the value of land appreciates. In the instance of a caravan park, the onsite accommodation (depreciating asset) is owned by the user and the land (appreciating asset) is owned by the operator. In transacting a sale, the user sells their asset for inflated prices due to the value of land component and not the true value of their accommodation asset. Therefore, the value of the operator's land wrongfully passes to the owner of the accommodation for no compensation to the operator. This inequity is often overlooked by State and Local Government departments and interest groups who have no financial investment in the caravan park industry.

A solution put forward to DOCEP which has been dismissed on a number of occasions is to have all sales of onsite accommodation conducted through the park operator's office and compensation through a sales commission or like paid to the operator for compensation of the transference of value from the operator to the user. The centralisation of sales through the operator's office also allows the operator to make any purchaser fully aware of their leasehold rights and obligations when living in a caravan park, thereby protecting all parties involved in the transaction.

Conclusion

I Trust all of the above meets with the approval of the Parliamentary Committee and that should there be an opportunity to discuss any issue with the committee I would be happy to oblige.

Regards

A handwritten signature in cursive script that reads "Lino Brolese".

Lino Brolese
Chief Executive Officer – Aspen Parks