



WALGA

INTERIM SUBMISSION

Economics and Industry Standing Committee, Legislative Assembly

**INQUIRY INTO THE PROVISION, USE AND
REGULATION OF CARAVAN PARKS (AND
CAMPING GROUNDS) IN WESTERN AUSTRALIA**

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Executive Summary

Caravan Parks across Western Australia are now under considerable pressure. This is not simply because some existing parks are failing to make a viable return, but also that when compared with the return that could be expected from redeveloping a caravan park to a higher tourism use, or a residential development, the incentive is to redevelop and capitalise on the value of the land. The clear trend is decline, and while Caravan Parks across Western Australia are slowly continuing to close, new caravan parks are not opening to replace them. A comprehensive and combined approach by State and Local Government is required to arrest this trend.

The Western Australian Local Government Association (WALGA) has been intimately involved in the work of State Government in investigating the problems surrounding Caravan Parks through the WA State Government Tourism Planning Taskforce that began its work in 2003 and reported in October 2006. WALGA was a member of the Taskforce, and played a significant role in bringing to light the failure of planning policies in the area of tourism to the State Government.

Unfortunately, the vast majority of recommendations made by the Taskforce and supported by Local Government have not been implemented, or even begun by State Government Agencies. Despite this some Local Governments have already begun taking action to protect caravan parks through local planning strategies, but for these to be effective they will require the support of State Government.

WALGA welcomes the Economics and Industry Standing Committee taking a renewed interest in this matter, but it is hoped that the considerable amount of work and research, as well as the extensive consultation, already undertaken by the State Government is not disregarded in the Committee's investigation. It would be detrimental for another five years to pass before a new strategy can be commenced. The delay in implementing the recommendations of the Tourism Planning Taskforce, along with failure to address the issues brought forward in other departmental reviews of legislation, has meant that the severity of the problem has increased, and more caravan parks have been lost as a consequence.

While WALGA continues to support the recommendations contained in the report of the Tourism Planning Taskforce, it welcomes any new or additional proposals that will address the ongoing problems.

Background

The Western Australian Local Government Association (WALGA) is the united voice of Local Government in Western Australia. The Association is an independent, membership-based group representing and supporting the work and interests of all 139 Local Governments in Western Australia, plus the Christmas Island and Cocos (Keeling) Island Councils.

The Association provides an essential voice for almost 1,400 elected members and over 12,000 employees of the Local Governments in Western Australia. The Association also provides professional advice and offers services that deliver financial benefits to Local Governments and the communities they serve.

This interim submission has been prepared in consultation with individual stakeholders within the sector. It will be considered by the WALGA Zone and State Councils at the next opportunity. Any amendments will be forwarded following the next State Council meeting in June 2009.

Role of Local Government

Local Government has a strong influence in tourism development through its planning and development approvals process. This includes the negotiation and approval of agreements associated with subdivision of tourism sites, as well as the responsibility for enforcing the agreements regarding the agreed land use.

Local Government is also responsible for the approval, licensing and regulation of caravan parks and camping grounds under the *Caravan Parks and Camping Ground Regulations*.

Beyond that, it is now recognised that Local Government has an important role in supporting tourism and tourism development.

However, despite having a significant role in controlling the local development and planning process, Local Government cannot generate tourism developments by itself. Market incentives for private business to invest and develop tourist sites and accommodation are far more influential in driving initial development.

Recommendation:

Extensive consultation of Local Government should be undertaken before any new planning or policy changes are implemented by State Government.

Growth in Caravan Use and Demand for Caravan Parks

The 2007 Report, *Understanding the Caravan Park Industry in WA*,¹ prepared by Tourism Western Australian and Tourism Research, clearly outlines the very troubling statistics facing the caravan industry in Western Australia.

WALGA would draw these points contained in that report to the attention of the Committee. WALGA's own consultations with Local Government support these findings.

- 12 per cent of Caravan Parks in WA may be redeveloped (considered more than 51 per cent likely to redevelop) in the next five years – either to residential development or other tourism accommodation.
- 40 per cent of visitors already report experiencing a situation where they had wanted to stay in a Caravan Park in WA, but had been unable to because it was full. This situation was particularly prominent during the peak season – as could reasonably be expected - however 40 per cent is much higher than could be considered desirable even during the peak.

In comparison statistics sourced from the Department of Planning and Infrastructure Licensing records show that caravan, motorhomes and camper trailer ownership are growing at a very fast rate. Ownership of caravans has increased 7.5%, motorhomes have increased 13.52% and camper trailers have increased 10.27% between June 2006 and June 2007.²

The Australian Bureau of Statistics has recorded the decline in Caravan Parks in WA³ both in the numbers of Caravan Parks as well as total accommodation available. Following a massive decline in 1997 both in the number of establishments and the total accommodation capacity, there has continued over the last ten years a slow but steady decline in the number of caravan park establishments. This has been off-set to a certain degree by the increased number of sites within existing caravan parks – which has meant an only slight decline in the total accommodation capacity. However, over this period the number of caravan owners and caravan tourists have continued to increase, meaning that there is a growing caravan site and park deficit each and every year.

¹ Understanding the Caravan Park Industry in WA, Tourism Western Australia

² Caravan Industry Association Western Australia, Accessed at <http://www.caravanwa.com.au/content/media-info/statistics.php>, April 2009

³ Australian Bureau of Statistics, Tourist Accommodation Statistics, Summary of Caravan Parks 2006

The numbers of caravan tourists are also predicted to rise not just in WA but within Australia. Caravan Parks across Western Australia are already reporting record highs during their respective peak seasons.

The reasons believed to be behind the current increase in caravan business, whilst anecdotal, appear to be a perfect storm of factors – including declining strength of the Australian dollar, meaning that overseas travel has become more expensive, that combined with the downturn in the economy has meant an upswing in cheaper holiday alternatives, firstly within Australia, and secondly by utilising cheaper accommodation provided by caravanning or camping rather than short stay accommodation. On top of this, overseas terrorism threats and travel warnings also appear to have translated to an increase in stay-at-home holidays.

However over the longer period as far forward as the year 2020 the caravan business is still expected to experience strong growth, but as a result of generational changes in the market. The “Baby Boomers are the generation most likely to experience significant growth when looking at nights stayed in caravan or camping accommodation, as more retire and switch to longer trips that are less expensive per night”⁴. In contrast the Seniors using caravan and camping accommodation are expected to begin to decline over the same period, but not to the same degree.

The factors that will influence increasing demand for caravan and camping accommodation are increasing and growing demand, while the factors that influence the growth in numbers of caravan parks have not. In short, demand and supply are going in opposite directions.

Investment

It is considered that new caravan parks are not being opened because it is not anywhere near as financially attractive as other types of developments. The cost of developing a caravan park is seen as prohibitive by developers, and the period of return on investment is over a much longer period of time.

The cost of developing a single caravan site has been estimated to now be as high as \$40,000 and this only accounts for the costs of providing the necessary infrastructure, which includes, cement blocks, power to and underground power within the site, underground sewerage and toilet blocks. Not to mention other additional requirements to meet the the Caravan Park and Camping Ground regulations.

⁴ Caravan or Camping in Australia 2007, Tourism Australia, Tourism Research Australia, Canberra

This does not include the cost of land, which is the other major upfront expense, particularly on the most desirable locations where land prices are highest, such as along the coastline. Even taking a conservative approach to the cost of developing a caravan site, at approximately \$35,000 per site – a caravan park with 100 sites would cost \$3.5M just to develop the infrastructure.

So the upfront cost is prohibitive and the return is long term – it could be 7 or 8 years before a developer recovers the cost of the infrastructure and that does not include all the ongoing costs of running a caravan park, such as employee wages, costs of water and power, and maintenance of the facilities.

Another issue that further affects the development and development costs is Native Title clearance. Crown Land will require clearance and where this had typically been negotiated by the State Government, in recent times the State Government has required developers to enter into negotiations with the indigenous group themselves. This is an additional upfront cost, and the agreement will often also contain ongoing payments as well.

It is also important to understand that Caravan Parks are a seasonal business. Full accommodation only occurs during the peak in most places, with less than half full in the off peak – which is most of the year (estimated at approximately 40 per cent). The Peak period is only 16 weeks a year typically, with 4 weeks either side with high numbers of accommodation.

A paper advising the Tourism Taskforce on financing tourist accommodation⁵, from Jeff Cohenca, Director Commercial Finance, Ashe Morgan Winthrop, illustrates the problems and obstacles that would be encountered by potential developers seeking finance to undertake such a development. This paper explains why lending institutions take a more conservative position when considering financing a tourism asset.

A potential developer will be more likely to secure finance where the development has a degree of permanent accommodation for sale. This type of mixed use tourism development will need to be considered by Government if it is to increase the likelihood of investment in caravan parks.

The level of investment required and the time required to see a return on the investment is not attractive and means it is unlikely that we will see the development of caravan parks on privately owned land, and definitely not on the coast.

⁵ 2002, Paper on Financing Tourist Accommodation for “The Ministerial Taskforce to Investigate the Impact of Comining Tourist and Permanent Residential Accomodation and the Impact of Strata Titling of Tourist Accommodation” Cohenca, Jeff, Director Commercial Finance, Ashe Morgan Winthrop

Camping grounds do not have the same associated costs and can offer an excellent little business. Camping grounds offer lower costs of set up, because they do not require the same level of infrastructure, as they don't require underground power or sealed roads, and as a result also have much less maintenance. But on the other side of the equation a operator can't charge as much for camping (\$13 – \$30), although they do take up a lot less space so can cater for a larger number of visitors.

From a tourism perspective, camping grounds, which to a large degree accommodate overseas backpackers, should be understood as the advance party for tourists, as those tourists who backpack and camp across Australia will likely one day return later in life either in caravans or in short stay accommodation.

The provision of good and a sufficient number of camping facilities is important to Western Australia's long term tourism interest.

Permanent Residential v Short Stay Accommodation

The issue of long-term or permanent residents in caravan parks is a separate and equally big issue. Currently, the legislation provides that Local Governments can determine the number of permanent residential to short-stay in any caravan park. This is appropriate as Local Government is best placed to understand the needs of their own communities. This has generally worked out well, except perhaps in the north of the State where the economic boom and the resulting demand for housing has resulted in caravan parks becoming full of permanent residents. With the lack of available accommodation in these areas, there is little choice than to allow these parks to be used for permanent accommodation.

However, with the property boom and more and more people being priced out of the housing market there has been in recent years a greater demand for permanent caravan park places, not just in regional areas but in the metropolitan areas as well. This together with the loss of caravan parks has displaced many permanent caravan park residents.

The effect of the resource boom and the demand for worker accommodation in the north west of the State has completely transformed Caravan Parks in these areas. In Port Hedland and South Hedland, caravan parks are full all year round with permanent residents, and there is simply no room for tourists. As a result, caravan tourists tend to bypass these areas as they are well aware there is nowhere for them to get short stay accommodation. This has been detrimental to tourism in these towns and the region.

It is unreasonable to expect that in times of such high demand that caravan parks and other accommodation locations hold empty sites for tourists. However, that there is no tourist accommodation available over a period of years is equally untenable.

Policy needs to be developed both by State and Local Government that protects caravan places for short-stay tourism especially in caravan parks by the coast while also providing caravan parks for permanent residents (park homes) perhaps more inland from the coast.

Ultimately, any planning solution to this policy will require a greater number of caravan parks and places, and as previously stated, will require State Government investment to realise these outcomes.

These policy development issues were to be dealt with under the Tourism Planning Taskforce's recommendations for all Local Governments to prepare local tourism planning strategies that addressed all of these issues and provided a mix of tourism options. This was to be backed by a statement of planning policy and the strategic tourism sites register.

These actions have not yet been completed by the State Government. In June 2007 the Western Australian Planning Commission (WAPC) released Planning Bulletin 83⁶, which outlines the interim policy of the WAPC and is implementing the recommendations of the Tourism Planning Taskforce while a State Planning Policy was developed. It is not apparent whether the new State Government remains committed to this position, although the Planning Bulletin remains in effect.

At the other end of this issue is the increase of permanent accommodation in the form of permanent park homes or lifestyle villages, alongside a mix of permanent accommodation in caravan parks. Local Government believes that growth in this area is inevitable, partly as a reaction to the property boom and rising property prices.

Recommendation:

That Local Government continue to be responsible for determining the mix of permanent and short stay accommodation in Caravan Parks.

That State Government identify and provide land for permanent park home sites both in the metropolitan area and in the regions.

⁶ Planning Bulletin 83, Planning for Tourism, Western Australian Planning Commission, June 2007

Redevelopment

The demand for housing by the sea and the recent property market boom (and the resultant land tax increases) has placed pressure on caravan parks, especially those located along the coast. Returns on caravan parks is low and with land tax and rates going up in many cases tenfold, this has crippled many caravan park businesses. It was no longer profitable to run a caravan park on coastal land and there was a greater return to the owner to sell to a developer or to redevelop the land themselves. As a result, over the last 10 years we have seen a significant loss of caravan parks especially on the coast. It is harder and harder to find any. The State Government did provide a 50% land tax concession for caravan parks but in many cases was too little too late. Removal of the remaining land tax is still warranted, as the current taxation framework does not recognise the wider benefit to the community of tourism investment and the resulting economic benefits that accompany increased tourism. The other tax reforms recommended by the Tourism Planning Taskforce have also not been adopted by Government, to the detriment of the Tourism industry.

The decision by WAPC approximately twenty years ago to require Councils to change to broad based zoning has been detrimental to caravan parks. In most Town Planning Schemes (TPS) caravan parks are now zoned 'Tourism'. This has increased the speculative value of the land and meant that property speculators and developers can purchase a caravan park and redevelop it into anything that is a permitted use under the Tourism zone in that TPS without requiring a zoning amendment. This also denies the Local Government from being able to prevent the redevelopment of caravan parks to another higher order (higher return) tourism operation, for example, a Resort.

The Tourism Planning Taskforce Report recommended the implementation of a minimum of three tourism zones within TPS, one being a specific zone for caravan parks and camping grounds.⁷ Once implemented this would reduce the speculative value from the land, and would help protect existing caravan parks from redevelopment.

While a number of Local Governments have begun to specifically address strategic tourism sites by developing local tourism planning strategies for implementation through their TPS, changes to the WAPC model scheme text to enable the Tourism Planning Taskforce recommendations have not yet been implemented and the WAPC Statement of Planning Policy is yet to be finalised. Therefore, this matter remains unresolved.

⁷ Recommendation 13, p 80, Tourism Planning Taskforce Report : Report of the Ministerial Taskforce to the Minister for Planning and Infrastructure, 2006

Recommendation:

That Land Tax is not applied to areas specifically zoned for a specific tourism purpose.

That the State Government continue to develop a State Planning Policy in line with the recommendations of the Tourism Planning Taskforce as foreshadowed in WAPC Planning Bulletin 83.

State Contribution to Land and Infrastructure

The clear financial impediments to private development of caravan parks, particularly in highly desirable locations on the coast means that if new Caravan Parks are to be opened they will require public investment of funds.

It will also require the identification of appropriate and available sites to locate new parks. WALGA understands that the Department of Planning and Infrastructure and Tourism WA have undertaken some preliminary work in this area.

One approach could be for State Government to fund the establishment of the caravan parks and then lease them out to Local Government or to the private sector for management. This is unlikely to be seen as desirable by Government under the current economic climate, however, the ramifications of not investing into tourism will be far greater in the medium to long term.

Greater recognition of the importance of tourism, and the need for State Government to invest in tourism infrastructure development is required, and if Western Australia is to grow its share of the Australian tourism market, it will need to provide more tourist facilities.

One issue that will need to be resolved is the use of land in conservation reserves and national parks for Tourism. These areas offer wonderful strategic sites for tourism developments, however the current approach by the Department of Environment and Conservation (DEC), usually will only support lowest order tourism uses, with no facilities such as sewerage. The problem is the majority of Caravan Park users prefer fully serviced parks, so unless State Government can find an appropriate compromise that delivers fully serviced sites, while protecting the environment – which in truth is very achievable – it will not provide the product being sought by the market.

Camping grounds are much less of an issue than Caravan Parks, but across the State, Local Government have reported being short of camping facilities as well. While some

Caravan Parks also offer camping facilities anecdotal evidence suggests that it would be preferable if they were separate, as Caravaners and Campers 'don't tend to mix terribly well together.'

Recommendation:

That State Government identify appropriate Crown Land that could be used for strategic tourism sites.

That State Government commit to fund and build strategic tourism infrastructure and headworks that will assist the development of tourism accommodation.