

CCI sub 81

Abernethie, Loraine

From: Kellie Evans [kelliee@albany.wa.gov.au]
Sent: Monday, 25 May 2009 3:53 PM
To: Committee, Economics & Industry Standing
Cc: Robert Fenn
Subject: Submission - Parliamentary Inquiry - Provision, Use and Regulation of Caravan Parks (and Camping Grounds) in Western Australia
Importance: High
Attachments: 20090525164928841.pdf

Good afternoon Vanessa,


Please find attached the submission by the City of Albany on the Parliamentary Inquiry - Provision, Use and Regulation of Caravan Parks (and Camping Grounds) in Western Australia.

If you have any trouble opening this document, please do not hesitate to contact me.

Kind regards

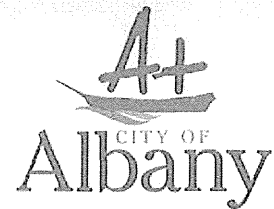
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Enquiries: Robert Fenn

18 May 2009

Principal Research Officer
Economics and Industry Standing Committee
Parliament House
PERTH WA 6000

Dear Loraine Abernethie

Parliamentary Inquiry – Provision, Use and Regulation of Caravan Parks (and Camping Grounds) in Western Australia.

I refer to your letter dated the 23rd March 2009, providing the City of Albany with the opportunity to lodge a submission to the above Parliamentary Inquiry.

In order of the investigating issues, the following comments are provided:

1. *Structure, conduct and performance of the caravan park industry;*

Within the City of Albany, there are 10 registered caravan parks that provide a total of 536 sites (154 chalet, 230 powered and 152 unpowered) for the short stay tourism industry. Those caravan parks are either developed on Crown land under long term leases (four parks) or on freehold titles (nine parks). There are also two (2) bush camps within the municipality, providing a limited number of camping sites, with rudimentary facilities provided. Approximately 30% of the registered caravan parks are linked to national caravan park chains. During the previous five (5) years, two of the smaller parks ceased trading and were sold with the intention that they will be redeveloped for higher yielding land use activities; the former Oyster Harbour Caravan Park is to be converted into a National Lifestyle Village and a proposal is before Council to develop a 100 room resort on the former Frenchman Bay Caravan Park site.

The management and the infrastructure provided within the City's caravan parks varies markedly. Information provided to the City indicates that considerable capital is being invested in the maintenance and upgrading of those caravan parks operated within national chain networks, in order for those parks to remain franchises of the chain. However, the smaller caravan parks have generally invested considerably less in maintaining infrastructure for those tourists using a caravan or tent, and they have progressively increased the number of chalets and permanent occupants, particularly where the caravan parks are more remote from urban areas and major tourism destinations.

The City of Albany has no intimate knowledge of the financial performance of individual caravan parks. However, in submissions that the City has received with previous development applications, the proprietors state that their caravan parks approach their registered maximum occupancies during only short periods in the year; annual occupancy rates of caravan and camping bays are claimed to be as low as 5%. The occupancy of chalets is marginally higher,

as is the nightly returns received by the proprietor from chalet and other fixed accommodation units.

The tourism industry in Albany is subjected to a range of external influences, including fluctuations in fuel prices, seasonal weather conditions, regional promotion, etc. Investment in maintenance and new infrastructure solely for caravan patrons is therefore not without risk.

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

The high capital costs of setting up caravan park infrastructure in accordance with the *Caravan Parks and Camping Grounds Regulations 1997* has been identified by existing operators as a major impediment to the expansion of caravan park and camping bays on existing sites or the development of a new facility. Operators are reporting that they are experiencing low annual occupancy rates for conventional caravan and camping bays and the daily charge rates do not provide adequate return on investment; the increased returns from chalets and on-site cabins has changed the mix of product over the past decade.

The removal of long term caravan occupants and their relocation into park homes has been seen by proprietors as the panacea to generating a consistent income stream and facilitating the longer term planning of assets within the caravan park (eg: segregation of short and long term tenants and rationalization of amenity blocks). Recent development applications received by the City of Albany are almost exclusively for the addition of fixed accommodation units. The City has not received an application to add additional caravan bays or camping sites into any of its licensed caravan parks during the past decade.

Holiday makers, primarily family groups, have historically visited Albany during several relatively short "spurts" over the summer months, with the two weeks immediately following Christmas being the busiest times for caravan parks. The introduction and marketing of major events (Albany Classic, Vintage Blues Festival, Soapbox Derby, etc) has progressively extended the holiday season, but has not leveled out the peaks and troughs in demand for caravan park sites. Unfortunately, a substantial percentage of the participants to those events seek on-site accommodation units as they tow vehicles and equipment to Albany; the City's motels accommodate the majority of the event participants and spectators.

Access to sewerage dump points and other infrastructure by the owners of fifth wheelers and mobile homes has become a point of contention for many caravan park proprietors. This group seeks out bush camps, beach car parks and other discrete public spaces (some within sight of registered caravan parks) during overnight and extended stays. Caravan park proprietors report that this group only pays for caravan park accommodation (a single night) when they need the services and infrastructure that only a caravan park can provide, notwithstanding that those tourists may have holidayed in the district for several weeks.

3. Supply and demand for long term and short term sites including camping sites;

In a report prepared for the City of Albany, PRACSYS has determined that the growth in the annual visitor nights for the caravan park and holiday village market is expected to grow by 35,000 nights during the period from 2005 to 2020. This represents a total predicted increase of 17% in demand over that period, compared to a predicted 139,127 annual bed night growth in demand for hotel and self contained accommodation units (a 20% increase). Whilst these estimates need to be treated with a degree of caution, as they extrapolate the impact of past tourism trends, they indicate some major deficiencies in the current supply of accommodation types to meet market expectations.

The main "short stay" accommodation segments in Albany are families on holidays, retirees of independent means, couples on leisure trips and corporate / business travelers. Of these segments, PRACSYS claim that corporate / business travelers are believed to be the most rapidly growing segment, whereas families are believed to be more or less stable. The data indicates that retirees of independent means and couples on leisure trips have been a relatively stable market segment, but these segments are becoming more affluent which may have an influence on the type of accommodation sought over the medium to longer term.

The demand for "long stay" sites is currently being met within caravan parks and park home parks, but will also be supplemented in the near future by the development of a lifestyle village on the site of the former Oyster Harbour Caravan Park. Competition for park home clients may have a longer term economic impact on several caravan parks.

4. 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.***

The current *Caravan Parks and Camping Grounds Act 1995* and the *Caravan Parks and Camping Grounds Regulations 1997* are enacted to regulate the operation, layout and infrastructure within caravan parks and camping grounds. In response to the Tourism Planning Taskforce Report (2006), several government agencies have attempted to provide further policy direction to Local Governments and the State on the retention and growth of tourism products; the result of the current legislative regime is confusion for decision-makers.

When planning for caravan park modifications or additions, the City of Albany is required to give consideration to:

- *Caravan Parks and Camping Grounds Act 1995*
- *Caravan Parks and Camping Grounds Regulations 1997*
- *Residential Parks (Long-Stay Tenants) Act 2006*
- Tourism WA policies on combining tourist and permanent residential accommodation on tourist zoned land and the impact of strata titling tourist accommodation.
- Western Australian Planning Commission (WAPC) Bulletin 83
- WAPC Liveable Neighbourhood policy (for Lifestyle Villages)
- Any relevant Local Authority Town Planning Scheme or policy

Tourism WA and the WAPC have policies which seek to retain existing tourism facilities, plus they seek to provide suitably zoned sites for the provision of future tourism product. Those policies give no support or guidance to tourism operators or local governments on the capacity of operators to maintain the financial viability of existing caravan parks and camping grounds. The principles of those policies are sound, but they provide no solace or compensation to a landowner who is being asked to retain a zoned site for years (possibly decades) in an undeveloped state for a potential future land use, that may not be the optimum commercial use of his/her land.

The WAPC and the Local Authority have a legal responsibility to plan for the location and servicing of permanent residential suburbs and considerable research and planning is employed to determine where permanent residential enclaves should be provided. In addition to

establishing the density of development, that planning ensures key infrastructure, transport and services are available to the future residents.

To meet their obligation under WAPC Bulletin 83, a Local Authority is required to prepare a Tourism Strategy in advance of preparing their Local Planning Strategy. There is minimal State assistance in preparing those documents, or in defining the content of the strategy. As a consequence, it is feasible that a multiplicity of tourism outcomes and responses will be generated across the State over time, as Local Authorities strive to fulfill their obligations to the WAPC.

Notwithstanding the broader planning expectations of the WAPC, Tourism WA and the Local Authorities, the majority of caravan park operators are queuing to increase the level of long term occupants within their caravan parks to provide a consistent cash flow, to remain viable and to fund refurbishments and maintenance. A Local Authority is then confronted with a decision-making dilemma, how does it support struggling local businesses without converting vital tourism infrastructure into de-facto residential enclaves. In defending a decision, the lack of State policies makes it harder to defend its decision.

A recent State Administrative Tribunal determination (Stewart and City of Albany [2009] WASAT 45) has added another level of constraint on a caravan park operator. The Tribunal found that facilities that are permanently booked by an association or social group should be considered as being a long stay site, notwithstanding that the facility will only be used by a single party for short periods during any 12 month period. The past practice of leasing and time sharing a caravan park facility has previously generated short term tourism opportunities for the members of the association / social group and other site users would have been oblivious to the different booking arrangement. Those sites are now required to be treated as long term sites and may be subject to the *Residential Parks (Long-Stay Tenants) Act 2006*.

There is currently no State Government policies or regulations regarding the maximum percentage of long stay residential sites that should be provided within a caravan park. Under the current state policy framework, Tourism WA and the WAPC require each Local Government to develop (and justify) a strategic position and develop policies to regulate the conversion of short stay sites into long stay sites. The City of Albany has a draft strategy prepared that has drawn considerable criticism from the caravan park proprietors and industry representatives. Whilst a caravan park proprietor have no State position or standards to refer to, when trying to determine what level (20%, 50%, 80%) of long stay units within their caravan park tips the balance between a site being classified as a caravan park or a park home park, conjecture will remain.

During the transition of a caravan park site to a park home park (in full or part), the on-site services not required for the longer term use of the land (laundries, toilet blocks etc) usually become rundown and this process accelerates and justifies the economic rationale to convert the site to long stay tenants; the tourism experience for a person towing a caravan or using a tent is considerably eroded.

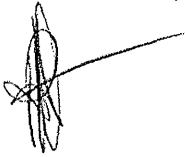
The recent market phenomena of "Lifestyle Villages" are park home parks by another name. This form of park home land use, where the operators provide a superior level of on-site facilities and develop the social infrastructure for the site's tenants, is required to be the subject of specific zoning provisions in a Local Authority's Town Planning Scheme. Planning justification is required for the development of a Lifestyle Village (taking into consideration transport issues, impact on adjoining land uses, etc) and the Minister for Planning, on the advice of the WAPC, must ultimately consent to the zoning of the land for that purpose. These villages are exempted from the principles of the WAPC's Liveable Neighbourhoods policy and the WAPC requires the

housing product within a Lifestyle Village to be a park home. That requirement is contrary to State laws (the *Caravan Park and Camping Grounds Act 1995*) which prevent a park home being allowed to be placed on a site which is not within an approved Caravan Park.

In conclusion, it is the view of the City of Albany that caravan park and camping ground owners and proprietors are under considerable strain to maintain their viability in a variable tourism market. The desire of Tourism WA and the WAPC to retain existing caravan parks into the future, and to have vacant sites available and ready for future development is an admirable position. Unfortunately, the low returns from caravan park sites and camping grounds do not make them an attractive investment option, particularly in an area such as Albany where caravan and camping numbers are extremely low and seasonal. Existing caravan park owners and proprietors in the meantime are endeavouring to provide a point of difference from their competitors and a product mix that provides appropriate returns on their investment; the conversion of part or all of the caravan park from short stay to long stay tenants provides greater financial security and the capacity to maintain caravan park amenities and infrastructure.

Should you require further clarification on a comment, or the issues raised in this submission, please do not hesitate to contact the undersigned.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Robert Fenn', with a long horizontal line extending to the right.

Robert Fenn
Executive Director Development Services