

6. Business Plans for Eden Tourist Park and Zane Grey Tourist Park

Recommendation to adopt the business plans prepared for Eden Tourist Park and Zane Grey Tourist Park by Integrated Site Design and to commence the recommended improvement programs from 2009/2010.

General Manager

BACKGROUND

10 Integrated Site Design were engaged to prepare business plans for the Zane Grey and Eden Tourist Parks, and presented workshops to councillors in February and May 2009 dealing with the business plans and development strategies for each tourist park.

Councillors have received a copy of the Business Plans report and 20 year Financial Model under separate cover. A summary of the Improvement Programs, tariffs and comparative returns was distributed to Councillors on 30 June 2009.

The business plans cover:

- the planning framework
- the tourism outlook
- the caravan park competition
- a strategic assessment, management issues and management controls
- improvement/investment program
- 20 • management structures and options

Following adoption of the business plans, discussions will be held with the current contract manager and staff managers of both Tourist Parks and a further report will be made to Council concerning the transition arrangements for the parks management and improvements.

ISSUES

The tasks that have been undertaken in preparing this report include the following:

- A review of the existing caravan park layouts and development;
- A strategic analysis and an examination of the potential of the caravan parks to continue to be a viable competitive business entity;

- A review of relevant legislation including the Crown lands Act 1989, requirements of the Local Government Act, 1993, and relevant planning instruments under the Environmental Planning and Assessment Act 1979; and
- Analysis of the parameters that need to be addressed in the operation of a caravan park that complies with environmental and regulatory constraints.

Legal

The Crown land occupied by Zane Grey Caravan Park is described as Lot 304 DP 729202 with an area of 4.549 ha. The Park is currently approved for a total of 178 sites comprised of 138 short term sites and 40 camp sites. The Park provides 13 units of self contained on site accommodation.

The Eden Tourist Park is situated on Crown land described as Lot 158 in DP 729163 with an area of 5.884 hectares. The park provides a total of 184 sites of which 61 sites are camp sites and 123 sites are short-term sites. The park provides 17 on-site units of accommodation and 61 powered sites

The business plans drew on the relevant planning and development controls including:

- Bega Valley Local Environmental Plan (BVLEP) 2002
- A variety of State Planning Policies - SEPP 21(caravan Parks), SEPP 71 (Coastal Protection), SEPP (Major Projects) 1995, and SEPP (Infrastructure) 2007
- The provisions of SEPP 21 in conjunction with the Local Government (Manufactured Home Estates, Caravan Parks, Camping Grounds & Movable Dwelling) Regulation, 2005 (Caravan Parks Regulation)

Park Management

Council entered into a contract with Panasa Pty Ltd for the management of Zane Grey Tourist Park in July 2004. That contract has been extended on a yearly basis to date, with annual review of the remuneration provisions.

Eden Tourist Park has been direct managed by Council employees. The current managers were employed by Council in December 2008.

Management by contract is the most common method of operation of Council caravan parks in New South Wales, whereby the contractor takes responsibility for the daily administration, maintenance and aspects of business management.

It is proposed Council will seek expressions of interest for the contract management of Zane Grey and Eden Tourist Parks involving an enterprise based contract with financial incentives for an initial term of three years including management of the improvement program. The management arrangements will be reviewed at that time.

Environmental

The business plans propose a number of environmental initiatives to improve the visitor enjoyment, reduce environmental impacts and reduce operating costs in the long term.

70 Initiatives to be considered include energy efficient design of cabins, installation and use of water harvesting capability, installation of water and energy efficient fittings and appropriate use of solar power.

Asset

The parks are very different in terms of their location, design, accommodation options, infrastructure and facilities. The business plans analyse the strengths and weaknesses of each park and provide the basis of a proposed development program designed to improve each asset and to increase revenue and profits in the longer term.

80 The business plans indicate that both parks are under capitalised, however Zane Grey Tourist Park requires the most attention in the short term, requiring significant investment on the acquisition and installation of better quality cabins, improvements to amenities and the provision of disabled facilities.

Social / Cultural

Zane Grey Tourist Park has holiday vans occupying sites under occupancy agreements pursuant to the Holiday Parks (Long Term Casual Occupation) Act 2002. The policy of the Department of Lands is that it would prefer there were no holiday vans on Crown land, and certainly not more than on 50% of park sites.

Currently the Approval to Operate has been conferred by the Department on the basis that the number of holiday vans will be reduced to 50% of sites.

90 It is also the intention to increase the fees payable by holiday van owners and to accommodate all holiday vans in one section of the park. These processes will be carried out in accordance with the applicable regulations.

Economic

The improvement and development strategy outlined by the business plans should, in the mid to longer term, enable the return of funds for the improvement of caravan parks and other Crown reserves and parks in the Shire.

The raising of standards of the facilities in these areas will also indicate Council is committed to the provision of a quality tourism experience in line with the Coastal Wilderness master plan.

Financial

100 The business plans have been financed by the caravan park reserve improvement fund monies (\$60,000). The improvements recommended by the business plans would be

financed by debt to be serviced by revenue from the parks over ten years. Increases to Council's borrowing program would be required.

The business plans indicate the parks could be producing an annual turnover in the order of 30% higher (Zane Grey) and 10% - 15% higher (Eden) than the current level if the standards of development were appropriate to the quality and reputation of the locations.

Tariff Levels

110 The overall conclusion that should be drawn for Council's operations is that tariff levels should be set at or above the regional average. This can only be sustained by improvements to the product – primarily through improved range of cabin accommodation, general presentation and the addition of some key facilities. Actual yield will increase above that realised by charging higher tariffs through more positive marketing and promotion to lift occupancy rates in the off season

Improvement Program

To make a substantial commencement on the overhaul of the Zane Grey Tourist Park will require an investment in the order of \$1.8 m - \$2m over the next 5 years. The improvement program for Eden will also be substantial at between \$1m - \$1.2m. During this time the parks will not need to close although there will necessarily be limitations and interruptions to services for short periods in the off peak season.

120 In order to develop a practical and achievable improvement program a number of factors have been considered including:

- Cost;
- Potential to generate income;
- Potential to improve visitor amenity;
- Potential to improve the day-to-day management of the caravan park;
- Safety, security and regulatory compliance;
- Potential to achieve environmental objectives; and
- Contribution to the local economy.

130 The business plans recommend raising debt for both parks for the improvement program, indicating that repayments will increase from \$101,823 in the first year to \$369,109 in the tenth year, after which the Reserves will exceed \$1.5 million.

Summary of Proposed Improvement Program (in 2009 \$)

Item	Zane Grey	Eden	Totals
Reception and Office	\$35,000	\$40,000	\$75,000
Water reticulation	\$60,000		\$60,000
Parking and roads	\$60,000	\$95,000	\$155,000
Signs	\$10,000	\$15,000	\$25,000
Park lighting	\$20,000	\$20,000	\$40,000
Playground	\$40,000		\$40,000
Ensuite Units (2 *4 berth)	\$100,000	\$100,000	\$200,000
Camp Kitchen	\$230,000	\$250,000	\$470,000
Install new cabins (12 and 6)	\$950,000	\$420,000	\$1,370,000
Refurbish Amenities	\$80,000	\$40,000	\$105,000
BBQ Shelters (3)	\$60,000	\$40,000	\$100,000
Other Initiatives	\$20,000	\$25,000	\$45,000
Landscaping	\$50,000	\$25,000	\$41,000
Contingency	\$128,625	\$83,625	\$235,000
Totals	\$1,843,000	\$1,238,625	\$3,081,625

Returns

Under the preferred model of contract management, based on the business plan estimates and the annual surpluses that the parks would generate, the significant returns could be used by Council to reduce the borrowing program or make improvements in other reserves in the Shire.

140 Other than the preferred contract management approach, there are other options for Council for the ongoing management of the caravan parks. One of those options is the creation of commercial leases. Council could reduce its involvement in the operation of caravan parks by offering commercial leases for the parks and receive a market rent in return.

The establishment of a long term lease involves considerable set up work and costs. At present, neither park would command optimum rental as they are under developed. Council may choose to seek market interest in leasing the park/s as is, or subject to undertaking the improvement program, or offer lease after Council has completed the program.

150 As the owner of the reserves is the State Government, the leases will require the consent of the Minister for Lands. The Department of Lands will usually be significantly involved in the establishment of lease arrangements.

The creation of leases should simplify park management and issues of business risk as well as enable Council resources to be directed elsewhere, however there are also a number of disadvantages to this option.

160 Council will lose direct control of significant assets, its ability to move money around will decrease and profits in the mid to long term will also decrease. More particularly, there is the risk that the Department of Lands when giving consent, might direct how and where the proceeds will be applied or may altogether resume the operation and management of the parks itself, as has been the experience in northern New South Wales.

The business plan estimates returns under the contract management model exceed that estimated to accrue to Council should the parks be leased out commercially.

It is preferred that during the recommended improvement program across three years, the parks be placed under contract to manage the parks and/or project manage the improvement program and then be reviewed, including an option for direct council management or the creation of commercial leases at that stage once improvements have been made.

170 Should management revert to Council directly, it should allow a greater proportion of income and returns to be realised by Council.

FINANCIAL

The financial spreadsheets presented to councillors summarises the recommended Improvement Program and Borrowing impacts for each Park, the Revenues and estimated Operating Costs components. The spreadsheets indicate the current revenues and costs for the Parks based on the current configuration of accommodation and associated tariffs. They also signal the change in revenues and costs based on the progressive change in configuration of accommodation from the Improvement Program and associated changed tariffs

180 It is predicted, allowing for no indexation of costs or revenues in those models, to make modest surpluses in the early years while the five-year improvement program and ten-year borrowings run their course, with nett proceeds returned to the cash reserve. In subsequent years, the returns can be utilised on any recreation reserve under council's control.

Borrowings remain subject to global borrowing limits and payments are met by the operational revenues of the Parks.

OPTIONS

Councillors may consider a number of options, subject to administrative resolution of current contracts, tenancies, development consent and tendering:

1. Seek expressions of interest to lease one or both of the Parks in current form
- 190 2. Seek expressions of interest to lease one or both of the Parks, developed by the lessee in accord with the Improvement Program

3. Seek expressions of interest to manage one or both of the Parks with Council undertaking the Improvement Program
4. Council undertake the Improvement Program and directly manage the Parks

It is suggested councillors may also consider an initial term in Options 2 and 3, to go back to the market when the Parks have been developed.

Resources (including staff)

Zane Grey is operated under contract management. Following the resignation of the Council's Caravan Park Manager last year, casual staff are employed at Eden and oversight of both parks have been temporarily undertaken until the adoption of the business plans and appointment of the Business Performance Manager. In the absence of that appointment, it is proposed to engage contract staff or consultants to undertake the project management of the Improvement Program.

CONCLUSION

The main outcomes sought from the implementation of the proposed development program for the Tourist Parks include:

- A clear legal basis for management, particularly in relation to compliance with the standards required for caravan parks;
- Improved presence as a tourism accommodation operator;
- Reduced management and maintenance costs;
- Improved facilities and accommodation for guests;
- Improved environmental outcomes;
- Better capacity to address changing market demands;
- Enhanced turnover and profits; and
- Increased local economic activity as a consequence of increased visitation.

RECOMMENDATION

That:

1. Council adopt the business plans for Zane Grey and Eden Tourist Parks;
2. Councillors determine which option to progress and subject to that decision, determine whether to increase its borrowings by \$3.25m over five years for the Tourist Parks Improvement Programs, repaid by the returns of the Parks;

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3. the improvement program commence from 2009/2010;
4. discussions be held with current Parks management with a view to call expressions of interest for enterprise-based incentive contract management.