



18 February 2013

Mr Stewart Veitch
Senior Manager, Hunter Area
Northern Region
NSW Department of Trade and Investment

Dear Mr Veitch

TRRA Inc. Submission on Port Stephens Holiday Parks Plans of Management dated November 2012

Statement of interest

Tomaree Ratepayers and Residents Association Inc. (TRRA Inc.) is an independent incorporated association which seeks to represent the interests of ratepayers and residents of the Tomaree Peninsula in all matters that will enhance and protect their residential amenity and the local environment, both natural and manmade.

TRRA Inc. has a special interest in the protection and enhancement of Tomaree Crown Reserves which are critical assets underpinning the natural attraction of the local area for local residents and visitors. We are fully aware of the importance of the Port Stephens Council Holiday Parks as essential components of the local tourism infrastructure and their obligation to contribute to the funding of improvements and maintenance of Crown reserves generally in the locality.

Accordingly, TRRA Inc. has participated in the development of a number of strategic plans for the management of Port Stephens foreshore reserves and the consultations which led to the preparation of Plans of Management for Holiday Parks in 2010. TRRA also seeks to monitor the finances of Port Stephens Council. Annual Financial Statements and Long Term Financial Plans are analysed by a sub-committee of TRRA. Over recent years this analysis revealed a disturbing situation where Council's Annual Statements reported substantial losses by Holiday Park Businesses yet Forward Plans included major capital investments in these loss making facilities.

Of particular concern was the Members' observation of the serious degradation of the foreshore reserves and the limited investment by Council in the reserves outside the Holiday Parks. Against this background we were not surprised by the LPMA initiative to commission the Deloitte audit of the management of the Holiday Parks. Once TRRA finally gained access to this audit and the associated exchange of correspondence between Council and Crown Lands it confirmed our concerns.

We are pleased to note that Council has agreed to institute significant institutional changes in response to the audit and Crown Lands directions in respect of management. However, our analysis of the Agenda papers for the first meeting of the new Holiday Reserve Trust and the most recent Plans of Management tabled for adoption by the Trust give us cause

for serious continuing concern in respect of Council's management of these businesses and **the meagre projected benefits to the community for additional funding of reserves outside the Holiday Parks.**

List of concerns

1. Calculation of the Reserve Trust Balance

The Deloitte audit report in page 7 of the Executive Summary in commenting on the Reserve Trust Financial Performance stated that "Cash reserves at FY2010 are estimated by Council to be \$5.5m. The amount is an estimate as the Reserve Trust cash is intermingled with Council's cash and investments. It is further stated that "While a separate balance sheet is prepared annually for LPMA, this is a manual process and in the FY08/FY09 years required material unreconciled balancing adjustments in order to balance net assets and retained earnings".

Notwithstanding these qualifications of the Reserve Trust cash balance, the Council's estimate for FY2010 and the more recent estimate for FY2011/ 2012 of \$6.5 m. have been received without further scrutiny. Against the background of the Deloitte Audit's findings of questionable accounting and non-compliance with Statutory and other management guidelines, TRRA Inc. believes that Council should be required to provide more detailed data on how these "estimates" have been prepared on the basis of what the auditors describe as a "manual process".

2. Quality of financial modelling

The Plans of Management for Fingal Bay, Halifax and Shoal Bay Holiday Parks propose significant changes to the mix of the types of accommodation as well as a substantial capital expenditure of some \$14m. by 2017/18.

TRRA Inc., in reviewing the business cases for major capital outlays from the Reserve Trust Fund presented to the Reserve Trust in November 2012, expected to find detailed market analysis and forward projections of demand for each category of accommodation. We also expected an analysis of the earning capacity of each category having regard for forecast occupancy, likely tariffs and associated cost structures. It is against this background that decisions on the future mix of accommodation ought be taken. In this context we are aware that the Port Stephens Caravan and Camping Association have raised concerns in relation to the proposed reduction in long term holiday van sites which deliver an assured revenue stream.

Our review of the Reserve Trust Agenda Papers indicates that this detailed business case information in respect of the relative merits of the components listed for investment was not presented to the Trust, to Crown Lands or to Council. Council and the community are left to rely on the simple proposition that the proposed mix of accommodation and additional recreational elements such as pools and water playgrounds features will lift occupancy and returns.

3. The bid to take-over the public Park comprising Lot 424 as an addition to Halifax Holiday Park.

The 2010 draft Plan of Management for Halifax Park initially included a proposal to alienate this important public park with the intention of adding it to the Holiday Park to accommodate luxury cabins. This proposal prompted broadly based community objections from local residents, TRRA and EcoNetwork.

The grounds for the rejection of this proposal were:

- Open space for public recreation and other activities associated with the use of Shoal Bay Beach are limited in area.
- This park provides the only really shady public space where people can retreat from the beach when temperatures rise. The coral trees are important for shade in the summer and being deciduous, do not block the winter sun. All the trees should be retained and properly maintained.
- Forecast increases in local resident population and visitors to the Tomaree Peninsula (45% increase by 2031 predicted in the 2007 Economic Development Strategy) will see increasing pressure on those public spaces already under stress for example, Nelson Bay Foreshore, Fly Point, Little Beach and Shoal Bay Village Foreshore. Lot 424 constitutes a vital future relief valve to accommodate this projected growth.
- Lot 424 provides a necessary buffer between the adjoining multi-storey residential precinct and the Holiday Park and also provides open recreational space for the residents in this high density precinct.
- The significant number of mature native trees constitute valuable wildlife habitat including for koalas and provide an important wind break for the Holiday Park as well as the neighbouring residences.
- This park offers an opportunity to develop a whole new attraction for the precinct catering to the needs of the Holiday Park, the residents and tourists generally. Any playground or recreational improvements could be made accessible to all these users. A toilet/shower facility could be located on or close to the existing Holiday Park boundary and serve park patrons as well as the public. In the absence of a convenient opening in the fence this pleasant open space is not easily accessible to park patrons.

Port Stephens Council in 2010 resolved to exclude the proposed inclusion of Lot 424 from the draft Plan of Management taking account of the above grounds. The 2012 draft Plan of Management and supporting documentation in the Agenda papers for the first Reserve Trust meeting held in 13 November 2012 did not mention this earlier Council resolution. Reference is made to “the direction from Crown Lands in August this year (2012) to reincorporate Lot 424 into the park”. How was this direction conveyed to Council and is it backed by a documented executive or policy decision?

TRRA Inc. understands that Port Stephens Councillors, following renewed community opposition, again ordered that Lot 424 be withdrawn from the Plan of Management which has most recently resubmitted for Ministerial consideration.

TRRA Inc. fully endorses the grounds for retaining Lot 424 as a public park. We also query its suitability for camping sites (in the latest plan) due to the presence of large mature trees which have potential to drop branches, unless the plan is to clear all the trees which the community would strongly oppose.

We query the relative public benefit of the additional revenue which could be raised by conversion to camping as compared with the loss of public open space.

4. Projected Increases in Employee Benefits and On-Costs

A review of the Profit and Loss Forecasts for each of the Holiday Parks shows the provision for Employee Benefits and On-Costs increases dramatically after 2011/12. This may have been a consequence of Council's response to actions prompted by operational criteria put to Council by Crown Lands following the Deloitte Audit.

Unlike other expenses this provision increases significantly over the Forecast period. TRRA Inc. believes that more details on the composition of this expense should be provided especially given the reported rationalisations which were to be made following the Sustainability Review of the Commercial Business Unit.

The plans of Management do not make clear the extent of future reliance on Council for services and maintenance, an issue raised in the Deloitte audit. The future role and specific cost to Holiday Parks of the Commercial Business Unit is not clear. These functions should be isolated from Council's budget and secured via competitive tender.

5. Financial modelling for Shoal Bay does not appear to reflect the land ownership status 65% Council / 35% Crown

The Deloitte Audit raised concerns about the failure of the accounting protocols to take proper account of the implications of the land ownership situation at the Shoal Bay Holiday Park. Attachments 5 and 6 provide a Profit and Loss Forecast and Proposed Capital Expenditure for this Park. As presented the schedules do not appear to make clear how the Deloitte concerns have been taken into account.

6. Proposed meagre allocation from Reserve Trust fund to "Other Reserves"

Attachment 7 to each of the Plans of Management provides a projection of the Holiday Park Reserve Trust balance and its allocation to capital expenditures.

It is a matter of the utmost concern to TRRA Inc. that the lion's share of this fund is earmarked for expenditures in the three Holiday Park Reserves leaving a paltry amount for the much needed improvement and maintenance of the strategically important "Other Reserves."

Expenditure from the Reserve Trust Fund was put on hold in July 2010 so there is an existing backlog of urgently needed works on our Crown Reserves outside caravan parks, No expenditure on other reserves was provided for 2011/12 and just \$1.5 m. for 2012/13. In 2013/14 the allocation drops to \$500,000 and in the following 4 years to \$300,000 annually.

Most amenity blocks along the whole foreshore are long overdue for replacement. Generally the basic facilities which tourists (and locals) expect are not being provided and there has limited progress in implementing the improvements as outlined in the Foreshore Management Plan of 2009 Corlette to Shoal Bay. Cycleway and pathway links are missing right along the foreshore

Over the 7 year period \$17,936,332 is listed for Capital Expenditure and Loan Repayments in Holiday Parks compared with \$3,200,000 on "other reserves." TRRA Inc. believes this ratio is unacceptable as it is too heavily weighted in favour of building a business activity instead of improving a truly public asset - our Crown Reserves.

The degraded state of the foreshore reserve between Shoal Bay Village and Tomaree Lodge (including the rebuilding of the pier) would in our estimation easily take up the entire projected allocation for "other reserves". The \$300,000 allocation mooted for the last 4 year period is ridiculously small in relation to the likely needs of the reserves across the Tomaree.

A much larger share of the dividend is required to maintain our public reserves at an acceptable and environmentally sustainable standard to underpin the tourist industry and for local residents.

7. Unfair competition with existing tourist accommodation in the locality (and with potential future investors in the sector)

Background documentation presented to the November Reserve Trust Meeting claims that "Holiday Parks are the second most preferred form of accommodation in Port Stephens and that the majority of accommodation being proposed supports the growing caravan, motor home and camping trends.

However, it is TRRA's understanding that commercial tourist accommodation providers on the Tomaree Peninsula (hotels, resorts, motels etc.) face difficult market and business conditions.

This is reflected in the fact that no new investment in these forms of accommodation has been attracted to the Tomaree over the past 5-6 years. An exception is the much delayed resort under construction at Anna Bay. Seasonality of demand is a limiting factor as is the cost of land and construction to meet current building standards.

The Reserve Trust's investment in additional luxury cabins and standard cabins would appear to be in competition with the existing private accommodation providers. Care needs to be taken to ensure a level playing field applies. The availability of concessional loans, arguably concessional land lease/rental costs and

the relief from Council Rates are factors which provide a significant advantage to the Reserve Trust Holiday Parks.

TRRA would be pleased to meet with you or members of your staff responsible for this matter to clarify any aspect of this submission.

Yours sincerely

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