



27/10/14

Urgent Attention (by email)

Councillors and Council Staff

Port Stephens Council, NSW

Agenda Item 6: Ordinary Council Meeting 28 October 2014

Comments and recommendations to Councillors on PSC Business Case for TreEscape Park Proposals

DOUBTS AS TO FEASIBILITY

TRRA Inc. has on a number of occasions raised its concerns relating to the Council's huge financial losses incurred since 2001 by Samurai Beach Resort on Crown Land leased at 562 Gan Gan Road, One Mile Beach.

Every effort to rebrand and upgrade the offer has failed and simply added spectacularly to the overall Council losses on this business venture. In 2013 Ratepayers noting (from press reports and other sources) that the total loss to Council over the period has been something in the order of \$17 million, called for its closure and for Council to dispose of the business as a matter of urgency.

This Agenda Paper admits that rebranding to "Beach Resort" did not reach the target market. It recommends reopening the business under the brand "TreEscape" with a further investment of \$450,000 to convert to affordable camping and accommodation catering to primarily family and school groups. It is claimed that this will create a feasible and attractive business result.

TRRA believes that decision makers and the ratepayers should be provided with a full disclosure of the background information on the past operation of the Samurai Beach Resort including the extent of Council's total investment and losses incurred. We also believe that the Business Plan which is the basis for the recommendations in this Agenda Item should be made available for Ratepayer scrutiny. In the circumstances, TRRA believes this information should be offered voluntarily by Council, otherwise it would be TRRA's intention to request this information by way of a GIPA request.



TRRA Inc. is very doubtful that the site, which is quite remote from a patrolled swimming beach and general tourist services, has the potential to succeed in what is still very much a tourist market. The nearest beach being “clothing optional” is almost certainly a serious turn-off for both family and school group markets which are to be targeted in the TrEEscape offer .

The neighbouring Middle Rock Holiday Park, which has been recently expanding its offer, caters to a very different market comprising a mix of permanent residents, and long term onsite vans. These customers typically pay fixed fees guaranteeing a base cash flow which is not subject to the seasonality and desires of the tourist segment and probably have lower operating costs. That park also has a number of demountable cabins for tourist rental.

Our concern is that the switch to affordable and low cost camping reduces the potential to charge sufficient fees to justify any further capital investment. These market segments are also more limited to school holiday and long weekends and are likely to be affected by the seasonal conditions of winter.

The Corporate Services case for further investment mentions a revised spreadsheet factoring in the reduction of rental to \$51,625 and a turnover rent of 8.2 % and it is claimed this still delivers a “cash positive” result. TRRA Inc. asks what proportion of costs are attributed to the rental and whether the 8.2% deal may largely offset the reduction in base rental.

The Agenda Paper lists “Consultations”. Tourism Port Stephens is not listed. TRRA Inc. would have expected that advice on market potential from our peak tourism body, and/or from Destination NSW, would have been presented to support this proposal.

Recommendation : That Councillors reject recommendation 1 and request that the full Business Plan including forecast occupancy rates, revenue projections, market research and full operating and capital costings be tabled for Councillor’s assessment and for the information of the public.

FUNDING PROPOSAL

TRRA Inc. is strongly of the view that a full account of the financial commitments and performance of the Samurai Beach Resort should be tabled prior to Councillors approving the commitment of further funds to reconfigure this failed business.

We have serious reservations as to the prospects of raising the \$450,000 required for investment from the sale of existing portable cabins. Our understanding is that the downturn in the Hunter mining industry, may well have



flooded this market. In addition recent practice is to supply new units in packed down form which are cheaper to transport and erect.

TRRA considers that the cabins in their present setting offer a very attractive standard of accommodation which is integral to the overall package. Their removal may seriously degrade the Council's asset to the point where it will be impossible to sell at any price.

Whatever the decision on the conversion to TreEscape format, TRRA objects to the proposed use of Property Reserve Funds in the mere hope that the \$450,000 will be recovered from the sale of these cabins. Should there be a shortfall, Council's capacity to meet the urgent need for Reserve upgrades across Port Stephens will be reduced.

On past performance over 13 years and the potential for continuing demands beyond the Property Reserve loan, TRRA seeks to avoid a repeat performance where Council's General Account funds are called upon to bail out a risky commercial venture.

Recommendation:

That Councillors not approve the utilisation of funds from the Property Reserve Fund and insist on the prior sale of the existing units to fund any further investment if approved.

NEED FOR FURTHER OPTIONS

TRRA Inc. believes that further options need to be explored including alternative uses which may be permissible under the new "business purposes" lease terms and the reduced rental.

For example, permanent retirement residential and long term caravan sites may be a possibility with better prospects for revenue and lower operating costs.

Recommendation:

That the Corporate Services Group be requested to:

- present details of any tenders already received together with explanations of why they were unacceptable and
- to explore other options for the future use of the site and its existing substantial and quality developments.

Terry Wall

President

Tomaree Ratepayers and Residents Association Inc

27.10.14

