

October 28, 2014

Dear Council and Management

Last night I had a look at the agenda of today's council meeting and saw that TRE ESCAPE Park (previously known as Samurai Beach Resort) is on the agenda as item no. 6.

As a ratepayer and a resident of Port Stephens I would like to put forward some food for thought to help you make the decision which is in the best interest of the community:

1. First question you should ALWAYS ask yourself as a councillor; is this recommendation in the best interest of the community.....?
2. The information on page 120 to 123 of the council reports (item 6) refers to a "Business Case" and a "Feasible Financial Model":
  - a. Have you seen the details of these documents?
  - b. Have you had it reviewed by people who know this type of business/industry? If not please do so before making a decision like this one; don't forget PSC has not been successful running this place since 2001....some reports say more than \$17M of tax payers' money has been put into this resort since 2001 with NO return at all.
  - c. Does the business case take into consideration all the money invested/spent since 2001? If not how is PSC going to recovers any of that money?
3. Rent reduction
  - a. Is it a real reduction in the rent? In the supplementary information on the PSC website it mentions the written confirmation from Crown Land but when reading the supplement it does not show any detail of that written confirmation?
  - b. In the back ground information (page 121) it states that on top of the \$51,625 comes another 8% of the gross income. Let's be conservative and assume the park makes an income of \$400,000 the coming year. This will result in an additional fee of \$32,000 which brings the total rent to \$83,625 which is 21% of the gross income of the park. That is higher than PSC has ever paid. Looking at the performance of the Samurai Beach Resort over the last 3 years; 2011 it was 11%, 2012 – 15% and 2013 it was 18% of the gross income of the park....so clearly NOT an improvement.  
  
It is clear what seems to be a rent reduction is basically a **rent increase** if you look at it as a percentage of sales.
4. Selling the Cabins
  - a. Any proof supplied by corporate services that they will get that sort of money (\$450,000) as a NETT profit out of the sales of the 11 cabins? Any, **independent**,

valuation been done and presented? It is highly unlikely for PSC to pick up that type of money on the sale of these 11 cabins.

- b. Selling them off will mean that PSC has got no (removable) assets left on that site. All other assets on that site basically belong to the land owner (Crown Land). Although the ratepayers of PSC have paid for all of them PSC cannot sell them on or take them off site at the end of the lease.

Same will apply to the \$450,000 suggested to be invested for a new amenities block, camp kitchen and refurbish the units. All this will be owned by Crown Land as these are not removable if PSC decides to pull out in later stage or at the end of the lease period.

#### 5. Profitable going Business

- a. Corporate Services believes they can make a profitable business out of this but they have failed since 2001.

What is different this time? I do not see it..... The only thing I can see that there is no long term plan in place. Any guarantees that this time it will be successful?

#### 6. Corporate Services states that this solution will NOT require any further capital input and it will be self-sustaining.

- a. What **GUARANTEES** is PSC putting forward to the community that this will be successful?
- b. What happens if PSC does not get the money they think/hope they can get for the cabins to fund the amenities block, camp kitchen and refurbish the units?

\$450,000 for the 11 cabins means \$41,000 per piece is not a very likely taking into consideration they are 10 years old and the cost for craning them out and transporting them to new location is very high and the purchaser will deduct these cost from the selling price.

Most probably best price you will get is somewhere between \$25,000 to \$35,000 which brings it to a total between and \$275,000 and \$330,000 which already creates a short fall between \$120,000 and \$175,000 from the start.....

#### 7. Property Reserve Funds

- a. It is suggested that the initial \$450,000 required to fund the amenities block, camp kitchen and refurbish the units comes from the Property Reserve Fund.
  - Under what conditions will the Property Reserve Fund supply these funds?
  - This is ratepayer's money and this money is not meant to be used for this purpose. As mentioned earlier there is a high risk that PSC will not manage to get the \$ 450,000 by selling the cabins. What will happen then?

8. Business Growth

- a. It is mentioned on page 122 that a business plan *will be* developed to ensure business growth.

This business plan should be available BEFORE making this type of decision.

How can PSC vote on this if they do not even know/understand the future of the business?

9. Risk mitigation (page 122)

- a. *"Communication plan will be implemented to make certain that the community are kept informed"*

A communication plan does not take away or reduces the risk at all.

***PSC needs to give the community GUARANTEES that this will be successful.***

- b. *"Revised rent"* as mentioned under point 3b there is no rent reduction at all it is just defined differently and most probably the rent will increase when looking at it as a percentage of sales

- c. *Business not profitable;* that risk is very high and has not been addressed at all by introducing camping incrementally and monitoring the expenditure.
- If this plan goes ahead the \$450,000 will be spent in the coming weeks to get the park ready for opening before the Christmas holidays.
  - How will the expenditure be monitored? Track record since 2001 is far from great.

Please; General management of Council and Councillors have a good think before you approve this recommendation from corporate services as there are still so many uncertainties.

Again ask yourself the questions is this in the interest of the community....can you GUARANTEE that this time it will be successful and NO MORE tax payers money will be lost?

Maybe look at it from this angle....Would you go ahead if this was YOUR money?

Thanks for taking the time to read my concerns

Kind Regards

*"A concerned ratepayer"*