

# **Submission to the Productivity Commission Inquiry – Performance Benchmarking Australian Business Regulation: Role of Local Government**

## **Response to Issues raised in the Issues Paper**

### **1. Background Information**

#### **1.1 Our interest in the Inquiry**

The Victorian Caravan Park Association (VCPA) is the peak body of caravan and holiday park owners and operators in Victoria, with nearly 400 members across the state. It is a member of the national body – the Caravan and Recreational Vehicle Association of Australia (CRVA)

As identified in the 2007 ABS survey (400 Caravan Parks), Victoria has 49,000 powered and camping sites and 6,500 cabins, so the Victorian Caravan Industry is a significant provider of affordable tourist accommodation, dominating the holiday and visitor markets for both intrastate and interstate visitors.

Thirty(30) percent of our members operate caravan parks located on crown land reserves as both Committees of Management and Lessees. As such they have invested and manage significant capital improvements on crown land in the form of accommodation, infrastructure, services and recreational equipment, and are the largest provider of tourist accommodation on crown land in Victoria.

In addition to its role in providing affordable domestic tourism accommodation at holiday destinations across the state, VCPA members are also as providers of low-cost accommodation to permanent residents. The rights of residents in caravan parks are comprehensively protected by the Residential Tenancies Act in Victoria, which sets out a framework of compliance requirements for caravan park owners.

The VCPA supports any strategic inquiry which will aid:

- the development of Tourism in Victoria
- the investment of capital into tourism accommodation , facilities and attractions
- the reduction of state and local regulatory burdens and barriers

#### **1.2 Contribution to the tourism industry to Victoria**

The Caravan Park Industry is a significant source of income and employment in Victoria with an estimated:

- \$50 million annual turnover
- Employment of over 4000 people

Caravan Parks are:

- The largest suppliers of tourism accommodation outside the Melbourne CBD which accounts for more than 50% of domestic visitors.
- A significant accommodator of road based (fly/drive, car tours and campervan) tourists

- A significant accommodator of visitors for Holiday and Visiting Friends and Relatives which represent over 70% of all visitors
- A significant source of visitor income to key attractor sites within Victoria
- A significant generator of associated income for local tourist, retail and service industries in their area.

### **1.3 Changes to the Caravan Park Industry**

Traditionally, camping and caravanning activities have always represented affordable family holiday accommodation. In recent decades, the growth of an emerging market of more discernible customers has revolutionised the industry. In particular, the baby-boomers now enjoying retirement, and double-income families with time constraints, now demand a higher level of facilities when they holiday. This has led to an exponential growth in luxury self-contained cabin-style accommodation with all mod-cons available, and in luxury recreational vehicles that carry all the features of a mobile home.

Customer demand has also resulted in caravan and camping parks that provide swimming pools, playgrounds for children, and communal leisure features for all. Increasingly, parks now cater for a diversity of accommodation options that include traditional camping and caravanning sites using shared toilet and shower facilities, self-contained cabins, and large self-contained recreational vehicles with special waste dumping and parking requirements

## **2. The nature and extent of local government regulatory responsibilities which impact on business costs**

Local Government represents one significant level of regulatory impact on the current Caravan Park industry. It is estimated that the current annual cost of business compliance across all levels is in the order of \$30,000 per annum – a significant amount for small business/family operated parks.

The current environment for new developments is already heavily burdened with high costs and lack of availability of debt funding, and the difficulty in finding affordable development sites, so the uncertainty and delays caused by regulation are increasing the number of parks being sold for redevelopment and reducing the number of new tourist parks. Accordingly the supply of affordable tourist accommodation is shrinking in Victoria. With record numbers of new caravan sales (Victoria is the largest producer of caravans in Australia) and the retiring baby-boomers ensuring the trend continues, all factors which discourage the increased supply of sites in Victoria should be heavily scrutinised.

The above factors contribute to the current lack of growth in the development of further camping and caravanning parks

This lack of growth has three (3) major impacts:

- It limits opportunities for affordable holidays for travelling families and groups, particularly at times of peak demand such as school holidays –many parks have long wait lists.
- It limits the source of potential income to operators of local tourist features, and to local retailers and associated businesses that would benefit from additional visitor numbers

- it limits the number of residential sites available to house permanent residents for whom there are few other housing options

## 2.1 Impact of Local Council Planning Regulations

Local Government is responsible for overseeing compliance with a range of regulations affecting the development and operation of tourism businesses in Victoria for the purposes of public health and safety, planning, etc. We acknowledge the intention to deliver benefits to the community; however, it is the cumulative impact of a complexity of regulation on small businesses with limited human and financial resources which is of greatest concern. Furthermore, it seems that much of the regulation is aimed at solving specific problems but applied globally rather than specifically.

The following areas are of greatest concern to the Victorian Caravan Parks Association:

**2.1.1 Land Use Regulations** – the recent Mornington Peninsula Shire Planning amendment C133 seeks to redefine what should be the nature of a caravan park situated in the Green Wedge Zone. It proposes limits on the number of sites (100); the number of “built form” (cabins, annuals & residents) to 15; maximum cabin size of 60 m<sup>2</sup>; minimum land size of 40 hectares; distance from urban boundary of at least 2 Km.

The Amendment is a major barrier to the future development of Caravan Parks to support any growth in local tourism, as land values in tourist precincts deem the only possible location of new parks may be in zones where Caravan Parks are either not a permitted use or require a long and complex legal challenge.

The Amendment to limit the number of sites and the type of accommodation permitted on those sites is an unwarranted interference in the business decisions of park operators to provide the public with what is requested, and what will grow their businesses as a result.

**2.1.2 Building Regulations** –In Victoria, caravan parks are regulated by the Victorian *Residential Tenancies Act 1997 (RTA)* and the Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 2010. The Regulations have recently been amended and as such operators and regulators alike are still digesting some changes. The regulations govern (amongst other things) the installation of movable dwellings (Caravans and Unregistered Movable Dwellings) within parks, however, some councils have imposed additional requirements for planning permits which again add time and complexity to the upgrading of accommodation within parks.

Additional requirements are in fact superfluous given that parks have had to comply with such planning requirements at initial approval stages. Such delays have resulted in holding costs as parks have outlaid for dwelling acquisitions and have been awaiting approvals for more than 6 months and the likelihood that they not be able to honor bookings accepted for the busy Christmas period.

There are noticeable differences in the way that each of the 70 Councils understands their regulatory role within the RTA, and the ways that the requirements are interpreted. A major issue is the high turnover of Council staff with responsibility for these matters. The transfer of information and experience is not always well-handled.

Regrettably, Victorian Caravan Parks Association now directs members to resolve disputes with Council Officers over installations of movable dwellings and similar matters that are clearly set out in

the Regulations and are not ambiguous, to the Building Appeals Board. This represents a further waste of time and effort, plus the associated costs, for caravan park operators.

## **2.2 Other Regulations**

**2.2.1 Liquor Licensing** – in an attempt to control problematic venues, the tightening of liquor laws was globally applied and fortunately some concessions have since been granted. Caravan Parks in general only have Liquor Licences to facilitate the provision of wine-on-arrival accommodation packages and sales of small packaged alcohol for consumption of guests at their site / cabin. Recent exemptions were granted to Bed & Breakfast accommodation with 8 rooms or less, however, larger bed & Breakfasts and Caravan Parks have been overlooked and burdened with hefty fee increases and additional licensing criteria.

**2.2.2 Food Handling Compliance** – Often Caravan Parks offer small kiosks that generally only sell pre-packaged low risk foods, however, are required to complete various daily and weekly forms/ registers despite being categorised as the lowest level except for the fact that they sell pre-packaged bacon and eggs (a BBQ favourite of campers).

## **2.3 CFA Regulations**

The Victorian *Residential Tenancies Act 1997* and the Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 2010 refer to CFA Caravan Park Fire Safety Guidelines. As the guidelines are flexible in their application to established parks, they are subject to differing interpretation by Council and CFA officers and are further complicated where staff within either department change. Often, much liaison is required to demonstrate to officers that performance standards are appropriate for established parks rather than the prescriptive provisions.

The VCPA can provide any number of case studies where parks that have been operating for decades without a history of internal fire risk or incident, have been hit with a required Schedule of Works which can cost many thousands of dollars to implement.

Councils are required to reach agreement with the park over the extent and timing of the Schedule of Works' implementation, and this negotiation is fraught with difficulty when the Council and/or CFA officer is relatively inexperienced. Recently a park that had been issued with a Schedule of Works amounting to more than \$200,000.00 was able to have this reduced to \$20,000.00 through the intervention of a senior CFA Officer who was better able to assess the risk and develop alternative strategies for mitigating the risk. Other parks have not been so fortunate, and the costs are a significant barrier to retaining park operators and park ownership.

See further information – Appendix One

### **3. Emergency Management Plans and Renewal of Caravan Park Registration**

The RTA requires park operators to develop and lodge an Emergency Management Plan with the local Council, fully detailing the risks in the park to human safety and property, and the intended strategies to mitigate the risks.

Failure to meet this requirement may result in a delay in renewing caravan park registration which is managed by the local Council. Again it is clear that different Councils have differing requirements for writing EMPs and different criteria for approving EMPs which is not a helpful environment.

### **4. Council Rating decisions**

In 2010 a number of shires and Councils altered the system of valuing caravan parks away from a single rating of the Improved Capital Value of the park, to include a separate rating for each cabin in the park. This was done despite clear regulatory guidelines in the Local Government Act defining the support of the state government for the creation of permanent residences in caravan parks to create more affordable accommodation for those in need. This section of the Act clearly outlined the type of residence and the way that they should be valued to minimise costs and keep this form of housing as low-cost as possible.

The VCPA had been forced to allocate scarce funding resources to seek to have these valuations overturned through the legal system. It is wasteful and frustrating.

### **5. Free camping**

**Unregulated Competition** – Special interest groups are demanding the right to choose where they camp in Victoria without any consideration for their impact on the environment or the degradation of public land. Proposals have included allowing free camping in road-side rest areas, show grounds and school ovals, all of which compromise public safety, public liability risks and environmental quality whilst imposing additional unrecovered costs for cleaning and maintaining such sites.

However the most significant impact for operators of caravan parks is the income lost from such tourists if they are supported to stay outside commercial caravan parks that are required to meet full costs of business registration and compliance.

Unfortunately the submissions from the special interest groups to several local government bodies have been made on the basis that Councils need to create and maintain Free Camping zones in order to secure the discretionary spending of tourists who would bypass towns that did not offer a free camping alternative to caravan parks.

Councils that develop promote and maintain free camping sites may inadvertently be in breach of Competitive Neutrality guidelines that require consideration of the effect on local businesses of a decision to offer free or discounted services or products that may not be fully costed to include Council-provided support.

#### **Recommendation:**

That no Free Camping sites be set up and approved within a 50 km distance from a commercial caravan park.

That Councils be required to fully disclose the full costs of all services and equipment provided by the Council in connection with free camping sites, and to show that such sites fully comply with the regulations that apply to commercial caravan parks.

# 1. Appendix One

## CFA Guidelines

When the Amendments to the Residential Tenancies Act (RTA) were being drafted in 2010, *Section 20 Part 3 Standards* referenced the Fire Safety Guidelines published by the CFA. The Amendments offered options for park inspections to be conducted under either broad Performance Objectives, or the more Prescriptive Provisions that detail specific requirements. However, in general, the CFA Fire Safety inspections of parks are now conducted under the Prescriptive Provisions, giving rise to the detailed and costly Schedules of Works being applied to parks and notified to Councils. The CFA has developed a template Report proforma based on the Prescriptive Provisions which is commonly used across regions.

The Schedules of Works arising from these inspections have been issued to members without any identified increase in the risk profile of their parks. However, unless park-owners commence works to fully comply with these Schedules, parks are at risk to be denied a renewal of their annual registration by their Council. The cost of compliance is forcing park owners to consider selling the park for another less costly use.

Prior to Easter we met with the Department of Planning and Community Development (DPCD) to suggest a further amendment to the RTA to “unlink” these CFA Guidelines from the legislation, and to require simply that all parks develop a detailed Emergency Management Plan against which they are inspected and held accountable for public safety.

It was made clear at this meeting that due to time constraints, further legislative amendments would not be possible at this time, but may be possible in 2012 if the issue remained a concern.

In the interim, the DPDC has sent a high-level letter of advice to the CFA and the Municipal Association of Victoria (MAV) instructing that the current RTA Regulations provided for parks to have the choice of being inspected under the broad Performance Objectives, or the more Prescriptive Provisions. The view of the DPCD was that possibly the framing of the legislation was not fully understood and the options for choice had not been fully conveyed; the letter of advice would provide this clarification.

### Recommendation

That the existing legislation be further amended to remove the reference to the **CFA Caravan Park Fire Safety Guideline** (the Guideline) in *Section 20 Part 3 Standards* within the **RTA (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 2010**

Notwithstanding the efforts of the DPCD to provide letters of support advising the CFA and local government councils to observe the choice options that exist for parks to nominate whether they wish to have their parks inspected under the broad Performance Objectives, or the more Prescriptive Provisions, the possibility exists for further misunderstanding of this section of the Regulations.