

Victorian Caravan Parks Association

Response of the Victorian Caravan Parks Association to the Draft Decision – Energy Retail Code obligations for exempt sellers under the General Exemption Order 2017



2 August 2018



1. Introduction

VicParks thanks the Essential Services Commission for the opportunity to comment on the matters raised in the Draft Decision – Energy Retail Code obligations for exempt sellers under the General Exemption Order 2017.

2. Industry Overview

VicParks is the peak industry body for owners, managers and lessees of caravan parks in Victoria, with 390 members across the state. Its members are predominantly regionally based, and the industry forms an important component in the supply of both regional tourism and regional residential accommodation.

The caravan park industry provides economic benefits and employment to regional towns and cities across the state; current state and federal government research indicates that there is significant opportunity for increased tourism visitation, and a subsequent increase in regional economic growth and employment as a result.

The commercial caravan holiday park industry accounts for approximately 12% of accommodation industry revenue overall. VicParks members employ more than 2500 staff in regional locations. The Victorian caravan park industry is estimated to contribute more than \$475 million annually to the Victorian state economy.

The Strategic Plan of the Victoria Caravan Parks Association that was developed in 2013 identified that caravan parks hold more than 54% of all accommodation capacity in Victoria.

The goal of the Victorian government to grow regional economies depends heavily on increasing regional tourism. The government has invested heavily in the development of the new entity *Visit Victoria* to promote tourism to international, interstate and local Melbourne visitors to grow regional economies and increase employment opportunities in regional areas.

Caravan parks are a growing source of affordable tourist accommodation; the year-on-year growth of the manufacture of RVs and caravan/campervans is testimony to the continuing love affair of the public with outdoor recreational holidays.

Caravan park operators are typically professional business owners, often operating as a family husband and wife team.

Recent research conducted by BDO Australia for the Caravan Industry Association of Australia - *The Economic Benefit Report* - highlights the economic impact of commercial caravan holiday parks on their region from the spending undertaken by the park and park operators.

The report estimates that for every \$1 of park income generated from site fees from tourists and other visitors, plus income from sales of goods and services within the park, \$1.38 of local economic activity is generated by each park through their local spending with local businesses.

Commercial caravan holiday parks studied in this report contribute in excess of \$1.26m on average to their local region / economy per year, not including the flow on effect of tourists spending with other businesses in the region.

Non-financial contributions made by commercial caravan holiday parks also play a key role in developing a socially cohesive community or region.

In addition to the vibrant tourist economy, more than 70% of Victorian caravan parks provide a permanent home for low-income Victorians. More than 30 member caravan parks are purely residential in nature, and provide a social housing option for financially-disadvantaged members of the community; it is their only home, and they would be affected by any proposal that negatively impacts on the financial viability of the park business through increased business regulation that would ultimately increase costs arising from the proposed rules outlined in this Draft Decision.

3. Preliminary Comments

Throughout the 2017 Review process of the General Exemption Order for embedded electricity networks we have consistently advocated that the caravan park industry was not the major source of customer complaints about electricity costs and charges. Unlike many other larger retail and residential embedded networks, caravan park industry operators provide electricity through an embedded network system as a service to their customers, and not as a profit centre.

The Victorian Residential Tenancies Act 2007 specifically provides that this supply cannot be at a price above that which would be available to customers outside the caravan park. The Essential Services Commission itself publishes each January an updated fee structure detailing the maximum Supply and Usage charges that can be charged to park customers. And finally, customers with a grievance can apply to the Victorian Civil and Administrative Tribunal for resolution of their complaint (we note that very few park customers appear to have accessed this service)

The industry is greatly concerned that the proposed rules to ensure that customers in an embedded caravan park network have adequate protections appear not to have regarded the above protections. The industry faces an untenable administrative burden on the operations of the caravan park business as a result.

Financial modelling of the basic Profit and Loss figures of Victorian caravan parks undertaken in 2013 by *nem Australia* shows an average profit of \$117,000 per annum. A majority of park businesses are owned and operated by husband and wife teams that share this relatively low financial return on their labours across the year.

We share this data in the interests of providing support for our argument that there is little capacity within the majority of caravan park industry operators to absorb additional costs arising from the Review of the Victorian Electricity Licence Exemption Framework, which now appear to include the costs of Power of Choice decisions made by a resident, that subsequently trigger costs of appointment of an Embedded Network Manager, as well as the cost of membership of EWOV.

We note the comment on page 8 of the Draft Decision – *Requirements Under the General Exemption Order* - the government’s determination that “the diverse range of exemption categories means that a full suite of protections for customers in an embedded network may not be warranted.”

This has been the position of this association since the commencement of the review process. We have continually advocated that the requirements of the Draft Decision place unreasonable and unwarranted levels of business administration on small business operators. .

As argued above, there are already sufficient and comprehensive consumer protections in place for customers in embedded networks in caravan parks through the existing legislation provided by the Residential Tenancies Act, the pricing guidelines published annually by the Essential Services Commission, and the opportunities for consumer recourse via VCAT.

Consumers in an embedded network in a caravan park are already well-protected, in contrast to retail tenants in large shopping centres or residential tenants in large residential apartment buildings.

4. Specific Comments

Notwithstanding the above remarks, we offer the following comments on the Draft Decision:

3.1 Explicit informed consent

Many residential customers in caravan parks decline to sign residential agreements that protect their rights and outline the nature living in a caravan park home. This association is uncertain that they will sign a document or otherwise acknowledge that they have given explicit informed consent regarding the sale of electricity.

Nevertheless we will be assisting our members to meet this requirement by providing all members with templates to seek this consent from their customers.

3.1.2 Support for customers experiencing payment difficulties

Residents in caravan parks are among the most financially poor people in the country. They access a federal rental rebate that generally covers their rental fees to live in the park. We are aware that many have great difficulty in meeting other costs of food and transport costs. Their energy costs are high, as their dwellings are often poorly-insulated, requiring consistent use of air conditioners in summer and heaters in winter to stay comfortable. The capacity of residents in caravan parks to ever amass funds to manage a payment plan to address payment difficulties is extremely limited. Park owners generally (and reluctantly) find the debt continues to creep up and the cost to the business becomes unmanageable. A payment plan would be wonderful for park businesses if it was viable; unfortunately it rarely is. Disconnection of the customer’s supply of electricity is not generally practised in these circumstances; the park owners are sympathetic to the resident’s circumstances.

3.1.3 Billing Obligations

We have no issue with this obligation. Industry software used by caravan park owners can currently generate invoices base on the prescribed charges for Supply and Usage, and includes all the required information. Residents are generally billed fortnightly; this frequency keeps the billable amount manageable for the residents and prevents huge arrears developing.

Most caravan park businesses offer a range of payment options, including one method that does not require internet access or direct debit.

3.1.4 Protections for customers who require life support equipment

We have no issue with this obligation

5. In Conclusion

We note the timeline for a final decision, and the implementation schedule from 1 January 2019.

We propose to develop a series of Fact Sheets for our members, and to promote information about the requirements to meet the obligations outlined in this draft decision. We will schedule regional workshops around Victoria in November 2018 to work through this information with members, and to launch the templated advice documents that we will prepare to assist members to meet many of these compliance requirements.

We remain overwhelmed that the caravan park sector of embedded network retailers of electricity has been drawn into a raft of costly and time-consuming customer protection activities that were clearly designed for larger entities and businesses; once again the small business owner has been unintended collateral in this process of updating the General Exemption Order.

Please contact me on 03 9372 3420 for any further discussion on any of the points raised in this submission.



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