

Victorian Caravan Parks Association

Submission of the Victorian Caravan Parks Association to the EWOV Application to Vary Its Existing Dispute Resolution Role to Include Non-Licensed Electricity Providers.



4 February 2018



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The Victorian Caravan Parks Association (VicParks) appreciates the opportunity to provide comment on the EWOV Application to Vary Its Existing Dispute Resolution Role to Include Non-Licensed Electricity Providers.

1. Industry Overview

VicParks is the peak industry body for 380 owners, managers and lessees of caravan parks in Victoria. 91 of these VicParks members operate their caravan park business on Crown Land, under a 21-year lease arrangement. Its members are predominantly regionally based, and the industry forms an important component in the supply of both affordable tourist and residential accommodation.

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. Nature-based tourism is a rapidly-escalating component of the tourism offer to these sectors.

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 parks that are located near beaches, lakes, parks and waterways are by far the most sought-after destinations by both Victorian and interstate visitors, with the emerging market of international travellers now starting to value the open space and freedom that caravan park accommodation offers.

Caravan park operators are typically professional business owners seeking long term, sustainable growth of their business and are less focussed on short term, speculative capital growth. Many see themselves as protectors of the environment in which their businesses operate, and have great respect for the land they occupy.

Recent research conducted by BDO Australia for the Caravan Industry 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.

The commercial caravan holiday park industry has experienced very strong growth over the past 15 years; tourist parks account for approximately 12% of accommodation industry revenue overall. The VicParks Strategic Plan developed for the association in 2013 by *nem Australia* has estimated the contribution of Victorian caravan park businesses to the local Victorian economy to be approximately \$450 million per annum.

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 to increase rents or in any way contribute additional income to offset additional costs arising from the Funding Model options proposed in this Review.

2. Preliminary Comments

The industry is greatly concerned that any proposed Funding Models would place an untenable burden on the financial viability of the caravan park business.

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.

The industry is greatly concerned that this cost would place an untenable burden on the financial viability of the caravan park industry and the businesses that for this industry.

3. Comments on the EWOV Application

The Energy Ombudsman of Victoria has shown herself to be approachable, consultative and sympathetic to the above points. As a scheme initiated to resolve disputes between large business consortiums and their customers the EWOV scheme seems fair, balanced and reasonable.

However, as a scheme to involve small business owners and their particular customer base, we deem the scheme to be unnecessary, and a further cost to business as well as an increase in red tape at a time when the Red Tape Commissioner of Victoria has been working effectively with our industry to identify and reduce red tape within the caravan park industry

We therefore request that the Commission consider the following points:

VicParks believes that there are adequate protections for residents through the current provisions of the Residential Tenancies Act; this Act prescribes that the price charged for electricity charged by caravan park owners to residents cannot exceed price charged to people residing outside the caravan park.

As well, the maximum price that can be charged for both supply of network services and also for kW usage is notified annually by the Essential Services Commission.

Moreover, the Residential Tenancies Act imposes disclosure requirements on caravan park owners by prohibiting them from charging for electricity unless full disclosure has been made to the occupant at the time the residency commenced.

Residents with a grievance have the option to have their concerns heard at VCAT.

The Victorian Caravan Parks Association sees no need for parks to assume the additional costs of joining membership of EWOV.

In addition, we believe that it could be confidently assumed that a large percentage of “complaints” notified to EWOV may prove to be first-tier issues that are resolved with factual information about the network charges. It is unreasonable that parks should assume the cost of this process.

The industry remains concerned that this may cause an escalation in what could be termed mischievous complaints, to the detriment of the park owners’ business viability.

The Commission should consider the likely impact on the future willingness of caravan parks to offer long-term accommodation to residents should the costs of participating in the proposed EWOV scheme impact in this way.

Specific Response to the Commission’s Consideration of EWOV’s Application (S 28(2) of the Electricity Act 2000)

- *the need to ensure that the scheme is accessible to the licensee’s customers and that there are no cost barriers to those customers using the scheme*
- *the need for the scheme to be fair and seen to be fair*

As outlined above in Section 3, we believe it to be manifestly unfair that the entire costs of participation in the dispute resolution scheme proposed as a variation on the existing EWOV scheme should be borne entirely by the park owners. The proposal outlines on Pages 5-6 that the scheme is free to consumers.

Whilst we appreciate that the EWOV proposal notes that this may impose “a financial viability on some exempt entities”, we note that EWOV also must exercise its requirement for cost recovery and that some charges to park owners must ensue as a result.

The document also suggests that these charges may be passed on to consumers; this is problematic for most park owners whose customers largely enjoy the benefits of federal rental income support; there is no capacity to raise rents to meet increased costs, since the residents just do not have this discretionary income.

We hold this requirement for compulsory membership of EWOV or any other dispute resolution scheme to be unfair.

We await further details of the Funding Model Review as described on Page 10 to identify a likely costing model.

In Conclusion

We would like to place on record our appreciation of the approachability of the EWOV Ombudsman and her willingness to engage with us on the cost implications of the requirements arising from the General Exemption Order for compulsory membership of a dispute resolution scheme over and above those already in place in Victoria. Her engagement with the caravan park industry has been a model of consultation and her willingness to listen has been greatly appreciated.

Please contact me on [REDACTED] for any further discussion on any of the points raised in this submission.



Elizabeth White
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