



# **TURNER CARAVAN PARK REDEVELOPMENT BUSINESS PLAN**

April 2009

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b> .....	2
<b>LEGISLATIVE AND POLICY FRAMEWORK</b> .....	
Local Government Act and Caravan and Camping Act .....	3
<b>1.0 PROJECT BACKGROUND AND HISTORY</b> .....	4-5
<b>2.0 EXPECTED EFFECT ON SHIRE FACILITIES AND SERVICES</b> .....	6
<b>3.0 EXPECTED EFFECT ON OTHER PROVIDERS</b> .....	7-8
<b>4.0 EXPECTED FINANCIAL EFFECT ON THE SHIRE</b> .....	9
<b>5.0 HOW THE SHIRE OF AUGUSTA-MARGARET RIVER WILL MANAGE THE     PROCESS</b> .....	10

## EXECUTIVE SUMMARY

The redevelopment of Turner Caravan Park is a major trading undertaking and so the Shire is required to prepare and advertise a business plan related to that major trading undertaking. At a Special Council Meeting on 5 March 2009 Council resolved to prepare and advertise a business plan for major trading undertaking, calling for public submissions in accordance with section 3.59 of the Local Government Act.

The upgrade of Turner Caravan Park will improve the effective and efficient functioning of this strategic tourism asset, improve customer service, assist the development of the business community and enhance the Shire's reputation by presenting a more professional service and image to the community, our customers and our key industry stakeholders.

The impact on other accommodation providers will be positive, through the promotion of the region to tourists and attraction of new visitors to the locality. The characteristics of caravan park users differ from those of users of other types of tourist accommodation, according to the research report Tourism Western Australia and Tourism Research Australia (2007), *Understanding the Caravan Park Industry in WA*. The redevelopment of Turner Caravan Park will benefit all tourism products in the locality by introducing greater numbers of visitors and improving awareness of the region's attractions.

The development plan confirms the predominant future use of the caravan park as a tourist caravan park. The proposed changes to product mix are to maximise occupancy and revenue whilst retaining that objective. All the proposals for the development and site designations are within the WA Planning Commission and Tourism WA's Tourism planning guidelines.

The Business Case Study covers both proposed construction and future operations of the caravan park as the two are inextricably linked to the sustainability of the business. The report contains financial projections for the operations of the caravan park business during and post redevelopment

The Shire's Strategic Plan for the Future (SPFF), underpinned by a 10 Year Strategic Financial Management Plan (SFMP), which was presented to Council at the Special Council Meeting on 5 March 2009 includes the redevelopment of Turner Caravan Park as a major capital works project over the next 10 years. The staging of the project will be reviewed at the end of each stage to measure the desired deliverables against outcomes, thereby containing the financial risk to the Shire.

It is not envisaged that the management of the project will be problematic due to the careful prior planning of the Shire and the effective project management structure established to oversee the project. A suitably qualified external project manager will be contracted to manage the project on Council's behalf reporting to an internal Project Review Group.

## LEGISLATIVE AND POLICY FRAMEWORK

### Local Government Act

Section 3.59 of the Local Government Act 1995 requires all local governments to prepare a business plan prior to commencing a major trading undertaking or entering into a major land transaction. The redevelopment of Turner Caravan Park is a major trading undertaking and so the Shire is required to advertise a business plan related to that transaction. The redevelopment is to be funded from borrowings, which will be repaid from the increased earnings of the caravan park post redevelopment. Details of this major trading undertaking are required to be advertised for a minimum six week period. The local government is to consider any submissions made and may decide by an absolute majority to proceed with the major trading undertaking as proposed or that it is not significantly different from what was proposed in the business plan.

Council resolved at a Special Council Meeting on 5 March 2009 to prepare and advertise a business plan for a major trading undertaking calling for public submissions in relation to the redevelopment of Turner Caravan Park in accordance with section 3.59 of the Local Government Act.

The Act prescribes that the business plan is to include details of the proposal's:

- (a) expected effect on the provision of facilities and services by the local government;
- (b) expected effect on other persons providing facilities and services in the district;
- (c) expected financial effect on the local government;
- (d) expected effect on matters referred to in the local government's forward plan;
- (e) impact on the ability of the local government to manage the undertaking or the performance of the transaction.

The information contained in the following business plan satisfies the requirements of the Act listed above.

### Caravan and Camping Act 1995

Turner Caravan Park operates under The Caravan and Camping Grounds Act 1995 and Caravan and Camping Grounds Regulations 1997. The Caravan and Camping Grounds Act 1995 is "*An Act to provide for the regulation of caravanning and camping, to control and license caravan parks and camping grounds, to provide for standards in respect of caravans, to amend certain Acts and for related purposes*".

The Caravan and Camping Grounds Regulations 1997 describes the duties and powers of licence holders and occupiers of caravan parks. It provides definitions of caravans, park homes, camps and other buildings on caravan parks. It regulates the number and composition of ablution and toilet facilities, separation of caravans and camps within the facility and other matters.

The redevelopment of Turner Caravan Park is in accordance with the Caravan and Camping Act and Regulations above and all other relevant legislation.

## 1.0 PROJECT BACKGROUND AND HISTORY

Turner Caravan Park is a strategic tourism asset and a major trading undertaking for the Shire of Augusta-Margaret River. In past years, due in part to insufficient allocation of funds for improvements and repairs and maintenance, the property has deteriorated and is in urgent need of renovation and upgrading.

In common with many caravan parks in Western Australia, the development and operation of Turner Caravan Park has evolved over many decades rather than by following a strategic development plan. However, the caravan and camping market in Australia has undergone dramatic change in the past fifteen years and Turner's accommodation products do not fully cater for current market requirements.

The loss of potential revenue through the lack of on-site tourist accommodation at Turner Caravan Park is of particular concern. Turner Caravan Park's current average annual occupancy and site revenue yield are also considerably below the benchmark for the local government area and Southwest region.

The Shire of Augusta-Margaret River engaged a consultant in May 2008 to provide a feasibility study on the potential redevelopment of the Shire owned Turner Caravan Park, Augusta. Following the receipt of the feasibility study and public consultation, Council resolved to engage the consultant to produce a Business Case Study for the redevelopment and projected operations.

This Business Plan and the attached Business Case Study (Turner Caravan Park Business Case Study, Brighthouse, March 2009) details the proposal for the redevelopment of Turner Caravan Park, Augusta in an economically, socially and environmentally sustainable manner. The motivation for the redevelopment is to enhance an under-utilised asset for the benefit of the whole community.

The Business Case Study covers both proposed construction and future operations of the caravan park as the two areas are inextricably linked to the sustainability of the business. The report contains financial predictions for the operations of the caravan park business during and post redevelopment.

The Business Case Study promotes the future use of the caravan park as predominantly tourist caravan park. The proposed changes to product mix are to maximise occupancy and revenue whilst retaining that objective. The Caravan and Camping Grounds Act 1995 and Caravan and Camping Grounds Regulations 1997 control the development and operations of caravan parks and camping grounds within Western Australia. All the current proposals for the development and site designations meet the requirements of the legislation and are consistent with Western Australian Planning Commission and Tourism Western Australia's tourism planning guidelines.

The project is described in terms of the way it should be structured and how it will be successfully implemented:

1. *Vision, objectives, scope and deliverables (i.e. what must be achieved)*
2. *Stakeholders, roles and responsibilities (i.e. who will take part in it)*
3. *Resource, financial and quality plans (i.e. how it will be undertaken)*

The financial model assumes that the entire cost of development is funded by borrowings. The principal will be repaid and interest on the borrowings paid from the proceeds of the caravan park operations, which include commissions on the sale of residential park homes and park homes sold for holiday occupancy.

The Shire's draft SPFF, underpinned by the SFMP, which was presented to Council at the Special Council Meeting on 5 March 2009 includes the redevelopment of Turner Caravan Park as a major capital works project over the next 10 years. The SFMP indicates that given the successful implementation of the redevelopment program and retention of the improved caravan park earnings it will be feasible for the Shire to undertake its targeted capital program and still maintain an appropriate level of replacement and renewal of existing assets across the timescale.

It is not envisaged that the management of the project will be problematic due to the careful prior planning of the Shire and the effective project management structure established to oversee the project. A suitably qualified external project manager will be contracted to manage the project on Council's behalf reporting to an internal Project Control Group. A suitably qualified and experienced caravan park consultant will be given preferred provider status following comprehensive expressions of interest and tender process to undertake the design and oversee the construction of the project. The consultant will then be appointed subject to the Council's adoption of this business plan with any amendments required following feedback from the advertising period and by the subsequent decision of Council to proceed with the project following the 2009-10 budget adoption.

This Business Plan describes how the redevelopment proposal will meet the challenges outlined and to provide a lead for the growth of tourism in Augusta. It offers an opportunity to develop a strategic community asset for the benefit of present and future generations.

## 2.0 EXPECTED EFFECT ON SHIRE FACILITIES AND SERVICES

The proposal is for a staged development of the caravan park over a period of 10 years. The timing for the construction of the various stages may be varied from the proposed timetable, according to capital and social constraints.

The Business Case Study describes a proposal that aims to meet the challenges outlined and to provide a lead for the growth of tourism in Augusta. It offers an opportunity to develop a strategic community asset for the benefit of present and future generations.

### **Economic Benefit**

The proposal will provide an economic benefit to the town of Augusta, especially with the improved utilisation of Shire assets, and the economic development opportunities for local businesses and future employment opportunities. By attracting more visitors through site improvements and provision of on-site accommodation, it would improve economic sustainability of local business through higher numbers of visitors utilising local goods and services.

The proposal has a high priority to improve occupancy and yield by addressing opportunities that will provide an early return. This will be achieved by altering the product mix to better reflect market demand, such as for the growth holiday accommodation market segment.

### **Social Benefit**

The social benefits of the proposal are linked to retaining the park as an affordable caravan park for families. Affordability and lifestyle associated with the caravan and camping market is attractive to other market segments, particularly families. The proposal provides the potential to increase the number of sites, improve the product mix and attract the family market to the park. In order to attract and retain the family market, it is proposed to improve the visitor experience by adding new recreation facilities, including children's playground and half court tennis. Provide passive recreation nodes with barbecues as places for social interaction and enjoyment.

The Shire is responsive to its community social obligations and has indicated that no tenants will be required to vacate the caravan park. The Shire will be seeking to resolve any issues with the long-stay tenants in a way that is mutually satisfactory.

Local Shire Councillors and Officers reviewed the redevelopment proposal and sought solutions to minimise the impact on long-stay tenants. Rather than wait for the closure date for public submissions, the Shire sent long-stay tenants a letter seeking their feedback on an option that may provide a satisfactory outcome for all parties.

### **Environmental Impact**

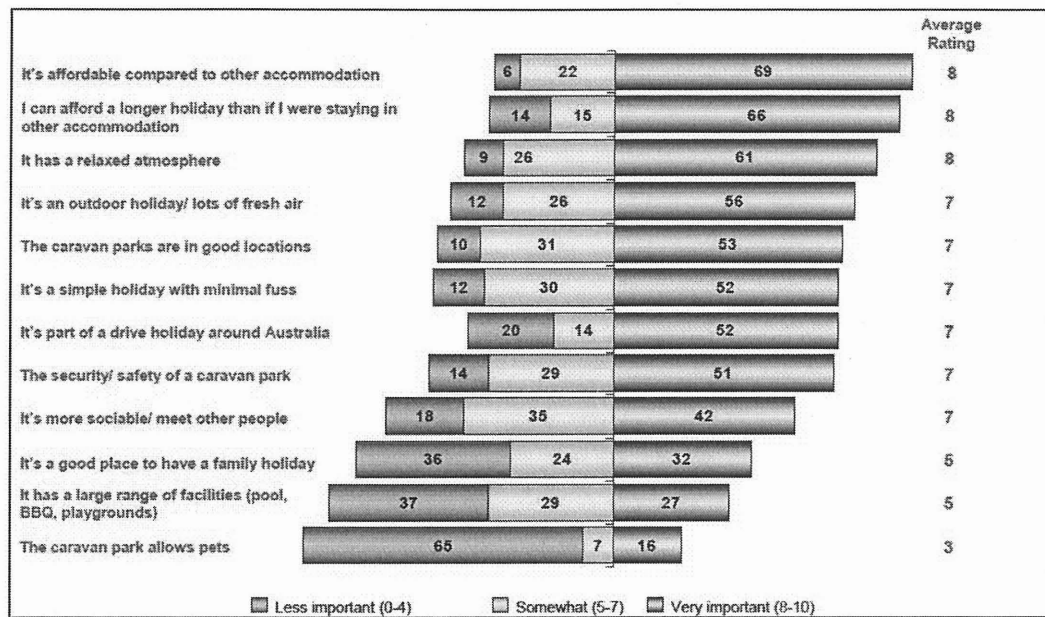
The unique ambience of the park is due in part to the existing vegetation on the site. A major element of the design is to ensure environmental sustainability. The proposal ensures all large trees have been surveyed and will be retained. The proposal also makes provision for upgrading the ablution blocks with economic water and electricity usage and water heating facilities and demolishing the dated structures in existence.



### 3.0 EXPECTED EFFECT ON OTHER PROVIDERS

According to the research report Tourism Western Australia and Tourism Research Australia (2007), *Understanding the Caravan Park Industry in WA* users of caravan parks do not generally consider other types of commercial holiday accommodation. The majority of caravan park users would seek a rental property for holiday accommodation in preference to hotels; motels and holiday apartments if no caravan park accommodation were available.

The following chart and text from the report identifies the preferences of caravan park users in regard to commercial holiday accommodation in Western Australia.



"The key reason that visitors stay in a caravan park rather than other types of accommodation was the **relative price** which was more affordable than other accommodation, and allowed for a longer holiday than would otherwise be possible. The relative price was the most important reason across all visitors groups.

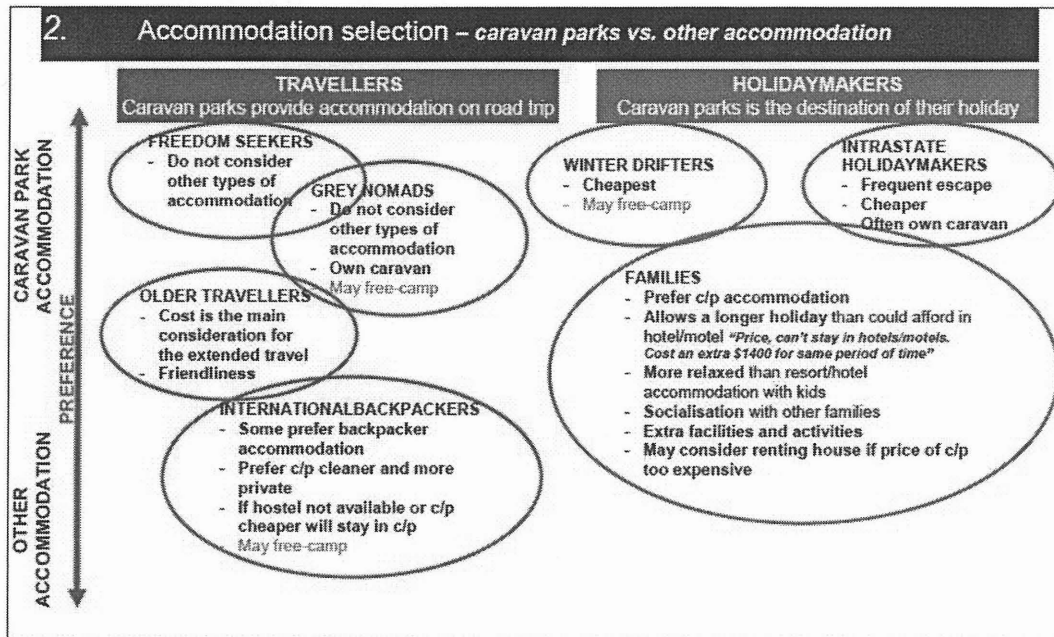
The **atmosphere** in the caravan park was also important, and for some people it was another important advantage over other types of accommodation. Caravan parks have a relaxed atmosphere, provide an outdoor holiday experience and a simple holiday with minimal fuss. In the qualitative research visitors described the atmosphere in the caravan park as inclusive, where "every man and his dog" can go on holiday providing a real mix of people staying in the caravan park.

**Location** of the caravan park relative to other accommodation was also an important consideration when selecting accommodation.

From the qualitative research, visitors not staying in a caravan (i.e. tents and onsite accommodation) were more likely to stay in a variety of different types of accommodation including backpackers' hostels, rented accommodation etc, which provided similar low cost".



Numerous reports and statistics indicate that the long-term demand for caravan park accommodation in Western Australia is likely to increase, particularly as the baby boomers approach retirement. However, despite this expected demand for caravan park accommodation, there have been virtually no new caravan parks established in the last 10 years and furthermore there have been numerous closures of caravan parks in Western Australia.



Therefore, the upgrade of the existing Turner Caravan Park and the provision of on-site accommodation are unlikely to impact negatively on the other commercial accommodation providers in the town. The closure of Doonbanks Caravan Park has exacerbated the lack of caravan sites in Augusta during high demand periods.

The redevelopment of Turner Caravan Park will benefit all tourism products in the locality by introducing greater numbers of visitors and improving awareness of the region's attractions.

## 4.0 EXPECTED FINANCIAL EFFECT ON THE SHIRE

A primary consideration in the staging of the redevelopment of Turner Caravan Park is the minimisation of potential impacts on the Shire of Augusta Margaret Rivers budget. Essentially, the financials for the project have been predicated upon the entire project \$11.86m being funded through borrowings. Interest of the borrowings has been expensed in the operating budget as an expense.

The Shire's SPFF, underpinned by the SFMP, which was presented to Council at the Special Council Meeting on 5 March 2009 includes the redevelopment of Turner Caravan Park as a major capital works project over the next 10 years. The staging of the project will be reviewed at the end of each stage to measure the desired deliverables against outcomes, thereby containing the financial risk to the Shire.

Cash flow projections contained in the Business Case Study show that during the development phase the operation of the caravan park is cash flow positive after covering interest on capital loans and loan repayments.

The following table shows the financial implications of the staged redevelopment of Turner Caravan Park. As a result of the principal contributions, operational earnings and sales commissions on park homes and holiday homes, the total borrowings are contained to less than \$4m for the first 5 years of the project and peak at \$5.75m in year 7 when the major redevelopment of tourist sites occurs.

Turner Caravan Park Redevelopment - Construction Costs, Peak Borrowing & Loan Repayments by Stages							
	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6	Total
Financial Year/s	2009/10	2011/2012	2012/2013	2014/2015	2015/16	2019/2020	
<b>Development</b>	Preliminaries, Fees, Infrastructure, Plant Install Services for 17 Park home sites, Convert 12 Overflow Sites to 8 Holiday Home Sites Construct 10 new Permanent sites & Convert 18 Overflow Sites to 21 Semi Permanent Sites	Install Services for 6 Cabins Construct 6x2 Bedroom Cabins Construct 6x1 Bedroom Cabins	Construct 3x2 Bedroom Cabins Construct 3x1 Bedroom Cabins Install Services for 7 Chalets Construct 7 Chalets	Convert 27 Semi Permanent Sites to 24 Holiday Home Sites	Construct 99 powered tourist sites, unpowered tourist sites and 4 group cabins.	Construct 27 powered tourist sites	
<b>Construction Cost</b>	\$ 1,959,000	\$ 2,273,300	\$ 2,231,500	\$ 761,000	\$ 3,793,700	\$ 817,700	\$ 11,836,200
<b>New Loans</b>	\$ 2,000,000	\$ 750,000	\$ 1,100,000	\$ 600,000	\$ 1,500,000	-	\$ 5,950,000
<b>Peak Cumulative Borrowings After Loan Repayment</b>	\$ 1,959,000	\$ 2,721,300	\$ 3,805,900	\$ 4,365,900	\$ 5,752,700	\$ 4,693,000	
<b>Calculated Loan Repayments</b>	Principal Contributions	\$1,250,000		\$ 600,000	\$ 600,000		
	Interest	\$ 469,300	\$ 469,300	\$ 938,600	\$ 469,300	\$ 1,407,900	\$ 6,154,100

## 5.0 HOW THE SHIRE OF AUGUSTA-MARGARET RIVER WILL MANAGE THE PROCESS

The Shire of Augusta-Margaret River has a strong capacity to manage and deliver this project. The CEO has appointed Mr Cary Green (Director Corporate and Community Services) as the Principal's Representative and overall Shire Project Manager.

A Project Review Group will be established by the CEO and will consist of:

Cary Green	Overall Shire Project Manager & DCCS
Gary Evershed	Chief Executive Officer
Wayne Prangnell	Director Infrastructure Services
Geoff Broad	Director Planning Services
Kim Luciano	Manager Building Services
Paul Gravett	Manager Community Development

It is not envisaged that the management of the project will be problematic due to the careful prior planning of the Shire and the effective project management structure established to oversee the project. A suitably qualified external project manager will be contracted to manage the project on Council's behalf reporting to an internal Project Review Group. A suitably qualified and experienced caravan park consultant will be given preferred provider status following comprehensive expressions of interest and tender process to undertake the design and oversee the construction of the project. The consultant will then be appointed subject to the Council's adoption of this business plan with any amendments required following feedback from the advertising period and by the subsequent decision of Council to proceed with the project following the 2009-10 budget adoption.

The development timetable is detailed in the Business Case Study and should be considered in conjunction with the key objectives and deliverables of the project. The main factors that influence the development timetable are market demand, occupancy improvement, financial return, capital requirements, consideration of existing clients and community benefit.