

AUSTRALIAN ALPINE CLUB

DINNER PLAIN • FALLS CREEK • MT BULLER • MT HOTHAM • NISEKO • PERISHER

12 February 2008

Mr Des Powell
Commissioner
State Services Authority
3 Treasury Place
MELBOURNE VIC 3002

Dear Commissioner,

Re: **Review of Alpine Resort Areas**

The Australian Alpine Club welcomes the opportunity to make a submission to the Review of Alpine Resort Areas.

The Australian Alpine Club has a fifty-eight year history of fostering snowsports activity in Australia. It comprises six alpine lodge projects; including three lodges on Victorian leasehold land at Falls Creek, Mt Buller and Mt Hotham, a lodge on New South Wales leasehold land at Perisher and two lodges on freehold land at Dinner Plain and Niseko (Japan).

In making this submission we contend that the existing arrangements for the governance of Victoria's alpine resorts are paternalistic and outdated. Our preference is for the abolition of the existing Alpine Resort Management Boards and the transfer of their responsibilities to local government. We also suggest that Victorian Government oversight of the alpine resorts to be transferred from the Environment to the Tourism portfolio.

Our vision is to have Victorian alpine resorts become snowsports destinations of choice that compete with New South Wales alpine resorts and eventually begin to compete directly with New Zealand resorts. To achieve this objective it will be necessary to address the drivers of high costs at Victorian alpine resorts and better marketing an 'Alpine Victoria' brand.

Snowsports clubs

The importance of snowsports clubs to the economic viability of Victoria's alpine resorts is recognised in the 'Victorian Alpine Resorts 2020 Strategy'¹ which states:

"The ongoing economic viability of the resorts will rely on maintaining year round diversity in accommodation types and pricing."²

The 2020 Strategy noted that one of the ongoing challenges is to:

“Maintain a broad range of affordable and value for money accommodation in summer and winter.”³

As part of the 2020 Strategy, the Resort Management Boards are to:

“Encourage the provision of a diverse range of quality accommodation in a variety of styles, responding to changes in market demand.”⁴

Snowsports clubs, as the non-profit sector of the snowsports industry, deliver a key element of the broad range of affordable and value for money accommodation and much of the diverse range of quality accommodation sought under the 2020 Strategy.

By definition (and by charter) snowsports clubs do not make profits and any surpluses generated by their activities can only be directed towards further enhancement to lodge amenities or allocated to savings for contingencies such as major capital works. Snowsports clubs contribute to the competitiveness of Victoria as a snowsports and summer recreational tourism destination by providing quality on-mountain accommodation at reasonable rates.

Competitiveness

Victorian alpine resorts face strong competitive challenges as tourism destinations, both for snowsports during the winter season and recreational tourism at other times. Competition takes the form of other snowsports destinations in Australia and overseas (in particular New Zealand and Japan), off-mountain accommodation and alternative recreational tourism and sporting options, both in Australia and overseas.

We note the 2006 report into ‘*The Economic Significance of the Australian Alpine Resorts*’⁵, in particular the observation that:

“The presence of high quality alpine resorts in Australia has a significant impact in reducing the number of snow sports enthusiasts who would otherwise have travelled overseas and instead choose to engage in their snow sport activities in Australia.”⁶

The report further observed that:

“For the Australian alpine industry the proportion of international tourism is very low, the survey results show a figure of less than 2 per cent. The alpine industry is however extremely important in capturing local snow sports and recreational tourism that most likely would have traveled (sic) overseas if the alpine regions in Australia were not open for snow sports activity.”⁷

The report also observed that New Zealand has been successful in attracting international visitors to alpine resorts:

“These figures are in marked contrast to the New Zealand alpine areas, where international visitors make up 30 per cent of all visitors. Of these international visitors, 73 per cent were from Australia – a total of 44,000 Australian visitors in 2001.”⁸

We contend that the fundamental reason why Victorian alpine resorts are so remarkably unsuccessful at attracting international visitors is the highly uncompetitive cost structure of the industry. Victorian alpine resorts are very high cost snowsports destinations when compared with alpine resorts in New Zealand and Japan, even when airfares are included.

Victorian alpine resorts also face strong competition from New South Wales alpine resorts. While noting a remarkable degree of price parallelism in ski lift prices between the major alpine resorts in New South Wales and Victoria, the differences can be considerable; for example the Perisher Blue resort has 1,245 hectares of skiable terrain and 50 ski lifts, compared with 451 hectares of skiable terrain and 15 ski lifts at Falls Creek.

Victorian alpine resorts are also increasingly uncompetitive from an investment perspective, even for non-profit snowsports clubs. In 2007 the Australian Alpine Club Niseko project acquired a 23-bed lodge on freehold land in Japan's premier alpine resort for A\$615,000. Local municipal rates and service charges are less than A\$4,000 per year. The Niseko lodge provides members and their guests access to a world-class alpine resort with an average annual snowfall of 15 metres, over sixty runs and ski lift prices that are about half the price of those in Victoria. Acquisition costs for a similar lodge on leasehold land at a Victorian alpine resort would probably be at least \$1.5 million, with annual site rentals and service charges of about \$40,000 per year.

Our vision is to have Victorian alpine resorts become snowsports destinations of choice that will compete with the New South Wales alpine resorts and eventually begin to compete directly with New Zealand resorts. In order to become competitive there needs to be attention given to the drivers of the high cost base in Victorian alpine resorts and the promotion of an ‘*Alpine Victoria*’ brand. Building an ‘*Alpine Victoria*’ brand would be assisted by facilitating expansion of the skiable terrain (for example Mt McKay at Falls Creek), having a common season car parking permit for all Victorian alpine resorts and working with the ski lift companies to encourage some mutual recognition of season lift passes across all Victorian alpine resorts (Niseko in Japan demonstrates a model system for revenue sharing between ski lift companies).

Roles and functions of the ARCC and ARMBs

1. Responsibilities of the ARCC and ARMBs

We submit the following comments in relation to the stated functions and aims of the Alpine Resorts Co-ordinating Council (“ARCC”):

Function	Comment
To plan for and facilitate the establishment, development, promotion, management and use of alpine resorts	
To review and coordinate implementation of the Alpine Resorts 2020 Strategy	
To undertake research into alpine resort issues	A key research document that might inform stakeholders in discussion of site rentals, the <i>‘Comparison of Alpine Resorts and Municipal Charges’</i> has never been released by the ARCC.
To liaise with and encourage cooperation of all parties involved in the development, promotion, management and use of alpine resorts	The ARCC seems unable to coordinate something as basic as a common season car parking permit for all Victorian alpine resorts.
To monitor the development and implementation of Strategic Management Plans for each alpine resort	The ARCC largely comprises ARMBs monitoring themselves and each other.
To make recommendations to the Minister on matters related to the provision and improvement of services and facilities in alpine resorts	What recommendations have been made to the Minister for the provision and improvement of services and facilities in alpine resorts? What has been the outcome of any such recommendations?
To coordinate, in conjunction with Tourism Victoria, the overall promotion of alpine resorts	What are the key performance indicators for this function?
To attract investment for the improvement of the alpine resorts	How much investment for the improvement of the alpine resorts is claimed to have been attracted by the ARCC?

Aim	Comment
Building knowledge of their unique values, assets and opportunities;	
Developing strong stakeholder partnerships;	The Australian Alpine Club never receives any communication from the ARCC.
Promoting proactive environmental and cultural stewardship;	
Working closely with individual Alpine Resort Management Boards and other land managers including Parks Victoria	
Being an advocate for the Resorts.	When has the appointed ARCC, as an agent of the Government, acted as an advocate for the alpine resorts?

ARMBs

Many of the service functions currently defined for the ARMBs are either performed by other organisations or in most other circumstances would be provided by or contracted by local government.

<i>Service</i>	<i>Comment</i>
Garbage disposal	could be provided by local government (or contracted)
Water supply	water corporation
Gas	gas company
Drainage	could be provided by local government (or contracted)
Sewerage	water corporation
Electricity	electricity company
Roads	could be provided by local government / Vicroads contract
Fire protection	Country Fire Authority
Snowmaking	ski lift company
Transport	transport company (or contracted)

Given that most of these service functions are delivered by or could be delivered by other organisations, a continuing role for the ARMBs is questionable.

2 Progress towards 'all season' resorts

People join snowsports clubs because they participate in snowsports. The Australian Alpine Club fosters the development of alpine lodge projects for the purpose of facilitating participation in snowsports. If there were no snowsports at Victorian alpine resorts we would not seek to have lodges there.

Australian Alpine Club members have demonstrated little interest in utilising their lodges outside the winter season. To varying degrees, all Australian Alpine Club lodges are accessible to members and their guests on a full year basis. Despite very low tariffs for summer accommodation, lodge utilisation outside the winter season is typically very low. While non-snowsports activities at Victorian alpine resorts are welcome, we contend that it is unrealistic to expect large numbers of people to visit them in order to undertake activities (day spas etc.) that exist at other locations requiring considerably less travel.

Australian Alpine Club lodges at the Victorian alpine resorts of Falls Creek, Mt Buller, and Mt Hotham are on Crown leasehold land with non-commercial site leases. The clubs that operate these projects are also income tax exempt. To ensure that these requirements continue to be satisfied, lodge bookings are made by members who may book non-members as their guests. Additional utilisation of these lodges outside the winter season would require these lodges to operate more commercially and be open to the general public. While we would welcome any opportunities to increase utilisation, we would be reluctant to do so in the absence of greater clarity from the Victorian Government in respect of any risk to the non-commercial status of these site leases.

Legislation

3 Legislation

As outlined below, we are advocating the incorporation of the Victorian alpine resorts into their adjacent municipal districts. This would require the repeal of §24 of the *Alpine Resorts Act* 1983 which provides:

24. Land deemed not to be part of municipal district

Despite the **Local Government Act 1989**, any land which is in an alpine resort is deemed not to be part of any municipal district within the meaning of the **Local Government Act 1989** and may not be added to a municipal district by an Order made under that Act.

Incorporation of the Victorian alpine resorts into their adjacent municipal districts would make redundant most of the *Alpine Resorts Management Act* 1997, particularly Part 3 (ARCC) and Part 4 (ARMBs).

Governance

4 Governance arrangements

It is our view that the Environment portfolio is a sub-optimal institutional arrangement for the promotion of tourism in Victorian alpine resorts. We suggest that Victorian Government oversight of the alpine resorts should largely be transferred from the Minister for Environment and Climate Change to the Minister for Tourism and Major Events. Oversight by the Tourism portfolio should not detract from responsible environmental management in the alpine

resort areas or change responsibility for surrounding National Park areas. The rationale for a transfer of responsibility under legislation and Administrative Orders is that it would focus on tourism marketing and better integrate with Tourism Victoria, similar to other recreational tourist areas of environmental significance in Victoria.

It is our view that the existing governance model for Victorian alpine resorts is paternalistic and outdated. We believe that Victorian alpine resorts should not be treated differently to other environmentally sensitive Victorian recreational tourism destinations, such as Phillip Island or the Surf Coast. We contend that the local government functions of ARMBs could be equally or better performed by local governments.

Recommendation: integrate alpine resorts into the adjacent municipal districts

Our preferred option is the integration of the Victorian alpine resorts into their adjacent local government municipal districts. We are in some position to compare the operations of ARMBs and local government, given our experience with both forms of administration. We also note that the service charges imposed by ARMBs on lodges in the Victorian alpine resorts are many multiples of those paid by similar lodges in the Dinner Plain resort serviced by the Alpine Shire. These high service charges and high site rentals contribute to a higher cost base for Victorian alpine resorts and ensures that they remain uncompetitive.

The Alpine Shire has demonstrated that it is quite capable of either providing or overseeing the provision of services to the Dinner Plain resort. There is also a Dinner Plain Management Committee established under the auspices of the Alpine Shire, comprising two Council representatives and seven elected Dinner Plain community representatives.

This recommendation would mean the integration of:

- Falls Creek and Mt Hotham into Alpine Shire;
- Mt Buller / Mt Stirling into Mansfield Shire;
- Mt Baw Baw into Baw Baw Shire, and
- Lake Mountain into Murrindindi Shire.

The advantage of merging alpine resorts into adjacent municipal districts is that it would normalise their administration and provide for elected representation. It should also result in some efficiency gains through the removal of duplication and probably assist complementary regional tourism marketing.

Alternative Option: reform of ARMBs

The ARCC and ARMBs can never be 'representative' while the Minister appoints them. The ARCC and ARMBs have no independent existence and they are by definition agents of the Government. In their current unelected form the ARMBs do not represent and should never claim to represent stakeholders.

Our less preferred alternative to integration with the adjacent local government areas is the reform of the ARMBs to include a majority of directly elected Board members. Given that ARMBs are broadly performing the same functions as local government, if they are to be retained they should be elected in a broadly similar manner. The basis for election could be similar to local government bodies, including site service charge 'ratepayers' and permanent resort residents (those on the electoral roll). Representation might also be extended to a broader group of stakeholders representing those who use the resorts – the basis for this representation could be on an opt-in basis for holders of season car parking passes.

Similar to local government elections, ARMB elections would be by means of a postal ballot and conducted by the Victorian Electoral Commission, using the same electoral system as local government (proportional representation for multiple positions).

ARMBs could be reformed to comprise:

- three members directly elected by site service charge 'ratepayers' and permanent residents;
- two members directly elected by broader stakeholders (as described above); and,
- two members appointed by the Government, one by the Minister for Environment and Climate Change and one by the Minister for Tourism and Major Events.

The Chairmen of each ARMB would be elected by and from the Board Members on an annual basis, similar to the election of Mayors in local government.

Even with some democratic reform, the central problem with retaining the ARMBs is that it would not address the issue of the high cost of providing services that local governments have demonstrated they can perform just as well at lower cost. It would therefore do little to enhance the competitiveness of Victorian alpine resorts.

5. Differences between large and small resorts

The Australian Alpine Club does not have any projects at the smaller Victorian alpine resorts. We suggest, however, that there may be some continuing role

for the ARCC (or a successor organisation) in managing small alpine resort areas such as Mt Buffalo and Mt St Gwinear. There would otherwise be almost no useful role for the ARCC following the integration of Victorian alpine resorts with adjacent municipal districts.

6 Organisations managing and promoting alpine resorts

Local government involvement

We recognise that there is already some local government involvement with Victorian alpine resorts in the area of food health safety. We understand that this function has been delegated to the local councils because it is not a function that ARMBs are able to perform. The extent to which local councils are able to ensure compliance with food health safety standards outside their municipal boundaries has probably never been tested.

Board for Alpine Resorts Tourism

The Australian Alpine Club was not aware until very recently of the existence of the Board for Alpine Resorts Tourism and we recognise the constraints and difficulties that would be faced by such an organisation.

7. Greater collaboration between local government and alpine resort areas

As stated above, our preferred governance model for Victorian alpine resorts is integration with the adjacent local governments.

Financial sustainability

8. Effectiveness of the Alpine Reform Package

It is our understanding the focus of the Alpine Reform Package was to bolster the financial sustainability of the smaller alpine resorts. The Australian Alpine Club does not have any lodge projects at these smaller alpine resorts and therefore has no view on the effectiveness or otherwise of the Alpine Reform Package.

9. Land and asset management process improvement

We understand that reform of the Crown site lease arrangements in Victorian alpine resorts may be beyond the scope of this Review. The two most recent Australian Alpine Club lodges (Dinner Plain and Niseko) are on freehold land title. Given experience with lodges on both leasehold and freehold land, the latter is clearly our preferred option and likely to influence future projects and investment decisions.

We expect that these unrealistically high site rental rates, coupled with escalation clauses, will increase financial pressure on a number of non-profit

snowsports clubs, contrary to the stated aims of the 'Victorian Alpine Resorts 2020 Strategy.' Annual site rentals of 3.5% of assessed site value mean that the value of these sites are more than acquitted after thirty years.

We would welcome any opportunity for greater certainty that would arise from either an option to acquire freehold sites at Victorian alpine resorts or a shift to longer-term Crown leases (99 years) that are paid up-front, similar to the release of land in the Australian Capital Territory.

10 Additional processes and mechanisms for financial sustainability

The transfer of the management of Victorian alpine resorts to local government will assist the financial sustainability of Victorian alpine resorts through the removal of duplication, the rationalisation of services and prospectively a reduction in site service charges.

Climate change

11. Mechanisms by resorts to address the impacts of climate change

Site rentals and the escalation clause arrangements should be reviewed in the context of climate change. While there is provision for a pause in the indexation of site rentals in the event of poor visitor numbers, it resumes the escalation in the event of an average year. We submit that this is an unreasonable arrangement, since there will typically still be good attendance in poor seasons due to advance bookings and holiday arrangements, while the impact of deterred winter visitation is more likely in subsequent years.

The key driver for visitation at Victorian alpine resorts is the presence of skiable snow during the winter season. Victorian alpine resorts can address the potential impact of climate change by expanding the skiable terrain on the south-facing slopes and through the installation of additional snowmaking. This will require some expansion of the existing ski areas at several Victorian alpine resorts, including for example, allowing the installation of ski lifts at Mt McKay at Falls Creek.

We would be pleased to discuss this submission with you or representatives of the State Services Authority at your convenience. I can be contacted on 0408 526 787 or by e-mail to ian.farrow@gmail.com.

Yours sincerely,



Ian Farrow
President

¹ Department of Sustainability and the Environment, '*Victorian Alpine Resorts 2020 Strategy*', Melbourne, June 2004.

² *ibid*, 6.3.2 Accommodation

³ *ibid*, 6.3.2 Accommodation

⁴ *ibid*, 6.3.2 Accommodation

⁵ National Institute of Economic and Industry Research, '*The Economic Significance of the Australian Alpine Resorts*', Clifton Hill, July 2006.

⁶ *Ibid*, p 1

⁷ *Ibid*; p 4

⁸ *Ibid*; p 41