



**KEMPSEY**  
Shire Council

## **DIRECTOR CORPORATE AND COMMUNITY SERVICES SUPPLEMENTARY REPORT**

3<sup>rd</sup> February 2009

<b>DCCS21</b>	<b>REVIEW OF FEES FOR HOLIDAY PARKS</b>
<b>FILE: 120</b>	<b>SJR {Folio No. *}</b>

### **SUMMARY:**

Reporting on strategies to optimise the financial return to Council from Holiday Park operation

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### **DESCRIPTION:**

At the 16<sup>th</sup> December 2008 General Meeting of Council, when considering the annual review of fees for Council managed Holiday Parks it was resolved: -

- "1. That the proposed fee structure as set out in the Director's report be adopted for the period effective from 1st July 2009.*
- 2. That the Manager Business Services be empowered to approve of discounts on the standard fees for "special offers" as a promotional tool.*
- 3. That the practice of charging for three nights when tenants are only staying for 2 be reviewed and a report on this be brought back to Council."*

The report to review the fees of the holiday parks is presented to Council each year to set future tariffs so as to allow the Contract Manager to accept future bookings over the busy summer holiday period.

The Holiday Parks are operated by Contract Managers on Council's behalf in the belief that professional park operators have significant expertise in the day to day operation of the business and are better qualified to run the parks efficiently, effectively and most importantly provide the optimum financial return to Council, the ratepayers of the Shire and the Department of Lands who provide Council with the 'Care, Control and Management' of these Public Reserves.

In reviewing the future tariffs for the holiday parks a comprehensive analysis of competitor parks is completed. This analysis considers

neighbouring holiday parks that provide similar visitor experiences as well as parks of a higher standard.

Each of the four holiday parks experience varying occupancy trends and attract varying clientele. In particular the cabin accommodation on each of the parks offers numerous options in terms of star rating, standard, siting, inclusions, spaciousness and quality. Our Contract Managers always endeavour to match clients with their needs in consideration of their budget.

Trends within the Holiday Park industry are now calling for a far superior standard of cabin accommodation to that which may have been seen as 'the norm' in days previous. Today's consumer expects a roomy cabin with quality fit-out and inclusions of a high standard. Australian tourists have become 'quality conscious', the days of three or four week holidays by the sea have continued to be reduced to one or perhaps two weeks duration. It is all about experiences, quality, image and 'boasting rights'.

We have attempted to meet the market expectations via the purchase and installation of higher quality, larger sized, higher specification cabin accommodation to meet this growing trend and higher expectation. The financial investment in the cabin product to meet this demand is quite substantial and calls for wise decisions in terms of marketing the product and letting the product to ensure that the financial returns to Council, the ratepayers and the Department of Lands absolutely optimises the considerable investment.

Accordingly, as a guide, the more up-market or desirable the product, the higher the tariff and the more closely monitored are the forward bookings and conditions. These policies and procedures reflect the demand for the type of product. The majority of our parks offer varying standards of on-site accommodation and generally as the quality (desirability) of the product reduces then so do the tariffs and minimum booking requirements.

To say that our Holiday Parks charge for three nights when clients are only staying for two is misleading as it is a choice of the prospective guest to choose the higher grade cabin that has a 3 night minimum booking as apposed to a lower grade cabin. Well considered booking procedures, aligned to competitors and industry accepted practices ensure that our business operations at the Holiday Parks deliver the very best return for our substantial investment. Each and every accommodation type is assessed by our Contract Managers to establish the arrangements to deliver the optimum financial return. Generally the smaller, less desirable accommodation product is more suited to negotiating less stringent booking conditions. Of course differing holiday seasons and the associated booking demand also contribute to the management decision to accept various booking minimums.

It is the responsibility of the contract managers to monitor the occupancy levels and booking conditions at all times to maximise income and return on investment and to minimise risks. An astute business person would constantly assess forward bookings and make a business decision at a time he deems appropriate to accept bookings which may not fulfil his optimum return strategy. In layman's terms this is referred to as cutting your loss and accepting occupancy in full knowledge of higher costs to provide the service and hence minimising losses and accepting lower

levels of profit. For this very reason Council has historically provided the Manager Business Services power to authorise discounts or 'special offers' when the time calls for us to 'cut our losses'.

Our Contract Managers are charged with obtaining the best return from the asset of our parks, coordinating bookings and ensuring client's expectations are met or exceeded so as to ensure repeat bookings to maintain ongoing financial viability. Obviously school holiday periods and special event periods will call for different business decisions to capitalise on these events. It is the age old 'Supply & Demand' principal that the entire industry takes into account and consumers are very well aware of.

## **RECOMMENDATION IMPLICATIONS:**

- *Environmental*

*Nil*

- *Social*

*Nil*

- *Economic (Financial)*

*Council's Holiday Parks Contract Managers have overseen the operation of the Parks since 1998. From that time Council has benefited from ever increasing occupancies and financial return on our investment. Throughout the preceding 11 years the tourism industry has faced numerous challenges and felt the effects of boom and bust and over the past few years reports of declining visitation and holiday spend has not been reflected in the income or occupancy levels of our parks.*

*Current practices of the business operation of the Holiday Parks deliver the optimum financial return to Council.*

- *Policy or Statutory*

*Nil*

- *Directors Review*

*Council employs Contract Managers to run the operations of our Holiday Parks after considering that industry professionals are well placed to be more in touch with industry trends and the needs of future clients. Income and occupancy levels clearly demonstrate that the Contract Managers have been successful in maximising the return on investment to Council. For the past 11 years Council has reviewed the setting of tariffs only and left the day to day operation of the facilities to industry professionals. To date no significant objection has been relayed concerning forward booking procedures and it is my view that this indicates that the current operations fit within accepted industry expectations whilst ensuring the most beneficial return on investment to Council.*

*Variations to booking conditions formulated by industry specialists has inherent dangers in leaving forward bookings in a 'jig saw'*

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*like state, with significant gaps and a corresponding decrease in occupancy levels and as such significantly reduced bottom line return to stakeholders including Council, Ratepayers and the Department of Lands*

**RECOMMENDATION:**

That the Manager Business Services monitor booking conditions to ensure optimum return from business operations of the Holiday Parks.

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**K E OLIVER**  
**ACTING DIRECTOR CORPORATE AND COMMUNITY SERVICES**