

19 December 2013

## ARC / VSA AGREEMENT RENTAL REVIEW CONSULTATION

For sites with site rental determined in accordance with the provisions of the 1990 Alpine Resorts Commission / Victorian Ski Association (ARC/VSA) Agreement, the Minister is required to determine the 'industry-wide ceiling' (IWC) to apply in relation to site rent for the first year of each six-year rent period. The determination of the IWC for the rent period beginning on 1 November 2013 is now due.

The ARC/VSA Agreement states that: *"The industry-wide ceiling shall be determined by the Minister responsible for the Alpine Resorts Act after extensive consultation with associations representing the industry, but shall not be greater than 30% above the sixth year of the preceding rent period"*.

The ARCC is leading an extensive consultation with alpine stakeholders to get their views on where the IWC should be set, following which it will provide advice to the Minister, to inform his determination. Individual Alpine Resort Management Boards (ARMBs) will consult with lessees, industry groups and key stakeholders at their respective resorts, with Council to consult with the relevant state-wide industry associations and peak bodies.

To assist in these deliberations, the ARCC has conducted a broad analysis to estimate the impacts on site rental of a range of possible percentage increases in the IWC, taking into account estimates of changes to site values applying in 2013. It is of note that there are significant variations in the changes in site values across resorts, with falls in site values ranging from approximately 15 per cent at Mount Buller to approximately 44 per cent at Falls Creek. As a consequence, the site rental impacts also vary across resorts, with the majority of site rents, on sites with site rental determined in accordance with the provisions of the ARC/VSA Agreement, decreasing at Falls Creek and Mt Hotham and all rents decreasing at Mt Baw Baw, regardless of where the IWC is set. At Mt Buller the majority of rents will increase, regardless of where the IWC is set. This increase will be minimal. Even if the IWC is set at the maximum level (30%), costs will only go up by less than \$1 a day per bed at Mt Buller.

Submissions on where the IWC should be set are invited. They should be lodged with the ARCC on or before **10 February 2014** at the above address, by post or email.

All submissions received will be treated as public documents, with the submission and the name of the submitter published on the ARCC's website and provided to the Minister.

## ARC/VSA AGREEMENT - IWC ANALYSIS

	Falls Creek	Mt Buller	Mt Hotham	Mt Baw Baw	All Resorts
Total Leases <sup>1</sup>	91	155	76	20	342
ARC/VSA Leases <sup>2</sup>	23	62	13	11	109
Non ARC/VSA Leases	68	93	63	9	233
ARC/VSA Leases as % of Total Leases	25.3%	40.0%	17.1%	55.0%	31.9%
Total Site Values (SV) 2013 (\$ 000)	\$ 30,951	\$ 102,774	\$ 25,610	\$ 917	\$ 160,252
ARC/VSA Site Values	\$ 7,705	\$ 34,275	\$ 5,665	\$ 510	\$ 48,155
Non ARC/VSA Site Values	\$ 23,246	\$ 68,499	\$ 19,945	\$ 407	\$ 112,097
ARC/VSA Site Values as % of Total Site Values	24.9%	33.3%	22.1%	55.6%	30.0%
Total Site Rental Income (SR) 2012/13 (\$000)	\$ 1,428	\$ 3,136	\$ 1,092	\$ 48	\$ 5,705
ARC/VSA Site Rental Income 2012/13 <sup>2</sup>	\$ 382	\$ 868	\$ 231	\$ 28	\$ 1,509
Non ARC/VSA Site Rental Income 2012/13	\$ 1,046	\$ 2,268	\$ 861	\$ 21	\$ 4,196
ARC/VSA Site Rental Income as % of Total Site Rental Income 2012/13	26.7%	27.7%	21.2%	56.9%	26.5%
Existing Total SR as % of SV - (2012/13 SR of previous SV)					
ARC/VSA SR as % of SV - 2012/13 SR of Previous SV	2.8%	2.1%	2.5%	4.6%	2.4%
Non ARC/VSA SR as % of SV	3.1%	2.9%	3.0%	4.3%	3.0%
Options - Total SR as % of SV					
ARC/VSA SR as % of SV - assuming 0% IWC inc for ARC/VSA	3.2%	2.5%	3.4%	3.5%	2.7%
ARC/VSA SR as % of SV - assuming 15% IWC inc for ARC/VSA	3.3%	2.7%	3.5%	3.5%	2.9%
ARC/VSA SR as % of SV - assuming 30% IWC inc for ARC/VSA (Maximum)	3.3%	3.0%	3.5%	3.5%	3.1%
Non ARC/VSA SR as % of SV	3.9%	3.4%	4.0%	3.5%	3.6%
Impacts - Changes in ARMB Site Rental Income 2012/13 - 2013/14 (\$ 000)					
0% IWC Increase for ARC/VSA Leases	-134	-26	-39	-10	-209
Total Change assuming 0% IWC increase	-255	8	-108	-17	-372
15% IWC Increase for ARC/VSA Leases	-130	70	-34	-10	-104
Total Change assuming 15% IWC increase	-251	104	-103	-17	-267
30% IWC Increase for ARC/VSA Leases	-126	154	-33	-10	-15
Total Change assuming 30% IWC increase	-247	188	-102	-17	-178
Total Non ARC/VSA Leases <sup>3</sup>	-121	34	-69	-7	-163
Discount applied to Mt Buller not-for-profit clubs (NFPs) subject to Minister's approved Transitional Arrangements <sup>4</sup>		-57			
Impacts - Av per site change in SR 2012/13 - 2013/14 (\$ 000)					
0% IWC Increase for ARC/VSA Leases	-5.8	-0.4	-3.0	-0.9	-1.9
15% IWC Increase for ARC/VSA Leases	-5.7	1.1	-2.6	-0.9	-1.0
30% IWC Increase for ARC/VSA Leases	-5.5	2.5	-2.5	-0.9	-0.1
Non ARC/VSA Leases	-1.8	0.4	-1.1	-0.8	-0.7

Notes:

1 Excludes leases where SR is not based on SV

2 Excludes former ARC/VSA sites i.e. those with lease expiry on or before 31 October 2013

3 Market Rent based on Site Valuations in 2013 or other relevant review years or as specified in individual leases (e.g. CPI increases)

4 In October 2013 the Minister approved 'transitional arrangements', i.e. a 27.5% discount off market rent to apply only to Mt Buller NFPs on leases with ARC/VSA Agreement site rental provisions and expiring between 31 October 2013 and 31 October 2016

<b>Mt Buller</b>	Sites	Av Beds/Site	Av SR/Site	Av SR/Bed	Av SR Inc/Site	Av. SR Inc/Bed
ARC/VSA Sites - with 30% IWC Inc	62	36 \$	16,484 \$	454 \$	2,478 \$	68
ARC/VSA Sites - with 15% IWC Inc	62	36 \$	15,134 \$	417 \$	1,127 \$	31
Non ARC/VSA Sites	93	56 \$	24,754 \$	445 \$	370 \$	7