ARC – VSA Agreement

Rental Review Recommendations

Alpine Resorts Co-ordinating Council

ARC – VSA AGREEMENT RENTAL REVIEW

RECOMMENDATIONS

MARCH 2008

Alpine Resorts Co-ordinating Council
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ALPINE RESORTS COMMISSION/VICTORIAN SKI ASSOCIATION AGREEMENT RENTAL REVIEW

1. BACKGROUND

1.1 In approving the Alpine Resorts Co-ordinating Council's 2007/08 – 2009/10 Corporate Plan, the Minister for Environment and Climate Change requested that the Council lead and facilitate the six year review of the Alpine Resorts Commission / Victorian Ski Association Agreement (the 'ARC/VSA Agreement') and make recommendations in relation to revised rental arrangements.

1.2 The ARC/VSA Agreement, which was made in 1990 between the then land manager, former Alpine Resorts Commission ('ARC'), and the Victorian Ski Association (now the Victorian Snowsports Association – 'VSA') following a long-running dispute in the 1980s. A copy of the ARC/VSA Agreement forms Attachment 1. It runs until 2013.

1.3 The Government's current leasing policy for Alpine Resorts, the '*Alpine Resorts Leasing Policy'*, released in March 2002 following Cabinet consideration, is founded on the premise that site rental shall be determined from site value using a market-based approach, which in the case of Alpine Resort leases means that site rental of 3.5% of site value.

1.4 Currently site rentals on approximately 50% of sites at Alpine Resorts are determined in accordance with the rental provisions of the ARC/VSA Agreement.

2. INTRODUCTION

2.1 Under the provisions of the ARC/VSA Agreement sites revaluations are conducted every six years (the ‘rent period’) for the purpose of rental adjustments, with annual adjustments in intervening years in accordance with CPI. Site valuations as at 1 February 2007 form the basis of the current review, with revised site rentals, to apply from 1 November 2007.

2.2 The ARC/VSA Agreement provides that site rent in the first year shall be the **lesser of** 3.5% of the site value or the rent from the last year of the previous rent period adjusted by the ‘industry wide ceiling’. The ARC/VSA Agreement further provides 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’.*

2.3 In essence the provisions of the ARC/VSA Agreement shield siteholders from the full impact of site valuation increases. However, there are no equivalent limits on site valuation decreases which gives siteholders the full benefit of any site valuation decreases. An independent review conducted for the then Minister in 1994 noted that the ARC/VSA Agreement ‘is considered to be a very favourable agreement to the lessess’.

2.4 The ARC/VSA Agreement is very clear about the processes to set site rents. The main variable, which is the subject of this review, is the requirement for the Minister to determine the ‘industry-wide ceiling’.

2.5 The last Ministerial determination of the ‘industry-wide ceiling’ was made in 2002, following the conduct of site revaluations in 2001. The then Minister determined to phase-in increases in the ‘industry-wide ceiling’ over three years, increasing the industry-wide ceiling by 15% in the first year, 22.5% in the second year and 30% in the third year, with CPI increases annually thereafter.

2.6 The legal mechanism for the implementation of the ARC/VSA Agreement comprises the rent review and rent fixing provisions of individual site leases. These provisions require Boards (as the lessors on behalf of the Crown) to give formal notification of site valuations and proposed site rental to each leaseholder. Such formal notification, (which has been given) is a separate requirement to the ‘industry-wide ceiling’ consultation.

3. CONSULTATION

3.1 Council adopted a two stage process of consultation, recognising the responsibilities of individual Boards in their legal relationship with individual leaseholders. Council consulted with relevant Statewide industry associations whilst Boards were requested to lead consultation with industry groups and stakeholders on their respective mountains.

Council Consultation

3.2 The Council wrote to the VSA and the Australian Ski Areas Association inviting them to meet with Council representatives and/or make submissions. Council representatives also met with representatives of the VSA, who spoke to the VSA's written submission.

Board Consultation

3.3 Each Board wrote to its siteholders and stakeholder groups inviting them to meet with Board representatives and/or to make written submissions by 5 December 2007 (19 January 2008 in the case of Mt Baw Baw). Numerous meetings have been held.

3.4 Boards have included information on their consultation and discussion programs in their submissions to Council.

4. SUBMISSIONS

Submissions

4.1 A total of 45 submissions have been received from a broad cross-section of stakeholders, including individual siteholders, on-mountain siteholder groups, peak bodies and Boards. A list of submittors forms Attachment 2. Copies of all submissions are available on the 'Projects' page of Council's website <www.arcc.vic.gov.au>.

4.2 Points raised either in written submissions and/or during consultation sessions include:

- Any increase in site rental should be held over until the completion of the Government's review of the management of Alpine Resorts;
- All lessees are hurting;
- Suggested rental:
  - For the period commencing on 1 November 2007 site rental increases should be capped at 5%;
  - Site rental should be reduced by at least 30%;
  - Site rental increases should not exceed CPI;
  - Site rental increases should be 30%, being the maximum allowable under the 'industry-wide ceiling' provisions;
- Board revenues may be adversely impacted upon as a result of this agreement. This may result in:
  - changes to the balance of Board revenue sources;
  - aggravation of inequities;
  - if cost savings are not possible, a reduction in services and facilities, to the detriment of all;
- Site rental increases should be 'phased-in';
- Rental relief following a poor snow season should be provided.
- Ski club lodges provide affordable accommodation;
- Site valuation methodology should take into account permitted use;
- Resorts should not be a revenue base for the Government;
- Government is obliged to provide financial support given the $505 million contribution to the Victorian economy.

4.3 Each of these matters is discussed below.

5. ISSUES

Management Review

5.1 It has been suggested that any increases should be held over until the review of Alpine Resort management, being conducted by the State Services Authority ('SSA') for Government, is completed and that therefore there should be a moratorium on this site rental review until 1 November 2008.

5.2 The SSA *'…is required to review the effectiveness of the institutional and governance arrangements of Victoria's alpine resort areas. These arrangements currently involve the Alpine Resorts Co-ordinating Council and five Alpine Resort Management Boards…'*

5.3 Leases are the contractual mechanism conferring legal rights of occupation of Crown land, in this case within Alpine Resorts. As such they do not deal with institutional and governance arrangements.

5.4 Numerous reviews have been conducted into institutional and governance arrangements of Alpine Resorts in the past. Leases at Alpine Resorts often confer occupation rights for many decades. In all previous reviews the rights and obligations conferred by leases have been unaffected, although the land manager and / or other institutional and governance arrangements have altered. Both the lessor (ultimately the Crown) and the lessee are entitled to rely upon, and indeed are obliged to adhere to, the lease conditions for the period during which the lease operates.

5.5 Whilst it is open to the SSA to recommend changes to the institutional and governance arrangements at Alpine Resorts, there is no precedent for such a review to seek to alter existing lease arrangements.

5.6 It is considered that the carrying out of this (or any other) management review is not relevant to the current ARC/VSA Agreement review.

'All Lessees are Hurting'

5.7 It has been suggested that site rental increases not only disadvantage lessees on the ARC/VSA Agreement but that all lessees are suffering badly. It appears that the comments may refer to a wide range of costs, fees and charges (including those of Boards, but not necessarily limited to Board costs) pertaining to visiting or staying at Alpine Resorts.

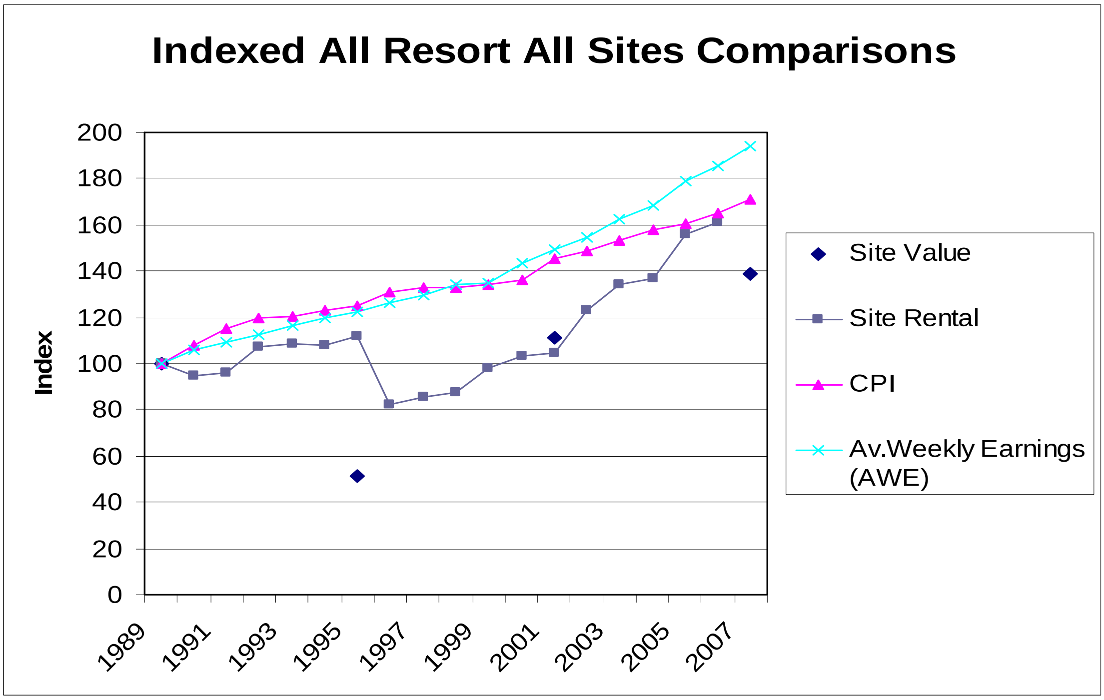
5.8 For the purposes of this report the issue is whether the increase in site rent, ie the fee imposed for the use of the Crown's land, is reasonable.

5.9 Graph 1 (below) compares changes in total site rental across all resorts to changes in CPI and Average Weekly Earnings ('AWE') since the commencement of the ARC/VSA Agreement in 1989. Total site value, as determined by the Valuer-General at the relevant review dates, is also shown. The graph shows that long-term total site rental increases across all resorts have approximated CPI increases to 2006 and have been less than increases in AWE.

5.10 The annual variability in site rental is related to the impact of the six-yearly revaluations. The impact of the dramatic fall in site value in 1995 is clearly evident.

5.11 On this basis the Council concludes that over time total site rental income across all resorts generally accords with increases in key indices and thus is not unreasonable.

GRAPH 1



5.12 Whilst not directly relevant to the determination of the industry-wide ceiling under the ARC/VSA Agreement, the Council has recently engaged consultants to undertake a comparison of costs and charges at Alpine Resorts and selected Victorian municipalities. The initial findings of that report indicate that charges for comparable services at Alpine Resort and municipalities are consistent. When finalised, the report will be forwarded under separate cover.

Suggested Rental

5.13 Whilst there are some differences in submissions (ranging from support for a 30% decrease to a 30% increase), most argue for a much lower increase than the maximum 30% increase provided for in the ARC/VSA Agreement.

5.14 It has also been suggested in submissions that any increases in site rental should be limited to CPI.

5.15 Another submission, whilst not advocating for any particular percentage increase, has raised concerns over the impact on the provision of services and facilities in the event that the site rent payable by a significant group of siteholders (in this case those subject to the rental provisions of the ARC/VSA Agreement) changes at the one time.

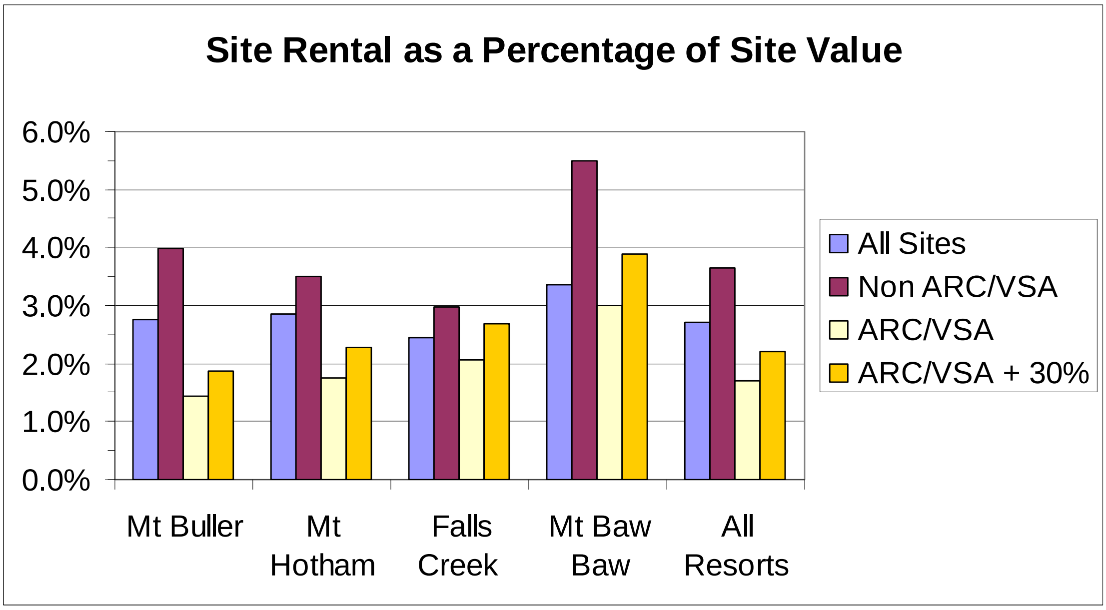
5.16 All Boards have submitted that the Minister determine that the 'industry-wide ceiling' be a 30% increase.

5.17 Whilst Graph 1 (above) demonstrates that over the life of the ARC/VSA Agreement, increases in total site rental have approximated CPI and been consistently lower than increases in AWE, and thus are considered to be reasonable, an analysis of detailed information provided by Boards shows that there are significant differences in the site rental paid on sites subject to the ARC/VSA Agreement compared to those sites not subject to that agreement

5.18 The analysis shows that although the value of sites subject to the ARC/VSA Agreement at all Alpine Resorts is 48.6% of total site value, those sites contribute only 30.6% of rental income. It also shows that across all resorts total site rental is 2.7% of total site value. Site rental for sites subject to the ARC/VSA Agreement comprises 1.7% of site value, whereas for sites not subject to that agreement site rental comprises 3.7% of site value.

5.19 Graph 2 (below) shows the differences in total site rental between sites subject to the ARC/VSA Agreement rental provisions and those not so subject, on a resort by resort and all resort basis. It also shows the impact of raising site rental by 30% on sites subject to the ARC/VSA Agreement rental provisions (the maximum allowable under that agreement). In that event, total site rental on those sites would still be only 2.2% of total site value, significantly below the 3.7% payable by sites not subject to the rental provisions of the ARC/VSA Agreement. More detailed information is contained in Attachment 3.

GRAPH 2

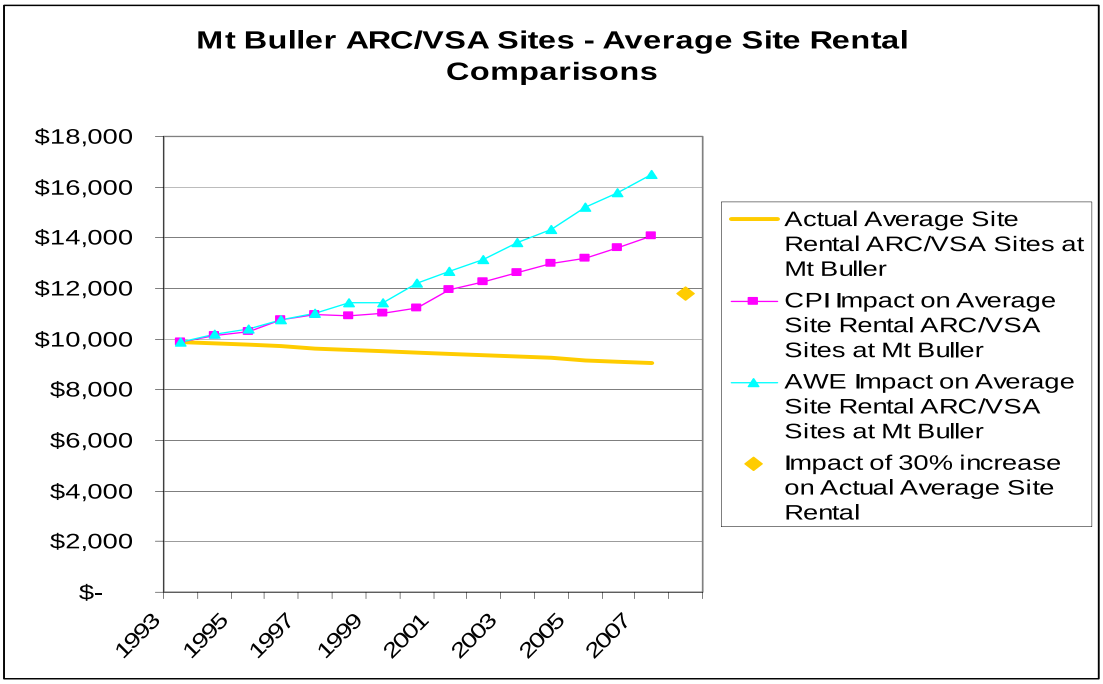


5.20 The analysis demonstrates that the current rental arrangements have resulted in a significant difference in site rentals payable on sites subject to the rental provisions of the ARC/VSA Agreement compared to other sites, a situation considered to be inequitable.

5.21 Review of past site valuations demonstrates how the inequity has arisen. Graph 1 (above) also shows All Resort site value since 1989. The significant fall in site valuations in 1995 led to a 27% decrease in site rental to the then ARC. Whilst values have clearly risen significantly since that time, site rentals on sites subject to the ARC/VSA Agreement have been kept artificially low by the application of the capping mechanism, being the 'industry-wide ceiling'. The impact has been, and continues to be, that non-ARC/VSA Agreement sites shoulder a greater share of the burden through payment of higher levels of site rent and service charges.

5.22 A review of site records at Mt Buller demonstrates clearly the extent of the benefit accruing to siteholders under the ARC/VSA Agreement rental provisions. The review reveals that of the 82 sites still subject to ARC/VSA Agreement rental provisions, 53 sites paid less in site rental in 2006-07 than at the commencement of those same leases in the early 1990s, with the average site rental for the 82 sites currently being $9,057 compared to $9,880 at commencement. For comparison, Graph 3 (below) shows what the average site rental would have been had it kept pace with increases in CPI and AWE. Whilst actual average site rentals have decreased by 10%, application of CPI or AWE rates would have resulted in site rental increases of 40+% or 60+%, respectively. In effect, site rental for sites subject to the ARC/VSA Agreement rental provisions is significantly more affordable now than it was 15 years ago

GRAPH 3



5.23 It could be anticipated that a similar position may pertain at the other resorts.

5.24 Whilst the analysis shows that total site rental payable at Alpine Resort comprises 2.7% of total site value, review of site rentals payable on a range of Crown land sites used for other community-type uses such as golf clubs, gun clubs and educational purposes, indicates that site rental is approximately 5% of site value. More commercial uses of Crown land attract site rentals of between 6% and 8% of site value.

5.25 Having regard to the above analysis it is concluded that there are clear inequities in relation to site rental payable by siteholders enjoying the benefits of the ARC/VSA Agreement compared to other siteholders and that there is no valid case for setting the 'industry-wide ceiling' at anything less than the 30% maximum increase provided for in the ARC/VSA Agreement. The analysis confirms the findings of the independent review referred to in paragraph 2.3 above.

Impact on Board Revenues, Charges and Services Provided

5.26 Some submissions have indicated that the restrictive provisions of the ARC/VSA Agreement rental provisions will result in a critical loss of revenue to Boards. Others have advised that it will have adverse consequences and result in inequities, an increase in costs to other siteholders and resort users, or alternatively it will result in decreased services and/or facilities

5.27 Whilst the agreement states that *'an occupant of an alpine site shall pay a rental equivalent to 3.5% of the site value…'* the specific provisions operate to significantly constrain actual site rental on sites enjoying the ARC/VSA Agreement rental provisions, as shown in the above analysis.

5.28 The Mt Hotham Board has calculated the impact of the agreement on its site rental revenue. It has estimated that in the last rent period (2002-2007) the total site rental revenue shortfall for the 32 sites subject to the ARC/VSA Agreement rental provisions was $1.6 million compared to what it would have been had site rental been struck at 3.5% of site value, ie the percentage site rental payable on most other sites at Mt Hotham. It has also estimated the total revenue shortfall for 2008-2013 (ie the period that is the subject of this current review) at $3 million, based on an increase in the 'industry-wide ceiling' of 30%.

5.29 The Mt Hotham Board further advises that it has over $12 million (over the next 5 years) unfunded contingent liability for infrastructure upgrade and replacement. At issue are such critical infrastructure items as a new potable water rising main ($1 million), a new ring main ($500,000) and a new sewer ($500,000).

5.30 In the event that costs cannot be reduced, it is likely that other fees and charges payable by all resort lessees and users may have to rise. Alternatively services and/or facilities may have to be reduced.

5.31 The position is likely to be similar for other Boards. It is concluded that this is an undesirable position for Boards and the broader Alpine Resort community.

Phase-in of Site Rental Increases

5.32 It has been suggested in submissions that any increases should be 'phased-in' as was the case following the 2001 review of the ARC/VSA Agreement.

5.33 The above analysis has already demonstrated that over the life of the ARC/VSA Agreement site rental increases for all sites at all Alpine Resorts are less than increases in either CPI or AWE (see Graph 1 above). More detailed analysis has also demonstrated that site rental payable on sites subject to the ARC/VSA Agreement rental provisions is significantly less than that payable on other sites (see Attachment 3 and Graph 2 above). Review of the records of sites at Mt Buller subject to the ARC/VSA Agreement rental provisions demonstrated that actual site rentals have decreased (see Graph 3 above).

5.34 It is understood that corporate plans submitted by Boards for Ministerial consideration are premised on 2007-08 site rentals on sites subject to the rental provisions of the ARC/VSA Agreement increasing by 30%, ie the maximum allowable under the terms of that Agreement.

5.35 Any phase-in of the increase will adversely impact on Board incomes and will result in an inability to fund critical infrastructure, a reduction in the level of services, or increases in other charges.

5.36 The Falls Creek Board has estimated that for every 10% reduction in the 'industry-wide ceiling' the Board's income would be reduced by over $40,000 per annum. Importantly this impact continues in the following years until such time as the 30% increase is payable. In the event that any increase was phased-in over three years and commenced at 15%, as happened following the 2002 review, the reduction in income for the Falls Creek Board in the first year would be over $60,000, a significant proportion of a capital budget of $364,000 (excluding grants, if any).

5.37 It is concluded that there is no valid case for any phase-in of site rental increases, on the basis that such phase-in would have a detrimental impact on services and/or charges and further delay the addressing of the site rental inequity.

Poor Snow Season Relief

5.38 It has been suggested that provision should be made for site rental relief for sites subject to the provisions of the ARC/VSA Agreement. At the time of the last Ministerial determination in 2002, such a provision, to be the subject of a separate Ministerial decision in the event that specified triggers were reached, was included. The triggers were not reached and the provision was not activated during the last rent period.

5.39 All on-mountain Alpine Resort businesses and services, including commercial and 'club' accommodation providers, as well as the Boards as land managers on behalf of the Crown, and off-mountain businesses which also rely on Alpine Resorts, are likely to be affected by poor snow seasons, be they siteholders or not. Whilst there may be a case for some relief in the event of poor snow seasons, to be equitable, any such relief would need to be made available to all parties likely to be affected and not just to a particular class of leaseholders. Furthermore, there is no clear relationship between site values (on which site rental is based) and poor snow seasons. Other mechanisms such as relief from service, entry and use charges may be more appropriate, although given that Boards are largely self-funding, any such relief is likely to have an adverse impact on the financial position of Boards.

5.40 Having regard to the clear inequities that already pertain in relation to site rental, it is concluded that there is no justification for giving a further concession to a particular class of siteholders already enjoying an extremely favourable arrangement.

Valuation Methodology

5.41 Some submissions have questioned the methodology for the determination of 'site value', suggesting that the valuations be revised based on the 'permitted use' specified in leases, rather than the 'highest and best use' currently adopted.

5.42 The ARC/VSA Agreement specifically states that rent shall be based on 'site value' as determined by the Victorian Valuer-General. The Valuer-General is bound by the legislative requirements of the *Valuation of Land Act* 1960. That Act specifies the matters which must be taken into account in determining site value and does not allow a valuer to take into account 'permitted use' or be selective in assessing the market.

5.43 The Government's current leasing policy for Alpine Resorts, the '*Alpine Resorts Leasing Policy*', released in March 2002 following Cabinet consideration, was founded on the premise that site rental shall be determined from site value using a market-based approach, which in the case of Alpine Resort leases means that site rental under a market-based approach would be struck at 3.5% of site value. The VSA confirmed its agreement to this approach in a letter dated 23 October 2002.

5.44 Any consideration of alternative valuation methodologies clearly falls outside the scope of this current site rental review.

Ski Club Lodges and Affordable Accommodation

5.45 Some submissions state that ski club lodges provide affordable accommodation and that this should be recognised. The implication is that there is good reason to constrain site rentals.

5.46 The *Alpine Resorts 2020 Strategy* notes the maintenance of a broad range of affordable and value for money accommodation in summer and winter as one of the challenges for Alpine Resorts. Whilst social equity considerations are clearly important, the ARC/VSA Agreement is not an appropriate mechanism to achieve this policy outcome. It was not introduced as a special arrangement for a particular class of siteholders and was not based on an accessibility premise. Rather it was the response to an issue at a particular point in time. All siteholders at that time, (ski clubs, commercial apartments, restaurants, ski hires, etc), could avail themselves of the rental provisions, irrespective of site use. The consequence is that many of the 185 sites across the four residential resorts enjoying the benefits of the ARC/VSA Agreement are largely commercial in nature, rather than family-friendly clubs.

5.47 Table 1 below provides an indicative assessment of the use of the 185 sites subject to the ARC/VSA Agreement rental provisions. Whilst 114 sites (approximately 62%) are considered to be ski clubs in the traditional sense, the balance (71 sites or approximately 38%) includes many of the largest of the commercial accommodation and food and beverage establishments, as well as apartment complexes. There are many commercial sites at all resorts that benefit from the ARC/VSA Agreement rental provisions. Conversely, not all clubs lodges are subject to the ARC/VSA Agreement rental provisions. In addition, not all 'club lodges' are actually accessible to the public, as some clubs are exclusive to members only and, in some cases, to particular families.

TABLE 1

	Mt Buller	Mt Hotham	Falls Creek	Mt Baw Baw	All Resorts
Ski Clubs	54	22	19	19	114
Commercial / Private Accom	16	5	6	-	27
Commercial Accom	6	-	15	-	21
Commercial Accom, Food / Beverage	5	4	10	1	20
Other	1	1	1	-	3
Total ARC/VSA Sites	82	32	51	20	185

5.48 The achievement of social equity and accessibility objectives for resort visitors will require the development and implementation of a range of specific and targeted initiatives, addressing more than just accommodation. It is concluded that the rental provisions of the ARC/VSA Agreement do not operate to achieve social equity and visitor accessibility objectives.

Resorts as Revenue Base for Government

5.49 Some submissions state that Resorts should not be seen as a revenue base for the Government.

5.50 Boards are able to collect revenue from a number of sources, principally resort access and use charges, charges for services provided and site rental.

5.51 All income collected by Boards, including site rental income (approximately $5.5 million per annum), is retained by Boards for the planning, management, operation, maintenance and improvement of the Alpine Resorts, as well as for the operation of the Council and cooperative marketing in conjunction with Tourism Victoria. The Boards do not, and are not required to, return any revenue raised to consolidated revenue.

5.52 Given the above, it is concluded that Boards are not a revenue base for Government.

Economic Contribution and Government Investment

5.53 Some submittors have stated that the Government is obliged to provide financial support to the Alpine Resorts given the financial contribution made by Alpine Resorts to the Victorian economy.

5.54 It is clear that there is a large contribution to the Victorian economy from the Alpine Resorts, as is the case with other sectors of the economy. However, it is not correct to say that the Victorian Government has not invested in the Alpine Resorts. Since 1999 the Victorian Government has contributed in excess of $50 million in direct capital contributions and recurrent expenditure to Alpine Resorts, in addition to providing for Boards to collect and retain site rental income payable for the use of Crown land.

5.55 Alpine Resorts continue to be eligible to apply for funding under a range of Government programs, subject to meeting Government priorities. It could be expected that Alpine Resorts will continue to seek and obtain funding, particularly for major infrastructure upgrades.

6. FINDINGS

6.1 Based on the above analysis it is concluded that the rental provisions of the ARC/VSA Agreement operate in such a manner as to result in there now being significant inequities in site rental depending on whether a site lease does or does not contain the ARC/VSA Agreement rental provisions. It is further clear that lessees under the agreement enjoy in effect a very favourable discount in comparison with all other lessees. Moreover, even with a 30% increase these lessees would still enjoy an inequity in their favour in comparison with all other lessees.

6.2 The submittors have not established a valid case for special consideration in relation to site rents or for the ‘industry-wide ceiling’ to be less than the maximum 30% increase provided for in the ARC/VSA Agreement and incorporated into each site lease, and requested by Boards.

6.3 The Boards have shown that setting the ‘industry-wide ceiling’ at a lower figure than the maximum 30% provided for in the ARC/VSA Agreement and individual site leases, will have a significant impact on the provision of services and, in particularly, infrastructure.

6.4 It is also concluded that no valid case has been established to support any ‘phase-in’ of any site rental increase or to support the provision of poor snow season relief, either on financial or equity grounds.

6.5 It is further concluded that there is no basis for the Minister to delay a decision on the determination of the ‘industry-wide ceiling’.

6.6 Finally, a lesser increase than the maximum provided for under the terms of the ARC/VSA Agreement, or any delay, will further compound obvious inequities and may adversely impact on the viability of Boards.

7. RECOMMENDATIONS

7.1 Having undertaken extensive consultation, reviewed all submissions received and conducted its analysis, the Council recommends that the ‘industry-wide ceiling’, to apply to site rental for the period commencing 1 November 2007 for those sites subject to the rental provisions of the ARC/VSA Agreement, shall be determined to be 30% above the sixth year of the preceding rent period.

7.2 Consistent with the findings of Council’s review, Council further recommends that there not be any provision for ‘phase-in’ of the ‘industry-wide ceiling’ and that there not be any provision for poor snow season rental relief.

7.3 In making these recommendations Council considers that leaseholders subject to the rental provisions of the ARC/VSA Agreement will still enjoy a favourable rental arrangement in comparison to most other leaseholders.

AGREEMENT BETWEEN:

Alpine Resorts Commission (ARC)
Building D, Level 1
World Trade Centre
MELBOURNE VIC 3005

and

Victorian Ski Association (VSA)
31 Coventry Street
SOUTH MELBOURNE VIC 3205

The purpose of this document is to reflect the agreement reached by the ARC and the VSA, representing all alpine siteholders, Management Committees and other associate organisations, with respect to the rentals and rent review provisions to be applied to all sites under the control of the ARC.

It is recognised by both parties that site rental paid by siteholders to the ARC are only one of the contributors to the funding of the ARC and will not be balanced against the administration cost of the ARC.

1990 SITE RENTAL POLICY

1. Rent Period

   Each rent period shall be six years with the first rent period commencing 1st November 1989.

2. Site Rental

   An occupant of an alpine site shall pay a rental equivalent to 3.5% of the site value as assessed by the Office of the Valuer General as at February 1989 and each six years thereafter subject to:

   2.1 Limitation clause in 5 below

   2.2 Siteholders who have been accepted for Hardship, see clause 6 below, will be charged a lesser amount

3. Annual Rent Reviews

The rent shall be adjusted at the end of each year of the rent period in accordance with increases in the CPI (Melbourne All Groups Index).

4. Site Valuations

Each site shall be revalued every six years from February, 1989.

5. Limitation on Rent in 1st Year of a Rent Period

The Rent for the first year of a rent period shall be the lesser of:

5.1 3.5% of the Valuer-General's Site Valuation as at February in the sixth year of the prior rent period; or

5.2 The rent in the last year of the preceding rent period adjusted by the industry wide ceiling.

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 only exception to this would be where a lower site rent has been set as a result of a successful hardship application.

6. Hardship Provisions

Any body seeking special consideration with respect to Alpine Resort site rentals because of hardship must satisfy the following criteria:

6.1 The body or club should have a non-profit charter within its constitution and any monies made by the Club should be invested back within the club and/or the industry to promote the industry.

6.2 The body or club should be incorporated under an Act such as the Associations Incorporation Act, the Co-operative Societies Act or some other similar structure enabling it to comply with 6.1.

6.3 Each year the club must provide a statement of income, expenditure, assets and liabilities certified by a qualified practising Accountant.

6.4 Each club must collect an annual subscription from members of no less than $150 per member in 1990/91 and increased over the rent period in accordance with increases in the CPI (Melbourne All Groups Index).

6.5 Each club must charge members no less than $15 per bed night for winter accommodation in 1990/91 and increased over the rent period in accordance with increases in the CPI (Melbourne All Groups Index).

6.6 Clubs have until 31 December 1990 to provide evidence they are meeting Clauses 6.1 to 6.5 for the 1991 season.

6.7 All siteholders who were entitled to pay site rent under the 1986/89 hardship provisions, irrespective of whether they had activated the hardship provisions or not, will have all deferred site rent and interest, if any, written off subject to payment of all outstanding rental within 21 days of the date this agreement is promulgated.

6.8 If a siteholder meets the above criteria but in a different manner, then the siteholder can still apply for Hardship and the ARC will be prepared to consider the application.

If a club satisfies all of the criteria in 6.1 to 6.5 or undertakes to comply with 6.1 to 6.5 within the time frame in 6.6 it may approach the ARC and request that its site rental for 1989/90 and the following five years be struck at a lower percentage, 2.0 – 3.25%. In the event the undertaking is not met, for whatever reason, then the siteholder in question will be required to pay the amount due in the absence of hardship plus interest.

Hardship provisions will be reviewed every six years to coincide with rent reviews, or at the end of a rent period, whichever is sooner.

If a site is redeveloped hardship provisions will be reviewed.

Subject to the ARC being satisfied that a siteholder meets the provisions above, the hardship percentage will be decided by a Committee consisting of:

Resort Area Manager
Resort Management Committee Chairman
Management Committee person representing the Ratepayers/Siteholders
ARC Chief Executive Officer and/or his nominee.

RENTAL 1 NOVEMBER 1986 TO 31 OCTOBER 1989

Basis

3.5% of either the original or "rejigged" 1986 site value phased in as set out below. The ARC will automatically apply whichever is the lower.

Phase In

1986/87 2.5% of Site Value
1987/88 3% of Site Value
1988/89 3.5% of Site Value

Hardship

Siteholders who qualify for hardship, i.e. where rent in years 1986/87, 1987/88 and/or 1988/89 exceeded $5 per bed night based on 70 nights, will pay the lesser of:

(a) 2.5%, 3.0% and 3.5% phased over the three years based on the re-jigged 1986 Site valuation or.

(b) 2% of the original 1986 Site valuation with a maximum of $10 per bed night based on 70 nights for the year(s) in which rental exceeded $5 per bed night assessed on the original 1986 site valuations and phased in at 2.5%, 3.0% and 3.5%.

There will be no retrospective application of the 1990 hardship provisions which are effective from 1 November 1989.

RENTAL 1 NOVEMBER 1989 TO 31 OCTOBER 1995

Basis

For 1989/90 the lesser of:

(a) 3.5% of the 1989 site value; or

(b) 3.5% of the original or rejigged 1986 site value increased by 30% in money terms.

In subsequent years of the six year rent review period, the rental will be increased annually in accordance with increases in the CPI (Melbourne All Groups Index).

CREDITS

Rental credits, as a result of a lower "rejigged" 1986 site value or the change to the rent review basis from 1989, will be adjusted against the second instalment 1989/90 rental liability.

If the second instalment is insufficient to cover the credit then the balance will be adjusted against future rental liability.

OUTSTANDING RENTAL

Siteholders are required to pay all rentals within 21 days of the promulgation of this agreement. Any adjustment to the rental as a result of this agreement will be advised to siteholders as soon as possible and an appropriate adjustment made at that time.

If for any reason siteholders have difficulty in meeting the above timeframe, payment by instalments may be considered by the ARC.

LEASES WITH NON STANDARD RENT REVIEW PROVISIONS

All Lessees subject to a five year rent review cycle are entitled to move to the above basis of rental assessment from 1 November 1989 and vary their leases accordingly.

Lessees with review provisions prescribing maximum percentage increases will have their rental reviewed to the maximum allowable under the particular lease provisions until it meets rental payable under the 1990 Site Rental Policy.

OBJECTIONS

A. 1986 Rejigged Site Values and February 1989 Site Values

The period for objections to the original 1986 level site values has expired, however, where the rental for 1986/89 and/or 1989/90 are calculated on the "rejigged" 1986 site values an opportunity to object to either of the rejigged 1986 and/or February 1989 site values will be made available.

Siteholders, Chambers of Commerce and Ratepayer Associations will be given a final 30 days from promulgation of this agreement to lodge an objection to the site value. The objection must include the name of the Registered Valuer acting for the siteholder, Ratepayer Association of Chamber of Commerce and his/her alternative site values.

B. Future Valuations

By the end of January in the year following each rent period the ARC will advise appropriate representatives from each resort that it has received the valuations as of February in the preceding year. The ARC will allow each Resort to appoint a registered valuer to audit these valuations.

The ARC will not issue the new rental invoices before 1 April whilst the audit process and consultation between the Valuer-General, ARC, the Valuer and representatives from the Resort are being completed.

The ARC, as landlord, reserves the right to call an end to this agreement at any time after four rent periods but will do so only after extensive consultation with the ski industry.

Signed by Daryl Gallagher)
and Peter Dyson for the)
Victorian Ski Association)
and alpine siteholders)

D Gallagher

Signed by Philip Bentley)
for and on behalf of the)
Alpine Resorts Commission)

Dated: 18/7/90.

Attachment 2

ARC/VSA AGREEMENT REVIEW
LIST OF SUBMITTORS

Submission No.	Date	Submittor	Author	Position
1	03-Dec-07	Australian Alpine Club	Ian Farrow	President
2	04-Dec-07	Oldina Ski Club	Sue Pidgon	President
3	05-Dec-07	Victorian Snowsports Association	Hartley Higgins	President
4	05-Dec-07	George Shirling		
5	05-Dec-07	Hotham Ski Association Inc	Peter Doyle	Vice President
6	05-Dec-07	Hotham Ski Association Inc	Peter Sandow	President
7	06-Dec-07	David M Risby		
8	06-Dec-07	Falls Creek Alpine Association	David M Risby	President
9	06-Dec-07	Banool Ski Club, Falls Creek	Robert J Ratcliffe	President
10	06-Dec-07	Alan Gawthorpe		
11	06-Dec-07	Ladislav and Helena Chlebna		
12	06-Dec-07	Andrew and Cathryn Pearce		
13	06-Dec-07	Tivoli Ski Club, Falls Creek	Rick Townsend	President
14	06-Dec-07	Zelko Zahtila		
15	06-Dec-07	Jeanette Kleine		
16	06-Dec-07	James White		
17	06-Dec-07	Philip Westh		
18	06-Dec-07	Bogong Ski Club, Falls Creek	Sue Hall	Hon. Treasurer
19	06-Dec-07	Carey Alpine Club, Falls Creek	Richard Doery	The Secretary
20	06-Dec-07	Camber Ski Club, Falls Creek	David Brahe	Hon. Secretary
21	06-Dec-07	Mogul Ski Club, Falls Creek	John Cheek	Chairman
22	06-Dec-07	Womburroo Ski Club, Falls Creek	Robert Thompson	
23	07-Dec-07	Robyne and Tony Tinlin		
24	07-Dec-07	John Darveniza		
25	08-Dec-07	Merrilyn and John Nash		
26	10-Dec-07	VSA Alpine Resorts Working Group	C/- Rob Anderson	Chairman, Sub Committee
27	12-Dec-07	Australian Ski Areas Association	Andrew Ramsay	Executive Director
28	14-Dec-07	Falls Creek Medical Centre	Dr Mark Zagorski	Director
29	15-Dec-07	Kiewa Valley Ski Club, Falls Creek	Hugh Watson	Chairman
30	17-Dec-07	John Klimek		
31	17-Dec-07	Halley's lodge Ski Hire & Apartments	J.B. & L.M. Lawther	Owners
32	14-Jan-08	Leeton Lodge	J B Gorman	Solicitor
33	16-Jan-08	Mount Hotham Alpine Resort Management Board	Geoff Provis	Chairman
34	16-Jan-08	McMillan Ski Club Inc	Grant Roberts	President
35	16-Jan-08	Hotham Management Pty Ltd	J Christopher Box	Managing Director
36	16-Jan-08	Shepparton Alpine Club Inc	Chris Wilson	President
37	16-Jan-08	Norman Wilson		
38	16-Jan-08	Eiger Ski Club	Jennifer Anson	Secretary
39	16-Jan-08	Koomerang Ski Club	Bill Hazlett	Solicitor
40	16-Jan-08	Mt Hotham Chamber of Commerce	Graeme Blair	President
41	16-Jan-08	Edward Height		
42	16-Jan-08	Mt Baw Baw Association	Rae Moore	Secretary
43	16-Jan-08	Mount Baw Baw Ski Club Inc	Rae Moore	Hon. Secretary
44	23-Jan-08	Falls Creek Alpine Resort Management Board	Ross Passalaqua	Chief Executive
45	30-Jan-08	Mount Buller & Mount Stirling Alpine Resort Management Board	John Dyson	Chairman

ARC/VSA AGREEMENT - ALL RESORTS ANALYSIS

	Mt Buller	Mt Hotham	Falls Creek	Mt Baw Baw	All Resorts
Total Leases	178	83	87	24	372
ARC/VSA Leases	82	32	51	20	185
Non ARC/VSA Leases	96	51	36	4	187
ARC/VSA Leases as % of Total Leases	46.1%	38.6%	58.6%	83.3%	49.7%
Total Site Values (SV)	$ 105,499,000	$ 47,660,000	$ 50,530,000	$ 1,294,000	$ 204,983,000
ARC/VSA Site Values	$ 51,360,000	$ 17,565,000	$ 29,580,000	$ 1,110,000	$ 99,615,000
Non ARC/VSA Site Values	$ 54,139,000	$ 30,095,000	$ 20,950,000	$ 184,000	$ 105,368,000
ARC/VSA Site Values as % of Total Site Values	48.7%	36.9%	58.5%	85.8%	48.6%
Total 2006-07 Site Rent Income (SR)	$ 2,905,209	$ 1,361,197	$ 1,235,050	$ 43,400	$ 5,544,856
ARC/VSA 2006-07 Site Rent Income	$ 742,693	$ 307,872	$ 613,230	$ 33,284	$ 1,697,079
Non ARC/VSA 2006-07 Site Rent Income	$ 2,162,516	$ 1,053,325	$ 621,820	$ 10,116	$ 3,847,777
ARC/VSA Site Rent Income as % of Total Site Rent Income	25.6%	22.6%	49.7%	76.7%	30.6%
Total SR as % of SV	2.8%	2.9%	2.4%	3.4%	2.7%
ARC/VSA SR as % of SV	1.4%	1.8%	2.1%	3.0%	1.7%
Non ARC/VSA SR as % of SV	4.0%	3.5%	3.0%	5.5%	3.7%
ARC/VSA SR as % of SV - if a 30% increase is applied for 2008	**1.9%**	**2.3%**	**2.7%**	**3.9%**	**2.2%**