ARC-VSA AGREEMENT
RENTAL REVIEW RECOMMENDATIONS

VICTORIA
1. Recommendation

1.1. Council recommends that the Minister for Environment and Climate Change determine that the industry-wide ceiling to apply to those sites subject to the rental provisions of the Alpine Resorts Commission/Victorian Ski Association Agreement shall be:

a) an increase of 30 per cent for the period commencing 1 November 2013; and
b) that it be applied in full for the period commencing 1 November 2013.
2. Background

2.1. In approving the Alpine Resorts Co-ordinating Council’s 2013/14 – 2015/16 Corporate Plan the Minister for Environment and Climate Change endorsed the action that Council complete the six-yearly review of the 2013 – 2019 site rental arrangements under the Alpine Resorts Commission / Victorian Ski Association Agreement (the ‘ARC/VSA Agreement’ - see Appendix 1) to inform the Minister’s determination of an ‘industry-wide ceiling’ (IWC).

2.2. Currently, site rentals in approximately 32 per cent of sites (109 sites in total) at alpine resorts are determined in accordance with that agreement, which was made in 1990 between the former Alpine Resorts Commission (‘ARC’) and the Victorian Ski Association (now the Victoria Snowsports Association – ‘VSA’) following a long running dispute in the 1980s between the then land manager (the ARC) and alpine resort stakeholders.

2.3. Whilst the ARC/VSA Agreement provides that the agreement cannot be ended until 31 October 2013, and then ‘. . . . . only after extensive consultation with the ski industry’, its effect remains in place for the life of those leases containing its site rental provisions (in some cases until the 2050’s).

2.4. In effect the ARC/VSA Agreement shields site holders from the full impact of site valuation increases but gives them the full benefit of any site valuation decreases.

2.5. An independent review conducted for the then Minister in 1994 noted that the VSA/ARC Agreement ‘is considered to be a very favourable agreement to the lessees’.

2.6. Under the ARC/VSA Agreement site revaluations are conducted every six years (the ‘rent period’) for the purpose of rental adjustments, with annual adjustment in accordance with CPI. Site valuations from February 2013 form the basis of the current review with revised site rentals to apply from 1 November 2013.

2.7. The ARC/VSA Agreement provides that site rent in the first year of the new rent period shall be the lesser of 3.5 per cent of site value or the rent from the last year of the preceding rent period (in this case 2012/13 site rent) adjusted by the ‘industry-wide ceiling’.

2.8. 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 per cent above the sixth year of the preceding rental period.’

2.9. The previous two ministerial determinations were made in 2008 and 2002 respectively following the conduct of site revaluations. Those determinations were to phase-in percentage increases of in the IWC of 30 per cent over years 1 - 3 of the rent period, with CPI increases only for years 4 - 6.

2.10. That phasing-in of the IWC adversely impacted on the revenues of Alpine Resort Management Boards (ARMBs) and further distorted and exacerbated the site rental inequity between site holders enjoying the benefits of the ARC/VSA Agreement compared to other site holders. As a result, site holders on the ARC/VSA Agreement have continued to pay approximately 20 per cent less site rental than other site holders that pay market based rental.

2.11. The continued impact of phasing-in the IWC has been that non-ARC/VSA Agreement site holders shoulder an increasingly greater share of the burden through payment of higher levels of site rental to the respective ARMBs.

2.12. Further detail on the implications of phasing-in the IWC are provided in paragraphs 4.18 – 4.25.

2.13. By 2030, approximately ninety per cent of the leases having site rental determined by the provisions of the ARC/VSA Agreement will have expired. No leases have been issued having site rental determined under this agreement since 1994.
3. 2013 site valuations and implications

3.1. Site rental is one of the major income sources for the ARMBs. Other key income sources are service charges and resort entry fees.

3.2. Site valuations form the basis on which site rentals are determined. The ARC/VSA Agreement states that rent shall be based on ‘site value’ as determined by the Victorian Valuer General.

3.3. Site values fluctuate, and the overall downturn in the national property market has seen alpine site values fall significantly in recent years. The most recent revaluation in February 2013 has seen significant decreases in average value since the 2007 review – 44 per cent at Falls Creek, 39 per cent at Mt Hotham and 15 per cent at Mt Buller and Mt Baw Baw. The differences in valuation decreases between resorts also reflect resort specific conditions.

3.4. In real terms and compared to 2012/13, the decrease in site valuations without the application of any increase in the IWC will result in ARMB income losses (from all site holders) in 2013/14 of approximately $372,000. Of those income losses, $209,000 would be from sites on the ARC/VSA Agreement.

3.5. Because of the drop in site values, the majority of site rents (40 of 47 sites) at Mt Hotham, Falls Creek and Mt Baw Baw determined in accordance with the provisions of the ARC/VSA Agreement will actually decrease next year, even if the IWC is applied at the maximum 30 per cent.

3.6. The impact of the drop in site values is that the ARMBs receive less income to provide services for visitors, services to property and to undertake capital works. Detailed IWC analysis, including phasing implications, is at Appendix 2.

3.7. While the figures above represent the average change in site valuation, at Mt Buller, site valuations have dropped by far less compared to the other large alpine resorts. As a result some site rents at Mt Buller will be subject to a modest increase (for 54 of the 62 sites subject to the provisions of the ARC/VSA Agreement).

3.8. Because of the rental increases at Mt Buller based on the 2013 valuations, the Minister has, following discussions with the ARCC, VSA and the Department of Environment and Primary Industries, approved a 27.5 per cent discount for ARC/VSA Agreement site holders at Mt Buller whose leases expire before 31 October 2016 and who can demonstrate ‘not for profit’ status. This will aid the transition to market rental-based standard alpine leases.

3.9. These transitional arrangements at Mt Buller apply to 12 site holders and up until 31 October 2016 only. This action will result in a loss of $57,000 in site rental for the Mt Buller and Mt Stirling ARMB for 2013/14.
4. Consultation & responses

4.1. As per previous rental period reviews, for 2013 Council again adopted a two stage process, recognising the responsibilities of individual ARMBs in their legal relationship with individual leaseholders. ARMBs have consulted with stakeholders on their respective mountains, whilst the Council has consulted with relevant state-wide industry associations.

4.2. On 19 December 2013, Council wrote to the VSA and the Australian Ski Areas Association (the lift company industry peak body) informing them of the review and inviting them to make submissions. The stakeholder submission period was due to close on 10 February 2014, however, the period was extended until 10 March 2014, following a request from the VSA to allow it time to prepare its submission.

4.3. Copies of Council correspondence to key stakeholders and the ARMBs are at Appendix 3.

4.4. Submissions were sought from a broad cross-section of stakeholders including ARMBs, peak bodies and individual site holders. Stakeholder feedback and submissions received for this review were fewer in number and the content more subdued than those received in previous rental reviews.

4.5. At the close of the submission period Council had received four (4) submissions. These were from:

- Victorian Snowsports Association (VSA)
- Falls Creek Alpine Association (writing in support of the VSA submission)
- Mt Buller Ratepayers Association (writing in support of the VSA submission)
- Hotham Management Pty Ltd, a site holder at Mt Hotham.

Points / themes raised in the submissions include:

- The process for determination of site rental and service charges should be reviewed and any increases in site rental should be held over until such a review is completed
- ARMBs are off-setting site rental losses through increasing service charges to site holders
- Winter 2013 was a poor snow season which has impacted on the financial position of site holders
- Any increases to the industry-wide ceiling should be phased-in, as has occurred with previous rent reviews.

Each of these points raised in the VSA submission are discussed separately in the following subsections. Copies of all submissions are at Appendix 4.

Review overall process for determination of site rental and service charges

4.6. The VSA has suggested that overall process for determination of site rental and service charges should be reviewed to protect site holders from excessive increases in site value. Further, the VSA requests that any increases to the industry-wide ceiling should be phased-in, as has occurred with previous rent reviews.

4.7. The VSA has raised this point in previous rental reviews but it is not relevant to, and is outside the scope of, the rental review process. The provisions for determination of, and payment of, site rental are a fundamental part of legally binding leases, entered into by both parties. Both parties are entitled to rely upon, and indeed are obliged to adhere to, lease conditions.

4.8. Further, Council sees the VSA querying of the overall process for site valuations as a moot point raised to delay determinations on the IWC. It is well understood that the in determining site value the Valuer-General is obliged to comply with the provisions of the Valuation of Land Act 1960. Any changes to these provisions would have far-reaching implications, including for state revenues received from public land leases, not just those specific to alpine resorts.

Site holders are being impacted by increasing service charges

4.9. The VSA alleges that the ARMBs are off-setting rental losses through increasing service charges to site holders. Service charges, while separate from site rental, are also levied against properties.
4.10. Service charges levied by the ARMBs are, for the most part, fixed costs of supplying utilities and other services (e.g. waste and refuse removal) to site holders. Service charges related to infrastructure provision will vary between resorts depending on the cost and scale of the infrastructure provided. Consistent with government policy, ARMBs are required to achieve full cost recovery of these charges.

4.11. There is anecdotal evidence that ARMBs have in the past sought to impose increases in service charges to compensate for the significant decreases in site rental resulting from the cyclical and fluctuating nature of site values.

4.12. ARMBs are very aware of the need to look at their costs to minimise and reduce expenditure. The issue of stabilising and securing ARMB income and protecting site holders from excessive cost increases is being addressed through the implementation of the Alpine Resorts Strategic Plan 2012, most notably Action 33 Access and Equity. The ARCC is currently working with the Department of Environment and Primary Industries (DEPI) and the ARMBs on this matter, but in any event it should not be considered as justification for delaying an IWC determination.

4.13. The Alpine Resorts Strategic Plan 2012 also includes a key performance indicator: ‘trend ARMB real costs decline at 1 per cent per annum’. ARMBs are required to report on this through the submission of their corporate plans.

4.14. As per paragraph 4.10 above, service charges levied by ARMBs are a separate matter from the legally binding process for the determination and payment of site rental by site holders having leases with ARC/VSA Agreement site rental provisions.

Rental relief on the basis of poor 2013 winter season

4.15. The VSA has suggested that winter 2013 was a poor snow season and has impacted on the financially ability of its site holders to respond to any future rent increase. The VSA claim this is a reasonable basis for site rent relief.

4.16. All ARMBs, business and services are likely to be affected by variable snow seasons, including those site holders not subject the ARC/VSA Agreement.

4.17. Neither non-ARC/VSA site holders, nor ARMBs as land managers, have any relief mechanism available to them following poor snow seasons. Site holders under the ARC/VSA Agreement already enjoy favourable rental conditions compared to other site holders and, on the basis of equity, the Council believes there is no justification to consider additional concessions on the basis of variable snow seasons.

Phasing-in of the IWC and implications

4.18. The VSA requested that, to reduce the cost burden to site holders, any increases to the IWC be phased in over a three year period as per the previous rental reviews.

4.19. Council does not support the request from the VSA and holds the view that the VSA are seeking to delay any determination that the IWC be applied in full, irrespective of the implications of the 2013 site valuations.

4.20. The VSA submission provides no data or information detailing the extent of the cost burden on its site holders following the 2013 site valuations, which will see the majority of site holders receiving a rental reduction, even in the event of a maximum 30 per cent application of the IWC.

4.21. The implication for ARMB rental income, even with the IWC maximum of 30 per cent applied, is shown at Table 1 below. It shows that all resorts, with the exception of Mt Buller, will lose significant site rental income due to the devaluation of sites at those resorts.

4.22. Council analysis has shown that for those sites at Mt Buller subject to an increase in site rental, the increase is less than $1 per bed per day.

4.23. The previous phasing-in of the IWC has meant that site rentals subject to the ARC/VSA Agreement have been kept artificially low. Each ‘phase-in’ has compounded the ‘losses’ in ARMB income that have resulted from previous ‘phasings-in’ of the IWC.
4.24. Council is of the view that the ‘phasing-in’ of the IWC as per previous rental reviews has acted as an additional capping mechanism to those already enjoyed by such site holders. As a result, it is inequitable to non-ARC/VSA site holders and continues to financially disadvantage ARMB incomes as the intent of the IWC increase cannot be achieved through a phasing-in approach. For these reasons, and because of the significant decrease in 2013 site valuations, Council does not recommend the phasing-in of the IWC.

4.25. The past two ministerial determinations in 2002 and 2008 to ‘phase-in’ any increases to the IWC further exacerbated the inequities the ARC/VSA Agreement enshrines. It should also be noted that site valuations undertaken for the 2002 and 2008 rental reviews were not subject to the significant site value decreases as seen in 2013.

Other submissions received

4.26. Council received submissions from Falls Creek Alpine Association and Mt Buller Ratepayers Association. These submissions were letters in support of the VSA submission and raised no additional issues.

4.27. Council also received a letter from Hotham Management Ltd, an ARC/VSA Agreement site holder at Mt Hotham, strongly protesting any increase to site rentals and criticising the performance of the ARMB. This site holder has, for many years, persistently protested site rental and service charges and the performance of the ARMB. It should be noted that there is no substance to this protest, given that under the 2013 valuation the rental for that particular site will reduce by more than $26,000 per annum.

Table 1: Changes in ARMB rental income 2012/13 – 2013/14 with IWC of 30 per cent applied

<table>
<thead>
<tr>
<th>ARMB</th>
<th>No. ARC/VSA Leases</th>
<th>ARC/VSA Rental income 2012/13</th>
<th>ARC/VSA Rental income 2013/14 (+30% IWC)</th>
<th>$ Change (+/- )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mt Baw Baw</td>
<td>11</td>
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<td>23</td>
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<td>$255,740</td>
<td>-$126,263</td>
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<td>Mt Buller</td>
<td>62</td>
<td>$868,428</td>
<td>$1,022,038</td>
<td>+$153,610</td>
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</tbody>
</table>
5. ARMB position on the IWC and implications

5.1. Based on the 2013 site valuations, almost all (40 of 47) ARC/VSA Agreement site holders at Falls Creek, Mt Baw Baw and Mt Hotham will pay less site rental, even with the IWC maximum of 30 per cent applied.

5.2. At Mt Buller, site values have dropped by far less than the other resorts. As a result 54 of the 62 sites having ARC/VSA Agreement site rental provisions will be subject to a modest increase (average increase = $2,500), regardless of where the IWC is set.

5.3. All ARMBs subject to the VSA/ARC Agreement have advised Council that they seek application of the IWC at 30 per cent, to be applied in full from 1 November 2013, in order to stabilise and secure their rental income which has reduced overall following the devaluation in site values undertaken in 2013.

5.4. All ARMBs expressed concerns (verbally and in writing) about the decrease in their rental income following the site devaluations and the potential this has to impact on financial viability. Concerns were also expressed about meeting the expectations of visitors, site holders and government with a reduced income stream.

5.5. Letters from Falls Creek ARMB, Mt Buller & Mt Stirling ARMB and Mt Hotham ARMB supporting the application of the IWC in full are at Appendix 5.

5.6. Mt Buller & Mt Stirling ARMB has, in particular, stressed its preference for application of the 30 per cent IWC on the basis that it is the resort with the greatest number of site holders subject to the ARC/VSA Agreement.

5.7. Further, Mt Buller & Mt Stirling ARMB has also recently commenced implementation of the Minister’s determination to provide a 27.5 per cent discount to not-for-profit site holders transitioning from ARC/VSA Agreements to standard market based alpine leases. This will result in a reduction in ARMB income of $57,000 for 2013/14 (detailed in paragraph 3.9).
6. Conclusion

6.1. Site valuations undertaken at 2013 will result in a decrease in site rental charges and ARMB income.

6.2. Securing and stabilising ARMB incomes, as well as reducing overall real ARMB costs, are key actions in the Alpine Resorts Strategic Plan 2012. The ARMBs support and seek an increase in the IWC of 30 per cent to be applied in full from 1 November 2013.

6.3. Through its submission the VSA has not established a valid case for the IWC to be less than 30 per cent or to be ‘phased-in’ on financial or equity grounds, or on poor snow season relief.

6.4. Other submissions raised no further matters to those raised by the VSA.

6.5. Council does not support the ‘phasing-in’ of the IWC, but rather, recommends the application of the IWC in full. Any ‘phasing in’ of the IWC will further compound inequities between ARC/VSA Agreement site holders and those not covered by that agreement. Such an action would also adversely impact on the financial viability of the ARMBs.
7. Recommendation

Council recommends that the Minister for Environment and Climate Change determine that the industry wide ceiling to apply to those sites subject to the rental provisions of the ARC/VSA Agreement shall be:

a) an increase of 30 per cent for the period commencing 1 November 2013; and
b) that it be applied in full for the period commencing 1 November 2013.
Appendices

Appendix 1:
ARC/VSA Agreement

Appendix 2:
ARCC detailed IWC analysis – all resorts

Appendix 3:
Copies of Council correspondence to the ARMBs and key stakeholders

Appendix 4:
Submissions received

Appendix 5:
ARMB submissions
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 rejigged 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 50% 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 stakeholders

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

Dated: 18/4/70
### ARC/VSA AGREEMENT - IWC ANALYSIS

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<tr>
<th></th>
<th>Falls Creek</th>
<th>Mt Buller</th>
<th>Mt Hotham</th>
<th>Mt Baw Baw</th>
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<td></td>
<td></td>
<td></td>
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<td>93</td>
<td>63</td>
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<td>233</td>
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<td>26.7%</td>
<td>27.7%</td>
<td>21.2%</td>
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<tr>
<td><strong>Existing Total SR as % of SV - (2012/13 SR cf previous SV)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARC/VSA SR as % of SV - 2012/13 SR of Previous Sv</td>
<td>2.8%</td>
<td>2.1%</td>
<td>2.5%</td>
<td>4.6%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Non ARC/VSA SR as % of SV</td>
<td>3.1%</td>
<td>2.9%</td>
<td>3.0%</td>
<td>4.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td><strong>Options - Total SR as % of SV</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARC/VSA SR as % of SV - assuming 0% IWC inc for ARC/VSA</td>
<td>3.2%</td>
<td>2.5%</td>
<td>3.4%</td>
<td>3.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>ARC/VSA SR as % of SV - assuming 15% IWC inc for ARC/VSA</td>
<td>3.3%</td>
<td>2.7%</td>
<td>3.5%</td>
<td>3.5%</td>
<td>2.9%</td>
</tr>
<tr>
<td>ARC/VSA SR as % of SV - assuming 30% IWC inc for ARC/VSA (Maximum)</td>
<td>3.3%</td>
<td>3.0%</td>
<td>3.5%</td>
<td>3.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Non ARC/VSA SR as % of SV</td>
<td>3.9%</td>
<td>3.4%</td>
<td>4.0%</td>
<td>3.5%</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>Impacts - Changes in ARMB Site Rental Income 2012/13 - 2013/14 ($ 000)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0% IWC Increase for ARC/VSA Leases</td>
<td>-134</td>
<td>-26</td>
<td>-39</td>
<td>-10</td>
<td>-209</td>
</tr>
<tr>
<td>Total Change assuming 0% IWC increase</td>
<td>-255</td>
<td>8</td>
<td>-108</td>
<td>-17</td>
<td>-372</td>
</tr>
<tr>
<td>15% IWC Increase for ARC/VSA Leases</td>
<td>-130</td>
<td>70</td>
<td>-34</td>
<td>-10</td>
<td>-104</td>
</tr>
<tr>
<td>Total Change assuming 15% IWC increase</td>
<td>-251</td>
<td>104</td>
<td>-103</td>
<td>-17</td>
<td>-267</td>
</tr>
<tr>
<td>30% IWC Increase for ARC/VSA Leases</td>
<td>-126</td>
<td>154</td>
<td>-33</td>
<td>-10</td>
<td>-15</td>
</tr>
<tr>
<td>Total Change assuming 30% IWC increase</td>
<td>-247</td>
<td>188</td>
<td>-102</td>
<td>-17</td>
<td>-178</td>
</tr>
<tr>
<td>Total Non ARC/VSA Leases</td>
<td>-121</td>
<td>34</td>
<td>-69</td>
<td>-7</td>
<td>-163</td>
</tr>
<tr>
<td>Discount applied to Mt Buller not-for-profit clubs (NFPs) subject to Minister's approved Transitional Arrangements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Impacts - Av per site change in SR 2012/13 - 2013/14 ($ 000)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0% IWC Increase for ARC/VSA Leases</td>
<td>-5.8</td>
<td>-0.4</td>
<td>-3.0</td>
<td>-0.9</td>
<td>-1.9</td>
</tr>
<tr>
<td>15% IWC Increase for ARC/VSA Leases</td>
<td>-5.7</td>
<td>1.1</td>
<td>-2.6</td>
<td>-0.9</td>
<td>-1.0</td>
</tr>
<tr>
<td>30% IWC Increase for ARC/VSA Leases</td>
<td>-5.5</td>
<td>2.5</td>
<td>-2.5</td>
<td>-0.9</td>
<td>-0.1</td>
</tr>
<tr>
<td>Non ARC/VSA Leases</td>
<td>-1.8</td>
<td>0.4</td>
<td>-1.1</td>
<td>-0.8</td>
<td>-0.3</td>
</tr>
</tbody>
</table>

**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.
<table>
<thead>
<tr>
<th></th>
<th>Sites</th>
<th>Av Beds/Site</th>
<th>Av SR/Site</th>
<th>Av SR/Bed</th>
<th>Av SR Inc/Site</th>
<th>Av. SR Inc/Bed</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARC/VSA Sites - with 30% IWC Inc</td>
<td>62</td>
<td>36 $</td>
<td>16,484 $</td>
<td>454 $</td>
<td>2,478 $</td>
<td>68</td>
</tr>
<tr>
<td>ARC/VSA Sites - with 15% IWC Inc</td>
<td>62</td>
<td>36 $</td>
<td>15,134 $</td>
<td>417 $</td>
<td>1,127 $</td>
<td>31</td>
</tr>
<tr>
<td>Non ARC/VSA Sites</td>
<td>93</td>
<td>56 $</td>
<td>24,754 $</td>
<td>445 $</td>
<td>370 $</td>
<td>7</td>
</tr>
</tbody>
</table>
Dear Ms Staveley

ARC / VSA AGREEMENT RENTAL REVIEW CONSULTATION

As you would be aware, 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 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”.

Consistent with the ARC/VSA Agreement, the Minister for Environment and Climate Change, the Hon Ryan Smith MP, is required to determine the IWC for the rent period beginning on 1 November 2013.

Council is leading the requisite consultation, following which it will provide advice to the Minister, to inform his determination. Council is being assisted in this task by individual Alpine Resort Management Boards (ARMBs). Consistent with the responsibilities of the individual ARMBs in their legal relationships with individual leaseholders, 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 its deliberations, Council 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. A copy of Council’s analysis is enclosed.
Council will be in contact shortly to arrange a meeting with representatives of your Association.

You are also invited to make a submission to Council in relation to this matter. Submissions should be lodged with Council 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 Council’s website and provided to the Minister.

Please feel free to contact Council’s Principal Policy Officer, Alex Shilton, on telephone 9637 8668 or email alex.shilton@arcc.vic.gov.au should you have any queries about this matter.

Yours sincerely

Michael Marasco
Chairperson

Encl. IWC All Resorts Analysis

Cc Mr David Risby, ARWG
4 February 2014

Mr Hartley Higgins
Acting President
Victorian Snowsports Association
PO Box 522
BRIGHTON VIC 3186

Dear Mr Higgins

ARC / VSA AGREEMENT RENTAL REVIEW CONSULTATION

Further to our recent telephone discussions about this issue and in particular the timelines for submissions, David Risby, chair of your Alpine Resorts Working Group sub-committee, has now written to me requesting an extension of the submission date until 10 March 2014.

I have now discussed the matter with Council’s Chairperson, Michael Marasco, and am able to advise you that Council has acceded to your request. However, in the event that your association is able to make its submission earlier than 10 March, Council would be most appreciative, as that will enable it to inform the Minister about this matter at the earliest opportunity.

Please feel free to contact me, on telephone 9637 8668 or email alex.shilton@arcc.vic.gov.au should you have any queries about this matter.

Yours sincerely

Alex Shilton
Acting Executive Officer

Cc Mr David Risby, ARWG
19 December 2013

Mr Colin Hackworth
Chief Executive Officer
Australian Ski Areas Association
colin.hackworth@snowaustralia.com

Dear Mr Hackworth

ARC / VSA AGREEMENT RENTAL REVIEW CONSULTATION

As you would be aware, 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 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”.

Consistent with the ARC/VSA Agreement, the Minister for Environment and Climate Change, the Hon Ryan Smith MP, is required to determine the IWC for the rent period beginning on 1 November 2013.

Council is leading the requisite consultation, following which it will provide advice to the Minister, to inform his determination. Council is being assisted in this task by individual Alpine Resort Management Boards (ARMBs). Consistent with the responsibilities of the individual ARMBs in their legal relationships with individual leaseholders, 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 its deliberations, Council 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. A copy of Council’s analysis is enclosed.
Council will be in contact shortly to arrange a meeting with representatives of your Association.

You are also invited to make a submission to Council in relation to this matter. Submissions should be lodged with Council 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 Council’s website and provided to the Minister.

Please feel free to contact Council’s Principal Policy Officer, Alex Shilton, on telephone 9637 8668 or email alex.shilton@arcc.vic.gov.au should you have any queries about this matter.

Yours sincerely

Michael Marasco
Chairperson

Encl. IWC All Resorts Analysis
19 December 2013

Mr Mark Anderson
Chairperson
Falls Creek Alpine Resort Management Board
PO Box 50
FALLS CREEK VIC 3699

[Same letter sent to Chairpersons of Mt Baw Baw, Mt Buller & Mt Stirling and Mt Hotham ARMBs]

Dear Mark

ARC / VSA AGREEMENT RENTAL REVIEW CONSULTATION

As you are aware, 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 ‘...after extensive consultation with associations representing the industry...’

Consistent with decisions taken at its October and December meetings, Council is leading the requisite consultation, with ARMBs to consult with on-mountain lessees, industry groups and key stakeholders and Council to consult with the relevant state-wide industry associations and peak bodies. Following consideration of submissions Council will provide advice to the Minister, to inform his determination.

To assist in these deliberations, Council 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. A copy of Council’s ‘IWC All Resorts Analysis’ is enclosed. This broad analysis is intended for distribution to all parties being consulted with, at both resort and state-wide levels.

In addition, for ARMB use only, please find a copy of the detailed resort-specific analysis for Falls Creek, showing estimated impacts on a site-by-site basis. Having regard to privacy concerns, this detailed information is not being provided to individual stakeholders or stakeholder bodies, although I expect that it will be of assistance to you in any discussions that you may have with individual site holders. Also enclosed is a copy of the communications kit, comprising an ‘Industry-wide ceiling stakeholder engagement plan’ and ‘Industry-wide ceiling key messages and Questions and Answers’. Use of this communications material by all Council, ARMB and DEPI representatives in all stakeholder engagement will assist in achieving consistent messaging about this matter.
Council has been assisted in its analysis by the information provided by ARMB property officers and other staff and I would ask that you pass on Council’s appreciation to them.

Council would be pleased to receive a submission from your ARMB in relation to this matter. Submissions should be lodged with Council 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 Council’s website and provided to the Minister.

Please feel free to contact Council’s Principal Policy Officer, Alex Shilton, on telephone 9637 8668 or email alex.shilton@arcc.vic.gov.au should you have any queries about this matter.

Yours sincerely

Michael Marasco
Chairperson

Cc  David Herman, Chief Executive Officer
Encl.  IWC All Resorts Analysis (for distribution to stakeholders)
       Proforma letter – resort consultation (for distribution to stakeholders on ARMB letterhead)
       Resort-specific Analysis (ARMB use only)
       Industry-wide ceiling stakeholder engagement plan (ARMB use only)
       Industry-wide ceiling key messages and Questions and Answers (ARMB use only)
Representing ALL participants enjoying Victoria’s Alpine Experience

22 January 2014

Alpine Resorts Co-ordinating Council
ARC / VSA agreement rental consultation
PO Box 500
East Melbourne VIC 3002

Attention: Mr. Alex Shilton, Principal Policy Officer, ARCC

Dear Alex,

ARC/VSA agreement rental review consultation

Thank you for the email and attachments from Mike Marasco dated 20 December seeking our feedback on or before 10 February 2014.

The time allowed for feedback is unrealistic and has made no allowance for Christmas and annual holidays in January. We therefore suggest that a realistic date for feedback is 10 March 2014. This will allow time for us to gather the data required to give a measured feedback.

Given the poor winter season in 2013 the review of the ARC/VSA agreement is not only timely but also very important.

We look forward to your positive reply.

Yours faithfully,

David M. RISBY
Chairperson
Alpine Resorts Working Group
a sub-committee of the Victorian Snowsports Association

Copy:
The Hon. Ryan Smith, MP
Minister for Environment and Climate Change
Level 17, 8 Nicholson Street, Melbourne VIC 3002
Representing ALL participants enjoying Victoria’s Alpine Experience

3rd March 2014
Alpine Resorts Co-ordinating Council
ARC / VSA agreement rental consultation
PO Box 500
East Melbourne VIC 8002

Attention: Mr. Alex Shilton, Acting Executive Officer, ARCC

Dear Alex,

ARC/VSA agreement rental review consultation

Thank you for your invitation to give feedback on the above and also for the time extension until 10 March 2014.

The Alpine Resorts Working Group (ARWG) is a sub-committee of the Victorian Snowsports Association. The ARWG is comprised of representatives from Mt Hotham Ski Association, Mt Buller Ratepayers Association, Falls Creek Alpine Association and Mt Baw Baw Ski Association. Together we represent over 200 ski clubs, in excess of 22,000 Victorian skiers and over 5,000 on-mountain beds.

During the last couple of weeks we have been able to survey a number of clubs at each mountain and our feedback is based on that data and the information contained in our previous submissions to the ARCC:

Winter 2013
Winter 2013 was a poor snow season and this has impacted on all stakeholders. Winter is recognised at the main financial driver for the Alpine industry.

To bring this into sharp focus, for example at Mt Buller almost 60% of those Clubs that provided data for our survey made cash losses for 2013. There will be a similar pattern across all the affordable accommodation providers at each of the other Victorian alpine resorts.
Site Rental
The current system covering site rental and service charges is flawed and not working for stakeholders or the Alpine Resort Management Boards.

We note that in the minutes of our last joint meeting with the ARCC, RMB and the ARWG, on 14 May 2013 (minutes dated 15 July 2013) there were 3 highlighted items:

1. **Transitional Arrangements** – being a discount of 27.5% off market rent to apply only to Mt Buller NFPs with leases expiring between 2013 and 2016.
2. **Long-term Access and Equity Incentives** – to be available to all NFPs that meet still-to-be finalised A&E criteria; and
3. **Securing and Stabilising ARMB Revenue** – a broad consideration of the possible need for changes in the mechanisms by which ARMBs generate revenue. This project aims to provide security of revenue, including reducing the current fluctuation in revenue, and would consider matters including: site valuation methodology; determination of market rent; and service charges methodology. In addition, under the ARC/VSA Agreement, there is a need for the Minister to make a determination of an 'industry-wide ceiling' in 2013. This piece of work will provide one of the inputs to this project.

It is extremely disappointing to us that it took 170 days for the ARCC to respond to this proposal in item (1) above and as far as we are aware there has been no progress on item (3).

The count-down for the conclusion of the transitional agreement has already started and the proposal for a new system has not yet commenced.

Site Rental charges are only part of the picture
While income for ARMBs from Site Rental may have fallen due to the drop in property valuations, Service Charges have increased considerably. For example at Mt Hotham, Service Charges have increased by 11% and 8% per annum in recent years. The Mt. Hotham ARMB justified these increases by saying they were to ‘make up’ the short fall from the reduction in site rental income to the ARMB.

The current system of allowing Service Charges to be increased without a ‘cap’ to make up for the short fall in Site Rental is not working and cannot be sustained. This reduction in site rentals due to a decline in site valuation is only short term. When site values increase, Site Rentals will also increase but Service Charges will not reduce.

Combined Site Rental and Service Charges are now the single largest expense for our stakeholders no matter which type of lease they are on. For many this equates to as much as 60-70% of their outgoings.
There is no consistency in the method of how Service Charges are applied across the ARMBs. For example, some Service Charges are based on the number of beds and others on CIV while others adopt FECA.

In years when property valuations increase Site Rentals have also increased often significantly more than community norms such as inflation. The ARMBs have benefited from that income increase. Site holders, such as our members have made numerous submissions pointing out the un-sustainability of those increases.

Minister Smith in a letter dated 13 December 2013 reiterates the need for long term access and equity incentives and the stabilisation of ARMB revenues. Any new system must take into account the peaks and troughs for the ARMBs and be fair for site holders. If the valuation cycle is currently impacting the ARMBs bottom line, why should our stakeholders be expected to continue to accept a system which we have jointly agreed is unworkable?

**Valuations- an opportunity for Government and stakeholders**

Currently there are differing systems used for determination of Site Rental and Service Charges as noted above. This requires the Valuer General to value properties using differing criteria and cycles. To compound and highlight this problem the new Fire Service Levy requires valuations every 2 years using a system that differs from either Site Rental or Service Charges. Some of the costs (FSL) are met by government and others by site holders. This system of duplication of site valuations is wasteful of both public and private resources.

Adopting one system with one valuation method across all resorts, using a consistent approach with sites contributing fairly to ARMB funding would be sensible and clearly less costly.

**ARWG’s recommendation regarding ARC/VSA agreement rental review**

We propose that the Minister does NOT INCREASE the Industry Wide Ceiling as:

1) The work on Securing and Stabilising ARMB Revenue has not happened.
2) The impact of the poor 2013 winter season.
3) Site Rental Charges are only part of the picture.

The skiing industry is worth about $647 million in Gross State Product to Victoria and creates 6000 jobs in winter alone. The Victorian Alpine Industry is under threat and is in danger of irreparable failure unless these matters are addressed and promptly resolved.

If the Minister chooses to ignore our recommendations and apply an increase to the ARC/VSA Industry Wide Ceiling, we urge that any adjustment to Site Rental charges be phased in over a three year period, particularly because of last year’s disastrous season and as has occurred with previous reviews.

We again request that the matters raised and responded to in this letter, and the strategies agreed to at our combined meeting on 14 May 2013 be granted the highest priority by the ARCC, the ARMB representatives and the Minister.
We urge the ARCC to endorse our recommendations to Minister Smith.

Yours sincerely,

[Signature]

David M. RISBY
Chairperson
Alpine Resorts Working Group
a sub-committee of the Victorian Snowsports Association

Copy:
The Hon. Dr. Denis Naphine, MP
Premier
Level 1, 1 Treasury Place, Melbourne VIC 3002

The Hon. Peter Ryan, MP
Deputy Premier
Level 3, 1 Treasury Place, Melbourne VIC 3002

The Hon. Ryan Smith, MP
Minister for Environment and Climate Change
Level 17, 8 Nicholson Street, Melbourne VIC 3002

The Hon. Dr. Bill Sykes, MLA
Shop 2, 55 Carrier Street, Benalla VIC 3672

Mr. Hartley Higgins
Victorian Snowsports Association
PO Box 522
Brighton VIC 3186
Falls Creek Alpine Association (Inc.) ABN 32 532 045 817
Postal address: PO Box 239, Glen Iris VIC 3146
Website: www.fcaa.org.au
Registration number A0044428Z

4th March 2014

Alpine Resorts Co-ordinating Council
ARC/VSA agreement rental consultation
PO Box 500
East Melbourne VIC 8002

Attention: Mr. Alex Shilton, Acting Executive Officer, ARCC

Dear Alex,

ARC/VSA agreement rental review consultation

The Falls Creek Alpine Association (FCAA) currently has 37 members mainly comprising of not-for-profit clubs based at Falls Creek. We represent over 4,000 individual members from those clubs and about 25% of the on-mountain beds at Falls Creek. The FCAA is a member of the Alpine Resorts Working Group (ARWG), covering Mt. Buller, Mt. Hotham, Mt. Baw Baw and Falls Creek. The ARWG is a sub-committee of the Victorian Snowsports Association.

The FCAA fully supports and endorses the feedback and recommendations contained in the ARWG’s letter to you of 3 March 2014. A copy of the letter is attached.

We urge the ARCC to endorse the ARWG’s recommendations to Minister Smith.

Yours sincerely,

[Signature]

David M. RISBY
President
Falls Creek Alpine Association (Inc.)
Representing the interests of Alpine users in the Falls Creek area

Copy:
The Hon. Dr. Denis Napthine, MP
Premier
Level 1, 1 Treasury Place, Melbourne VIC 3002
The Hon. Peter Ryan, MP
Deputy Premier
Level 3, 1 Treasury Place, Melbourne VIC 3002

The Hon. Ryan Smith, MP
Minister for Environment and Climate Change
Level 17, 8 Nicholson Street, Melbourne VIC 3002

The Hon. Dr. Bill Sykes, MLA
Shop 2, 55 Carrier Street, Benalla VIC 3672

Mr. Hartley Higgins
Victorian Snowsports Association
PO Box 522
Brighton VIC 3186
6 March 2014

Alpine Resorts Co-ordinating Council
ARC/VSA agreement rental consultation
PO Box 500
East Melbourne VIC 3002

Attention: Mr. Alex Shilton, Acting Executive Officer, ARCC

Dear Alex,

RE: ARC/VSA agreement rental review consultation

Thank you for the opportunity to comment on the ARC-VSA Agreement industry wide ceiling determination.

We write in support of the submission provided by our peak organisation VSA-ARWG and in particular wish to add the following comments.

Recent snow seasons have been erratic and a majority of our members are under severe financial pressure as a result. This is particularly noted for last season 2013. Our recent member survey resulted in around 60% of members advising they made a cash loss as a result.

We also note that meetings in 2012 and 2013 co-ordinated by ARCC resolved that the present system of lease rental determination is not working placing ARMB’s under financial pressure and unfairly impacting on lessees when property values are high. We agreed with the conclusion that the system needs revision so that lessees have more consistent, predictable and fair costs for the provision of services and ARMB’s can avoid the variability currently encountered.

We also note that there are inconsistent approaches across resorts in service charges. These together with rental determination require urgent review.

For these reasons we urge ARCC and the Minister to not adjust the Industry Wide Ceiling pending the outcome of the above discussions and the introduction of an improved site rental determination procedure.

Costs levied on Alpine lessees are significantly higher than properties elsewhere in Victoria given especially the seasonal nature of activity. It is incumbent on government to contribute fairly to funding of Alpine Resorts especially where government reaps such a significant benefit.

We also note that while there is no community representation on ARMB’s unlike local government, the Minister has special responsibilities to ensure the interests of the community are properly considered in ARMB decisions particularly funding.

Yours sincerely,

[Signature]

Chris Wilson
Secretary, MBRA
Submission to the ARCC regarding Site Rental Review

This company owns the head lease of the property known as “Arlberg” located at Mt Hotham.

The development includes 168 apartments owned by individual sub-lessees and has extensive common areas catering for the owners and/or the public.

This head lease is the largest at Mt Hotham for accommodation and catering.

WE WISH TO REGISTER THE STRONGEST POSSIBLE OBJECTION AGAINST ANY INCREASE IN THE SITE RENTAL.

In my opinion Mt Hotham is, financially, extremely poorly run and to give the RMB increased funds would be disastrous.

Increased costs will also cause many clubs and businesses to surrender their head lease as their financial burden will be too great. If they try to continue they will have to increase their accommodation rates, so further contributing to the rapid decline in mountain visitation.

It is difficult to take the subject of site rental in isolation.

Site rental is only 16.6% of the RMB’s total increase and to add any increase to the total revenue would be extremely dangerous in light of the announcement by the RMB that service charges will be increased by 8% or $292,720 (based on 2012 accounts - accounts to 2013 not being available).

Also it should also be remembered that the Mt Hotham RMB receives an annual net profit of in excess of $350,000 from the sale of gas (at a price far exceeding gas available at Dinner Plain 16 km down the road) Other RMB’s do not have this income. Yet late in 2013 the RMB announces a price increase of 16%!!

If the situation was not so serious it would be laughable in light of the Minister’s 2012 strategic Plan which it says: “sets a target of a 1% average decline in RMB real operating costs”.

The RMB has also announced that it intends to increase the cost of gate entry significantly as shown by the attached schedule. In some cases the increases are an astonishing 265% but if you assume that the average increases will only be 50% up on the previous year the RMB will gain an extra $1,392,500 gross income.

We repeat on behalf of our 175 sublessees.
We wish to register the strongest possible objection against any increases in site rental for all the reasons stated.

A separate report of the Mt Hotham RMB’s financial status is being prepared for submission to the Minister.
10 April 2014

Mr Alex Shilton
Acting Executive Officer
Alpine Resorts Coordinating Council
Level 6 / 8 Nicholson Street
East Melbourne VIC 3002

Dear Alex,

RE: INDUSTRY WIDE CEILING

We refer to communication received from the ARCC in late December 2013 regarding the Minister’s impending determination of the Industry Wide Ceiling ("IWC"); a requirement stipulated under the 1990 Alpine Resorts Commission / Victorian Ski Association (ARC/VSA) Lease Agreement.

We note, the ARCC’s request that (pursuant to the Minister’s direction), ARMBs conduct consultation on the IWC with relevant stakeholders.

We wish to advise you that the Falls Creek Alpine Resort Management Board (FCARMB) has sought the views of its stakeholders including direct correspondence with the Falls Creek Chamber of Commerce (FCCC) and the Falls Creek Alpine Association (FCAA).

To date, we have not received formal replies to requests for feedback however I understand the FCAA has made contact with the ARCC directly.

Falls Creek has experienced a considerable diminution in site valuations over the last four (4) years. Annual devaluation has ranged from 25% to over 40% per annum.

Most recently, Falls Creek experienced an overall reduction in site values of 44% during the period 2012/2013 to 2013/2014. This equates to a total revenue reduction of $126K for the current financial year (or approximately 1.3% of total FCRM’s overall revenue base).

FCRM is committed to delivering resort services as efficiently and effectively as possible. We have done so for the last four (4) years whilst keeping site rental and service charge increases below the MAV average (including a total freeze in the 2011/2012 financial year).

In accordance with the Alpine Resort’s Strategic Plan 2012, we have also maintained a commitment to deliver the Minister’s directive to reduce spending by one percent (1%) in real terms.
Having regard to the information noted above, FCARMB recommends to the Minister that the IWC be set at a level which poses the least financial impact to Falls Creek namely at the maximum 30% level.

We would be pleased to provide such additional information you may require to support this recommendation.

Yours sincerely

David Herman
Chief Executive Officer

cc: Mr. Mark Anderson
Chair
Falls Creek Alpine Resort Management Board
11 April 2014

Mr Alex Shilton
Alpine Resorts Coordinating Council
Level 6 / 8 Nicholson Street
East Melbourne VIC 3002

Dear Alex,

Further to our discussions, I wish to reinforce and clarify the position of the Mt Buller Mt Stirling Alpine Resort Management Board (ARMB) related to the application of the Industry Wide Ceiling (IWC). The ARMB feels very strongly that the Minister should support and adopt the recommendation put forward by the ARCC and supported by the Victorian Resorts, for the uptake of the full 30% increase ceiling with its implementation not to be phased.

This matter and its administration is of critical importance to all the Resorts and to Mt Buller in particular as the Resort most affected by the IWC and its implementation.

Should you require any further information regarding this matter please do not hesitate to contact my office.

Regards,

John Huber
Chief Executive Officer
17th April, 2014

Mr Alex Shilton
Alpine Resorts Co-ordinating Council
PO Box 500
East Melbourne, Vic 8002

By email to: alex.shilton@depi.vic.gov.au

Dear Alex,

ARC/VSA Agreement Rental Review Consultation

The Mount Hotham Alpine Resort Management Board (MHRMB) has written to all relevant stakeholders in accordance with the industry-wide ceiling stakeholder engagement plan.

MHRMB has dealt with a small number of verbal inquiries dealing with the engagement process and general questions concerning the Agreement, but has not received any direct submissions from stakeholders.

MHRMB believes that the industry-wide ceiling for use in the calculation of site rental under the ARC/VSA Agreement for the period commencing 1 November, 2013 should be set at the maximum percentage of 30%. MHRMB considers that a lesser percentage will only serve to perpetrate an inequitable site rental situation that is unfair on other non-ARC/VSA lessees who currently represent a clear majority of leaseholders.

In coming to this view MHRMB notes that the application of the maximum 30% ceiling would effectively put its Hotham ARC/VSA lessees on a site rental equivalent of 3.5% of site value which is still less than the 4.0% average of the non-ARC/VSA leases. It is also stressed that a lower ceiling will have negative financial consequences for the Board which is already facing budgetary pressures due to the large decline in site valuations of over 40% in the last five or six years.

MHRMB firmly supports the setting of the ceiling at the maximum amount of 30% which would be consistent with the findings of the Alpine Resorts Strategic Plan that concluded that ARC/VSA agreement arrangements are inequitable and lacking a consistent public policy basis for who receives the benefit.

Yours faithfully,

Jenny Molloy
Acting Chief Executive Officer