

The provision of Council recreational vehicle camping services

FACT SHEET
May 2012

This fact sheet outlines the key points from the *Statewide Directions Paper - Review of Council Recreational Vehicle Overnight Camping Services*. It aims to assist councils in understanding how to apply competitive neutrality principles under the National Competition Policy when providing overnight camping sites for self-contained recreational vehicles (RVs).

Competitive neutrality principles (CNPs)

The CNPs are designed to prevent unfair competition between government and privately-owned businesses by ensuring that all government bodies involved in the delivery of services within the same competitive market as private operators (in this case the provision of overnight camping services for self-contained RVs) do so on fair and equal terms with those private operators, where it is in the public interest to do so.

Significant business activities (SBAs)

A council must determine if a business activity it undertakes amounts to a SBA, and is therefore subject to CNPs.

In Tasmania, an SBA is defined by looking at the market within which the relevant business activity operates, and determining whether that market is competitive or potentially competitive. This allows for a comparison of all markets, regardless of the turnover of the government activity, which allows for much smaller operations to be captured. The State Government's approach to defining SBAs is very similar to Victoria's; these two jurisdictions are the only two that consistently meet all of the National Competition Policy obligations.

Recovery of costs and competitive neutrality

In providing an overnight self-contained RV camping service, councils are required to appropriately apply the CNPs and should adopt what is known as a 'full cost attribution' model in determining the cost of providing that service. This means councils must charge a price for the service that reflects the actual costs incurred, as well as those costs that the council would have incurred

if it were a private operator. These are called 'competitive neutrality' costs and must be factored into the cost of providing the service by the council, even though they are not *actually* incurred.

An example of a competitive neutrality cost would be public liability insurance; councils usually have a liability insurance policy that covers all of their operations and services. In order to meet the requirements of the CNPs, a council should determine how much it would cost to take out insurance on the site where the camping services are being provided if it were seeking separate insurance as a private operator. This cost should then be applied to the overall cost of providing the service, and factored into the price that is charged to the end user.

Tools to assist councils in meeting their CNP obligations

To support open and transparent decision-making on the pricing of camping services, a decision-making guide and cost attribution checklist have been developed to assist councils in fulfilling their CNP obligations under the National Competition Policy.

These can be found as attachments to the following publications:

- *Statewide Directions Paper - Review of Council Recreational Vehicle Overnight Camping Services*
<http://www.dpac.tas.gov.au/divisions/lgd>
- *Recreational Vehicles: Development and Management of Facilities*
<http://www.lgat.tas.gov.au/site/page.cfm?u=642>

Frequently asked questions

Does the Directions Paper recommend closure of council-provided camping services? No. The Directions Paper acknowledges that councils may choose to provide and operate camping sites as an accommodation option for visitors wishing to use these services. However, when offering these services it is the council's responsibility to ensure that it complies with the principles of competitive neutrality.

Is the approach outlined in the Directions Paper 'compulsory'? The Directions Paper has been developed to assist councils in adhering to competitive neutrality principles (CNPs). The Office of the Tasmanian Economic Regulator does not 'enforce' its findings, but does refer findings to the Minister for Local Government. The State Government is encouraging councils to implement the actions outlined in the Directions Paper, without resorting to statewide regulation.

Why doesn't the Directions Paper apply to State Government-run camp sites, operated by entities such as Parks and Wildlife Tasmania, Hydro Tasmania and Forestry Tasmania? Competitive neutrality principles also apply to State Government. However, when comparing State Government and Local Government facilities, consideration needs to be given to the function of the State Government-provided facilities before merely comparing these sites with council-provided camping grounds. National Parks and "Rest and Revive Rest Stops" serve different functions than council-sponsored camping grounds. This issue is not addressed in the Directions Paper because its development was a result of a request from Local Government in relation to council-provided overnight RV camping sites. A review of the State Government's obligations in relation to the National Competition Policy is beyond the scope of the Directions Paper.

The definition of 'significant business activity' (SBA) should be reconsidered by State Government. The Department of Treasury and Finance is in the process of reviewing the policy - *Significant Business Activities and Local Government in Tasmania April 2004*. However, as the Economic Regulator has determined in the cases that it has investigated that council-provided camping services do amount to a SBA, the application of the CNPs to these services is unlikely to change.

Does the Directions Paper apply to 'camping' in general? This review relates only to council-provided overnight RV camping facilities, however the CNPs could potentially apply to other forms of camping, even where a vehicle is not involved; this would depend on an assessment of the relevant market and other related factors as described within the Directions Paper.

How are councils supposed to administer the collection of camping fees? There are a range of options that councils can consider in addition to council's own officers and resources e.g. utilising community groups or local businesses to collect fees, installing honesty boxes etc.

Collecting fees will be impractical in some cases. What about developing a system whereby visitors can purchase a multi-day camping 'pass' which allows them to stay at a range of sites around the State for a pre-paid fee? There is merit in exploring all options for the future provision of camping services within Tasmania, including cost effective regional or statewide approaches. The Directions Paper aims to equip councils with the tools to meet their competitive neutrality obligations as they currently apply to council business activities, while encouraging councils and stakeholders to consider the sorts of approaches and solutions that may be appropriate in future.

Any exploration of a Statewide camping 'pass' will be undertaken independently from the Directions Paper.

How will council obligations under the National Competition Policy affect those councils wishing to attain or maintain 'RV Friendly Town' status? According to the Campervan and Motorhome Club of Australia (CMCA), an 'RV Friendly Town' provides amenities and services to the mobile traveller, and adheres to a number of CMCA criteria, including the provision of free or low-cost camping services within proximity of a town centre. It is suggested that when applied appropriately, the use of the Full Cost Attribution Checklist, provided in the *Statewide Directions Paper - Review of Council Recreational Vehicle Overnight Camping Services*, will enable councils to recoup the costs of providing a service, while adhering to CNPs and, in the majority of cases, satisfying the CMCA's 'low-cost' camping criteria. The Directions Paper does not discourage low-cost camping.