

Statewide Directions Paper – Review of Council Recreational Vehicle Overnight Camping Services

May 2012

Executive Summary

Tourism is a very important sector of Tasmania's economy and recreational vehicle (RV) tourists make an important contribution, particularly in regional and remote areas. Councils support economic growth through tourism, particularly in regional areas where they actively encourage visits by RV users. Many councils in Tasmania provide RV camping facilities, often within town boundaries and often at cheap rates or for free.

In 2010-11, the Office of the Tasmanian Economic Regulator (Economic Regulator) received four complaints from private caravan site owners about councils providing free or low priced overnight RV camping services. The premise of the complaint in each case was that the pricing (or lack of pricing) for these council-provided services was in breach of competitive neutrality principles under the National Competition Policy (NCP) that government organisations are required to follow. These complaints were upheld by the Economic Regulator.

In June 2011, Councils requested that the State Government and the Local Government Association of Tasmania (LGAT) jointly prepare a Directions Paper to set out a statewide policy and uniform pricing methodology for overnight RV camping services provided by councils.

The review of council overnight RV camping services found that councils must adhere to the principles of competitive neutrality and should apply a 'full cost attribution model' approach when operating these services. Each council-owned service in Tasmania is likely to be competing with a privately-owned caravan park, either within its own municipality or in surrounding municipalities, and needs to price its services to reflect costs.

The provision of free or low-cost camping services by a council may be a useful short-term solution to some of the amenity issues facing councils, for instance to prevent RVs parking and camping on the side of the road and to attract visitors to the area. However, these measures may discourage private caravan parks from investing and operating in the area and reduce the benefits from a competitive market. These benefits include efficient market prices (reflecting the costs to provide and operate such services), customer choice through a wide range of services and the development of services that customers want, leading to economic development. Setting prices to recover costs will, in the long term, enable councils to contribute to a more sustainable overnight camping industry.

The review included consideration of the LGAT publication titled *Recreational Vehicles - Development and Management of Facilities 2008* (the LGAT RV policy), and found it to be no longer appropriate to the extent that it referred to the provision of free camping. The LGAT policy has subsequently been amended to reflect Local Government obligations under the NCP in relation to competitive neutrality.

To support open and transparent decision-making on the pricing of camping services, a decision-making guide has been developed that aims to bring together the necessary policy elements and analysis, as well as facilitate appropriate communication with businesses, consumers and ratepayers (Attachment B). The decision-making guide provides for a number of service delivery options to be considered.

Both the revised LGAT RV policy and the decision-making guide are supported by a 'Full Cost Attribution Checklist' that can be adapted by councils to suit the nature of the service/s they provide (see Attachment C). A working example of the Full Cost Attribution Checklist that includes indicative figures is also provided (see Attachment D).

If the Full Cost Attribution Checklist is accurately completed and prices are set at the level that recovers the costs of providing the service, as set out in the template, councils can have a high degree of confidence that they will comply with the NCP competitive neutrality principles.

This Directions Paper forms the basis for the revised LGAT RV policy, which will include the decision-making tool and Full Cost Attribution Checklist.

This Directions Paper acknowledges the clear prerogative of councils to provide and operate camping sites as an accommodation option for visitors wishing to use these services. In short however, when offering these services it is the council's responsibility to ensure that it is in compliance with the principles of competitive neutrality.

This Directions Paper does not impose mandatory obligations on Local Government; rather it seeks to provide councils with guidance for continuing to service the needs of tourists and communities whilst supporting local business.

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Abbreviations

RV	Recreational Vehicle
NCP	National Competition Policy
SBA	Significant business activity
CIAT	Caravan Industry Australia – Tasmania Inc
CMCA	Campervan and Motorhome Club of Australia Ltd
LGAT	Local Government Association of Tasmania

I. Introduction and Background

I.I RV Tourism Sector in Tasmania

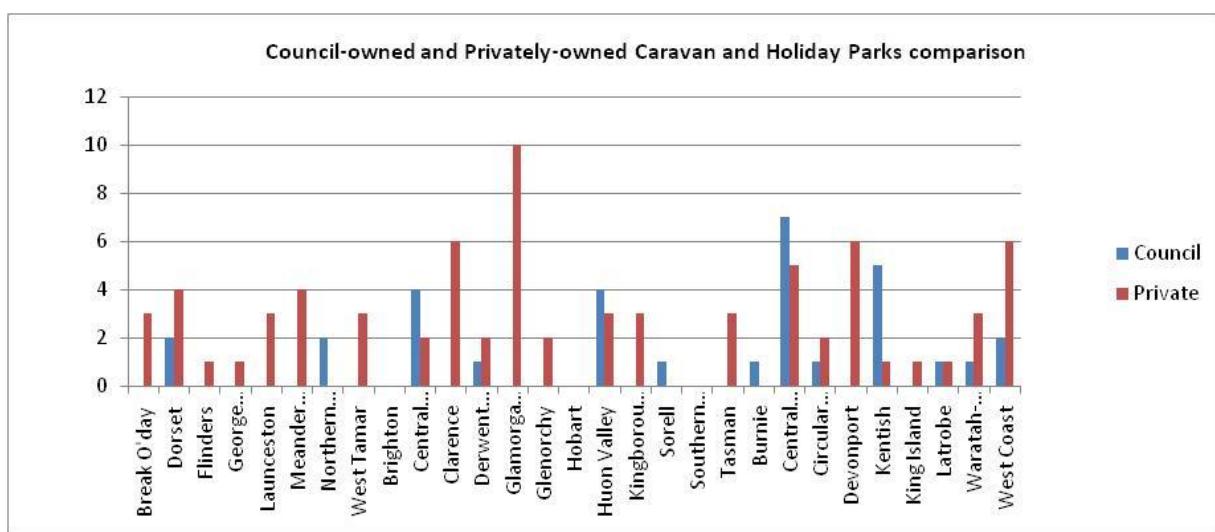
Tourism is a very important sector of Tasmania's economy and RV tourists make an important contribution, particularly in regional and remote areas. The latest Tasmania Visitor Survey information from the Department of Economic Development, Tourism and the Arts (Tourism Tasmania) estimates that in the year up to 30 March 2011, there had been a total of 46 100 campervan/motor homes visitors to the State, spending on average a total of \$3 000 over 17 nights.

Both the State Government and Tasmanian councils understand the importance of promoting tourism in regional areas. There are significant benefits to communities having viable privately-owned businesses that employ local people, reinvest in the local economy and may encourage other local investment in the area.

There are 107 caravan and holiday parks in Tasmania, offering a total of 4 915 sites, with the capacity for 1.7 million accommodation nights per annum¹. A breakdown of council-owned and commercially-owned parks by region is provided below:

	Council	Private	Total
Northern Region	4	19	23
Greater Hobart-Southern	10	31	41
Mersey-Lyell Region	18	25	43
Whole of Tasmania	32	75	107

A comparison of caravan and holiday parks in each municipality is provided below:



Source: *Caravan and Holiday Park Guide to Tasmania*, 2010: www.caravantasmania.com.au the Local Government Association of Tasmania: www.lgat.tas.gov.au & individual local council phone contacts.

Caravan parks often provide tent sites as well as cabins, and powered and unpowered sites for both self-contained and non-self-contained RVs. Most caravan parks provide showers, toilets and

¹ Edwards, A, "CIAT Submission on a strategy for RV/Caravan camping in Tasmania", *Caravan Industry Australia – Tasmania*, 5 September 2011, p.1).

laundry facilities as well as potable water and disposal points for waste from self-contained RVs. Many caravan parks also provide barbecue facilities and recreational facilities such as pools, tennis courts and playgrounds.

Self-contained RVs are campervans or motorhomes that have in-built eating, sleeping, food storage and preparation facilities, and also contain a toilet, shower and holding tanks for both grey water and black water, clean water storage, deep cycle batteries and a hot water service. This definition was provided by the Campervan and Motorhome Club of Australia (CMCA), and has been adopted by the Economic Regulator.

In addition to the privately run caravan parks, some councils in Tasmania provide overnight camping facilities for both self-contained RVs and for other overnight camping, often within town boundaries and which may be offered at cheap rates or free. Some of these facilities have been operating for many years.

The council-owned sites are either powered or unpowered. The types of services and facilities provided for camping differ between municipalities and sites, as do the charging policies and method of collecting fees, if any are charged. Some councils utilise volunteer and community groups or other businesses to issue permits and collect fees, while others rely on an honesty-box or donation system for fee collection. In some instances, usually where few or no amenity facilities are provided on site, overnight parking is permitted free of charge and is generally intended to be utilised only by self-contained RVs.

A number of councils provide overflow facilities and sites in recognition of the fact that sometimes during peak periods demand exceeds supply and more sites are required than can be provided by private and council operated caravan parks or camping areas within a locality. These sites tend to be ovals and recreation grounds.

1.2 Policy Scope and Definitions

This review relates only to council-provided overnight RV camping facilities. This is consistent with the scope of the investigations and findings of the Economic Regulator, and Local Government's request for a review. A review of State Government-operated business activities was not conducted as part of the review process, though it is acknowledged that the principles of competitive neutrality apply to the State Government in Tasmania, as they do to Local Government.

It is important to bear in mind when comparing State Government and Local Government facilities that careful consideration needs to be given to the function of the facilities provided by State Government; National Parks and "Rest and Revive Rest Stops", for example, serve different functions to those of council-provided camping grounds.

A distinction has been made between the terms 'parking' and 'camping' for the purposes of this Directions Paper. 'Camping' refers to sleeping in or utilising a vehicle's facilities overnight. It also includes camping in a tent or similar structure nearby to a vehicle. 'Parking' involves leaving a vehicle *unattended* and *uninhabited* for any period of time. This Paper specifically refers to camping activities associated with the use of RVs.

This Paper does not relate to overflow parking for once-off major RV events and at other periods when the demand for services is particularly high.

When there is an influx of vehicles into a confined area during RV rallies and special events, and during other peak periods, special arrangements should be made with the agreement of the local councils, caravan park operators and event organisers to ensure that suitable camping services are provided.

It remains important, therefore, that for such events councils, RV users and caravan park owners continue to work together to provide successful arrangements to meet the demands of these events.

1.3 Current Issue – Competitive Neutrality and the Recent Findings of the Economic Regulator

The objective of the competitive neutrality principles is to prevent inefficiency in the use of resources arising from unfair competition between publicly owned and privately owned businesses. An efficient privately owned business in an industry often cannot compete effectively with an inefficient publicly owned business that is heavily subsidised. The net result would be that resources such as labour, land and capital are not put to their most productive use. Too many resources would be used in the inefficient publicly owned business and too few (or none) in the more efficient private business. At the industry level, this would ultimately lead to low labour productivity, inefficient investment and lower real wages and living standards.

The competitive neutrality principles are designed to prevent this by ensuring that all government bodies that are involved in significant business activities compete on fair and equal terms with private sector businesses, where it is in the public benefit to do so².

All Australian jurisdictions have committed to requiring the competitive neutrality principles to be applied and all have enacted legislation to ensure that this is achieved. In Tasmania, this is established under the *Economic Regulator Act 2009*, details of which are provided below.

In 2010 and 2011 the Economic Regulator received a total of four complaints from private caravan site owners about councils providing free or low-priced overnight RV camping services. The premise of the complaint in each case was that the pricing of these council-provided services breached competitive neutrality principles as the prices did not reflect the costs of providing these services.

The Economic Regulator found in each case that the overnight RV camping service for self-contained vehicles provided by the council constituted a 'significant business activity' because it was competing in a market with private caravan park owners. Consequently, the Economic Regulator determined that the NCP competitive neutrality principles of 'full cost attribution' should be applied.

1.4 Local Government Response to the Economic Regulator's Findings

At a workshop with Local Government representatives in June 2011, a motion was supported to request that the State Government, together with the LGAT, prepare a Directions Paper to propose a statewide Local Government policy and uniform pricing methodology for overnight RV camping services provided by councils.

LGAT and the Department of Premier and Cabinet's Division of Local Government, Security and Emergency Management (DLGSEM), together with the Department of Treasury and Finance and Tourism Tasmania have jointly reviewed the current issues and developed a response to this issue.

As part of the review, representatives from the LGAT and the DLGSEM have consulted with the Local Government sector, caravan park owners, groups representing RV users, and other industry stakeholders.

² See further "National Competition Policy – Applying the Principles to Local Government in Tasmania, April 2004"

2. Key Issues for Councils

Councils are keen to support economic growth through tourism in their municipalities, particularly in regional areas where they actively encourage RV users to visit. Importantly, tourism-related economic activity includes private caravan parks, which contribute to the local economy and are often run by small business operators.

In many cases councils have chosen to provide free overnight camping services for self-contained RVs to address the public amenity, public safety and environmental issues caused by campers who park self-contained RVs in unsafe and inappropriate roadside areas within municipalities, and who sometimes inappropriately dispose of rubbish and sewerage waste where they park.

In some cases, overnight parking is prohibited in certain areas where there may be public amenity, public safety and environmental issues associated with camping by owners of self-contained RVs. In other cases, councils have not imposed a prohibition but seek to discourage this camping by providing alternative facilities.

The infrastructure that some councils have chosen to provide to support self-contained RVs travelling within their municipality includes:

- rest stops;
- grey water disposal points;
- rubbish removal and general waste disposal;
- water;
- toilet facilities; and
- picnic facilities.

Some councils consider it difficult to recover revenue in a cost effective way from the use of these facilities to pay for construction, maintenance and improvements, as the facilities are often in public areas and are made available to the whole community. Furthermore, some facilities may be in relatively remote locations at some distance from the nearest town.

2.1 Policy Implications for Councils

The review found that broadly there are four key areas that impact on council decision-making in relation to this issue. The relevance and application of each of these areas will differ for each council.

2.1.1 Balancing competing demands

Councils need to find the right balance between meeting the needs of RV users and the local community, while not disadvantaging privately-owned caravan parks which, like other private businesses, contribute to local economies. Councils need to clearly identify and define the need for any additional camping-related services that they consider must be provided, be robust and transparent in their decision-making, and work with their communities, including local caravan park operators, to find the best solution to this issue.

While it appears evident that in some areas across Tasmania there exists a demand for services to support RV tourists that is in excess of those that can be supplied by private caravan park operators, it does not follow that this demand must be met by councils providing RV camping sites on public land for free or at prices below the cost of providing

the service. Councils should investigate the range of options available for addressing the needs of RV tourists and managing the possible adverse impacts of unmanaged RV tourism in their municipalities.

Councils have raised concerns through the Directions Paper consultation process that obligations under the NCP will affect those areas wishing to attain or maintain the CMCA 'RV Friendly Town' status. According to the CMCA, a 'RV Friendly Town' is one that provides amenities and services to the mobile traveller, and adheres to a number of criteria as determined by the CMCA. Among these, the CMCA advocates for the provision of free or low-cost camping services within proximity of a town centre.

When applied appropriately, the use of the 'full cost attribution' model under the NCP (see section 5.2 and Attachment C) will enable councils to recoup the costs of providing a service, whilst adhering to the competitive neutrality principles and, in the majority of cases, satisfying the 'low-cost' requirement of the RV Friendly Town criteria.

2.1.2 Regulatory issues

Councils are well aware of the concerns of residents (ratepayers) in relation to the issues of public amenity, public safety, waste disposal, water provision and other relevant environmental concerns.

Councils need to consider effective regulation of RV camping utilising tools such as their legislative powers relating to traffic and highways, together with any additional by-laws that may be necessary, that provide for appropriate signage, infringement powers and other enforcement measures.

To encourage compliance by RV users, councils should explore measures such as:

- cost effective fee-recovery and enforcement arrangements at council-provided camping sites;
- locating RV sites that increase the ease, or reduce the costs, associated with recovering fees and ensuring compliance;
- setting penalties for camping at prohibited locations at levels that encourage compliance and putting in place effective enforcements arrangements;
- ensuring that RV owners are provided with sufficient information to know where camping is and is not permitted.

2.1.3 Economic development

Councils are focussed on supporting economic growth through tourism in their municipalities, particularly in regional areas where they actively encourage visits by RV users.

Councils need to account for the differing economic circumstances and needs of their communities. However, a careful balance needs to be struck in terms of maintaining councils' abilities to attract self-contained RV users without unduly disadvantaging other business operators (including privately-owned caravan parks) within Tasmanian communities as well as encouraging business investment across the State.

Where private operators are not available or cannot be encouraged to invest, councils may consider it necessary to operate facilities themselves. It is likely that a minimum level of service (operated on a full cost recovery basis) would not be a deterrent to compliance with parking or environmental by-laws in most instances, even if there is some non-compliance by a minority of RV users.

2.1.4 Recovery of costs and competitive neutrality

Where councils operate significant business activities, the prices of the goods and services produced must reflect the costs incurred. For overnight self-contained RV camping services, councils are required to appropriately apply the competitive neutrality principles and should adopt the 'full cost attribution model' in determining the cost of providing the service.

3. Current Stakeholder Positions

3.1 Caravan Industry Australia - Tasmania Inc

The Caravan Industry Australia - Tasmania (CIAT) represents 57 member parks, accounting for approximately 90 per cent of the total capacity in parks throughout Tasmania. CIAT is closely affiliated with the national body, the Caravan, RV and Accommodation Industry of Australia Ltd.

CIAT's central position is that councils' provision of low-cost or free RV camping services is tantamount to 'unnecessary competition' for the private caravan park industry. CIAT states that this is leading to a loss of investment opportunities in the industry, exacerbated by private operators being reluctant to spend more funds in upgrading their facilities.

CIAT considers that some councils are providing facilities that are poorly administered and maintained, including the improper management of waste. This is partly the result of what CIAT sees as a lack of appropriate by-laws to regulate the provision of councils' overnight RV camping services.

CIAT advocates the following positions:

- council-provided facilities should be established only where a clear need can be demonstrated, such as where there would be overflow issues or a lack of privately owned facilities within a reasonable economic distance;
- a consistent approach across all parts of Tasmania; and
- a properly managed system that includes private sector caravan parks, national parks and council-provided facilities is the best way forward for the State.

3.2 Campervan and Motorhome Club of Australia Ltd

The CMCA is Australia's largest RV club and represents over 61 000 members.

The CMCA's position is that councils should continue to be able to offer low-cost and free services. It supports a consistent and statewide policy approach that will provide clarity and certainty for RV users. It states that such an approach will lead to social and economic advantages for local communities and the improved ability of regional areas to attract the expanding RV market.

The CMCA also states that it supports cost recovery for councils to recoup infrastructure and maintenance costs where similar facilities operated by the private sector are available.

The CMCA advocates the following positions:

- exclude all self-contained RVs from any fees or levies incurred while staying in a council-owned rest area;

- if full cost attribution is to be applied to a council-owned service, the cost should be determined by the level of facilities at that site; and
- if a uniform pricing policy is introduced across Tasmania, RV tourists should be offered a discount pass throughout Tasmania.

4. Current Policy Framework

4.1 Local Government Act 1993

Under Section 20 of the *Local Government Act 1993*, a council has the power to "... do anything necessary or convenient to perform its functions either within or outside its municipal area." This means that councils have the powers under the Local Government Act to operate an overnight self-contained RV parking or camping service, operate a caravan park, or any other service for profit. In doing so, however, councils must adhere to applicable legislation, regulations and competition principles.

4.2 National Competition Policy Competitive Neutrality Principles

The competitive neutrality principles are set out in the *Competition Principles Agreement* entered into by the governments of the Commonwealth and each state and territory on 11 April 1995. The Agreement can be located at www.ncp.ncc.gov.au. Section 3 sets out the provisions relating to competitive neutrality.

As indicated previously in this Directions Paper, the objective of the competitive neutrality principles is to prevent inefficiency in the use of resources arising from unfair competition between publicly owned and privately owned businesses.

The competitive neutrality principles are designed to ensure that all government bodies involved in significant business activities compete on fair and equal terms with private sector businesses, where it is in the public benefit to do so.

The *Competition Principles Agreement* requires significant government businesses, or significant business activities of government businesses (including council-owned businesses), to abide by the competitive neutrality principles:

- significant government business enterprises (such as Hydro Tasmania and, Metro Tasmania) are subject to the corporatisation model; and
- significant business activities are subject to the corporatisation model where appropriate and, if not appropriate, the full cost attribution model is to apply.

The application of 'full cost attribution' means that the total cost of the resources used in providing the activity are to be accounted for by the government body in setting prices for the goods or services provided. These include direct and indirect costs and competitive neutrality costs, which are costs that would be incurred if the business were a private sector business, including tax equivalents, rates and also guarantee fees, which reflect the (higher) cost of debt that would ordinarily be incurred by a private operator.

4.3 National Competition Policy – Applying the Principles to Local Government in Tasmania (2004) [2004 Application Statement]

The 2004 Application Statement was prepared by the Tasmanian Government to ensure that Tasmania continues to meet its obligations as a party to the NCP Agreements. It was designed to assist Local Government in the continued application of competition principles to its activities and

reaffirms Local Government's responsibilities in relation to each of the competition principles as set out in the NCP Agreements.

4.4 Significant Business Activities and Local Government in Tasmania (2004)

The document titled *Significant Business Activities and Local Government in Tasmania (2004)* was prepared to provide guidance to Local Government on the definition and reporting of significant business activities for the purposes of competitive neutrality in accordance with the 2004 Application Statement.

This document and the 2004 Application Statement apply not only to individual councils and their activities but also to single and joint Local Government authorities established under the Local Government Act.

The key consideration in defining a significant business activity (SBA) under the NCP, is *the impact of the services on the actual or potential market* - not the share of a council's revenue arising from, or expenditure committed to, that activity.

It is up to public sector entities (in this case, councils) to make their own assessment of the 'significance' of business activities.

In determining whether it is operating a SBA, the public sector entity first needs to consider the relevant market for the services it is providing, the potential geographic boundaries of the market within which it is operating, and the numbers of actual or potential providers of these services. When all of these factors are taken into account, it should become quite clear as to whether or not the service is in competition, and therefore a SBA.

If a complaint is lodged with the Economic Regulator, it is the Economic Regulator's role to determine if the business activity is significant or not. The Regulator will look at the same range of criteria that public sector entities should be considering, as listed above.

The Economic Regulator has already determined in four investigated cases that council-provided camping sites are significant business activities. Councils should therefore proceed on the basis that any camping sites they operate to provide services to RV uses are significant business activities.

As a result of submissions to the Consultation Draft of the Directions Paper, the Department of Treasury and Finance is currently in the process of reviewing the publication *Significant Business Activities and Local Government in Tasmania April 2004* including the guidance provided on the application of competitive neutrality principles. This review is not expected to affect the obligations of Local Government in meeting NCP competitive neutrality principles.

4.5 Economic Regulator Act 2009

Under section 10(d) of the *Economic Regulator Act 2009*, the Economic Regulator is empowered to conduct competitive neutrality complaint investigations regarding alleged breaches of NCP competitive neutrality principles, as set out in Clause 3 of the *Competition Principles Agreement*.

The process is set out in Part 6 of the Economic Regulator Act. The Economic Regulator is required to investigate complaints and provide its determination and recommendations to the Portfolio Minister [in this case, the Minister for Local Government]. The Act can be accessed at www.thelaw.tas.gov.au.

4.6 Local Government Association of Tasmania's Recreational Vehicle Policy [2012]

The review included consideration of the LGAT's previous policy document, titled *Recreational Vehicles - Development and Management of Facilities [2008]*. This document was found to be no longer appropriate to the extent that it referred to the provision of free camping. The LGAT

policy document has subsequently been amended to clearly acknowledge Local Government's competitive neutrality obligations under the NCP.

The revised document, *Recreational Vehicles - Development and Management of Facilities* [2012], is designed to assist councils to plan, develop and manage appropriate facilities to cater for RVs. It aims to introduce a consistent approach to RV tourism in Tasmania to enhance the holiday experience, lead to longer stays, result in repeat visits, and spread the word to other RV tourists. It also aims to provide a boost to local economies, and bring opportunities for business growth and employment, particularly in rural and regional municipalities.

The revised LGAT policy offers criteria - the first of which is meeting the competitive neutrality test - that should be considered by councils when considering whether and where to provide camping facilities for RVs.

5. Policy in Practice – Application of Relevant Principles

5.1 Application of National Competition Policy and Competitive Neutrality Principles

It is clear that many municipalities have experienced a range of adverse outcomes from unmanaged RV tourism and that the provision of free or low-cost services has been undertaken to ameliorate or eliminate these adverse outcomes. However, in doing so, councils may have inadvertently impacted on private operators. In the four cases investigated by the Economic Regulator, the Regulator has concluded that the councils breached the competitive neutrality principles.

The fact that some councils may experience adverse outcomes where services are not provided is not in itself evidence of market failure or any other major problem that justifies the provision of free or subsidised services by a council. Councils therefore have the task of dealing with potential adverse impacts from RV tourism, while at the same time meeting their NCP obligations.

Councils must comply with NCP competitive neutrality principles when providing a competitive service unless it can be demonstrated by a cost-benefit analysis that it is in the public interest not to do so. In the case of providing overnight camping for self-contained RVs, it appears highly unlikely that there is an inherent market failure in Tasmania, given the current level of competition and services. Furthermore, the public interest of any non-compliance with competitive neutrality would have to demonstrate that there are no regulatory or other solutions that would address the issues raised with RV tourism. Therefore, it is very unlikely that there would be any grounds that would demonstrate that not complying with competitive neutrality principles is in the public interest.

It is acknowledged that there is a public good issue for councils to manage the appropriate parking and amenity of self-contained RVs and other vehicles generally. However, this is likely to be largely a regulatory issue that needs to be managed irrespective of whether a council chooses to provide overnight parking and camping services.

By complying with competitive neutrality principles and providing a business environment that is conducive to tourism investment, councils will encourage further development of privately operated camping grounds and caravan parks which will serve to alleviate the problems associated with tourists parking inappropriately on roadsides and other council land, and also provide employment and other economic benefits.

The findings of the Economic Regulator's investigations highlighted that councils would benefit from assistance to balance competing demands when considering their approach to providing these services in their municipalities. These demands relate not only to competitive neutrality, but also to local economic development, and issues such as public amenity and safety.

A tool has therefore been developed to assist councils in their decision-making on this matter (see Attachment B). This Decision-Making Guide has been developed with the aim of bringing together the necessary policy elements and thinking on the issue, to support open and transparent decision-making as well as facilitate appropriate communication with businesses, consumers and ratepayers. The Guide provides for a number of service delivery options to be considered.

5.2 Application of the Full Cost Attribution Model

Full cost attribution requires councils to identify all costs of providing a significant business activity and reflect those costs in their pricing as if they were operating a stand-alone business that does not enjoy any subsidisation derived from its public or council ownership. This would include costs that a council does not actually incur, but which private businesses do incur in the provision of the same service e.g. insurance, rates and taxes.

For example, for the purposes of competitive neutrality, when determining the 'cost' of insurance in the provision of a particular service, rather than apportioning a percentage of the overall insurance costs that are actually attributable to that service, full cost attribution would generally require that a council seek advice as to the cost of taking out separate insurance as if it were a private operator.

A Full Cost Attribution Checklist, addressing the types of costing considerations to be taken into account when applying full cost attribution, is included in this paper (see Attachment C). It is intended that the template can be adapted by councils to suit the nature of the services they may deliver. A working example of the Checklist that includes indicative figures is also provided (see Attachment D). This pricing template supports the revised LGAT RV Policy and the Decision-Making Guide.

If the Full Cost Attribution Checklist is accurately completed, councils can have a high degree of confidence that they will be compliant with competitive neutrality principles, while providing longer term economic and amenity benefits for their communities.

6. Conclusion and Recommendations

6.1 Conclusion

The review of Local Government-owned overnight RV camping services has found that councils operating these services must apply a full cost attribution model approach to charging for these services. Each council-owned facility in Tasmania is likely to be competing with a privately-owned caravan park, either within its own municipality or in surrounding municipalities, and needs to price its services accordingly.

The previous LGAT policy document titled *Recreational Vehicles Development and Management of Facilities [2008]*, that allowed free sites for overnight RV camping services to be established within town boundaries, was not appropriate to the extent that it referred to the provision of free camping. In consultation with councils, the LGAT policy has subsequently been revised in 2012 to reflect the competitive neutrality obligations of Local Government under the NCP.

Councils need to be robust and transparent in their decision-making and work with their communities, including local caravan park operators, to find the best solution to this issue.

To support open and transparent decision-making, a guide has been developed that aims to bring together the necessary policy elements and analysis, as well as facilitate appropriate communication with businesses, consumers and ratepayers (Attachment B). The Decision-Making Guide provides for a number of service delivery options to be considered. Both the revised LGAT policy and the Guide are supported by a Full Cost Attribution Checklist that can be adapted by councils to suit

the nature of the service provided (see Attachment C). A working example of the Checklist that includes indicative figures is also provided (see Attachment D).

If the Full Cost Attribution Checklist is accurately completed and its outcomes implemented (i.e. prices are set at the level required to recover the costs incurred in providing the service, as calculated in the template), councils can have a high degree of confidence that they will be compliant with competitive neutrality principles whilst providing longer term economic and amenity benefits for their communities.

6.2 Recommendations

It is recommended that:

- the revised LGAT RV policy, including the decision-making guide and Full Cost Attribution Checklist be adopted by all councils in Tasmania (Attachments A, B and C); and
- all councils currently operating overnight self-contained RV camping services review their services in accordance with the revised LGAT RV policy and apply the decision-making guide and Full Cost Attribution Checklist as appropriate.



Policy Guidelines 2012

Recreational Vehicles Development and Management of Facilities

Caravan and holiday parks supply almost half of the commercial accommodation outside the major centres of Hobart and Launceston, accounting for 16% of all holiday visitor nights in Tasmania.

The number of caravans, campervans and motor homes travelling to Tasmania on the *Spirit of Tasmania* has increased steadily in the past four years, with anecdotal evidence suggesting that these tourists tend to stay longer than other tourist groups.

There are 107 caravan holiday facilities located across Tasmania's 29 municipalities, and to this date, there has been no consistent approach to catering for this tourist group. The introduction of a consistent approach to motor-home and caravan tourism in Tasmania will enhance the holiday experience, lead to longer stays, result in repeat visits, and will spread the word to other RV tourists. It will provide a boost to the local economy of small centres and bring opportunities for business growth and employment.

The following document is designed to assist councils to plan, develop and manage appropriate facilities to cater for recreational vehicles.

1. Definitions of RV Types

Where councils have by-laws relating to public reserves, camping or caravans it is recommended that they make a clear distinction between self-contained and non-self-contained recreational vehicles and clearly define what constitutes a self-contained RV.

Two examples of definitions for self-contained RVs follow:-

A vehicle that has internal cooking facilities; sleeping facilities plus water tanks for drinking and other purposes; holding tanks for “grey water” and holding tanks for toilet effluent and shower facilities. (Devonport City Council)

A vehicle that is full self-contained with respect to shower, toilet, washing, cooking and sleeping facilities and must have holding tanks for all toilet waste and sullage water sufficient for at least 48 hours use by the occupants. (Latrobe Council)

Copies of the respective by-laws are attached.

2. Permits

a) Signage:

Where permits are required the wording of relevant signage should include the following information:-

- Indicate that a permit is required (in some cases there is a charge and some not);
- Provide directions where to obtain the permit;
- Indicate how any fees may be paid or collected (eg. by council or an agent of council);
- Indicate length of stay permitted;
- Advise permit should be displayed on vehicle dashboard;
- Advise of any additional conditions that apply (these can be listed on the reverse of the permit);
- Detail enforcement measures.

An example of signage wording is attached.

b) Permit Wording

Permits might include the following details:

- Council details;
- Permit Number;
- Type of vehicles permit applies to;
- Vehicle Registration Number;
- Vehicle Description;
- Length of stay permitted – commencement and expiry dates of permit;
- Name and signature of authorised officer;
- Date of issue;
- Name and signature of permit holder plus any specific council conditions that need to be acknowledged by the holder.

An example is attached.

c) Permit Terms and Conditions

These will vary from council to council but might include:

- Length of stay permitted;
- Details of where permit should be displayed;
- Details of what the permit actually applies to eg a fully self-contained RV;
- Any other conditions;
- Details of any penalties.

3. Roadside Camping

It is recommended that no camping sites be established within town boundaries other than designated sites which should meet the following specific criteria:-

- Competitive neutrality test;
- Complete hard stand ground surface;
- Safety from passing traffic;
- Limited intrusion to private dwellings;
- Toilet and waste water dump access;
- Parking and access for larger vehicles;
- General waste and environmental management needs.

Attachment A provides a decision-making tool template for use by a council when considering whether or not it is necessary for that council to provide camping services within its municipality.

When choosing sites outside town boundaries the following criteria should be applied:-

- Competitive neutrality test;
- Dump station presence;
- Toilet access;
- Parking and access for large vehicles;
- General waste and environmental management needs.

Councils need to consider effective regulation of RV parking and non-parking areas utilising tools such as by-laws that provide for appropriate signage, infringement powers and other enforcement measures. Councils may identify day-use areas where no overnight parking or camping is permitted, place prominent signage and manage accordingly.

4. Competitive Neutrality

In the provision of goods and services generally, councils need to recover and account for the costs incurred. For the provision of overnight self-contained RV camping services, councils must appropriately apply the National Competition Policy and the principles of competitive neutrality. The objective of the competitive neutrality principles is to ensure that government bodies (including Local Government bodies) conducting a business within a competitive market operate without net competitive advantages over other businesses as a result of their public ownership i.e. there must be a 'level playing field'.

Competitive neutrality principles apply to significant government business activities undertaken by Local Government under the broad range of council functions. The key consideration in defining a significant business activity (SBA) under the National Competition Policy, is the *impact of the services on the actual or potential market* - not the share of a council's revenue arising from, nor expenditure committed to, that activity. The most appropriate model of

competitive neutrality to apply to the operation of camping service facilities is the 'full cost attribution' model.

Full cost attribution requires councils to identify all costs of providing a significant business activity as if it were a stand-alone business that does not enjoy any subsidisation derived from its public or council ownership. This would therefore include some costs that a council does not *actually* incur, but which private businesses do incur in the provision of the same service, such as (where applicable) insurance, rates and taxes. A 'Full Cost Attribution Checklist', that provides guidance to councils in identifying the types of costs to be taken into account when applying the full cost attribution model, is provided at Attachment B.

Competitive neutrality needs to be respected where there are commercial caravan operators in the area. Commercial operators must not be disadvantaged by the actions of local councils providing facilities for visitors from the caravan/motor home sector.

5. Overflow Planning

It is important to ensure adequate planning is in place to develop appropriate overflow facilities for special events, such as rallies and concerts, and to meet peak period demand. Where this occurs:-

- Commercial operators should be involved in overflow planning and communication;
- Availability of such facilities need to be communicated to visitors arriving in the state/the area;
- Councils may consider utilising local recreation ovals/grounds for such short term purposes and 'one off' events.
- Planning and communication should also involve the relevant regional tourism organisation.

6. Dump Stations

Caravan parks are required to provide a waste-water dump station in accordance with the provisions for soil waste dump points under AS/NZS 3500.2. These facilities are to be available for use by guests of the parks or by the members of the travelling public who may not be staying overnight.

The provision of additional council dump-stations may be advisable as a response to public health issues but should not be developed in competition with any commercial facility. The location of such dump-stations should be carefully considered so as not to encourage free camping or the inappropriate disposal of other waste material.

7. CMCA ‘RV Friendly Town’ Criteria

The Campervan Motorhome Club of Australia (CMCA) has a set of criteria that are used for assessing towns under the ‘RV Friendly Town’ Scheme. An ‘RV Friendly Town’ is one that provides amenities and services for the mobile traveller. These services include:

- Access to medical and pharmacy services;
- Parking within close proximity to general shopping area with groceries & fresh produce;
- A service centre for basic vehicle repairs;
- A Tourist Information Centre (TIC) with appropriate parking nearby;
- A prominent town map showing essential facilities (e.g. hospital, medical services, fuel, shopping area, dump point, fresh water);
- Access to potable water;
- Access to a Dump Point;
- Provision of short term (say 24 hour) parking within 2.5km of town centre;
- Provision of longer term parking within 5-10km of town centre, at a reasonable rate;
- Council to provide one person as contact;
- 'RV Friendly Town' signs erected at town entrances*.

For further details visit the website, www.cmca.net.au

8. Signage

The Campervan and Motorhome Club of Australia will provide signage* ‘at cost’ to erect at each entrance to the town. However as this is a privately trademarked symbol, the Department of Infrastructure, Energy and Resources (DIER) will not permit the erection of ‘stand alone’ CMCA sign on State roads. It will accept the sign if it is incorporated into a legitimate Town Welcome sign at the town boundaries (under current existing guidelines.) This must be one plate and not exceeding 3 sq/m in area.

Caravan, Motorhome and Dumpstation symbols are also available to Councils to inform travellers of the presence of these facilities. The Tasmanian Roadside Signs Manual is available at www.transport.tas.gov.au/publications/tasmanian_roadside_signs_manual

*A council may erect ‘stand alone’ CMCA signage on its own roads.

Example for Wording for Signs:

WELCOME TO {NAME OF COUNCIL} OVERNIGHT STOP AREA

FULLY SELF-CONTAINED VEHICLES ONLY

Welcome to [Name of Municipality]

This area is regulated by [Council Name] By-Law (as appropriate)

The following conditions apply:-

- A permit must be obtained to park in this area overnight. Permits are available from;
- List any 'per night' fees applicable;
- Indicate maximum permitted 'number of days' stopover;
- List prohibited activities, e.g. campfire, dumping rubbish, etc;
- Please note conditions on reverse of permit;
- Infringement notices will be issued for offences (listed)

By Order
General Manager

WE HOPE YOU ENJOY YOUR STAY

Example for Wording for Permit

[Name of Council]

PERMISSION FOR OVERNIGHT STOP AREA

[Details of Location]

_____ Council By-Laws (as appropriate)

FULLY SELF CONTAINED VEHICLE

This vehicle is authorised to camp within the [details of location] for the period _____, subject to the terms and conditions detailed on the reverse of the permit.

Vehicle Registration Number

Vehicle Description

.....

.....

Commencement date of permit

Expiry date of permit

.....	Signed by permit holder: This permit acknowledges that non-compliance with the conditions of this permit is an offence that may be prosecuted in accordance with the provisions of [relevant By-Law] and other environmental and health regulations.
Signature of authorised officer	Name:
Date of issue:	Signature

Example of Permit Terms and Conditions to be included on Reverse of Permit:-

TERMS AND CONDITIONS

1. This permit is valid for the dates shown.
 2. This permit must be displayed prominently on the vehicle dashboard, and visible from the front left side of the vehicle.
 3. This permit applies only to a vehicle which is self contained with respect to shower, toilet, washing, cooking and sleeping facilities, with holding tanks for all toilet waste and sullage water sufficient for 48 hours.
 4. Discharge of liquid in any waste form is prohibited within the designated overnight stop area. PENALTY: A fine of \$....
 5. Any other conditions (council specific). PENALTY: A fine of \$....
-

EXAMPLES OF BY LAW

This draft policy document has not provided a 'model By Law' but has provided examples of two currently operating By Laws from Local councils in this state.

Devonport City Council

BY-LAW 1 OF 2007-12-20 a By-Law of the Devonport City Council, made under Section 145 of the Local Government Act 1993 to regulate, control, and protect Council's reserves, recreation grounds, parks and gardens owned by or under the control of the Devonport City Council.

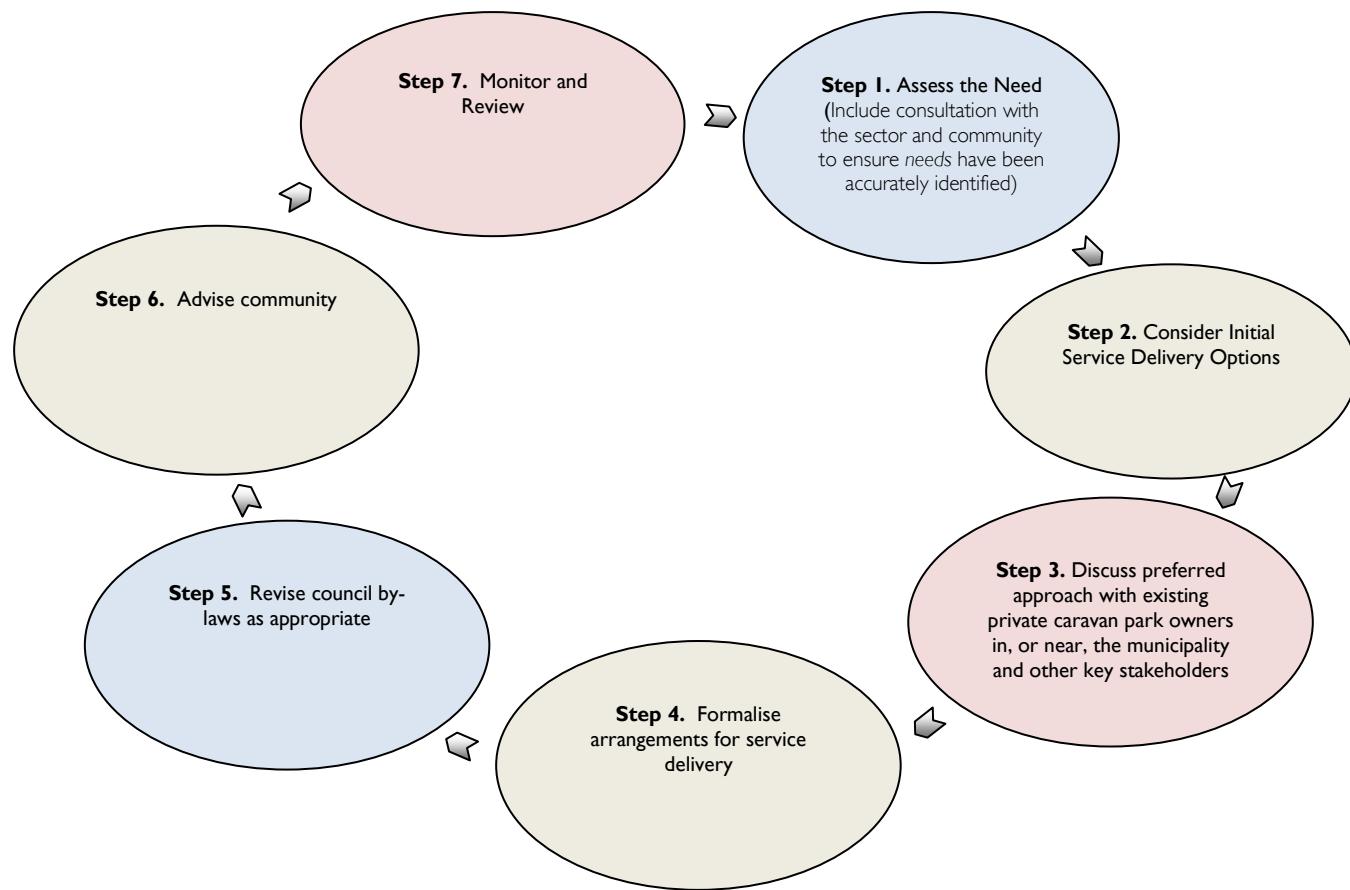
PART 2 – USE OF PUBLIC RESERVES

Camping

- 20 (1) A person must not camp in a public reserve without the written permission from an authorised officer.
Penalty: a fine not exceeding 5 penalty units.
- (2) For the purposes of subclause 20(1) "camp": means to:
- a. Erect a tent, camper trailer or similar portable shelter: or
 - b. Place, park or leave a caravan, campervan, mobile home or similar vehicle on the reserve between 10.00 pm and 6.00 am; or
 - c. Sleep in the open or in any form of shelter or vehicle between 10.00 pm and 6.00 am.
- (3) An authorised officer may issue an infringement notice for this offence.
- (4) A person may avoid prosecution by paying a fine of 0.5 penalty units to the Council within 21 days after the issue of an infringement notice.

LOCAL GOVERNMENT DECISION-MAKING GUIDE FOR SELF-CONTAINED RV CAMPING SERVICES

To support open and transparent decision-making, a Guide has been developed to bring together the necessary policy elements and analysis, as well as appropriate communication with businesses, consumers and ratepayers. This Decision-Making Guide provides for a number of service delivery options to be considered. It is summarised as a 7-step process below and outlined in greater detail following. The Guide is supported by a Full Cost Attribution Checklist that can be adapted by councils to suit the nature of the service(s) provided. It is suggested that councils record/document all steps followed from this Guide to assist in industry and public consultations, as well as future planning and decision-making reviews.



STEPS	EXPLANATION/ CONSIDERATIONS/ ACTIONS	TOOLS/ REFERENCES/CONTACTS
Step 1 Establish need for overnight caravan/motorhome parking in municipality	<p>Consider and document what the reasons are behind the need to deliver this service, including:</p> <ul style="list-style-type: none"> ● Market demands/market needs/market failure ● economic development opportunities and risks ● consumer needs (such as overflow parking) ● community needs <p>Consider and document what you want from the service (i.e. outputs), rather than on how it is to be done (to allow for creative/different solutions).</p> <p>Define your needs clearly, accurately and completely. Some requirements to consider when defining your needs include:</p> <ul style="list-style-type: none"> ● what specific services are required e.g. just parking space/ dump point/ toilets/ showers/ electricity, etc. ● maintenance / servicing of assets /insurance ● administration arrangements e.g. permit system and compliance, site supervision, after-hours support ● marketing and signage. <p>Seek feedback from the sector and the community that the needs have been accurately described and justified.</p> <ul style="list-style-type: none"> - This may include a re-assessment of what was considered as the original need. 	<p>Tourism Tasmania, Caravan Industry Australia - Tasmania (CIAT) and regional tourism association for market research and intelligence</p> <p>Local Government Association of Tasmania (LGAT), CIAT and Tourism Tasmania for relevant policy information and/or advice on operational considerations</p>
Step 2 Consider initial service delivery options and approach, including pricing requirements	<p>Once the need is clearly specified, consider options for delivering the service, including:</p> <ol style="list-style-type: none"> 1. arrangements with privately-owned caravan parks 2. other businesses within the community with parking space or waste disposal facilities to deliver the service/s 3. tendering 4. community groups 5. council-provided service <p>When discussing options with key stakeholders, include consideration of risk (including managing and costing risk exposure) of the service</p> <p>The 'service options' will impact on the cost of delivering the service. Costs to consider include:</p> <ul style="list-style-type: none"> ● public liability insurance, provision for 'dump point', drinking water access, public toilets/showers, rubbish removal, issuing permits, licence and other compliance costs, site and asset maintenance costs, security/fire, marketing, the size and space of the land and its value <p>Establish the likely costs of operating a site (for the alternative options being considered) and, based on records of actual or alternatively <i>estimated</i> visitor numbers, estimate a price to charge. Consider competitive neutrality principles when setting the price.</p>	<p><i>National Competition Policy: Applying the Principles to Local Government (2004)</i></p> <p><i>Significant Business Activities and Local Government in Tasmania (2004)</i></p> <p>Applicable council procurement guidelines</p> <p>CIAT for operational norms and to consider safety/service compliance requirements that private caravan parks must adhere to (to understand operating requirements and full costs) e.g. number of fire extinguishers required per park etc. Recreational Vehicle overnight parking and camping services – Uniform Pricing Tool</p> <p><i>For further information contact the Department of Treasury and Finance</i></p>

<p>Step 3</p> <p>Discuss preferred approach with existing private caravan park owners within reasonable travelling distance of the municipality and other key stakeholders</p>	<p>Discuss preferred approach with key stakeholders, including the CIAT and other interested parties including tourism businesses within the region.</p> <p>Allow opportunity for feedback / comment on proposed approach so that all considerations can be taken into account.</p> <p>Explain reasons for decisions.</p>	<p>Tourism Tasmania and regional tourism associations for marketing information and opportunities.</p> <p>Cradle Coast Authority, Northern Tasmania Development Authority or Southern Tasmania Council Authority – regional approach</p>
<p>Step 4</p> <p>Formalise arrangements for service delivery</p>	<p>Formalising arrangements provides clarity, certainty and transparency of the council's decision.</p> <p>This 'formality' can be achieved through:</p> <ul style="list-style-type: none"> ● Memorandum of Understanding ● Formal contract for services ● Other legal instruments ● Approved and published Council policy document <p>Ensure that appropriate processes are in place for recording of monies (financial transactions and audit requirements are clearly spelt out)</p>	<p>Standard contract for services</p>
<p>Step 5</p> <p>Revise council by-laws as appropriate</p>	<p>Revise council by-laws if necessary to enforce arrangements, such as signage changes, issuing parking fines, or litter fines etc.</p>	<p>Sample By-Law: Use of Public Reserves</p> <p>(1) A person must not camp in a public reserve without the written permission from an authorised officer.</p> <p>Penalty: a fine not exceeding x penalty units.</p> <p>(2) For the purposes of subclause (1) "camp" means to:</p> <ul style="list-style-type: none"> a) Erect a tent, camper trailer or similar portable shelter; or b) Place, park or leave a caravan, campervan, mobile home or similar vehicle on the reserve between 10.00 pm and 6.00 am; or c) Sleep in the open or in any form of shelter or vehicle between 10.00 pm and 6.00 am. <p>(3) An authorised officer may issue an infringement notice for this offence.</p> <p>(4) A person may avoid prosecution by paying a fine of x penalty units to the Council within 21 days after the issue of an infringement notice.</p>
<p>Step 6</p> <p>Advise community</p>	<p>Communicating the existence of services within the community is a key role of Local Government.</p> <p>This can be achieved through many avenues, including:</p> <ul style="list-style-type: none"> ● updating council or tourism websites, ● providing an article in council newsletters or local newspapers about new arrangements, ● preparing a fact sheet for local businesses to advise of new arrangements, ● advising local Tourism Information Centre, etc 	
<p>Step 7</p> <p>Monitor and Review</p>	<p>Ensure there is a contact in the Council for the provision of this service.</p> <p>Review arrangements at least annually and report to Council on the ongoing benefit to the community of providing this service.</p>	

Attachment C**FULL COST ATTRIBUTION CHECKLIST³**

NOTE: The Full Cost Attribution Checklist is not exhaustive, but rather an indicative listing of the types of costs that a council may need to consider. Depending on the nature of the services being provided, some councils may identify additional costs to be taken into account whilst for other councils some of the listed costs will not apply.

FULL COST ATTRIBUTION CHECKLIST FOR PROVISION OF SELF-CONTAINED RV CAMPING SERVICES

Cost item	Total annual cost associated with the site (\$)	Proportion attributable to camping activities if the site is used for other activities (%)	Annual cost attributable to camping at the site (\$)
<u>Operating costs</u>			
Salaries direct (including on-costs such as payroll tax, workers compensation and superannuation)			
Salaries indirect (i.e. proportion of salaries and on-costs of corporate services staff including HR, Finance and Administration staff)			
Repairs and maintenance			
Insurance (include general property and public liability)			
Power			
Rubbish collection			
Water and sewerage			
Rent			
Gardening			
Consumables			
Advertising/Marketing			
Corporate supplies			
Signage			
Administration			
Other (detail)			
<u>Capital costs</u>			
Financing costs ¹ (i.e. interest on borrowings to finance the construction of assets such as amenity blocks)			
Depreciation			
Opportunity Cost of Capital			
<u>Competitive neutrality costs</u>			
Taxation e.g. land tax			
Rates			
Guarantee fees			
Tax equivalents ²			

³ Full cost attribution requires councils to identify all costs of providing a significant business activity and reflect those costs in their pricing as if they were operating a stand-alone business that does not enjoy any subsidisation derived from its public or council ownership. This would include costs that a council does not actually incur, but which private businesses do incur in the provision of the same service e.g. insurance, rates and taxes.

<p>I. Financing costs</p> <p>The market rate of interest should be based on the Reserve Bank of Australia's 90-day Bank Accepted Bill Rate / Small Business Loan Rate</p> <p>2. Tax equivalents</p> <p>Tax equivalents are competitive neutrality costs as councils are not liable for Commonwealth income tax; i.e. to ensure that councils are operating on a 'level playing field' with private operators, a tax equivalent amount must be calculated and accounted for when identifying the costs of providing the self contained RV camping facilities. Tax equivalents are calculated by multiplying the net profit from providing the self contained RV camping facilities by the Commonwealth corporate tax rate (currently 30%) as follows:</p> <p>Revenue Less: operating costs Less: capital costs Less: competitive neutrality costs.</p> <p>= Net profit before tax equivalent expense</p> <p>Less: Tax equivalent expense (30% of net profit before tax equivalent expense)</p> <p>= Net profit after tax equivalent expense</p> <p>The net profit after tax equivalent expense must be equal to or greater than 0; if less than 0 it means that the price being charged is less than cost and, the price, therefore, breaches the competitive neutrality principles.</p> <p>It is likely that councils do not have site usage data because they have either not monitored usage of the site or, for a new site, there is no history of usage.</p> <p>Councils will need to estimate revenue to arrive at the net profit and calculate the tax equivalent expense as, in the absence of site usage data, revenue can only be estimated on the basis of the expected number of site visits in a financial year.</p>			
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FULL COST ATTRIBUTION CHECKLIST EXAMPLE

Attachment D

The following 'working example' of the Full Cost Attribution Checklist has been provided to give councils an idea of the types of costs they may incur, along with the proportions that may be attributable to camping activities at multi-use sites i.e. where other activities are also conducted at the site such as day-use of facilities. The proportions are indicative only; individual councils must calculate the appropriate proportion that applies to their activities. For the purposes of competitive neutrality and full cost attribution, it is important that each council determine the appropriate cost allocations and proportions as these pertain to the council's own operations. This particular estimate is based on a self contained RV camping site that has an average of 6 vehicles staying per night i.e. 2 190 vehicles per year.

NOTE 1	REVENUE	\$21 900	
EXPENSES	Total annual cost associated with the site	Proportion attributable to providing self-contained RV camping services where the site is also used for other activities	Annual cost attributable to providing self-contained RV camping services at the site
Operating costs			
Salaries direct (incl. on-costs e.g. payroll tax, workers' compensation, superannuation etc.)	\$13 000	25%	\$3 250
Salaries indirect (i.e. proportion of salaries (including on-costs) of corporate services staff including HR Finance, Administration)	\$3 000	25%	\$750
Repairs and maintenance	\$8 000	25%	\$2 000
Power	\$2 500	25%	\$625
Rubbish collection (if not already included in direct wages and plant costs)	\$4 000	25%	\$1 000
Water and sewerage	\$400	25%	\$100
Rent	\$0	25%	\$0
Gardening (including mowing labour and plant costs)	\$1 000	25%	\$250
Consumables	\$1 000	25%	\$250
Advertising/ marketing	\$100	25%	\$25
Corporate supplies	\$200	25%	\$50
Signage	\$1 200	25%	\$300

<u>Operating costs continued</u>				
Administration (* this could sometimes be a competitive neutrality cost if e.g. issue of permits by volunteers)	\$3 500		25%	\$875
Other (detail)				
Septic Tank Pumping	\$250		25%	\$63

	<u>Capital costs</u>			
NOTE 2	Financing costs	\$11 250	25%	\$2 813
	Depreciation	\$1 000	25%	\$250
NOTE 3	Opportunity Cost of Capital	\$12 000	25%	\$3 000

	<u>Competitive neutrality costs</u>			
	Taxation (e.g. land tax)	\$1 000	25%	\$250
	Rates	\$4 100	25%	\$1 025
	Guarantee fees	\$700	25%	\$175
NOTE 4	Insurance	\$1 000	100%	\$1 000
	<u>TOTAL EXPENDITURE</u>	<u>\$69 200</u>		<u>\$18 050</u>

NET PROFIT before Income Tax Equivalent Expense (ITEE) (Revenue less Total Expenditure)	\$3 850
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ITEE (30% of PROFIT before ITEE)	\$1 155
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NET PROFIT after ITEE (Must be >= 0 otherwise charging less than full cost)	\$2 695
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Revenue

NOTE 1 Estimated 6 vehicles per night @ \$10 per night per vehicle i.e. estimated 2 190 overnight stays per annum

NOTE 2 **Financing costs**

Borrowings	\$150 000
Interest at, for example, 7.5% =	\$11 250

NOTE 3 **Opportunity cost of capital**

Capital invested	\$200 000
Opportunity cost at, for example, 6% =	\$12 000

NOTE 4 **Insurance**

Standalone policy quotation based on the risks associated with providing the self contained RV camping services at this site (including general property & public liability insurance)