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Caravan Industry Association (WA)

Summary of Findings – Industry Benchmark Research

Contents

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Executive summary

- In December 2013 Haeberlin Consulting was commissioned by the CIAWA Board to undertake an independent review of caravan park operating requirements in Western Australia.
- During January and February of this year we contacted caravan park owners identified by the CIAWA CEO to participate in interviews and provide data for analysis.
- The responses highlight that even in peak periods the majority of caravan parks have excess capacity, and occupancy levels are lower than 5 years ago. Shorter peak seasons and higher expectations from target markets have created revenue and margin pressures, and parks are seeing these compounded by high compliance cost and requirements.
- These factors need to be taken into consideration when looking at any capacity creation strategies across the state.

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Contents

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Overview of the approach

- 16 stakeholders contacted by email and invited to participate in the research.
  - 2 declines or no responses.
  - 14 in-depth interviews conducted face-to-face or by phone, representing 25 parks.
- 30 Excel datasheets with financial and business model data provided by stakeholders.
  - Margin for error at 90% confidence level is ±14%.
- NB
  - Due to some incomplete datasheets sample sizes will vary from question to question
    - n=19 for data involving fully allocated costs
  - Not all respondents were able to provide 2008 data
    - n=13 for data comparing 2008 to 2013
  - In analysing the data we have relied on the responses within the data sheets. We have not performed any independent verification of the data.

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Contents

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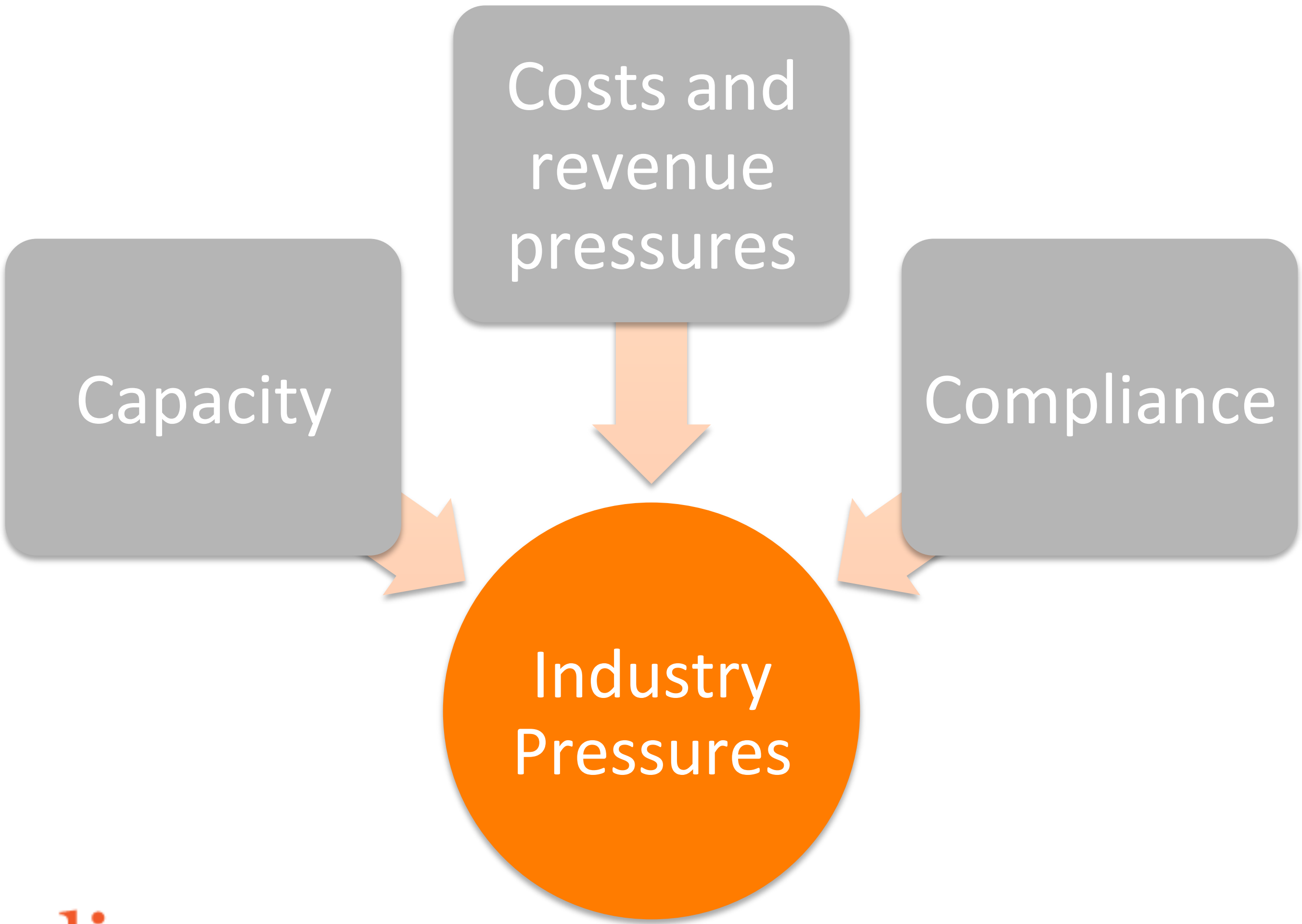
Three central themes arose during the analysis



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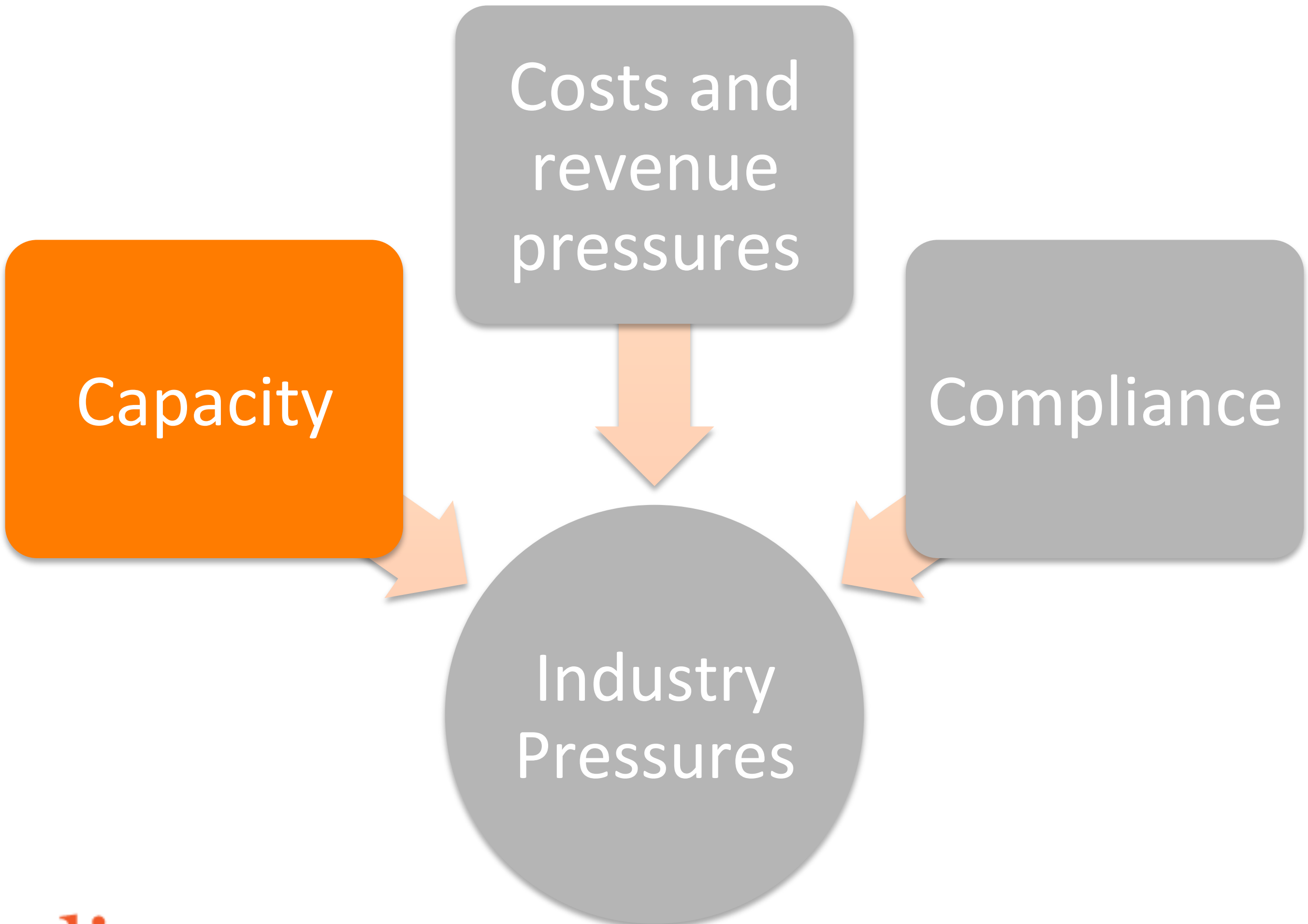
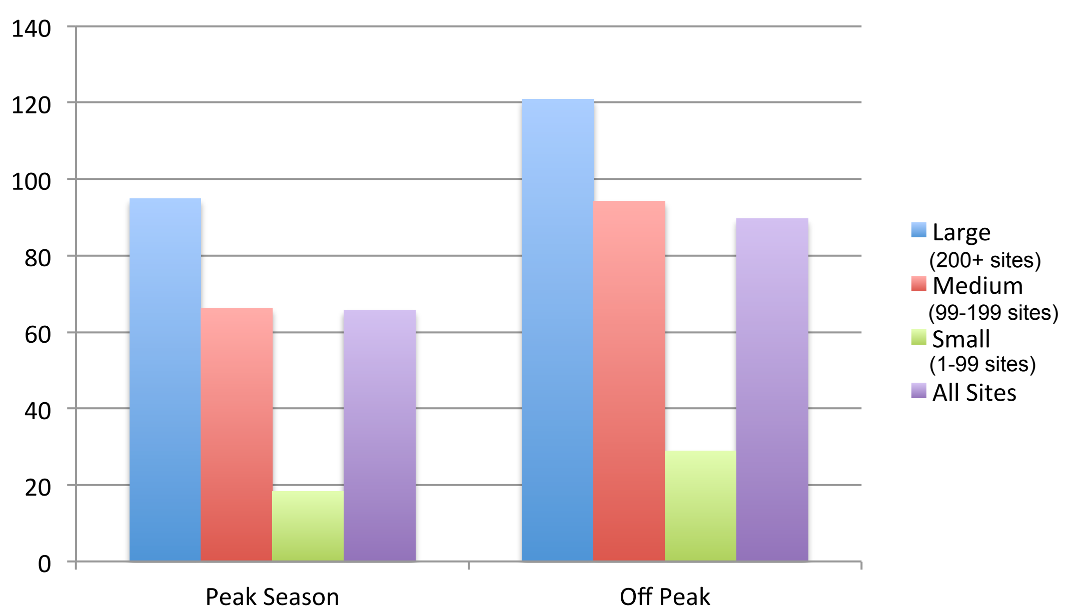


A question of capacity – do we need more sites?

THERE IS EXISTING CAPACITY ACROSS ALL SIZES OF CARAVAN PARK IN WA IN 2013

AVERAGE SITES AVAILABLE[1] PER PARK PER NIGHT BY SEASON AND SIZE



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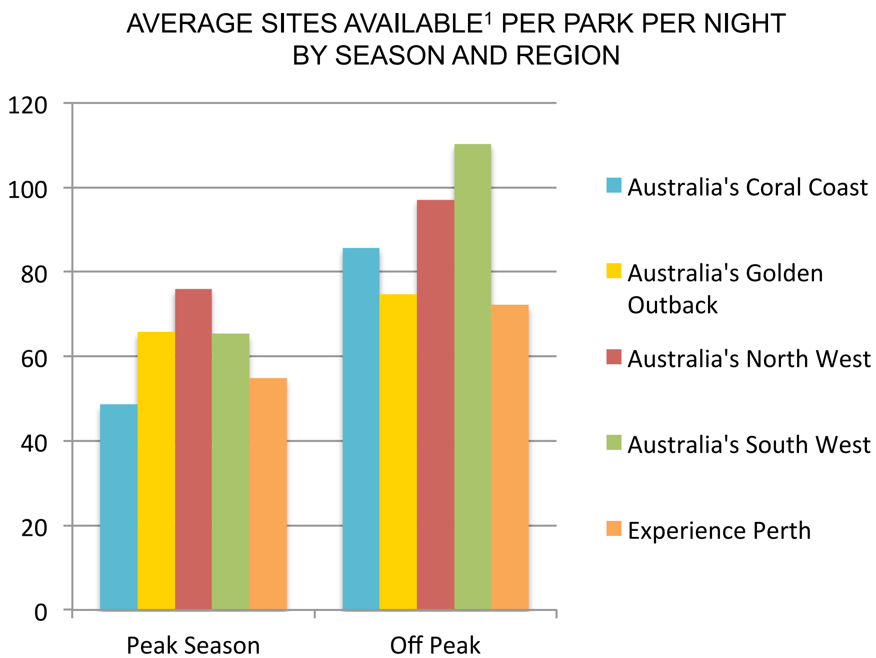
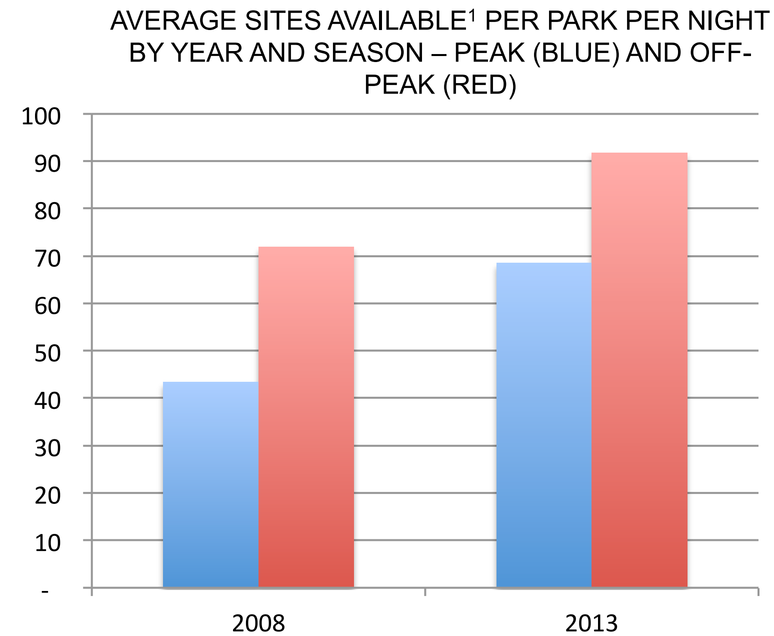
[1] – SOURCE – Haeberlin analysis. Calculated as (1-% occupancy) x average total sites for the relevant period. Large > 200, Medium >100, Small < 100 sites.

Do we need more sites?

THE CAPACITY PICTURE DIFFERS BY REGION…



… AND HAS INCREASED OVER TIME



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[1] – SOURCE: Haeberlin analysis. Calculated as (1-% occupancy) x average total sites for the relevant period.

Beyond existing capacity, there is more available if compliance was not an issue

- 72% of parks represented in the in-depth interviews would have space available for overflow sites during peak season if they were not required to comply with existing regulations under the Act.

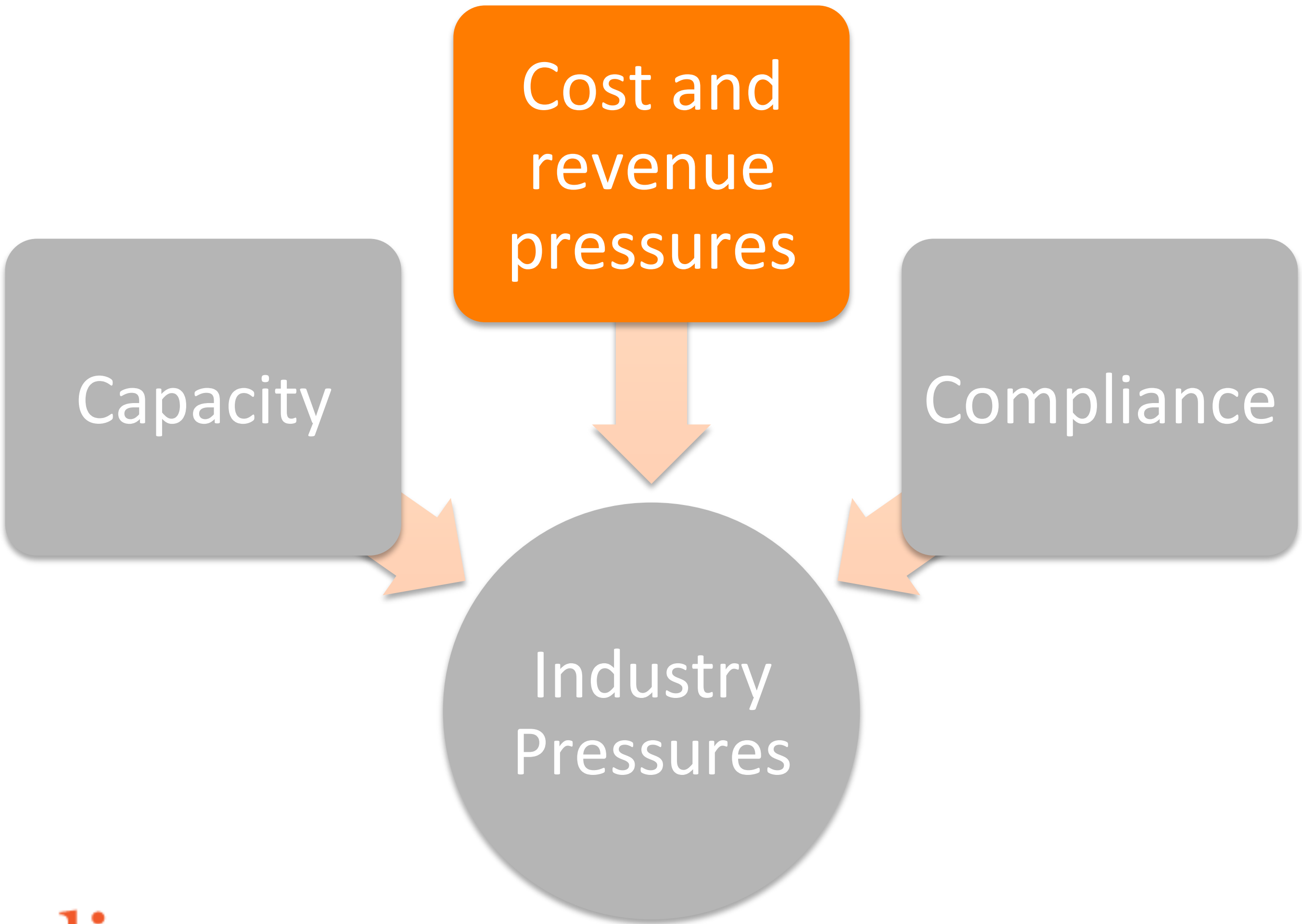
- Space available on existing parks ranges from 8 to 100 sites.

"Let caravan parks manage overflow sites on adjacent land or within their own boundaries - even though the sites might not conform to regulations visitors still have better access to better facilities and will be safer."

"It costs $300k for an ablution block, so not worth developing if compliance is required."

"Peak period really only lasts 2 weeks of the year in total - between Christmas and New Year, Australia Day weekend and Easter weekend.
So overflow would only be necessary for this short period of time."

Three central themes arose during the analysis



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Revenues are being squeezed by shorter peak seasons in all regions

- Many tourist caravan parks reported peak season had shortened, with the average length of stay decreasing in all regions of WA.

"The seasons have gotten shorter. It used to be full June through September but now June is 75%, and we're only full July and most of August."

"The annual occupants have shortened their stay - it used to be 12 weeks and now it's more like 6."

"The Australian dollar is high and Bali is very settled at the moment so a lot of the Perth market are doing their major family holiday in Bali and only staying with us for a long weekend, whereas we used to get them for 2 weeks."

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Visitor expectations are increasing

- On the whole, visitor expectations have increased, with many expecting free WiFi, staff to be available 24-hours a day, children's play areas and better equipped kitchen and laundry facilities.

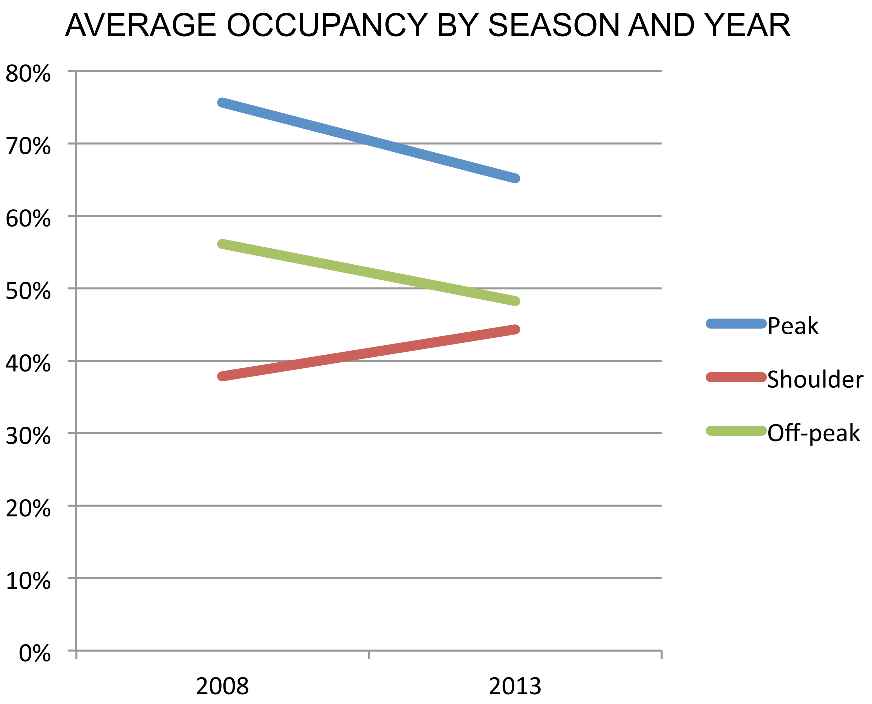
"Expectation of people is a lot higher in terms of facilities they expect. For camping they want to have kitchens, fridges, wi-fi, they now demand these facilities."

- Price sensitivity remains an issue – visitors expect the additional facilities but are not prepared to pay a higher price to get them.

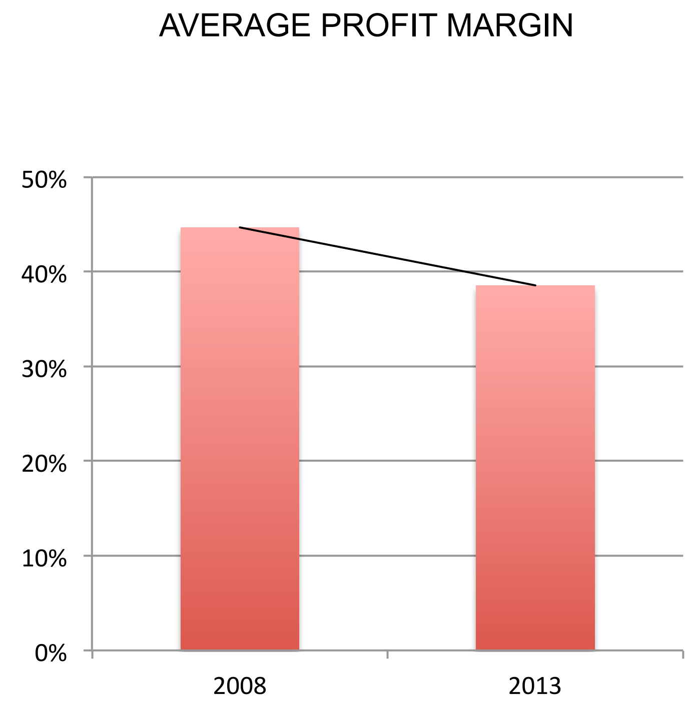
"It's hard to recover the costs because campers are so sensitive to price - we put our nightly rate up by $1 and have people complaining, yet they come in with two TVs and air conditioning in the RVs."

Occupancy rates and margins have been moving against caravan parks

GAINS IN SHOULDER SEASONS HAVE NOT MADE UP FOR DECREASED OCCUPANCY IN PEAK AND OFF-PEAK



COST AND OCCUPANCY PRESSURES HAVE DECREASED AVERAGE PROFIT MARGINS



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Average cost bases differ markedly across regions

TOTAL AVERAGE COST BASE BY REGION AND SIZE[2]

REGION	LARGE	MEDIUM	SMALL	TOTAL
Australia's Coral Coast	$3,878,247	$1,515,516		$3,090,670
Australia's Golden Outback	$1,057,942	$734,348	$771,127	$854,472
Australia's North West	$1,979,622	$1,597,448		$1,826,753
Australia's South West		$939,352		$939,352
Experience Perth	$1,718,968	$1,224,482		$1,471,725
Grand Total	**$2,273,905**	**$1,165,113**	**$771,127**	**$1,611,237**

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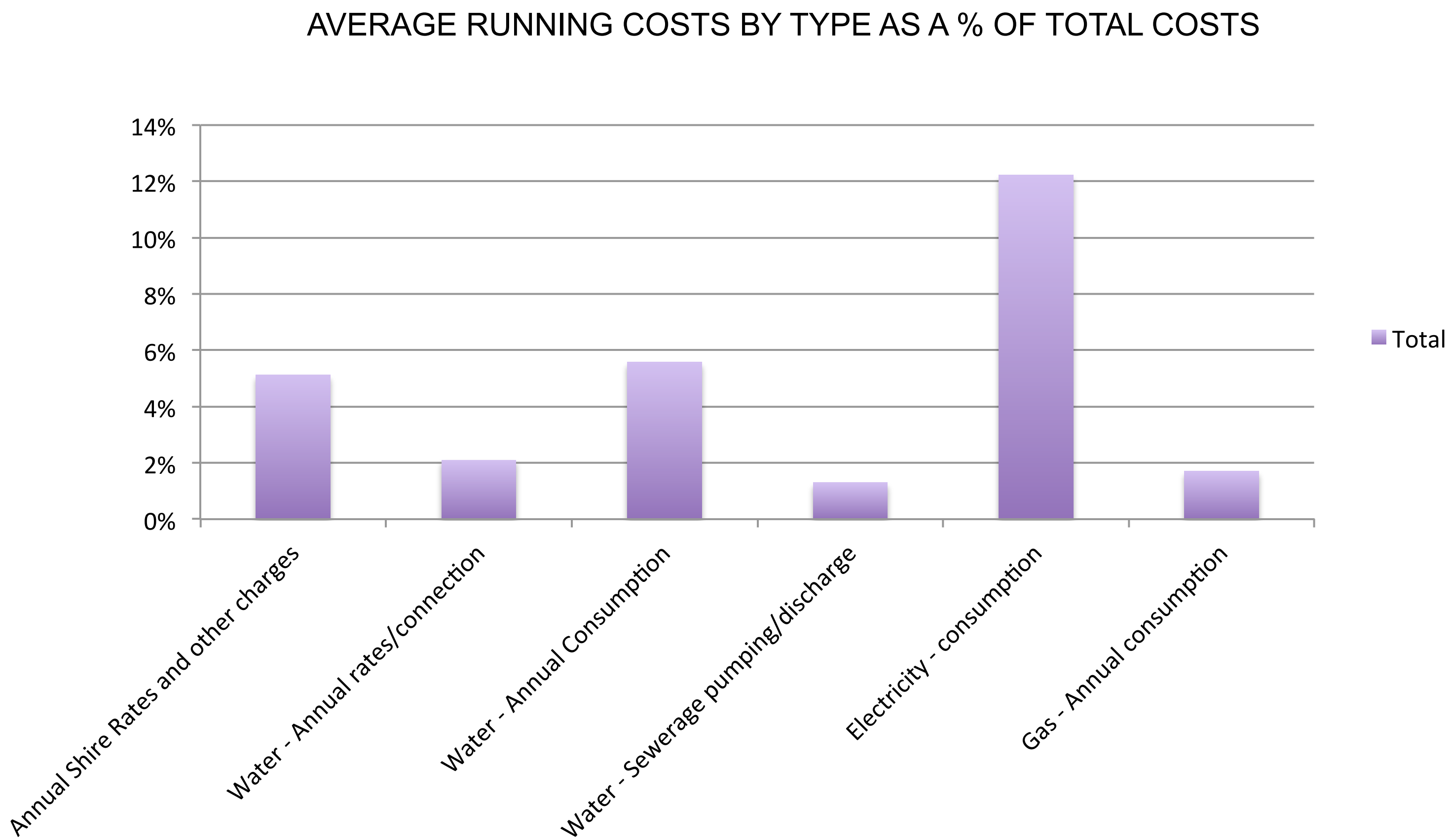
[2] – CAUTION – Small sample sizes for some cells.

Exploring the running cost breakdown

ELECTRICITY AND WATER CONSUMPTION ARE THE LARGEST RUNNING COSTS



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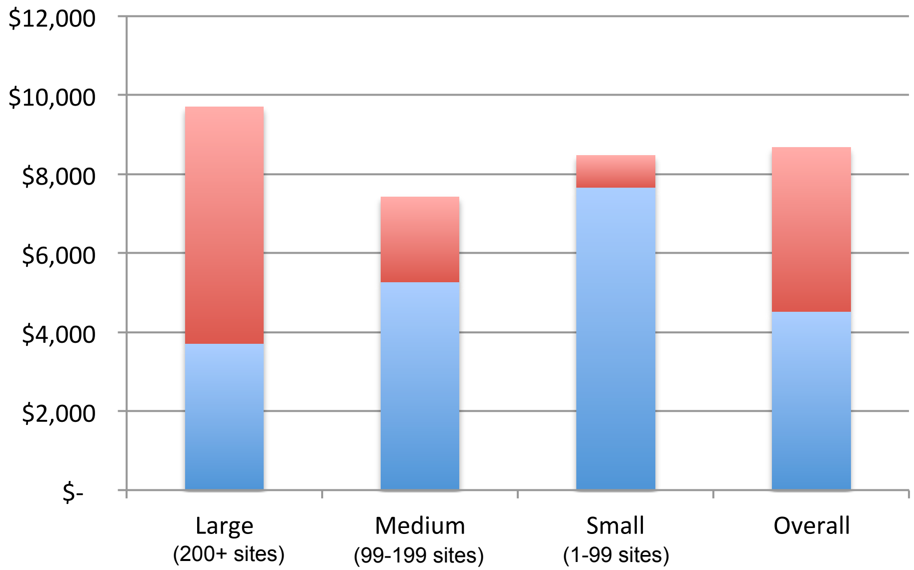
The cost dynamics of a single site

THE FIXED COST BASE ACROSS ALL SIZES OF PARKS IS SIGNIFICANT

AVERAGE FIXED[3] (BLUE) AND VARIABLE (RED) COST PER SITE BY SIZE



Based on a simple average of occupancy rates across peak, shoulder and off-peak periods, ***a caravan park must charge $45 per night for an average site to break even.***

Not accounting for occupancy levels, a caravan park incurs average costs of $23 per night per site. Larger parks incur the greatest average cost, at $27 per night, small parks incur $25 per night and medium parks incur $20 per night.

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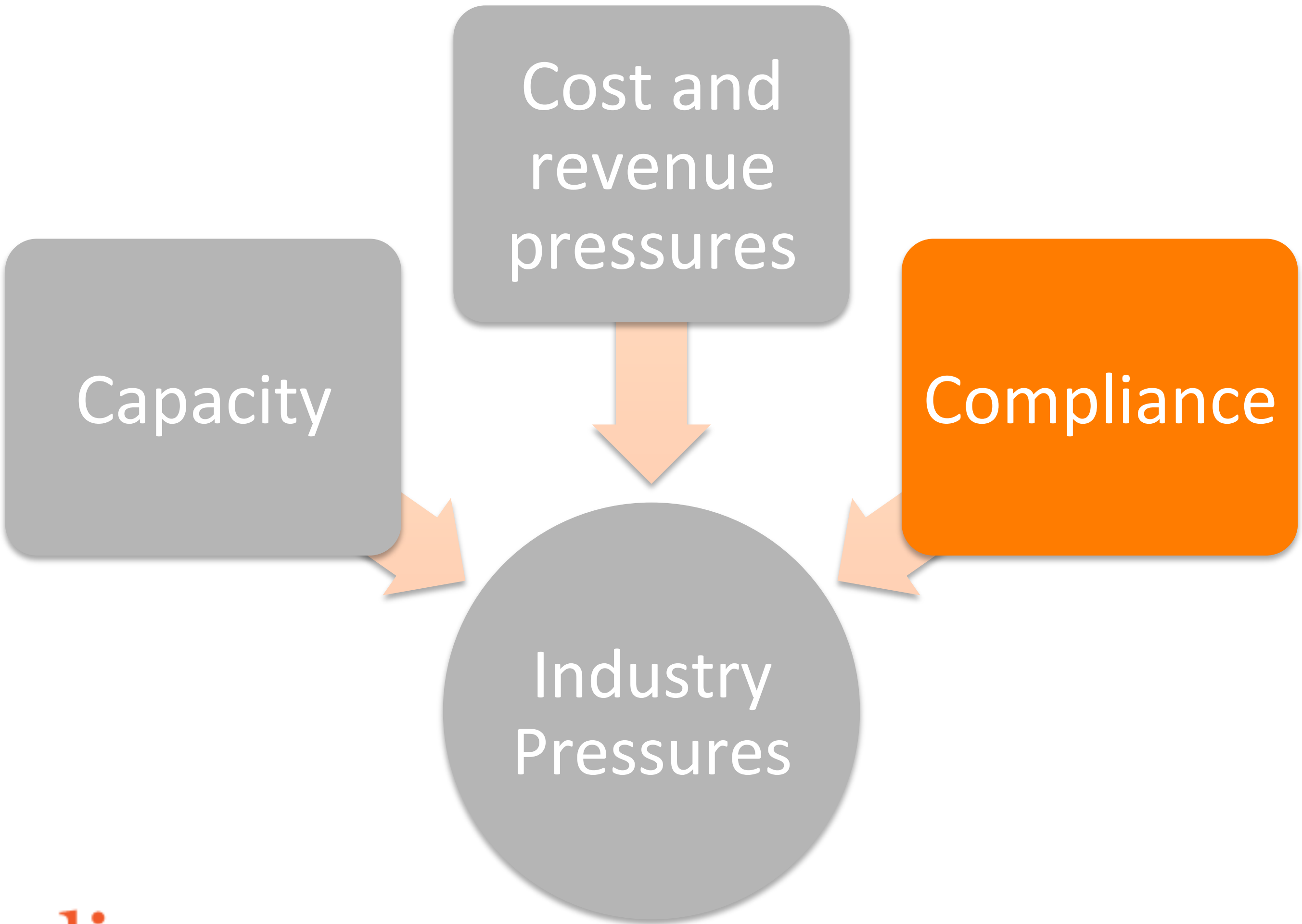
[3] – SOURCE: Haeberlin analysis. Fixed costs include non consumption-based utilities, insurance, rates and permanent staff. Variable costs include consumption-based utilities costs and casual staff. n=19. All costs rounded to nearest dollar.

Three central themes arose during the analysis



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Key findings – cost of compliance

- Costs associated with health and safety regulations have increased over 5 years.

"Fire hydrants need to be checked twice a year. Cost has gone from $200 per check to $700."

"In the last 2 years compliance costs have added a massive overhead to the business - additional Occupational Health & Safety responsibilities, reporting processes, staff training, contractor inductions, safety talks every day."

"The Health Dept deems our pool to be public so we have to have someone on site at all times that's done a [pool safety] course that costs $3500, including flying a person to Perth to take the course."

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Key findings – dealing with Government

- Frustrations with dealing with local Shires ranged from slow approval processes to inconsistent interpretations of Acts between Council employees.

"Compliance with the Health Dep is not aligned to compliance with the Shire - if someone stays for 12 weeks they're deemed to be permanent and we have to put them on a lease agreement but the people who come up for winter don't want to."

"Within councils there are different interpretations of regulations for development. It takes too long to approve and they have a blinkered view of the Caravan Act - no flexibility or understanding of unique nature of individual parks. It took 2 years to get development from cabins only to cabins plus sites."

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Key findings – stakeholder views on the Paper

- Only 1 respondent opposed the concept of nature-based camping in its original concept.
- Of those who supported the concept of nature-based camping, all stated that one set of rules and regulations needed to apply across the Caravan & Camping Industry.

"We need one paper, one set of regulations, one governing body."

"We should give people the opportunity to use their land,.
We do need more parks BUT compliance needs to apply to everyone and not a watered down version."

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Contents

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Summary of findings and future considerations

FINDINGS

- Based on the responses, there is excess capacity within existing caravan parks in WA
- In addition to existing capacity, respondents highlighted the potential for additional overflow capacity to be created if compliance barriers were removed
- The average annual fixed cost per site, regardless of occupancy, is over $4,500
- Peak season shrinkage combined with rising costs have put downwards pressure on margins
- In addition to cost pressures, growing overheads attached to compliance activities, effort and expense are acting as a disincentive to further growth
- There is almost no opposition to the nature-based camping concept

CONSIDERATIONS

- The current excess capacity in existing parks should be factored into any projections of required nature-based camping sites
- When looking at the compliance measures to be levied at new sites created under the nature-based camping concept, the fixed costs and compliance constraints levied against existing parks should be considered so as not to create a two-tier "regulated/de-regulated" market which may potentially cannibalise existing capacity and service offerings

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Contents

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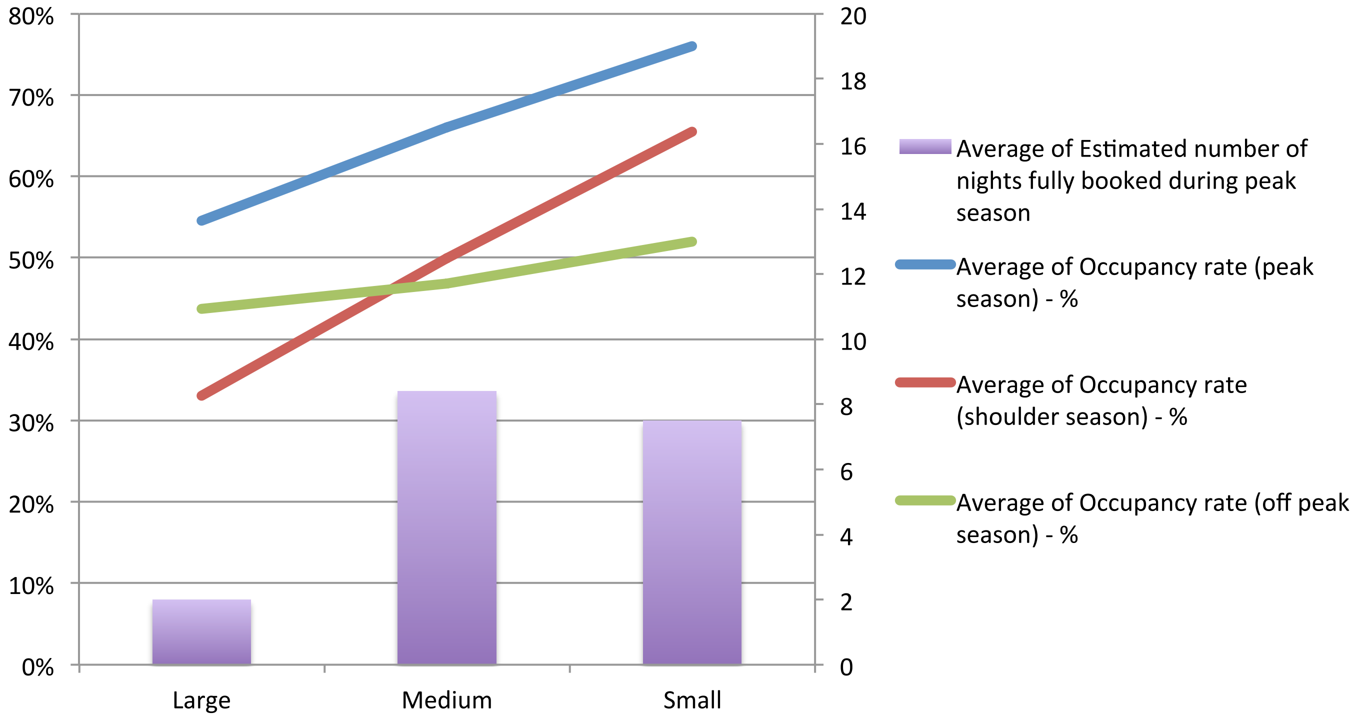
Additional charts and data tables

AVERAGE ANNUAL OCCUPANCY BY SEASON (LHS – LINE GRAPH) AND AVERAGE NIGHTS FULLY BOOKED DURING PEAK SEASON (RHS – COLUMN GRAPH)



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AVERAGE NIGHTLY RATE BY ACCOMMODATION TYPE AND REGION

Row Labels	Average of Top end chalet - peak season	Average of Top end chalet - off peak season	Average of Bottom end chalet - peak season	Average of Bottom end chalet - off peak season	Average of Top end cabin - peak season	Average of Top end cabin - off peak season	Average of Powered site - peak season	Average of Bottom end cabin - peak season	Average of Bottom end cabin - off peak season	Average of Powered site - off peak season	Average of Non powered site - peak season	Average of Non powered site - off peak season
Australia's Coral Coast	$98	$78	$38	$33	$213	$189	$46	$135	$123	$41	$28	$25
Australia's Golden Outback	$138	$133	$73	$76	$113	$95	$38	$43	$40	$33	$24	$21
Australia's North West	$214	$197	$176	$170	$262	$243	$50	$197	$185	$44	$18	$16
Australia's South West	$219	$147	$188	$129	$156	$105	$54	$171	$114	$41	$43	$31
Experience Perth	$178	$160	$112	$105	$156	$134	$49	$101	$89	$42	$33	$29
Grand Total	**$175**	**$150**	**$118**	**$105**	**$167**	**$141**	**$47**	**$132**	**$111**	**$40**	**$29**	**$25**