



Frank Zipfinger <frank.zipfinger@gmail.com>

SLOPES: Perisher Range Resorts - Governance Arrangements - Update 17/8/2014

SLOPES <slopes.au@gmail.com>
Bcc: frank.zipfinger@gmail.com

17 August 2014 at 10:55

Dear SLOPES Members

In our email of 29 April 2014 we advised Clubs of a foreshadowed review of the Perisher Range Resorts (PRR) governance model (Governance Review).

The relevant parts of that email are extracted below.

On 6 August 2014 an article titled "*Future of Charlotte Pass under a cloud amid lease negotiations*" appeared in the Canberra Times: see copy attached.

At his request, SLOPES met recently with the Hon Rob Stokes, newly appointed Minister for the Environment and with responsibility for NPWS and OEH.

SLOPES was asked to explain our concerns for the future on behalf of Clubs in the context of the Governance Review.

We did that around the following general categories:

1. financial transparency on income generated within KNP
2. a fair and equitable cost distribution for PRR stakeholders
3. a stable and workable management structure for KNP and PRR
4. protection of existing lease terms and conditions and recognition generally of the importance of tenure for all Clubs
5. a focus on improving summer viability for PRR.

SLOPES emphasised the importance of full and timely consultation with all PRR stakeholders, including SLOPES.

The Minister said that their immediate focus is on finding a solution to address the accumulated debt issue referred to in the first dot point of our earlier email, while recognising the importance of protecting the viability of the PRR.

After that, a consultation process will begin as part of the Governance Review. That consultation could begin in Q4 2014.

Some key points:

1. this engagement with the Minister (and previously with the senior executives at OEH) is a recognition of the importance of Clubs as stakeholders, and of SLOPES as representative of the Clubs
2. we have started the process of talking with other stakeholders having common interests, as a united approach is likely to be more powerful and in our best interests
3. as previously advised, Clubs should budget conservatively and build reserves as increased charges are a real possibility down the track.

SLOPES will monitor this situation very closely and keep our Clubs informed.

Regards

Frank Zipfinger
President
SLOPES

----- Forwarded message -----

From: **SLOPES** <slopes.au@gmail.com>

Date: 29 April 2014 09:32

Subject: SLOPES: NPWS Restructure and Governance Arrangements

To:

Dear SLOPES Members

The purpose of this email is to update you on:

- (1) the restructure taking place at NPWS, and
- (2) some potential governance changes in the pipeline that SLOPES will be monitoring closely on behalf of our Member Clubs.

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2. Review of Perisher Range Resorts Governance Model

The current governance model is that NPWS has overall responsibility for the Perisher Range Resorts (indeed for the Kosciuszko National Park) and is the landlord to the other main stakeholders there, being Perisher Blue as the resort operator, the commercial hotels and the SLOPES Clubs.

In relation to this review of that governance model:

- SLOPES understands unofficially that advances for capital expenditure for the upgrade of PRR infrastructure since 2005 have resulted in an accumulated debt by NPWS to the NSW Government of approximately \$55 million which is attracting interest of some \$2.5 million per annum. The first five year review of the IPART pricing model (foreshadowed in various earlier SLOPES emails over the last year or so) is now several years overdue. We believe that some of the debt is the result of incorrect projections from the initial IPART review of costs and revenue associated with the running of the PRR.
- The current view in Government apparently is that this situation is not sustainable and the options to address it need to be considered. Hence the review. Included in the review will be a determination on the most cost effective governance model for the future management of the PRR. This will include the examination of a range of options as opposed to the current lease management arrangements. Those options will include consideration of the grant of a head lease over the whole of PRR to a single entity.

Club Members with long memories will recall that a proposal to grant a head lease over all lodges and hotels in Perisher Valley was seriously considered by the NSW Government. Opposition at the time from Clubs assisted in the proposal not proceeding and indeed led directly to the formation of SLOPES: see <http://www.slopes.org.au/our-history/>.

Clearly, any review of governance arrangements that impacts Clubs (eg lease tenure, the administration of Club leases, the amount and timing of leaseholder charges and MSU levies, the exercise of landlord discretions under lease covenants etc) is a matter of concern to Clubs and so of concern to SLOPES.

SLOPES met with Stuart Schramm recently to discuss these matters. The meeting was open and cordial and it is clear that, while the review is an active project, further work internally needs to be done by OEHL to form a view as to what it considers is the most appropriate governance model for the future management of the PRR.

Importantly, in the meantime SLOPES has obtained confirmation by email to the effect that, if the direction is to change the governance arrangements, then OEHL "will absolutely consult with all interested stakeholders including SLOPES" and that "this consultation will be conducted in an open, fair and appropriate manner". However, this is in part a political process. Given our experience in other cases of political processes (eg Perisher Valley Fire Station), the extent and timing of that consultation remain unclear and the position needs to be closely monitored.

The core issues are the same now as they were back in the early 1990s.

First, identifying:

- (a) the infrastructure needs of the Perisher Range Resorts for the foreseeable future,
- (b) who is best credentialed to deliver those needs most effectively and at the best cost, and
- (c) how that cost is to be funded by the various stakeholders expected to contribute ie NSW Government, resort operators, commercial operators and the SLOPES clubs.

Secondly, identifying:

- (i) how to optimise the Perisher Range Resorts as a destination attracting all year round use but especially as snow resorts,
- (ii) who is best credentialed to co-ordinate and oversee the delivery of that outcome, and
- (ii) the roles of the various stakeholders (including SLOPES Clubs) in relation to that outcome.

In this context the foreseeable future is typically a period of 30+ years given most Clubs now have lease terms extending out until around 2050.

In many ways, Clubs face a very different world to that in the early 1990s when the head lease issue last surfaced. For example, back then Club leases only had a relatively short term to run (now most Clubs have tenure into the 2050s); back then there were multiple resort operators (today Perisher Blue operates all the resorts ie Perisher, Smiggins, Blue Cow and Guthega); the impacts of climate change back then were yet to be significantly felt whereas now they are significant concerns for all stakeholders - for example, snow making today is a major exercise for Perisher Blue. Another factor, especially in recent years, is the huge expansion of Jindabyne and the role it now plays not just in providing accommodation but generally as a tourist destination for people interested in accessing the Perisher Range Resorts.

The long term economic viability of Clubs is an important issue. A key component of that is how much Clubs must pay by way of rent charges and MSU levies (and, of course, expenses generally such as power, insurance etc). Equally important is the scope for Clubs to generate revenues from lodge usage. With the snow season inexorably getting shorter and less predictable, the quality and extent of the offering in the Perisher Range Resorts becomes even more important. The uncertainty created by these issues (and issues like the current difficulty obtaining development consent for lodge works due to fire protection rules as set out in an earlier SLOPES email) impact on the ability and appetite of Clubs to invest in their lodges, to the detriment of all concerned.

SLOPES welcomes a comprehensive and rigorous discussion on these issues provided all relevant stakeholders (including SLOPES and our Clubs) are fully involved and the aim is to deliver outcomes of mutual benefit to those stakeholders and which will underpin the long term economic viability of our Clubs.

As it is difficult to know if, how and when this discussion will progress, we thought it best to bring Clubs into the loop now.

SLOPES will monitor these matters very closely and keep Clubs informed.

In the meantime, it would be prudent for Clubs to budget for higher costs by way of MSU levies in future years.

The MSU budget shortfall will need to be addressed somehow (even if only initially via the IPART review we have foreshadowed for some time now). Clubs no doubt will be asked to share some of the burden.



Regards

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Frank Zipfinger
President
SLOPES

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Future of Charlotte Pass under a cloud amid lease negotiations

Henry Belot

Published: August 6, 2014 - 7:56AM

The future of the Charlotte Pass ski village remains uncertain with management refusing to accept a temporary lease extension from the NSW National Parks and Wildlife Service before a new agreement in 2017, [prompting management to cry foul play and launch an online petition](#).

In late June, NPWS offered the owner of Charlotte Pass a 28-month extension to the existing agreement which was established in 1974 and is due to expire on June 30 next year.

A NPWS spokeswoman said an "open and transparent" expression of interest process for a new lease arrangement effective from October 2017 would be launched should Charlotte Pass agree to the extension.

"There is nothing in the situation with Charlotte Pass Village Pty Ltd that would support directly negotiating with only one commercial party for a new long-term lease," she said.

But Charlotte Pass general manager Lachlan MacLean said "the current extension offer includes a requirement to hand over assets at the end of the extension period to NPWS".

"Expecting [the owner] to hand over his assets is totally ludicrous – there's no precedent for it and that's why we've said it's unfair," he said. "There has certainly been a line drawn in the sand and no one is budging."

Mr MacLean said the owner of Charlotte Pass had been in talks with NPWS for more than seven years to renew the existing lease and in turn be able to renew the sub-leases for the lodges.

"We're at a watershed stage in the business right now, as there is a requirement to spend more money to maintain service levels, and if the owner has to cut back on that we won't be able to keep up those standards," he said.

The frustration with negotiations led Charlotte Pass to [publish a change.org petition late last week](#), which called on supporters to lobby NSW Minister for Environment Robert Stokes to instruct the national parks authority to renew the lease with Charlotte Pass.

In the petition, management said it was "not being treated in the same way as other leases which were recently renewed by the National Parks and Wildlife Service for the Perisher Ski Resort and all other leases in the Perisher range area".

Charlotte Pass – which has 12 full-time staff during the off season and 100 during the ski season – is the head leaseholder with the NPWS and a number of commercial lodges hold sub-leases under the existing agreement.

Mr MacLean said it would be "a disaster for the industry" if Charlotte Pass was left without an operator in June 2015 and "a very poor outcome for the government".

He said there was no precedent for an open tender process at Charlotte Pass during its 40 years of operation and the actions of the NPWS had left management confused.

"The company has done everything it has been asked to do and given the government every confidence in its operations, so we just cannot understand why this is happening," he said.

The NPWS spokeswoman said "reviewing the current commercial head lease for the Charlotte Pass Village Pty Ltd

company without undertaking an open and transparent process would be inconsistent with NSW government procurement and probity principles”.

Several of the comments left on the Charlotte Pass change.org petition indicated many believe the future of the resort is under threat.

"It's a shame that this resort should be affected because of bureaucrats who have probably never used this fantastic resort, which is ideal for the elderly, people new to skiing and young families," one commenter said.

"It would be a great loss for Australia's already small ski and snow industry, especially considering Charlotte Pass's unique, ambient, village-like atmosphere," another said.

This story was found at: <http://www.canberratimes.com.au/act-news/future-of-charlotte-pass-under-a-cloud-amid-lease-negotiations-20140805-10057k.html>