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STRAIGHTTALK

STAKEHOLDER AND COMMUNITY ENGAGEMENT

Second workshop outcomes

Report

May 2016



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Document

Stakeholder and community engagement: second workshop outcomes

Client

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1. INTRODUCTION

The NSW National Parks and Wildlife Service (NPWS) has a responsibility to manage more than 850 protected areas in NSW, covering over seven million hectares and representing around eight per cent of the land area of the state. This includes national parks, nature reserves, World Heritage areas, rainforests, beaches, alpine areas, and sites of great cultural and historic significance. Management of these areas involves a wide range of responsibilities, including plant and animal conservation, fire management, sustainable tourism and visitation, research, education, volunteering programs and more.

In relation to Kosciuszko National Park, NPWS has some additional responsibilities, specifically the overall management and day-to-day operational responsibilities for the Perisher Range Resorts. These responsibilities include: lease management (for 126 club and commercial lodge leases, and the Consolidated Mountain Lease over the resorts' ski lifts and other infrastructure); and the delivery of community, municipal and utility infrastructure services, such as water, sewerage and storm water services, internal roads, and solid waste collection and disposal. NPWS also provides waste disposal services to Charlotte Pass Resort.

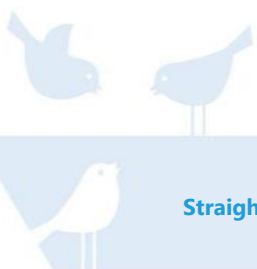
None of these activities are seen as core business for NPWS in the future. Government is looking to the private sector for a model to deliver these important services and increase investment and visitation, through additional year-round activities. Consequently, a review of the management arrangements for the Perisher Range and Charlotte Pass Resorts (resorts) is underway, following the NSW Government's approval of the commencement of a three-stage market process to identify a private sector proponent to take on the day-to-day operational responsibilities for the resorts.

The first stage of the management review is stakeholder and community engagement, to ensure their views are known and inform Government's decision on the proposed management model it will take to the market. To that end, three workshops were undertaken in early March, one with local community members and two with stakeholders. During these workshops participants provided feedback on their general views of, and concerns about, the review and the factors Government should consider in its decision making. A report of this first round of consultation is available on the project webpage at:

<http://www.environment.nsw.gov.au/resources/protectedareas/perisher/stakeholder-and-community-workshop-outcomes-mar2016.pdf>.

In order to capture more specific feedback about Government's vision for the resorts and the potential management models that could apply, a second round of stakeholder workshops were held in mid-April.

This concise report provides a summary of the stakeholder feedback received during the April workshops.



2. METHODOLOGY

2.1. Workshop structure

In April 2016, two workshops were held to collect stakeholder feedback into the management review of the resorts. The workshops were promoted to stakeholders via their representative bodies and direct email, and were also advertised on the project website. Details of these workshops are below.

Workshop type	Location	Time/date	No. of attendees
Stakeholder workshop	Rydges Horizon Function Centre, Jindabyne	4.00 to 6.00pm, 18 April 2016	24 attendees
Stakeholder workshop	SMC Conference and Function Centre, Sydney	6.30 to 8.30pm, 19 April 2016	38 attendees

Sixty-two participants were in attendance at the workshops, a small number of whom were present at both.

Straight Talk designed the workshop process and materials, in collaboration with NPWS. The workshops included a presentation about the Government's vision for the area and the four management models under consideration, and participants had an opportunity to ask questions in relation to these and the review process in general. Details of the material presented are below:

Vision

NSW Government has a vision for the Perisher Range and Charlotte Pass Resorts to create a world-class tourism destination with year-round visitor activities, that is financially sustainable and, given its location in Kosciuszko National Park, environmentally responsible.

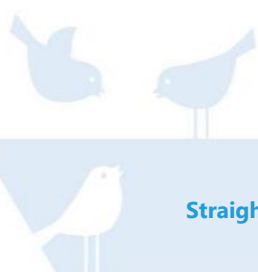
Potential management models

Option 1 – head lease

- 🔥 Head lessee would take on single accountability for integrated planning and delivery of all operations
- 🔥 Existing lessees will become sub-lessees
- 🔥 Would need to meet requirements (KPIs) set by OEHL as part of contract (ie year round activation, operational improvements, environmental outcomes)
- 🔥 Could be two head lessees.

Option 2 – management agreement

- 🔥 Leases and municipal services would still sit with OEHL
- 🔥 Partner(s), through a contract, would manage the Perisher Range Resorts and Charlotte Pass Village
- 🔥 Would deliver year round activation and potentially improvements to the village as a whole.



Option 3 – hybrid head lease/management agreement

- 🔥 Potentially a head lease over current leases and a management agreement over the Perisher village development and some other activities, where OEH steps back from day to day management of leases and municipal services
- 🔥 Could still deliver the year round activation and improvements required, depending on the arrangement.

Option 4 – Status quo

- 🔥 Should the market show no appetite, or should there be no offer that Government finds attractive, the status quo will prevail
- 🔥 This will mean OEH will continue to remain responsible for leases and municipal services
- 🔥 OEH will reconvene the IPART process and this is likely to recalibrate prices for those services.

Following delivery of this material, feedback was then sought from participants to inform the review.

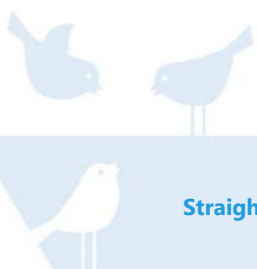
2.2. Feedback mechanism

Feedback was collected from participants through table discussions. On arrival, participants were asked whether their interest was related to the Perisher Valley resorts or Charlotte Pass and then allocated a table accordingly. The decision to separate participants into Perisher Valley and Charlotte Pass groups was in response to feedback from the first round of workshops. Participants had identified that the interests of, and conditions for, lessees and sub-lessees at Charlotte Pass and Perisher Valley are significantly different and that, consequently, their issues and concerns would be different. Separating participants allowed discussions to be focused on each table's location of interest and provide location-specific feedback.

Table discussions were centred on two main topics; whether the Government's vision was the right vision for the area and the four potential management models. For the discussions on management models, participants were asked to discuss each model and identify the key considerations, should it be implemented, in terms of the following four quadrants approach:

- 🔥 Must haves
- 🔥 Nice to haves
- 🔥 Can live without
- 🔥 Forget about it.

The feedback generated during these discussions was captured by table scribes and forms the basis of this report.



3. OUTCOMES

A significant amount of feedback was provided by workshop participants and a range of matters were discussed. It is important to note that participants were invited to consider the implications of each of the options and the factors that would affect their implementation. Consequently, the degree to which participants support or do not support an option was not sought, although the comments made during discussions are indicative of the sentiment towards each option and some participants did explicitly identify their preferences.

The following is a summary of the matters raised and the varying responses provided by participants.

3.1. Vision

There was a range of different views on the vision for the resorts, and its implementation, expressed by both participants from Charlotte Pass and Perisher Valley.

Perisher Valley

For participants from Perisher Valley, there was an inconsistency in views about the vision, although more support for the validity of the vision was expressed than not.

For those who saw the vision as unachievable, the key consideration was the restrictions the geography and the environmental limitations impose, particularly on year-round activation. The sentiment that there was not enough snow/infrastructure to be world class and that the winter operation needed to be improved first, for example through the extension of the skiable area, were also expressed.

For participants who think the vision is achievable, a number of considerations were important:

- 👉 It is aspirational and to achieve it will need another funding arrangement to the current one
- 👉 It will only be achievable over the longer-term - a similar vision was identified 15 years ago
- 👉 It will be difficult to achieve a year round operation and will require the subsidisation of summer activities
- 👉 Whilst it is a financially viable vision, who is going to pay high rental and high municipal service costs - there needs to be equity between lodge members and day visitors
- 👉 To be achievable there needs to be:
 - A balance between infrastructure and the environment
 - A strong lease and a commercial framework to encourage capital investment
 - Infill development
 - A costing model that is commercially achievable for lodges, not a year round operation based on winter costs
 - The enforcement of environmental parameters as UNESCO listing is important.

Charlotte Pass

There was also no consistency of views about the vision amongst Charlotte Pass participants. For some, a vision that included summer visitation was appropriate. Spreading the cost of municipal services across the whole year was a benefit, although the nature and scale of lodges was identified as impacting their ability to operate across the year. For others summer activation was seen as being unachievable, given the environmental constraints at Charlotte Pass that would limit additional infrastructure, which made summer activation a contradiction to other components of the vision.

A further concern about the viability of having a year round operation was that current summer visitors, such as walkers, do not generate revenue and only utilise the toilet facilities. For this reason, any vision that includes year round activation requires a long timeframe for it to become viable, as generating summer activities will require hard work over a long period of time.

Two other points raised about the vision were: that a vision for Charlotte Pass to be a world class winter destination was more appropriate; and that as the vision was somewhat generic, and could apply in any location, it did not reflect the uniqueness of Charlotte Pass.

3.2. Option one

Given the different conditions that currently apply, the implications of option one and what it means was somewhat different for Charlotte Pass and Perisher Valley lessees. For Perisher Valley, this option represents a change in management model while for Charlotte Pass participants this is the current status quo. However, whether this option meant one head lease over both locations or two separate head leases, with the continuation of the current head lessee at Charlotte Pass, was a complicating factor during discussions by Charlotte Pass lessees.

Perisher Valley

For Perisher Valley participants the key considerations for the implementation of this model were:

👉 Financial sustainability:

- Viability of MSU
- Operating efficiencies
- Commercial approach

👉 Safeguards for sub-lessees:

- Security of lease renewal
- Protection from unreasonable cost increases, including MSU, and unreasonable conditions
- Dispute resolution
- Being involved and having an effective voice

👉 Expansion of services:

- Bed numbers
- Lifting capacity
- Improvement of facilities

🦋 Mechanism for delivering the vision, including KPIs (such as those in the Walker Report):

- To drive improvements, innovations and year round operation
- Which reflect the diversity of operations and interests of existing lessees

🦋 Improving planning processes.

Other considerations for Perisher Valley participants in relation to this option included:

- Having a private sector operator to develop year round infrastructure and undertake strategic planning
- Common lease expiry dates
- Seasonality of rental income
- More discretion about management and day-to-day operations.

Other points raised were:

- This model reduces diversity and competition, and creates less incentives for others
- Maintaining roads, landscaping, weeding, rubbish/recycling (in context with Thredbo)
- Need for terms of the head lease to be tight and contemporary
- Having full financial transparency
- Not getting in the way of head lessee with environmental sustainability requirements.

Charlotte Pass

For Charlotte Pass participants the key considerations identified for this model were:

🦋 An alignment between the interests of the head lessee and sub-lessees

🦋 Constraints to ensure the operation of lifts to full capacity, such as the gazettal of the season's dates

🦋 Transparency about costs, for example about MSU charges and their proportional allocation

🦋 Safeguards for sub-lessees:

- Against anti-competitive behaviour
- Rights and terms of leases (consistent with Perisher lessees)
- In relation to increasing costs.

Other considerations for Charlotte Pass participants in relation to this option were:

- Having a voice in decision-making
- 'Living without' competition between head lessee and sub-lessees.

Other points raised in relation to Charlotte Pass:

- Concern that head lessee can charge whatever they want in terms of cost recovery
- Changes to carrying capacity may raise questions about how cost recovery will be undertaken (current system for allocating costs based on bed numbers)
- Need transparency between head lessee and sub-lessee to build a better relationship
- Current uncertainty negatively impacts cash flow through membership fees

- Concern over insisting lodges open all year and having consistent KPIs between Charlotte Pass and Perisher Valley given the environmental constraints at Charlotte Pass in relation to summer activation.

For both Perisher Valley and Charlotte Pass participants option one was the most strongly supported management model.

3.3. Option two

Discussions about this model did not demonstrate any significant difference in opinions between participants from Charlotte Pass and Perisher Valley, despite their different circumstances. Both participant types questioned whether this option would be competitive or viable, given it would result in another layer of management, with associated costs. Participants did not have a clear sense of how this option could work and questions were also raised about whether there would be any incentive to build better resorts and increase year round activation through this model.

The key considerations for the implementation of this option, if it went ahead, were:

👉 The need for the delivery partner to:

- Be a credible market operator
- Introduce efficiencies that would offset any potential additional costs
- Have a financial interest in the outcome
- Improve winter access through strategic approach to parking

👉 Government to:

- Accept less revenue from the resorts to ensure the administration costs of this option are not borne by lessees and sub-lessees
- Protect commercial-in-confidence information
- Enforce compliance with contract
- Withdraw their control over the area and identify permissible activities (co-ordinated with Department of Planning and Environment).

Comments that were specific to Charlotte Pass related to the need to resolve broader issues, such as access, types of lodges, lifts, services and the head lessee having a monopoly on transport.

Participants did not express any support for this option.

3.4. Option three

Again, the interpretation of this option, and the potential implications, differed between participants from Perisher Valley and those from Charlotte Pass.

Perisher Valley

This option did not generate much discussion from Perisher Valley participants. The key considerations for this option, the 'must haves', were identified as being the same as those identified for options one and two.

Charlotte Pass

Charlotte Pass participants identified this model as mostly applying to Perisher Valley, since a head lease is already in operation for Charlotte Pass and the management of MSU was not undertaken by NPWS. There were some mixed views about whether this option would work, however, some participants did think the model could provide an opportunity to improve transparency by having services provided to both locations. Improving MSU operations through the engagement of a specialist service provider was also identified as a potential of this model.

This model did raise some concerns, which included:

- 🦋 The potential lack of clear responsibility when multiple parties involved
- 🦋 Whether transparency would be improved
- 🦋 The head lease structure and how responsibilities would be articulated, and the need for checks and balances to keep head lessee accountable
- 🦋 Increased costs due to additional layers of administration.

Participants did not express support of this option.

3.5. Option four

As per previous options, this model represented different things to lessees in Perisher Valley than to those in Charlotte Pass, although some concerns were consistent across both locations.

For Perisher Valley participants, the key considerations if this model was implemented were related to:

- 🦋 IPART's terms of reference - in particular, the need to broaden IPART's terms of reference to address the gaps in the current model and to identify revenue and expenditure inefficiencies, such as the use of MSU by day visitors, and how increased summer visitation could be funded
- 🦋 Transparency about distribution of park entry fees and rent to NPWS.

For Charlotte Pass participants, key considerations under this model were:

- 🦋 The need for consistent lease conditions (as per Perisher Valley lessees)
- 🦋 Having greater clarity about permissible uses in the national park
- 🦋 Value in recognising the uniqueness of the lodge system
- 🦋 The scope of head lease services and costing models to support lodges (not put them out of operation)
- 🦋 Sub-lessee involvement in this review process - for example, by providing their thoughts (as identified through these workshops) to potential proponents through the EOI/RFT processes.

Other considerations raised in relation to option four included:

- 🦋 Revenue from park entry fees being invested straight back into Perisher Valley
- 🦋 Looking at bed numbers, planning and compliance requirements
- 🦋 The operation of MSU going to the local council
- 🦋 Increasing activities similar to those at Thredbo
- 🦋 Keeping NPWS Jindabyne staff.

Things that should not be considered if this model is implemented were identified as:

- 👉 Ideas that are demonstrated to be non-viable by the private sector through the EOI/RFT processes being implemented by Government
- 👉 Repayment of the accumulated debt
- 👉 Not addressing the deficit of park entry fees.

Although it was noted that this option would not improve year-round activation or deliver the vision, some participants identified this option as second most preferable after option one.

3.6. Other comments

Participants from Charlotte Pass made a number of other comments about the management review. These included comments in relation to:

👉 Timing

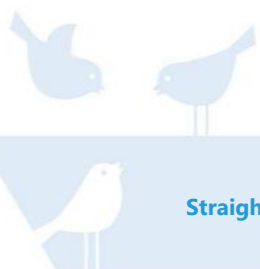
- Questioning the ability to undertake the review in the timeframe identified
- Needing to set a decision point in the review process so that if that point has not been reached by the appropriate time, the review is extended and consequently, Charlotte Pass leases are extended
- Suggesting lease dates be extended again to cover the period necessary to resolve uncertainties, such as carrying capacity
- Putting transition arrangements in place so that the decision can be reviewed after a few years, with a right of recall

👉 Viability

- Extending the ski area to improve financial viability
- Providing sub-lessees with the certainty needed for investment to be made

👉 Financial implications

- Concern revenue will not match costs
- Concern that a new head lessee will want to recoup costs
- Need to make Charlotte Pass more affordable (equity and simplicity in travel arrangements) for visitors.



4. CONCLUSION

Feedback provided by participants through this second round of stakeholder workshops indicates there is not a consistent view amongst lessees and sub-lessees about the Government's vision for the resorts or the four potential management options.

Generally speaking, while the vision was identified as being aspirational and its component parts valid, questions were raised about how viable the implementation of the vision could be under current conditions. Many of the comments made related to the factors that would have to be resolved for the vision to be implemented.

In relation to potential management options, qualified support for option one as the most preferred management model was expressed. This qualified support appears to be correlated to the view that this model will be the most efficient and could provide the conditions under which the improvement to and expansion of infrastructure could be achieved. Consequently, this model represented the best opportunity to increase summer activation and deliver the vision for the resorts, notwithstanding the questions about the viability of implementing the vision.

Participants expressed a number of factors that would impact the implementation of a new management model, the delivery of the vision, and their own ongoing operations. These can be broadly summarised as:

- 🦋 Need for a long-term, staged approach to increasing summer activation and requiring lessees/lodges to operate year round
- 🦋 Providing the conditions under which a private sector proponent can operate and removing impediments to improving and expanding infrastructure, facilities and services, such as red tape, planning approvals and, to a lesser extent, environmental constraints
- 🦋 Ensuring the continuation of lessee/sub-lessee rights and protection against unreasonable increases in costs and conditions, and allowing lessees/sub-lessees to have a role in decision-making about matters which impact them
- 🦋 Respect for and recognition of the differing scope and operation of lodges and the need to provide conditions which do not negatively impact their viability.

