



(DRAFT)

2008 ANNUAL GENERAL MEETING

7:00pm Monday 24th November, 2008

Maori Chief Hotel

Cnr York and Moray Streets, South Melbourne

Meeting was opened at 7:10pm by the Chairman, Peter Sandow

Attendees:

Martin Kelly, Andrew Smolka	1750 Unit owners
Dominic Laricchia, Nick Woodley	Asterix Ski Club
Geoff Pollard	Austen Ski Club
Cliff Restarick	CSIR & Mt Buller Ratepayers Assoc
Ken Tucknott	Eiger Ski Club
Norman Wilson	Ettamogah Ski Club
David Risby	Falls Creek Alpine Assoc
Samantha Bell	Gravbrot Ski Club
Peter Szmalko, Alex Wosney	Kalyna Ski Club
Dennis Vuckovic	Karnulurra Ski Club
Les Duncan	Kongoola Ski Club
David Coombes	Taki Ski Club
Roger Marshall	Tallawarra Ski Club
Rob Anderson, Mike Shaw, Paula Tomsett, Sue Coulson	Tanderra Ski Club
Mike Bellair, Pat Corr	Trapdoor Ski Club
John Castran (Guest Speaker)	John Castran Real Estate

Pat Corr from Trapdoor requested that attendees be included in the minutes.

The current committee was present as follows:

Peter Sandow (President)	Peninsula Ski Club
Peter Doyle (Vice President) - apology	Shepparton Alpine Club
Rob Anderson (Secretary)	Valhalla Ski Club
Brian Vowles (Treasurer)	Tanderra Ski Club
Bruce Blackman (Finance)	Dolomite
Phillip Stott (Events)	Arrabri Ski Club
Murray Neilson (Committee)	Brush Ski Club

Apologies:

Gerry Kottek
Lindsay Perry
Peter Doyle
John Jenkin
Shane Sutton

Approval of previous minutes:

Motion: That the 2007 AGM Minutes be accepted

Proposed: Bruce Blackman **Seconded:** Rob Anderson

Motion approved.

Welcome Statement: Peter Sandow

Peter opened the meeting, thanking all members and guests for attending. That it is an interesting start to a new era at Hotham and noticed regrettably the small number of younger generation attending. On the horizon Peter would like to see change in due course.

Treasurer's Report: Brian Vowles

HSA is endeavouring to improve communication using the internet to its maximum capabilities. The HSA website has been redesigned and will endeavour to contain up to date information required for members. The database overhaul has almost been completed and it is intended that all correspondence will be via email and web.

Financial Summary:

- . No income collected in 2008
- . \$1800 bank balance
- . PA system of \$2000 has been added to assets.
- . Nett operating deficit for the 2007/08 year was \$4709.85

Detailed financial statement and comments are available for download from the website.

As no income was raised in 2008 financial year, it is intended to raise 2 years of membership fees in December. The precedent was set in 2006 when fees were levied for the previous 2 years. Brian requested that if an invoice has not been received before Christmas, to please let him know via email (treasurer@hsa.asn.au).

Based on a study of the database only 70% of potential memberships were raised in 2006 which equated to approx \$6000 (for 2 years). Though it is not a compulsory fee, the HSA is hoping to be able to collect approx \$9000 this time, assisted by the current issues and cost the structures happening on the mountain.

Once the database is fully up to date future memberships will be raised annually in October.

No increases are proposed to the current fees. Current fees are:

Club lodges and organisations	\$75 per annum
Small lodges and apartments	\$50 per annum
Individuals	\$20 per annum

Motion: That the 2008 Treasurer's Report be accepted

Proposed: Brian Vowles **Seconded:** Paula Tomsett

Motion Approved.

President's Report: Peter Sandow

Over the last month, the Hotham community along with the world community have come to the realisation that our financial future is inextricably bound with our environmental future.

The 2007/2008 alpine year at Hotham has never been more turbulent.

We have seen an ongoing difficulty in finalising a stable lease structure.

We have seen the State Services Authority undertake an investigation into the resort management boards.

We have seen the rise and fall of the key leaseholder MFS and their subsidiaries.

And now we see the turbulence of the world financial market's and the ramification of doubt on the prospect of commercial development at Hotham.

This all brings one to the conclusion that the Hotham community, the clubs, apartments owners and businesses must work together to continue to provide an exciting resort to welcome new visitors to the region and continue to offer a viable product to its committed customers.

I report with thanks to our committee who provide an ongoing commitment to address these issues. Particularly, I wish to thank Peter Doyle for his contribution over many years who now regrettably chooses to retire from our executive – his business pressures have forced him to face his commercial music. Thank you Peter for all your efforts over the years. Your efforts and energy will be missed. Norm Adams also retires. Norm will actually never retire but remain our cultural reference!!

I thank Rob Anderson who will provide the guts of our presentation tonight. You will see from his detail and breadth of the issues he is the fulcrum of the HSA workforce.

Murray Nelson who provides ongoing support and communication with the clubs; Bruce Blackman and Phillip Stott who have great knowledge and history of the Hotham community. Their input is essential to the drive of the HSA.

I welcome Brian Vowles and Sue Coulson who are very quickly revolutionising our email communication capability and database. Brian is revamping our website and from this point on communications are going to greatly improve.

Scott Sloane is also a new committee member. Scott's professional capability in communications and graphics is going to improve our dialogue to all members. This aspect is clearly where the HSA has had much to improve.

The Hotham Ski Association is aware of its responsibility of representing club views and is well placed to address difficult times. We look to the support the clubs in adjusting their structures and improving their services to meet the emerging challenges.

Secretaries Report: Rob Anderson

Committee report on key issues and projects

1. VSA/ARC lease review done on behalf of Mt Hotham, HSA committee & ARWG

Rob believes these leases will complete in 2013. Every 6 years the minister must declare an industry wide increase that is put on the beginning of the 6 year period, with a ceiling of no more than 30%. It was reported that the ARMB of Mt Buller increased leases by 30% without reference to minister or industry wide discussion, which caused a pretty near riot at Mt Buller and also caused the reformation of the ARWG. Minister advised that it has to go through due process. We as a group saw our own management board to put our view forward as to why our increases shouldn't be as much. Our view was no more than 4-6%. We went through the ARC with the ARWG and put submission and depositions to the minister, and the result of our effort weren't as satisfying as what we believed. The Minister approved 30% increase on the leases but staggered the increase over 3 years. Reprieve is on timing only. In our view the increase is not sustainable.

Review of the alpine resorts was occurring at the same time, which included governance. It started when Brumby was approached by the Skiing community saying things were not right. He mentioned to the minister and the minister called for a review of the ARMB's and the way things were done in the hill. In doing so he got the State Services Authority under the auspice of Des Powell who review this with submissions put in with various industry groups and individuals. Report was due in prior to 30th June. It went in on time and The Minister has not made a determination as yet as to what he will do. There is a meeting on the 4th December David Risby on Falls Creek & Chris Wilson on the ministers presentation. He will be giving us a copy of the review embargoing it and asking us to put in a submission.

Submissions we have made are on the web site.

2. Hotham specific lease issues

The MHRMB has carried out 2 controversial events on leases

- Firstly they insist every lodge signs an agreement to lease for usually 3 years. Its

intention was to make sure that lodges undertook all their work before they went onto the main lease. – This is a definite deviation from minister lease policy. Greenfield sites had agreements to lease contemplated only, not lodges.

- Secondly they waived rights to assign leases and receive commercial benefit and receive a consent from the RMB couldn't unreasonably withhold, RMB asked certain clauses to be put in to the lease documents and are additional to the ministers lease policy. HSA have written to the minister to instruct the MHRMB to cease and desist on these clauses. ARWG sent a letter in support of the Hotham's claim.

We received a letter from DSE saying that the minister has referred our complaint to them, and DSE were to speak to the CEO of the MHRMB, forgetting that it is the board that make policy, the CEO then implements policy. We have not heard what the results of the discussions at this stage are, but we will continue to press this issue.

3. Property valuations & site rentals

The escalation in site rental under 2002-2004 lease regime site rental is based on property valuation – using the highest valuation possible, which some lodges have experienced a 400% increase over 5 years. We will be taking up methodology to minister, and will continue to press but need be followed up later due to other pressing matters.

Planning precincts must be reviewed at Mt Hotham, should have been done 2 years ago but the DSE ran out of money.

Other initiatives we will be pressing are meeting with opposition political parties, trying to convince them of the plight of the industry, help develop an industry financial sustainable policy to ensure that user pays get a say in the management of the resort, convince governments to get our winter product right, endure there is enough money on the table for the lessee's to reinvest in their property, for the government to invest in infrastructure, invest in tourism, then invest in an all seasons resort.

Questions arising:

Chris – ARWG MT Buller

Chris would like the HSA to, think about the priorities of the ARWG. In their view the Lodges on the increase lease are better off and are subsidising the other lodges.

HSA need to possibly accept the increase to get everyone up to the same level.

Chris would also like it noted as an agenda item: what does the HSA want the working group to represent.

Rob advised that there are 13 lodges on the VSA/ARC lease, a significant proportion but a minority, and also several commercial properties. HSA do not agree with Chris statement and that other sites are subsidising the VSA/ARC leases being on a later lease regime. HSA have always taken the attitude that any lease is too high if it is above CPI. We are very critical of the latest lease regime and the site rental calculation.

Q: Is there any talk about containment of cost with RMB?

Rob's response: running resort costs have been kept within reason based on CPI. So why is site rental higher, based on valuation?

RMB need to secure proper agreements on energy. Eg gas/ELGAS. Costs will sky-rocket in the next 2 years. RMB need to be aggressive with ELGAS as they seem to charging their own prices.

RMB have recently been lax, garbage is not picked up as well as it used to be. If the Site rental can be brought down it will make a significant contribution to lodges being able to survive and put back into their lodges.

John Castran advised that it is difficult for the Valuer General to come up with a valuation for a lessor and lessee arrangement. It is an academic valuation where they are trying to get the methodology right. The Valuer General has the right to receive income for the crown land. If there is an increase of 3.5%, what is it increasing, lessor or lessee. If methodology is changed the board will increase the service charge anyway.

Peter Sandow response: Need an explanation on the lease how the valuation is worked out.

HSA have trouble tracking the arrangement of the leases, there is history that is important. For our future we need to understand how these mechanisms work, who has got what advantage and how the market should balance out.

Election of Office Bearers:

The following proposals for 2008 office bearers were proposed:

Peter Sandow – President

Bruce Blackman – Vice President (replacing Peter Doyle)

Rob Anderson – Secretary

Brian Vowles – Treasurer

Murray Neilson – Committee

Philip Stott – Committee Events

Scott Sloane – Committee (in bright – local member!)

Rob announced to the meeting that Sue Coulson had been appointed as Executive Officer for the HSA. Sue's role will cover various administration tasks such as taking minutes & assist with communications and database.

General Business

Geo thermal project at Brush – Murray Neilson

The geothermal project was commissioned in August 2008 with a better than expected annual saving of \$10,000 and totally eliminating the LPG bill. The power cost is on track for a slight reduction; comfort has been substantially improved and praised by guests, members, visitors and RMB.

It uses a similar principal as a reverse-cycle air conditioner. Below several metres, ground temperature is constant, warmer than the winter air and is a massive renewable source. For every kW of power supplied to the GSHP, 3kW of heat is produced, an efficiency of 300%. A system of bore lines is drilled into the ground which extract the heat. The heat is transferred by the heat pump compressor and distributed within the building.

The project was combined with a lodge renovation of insulation, efficiency improvements & décor and included a comprehensive energy audit and lodge thermal analysis identify where & how much to target our attention. Lamps were upgraded, drafts minimised, unused ducts sealed, chimney damper fitted, door & window seals improved, glazing upgraded, light timers and sensors installed.

A new plant room built, walls were reinsulated and repanelled, new hydronic floor system introduced with carpet.

The project has established benchmark reference efficiencies in the most extreme Australian climate. Relatively new to Australia, our hope is to inspire others to enjoy the benefits of what is described as the most environmentally friendly heating system available.

For more details please download the power point slide show available on the web site.

John Castran: Guest Speaker

We are cross roads for the Victorian resorts and are not sustainable as an economic point of view. In 1983 the first resorts bill said "the development of the resort areas in a planned way will result in the provision of a range of facilities in resorts that will make experience of Alpine areas and snow based activities available to all Victorian regardless of their income". The current model doesn't work. The original model was kicked off with an incorrect premise when Steve Crabb put the legislation through. The VSA and ARC group agreement was established and the Mt Buller ratepayers Assoc were pivotal in bringing it to fruition.

The resort Boards will always spend more money than they can catch, so now we have a situation that the only way to pick up the short fall is to increase the gate entry. If the gate entry is increased the service charges are increased. The board also collect it out of Site Rental.

One of the biggest issues is Hotham was seen to be turned into the Noosa of Australia, but we only have one area that people want to go to in general for 12 weeks of the year. They tried to sell something that never was.

BCR came in and saw there was an opportunity within the club lodges, the members were

getting older, didn't want shared accommodation, and the demand for the self contained age group grew, eg. when Zirky's development was opened 27 units were sold over 1-2 nights. Thus resulting in the policy of the RMB's killing the lodges (casserole country). The grass roots of the resort have been cut off which may not be sustainable.

Another issue is when BCR came in they tried to accelerate the Hotham ski fields. To make it international they took the airport and put a jet airstrip in. The original budget was \$4,000,000 but by the time the first native title claim payout in Australia's history plus other blowouts it cost \$17.5 million. Hotham was now going to be accessible to the NSW and Perth market. But the meteorological tests showed that there was a change in weather pattern when the airport was built, it was always protected on the lee side of the mountain, but started coming from the south which doomed the airport. Larger jets couldn't come in a night time, and airlines deemed the mountain a non desirable user of air space and Qantas could never fit the flight in.

Final issue is the distance. Falls Creek & Mt Hotham take 4.5 hours to get there. Reality is, people don't like driving the distance.

Mt Hotham has the hearty souls left, so we need to concentrate on the costs. There is probably 36 years worth of land stock left between Dinner Plain and Mt Hotham. We need to work very closely with our RMB, reduce the cost of the skiing. Mt Hotham will never compete with Mt Buller, it is a social mountain and very close to Melbourne. We need to look very carefully at site rental policy, and to dropping the cudgels of where the VSA/ARC agreement left off would be a mistake. We have to make our RMB's accountable.

In reality what services are available; the zoo cart is gone which increased the cost to run the bus, we won't see the big equity capital people coming in ala MFS's for another 10 years. The mountain was getting its recurrent income from FECA collections, contributions per bed, and that is what was funding a lot of the capital works programs, which has now gone. The only income stream now is gate entry, site rental and service charges. The government wants us to be totally sustainable.

Ideas for a sustainable model:

The prediction is that the sustainable model is the club lodge. Younger kids need to be encouraged to come. Club lodges bring cheaper charges and have a form of camaraderie which is why Dinner Plain works so well. A Unit will not work.

The RMB at Hotham costs approx \$180,000 (board members get \$7000 10 times per year + costs to run it) per year to run, the Alpine Shire for Dinner Plain costs virtually nothing to run, each person gives their time freely. The Local government model is very simple to run.

It will be difficult to convince the government that clubs are the way to go. It is the club that provides the affordable accommodation on the mountain. The timing needs to be right and the recession will help.

The mountain's income is down approx 10-12%. There is a lot of competition from overseas.

Kids don't like the camaraderie as we did, groups of young people have different expectations, it is cheaper to get a group of friends to rent a property with better facilities

than lodges. We need to get young families up to give the kids the ski bug.

Who shares John's views on the resort? The board is not appointed in a democratic way, they are appointed by the minister, the board members aren't answerable to us, and we need to deal through the CEO, very autocratic. The RMB is "the poor man house of Lord's". There is no people representation on the board, so in the end it is all about their sustainability.

Peter Sandow comment: John's discussion has caused everyone to reflect on their own position and structure of their lodge. The composition of every club is different. Little is known of the structure of other lodges. Peninsula is discussing at their AGM – access to associates and how it is going to change. Clubs need to let go. Make it more welcoming to associates (kids).

Clubs will be more attractive in the future. Need to get new blood in the lodges. Need to be more open.

John was thanked by Peter Sandow, and his address was received with acclamation.

Broken steps between Trapdoor & Hangman

The steps between Trapdoor – Hangman are broken, RMB Keith Boxer advised that it will eventually be replaced, but for now there is no access. RMB advised that it was going to cost \$26,000 for the steps and have requested lodges pay half so they can do it earlier. It was suggested to write letters to other clubs who use it to see if they can assist with payment.

Drawings are currently in place by RMB of 3m wide 4 m high to top of bank. It is suggested to get a price from a local contractor. The RMB costing may be too high as per the tank replacement issue in the passed.

It may be possible to get sponsorship advertising on the steps to assist with payment.

Events Report: Phillip Stott

Muster Weekend 2&3rd May 2009

Host of the Queen's birthday weekend to be confirmed

Meeting closed at 9:05pm