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Alpine Resort Areas Review
State Services Authority
3 Treasury Place
Melbourne Vic 3002

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By Email alpineresorts@ssa.vic.gov.au

Dear Mr Powell

Review of Alpine Resort Areas

On Behalf of the Hotham Ski Association and in consultation with the Mt Hotham Chamber of Commerce, we have pleasure in presenting our submission for the 'Review of Alpine Areas', commissioned by the Minister for Environment and Climate Change.

It is our over-arching position that the experience of the Mt Hotham stake holders community with the ARCC/ARMB system is that it is at best vexatious and at worst destructive. Our submission puts to you and evidences that the Board and its Administration have been directly responsible for the breakdown in trust and community at Mt Hotham by liberally interpreting matters of Ministerial policy and ruling in a closed and often Draconian style that has alienated many and threatens the commercial viability of many.

We understand that the Resort Management Boards are an instrument of Government policy, but we hold that the unwavering focus of the Mt Hotham ARMB and its Administration on "profit" is to the detriment of important aspects of community and social responsibilities, such as access to Victoria's alpine areas by other than the wealthy. While your charter does not include that of recommending changes in policy to the Minister, it is critical that it highlight the serious impact that the present policy of 'Highest and Best Use' is having on the commercial viability of the snows ports industry, shifting the emphasis from a environmental asset for all to a real estate market for a few. We recommend a revision of this central policy to one of "Permitted Use" that encourages diversity and access for all.

Our submission offers a way forward, input and suggestions for the issues raised and a recommendation that the present system of Ministerially-appointed Boards must be replaced by a system that emphasizes stake holder participation, that centralizes expertise and staff roles and engages effectively in true consultation with its stake holders.

The Mt Hotham experience of the current system can be summed up as the worst of bureaucracy and authoritarianism. We sincerely hope that as a result of this process, changes will be made to prevent the collapse of this very important industry to Victoria.

We wish you every success with this very complex undertaking and look forward to seeing your recommendations in due course.

Yours Faithfully

Rob Anderson
Honorary Secretary

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"Representing the interests of the Mt Hotham community."

Review of Alpine Resort Areas

Submission on behalf of the Hotham Ski Association

February 2008

Introduction

The Hotham Ski Association (HSA) together with the Mt Hotham Chamber of Commerce (HCC) represents ski clubs, accommodation houses, apartments and businesses operating under the auspices of the Mt Hotham Alpine Resorts Management Board (MHARMB) MHARMB (“the Board”). These members in most cases are siteholders.

Whilst the Mt Hotham Chamber of Commerce is making its own submission it has read this submission and is in full accord with the views expressed.

Contributions from siteholders largely fund the activities of the Board. In addition, resort entry fees, which are paid by siteholders and visitors alike, fund the operations of the Resort Bus system and contribute to Ski Patrol. The Board funding of ski patrol is unique to Mt Hotham.

Stake holders of the resort are comprised largely of the Victorian State Government, private organisations and, in the minority, individuals. The siteholders or lessees of the resort are predominantly not-for-profit ski clubs, commercial operators and sub-leased private individuals. The Mt Hotham Ski Company is by far the most invested of the private stake holders. With the exception of the Ski Company, the entirety of the private and commercial stake holders in the resort are in no way represented on the Board. All Board members are appointed by the DSE on behalf of the Minister. There are no members on the Board who have been appointed at the bequest of any of the site-holders. Indeed, both our organisations submitted names to be appointed to the previous Board and not one was chosen. Neither organisation was invited by the DSE to submit names for the current Board.

The overall effect of the system is **Taxation without Representation**.

The actions of the Mt Hotham Board have demonstrated time and time again, absolute contempt of its site holders. This group is not represented on the Board nor is the Board accountable to site holders. Examples of this are included in the appendix.

1. Mount Hotham Alpine Resort Management Board Governance Issues.

Almost all of the issues encountered at Mount Hotham are caused by the Board through the lack of meaningful and genuine consultation, community representation and , thereby, accountability to the siteholders who fund it.

2. Site Rental

There are further cost issues imposed by the method used by the Valuer General in determining site rentals that result in unfair and unaffordable site rental charge, which is beginning to force stakeholder to abandon their interests in the resort.

3. Lease Renewals

The single most divisive issue with the Board is its draconian and somewhat loose interpretation of the Minister's Alpine Lease Renewal Policy, making Hotham-specific interpretations which discriminate against existing siteholders renewing their leases. The Board misses the fundamental economic imperatives, when on one hand it demands certain improvements to a property before it will grant a lease and on the other, the rental becomes so punitive that paying both sets of costs becomes unaffordable and commercially suicidal.

As a further example, the Board now insists that a siteholder applying for renewal must enter into an "Agreement to Lease" (ATL) usually for 3 years prior to the Board being prepared to execute the real lease renewal-proper. The ATL is arguably applicable to the leasing of a Greenfield site, but appears nowhere in the Minister's policy for renewal of existing leases. Consultation with our collegiate stake holder organisations establishes that this is a process that is unique to Mt Hotham: a construct of our Board. This is one example of a Hotham-specific interpretation and an abuse of the Board's power. (We also highlight that an ATL makes it impossible for a renewing siteholder to secure financing with which to make good the commitments extracted from it by the Board's conditions of renewal.)

4. Litigation

The Board has adopted the practise of approving developments without effective engagement with the community, giving the community no option but to take action at VCAT. The Board then uses community money to oppose the action by engaging the most senior council to press its case at such tribunals. Examples of this untenable behaviour are the Rodondo Road and The Great Alpine Road Realignment incidents: both could have been avoided if the Board had entered into meaningful discussions with the community.

We believe these problems are the worst by-products of a fundamentally flawed system, whereby this Board which has an evidenced practice of avoiding any meaningful engagement with its stakeholders can do whatever it likes as there is no effective scrutiny of stakeholder-Board engagement by Government. This has provided the Board with ample opportunity to liberally interpret government policy and no channel through which the stakeholders can effectively appeal or force engagement. Effective engagement is not just the ten years of "telling" which the Mt Hotham stakeholders have endured; engagement includes listening, compromise and cooperative action.

The system is broke and needs fixing or the skiing industry will decline.

Appendix 1 itemises some problems encountered at Mount Hotham and are the product of a system with a Board where goodwill to siteholders is rare.

1. Roles and Functions of the ARCC and ARMBs

a. Does the current scope of responsibilities of the ARCC and ARMBs allow for effective management of the alpine resort areas?

i. The ARCC

The ARCC is comprised of two government-appointed individuals and the chairpersons of the ARMBs. These people are not representative of the siteholders and are in no way accountable to them or even obliged to consult with them. The disconnect between all members of the Mt Hotham Board and the community is almost total.

For the ARCC to be effective in its responsibilities under Section 18 of the Act, it must directly and effectively engage with the Alpine communities who fund its existence. It is not doing this, but instead relying on the ARMBs to do this task.

An example of this is that the ARCC Chairman is required to recommend to the Minister an industry-wide cap (up to 30%) increase in the ARC/VSA leases. The ARMBs have a vested interest in maximising the cap. The ARMBs were given the task of seeking community views on this, but did not do so until specifically directed to by the Department after wide-spread protest. As the ARMBs are the most powerful voting block on the ARCC, stakeholder input is unlikely to be truly listened to, let alone considered.

The ARCC is required to liaise with a number of groups including communities in the promotion, management and use of Alpine Resorts. We see no evidence of this happening.

The HSA and the MHCC consider that the ARCC Board membership should be carefully balanced between Government, ARMBs, lift companies and siteholders. An independent Board would ensure that unbiased views are presented to the Minister and a more robust and growing industry guaranteed.

ii. The ARMBs

The ARMBs are appointed by the Minister through the DSE. These Board members are accountable only to the Crown and the Minister through the DSE. Section 38 of the Alpine Resorts Management Act 1997 does not require the Board to take note of and be accountable to the siteholders and businesses that actually fund the resources. This part of the act needs urgent revision.

The Mount Hotham Board is not required to, and does not meaningfully consult with the siteholders and other stakeholders in the undertaking of its activities. Section 38(1) (af) requires the Board to contribute to and support the Council. **The HSA for reasons stated above recommends that this section of the Act be deleted and that the ARCC be funded by Tourism Victoria and have a Board makeup that has no common membership with the ARMBs.**

Our experience at Mt Hotham is that the Board is neither proactive nor successful in promoting the Resort and that that activity be professionally outsourced to Local Government or other competent commercial bodies. This activity should be run in conjunction with the community and Tourism Victoria.

The HSA is of the opinion that the Board be abolished and a democratic system be put in place whereby users that fund the resort are represented on a Board of resort management that is accountable to its stakeholders.

b. How can progress towards “All Seasons Resorts” be improved?

A SWAT analysis needs to be undertaken as to why the resorts, particularly Mt Hotham and Falls Creek as the more remote destinations, do not have significant visitation outside of the 12 week snow season. Reference should be made to Dinner Plain which has consistent success with visitation outside of the declared snow season.

The essential difference is that Dinner Plain is comprised entirely of freehold landowners. Infrastructure is paid for by the owners who stand to benefit from it by increased value in their property which becomes a long term benefit to them.

By contrast, Hotham is, for all intents and purposes, entirely leasehold. The Lessor does not invest in infrastructure, but leaves this up to the leaseholders to provide. By way of example, this is evidenced by car parking and the Tertiary treatment Plant. Tenancy of the leaseholders is limited (especially due to the practices of the Board) and no benefit actually accrues to the siteholders. Indeed any increase in the value of infrastructure provided by siteholders is reflected in increased site valuations culminating in increased rents.

Dinner Plain operates under a committee of management, which is appointed by the Alpine Shire. Residents vote for council. Loan funds are accessible

through the Local Government's Loan Council so as infrastructure can be properly funded.

If all seasons resorts are to become a reality using the current model, considerable investment needs to be expended by the Lessor (i.e. by the State Government). Justification of a "commercial" rent already charged demands investment from this source.

Community involvement is also needed and those governing the resort need to be trusted and respected by the community before such leadership can be effective. Neither of these qualities is enjoyed by the Mt Hotham Board.

For the above reasons and of governance, the HSA supports a model other than the current regime, perhaps one under Local Government but ultimately one that is accountable to the stakeholders - especially those that are required to fund the running of the Resort.

2. Legislation

a. How effective is the current Legislative framework for managing Victoria's alpine resorts?

i. Alpine Resorts Act.

In some countries, land for Alpine regions is excised from National Parks and sold as freehold. A model like this exists in Dinner Plain. We accept that politically this may be unpalatable and whilst it has merits is unlikely to be acceptable in Victoria.

Accordingly, our position is that this Act needs no change other than to provide for a form of administration that provides for stakeholder representation and accountability. Management under local government would provide one such model.

ii. Alpine Resorts (Management) Act

The intent of this Act is supported by the HSA in that Alpine resorts should be used primarily for Alpine recreation and tourism in all seasons of the year and by persons from varied cultural and economic groups. We also strongly support the environmental considerations of the Act.

This Act would have to be amended if the present system of governance is to be replaced as we have believe it should be. We have previously stated our position that the ARCC must be independent of the ARMBs in membership and that they be funded by Tourism Victoria.

The HSA is opposed to having the 5 Boards appointed by the Minister with no accountability to those that are required to fund their operation of the resorts.

3. Governance

a. What are the advantages and disadvantages of the current governance arrangements or Victoria's alpine resort areas?

i. Advantages

From the Stakeholder's point of view the governance arrangements in respect of the ARMB's whereby the board members are appointed by the Minister are not advantageous.

The ARCC arrangements should continue with the exception of the 5 ARMB members appointed to the Board. There is an advantage with the ARCC being in direct communication with the Minister, but it must be independent of the Resort Administrations, so that it can be a real conduit between the Stakeholders and the Minister.

ii. Disadvantages

The resorts are required to be self sustaining and funded by siteholders with supplementary funding for specific activities through the Gate. Under the present arrangements of ministerial appointments, Board members are neither representative of the community nor are accountable to the community. This is a huge disadvantage particularly where the community does not have ownership or partnership of the decision-process.

b. Are there any differences between the large and small resorts that would warrant a different approach to governance?

Some of the smaller resorts appear to be faring better under the current system. For mountains such as Mt Baw Baw there does not appear to be as many issues between the stakeholders and the Board.

The small mountains do require Government assistance, but under no circumstances should this be in the form of a cross subsidy from the other resorts. The ARCC has done a study on the value of the skiing industry to Victoria. The benefits flow from North Eastern Victoria to the City of Melbourne. Any assistance should be paid for on behalf of the wider beneficiaries of the industry. For this reason the State Government should invest in the industry, particularly infrastructure, rather than rely on a small and incomplete user group as is the case at present.

Cutting the cost of administration would be best served even with small resorts could best be achieved by a council administration under local government.

c. Are the roles and reporting requirements of the various organisations directly involved in the management and promotions of the Alpine Resorts clear?

The roles and reporting requirements are clear, but liberal interpretation of some of these rules, particularly at Hotham, seems to be standard practise. We refer to numerous examples regarding leases recited elsewhere in this submission. There is no effective way to bring the resort Boards to account for these practices by the stakeholders.

d. How can collaborative arrangements between local governments and Alpine Resort areas be further encouraged?

The Boards should be required to consult with their nearby Council and other operators and weigh the cost benefits of using outside services. The ARMB's should only deliver services themselves in the rare instances that it is more cost effective. At Hotham the ARMB delivers Ski Patrol services in the most professional and cost effective manner possible. On the other hand, questions are being asked as to whether the Village bus system could be run by council or local operator on a more cost effective basis. Public accountability in this area is required plus a process of weighing cost benefits in all significant areas of ARMB activity including land and asset management. This would help to counter claims in the minds of stakeholders of "Empire Building".

5. Financial Sustainability

a. How effective has the Alpine Reform Package been in supporting alpine resorts to become financially sustainable?

The HSA believes that financial sustainability of a resort goes hand in glove with the financial stability of the stakeholders. Mount Hotham is currently financially viable but this viability is not sustainable.

Key stakeholders, particularly in the accommodation sector, are becoming less viable by the year as transfer of costs from the Board through site rentals and service fees and infrastructure contributions to the stakeholders increase every year.

Site Rentals and other charges outstrip inflation every year.

These costs cannot be budgeted for, and there is limited ability to pass on these costs fully to the end user without adverse industry consequent. We now have a situation where we are less competitive with other forms of recreation and are increasingly less competitive with other ski resorts around the world.

The Alpine Reform Package has presided over a decline in the skiing industry, given the increase in population and leisure time.

For Mount Hotham this reform has been a failure.

b. How can land and asset management processes be improved to achieve financial sustainability?

To achieve financial stability the resorts need:

- i. Longer leases allowing the siteholder to plan for long term development and get finance to complete the development. Leases under 50 years are not as successful for the development of the mountain.
- ii. Renegotiation of leases to be easier and less adversarial than at Hotham
- iii. Predetermined formula for site rental terms with little room for interpretation and subjectivity..
- iv. The cost of site rental should be determined initially by Valuation based on permitted use rather than "Highest and Best Use". Once the base rent is determined it should not increase by more than CPI.
- v. Planning scheme reviews must be regularly undertaken with effective input by stakeholders. The revision of the Mount Hotham planning scheme is years overdue as the DSE could not find the resources to complete it on time.

The HSA is of the opinion that the land management functions be taken out of the hands of the ARMB's and placed in the hands of the nearby councils. The Hotham Board has proved itself manifestly inadequate in the eyes of the Siteholders in the management of leases and permits.

c. What additional processes and mechanisms could underpin the achievement of financial sustainability?

Where commercial leases are sought by the State Government it has a responsibility as lessor to provide all infrastructure including sewerage plants, car parks, roads and other assets which form part of the resort. For example at Hotham the landlord only paid half of the sewerage project. The Siteholders are forced to bear the burden of \$2,000,000 contribution over time, yet the site valuations have an implicit full value of the project built in and siteholders are effectively paying this as increased site rental. Time will tell whether siteholders will pay their contribution a third time as an increase in the sewerage charge.

The lessor should invest in infrastructure to promote all year round use. Lifting in public areas during the snow season should also be invested in by the landlord at Hotham to make it a truly Ski-in Ski-out resort thus separating skiers from road traffic, reducing the load on buses and increasing public safety. This would make Hotham unique thus increasing its value proposition in the interest of all Victorians.

We believe that each resort has its unique features and with proper investment by the landlord could enhance the Alpine resorts for all Victorians both summer and winter.

6. Climate Change

a. What specific mechanisms and processes should each resort put in place to address the impacts of climate change?

Climate change will undoubtedly work to limit the snow season in terms of duration, snow quality and reliability for the winter. The resorts will become warmer during the summer period.

The impact on the lower resorts will be severe and they will have to re-invent themselves from being a ski resort by catering for a different range of recreational activities. The higher mountains such as Buller, Hotham and Falls have proven that the ski season can be extended by the use of sophisticated snowmaking techniques. We are fortunate that the current lift operators at these resorts are investing in snowmaking technology.

Special attention needs to be paid to the environment in terms of flora and fauna management. The bushfire risk needs active management throughout the national park. Old logging tracks need to be maintained and fuel loading needs to be kept under control.

No longer can we afford to lock up the national parks and ignore the fire risks. **The 2002 fires should never happen again.**

In our experience the greatest environmental protection that can be given to the Resorts are in its siteholder residents who by and large know more about

the area, care for the area and are watchful that only appropriate development is undertaken.

The HSA is appreciative of the Board's environmental management.

Appendix 1

	Issue	Reason/Evidence	Solution
1	The Board has lost the confidence of the community.	At Stakeholder meetings during the year it was clearly demonstrated that there is widespread distrust & universal “abomination” of the Board’s lack of engagement with & contempt for its stakeholders.	Community Accountability and genuine stakeholder engagement.
2	The Board acts like a “secret society”.	Board meetings are closed to all stakeholders except the lift company. They are formal and adversarial	Meetings to be open to stakeholders in the same way that council meetings are.
3	Stakeholders representative groups are offered limited opportunity to meet with the Board and only for specific agenda items. Attendees are often “bullied” and/or ridiculed, accused of malicious intent and action destructive to the resort.	Board meetings are limited in time with no provision for public attendance for all non “commercial in confidence” business. As a consequence, stakeholders are not included in Board decisions until too late – usually after decisions are made.	Timely and genuine engagement with the community.

4	Decisions are far more bureaucratic and complex than necessary.	Lease renewals have become dramatically more protracted and adversarial.	The Board must have more regard to efficient and friendly negotiations with site-holders.
5	The Administration seems unable to provide sensible and user-friendly solutions to-day-to-day issues.	Inflexible parking arrangements and fines. The resort is meant to be a holiday resort where consumers should feel welcome and “business” procedures should not be stressful imposts. Un-achievable “rules” are rigorously imposed, often making compliance impossible.	The Board’s Administration should both effectively listen to the community and take input into genuine consideration..
6	Excessive attention & resources have been committed to fighting the community.	Evidenced by Planning and VCAT appeals against community on numerous planning issues.	Board should work with community.

7	The Mt Hotham Board's implementation of the Minister's Lease renewal policy is subjective, punitive and a complete failure at Mt Hotham. It has engendered fear of reprisal and wide-held animosity within the community.	The Minister's published guidelines at best been subjectively interpreted and at worst not followed at Mt Hotham. Lease terms are based on utterly subjective judgement (often personal) by the Administration rather than on the clear SISP guidelines. Agreements to Lease were introduced uniquely at Mt Hotham and contrary to Ministerial Leasing policy.	Board should not ignore community dissatisfaction with its Hotham-specific practices.
8	Board claims to be an arm of government and will not let the community get between it and the greatest possible revenue return to government.	High gate entry fees, site-holder funding of infrastructure multiple times.	Board should support ratepayers in taking a case to the Victorian Government to fully fund capital infrastructure.
9	The Board always sides with what they believe to be in the Government's interest rather than work in the interests of the community and the Resort.	The Board has failed to proactively address planning scheme revisions (which are long overdue) and do not understand or respect the community's deep concerns about the deficiencies in the scheme.	Accountability to the community not just the Government
10	Stakeholders frequently express concerns & complaints about relentless & unsustainable escalations in Board and Government charges that far exceed CPI.	Service charges and site rental increases are routinely well above CPI have community concerns are routinely ignored or waived aside. Fundamental economic principles dictate that escalations beyond the CPI cannot be commercially sustained.	The Board must understand that Victoria's alpine areas are for the entire population – not just the rich – and that many of its stakeholders are extremely sensitive to the cost-sensitivity of skiing and of maintaining on-mountain establishments. Many will simply leave the Industry and the resort.

11	The Board's Mission statement is not reflected in its actions.	The Board does not manage the resort in a manner that is economically viable, and certainly not for the benefit of current and future generations.	A re-focus on customer needs and satisfaction - both financially and service wise.
12	Many who have been dealing with the Mt Hotham Board for years report they cannot understand how a Board can create so many problems, add further complexity and create so much conflict. Key activists have simply given up on attempts at constructive engagement and have left the mountain.	This is demonstrated by the horror stories told and documented by stakeholders during Lease negotiations and processes in obtaining a lease. Volunteers are asked to spend countless hours re-doing proposals which comply with guidelines, simply at the whim of Administration. Changes to the business plan requirements stipulated in the Minister's guidelines have been a rolling series of inventions at Mt Hotham, very difficult to keep up with.	The Board to show sensitivity towards not-for-profit stakeholders who continue to contribute to the resort and the broader community, recognising the commercial reality of their situations. Bureaucratic processes should be kept to a minimum not maximized.
13	The Community simply does not believe the Board's construct of resort visitation figures and growth claims, calling the financial basis of many Administration and Board decisions into question.	Stakeholder experience reveals the exact opposite to be the case in reality. For example, the clear downward trending of family visitation (less often, shorter stays, fewer family season passes etc) should be sounding loud warning alarms.	The Board should heed reality and act on adverse figures rather than remain in denial and construct overly-optimistic scenarios. They should take the stakeholders seriously, listen and act.
14	The previous Committees of Management were far more effective in understanding the community & its issues, with the two VSA nominees (elected by each resort's stakeholder association)	These reps were able to provide the essential two-way communication channel between resort management and the stakeholders. We fully understood that all committee (Board) members must serve the interest of the body on which they serve but Committee of Management decisions evidentially benefited from the knowledge and experience stakeholder representatives brought.	Stakeholder representation and accountability is essential

15	<p>Given that the methods used by the Boards in setting the many fees, charges and prices do not include stakeholder input, causes questions to be frequently raised about the degree of contestability and anti-competitiveness, seriously impacting on the long term viability of the resort.</p>	<p>Gate entry fees, garbage charges, energy charges are not discussed with stakeholder groups prior to their notification and implementation</p>	<p>Stakeholder representation and accountability is essential in order to “socialise” proposed charges or get feedback from the community prior to their implementation. This would help everyone with setting their budgets.</p>
16	<p>The Board has demonstrated a fundamental lack of understanding of the impact of site rental on stakeholders and its flow-on effects of costs in the industry, particularly in the costs to entry level skiers. In particular, Skiing has become less affordable to families than ever before and families (other than those of the rich) are disappearing from the resorts.</p>	<p>The Board has been asked to assist stakeholders in talking to government on the issue of fairer and more affordable site rentals. Instead, our Board is actively supporting a 30% increase in site rental for ARC/VSA leases. Perhaps this is due to a total conflict of interest.</p>	<p>The Board together with the community, should fight for the future of the resort rather than allow it to become uncompetitive with its peers interstate and overseas or lose out to non skiing holiday venues.</p>

17	<p>The oft-peddled argument that State Government through the Alpine Resorts Act & leasing policy seeks highest & best use is in conflict with the responsibility to ensure Crown assets are not unreasonably exploited. The Board are heavily abusing this argument by acting as an unscrupulous land manager who is simply not sufficiently equipped or qualified to understand the wider economic impact of their actions nor is sufficiently independent (being a direct beneficiary of the implementation of their policy excesses).</p>	<p>This is evidenced by the use of their “de facto” responsible authority powers to approve projects such as the Moritz development in the face of wide community abhorrence. These projects inflate the values of all sites, thus over valuing the properties which are valued on highest and best use and totally ignoring permitted use. This method inflates the site rental exacted from siteholders artificially.</p>	<p>Listen to the community and bring them on side</p>
18	<p>The Board’s Mission Statement also focuses on customer satisfaction.</p>	<p>The Board's emphasis does not appear to be on customer satisfaction as evidenced by inadequate payment arrangements when the Resort entry gate is shut.</p>	<p>The Board should treat customers with flexibility and make systems easily accessible and user friendly</p>