

TAURANGA DISTRICT COUNCIL

TO: POLICY & RESOURCES COMMITTEE

REPORT NO: DC NO. 255

FROM: s 7(2)(f)(ii)

DATE: 8 JUNE 1999

SUBJECT: MOUNT MAUNGANUI DOMAIN MOTOR CAMP

FILE: 5960-9

C O N F I D E N T I A L

PURPOSE

To review the current operations and make recommendations on future options for the Mount Maunganui Domain Motor Camp.

REASON FOR CONFIDENTIALITY

To allow Council to carry out commercial negotiations (including commercial and industrial) without prejudice or disadvantage.

TRANSFER TO OPEN

The Report/Recommendation can be transferred into the Open at the discretion of the Chief Executive.

RECOMMENDATION

That it be Resolved

- (a) **That the s 7(2)(f)(ii) Report (DC 255) be received.**
- (b) **That tenders be invited for a two year contract for operational management of the Mount Maunganui Domain Motor Camp and Caravan Park for the period 1 July 1999 to 30 June 2001.**
- (c) **That future development options for the camp, beyond the two year contract period, be identified in conjunction with planning for the future development of the Hot Pools.**
- (d) **That Resolution M_____. (and associated report) is to remain in the confidential section to enable the Council to carry out negotiations (including commercial and industrial) without prejudice or disadvantage.**

1. BACKGROUND

The purpose of this report is to review the current operations of the Mount Maunganui Domain Motor Camp and Caravan Park (the camp) and to recommend that Council seek tenders for a two year contract to operate the camp on its behalf.

The camp has been operated by the Council for many years. The current contractors, s 7(2)(a) - Privacy have been associated with the running of the camp for the s 7(2)(a) - Privacy years, s 7(2)(a) - Privacy. s 7(2)(a) - Privacy The contractor assumes responsibility for all operational aspects of the camp while the Council attends to maintenance of the buildings and capital expenditure.

The camp comprises 223 sites for caravans and tents. Buildings associated with the camping ground include three ablution blocks, toilets, a caretaker's residence and a camp kiosk.

The last major upgrade of facilities was in 1992. A cosmetic upgrade of the ablution blocks was undertaken three years ago.

Some commentators have described the camp as tired and in need of an upgrade. The location is regarded as unparalleled for a camping ground in New Zealand.

Catering primarily for visitors to the District, many of whom come from Auckland and Waikato, the major attraction is the location. The camp is used by those preferring the outdoor nature of caravanning and tenting and by people who can not afford the expense of motel-type accommodation. The camp is understood to enjoy good occupancy rates by national standards (100% in summer) but no industry data is available to confirm this. Tariff rates are in line with those charged by other motor camps in the Bay of Plenty.

The camp is divided into three sections; Ocean, Pilot Bay and Harbour each with their own toilets and ablution blocks.

The current contract is a Management Agreement whereby the Council retains ownership of the land and facilities (ie.ablution blocks etc) and the contractor performs specified management services at a fee agreed in advance for each year. The services provided by the contractor include such things as receiving bookings and payments, maintaining credit control, day to day maintenance of sites and facilities, routine cleaning, regular reporting to Council Officers etc. The Council is responsible for programmed maintenance and the costs associated with the long term upkeep of the facilities. The fee is paid to Council in monthly instalments throughout the year and is based on the revenues and costs associated with the camp in the previous year. The contract is structured in away that allows the contractor to profit from occupancy rates over and above historical levels thus providing some incentive for good customer service.

It is proposed that tenders be invited from parties interested in operating the camp for a two year term. The contract would include a redevelopment clause to apply in the second year to allow for the

possible expansion of the adjacent Hot Pools. Two years is considered an appropriate term given that:

- A new contractor would need to invest in purchasing equipment for use in administering and maintaining the camp. A term of less than two years is unlikely to provide adequate time for the contractor to earn an acceptable return on this investment.
- A term of more than two years is inappropriate because it may inhibit Council in its plans to extend the adjacent Hot Pools and redevelop the camp.

2. LEGISLATION

The Mount Maunganui Domain Motor Camp and Caravan Park is situated on land classified as Recreational Reserve and therefore is subject to the Reserves Act 1977

In managing the camp, Council complies with the New Zealand Standards specified in the Camp Ground Regulations 1985.

As a Reserve Management Plan is in place for Mauao, any proposal that effects the operation of the Camping Grounds must be in conformity with the provisions of the Management Plan. Any departure from the terms of the Management Plan will necessitate Council initiating a public notification and consultation exercise.

In the event that Council decided to divest itself of the camp, Section 594 of the Local Government Act dictates that it must utilise the special consultative procedure set out in Section 716A of the Act.

3. OTHER FACTORS

In assessing the future operational options of the camp, the following matters require consideration:

(a) Site Reduction

Council are currently evaluating the feasibility of further developing the adjacent Hot Pools site. If it proceeds this development would see the Hot Pools expand onto camp land resulting in the loss of 110 sites from the camp. These sites are the least utilised sites of the camp and are mostly empty from April to November each year. The loss in revenue from these sites is estimated at \$130,000p.a.

(b) Land Erosion

A draft report solicited by the Department of City Services from Mr Laurie Richards of Lincoln University has indicated that there are areas of the camp under threat from land slip and rock fall from the mountain above. The final report is expected to recommend that some sites no longer be utilised.

c) **Energy**

There is a geothermal bore in the centre of the property which heats the water at the Hot Pools. This energy source may be able to be tapped to provide a cheap energy source for any future development of the Motor Camp.

d) **Planning and Policy Constraints**

The Mauao Management Plan applies the following policy constraints to management of the camp:

3.3.3a Improve access to Mauao along the back of the camping ground and along the beachfront; improve signage; improve visual amenity.

3.3.3b Implement a flexible plan in the camp to allow for camping on the grassed areas at peak times and other recreational uses at off-peak times.

3.3.3c Allow only “temporary living places” to be established in accordance with the Campgrounds Regulations 1985.

3.3.3d That the Management Agreement or any other agreement for camp management be in accordance with the Camping Ground Regulations 1985.

3.3.3e Remove all “permanent” and “semi-permanent” structures that are not in accordance with the Camping Ground Regulations 1985.

3.3.3f No new permanent awning structures should be permitted to be built and all old awning structures are to be removed over a period of 12 months after the adoption of policy.

3.3.3g Redefine the management agreement for the camp ground to reflect the above.

3.3.3h Undertake a concept plan which addresses amenity issues and access along the front of the camp and behind the camp.

The Mauao Reserve Management Plan requires that any changes to existing facilities or proposals for new facilities must be approved by Council following public consultation, if deemed appropriate by Council.

(e) **Industry Trends**

A marked decline in the demand for new caravans has been evident for the past 15 years and is reflected in a noticeable ageing of the country’s caravan fleet. Caravaners tend to be older people who typically return to the same holiday spots at the same time every year.

Younger people show more of a preference for tenting. Tents tend to be getting larger and are accompanied by an increasing range of accessories. Most tent dwellers require electricity. A level site is more of a necessity with tents than caravans.

Camper vans & motor homes are increasingly replacing caravans in motor camps. The length of stay is generally shorter for people in this type of accommodation.

As a means of compensating for fewer caravans there is a trend among camping grounds towards the building of fixed accommodation units such as tourist flats and cabins. Some cabins include ensuite facilities which have a shower and toilet but no kitchen.

Industry commentators within New Zealand talk of shorter periods of stay in camping grounds. This is thought to be mostly attributable to economic considerations.

International trends exhibit a greater variation in charging between seasons. The peak period may be charged out at tariff rates three times that of the low season. To reduce operating cost some camping ground operators are attempting to apply minimum stay periods in the high season.

The Mount camp has the ability to accommodate current industry trends. The Camping Ground Regulations 1985 place some constraints on the floor area and siting of cabins and tourist flats in addition to the constraints of the Mauao Reserve Management Plan.

(f) **Future Capital Works**

The prime location of the camp adds significant value to the camping experience. Accordingly there is scope to raise prices during the peak season if necessary to finance major improvements to the quality of camp facilities.

To reverse the current deterioration in facilities there will be a need to spend money on camp roads, ablution blocks and site quality in the next two or three years. It is estimated that costs could be in the vicinity of \$700,000. Should Council decide to develop the camp as a more up-market boutique style facility this figure is likely to be exceeded.

4. **STRATEGIC AND RESOURCE CONSIDERATIONS**

- **Strategic Directions**

In reviewing the current and future operations of the camp a number of elements of the Strategic Directions plan are relevant:

Council has a responsibility for wise stewardship of this community asset and for effective and efficient service provision.

In administering the camp Council will be guided by the Mauao Management Plan in protecting the natural environment and recognising cultural heritage.

Effective management of the camp should see it play a role in the economic development of the District by supporting the development of Tauranga as a tourist destination.

- **Policy**

POLICY M31.32(A) DATED 20 MARCH 1990 - MOUNT MAUNGANUI DOMAIN CAMPING GROUND

"That as a matter of policy, the Tauranga District Council agrees that Mount Maunganui Domain Motor Camping Ground continue to operate and be promoted as a family camping ground, but that this policy be further reviewed when an operational review of the camp is undertaken."

- **Asset Management Plans**

No separate Asset Management Plan has been prepared for the camp.

- **Long Term Financial Strategy**

No provision has been made for any alteration to the operational management of the camp in the LTFS except for the tendering of the operational contract.

- **Funding Policy**

The 1998/99 Funding Policy requires that the camp be funded from user charges, and be totally self-sufficient.

The camp is currently budgeted to generate a net income to Council of \$230,000 per annum and is totally self-sufficient. Annual surpluses are used to fund expenditure related to other Council reserves and facilities.

- **Annual Plan/Budget**

Provision has been made in both the current and draft 1999/2000 Annual Plan for the continuing management of the camp under contract.

- **Future Annual Plan/Budget Implications**

An annual contracted net revenue to Council of \$250,000 is considered achievable and maintainable with the current facilities. This anticipates annual spending by Council of \$30,000 on capital items and asset maintenance.

Within the next three years Council will need to consider the merits of a major upgrade of the camp's facilities up to an estimated maximum of \$700,000.

5. OPTIONS

Given the Reserve status of the camping ground, sale of the land is not appropriate. The options available to Council for the management of the camp include:

a) **Council Manages and Staffs the Camp:**

- This was the previous, discarded, arrangement.
- Experienced staff would need to be recruited.
- Council maintains maximum control.
- Difficulties in motivating staff to achieve desired levels of service.
- Council assumes all business risks.

b) **Council Contracts Out Operational Management**

- This is the current arrangement.
Current contractors are very experienced and others available.
- Limited control achieved through contract terms.
- Contract terms include incentives to contractor to perform.
- Business risks are shared between contractor and Council.

c) **Council Leases land and Sells Camp Assets**

- Business sold as a going concern.
- Sell to experienced operator.
- Council loses control over tariffs and service levels.
- No need for council to tie up funds by owning assets.
- Council avoids business risks.

Assessment of Options:

Council's experience over recent years is that there have been gains in operating and cost efficiency by contracting out the operational management of the camp.

Leasing is not a feasible alternative while the future development of the Hot Pools, and in particular the amount of land available to the camp, remains undecided.

The possibility exists in the future of combining the Hot Pools and camp operations under one lease or management contract.

For the present, it would be imprudent for Council to commit itself to any major changes in facilities, ownership or management structure of the camp (other than inviting tenders from interested contractors) until Council's plans for the future of the Hot Pools have been determined.

Because of the physical proximity of the Hot Pools to the camp, the complementary nature of the two operations and the prospect of the camp losing land to the expansion of the Hot Pools it is proposed that planning for the future development of the two facilities be undertaken in tandem. The numerous town planning, legal, and geo-technical constraints associated with the properties and the need for public consultation makes it unlikely that the Council will be ready to commence physical work on the camp until 2001.

Accordingly it is proposed that Council seek tenders for the operational management of the camp for a two year period to 30 June 2001.

6. COMMUNICATION ISSUES

Despite the lack of use of the Harbour Camp for almost 8 months of the year, it is anticipated that there will be strong objection from out of district customers of the camp to any attempts to reduce the total size of the camp. This issue will be addressed as part of the public notification and consultation process proposed to accompany the Hot Pools development project.

Little public objection is anticipated to tendering out the Management contract. It is proposed that the contract tender be publicly advertised to attract experienced operators.

CONCLUSION/SUMMARY

The Mount Maunganui Domain Motor Camp and Caravan Park is a popular facility which draws thousands of holiday makers to the Tauranga District every year.

Maintenance of the camp in its current state is recommended until the future of the adjacent Hot Pools complex has been decided.

It is recommended that Council seek tenders for a two year operational contract of the camp for the period 1 July 1999 to 30 June 2001.

s 7(2)(f)(ii)

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