5 February 2021

Queensland Competition Authority
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To whom it may concern

Submission on Determination of Regulated Energy Prices for 2021-22

As the peak body for the caravan park industry in Queensland, Caravan Parks Association of Queensland Ltd (CPAQ) appreciates the ability to provide input into the Queensland Productivity Commission's consultation into Regulated Energy Prices for 2021-22.

The rising cost of energy prices continues to be one of the major concerns to our members, with 69% reporting that their electricity usage has increased in the past five years – 62.5% of these caravan parks reporting more than a 25% increase.

With this, over 73% of our members report their energy costs have increased in the past five years with 70% of these advising it has increased by more than 25%. Those parks that indicated their energy costs had not increased advised they had installed initiatives like solar to offset the increase in costs.

As a significant tourism and housing provider, particularly in Regional Queensland, the cost of electricity has a significant impact on not just our members, but also their guests and their residents.

While a tourist can choose where they stay, taking into account the cost of a night's accommodation in their decision-making process, many residents in caravan parks are not so lucky.

Caravan parks often deal with residents and guests on tight budgets and the significant increases in energy costs over the past decade has had a major impact on their businesses, with caravan parks forced to absorb increases or explain to price sensitive customers why there has been an increase in their rates.

In relation to this review please find following our recommendations and comments relating to setting energy prices in Regional Queensland.

Recommendations

1. Caravan Parks operating embedded networks should be excluded from the "Large Customer" tariffs as these higher energy costs are passed on to their guests and residents (in the form of electricity charges).
2. Account holders should be allowed to adjust their tariff as frequently as every three months.
3. Business that go 'on market' and sign a contract with a retailer (other than Ergon) should have the ability to return to Ergon where competitive offers are not available from other retailers.
4. Additional tools and information should be made available to educate businesses on the different tariffs and assist them with their decision making process.

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Background

Caravan parks are the quintessential Australian holiday destination. What many people do not consider is the integral role they play providing housing and economic activity particularly in regional Queensland. Caravan parks fall into three broad categories in Queensland:

- Tourists only
- Mixed use (that is caravan parks with a mix of tourists, and residents either in onsite caravans/cabins, or in manufactured homes)
- Residential only

Queensland has the highest concentration of residents in caravan parks and manufactured home estates in Australia with over 23,000 individuals, or 0.5% of all residents, in Queensland living in one of these communities[1].

In terms of rental accommodation in Queensland, at the time of the 2016 census, the caravan park and manufactured home estate sector was providing approximately 1.8% of all housing stock in Queensland[2]. When looking at only low-income earners (under $42,000 p.a. per household) 3.3% of dwellings are in caravan parks[3].

In addition to providing a significant amount of residential accommodation, in 2019, the caravanning and camping sector provided accommodation for 12.5 million visitor nights across the state[4]. While this number did reduce in 2020 due to the COVID-19 pandemic, the industry continues to be the most popular holiday accommodation option for Australians[5].

Our industry contributes $2.8 to the Queensland economy each year[6] in addition to the many social benefits from the industry with studies showing that families that enjoy caravan and camping are happier, healthier and more connected than their non-camping counterparts.

Many caravan parks in Queensland are embedded networks, owning their electricity infrastructure and on-sell electricity to guests and/or residents within their business.

These businesses do not run energy sale businesses, however, in the operation of their primary business, they provide an essential service by supplying and maintaining the necessary infrastructure to deliver electricity to caravan park residents and guests.

Caravan parks charge residents for electricity as allowed under the Residential Tenancies and Rooming Accommodation Act 2003 (RTA) and Manufactured Homes (Residential Parks) Act 2003 (MHA), or in the case of tourists charged for electricity, under the Australian Energy Regulator (AER) guidelines.

They do not, and may not, by law, charge their customers for the cost of providing or maintaining the infrastructure and individual powerhead meters, or for the administrative costs associated with running this network, nor can they make a profit on the supply of electricity.

Due to the large footprint and, in many cases, the leisure facilities within the caravan park, 65% of our member caravan parks are large users of electricity, using over 100 MWh per year. Despite approximately 50% of caravan parks having installed solar, with 36% of these doing so to reduce their usage below the 100 MWh threshold, it is difficult for caravan parks to offset their usage by primarily using power during off peak periods, by using solar as the peak times of electricity use in most caravan parks are from 6pm until 9pm or by implementing energy saving/management practices that other businesses may rely on.

[1] 2016 Census

[2] Ibid

[3] Ibid

[4] National Visitor Survey YE 31 December 2019, Tourism Research Australia

[5] National Visitor Survey YE 30 September 2020, Tourism Research Australia

[6] National Visitor Survey YE 31 December 2019, Tourism Research Australia

Energy costs are exacerbated by the fact that mixed use and tourist only caravan parks all experience significant variations (over 25%) in electricity usage from their peak to off peak season. 22% of caravan parks reported that their electricity usage varies by over 75% between their peak and off peak periods.

When asked about their experience managing their energy accounts, less than 10% of caravan parks believe that it is easy to understand the various tariffs available to them and 70% disagreed with the statement "it is easy to change tariff".

At present 21% are large energy user member parks and 12% of small energy user member parks are on obsolete tariffs.

The Impact of the COVID-19 Pandemic

Energy pricing has never been so important to both business owners and residents, with the impacts of the COVID-19 pandemic being felt right across Queensland.

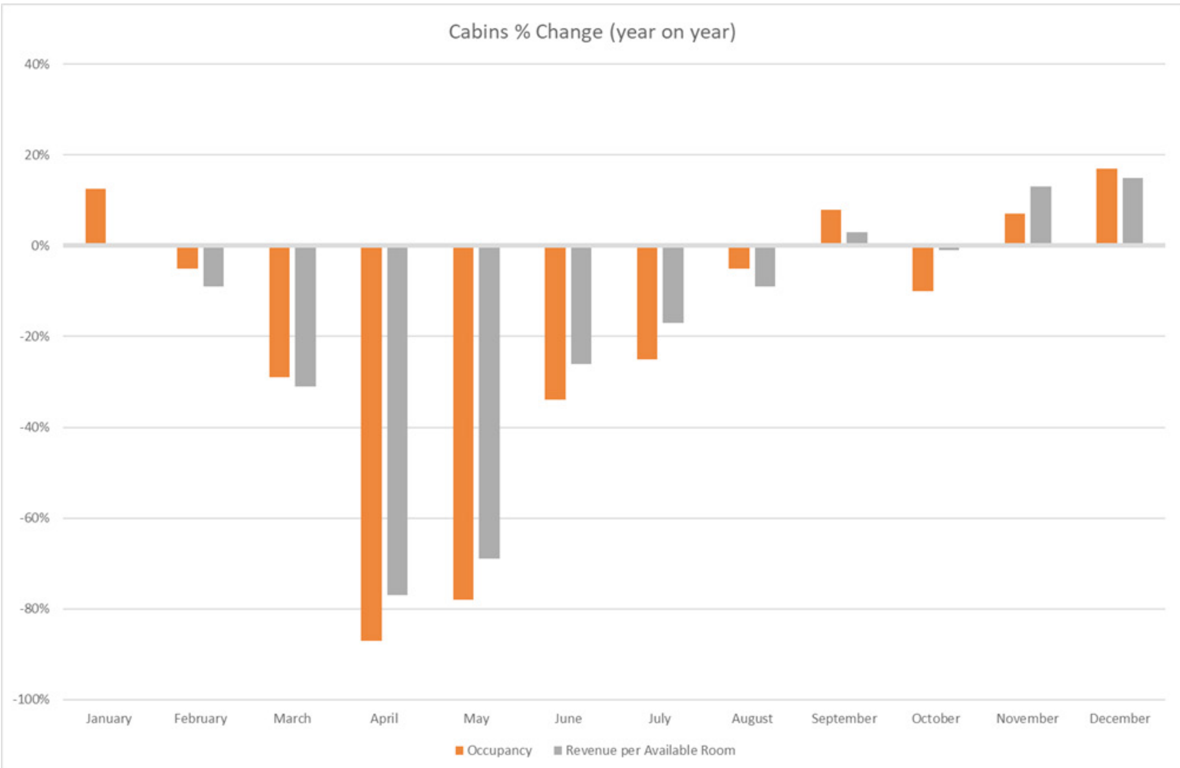
Despite regular newspaper reports on how popular caravanning and camping is at present, caravan parks were hit as hard during the pandemic as any other tourism business and have faced increased costs due to the restraints and requirements placed on them by the Queensland Government.

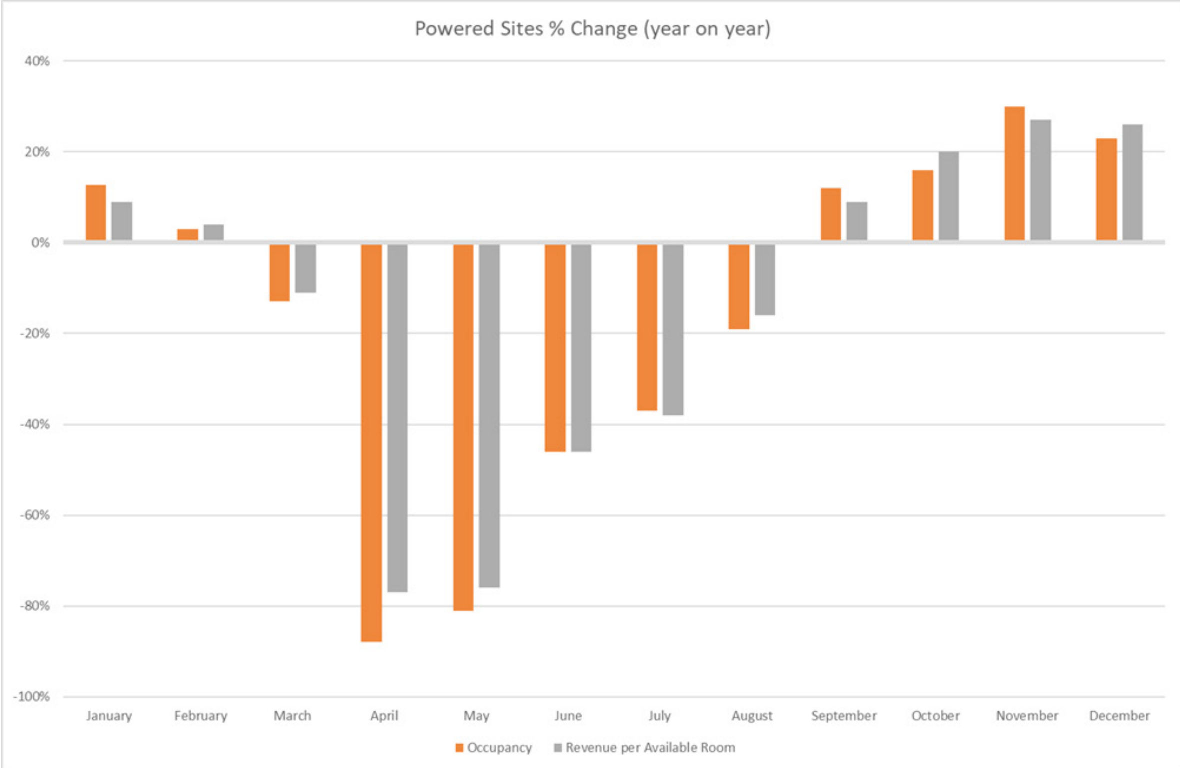
While hotels, motels and resorts were never included on the Restrictions on Businesses, Activities and Undertakings Direction (and the Non-essential Business, Activity and Undertaking Closure Direction which this Direction replaced), this Direction placed significant restrictions on caravan parks.

This saw the closure of these businesses (except where they had residents or guests with no other place of residence) until leisure travel was permitted on 1 June 2020. Upon reopening, this Direction placed additional cleaning, record keeping and management restrictions on these businesses, which again were not imposed on all other accommodation providers.

While there was a very good reason to prevent leisure travel across Queensland, this restriction and the slow return of consumer confidence has seen caravan parks across Queensland lose the income they would normally receive in their peak period which would also see them through the off-peak period when they run cash flow negative.

The following charts show the percentage increase or decrease in occupancy and revenue per available room for the two most popular categories of accommodation normally found in a caravan park, cabins and powered sites.





These results mean that caravan park operators are carefully looking at all expenses with a view to reduce costs. Variable costs such as staffing and energy costs are two categories being carefully reviewed.

For caravan parks that operate embedded networks, the Queensland Government placed additional hardship on their business but requiring them to administer the Asset Dividend Payment and stimulus payment for their residents while offering no compensation to the park. While some (but not all) of these businesses received the $500 Electricity and Water rebate, this did not come close to offsetting the cost of administering these Government programs.

Recommendation 1

Caravan Parks operating embedded networks should be excluded from the "Large Customer" tariffs as these higher energy costs are passed on to their guests and residents (in the form of electricity charges).

To ensure competitive electricity pricing for all residents in Queensland we recommend that caravan parks operating embedded networks should NOT be considered a "Large Customer" and incur the tariffs levied on large energy users.

Caravan parks (running embedded networks) pass on the electricity charges incurred by their residents (and in some cases guests) at the cost they are charged (based on individual usage).

Under the state based Residential Tenancies and Rooming Accommodation Act 2008 and Manufactured Homes (Residential Parks) Act 2003, as well as the Australian Energy Regulator exempt retailer guidelines these caravan parks are restricted as to what they can charge for the supply of electricity and as a result only on-charge what they have been charged based on the use of the individual site.

Where a caravan park exceeds 100 MWh's per annum they switch from being a "small business customer" and become a "large customer", despite relatively low turnover and the large number of individuals that are responsible for the usage.

On becoming a large "customer" their tariffs increase significantly, this then flows through to the residents and guests in their park. This means that residents are being charged significantly more than they would be charged if they were based in South East Queensland, or as a residential customer in their current location.

In some of these cases, caravan parks are having to absorb the price difference as they are being charged a large user tariff while charging their resident's based on the local standing offer for residential customers.

While the AER has introduced the ability for customers of embedded networks to go “on-market” we believe the cost of a new meter (due to the age of most caravan parks, the current meters are not compatible with going on-market) will outweigh the perceived benefits by the customer making it unlikely they will go on-market.

Further this group of residents may have difficulty (due to their age or circumstance) going through the process of going on-market. This, coupled with the limited choice of retailers outside of South East Queensland, means that these customers are negatively impacted by the designation of the caravan park as a “large customer”.

Recommendation 2

Account holders should be allowed to adjust their tariff as frequently as every three months.

The energy usage of caravan parks in Queensland varies significantly across the year. In regional Queensland, most caravan parks experience a peak season that is three to five months long. During this period, they earn the income that will see them through the remainder of the year.

This issue is exacerbated by the fact that mixed use and tourist only caravan parks experience a significant variation (over 25%) in electricity usage from their peak to off peak season. Of these caravan parks, 22% reported that their electricity usage varies by over 75% between their peak and off peak periods.

Caravan parks have reported that they are limited as to how often they can adjust their tariff which means that for a large part of the year they are paying significantly more for energy than they need to.

The ability to adjust their tariffs as frequently as every three months would allow these businesses, which operate on tight margins, to better manage their electricity costs as well as providing cost savings and other benefits to the residents of their park.

Recommendation 3

Business that go ‘on market’ and sign a contract with a retailer (other than Ergon) should have the ability to return to Ergon where competitive offers are not available from other retailers.

Caravan parks outside of South East Queensland will sign contracts with retailers (other than Ergon) to take advantage of the more competitive rates available offered. Currently less than 20% of regional caravan parks have gone ‘on market’ and moved away from Ergon, and those that have report that this change has provided no real benefits to their business.

With the decline in mining in regional Queensland, caravan park operators have been advised of significant price increases when renewing their contract, resulting in higher prices, even when compared to the Ergon large customer tariffs. One park operator reported that their retailer advised them their tariff would increase by at least 44% when their contract was renewed.

In order to establish a competitive electricity market we believe all users, both small and large, should have the ability to return to Ergon, particularly in situations where other retailers are unable, or unwilling, to make a competitive offer.

Recommendation 4

Additional tools and information should be made available to businesses on the different tariffs.

The rising cost of energy prices continues to be one of the major concerns to our members, with 69% reporting that their electricity usage has increased in the past five years – 62.5% of these reporting more than a 25% increase.

This has resulted in 60% of Queensland caravan parks have reviewed their electricity tariff in the past twelve months. When asked why they selected their current tariff, less than 10% of members advised they had used a broker to determine the best option. Most caravan parks indicated that their tariff had been recommended to them by Ergon.

We have received reports from some caravan parks that the tariff that was recommended by the Ergon consultant was not the best tariff for their business when a further review of their usage was completed.

We asked our members how easy it was to understand their bill and the various tariffs available to them. Only 26% of members agreed that it was easy to understand their electricity bill.

Less than 10% of our members agreed that it was easy to understand the different tariffs and their benefits, and 70% disagreed with the statement “it is easy to change tariff”.

With research, we discovered that Ergon have an Analysis Tool which can be used to determine the most appropriate tariff for an energy user. Less than 20% of our members have used this tool, with 73% of members indicating they were not aware that it was available to them.

Of the 18% of members that had used the Analysis Tool, all agreed that it was easy to use, did not take long to complete, gave them a quick response and that they would use it again. 75% of users also indicated that it was useful in determining their tariff.

While energy costs remain a concern to our members, we believe that the above recommendations will provide caravan parks in Queensland, and the people staying within these businesses, with more certainty around pricing and long-term viability.

Should you wish to discuss this submission further please do not hesitate to contact me on 07 3862 1833 (opt 2) or by email to parks@caravanqld.com.au.

Kind regards

Michelle Weston
Chief Executive Officer

About Us

Caravan Parks Association of Queensland Ltd (CPAQ) is the peak industry body representing caravan parks in Queensland. Established in 1966, the association is the voice for the caravan parks industry in Queensland, providing support, networking, professional development and promotional opportunities for our members.

There are currently over 415 full and associate members of CPAQ, made up of caravan parks (catering for tourists and residents) and campgrounds, large and small, from all corners of the State, industry suppliers, tourism businesses, plus regional and local tourism organisations.

Our vision is to enable our members to provide the ultimate customer experience in a sustainable business environment that supports their local community. We seek to work with both state and local governments to balance the needs of the consumer with those of the Government and industry. Further we actively strive to ensure not only that minimum standards within parks are met, but that over time these industry standards are in fact driven higher.

We trade under the brand **Caravanning Queensland** which joins the two related but separate peak industry bodies in Queensland:

- **Caravan Parks Association of Queensland** (CPAQ) the voice of the caravan park owners and operators and the associated supply chain in Queensland.
- **Caravan Trade & Industries Association of Queensland** (CTIAQ) the voice of the trade sector in the caravan and camping industry in Queensland with a membership made up predominantly of retailers, manufacturers, hirers, repairers, and suppliers in the caravan and camping industries.