

15 June 2023

Ms Sonja Terpstra  
Legislative Council Environment and Planning Committee  
Parliament House  
Spring Street  
EAST MELBOURNE VIC 3002  
(Submitted via email)

Dear Ms Terpstra

The Victorian Caravan Parks Association is pleased to provide the following submission to the Inquiry into the 2022 Flood Event in Victoria.

### **The Victorian Caravan Parks Association and Caravan Park Industry**

The Victorian Caravan Parks Association Inc. (VicParks) is the peak body for the Victorian caravan park sector and represents the interests of owners, managers and lessees of over 380 caravan parks across the state. The association's members are predominantly family-owned small businesses located in regional Victoria.

Victorian caravan parks are important social and economic assets within the regional communities where they are located and the sector forms an important component in the supply of both regional tourism and regional residential accommodation on private freehold land, leased freehold land and Crown land across the state.

Caravan parks hold more than 54 per cent of all tourist accommodation capacity in Victoria and host 3.8 million affordable holidays annually. Caravan parks are the largest provider of holiday accommodation in Victoria and provide affordable housing for up to 12,000 Victorians.

The industry contributes significant economic benefits to regional Victoria's towns and cities, employing nearly 15,000 people and generating \$2 billion Gross State Product annually.

### **Impact of the 2022 Victorian Floods on Caravan Parks**

During the 2022 Victorian Floods, 70 Victorian caravan parks sustained asset and property damage while many others were isolated or impacted by road closures and services interruptions. It is estimated that the 30 most heavily impacted Victorian and border community caravan parks experienced combined asset repair and replacement costs of over \$45 million. We understand that all but one council owned business were, and remain, unable to insure against property damage or business interruption arising from flood events.

Over 1800 caravan park residential and holiday dwellings were damaged or destroyed by the floods. Most of those dwellings were owned by caravan park operators housing vulnerable residents, short term workers and tourists.

These businesses faced \$38 million in lost accommodation revenue as a direct result of closure or restricted trade for twelve months following the flood event. These businesses support approximately 620 full-time equivalent jobs and generate \$105 million in Gross State Product, mostly in the regional communities where the caravan parks are located.

The impact of the floods was not isolated to those businesses directly impacted by them. Research undertaken by this association in December 2022 identified that 51 per cent of regional Victorian caravan parks not directly impacted by the event had lost revenue as a result of the disruption caused by the floods.

While the Victorian Government's flood recovery efforts have partly aided the recovery of many caravan parks, others will continue to require much greater support to remediate their business and restore viable operations. Unfortunately, combined with the pressures of increased costs of business, insurance market failure, skills shortages and changing government legislation the closure of some flood impacted caravan parks remains a very real threat.

With adequate and appropriate government support, Victorian caravan parks can recover. The sector also has the capacity to play a vital future role in supporting Victoria's emergency management operations through the provision of emergency management support and providing affordable relief housing, crisis accommodation, response and reactivation of vital tourism economies.

## **Issues and Recommendations**

The following issues and recommendations are provided in support of improved outcomes for caravan park operators, the people who reside in them, the communities in which they operate and the people who travel to enjoy everything a caravan park and region has to offer.

### **1. Business Support**

**Government business support must be accessible, immediate and up front to enable businesses to swiftly commence essential works that must be undertaken before reopening. Government must also ensure business support is equitable and tailored according to the nature and scale of a business and the impact upon business assets and operations.**

The Victorian Government's Small Business Immediate Flood Relief and Business Recovery Grants did not meet most caravan parks' essential clean-up, relief and recovery costs.

On average, flood impacted caravan park businesses sustained clean up and asset repair and replacement costs exceeding \$300,000. At least several caravan parks require multimillion dollar remediation works.

Business turnover was used as a very basic, and completely unfair, means of classifying business eligibility for government support. This meant that caravan parks were classified as small businesses and only able to access \$50,000 relief and recovery funding.

For example, the owner of a local coffee shop on 50m<sup>2</sup> with clean up and minor repair expenses was entitled to the same level of support as the owner of a caravan park on much larger allotments of often decimated land and who faced long term damage or permanent closure. The only similarity in the two circumstances may have been their turnover.

The lack of appropriate or customised support for caravan park owners was highlighted by the tailored support made available to primary producers. Greater financial support was provided to that sector irrespective of business size.

To further highlight the inequitable distribution of business support funds, our association is aware that government provided significant direct financial assistance to Committees of Management established under the Crown Land (Reserves) Act 1978. Committees of Management were also eligible to receive up to \$50,000 through the Business Recovery Grants program. We understand no such support was available to Councils due to an often-incorrect presumption that council assets had been insured in the event of flood damage.

Flaws in the government's business grants' application processes prevented caravan parks from quickly funding essential works necessary to reopen. Caravan park operators were required to complete multiple applications and evidence that the business had been impacted by the floods multiple times. Seven months after the floods, several caravan park operators had not received full grant payments.

The Business Recovery Grants tiered claim system greatly impeded caravan parks' recovery. 'Tier 1' claim acquittal was required prior to applying for 'Tier 2' grants. 'Tier 2' claims were only paid as a reimbursement. This meant that operators of closed caravan park businesses with no income needed to draw upon often limited business or personal reserves to fund works. In some cases, caravan park operators without access to capital were prevented from undertaking essential works over \$25,000 and remain impeded in their ongoing recovery efforts.

**Request:** That future business support programs be:

- Suitable according to the amount of damage and business interruption that occurs not irrelevant basic criteria such as turnover
- Made available immediately upon providing proof that the damage had occurred and been caused by the disaster event
- Based on an accurate understanding of what insurance cover each impacted business has, the role of local government authorities in obtaining that cover, and the cover actually in place at the time of the disaster
- Based on the business owner's need to spend considerable money early to repair assets to resume trade and, therefore, for business support funds to be provided in advance of the repair/replacement work being undertaken rather than after the repairs/replacement having been completed.
- Not unnecessarily slowed in delivery by multiple hurdles of 'red tape'.

## 2. Financing Recovery

**Additional measures are required to help caravan park businesses access essential funding to meet business recovery and remediation expenses.**

### Concessional Loan Schemes

State based small business Disaster Recovery Loan Schemes can be made available by state governments under Disaster Recovery Funding Arrangements. The concessional loan schemes assist businesses to repair and replace assets and infrastructure which is not covered by insurance and are a critical measure in supporting those industries most affected by, or unable to be insured against, a natural disaster event.

These loan schemes must be quickly activated by government. The Victorian Government announced a concessional loan scheme for agricultural business impacted by the 2022 Victorian Floods on 19 October 2022 and immediately made available. However, the scheme was only made available to small businesses, including caravan parks, on 26 November 2022 following the Victorian Caravan Parks Association's appeal to government to provide additional support to help uninsured caravan parks fund at least some of their recovery.

**Request:** An appropriate concessional loan scheme(s) to be made available immediately after a natural or other disaster event to properly support business owners with significant asset damage.

Very disappointingly, we are aware of caravan park operators who sought to access this scheme only to have been advised by Rural Bank, a division of Bendigo and Adelaide Bank, the government's appointed financier that they did not provide finance to Crown Land leaseholders. Given a significant proportion of caravan parks that suffered extensive damage were Crown Land leaseholders, this outcome was particularly disappointing. Park owners suffering millions of dollars in damage were led to believe by government that this concessional loan scheme could help them in their time of great distress only for the financier to disallow their application.

**Request:** That the Victorian Government ensure that future concessional loan schemes are devised so that all caravan park owners, including those operating on Crown Land, are eligible for funding. That eligibility must be included in the requirements of the scheme itself and the financier's requirements.

### Crown land lease negotiations

Many caravan parks located in areas prone to natural disasters are leasehold caravan park businesses. Predominately these businesses operate on Crown land under Crown Land Reserves Act Section 17D leases.

A low take up of concessional loans due to eligibility criteria was acknowledged by government following the 2019/20 bushfire crisis. Leasehold businesses are almost always unable to meet commercial loan eligibility criteria to finance major works (productive or non-productive), when they have less than 50 per cent lease tenure.

Under the Victorian Government's Crown Land Leasing policy, new 21-year 17D leases may be issued through direct negotiation. The direct negotiation approach must be promoted to land managers by the Victorian Government at all times, but particularly during natural disasters, to help Crown land leaseholders access finance to fund asset repair and business remediation.

### Government backed loans

In response to the March 2021 floods in New South Wales and Queensland, the Australian Government guaranteed loans of up to \$5 million for flood affected small and medium sized enterprises under the Australian Government Small to Medium Enterprise (SME) Recovery Loans Scheme - Floods Program. The loans were available to eligible business through a range of ADI and non-ADI financial institutions. Government provided an 80 per cent guarantee over "flood scheme-backed" business loans of up to \$5 million with loan terms of up to 10 years.

Where small business recovery grants and concessional loans under Disaster Recovery Funding Arrangements can only be used to meet flood related expenses, the above SME Floods Scheme loans offered badly flood affected business the necessary additional funding to back their own recovery and invest in the future, with very few exclusions. It should not matter that a business is so severely impacted by flood as part of a localised or national disaster event for the required support to be made available.

The introduction of a similar program of government guaranteed loans for Victorian caravan park businesses significantly affected by natural disaster events is strongly encouraged. Such a program would provide a critical, low government cost, mechanism to help these small business access essential funding to meet repair, renewal and investment expenses and enable them to re-establish normal business operations as quickly as possible.

**Request:** The government makes available, in circumstances where very significant asset damage has occurred to uninsurable businesses, and which badly impacts the business's capacity to trade, guaranteed loans of up to \$5 million similar to the Australian Government's SME Recovery Loans Scheme.

## **3. Emergency Management and Response**

### Emergency management planning

**State emergency management arrangements must recognise caravan parks as important community infrastructure assets.**

Flood and natural disaster areas are often regionally located, resulting in limited availability of crisis or emergency accommodation. In addition to being the state's largest accommodation provider, the caravan park sector can play a vital role in supporting Victorian communities during crisis events.

Caravan parks are subject to strict compliance requirements including the development of emergency management plans and associated infrastructure, training, staffing and on ground support. Many caravan parks have been central to emergency management efforts during natural disasters in regional Victoria locations.

As proven during the bushfire crisis in 2019/20, unimpacted caravan parks often provide significant support during and after natural disasters. To support emergency management efforts, government should financially support caravan parks so that they can maintain operations during natural disasters. Providing and maintaining emergency management infrastructure, affordable housing, crisis accommodation and/or surge demand for response and recovery activities are just some outcomes that can be expected if government prioritise resilience building activities such as raising cabins, implementing flood warning systems, building temporary levee banks system, implementing alternative energy sources, and providing crisis management and communications training.

In addition, appropriate extraordinary legislative settings should be established to enable caravan parks, when required, to provide longer term emergency accommodation for displaced community members and clean up and recovery personnel (e.g. extraordinary settings to allow visitors to stay in accommodation for more than sixty consecutive nights and avoid the visitor claiming caravan park residency status under the *Residential Tenancies Act 1997*).

**Request:** The Victorian Government formally recognises caravan parks as essential businesses in disaster prone areas. This includes as providers of housing and emergency authority support. As such, those businesses must be prioritised for funding which supports critical infrastructure maintenance and personnel training between disaster events.

#### Surge demand capabilities

#### **Caravan parks should be a critical element in the acute response phase of disaster response.**

This means in the event of a disaster, caravan parks impacted by natural disaster events should be priority for remediation and essential recovery to facilitate the caravan park being stood up to continue to provide affordable housing to vulnerable Victorians and to provide support to displaced community members. The caravan park is also able accommodate response personnel and workers for vital public infrastructure repairs.

Caravan parks that are not directly impacted by natural disaster events should be supported to scale up to meet relief and recovery demand as required. The agile nature of caravan parks dictates this can occur through deployable manufactured housing units and or recreational vehicle fleet providers. Scalability would be based on need, response and anticipated length of response.

Recognition of caravan parks' ability to provide community infrastructure during natural disaster events also ensures caravan parks and tourism providers are embedded in natural disaster emergency planning and readiness.

**Request:** The Victorian Government formally recognises caravan parks as essential businesses in disaster prone areas. This includes as providers of crisis accommodation and surge demand accommodation when unaffected by a disaster. As such, those businesses must be prioritised for funding which supports critical infrastructure maintenance and personnel training between disaster events.

#### **4. Insurance Cover**

#### **Caravan park operators require an adequate and reliable insurance system that can safeguard their substantial investments and liabilities.**

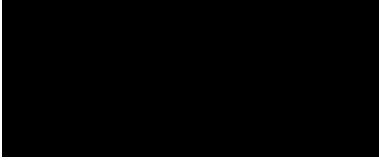
Despite being subject to heavy regulation by state and federal legislation, caravan park owners have extreme difficulty accessing adequate property damage and public liability insurance cover. This is the industry's prime ongoing and significant challenge for caravan park operators. The current challenges in securing affordable property and public liability insurance cover have been the subject of association advocacy to government in recent months and the association understands that government is seriously considering our request for the Victorian Managed Insurance Authority to intervene to cover good risks and avoid unnecessary business closure.

Without government intervention it is likely that caravan parks operating in areas prone to flooding will continue to be unable to obtain insurance against flood related property damage or business interruption. Uninsurable caravan parks risk closure if they cannot afford to remediate their business following a natural disaster event.

**Request:** That the Victorian Government continues to liaise with this association to ensure caravan park businesses do not close as a result of being unable to secure appropriate insurance cover. This outcome would significantly impact the community's ability to remain safe and recover from future natural disaster events.

Representatives from the Victorian Caravan Parks Association would be pleased to elaborate on these issues and recommendations at the government's request.

Yours sincerely,



Scott Parker  
Chief Executive Officer