

CMCA Position Paper

Low Cost, Self-contained RV Accommodation

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1. Synopsis

- Innovative technology has significantly changed the facilities and capabilities of modern recreational vehicles with a major shift in the RV market to self-contained vehicles, those with on-board shower, toilet, water storage and the ability to generate electricity.
- Changes in vehicle facilities and capabilities have in turn significantly changed the type of accommodation self-contained RV tourists want and prefer, with the market moving towards low-cost, no-frills camping and away from caravan parks.
- Self-Contained recreational vehicles (RV's) are the major growth area of RV tourism, with most of this growth now occurring through the manufacture of caravans from 1.6 tonnes to 3 tonnes and more than 30,000 vehicles in total sold in 2014.
- The key market for caravan parks is families, with caravan parks competing aggressively with each other, and other low-cost accommodation providers, to attract this seasonal market.
- A secondary market for caravan parks is the touring market, predominantly retirees, and self-contained RV's are a significant segment of this market.
- The basic accommodation product for self-contained RV tourists is a dump point, potable and or non-potable water and a place to park. RV tourists are prepared to pay up to \$10 a night for this product.
- Most caravan parks need to charge \$30 per night or more for an unpowered site in order to cover costs and get an acceptable return on investment.
- There is a gap in the RV accommodation market between the price of the lowest cost product provided by most caravan parks and the price self-contained RV tourists are prepared to pay to access basic, no frills RV accommodation.
- To address the RV accommodation market gap and meet the needs of self-contained RV tourists, many councils are providing low-cost, non-commercial RV accommodation options.
- There are significant economic benefits to local communities when councils provide low-cost accommodation to maximise visitation by RV tourists, along with challenges for councils in providing these services.
- Councils must develop policies and associated management plans to effectively manage RV tourism in their regions.
- Councils should involve their communities in the development and management of RV tourism to ensure clear understandings of the issues and challenges this market presents and to maximise the economic and social benefits it can deliver.

2. Overview

The development and management of low-cost accommodation facilities for the self-contained RV market must be understood in the context of the impact of technology on RV manufacturing and how this has driven the growth of RV sales in Australia over the past decade.

Some of the key innovations over the past 10 years influencing RV design include:

- More efficient and cost-effective solar panels providing no-cost, renewable energy to the vehicle.
- LED lighting dramatically reducing power consumption.
- Construction methodologies using light weight composite, highly insulated panels.
- Vacuum toilet technology, developed for aircraft toilets, being transferred to the RV market.
- Instant, energy efficient hot water systems from the domestic market adapted for RV use.
- Low decibel inverter generators producing less than 60 db.
- Availability of low cost, high capacity pure sine wave inverters allowing the direct connection of devices such as lap tops, mobile phones, tablets and HDTV.
- 12 volt refrigerators.
- Lithium ion batteries 50% lighter than the equivalent lead acid batteries, with three times the longevity, significantly faster recharge and providing a more cost effective energy storage option.
- Automatic satellite locating dishes plus satellite decoding boxes providing TV reception at any location Australia wide.
- Mobile internet modem and router, creating a Wi-Fi hotspot within the RV to connect multiple devices, allowing the RV tourists to access the internet almost anywhere in Australia.

As a result of these technological advances RV manufacturers worldwide are producing sophisticated and very comfortable, self-contained “mobile homes” with a very similar mix of on-board facilities whether the vehicle is self-propelled or towed.

Self-contained RV's are those vehicles with the minimum on-board facilities of a toilet and fresh water storage tank, and include motorhomes, caravans, 5th Wheelers, some campervans and slide-ons, and even some camper trailers. These vehicles usually also have on-board shower, electrical generation capacity (solar panels, generator) and high performance batteries. Most motorhomes

and some caravans have on-board grey water tanks or grey water containment facilities and even laundry facilities. Most RV manufacturers will fit grey water tanks to caravans as a factory option and these tanks can also be fitted aftermarket.

Self-contained RV's do not NEED to externally access electricity, freshwater (except to fill tanks), toilet or shower facilities when stopping overnight and consequently do not NEED to access the facilities of a full-service commercial caravan park. However, many may and do choose to access a caravan park for a range of reasons.

Under the Campervan & Motorhome Club of Australia (CMCA) Self Contained Vehicle Policy, member vehicles are certified as meeting a set self-containment criteria established by the club. Members are also required to sign up to the club's Leave No Trace® code of conduct based on the maxim they leave nothing behind but their tyre tracks.

A low-cost camping ground or RV park for self-contained vehicles need only include a dump point with potable and or non-potable water, and an area of flat, stable land of a size to allow larger vehicles to park and manoeuvre, with easy access to and from the roadway. It is preferable the land area is not adjacent to residential areas and located a reasonable distance from commercial caravan parks. With an estimated 85% of CMCA member vehicles including some level of self-containment, CMCA supports the development of low-cost RV accommodation for self-contained vehicles as an integral part of the overall accommodation mix for the Australian drive tourism market.

Growth in demand for these vehicles over the past eight years has been phenomenal and in the current market any vehicle more than 17' in length or over \$45,000 will most likely have on-board shower, toilet, freshwater tanks and electricity generation with the potential to install grey water tanks (factory fitted or aftermarket) and become fully self-contained. According to the Caravan Industry Association of Australia (CIAA), in 2014 more than 30,000 RV's were sold in Australia and there are more than 560,000 vehicles registered across Australia. Based on these sales figures, more than 150,000 RV's will be sold in Australia between 2015 and 2019 as the baby boomers move into retirement. This is more vehicles than there are powered and unpowered sites in caravan parks Australia wide. It is likely that by 2019 the number of RV's registered in Australia will be near or exceeding 700,000 and attrition will see older vehicles, mostly caravans with no self-containment attributes, taken off the road.

3. Issues Analysis

Issue 1

The rapid growth in sales of self-contained caravans, outstripping that of motorhomes, has significantly increased demand for low-cost, no-frills parking and camping options.

In 2001, self-contained vehicles were motorhomes. Very few caravans had showers, toilets or electrical generation facilities on board, and caravans relied on the services of caravan parks.

Over the past six years, just under 120,000 RVs were manufactured in Australia representing approximately 70% of the total number of vehicles sold. The major growth segment is caravans between 1.6 tonnes and 3 tonnes, approximately 17 foot to 24 foot, nearly all equipped with on-board shower, toilet, electricity generation and fresh water tanks.

Retailers promote these vehicles as “freedom machines” with customers often advised that the on-board facilities mean they can freedom camp where they choose. As a result there has been a rapid change in the travel patterns of caravans and the accommodation experience being sought by these RV tourists, towards low-cost camping and away from caravan parks, as they choose to maximise the capacity of their on-board facilities.

Demand for low-cost RV accommodation for RV tourists is now dominated by caravanners, many of whom do not have sealed grey water containment systems and need a larger parking area than most motorhomes.

A decade ago motorhomes using low-cost and no cost RV accommodation was an irritant to the caravan park industry. However, the growth in self-contained caravans and the shift by caravanners towards non-commercial accommodation has seen the caravan park industry struggling to respond, highlighting the industry’s lack of flexibility in its product and pricing structures.

Adding to this demand issue is the ongoing loss of caravan parks in key locations, mainly to developers. Over the past 10 years, including locally manufactured and imported vehicles, more than 200,000 RV’s have been sold in Australia while the number of caravan parks has decreased by approximately 10%.

Issue 2

Caravan parks are no longer low-cost accommodation providers and generally do not offer products priced to meet the “no-frills” requirements of the self-contained RV market.

Caravan parks have historically operated at the bottom of the tourism accommodation market but this has changed over the last decade. Caravan parks in Australia operate on an annual average occupancy of 57.8% ¹ and are heavily reliant on revenue generated by family tourists (52.1% of visitor nights²) over school holiday peak seasons, approximately 12 weeks a year. Over the past 10 to 15 years caravan parks have evolved their business model to focus on this market, developing a wide range of auxiliary products and services (over and above the basic facilities of power, water, shower and toilet). These auxiliary facilities have been added to compete mainly with other caravan parks, but also other low-cost fixed accommodation providers such as motels and hostels.

An example of auxiliary products offered by caravan parks are those the Windmill Caravan Park in Ballarat advertises on its website to attract and retain the family market:

- | | |
|--|--|
| 1. A flat parking space | 14. BBQ Camp Kitchen |
| 2. Rubbish bins | 15. Heated Recreation Complex |
| 3. Power connection | 16. Camp Kitchen |
| 4. Water connection | 17. Internet Kiosk |
| 5. New Indoor heated pool with 2 spas
splash pad and lap pool | 18. Kiosk |
| 6. Free Wireless Internet | 19. Laundry |
| 7. Large Jumping Pillow | 20. Free children's activities during
Victorian school holidays |
| 8. Sauna | 21. Children's Bathroom |
| 9. Mini Gym | 22. Tourist information |
| 10. Tennis Court | 23. Local Attraction discount vouchers |
| 11. Playground | 24. Games Room with 4 dedicated
gaming computers |
| 12. Indoor Sandpit | 25. Exercise Facilities including treadmill |
| 13. BBQ Area | |

¹ Australian Bureau of Statistics 2012

² Ibis world - Caravan Parks and Camping Grounds and Australia 2013

Outside of school holidays there is a secondary market available to caravan parks (26.5% of visitor nights³) being “touring” RV tourists who are predominantly retirees travelling on average 156 days a year and generally seek basic low-cost accommodation options. A significant segment of this market is self-contained RV’s.

Caravan parks have invested heavily in developing a range of auxiliary products and, faced with other operational costs, must maintain the integrity of their tariffs to ensure an acceptable return on investment. This generally means selling an unpowered site at around \$28 to \$40 per night. Consequently, caravan parks have created a price gap in the market between the lowest priced product they offer and the price self-contained RV tourists are prepared to pay for a low cost, basic camping ground product.

Some caravan parks, usually in more remote locations, have not developed the “full service” model and can provide low-cost camping options to attract support from self-contained RV tourists. An example is the Charleville Bush Caravan Park at Charleville in regional Queensland.

It should be noted that in its report *Caravan Parks and Camping grounds and Australia - November 2013*, IBISWorld identified the following key industry facts:

- Despite the loss of an average 13 caravan parks per year over the past five years, overall industry revenue has grown at an annual rate of 1.9% over the past 10 years and this is expected to increase to 2.1% over the next five years.
- Over the past decade a major industry change has been the general improvement of facilities offered with operators upgrading unpowered sites to include power or replaced them with cabins and flats. Improved facilities, at higher tariffs and improved occupancy rates, have contributed to greater industry revenue over the past five years, despite lower site numbers.
- Many operators have substantially upgraded amenities and recreational facilities to meet the rising expectations of campers and to justify increased tariffs.
- Families are the biggest users of caravan parks, contributing 52.1% of industry revenue.
- Tourists aged over 55 years currently represent an estimated 26.5% of industry revenue and this percentage is expected to grow to over 30% in the next five years.

³ Ibis world - Caravan Parks and Camping Grounds and Australia 2013

- International tourists account for just 9.7% of industry revenue but there is large scope for this to grow over the next five years.
- While 56.9% of accommodation offered by the caravan park industry is powered caravan sites, cabins return a significantly higher yield per square metre and are the growth area of the industry. The number of cabins has doubled in the past 15 years leading to an increase in employment in the industry.
- Short-term unpowered sites represent just 14.3% of caravan park accommodation and this is expected to decline over the next five years.
- There have been basically no new major caravan parks or camping grounds built Australia-wide over the past five years. The relatively low potential investment returns and the large regulatory hurdles involved do not give new or existing operators sufficient motivation.
- Currently 37.7% of caravans parks are corporately owned or part of member based buying/marketing groups. The remainder are predominantly individually owned/operated businesses.
- There are no formal qualifications required to operate in this industry, although experience and training in various aspects of hospitality is desirable. Basic business operation and hospitality skills are necessary to operate a caravan park.

In summary, the supply of unpowered sites in caravan parks has decreased substantially over the past 10 years due to a general decline in the number of caravan parks and the conversion of unpowered sites to either powered sites or cabins. As caravan parks move away from parking caravans and into being family resorts, they have left a gap at the bottom of the RV accommodation market for no-frills basic camping grounds, a gap currently being filled by councils and community based organisations.

Issue 3

Local government is formally recognising and managing low-cost and no cost RV accommodation as part of their tourist accommodation infrastructure.

Free camping grounds have existed around Australia for decades with many developed by councils in the 1950s and 1960s as community recreational facilities. This was a time when motor vehicle ownership was growing and young families looked to camping and caravanning as the most affordable family holiday options.

The development of the grey nomad market in the 1980s and 1990s saw retirees travelling Australia in caravans, campervans and motorhomes, gradually increasing their use of existing free camping grounds as they sought to stretch their pension cheques and extend their travel time.

By 2000, a relatively small number of vehicles (compared to current numbers), mainly motorhomes and campervans, were accessing Council camping grounds and other low-cost or no-cost facilities such as rest areas and bush camps. The caravan parks saw self-contained motorhomes as a challenge due to their on-board facilities, but as caravan parks very much owned the caravanning market, their opposition to motorhomers using low-cost accommodation was relatively low key.

The rapid growth in the self-contained RV market over the past decade and particularly the growth of caravans with on-board facilities has seen a massive increase in demand for low-cost camping areas and high usage of existing facilities. This demand will only increase as baby boomers reach retirement age, healthier and wealthier than their predecessors, and have the time and resources to seek out lifestyle experiences in regional and outback Australia.

In response, some councils have developed policies to manage access to these facilities and management plans to ensure these policies are properly enacted. Many councils have formally recognised low-cost camping grounds, rest areas, RV parking areas and bush camps as part of their tourism infrastructure and seek to manage these facilities to maximise their economic value to the local community. However, ever-increasing demand places a growing cost burden on ratepayers to provide services that are not part of core council business.

The CMCA RV Friendly Town Scheme® (RVFT) is used by more than 30% of councils across Australia as a tool for managing the provision of low-cost accommodation. CMCA has been active in representing the interests of self-contained RV tourists and maintaining access to low-cost RV

accommodation where ever possible. For a town to become RVFT Council must provide a low-cost or no cost 48 hour parking area for self-contained RVs.

Some LGA's have decided not to become involved in provision of low-cost and no cost accommodation options while others struggled to come to terms with the policy and management challenges inherent to these facilities. As a result, some State governments have become more proactive in working with councils to develop a full range of RV tourism facilities.

In providing low-cost and no-cost accommodation facilities, councils are servicing the gap in the market between the unpowered site product offered by caravan parks and the low-cost camping wants and needs of self-contained RV tourists. These councils provide this accommodation product to maximise RV tourist visitation to their region and are prepared to incur the costs involved as a trade-off

In some locations a market gap does not exist as the local caravan park provides low-cost accommodation options. However, the growing RV traveller preference for an accommodation experience other than that offered by caravan park means demand for low-cost camps still exists.

Research undertaken with CMCA members⁴ and also with RV tourists using no cost camping grounds in North Queensland⁵ found that generally, self-contained RV tourists are prepared to pay up to \$10 per night for no-frills camping options.

⁴ Balfour Consulting – CMCA Member Research 2010

⁵ Balfour Consulting - Rest Area Research 2010

Issue 4

Councils and local communities do not always fully appreciate the challenges and potential benefits of RV tourism, how to maximise these benefits and minimise any negative impacts.

Until very recently, the self-contained RV market was not well understood by State tourism organisations and many local tourism bodies. This was generally because RV tourists do not spend through traditional tourism channels where their spending patterns could be measured and recorded, and as their average daily spend is low they were considered low value tourists who should and would access caravan parks.

As the number of self-contained RV tourists grew, the caravan parks industry attacked those accessing low-cost accommodation as bludgers, wanting local ratepayers to foot the bill for their accommodation and too cheap to pay the “fair tariffs” offered by caravan parks. This argument was not only wrong but created escalating antagonism between RV tourists and caravan park operators, with councils often caught in the middle. Unfortunately, this antagonism has created entrenched and quite negative attitudes on both sides.

Research has found of the total RV tourists, 34% stay only in caravan parks, 16% stay only in non-commercial accommodation and 50% use a mix of non-commercial and caravan park accommodation. The 50% of RV tourists who use a mix of caravan parks and non-commercial accommodation are the largest spending segment⁶. This research suggests that at any one time there are at least 60,000 RV's on the road wanting a mix of accommodation options, with a further 19,000 vehicles only looking for low-cost, basic camping options and never staying in caravan parks.

Councils have found themselves faced with the choice of whether or not to provide low-cost accommodation for RV tourists and implications this choice may have for the development of tourism in their region.

Over the past decade, many councils have come to understand that self-contained RV tourism can deliver significant economic benefit to their community. Key to this economic benefit is the diffusion of the RV tourist spending across a wide range of businesses in the community.

⁶ Tourism Research Australia - Queensland's outback central West visitor profile and satisfaction survey, 2010

Councils have also come to understand the challenges of managing low-cost and no cost RV accommodation to meet community expectations, protect environmental standards, ensure proper use of facilities and overcome objections from commercial caravan park operators. Many councils are looking for alternatives to the current choices of commercial caravan parks or Council managed free camping grounds. That alternative is commercially operated low-cost camping grounds.

In 2015 CMCA initiated a project to establish a network of member only, no-frills, low-cost, managed CMCA RV parks across Australia. CMCA is working with local government and local communities to establish these RV parks in locations that deliver significant quadruple bottom line benefits to local communities while minimising costs to Councils.

Communities in regional and outback Australia do not need to invest in extensive tourism infrastructure to benefit from self-contained RV tourism. What communities do need is a good understanding of how to engage with RV tourists to understand their wants and needs. Community engagement and consultation is critical to developing positive interactions between local businesses and community groups, and the RV tourists visiting their local area.

Becoming a CMCA RV Friendly Town[®] is one option for councils to manage RV tourism to their region while maintaining direct control and responsibility for provision of the facilities provided. A CMCA RV Park is another option, having CMCA provide low-cost RV accommodation on a commercial basis but a breakeven business model, with no ongoing input from or cost to Council. Either of these options ensure facilities are in place to meet the basic needs of self-contained RVs and maximise the benefits this market can deliver to attract up to 66%⁷ of RV tourist who use low-cost accommodation. CMCA RV parks as managed facilities also help prevent inappropriate behaviours such as illegal overnight parking or improper disposal of black or grey waste water. However, these outcomes cannot be fully achieved without the involvement and support of the local community.

⁷ Tourism Research Australia - Queensland's outback central West visitor profile and satisfaction survey, 2010