

# Department of Planning and Community Development

Regulatory Impact Statement

Residential Tenancies (Caravan Parks and Movable  
Dwellings Registration and Standards) Regulations 2010

March 2010

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# 1 Executive summary

## 1.1 Introduction

The Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 1999 are made under sections 514, 515 and 516 of the Residential Tenancies Act 1997. The Regulations came into force June 1999 and are due to sunset on 29 June 2010, following a 12 month extension granted in May 2009.

The Regulations specify the requirements relating to establishing a caravan park, including caravan park registration, standards for the manufacturing of dwellings, and standards for the maintenance of facilities and amenities of caravan parks.

The objectives of the Regulations are to protect the health, safety and amenity of residents and occupiers. While these broad objectives remain valid, evidence gathered for this Regulatory Impact Statement shows the requirements of the current Regulations may not be sufficient to achieve these objectives. In addition community expectations about the minimum standards necessary to maintain the health and safety of people using caravan park accommodation have changed.

The industry has evolved since the last review of the Regulations. In the last 10 years, total capacity in caravan parks in Victoria fell by approximately 10 per cent. The number of unregistrable movable dwellings in parks has increased between June 1997 and June 2009, rising from 3,562 to 6,796. Data on the number of sites occupied by long term and short term occupiers suggests that the bulk of caravan park accommodation is still used by short term users.

This Regulatory Impact Statement describes the industry and the changes within the industry since the Regulations were last reviewed. It sets out the rationale for regulating this industry and considers the market failures and issues facing the industry. Regulatory options for each identified issue are considered and a detailed cost–benefit analysis of the proposed options is presented. The preferred option has been determined by assessing each option against the Regulations’ objectives.

## 1.2 Case for Regulation

The arguments for government involvement in the caravan park industry are similar to those used to justify involvement in building and construction, and in accommodation more generally, including:

- Information imbalances between the parties engaged in the transaction mean that consumers generally do not know enough to protect their interests.
- Spillover effects, meaning the costs and benefits associated with the construction of unregistrable movable dwellings and rigid annexes in caravan parks may affect people other than the direct consumer and manufacturer.
- Social and equity considerations for consumer and property rights.
- Regulatory inconsistency in the building industry.
- Health and public safety concerns.

## 1.3 Issues facing the industry

Community expectations about the minimum standards necessary to maintain the health and safety of people using caravan park accommodation have changed. For example, the catastrophic bushfires that swept through Victoria in January and February 2009 prompted concerns about the ability of unregistrable movable dwellings in caravan parks to withstand damage from fires, and the fire safety and emergency management requirements in the Regulations.

Similarly, the introduction of the 5 star energy rating for new residential dwellings prompted questions about the amenity of unregistrable movable dwellings. Some of the Australian Standards referenced in the current Regulations are out of date, which means that it may now be possible to achieve the same level of safety and amenity at a cheaper cost. Further, the Regulations do not include the performance based standards used in the Building Code of Australia (BCA), which again, may mean that the current requirements do not achieve the desired minimum standards at the lowest cost.

The increasing use of unregistrable movable dwellings, which are self contained, has implications for the provision of amenities in parks. Some of the requirements in the existing regulations are ambiguous, creating confusion for users, operators and councils. Varying interpretations of requirements 'to the satisfaction of council' mean that the requirements of the Regulations are applied inconsistently throughout Victoria. The registration requirements and registration fees paid by caravan park operators have not changed since Regulations were introduced in 1988, so these aspects are also examined.

## 1.4 Objectives of the Regulations

As noted above, the stated objective of the Regulations is to protect the health and safety of caravan park residents and occupiers. However, governments generally require that regulations impose the least cost on industry, be consistent, be clear, and minimise the unnecessary administrative burden.

Stakeholder feedback suggested that additional requirements might adversely affect the cost and therefore affordability of unregistrable movable dwellings. This trade-off has been considered in the development of the objectives and the analysis of the options.

These objectives formed the basis of a qualitative assessment of options to address the issues facing caravan parks. A qualitative approach that considered both the monetary valuations of costs and benefits was used (where it was possible to estimate these) and the extent to which each option fulfilled the objectives for government intervention in the caravan park industry. Each option was assessed against the following criteria (in order of significance):

- the health and safety of occupiers and residents are protected because there are minimum safety standards for caravan park accommodation
- the costs to industry (and subsequently users) of achieving safety standards are minimised
- the requirements for caravan parks are consistent with requirements for other sectors of the economy
- councils and caravan park operators understand their obligations and the requirements are applied consistently throughout Victoria
- the requirements minimise the administrative burden on those affected

- to cost recover in line with the cost recovery objectives of efficiency, equity and fiscal sustainability.

This approach provides formal judgement supported by analysis that:

- is open and explicit, providing an audit trail to the logic underpinning our final recommendations
- allows a blending of financial, economic and public policy objectives
- is based on criteria that are open to analysis and to change if they are felt to be inappropriate.

## 1.5 Options and impact analysis

### 1.5.1 Standards for construction and installation

Technical standards for constructing and installing unregistrable movable dwellings and rigid annexes in caravan parks protect the health, safety and amenity of occupiers and residents in the same way that general building requirements protect the health, safety and amenity of users of all other buildings constructed in Victoria. They overcome the problems consumers experience judging the quality and standard of unregistrable movable dwellings and rigid annexes. They also account for risks that face the general public if unregistrable movable dwellings and rigid annexes are inadequately constructed, and provide for similar levels of safety and amenity.

Four options were considered for regulating the standards for the construction and installation of unregistrable movable dwellings and rigid annexes:

Option 1: retain the current requirements

Option 2: update the requirements in the Regulations

Option 3: performance based standards (adopt the BCA)

Option 4: use the building regulatory framework.

Cost estimates show that options 2 and 3 impose the same costs on the industry, as set out in table 1. Enhanced bushfire construction requirements and compliance with 5 star energy rating requirements impose costs on the industry over and above the base case.

The cost estimates in this Regulatory Impact Statement are based on those presented in the two Regulatory Impact Statements prepared by the ABCB for changes to housing construction standards proposed under the BCA. The ABCB Regulatory Impact Statements do not specifically examine the costs for unregistrable movable dwellings, and there is no direct link between the house types captured in these Regulatory Impact Statements and unregistrable movable dwellings, therefore there is significant uncertainty surrounding the cost (and benefit) estimates presented. As such, these estimates should be seen as indicative only. The Department of Planning and Community Development is seeking further information from stakeholders about the likely net costs of these specific requirements.

Enhanced bushfire construction requirement cost estimates from the ABCB RIS (2009) suggest that construction costs for unregistrable movable dwellings could increase by 2.2 per cent or \$1,100 for a small dwelling and \$1,980 for a large dwelling.<sup>1</sup> Weighted average cost estimates are shown in table 1. This estimate is based on a number of

<sup>1</sup> ABCB (Australian Building Codes Board), 2009, *Regulatory Impact Statement for the proposal to revise the Building Code of Australia requirements for construction in bushfire areas*.

assumptions — including the level of compliance with current standards — that may not accurately reflect the situation for unregistrable movable dwellings. The potential cost increases for some housing types in some BAL zones are much higher. Neither surveyed caravan park operators, the Country Fire Authority nor councils could provide data on deaths or injuries in caravan parks caused by bushfires. Nonetheless, the Department of Planning and Community Development believe that the costs of the Regulations will be outweighed by the benefits over their 10-year life.

Compliance with the 5 star energy rating system aims to improve energy efficiency of unregistrable movable dwellings in caravan parks. According to estimates in the ABCB RIS (2006), construction costs could increase by \$115.10 for a small unregistrable movable dwelling and \$230.21 for a large unregistrable movable dwelling, but these could be offset by lower lifetime costs of energy and appliance costs (a potential decrease by \$250.90 for a small dwelling and \$501.87 for a large dwelling).<sup>2</sup> Therefore the overall savings due to compliance with 5 star energy rating system could be up to \$135.85 per small dwelling and \$271.66 per large dwelling. Weighted average cost estimates are shown in table 1.

However, differences between unregistrable movable dwellings and the average residential home that was used to develop these estimates may affect the applicability of these results to unregistrable movable dwellings. These differences are presented below:

- Occupancy in unregistrable movable dwellings may be higher than a standard house because as holiday accommodation, unregistrable movable dwellings are occupied during the day. Additionally, feedback from one caravan park operator suggests that the majority of their unregistrable movable dwellings are occupied 365 days a year.
- Other differences suggest that the cost savings estimated above are likely to be significantly overestimated:
  - Energy intensive appliances are less prevalent in unregistrable movable dwellings than is assumed in the ABCB RIS (2006). Therefore, appliance savings are likely to be overestimated for unregistrable movable dwellings. For example, the ABCB RIS (2006) assumed air-conditioning use in all dwellings but unregistered movable dwellings are not sold with air-conditioning as standard.
  - Due to the smaller size of unregistrable movable dwellings, cooling and heating the dwellings will be easier and quicker than a larger conventional house.
  - Stakeholder feedback suggests that the lifespan of unregistrable movable dwellings is 10 to 15 years. Cost and savings estimates presented in the ABCB RIS (2006) assume a 40-year dwelling lifespan.

Thus, it is possible that the proposal for 5-star energy standards will result in a net cost to unregistrable movable dwelling owners.

One manufacturer has indicated that the cost of manufacturing unregistrable movable dwellings for the South Australian market — which includes the cost of meeting BCA requirements for 5-star and bushfire standards — is \$5000 higher than manufacturing for Victoria. Although the manufacturer was not able to apportion these costs to the specific requirements, it is significantly higher than the combined estimates of the costs of the bushfire and 5-star standards, based on the ABCB Regulatory Impact Statements.

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<sup>2</sup> ABCB (Australian Building Codes Board), 2006, Regulatory Impact Statement for proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses.

While the BCA currently requires dwellings to meet the 5 star standard, the BCA is currently being revised and a higher, six star standard is proposed. It is not the intention of these Regulations to require unregistrable movable dwellings to meet this higher standard. Should the standard be introduced, the Regulations will exempt unregistrable movable dwellings from the 6 star requirements. Introducing 6 star requirements would be considered only following assessment of the impact of the 5 star requirement proposed by the Regulations.

Other relevant building regulations that will be applied to unregistrable movable dwellings are requirements regarding overshadowing of existing dwellings on an adjoining allotment. This requirement requires a two-storey unregistrable movable dwelling to consider the requirements in Section 418 of the Building Regulations 2006. This requirement has no costs over and above the base case as it may only affect the siting of two-storey unregistrable movable dwellings and has no practical implications at manufacture.

To improve clarity under options 2 and 3, the Regulations will specify which sections of the BCA are not relevant to the construction of unregistrable movable dwellings. Any future amendments to the BCA that are not relevant to unregistrable movable dwellings in caravan parks will require an amendment to the Regulations. The BCA is updated annually. Each time it is updated, the Department of Planning and Community Development will assess the amendments to determine the relevance to the construction of unregistrable movable dwellings. If sections of the BCA are seen as irrelevant to the construction of unregistrable movable dwellings, a regulatory amendment will add them to the list of specified exclusions in Schedule 2 of the Regulations. Because exempting unregistrable movable dwellings from additional requirements will not impose additional costs on the sector, it is not expected that a Regulatory Impact Statement will be required in these cases. It is impossible to estimate how many exclusions for unregistrable movable dwellings from future changes to the BCA will be made. However two proposed upcoming changes to the BCA — 6 star energy rating system and the visitable and adaptable features in housing — cannot be included at this stage.

The cost estimates, set out below in Table 1, suggest that option 1 imposes the least costs on the caravan park industry. Options 2 and 3 impose the same costs (set out together in Table 1), while option 4 is the most costly option. The extent of the potential benefits, such as in relation to bushfire standards or compliance with 5 star energy efficiency measures, are uncertain.

The qualitative analysis suggests performance based standards (adopt the BCA) (option 3) is the most appropriate method for managing the construction and installation of unregistrable movable dwellings and rigid annexes because:

- residents and occupiers benefit from similar levels of safety and amenity as residents in other dwellings, including lower energy costs in the future, and avoided costs of damage caused by fire
- the standards used for the construction and installation of unregistrable movable dwellings and rigid annexes would be consistent with those for other dwelling types
- it allows flexibility of the BCA alternative solution to the performance based requirements
- it removes the unnecessary requirements for prefabricated holiday units.

**Table 1: Summary of quantifiable costs and benefits: standards for construction and installation**

Options	Consequences	Per annum effects compared to base case	Net present value over the life of the Regulations
<b>Option 1: Retain current technical standards</b>		<b>\$0</b>	<b>\$0</b>
<b>Option 2: Update the requirements in the Regulations</b>	Bushfire construction requirements	Cost of \$634,392 per annum or \$1,188 per dwelling	Cost of \$5.27 million
	Compliance with the 5 star energy rating system	Construction cost of \$67,564 per annum Saving of \$147,278 per annum <sup>3</sup> Net saving of \$79,714 per annum or \$149 per dwelling	Cost of \$561,903 Savings of \$1.16 million Net saving of \$662,950
	Notification of termite prone area	\$0	\$0
	Remove requirements for prefabricated holiday units	\$0	\$0
<b>Total</b>		<b>Total cost of \$554,678 or \$1,038 per dwelling. This is a cost of 2 (1.15) per cent of the total construction costs of a small (large) dwelling</b>	<b>Total cost of \$4.61 million</b>
<b>Option 3: Performance based standards (Adopt the BCA)</b>	<b>Consequences same as above</b>	<b>Total cost of \$554,678 or \$1,038 per dwelling. This is a cost of 2 (1.15) per cent of the total construction costs of a small (large) dwelling</b>	<b>Total cost of \$4.61 million</b>
<b>Option 4: Use the building regulatory framework</b>	Total cost of options 2 and 3	Total cost of \$554,678 or \$1,038 per dwelling.	Total cost of \$4.61 million
	Obtaining building permit	Cost of \$726,240 per annum or \$1,360 per dwelling	Cost of \$6 million
	Termite protection measures	Cost of \$1.11 million per annum or \$2,078 per dwelling	Cost of \$9.23 million
<b>Total</b>		<b>Total cost of \$2.39 million or \$4,477 per dwelling. This equates to 8.9 (4.9) per cent of the total construction cost of a small (large) dwelling</b>	<b>Total cost of \$19.88 million</b>

<sup>3</sup> Includes lifetime cost of energy savings and appliance cost savings.



## 1.6 Maintenance of facilities and services

### 1.6.1 Fire safety in caravan parks

Minimum distances between structures and minimum set backs from roads are important for allowing emergency access and egress in a caravan park during a fire. They also reduce the risk of fire spreading between structures, thereby reducing the effects of fire (such as damage to property and loss of life). Providing and maintaining fire fighting equipment also reduces the spread of fire, which in turn minimises risks to property and lives. Commercial incentives to protect the value of their assets, plus common law requirements to provide facilities that are fit for purpose means that caravan park operators are to provide these features. However, the potential costs associated with fire means that governments regulate to ensure these features are applied to all other buildings constructed in Victoria. Similar arguments apply to their provision in caravan parks.

There are four options for regulating fire safety requirements in caravan parks:

Option 1: retain the current requirements

Option 2: replicate the BCA for fire separation and the Country Fire Authority (CFA) Caravan Park Fire Safety Guideline for fire equipment and maintenance in the Regulations

Option 3: reference the BCA for fire separation and the Caravan Park Fire Safety Guideline for fire equipment and maintenance in the Regulations

Option 4: adopt the BCA.

Table 2 below shows that there is no cost difference between the base case and any of the four options, because of the commercial incentives and common law requirements discussed above. This means they will continue to provide fire fighting facilities and fire access in the absence of any regulations, based on the Country Fire Authority Guideline because this is the document they already reference.

**Table 2: Summary of quantifiable costs and benefits: fire safety**

	Cost per annum (\$)	NPV (annual registration) (\$)	NPV (3-yearly registration) (\$)	NPV (5-yearly registration) (\$)	NPV (10-yearly registration) (\$)
1.5 hour inspections	79,929	664,739	266,367	142,249	77,226
2.75 hour inspections	146,537	1,218,668	488,339	260,789	141,581

Option 3 (referencing the BCA and the CFA Caravan Park Fire Safety Guideline in the Regulations) is the preferred option because it:

- ensures minimum standards are applied to caravan park accommodation
- clarifies requirements for councils, the relevant fire authority and caravan park operators
- allows for flexibility if the BCA or the Guideline are updated in the future.

## 1.6.2 Preparation of emergency management plans

An emergency management plan contributes to a business' duty of providing a safe environment for all people, whether they are employees or not. They are designed to avoid or minimise loss of life and property and support a prompt response to any emergency, among other things.

There are three options for regulating the preparation of emergency management plans:

Option 1: retain the current requirements

Option 2: replicate the Country Fire Authority's Emergency Management Plan Manual in the Regulations

Option 3: reference the Country Fire Authority's Emergency Management Plan Manual in the Regulations.

It is assumed that all caravan park operators would need to re-write their emergency management plan in the first year of the Regulations — 2010. This is to ensure that all emergency management plans are up-to-date with any amendments in the revised Regulations.

Table 3 shows that each option imposes a similar administrative burden on caravan park operators and councils. The main differences between the options relate to how well they satisfy the criteria based on the Government's objectives. Option 3 (reference the Manual in the Regulations) is the most appropriate because it:

- ensures minimum standards in caravan parks
- clarifies requirements for councils, the relevant fire authority and caravan park operators
- allows for flexibility if the Manual is updated in the future while at the same time minimising the burden to caravan park operators and councils.

**Table 3: Summary of quantifiable costs and benefits: emergency management plans**

	Cost per annum	NPV (1 year)	NPV (3 years)	NPV (5 years)	NPV (10 years)
Administrative burden on caravan park operators (\$)					
• First year	1,027,950				
• Subsequent years	342,650	3,511,810	1,804,018	1,271,934	993,188
Administrative burden on councils (\$)	53,286	443,159	177,578	94,832	51,848
Total administrative burden (\$)	1,423,886	3,954,969	1,981,596	1,366,766	1,045,036

## 1.6.3 Provision of communal sanitary facilities

Caravan parks exhibit many of the characteristics of other accommodation providers, such as a high turnover of mostly short term occupiers, and communal sanitary facilities. There is evidence that links low standard accommodation with poor health and welfare. Preventing the spread of communicable diseases will reduce costs to the community by avoiding unnecessary morbidity and mortality, avoiding lost works hours and reducing health care costs.

The current Regulations require that caravan park operators provide sanitary facilities in accordance with Table F2.1 of the BCA for a Class 3 building on the basis of one resident per long term site. This requirement takes no account of the rising proportion of sites containing unregistrable movable dwellings that have their own facilities. Based on cost estimates from the Victorian Caravan Parks Association basing this calculation on only those sites without self-contained facilities will reduce costs by \$125,000 per park (if and when new facilities are installed).

**Table 4: Summary of quantifiable costs and benefits: provision of communal sanitary facilities**

	Options	Per annum effects compared with current Regulations
Provision of communal sanitary facilities	Reduce the number of required facilities	\$125,000 each time a park upgrades its sanitary facilities

### 1.6.4 Provision of other health and safety services

Requirements such as provision of safe drinking water, plumbing and refuse collection and disposal are important to stop the spread of communicable diseases. The analysis of this issue is limited to the multi-criteria analysis.

There are two options for providing these services:

Option 1: remake the current regulations

Option 2: rely on other legislative or regulatory instruments.

Qualitative analysis suggests that option 1 (remaking the current Regulations) is the most appropriate method for addressing this issue. It fulfils the decision criteria at a lower cost than the alternative of relying on the Health (Prescribed Accommodation) Regulations.

## 1.7 Ensuring compliance

### 1.7.1 Registration

Registration of caravan parks imposes general conduct requirements on caravan park operators and provides councils with information necessary to determine if caravan parks will meet the requirements of the Regulations throughout the registration period.

The registration process (excluding fees) currently imposes an administrative burden on caravan park owners and councils. Caravan park owners face a registration cost of \$17,845 per annum which includes 15 minutes of the caravan park owner's time and a \$1 postage cost per park.<sup>4</sup> Data on the administrative cost of registration to councils ranges from one hour to 6.58 hours per park. Based on these time estimates the cost per annum to councils is between \$34,528 and \$273,970.

Removing registration (option 1) would reduce the overall costs of the Regulations by between \$52,373 and \$291,815 per annum. Other options include retaining registration but varying the registration period for one year, three years, five years or 10 years. Qualitative analysis supports retaining registration but increasing the registration period to three years.

The longer period recognises the low turnover of ownership in this sector and that siting of caravans and unregistrable movable dwellings within parks generally does not change

<sup>4</sup> Based on 712 caravan parks in Victoria.

significantly over time. This option reduces the administrative burden for caravan park operators and councils over the life of the Regulations (Table 5). Longer registration period (five years and 10 years) further reduce these costs, but some stakeholders were concerned that longer registration periods may lower incentives for councils to monitor and enforce compliance because inspections tend to coincide with registration. This may reduce the quality of caravan park accommodation.

**Table 5: Summary of quantifiable costs and benefits: registration**

	Cost per annum (\$)	NPV (1 year)	NPV	NPV	NPV
		(\$)	(3 years) (\$)	(5 years) (\$)	(10 years) (\$)
Caravan park operators	17,845	148,406	59,467	31,758	17,241
Councils					
• Survey estimates	34,528	287,153	115,065	61,448	33,360
• Departmental estimates	273,970	2,278,504	913,016	487,581	264,706

## 1.7.2 Fees

The fee level (\$2.50 per long term and short term site) has not been changed since regulations for caravan parks were introduced in 1988. There are four options for regulating the fees for registration of caravan parks.

Option 1: retain the current fee

Option 2: adjust the current fee for inflation

Option 3: set a default fee

Option 4: fee level determined by council up to a specified maximum.

The Residential Tenancies Act allows for councils to charge fees in relation to caravan parks, only in respect of the registration process. The Regulations must prescribe at least a framework for fee setting and may prescribe specific fees, and maximum and/or minimum fees. The criteria for assessing the appropriateness of various fee options are different from those used to assess other aspects of the Regulations. Specifically, the criteria are:

- minimum burden on caravan park operators — that is, fees that recover costs, and therefore comply with the Victorian Government’s Cost Recovery Guidelines
- minimum burden on councils — that is, fees that are simple to determine and administer
- flexibility — that is, fees that reflect cost differences between parks
- consistency — that is, fees that are consistent with regulatory requirements for similar providers.

The Department of Planning and Community Development estimates that the maximum cost to councils to register an average sized park is \$725.43 (which represents a cost per site of about \$8). This average cost per site was used to calculate the maximum fee levels shown in table 6, which presents a scale of fees that reflect the average costs to councils of a three yearly inspection. Converting these fees to fee units enables them to alter over time in line with inflation.

The fees in this scale only approximate the actual costs to councils of the registration process. For councils, the cost of caravan park registration has a fixed component which is quite low, relating to the minimum required administrative costs and a variable cost depending on whether a physical inspection is undertaken and the complexity of this

inspection. While there will be some variation, the costs are unlikely to change considerably depending on park size but rather across parks based on the park's compliance with the Regulations.

It is also important to recognise the ability of parks to pay (taking into consideration that smaller parks have lower income streams). Historically, this approach has been taken. Consistent with the previous approach, the proposed fee structure may result in under-recovery of costs from smaller caravan parks and over-recovery from larger parks (i.e. larger parks would cross-subsidise smaller parks).

The Department of Planning and Community Development will provide guidance to councils to promote compliance with the Victorian Cost Recovery Principles, however, if a council simply chooses to charge the upper limit of the scale, then there is potential for over-recovery of costs.

Feedback is sought on whether the fee scale and magnitude is appropriate and whether it is likely to lead to an under or over-recovery of costs by Local Government.

The qualitative analysis suggests that setting a fee level determined by council up to a specified maximum (option 4) is the most appropriate method for determining registration fees for caravan park operators because:

- it minimises the burden on caravan park operators by levying fees that recover costs in line with the Victorian Government's *Cost Recovery Guidelines*
- it allows for flexibility — councils can retain the current fee levels if they consider these appropriate or introduce fees that better reflect costs
- it is consistent with the manner for levying fees from other accommodation providers under the Health (Prescribed Accommodation) Regulations 2001.

**Table 6: Proposed fees for three yearly registration based on cost recovery**

Number of sites	Proposed maximum fee <sup>5</sup>	Fee expressed in fee units
1 to 25 sites	\$198.73	17
26 to 50 sites	\$397.46	34
51 to 100 sites	\$794.92	68
101 to 150 sites	\$1,204.07	103
151 to 200 sites	\$1,601.53	137
201 to 250 sites	\$1,998.99	171
251 to 350 sites	\$2,396.45	205
301 to 350 sites	\$2,805.60	240
350 to 400 sites	\$3,203.06	274
Over 400 sites	\$3,997.98	342

### 1.7.3 The preferred option

The quantitative costs and benefits are an important component in determining the most appropriate options for regulating caravan parks in Victoria. However, there were many other costs and benefits that were not so easily quantified. Therefore, the assessment of

<sup>5</sup> This has been calculated based on the current fee level of \$11.69 (June 2009).

the preferred options was based on a qualitative discussion drawing on the objectives set out in chapter 6:

- there are minimum safety standards for caravan park accommodation
- the costs to industry of achieving safety standards (and subsequently users) are minimised
- the requirements for caravan parks are consistent with requirements for other sectors of the economy
- councils and caravan park operators understand their obligations and the requirements are applied consistently throughout Victoria
- the requirements minimise the administrative burden on those affected
- to cost recover in line with the cost recovery objectives of efficiency, equity and fiscal sustainability.

The preferred options, based on these criteria are:

- retaining separate Regulations and referencing performance based standards in the BCA to set minimum standards for the construction and installation of unregistrable movable dwellings and rigid annexes
- referencing the BCA for fire separation and the Country Fire Authority Caravan Park Fire Safety Guideline for fire fighting equipment and maintenance in the Regulations
- referencing the Country Fire Authority Emergency Management Manual for preparation of emergency management plans
- reducing the number of sanitary facilities provided in caravan parks to reflect the rising proportion of dwellings with private facilities
- remaking the other health and safety requirements contained in the current Regulations
- retaining registration but extending the registration period to three years.

Separate criteria were used to determine the preferred fee option:

- fees should recover councils' costs of registration
- fees should be simple to determine and administer
- fees should be flexible
- fees should be consistent with regulatory requirements for similar providers.

The preferred option is allowing councils to set registration fees up to a specified maximum in the Regulations. The prescribed fee levels are based on the costs incurred by councils in registering caravan parks, as advised by the Department of Planning and Community Development.

It is important to note that the fee per park (a maximum of \$800 for an "average" caravan park with 90 sites) will only be levied once every three years, instead of the current annual fee. Therefore, the difference in costs between the current fee level (\$2.50 per site or \$225 per park per year, for an "average" caravan park with 90 sites) and the proposed fee level is relatively small. Overall fee revenue is uncertain because councils will decide the exact fee to levy on each caravan park; however, based on the above estimates, fee revenue raised could be approximately \$517,000.

## 2 Introduction

### 2.1 Background

The Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 1999 are made under sections 514, 515 and 516 of the *Residential Tenancies Act 1997*. The Regulations came into force June 1999 and are due to sunset June 2010, following a 12 month extension granted in May 2009. They specify the requirements relating to establishing a caravan park (including caravan park registration), standards for constructing dwellings, and standards for maintaining facilities and amenities of caravan parks.

Caravan parks provide a variety of accommodation types that are used by different sections of the community. Historically caravan parks provided holiday accommodation or temporary accommodation for itinerant workers. More recently, some parks have evolved to also provide permanent long term accommodation.

The current Regulations contain elements designed to manage the range of accommodation types available in caravan parks: caravans, campervans, tents and unregistrable movable dwellings. Many of the provisions pertain to all dwelling types, such as providing access to plumbing, refuse collection and disposal, lighting and park maintenance. For unregistrable movable dwellings, the Regulations specify technical construction standards to ensure that the dwellings provide a level of amenity for residents (such as minimum room size, moisture prevention, etc) and protect the structural integrity of the dwellings when they are moved. There are also construction and installation standards for rigid annexes and prefabricated holiday units.

The increased demand for unregistrable movable dwellings in caravan parks led constructors to improve the range and style of unregistrable movable dwellings. As well as small (single wide) dwellings that are mostly used for short term accommodation, constructors also supply larger (double wide) dwellings that often resemble houses. Changes in the composition of residents and the structure of dwellings mean that the current Regulations might no longer be adequate to manage the issues associated with caravan parks. It is therefore timely that they be reassessed.

### 2.2 Scope of Regulatory Impact Statement

PricewaterhouseCoopers was engaged by the Department of Planning and Community Development to undertake the required Regulatory Impact Statement for the sunseting Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations.

To satisfy the requirements of the *Subordinate Legislation Act 1994*, this Regulatory Impact Statement will:

- identify the objectives of the Regulations
- explain the effects of the Regulations
- identify and evaluate potential alternatives to the Regulations
- assess the nature and magnitude of the business, social, environmental and/or other economic costs and benefits of the Regulations and alternatives
- incorporate public consultation
- recommend a preferred approach.

Chapter 3 of this Regulatory Impact Statement describes the industry and explains the changes in the industry since the Regulations were last reviewed. The rationale for regulating this industry with consideration of the market failures is explained in chapter 4 while chapter 5 outlines the issues facing the industry. The objectives of the Regulations are outlined in chapter 6 and chapter 7 discusses the options for each issue based on these objectives. A cost–benefit analysis of the proposed options is presented in chapter 8. Chapter 9 determines the preferred option by assessing each option against the Regulations’ objectives. Chapter 10 explores other considerations of the preferred option and summarises areas where the Department of Planning and Community Development seeks further information.



## 3 Description of the industry

### 3.1 Introduction

Caravan parks cater for a range of patrons and accommodation types. Historically caravan parks were places where people with recreational vehicles stayed in allotted spaces (or sites). Now, caravan parks cater for both short term residents (such as tourists or itinerant workers) and long term residents (including retirees). Caravan parks can comprise a number of dwelling types, such as registrable movable dwellings (caravans and campervans), unregistrable movable dwellings, annexes (attached to caravans), prefabricated holiday units and standard camping tents (Table 7).

**Table 7: Common terms**

Term	Definition
Annexe	An attachment to a movable dwelling used as an extension of the habitable area of that dwelling and capable of being erected or removed from the site within 24 hours.
Caravan park	A place where people with recreational vehicles can stay overnight, or longer, in allotted spaces known as sites.
Long term site	A site in a caravan park designed for a movable dwelling and intended for use by a resident.
Movable dwelling	A dwelling that is designed to be movable, but does not include a dwelling that cannot be situated and removed from a place within 24 hours.
Occupier	A person who occupies a site and is not a resident.
Prefabricated holiday unit	A dwelling other than a tent or annexe that is intended for use by an occupier other than a resident and is designed to be erected on site from pre-constructed components but does not include a dwelling that cannot be situated at and removed from a place within 24 hours. Prefabs can only remain on site for five months of any year.
Short term site	A site in a caravan park designed for a movable dwelling and intended for use by an occupier other than a resident but does not include a camp site.
Registrable movable dwelling	A movable dwelling that is, or has been, registered or is eligible for registration under the <i>Road Safety Act 1986</i> .
Resident	A person who occupies a site in the caravan park as his or her only or main residence and who has obtained the prior written agreement of the caravan park owner to do so (whether that agreement was given in respect of that site or another site in the caravan park); or who has so occupied any site in the caravan park for at least 60 consecutive days.
Unregistrable movable dwelling	A movable dwelling constructed on a chassis but does not include a registrable movable dwelling or a camper trailer. It is built directly on to a composite platform chassis (typically metal) which in turn is supported off the ground by stumps or footings. The structure is movable because a crane can lift the house by raising the chassis off its foundations.  Unregistrable movable dwellings vary in size. The cost depends upon the size and fit out of the dwelling. Smaller (single wide) dwellings average \$50,000 per dwelling while large (double wide) dwellings average \$90,000 per dwelling. <sup>6</sup>

Source: Residential Tenancies Act 1997, Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 1999.

It is difficult to obtain information on the exact number of caravan parks in Victoria as the data is not centrally collected. Data used in this section was supplied by the Housing for the Aged Action Group, the Victorian Caravan Parks Association and the Australian Bureau of Statistics (ABS).

<sup>6</sup> These estimates apply to the construction costs for unregistrable movable dwellings.

The Housing for the Aged Action Group directory of caravan parks, residential parks and residential villages in Victoria is the most comprehensive source of information about the number and location of parks. It is based on information from Victorian local government authorities about caravan parks in their municipality, as well as supplementary information from Consumer Affairs Victoria and the Victorian Caravan Parks Association.

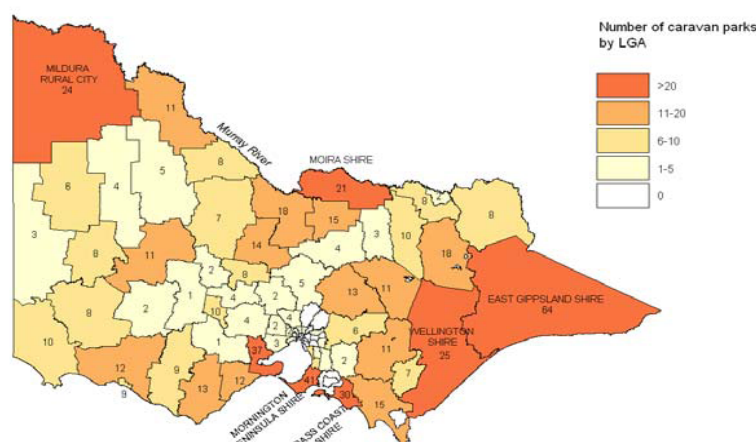
However, the information is limited to 2006 and provides no information on the type of accommodation offered in each park (that is, the number of cabins, onsite vans, powered and unpowered sites).

This information and time series analysis is based on data from ABS and the Victorian Caravan Parks Association. ABS survey data is limited to caravan parks with 40 powered sites or more, which excludes small operators. Similarly, the Victorian Caravan Parks Association data relates to their membership which they believe does not include many very small caravan parks that generally have less than 20 sites. This data underestimates the total number of parks, but we believe it is representative of changes in the caravan park industry in the last 10 years.

### 3.2 Number and structure of caravan parks

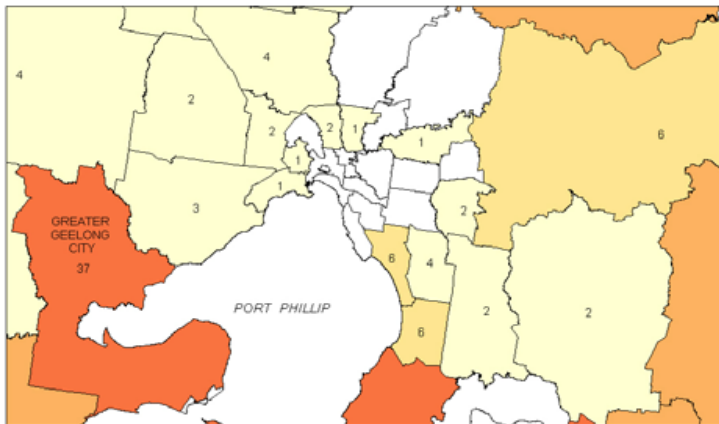
There were 712 caravan parks in Victoria in 2006.<sup>7</sup> They were situated across all parts of Victoria, but there was a strong bias towards coastal locations (Figure 1). Concentrated areas included East Gippsland Shire (64), Mornington Peninsula Shire (41) and Bass Coast Shire (30). There are also high concentrations of caravan parks in areas along the Murray River, such as Mildura Rural City (24) and Moira Shire (21).

Figure 1: Caravan parks in Victoria, May 2006



<sup>7</sup> Housing for the Aged Action Group, *Caravan Parks, Residential Parks and Residential Villages Directory*, 2007.

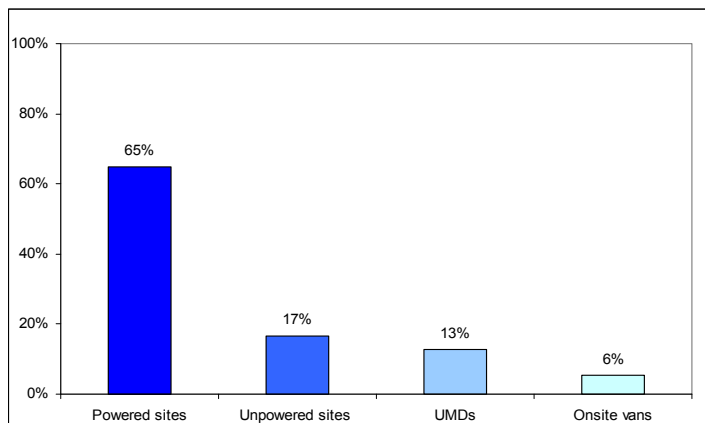
INSET FOR THE GREATER MELBOURNE AREA



Source: Victoria Caravan Parks Flood Risk Survey, June 2006, p. 7.

According to the ABS *Survey of Tourist Accommodation: Caravan Parks* (Cat. No. 8635.0), 81.9 per cent of sites in caravan parks in June 2009 were unpowered and powered sites. These sites are used by caravans, campervans and campers (Figure 2). A further 12.2 per cent of total site capacity was comprised of unregistrable movable dwellings, while onsite vans represented the remaining 5.7 per cent of site capacity.

Figure 2: Caravan park capacity, by type of site, December 2008

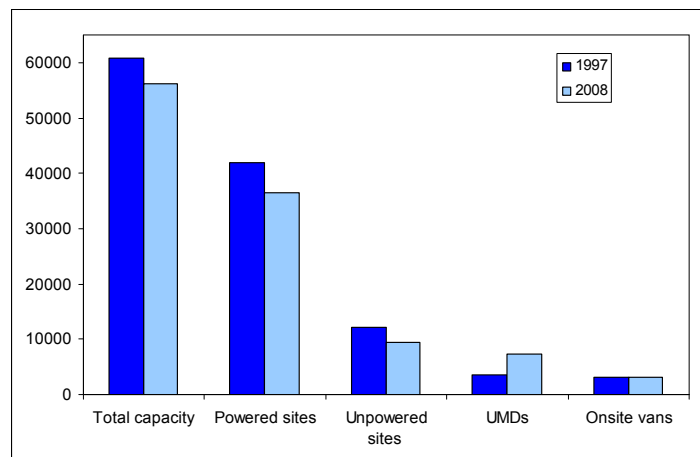


Source: ABS *Survey of Tourist Accommodation Caravan Parks, 2009* (Cat. No. 8635.0).

Data from the ABS *Survey of Tourist Accommodation: Caravan Parks* (Cat. No. 8635.0) showed the caravan park industry contracted between June 1997 and June 2009. Total site capacity in caravan parks fell by 9.2 per cent from 60,903 to 55,279 (Figure 3). Over the same period, the number of unregistrable movable dwellings in caravan parks has increased (from 3,562 to 6,792), confirming anecdotal evidence of a shift towards cabin accommodation in Victorian caravan parks.<sup>8</sup> It appears that this increase comes at the expense of powered and unpowered sites.

<sup>8</sup> Referred to as *cabins, villas flats and units* in the ABS survey.

Figure 3: Site capacity in Victorian caravan parks, 1997 to 2008



Source: ABS Survey of Tourist Accommodation Caravan Parks (Cat. No. 8635.0).

### 3.3 Caravan park residents

The Regulations cover the health, safety and amenity of all caravan park users, regardless of who owns the structures or how long users stay. Estimates on the numbers and types of users come from the Victorian Caravan Parks Association membership survey and the ABS *Survey of Tourist Accommodation: Caravan Parks* (Cat. No. 8635.0). As noted earlier, it is likely that the data underestimates the number of long and short term users. However, we believe it is representative of trends in caravan parks and therefore provides useful background information on the sector.

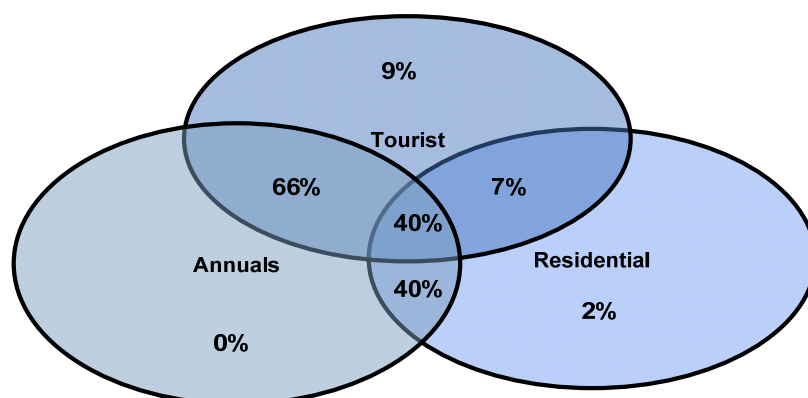
Caravan park users generally fall into three groups:

- short term users — short term users include tourists (who reside on a daily or weekly basis), itinerant workers and those in crisis accommodation
- annual tourists — these users rent the site on an annual basis and are able to access the site at any point in that year
- long term users — these users are termed residents.

The Victorian Caravan Parks Association 2006 membership survey shows that caravan parks generally comprise a combination of short term tourists, annual tourists and long term residents (Figure 4):

- 66 per cent cater for tourists and annuals
- 40 per cent cater for annuals and residents
- 40 per cent cater for tourists, annuals and residents
- 7 per cent cater for tourists and residents.

Figure 4: Caravan Park capacity, by user type

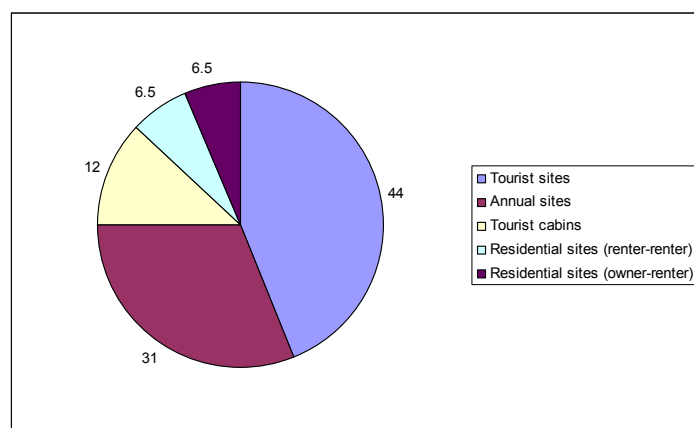


Source: Victorian Caravan Parks Association Membership Survey, 2006.

By contrast, only a small proportion of parks cater exclusively for one type of user: 9 per cent cater for tourists only, while 2 per cent cater for residents only.

The Victorian Caravan Parks Association membership survey also shows that the majority of sites in caravan parks were provided for short term users. According to the survey, member parks had on average 44 per cent of sites as tourist sites, 31 per cent annual sites, 12 per cent tourist cabins, and 13 per cent residential sites (Figure 5).

Figure 5: Average number of sites per caravan park, 2006



Source: Victorian Caravan Parks Association Membership Survey, 2006.

### 3.3.1 Long term residents

Long term residents use accommodation in caravan parks as their primary place of residence (Figure 6). They can either own their dwelling and rent the site on a long term basis (owner-renter) or rent the dwelling as well as the site (renter-renter). These arrangements appear to offer a number of key advantages, particularly for retirees:

- Residents are able to access Commonwealth Government rental assistance, even if they only rent the site.
- The cost of entry into an owner-renter arrangement in a caravan park is lower relative to retirement villages or other forms of accommodation because the cost of the unregistrable movable dwelling is typically the only direct upfront cost for residents who own their dwelling.

- The land is not subdivided and thus only one council rate payment is required. This cost can be spread across all residents further lowering the cost of providing the park and thus the rent that residents pay.
- Parks are often located in popular holiday areas and often provide recreational facilities (such as a swimming pool, tennis court, games rooms and barbecues) and convenience services (such as a kiosk, store or even a mini-market).

**Figure 6: Unregistrable movable dwellings in a caravan park**



Source: taken by PricewaterhouseCoopers, Mornington Peninsula, 15 June 2009.

Data on the number of people living in caravan parks is limited. The closest proxy is the number of sites occupied by long term residents presented in the ABS *Survey of Tourist Accommodation: Caravan Parks* (Cat. No. 8635.0). There were 5,574 sites occupied by long term residents in June 2009, which represents 10 per cent of total capacity. The number of sites occupied by long term residents fell by 5.5 per cent between June 1997 and June 2009, down from 5,902. The data would suggest that the overall composition of residents in caravan parks has remained relatively stable for the life of the Regulations.

While the current and proposed Regulations outline requirements and standards relating to unregistrable movable dwellings, it is not possible to differentiate the number of long term residents by accommodation type. It is possible many long term residents reside in caravans, but anecdotal views from the Victorian Caravan Parks Association suggests the number living in unregistrable movable dwellings is rising. Overall, the number of long term residents in caravan parks is small.

### 3.3.2 Short term residents

Often caravan parks are preferred by tourists and itinerant workers because of their communal atmosphere and their relatively cheap cost. Caravan parks offer a variety of time periods for tourist cabin accommodation — in the majority of parks tourists have the option of renting the site annually with full access at any point in that year (annual tourists) or for days or weeks at a time (short term tourists).

Caravan parks can also serve as last resort accommodation. These occupiers do not have the financial means to gain access to mainstream housing. The homeless are regularly placed in caravan parks by crisis accommodation agencies.

There were 50,438 sites occupied by short term users in December 2008, down from 55,001 in June 1997.<sup>9</sup> This represents a fall of approximately eight per cent over the period.

### 3.4 Constructors

The main constructors of unregistrable movable dwellings in Victoria are Jayco, Todd Devine Homes, Fleetwood Rainbow and Lifestyle Communities.

Over the last decade, one manufacturer constructed an average of 350 unregistrable movable dwellings each year. Approximately 95 per cent of these dwellings are sold to caravan park operators, with only a small percentage sold to private owners.

The company estimates that 50 per cent of the dwellings they construct are sold in Victoria (Table 8). They also supply the New South Wales and South Australian markets which means they must comply with requirements in these jurisdictions (Appendix A). In some cases, this means constructing dwellings to a higher standard than that required in Victoria. For example, the New South Wales Regulations impose higher requirements for structural soundness (which includes provisions for earthquakes and snow loads), lighting and ventilation, electricity supply, and water and plumbing works. Similarly, dwellings constructed for the South Australian market must comply with energy efficiency requirements.

**Case Study 1** A manufacturer reported that compliance with the BCA, (such as unregistrable movable dwellings constructed for the South Australian market) added approximately \$5,000 to the cost of unregistrable movable dwellings, compared with those constructed for the Victorian market. This represents an additional five per cent cost for large dwellings and an additional 10 per cent cost for small dwellings.<sup>10</sup>

**Case Study 2** This manufacturer has been constructing unregistrable movable dwellings for six years, with their business expanding dramatically over the last three years. They constructed 120 unregistrable movable dwellings in the 2006-07 financial year, all of which were sold in Victoria. They sell most of their dwellings to caravan park operators, although sales to private owners have increased for people downsizing from holiday homes to unregistrable movable dwellings.

**Case Study 3** This manufacturer constructs an average of 90 dwellings per year with 75 per cent sold in Victoria. This manufacturer also constructs unregistrable movable dwellings for Western Australia and therefore must comply with the Western Australian requirements (Appendix A). For example, unregistrable movable dwellings constructed for Western Australia must comply with the energy efficiency requirements for residential buildings.

**Case Study 4** This manufacturer offers long term unregistrable movable dwelling accommodation to residents aged over 55 years. They construct the dwellings on site and then sell them to residents, who lease the site land. This manufacturer constructs an average of 100 unregistrable movable dwellings in Victoria each year.

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<sup>9</sup> ABS (Australian Bureau of Statistics), *Survey of Tourist Accommodation: Caravan Parks* (Cat. No. 8635.0).

<sup>10</sup> According to the Victorian Caravan Parks Association, the cost of a small dwelling is \$50,000 and the cost of a large dwelling is \$90,000.

**Table 8: Constructors of unregistrable movable dwellings in Victoria**

Constructor	Unregistrable movable dwellings constructed (average per annum)	Proportion of total sales that are Victorian-based
Constructor 1	350	50%
Constructor 2	120	100%
Constructor 3	90	75%
Constructor 4	100	100%
<b>Total</b>	<b>660</b>	<b>81% (average)</b>

Source: PricewaterhouseCoopers consultation.

### 3.5 Conclusion

In the last 10 years, the number of unregistrable movable dwellings in caravan parks has increased at the expense of powered and unpowered sites for caravan, campervans and tents. Data on the number of sites occupied by long term and short term occupiers suggests that the bulk of caravan park accommodation is still used by short term users. The proportion of long term residents has remained relatively stable at 10 per cent.

The increasing proportion of unregistrable movable dwellings in caravan parks means that any changes to the Regulations governing caravan parks will affect the type and cost of accommodation available.



## 4 The case for regulation

### 4.1 Introduction

Regulation establishes the legal framework, institutions and processes by which society and businesses operate and it is necessary and integral to the efficient operation of the economy and to ensure Government's social and wider policy objectives are achieved. At the same time, it is widely acknowledged that regulation imposes costs on businesses and citizens alike. The question therefore is whether those costs are justified and whether, over time, regulation remains optimal.

The Victorian Government requires that all regulations be assessed periodically to determine if the original circumstances that justified intervention are still necessary and sufficient to continue that intervention. The 1999 Regulatory Impact Statement for the current Regulations argued intervention was necessary to manage market failures that affected the caravan park industry. There were also other factors (such as improving equity, access and social welfare) that justified government involvement.

However, the existence of a market failure or other public interest criteria is not of itself sufficient justification for government intervention. Government intervention imposes its own costs, and may be subject to regulatory failure. The socially optimal approach therefore requires a careful evaluation of the merits of current — and any proposed — government intervention.

The current Regulations address two issues:

- The construction and installation of unregistrable movable dwellings and rigid dwellings — the Regulations specify the Australian Standards that constructors must comply with to protect the structural integrity of dwellings. The *Building Act 1993* (and accompanying subordinate regulation) regulates construction for all other building types in Victoria.
- Park management requirements — the Regulations specify provision of facilities and amenities such as safe drinking water, plumbing and communal sanitary facilities. The Health (Prescribed Accommodation) Regulations 2001 regulate these aspects of conduct for all other accommodation providers in Victoria.

The arguments for government involvement in the caravan park industry are similar to those used to justify involvement in building and construction, and accommodation more generally, including:

- 1 Consumers generally do not know enough to protect their interests, because of information imbalances between the parties engaged in the transaction.
- 2 The costs and benefits associated with the construction of unregistrable movable dwellings and rigid annexes in caravan parks may affect people other than the direct consumer and manufacturer (spillover effects).
- 3 There are social and equity considerations for consumer and property rights.
- 4 Regulatory inconsistency in the building industry.
- 5 Health and public safety concerns.

These arguments and their applicability to the caravan park industry are examined below. The form of intervention (if it is deemed necessary) is discussed in chapter 7, which sets out the various options for addressing the market failures identified here. These options are then costed and evaluated in chapters 8 and 9 respectively.

## 4.2 Information imbalances

In most economic transactions, consumers do not have complete information about the good or service they are purchasing, or have less information than the seller. This raises potential for consumers to experience problems because they lack the expertise to effectively judge the good or service provided. As explained in the Regulatory Impact Statement for the Building Regulations (Building Commission 2006), consumers may be unable to identify the attributes of the good or service before purchase (for example, where a large amount of technical knowledge is required), or may be unable to assess the attributes until after purchase (through experience).<sup>11</sup> In some cases, it may be difficult to assess attributes even after the purchase because problems may not be apparent to the untrained eye and/or may only become apparent over time.

These information imbalances are a prominent feature of the building and construction industry, and are the justification for the *Building Act 1993*, the Building Regulations 2006 and the Building Code of Australia (BCA). They are also apparent for the construction and installation of unregistrable movable dwellings and rigid annexes in caravan parks.

As noted in chapter 3, there are at least 6,796 unregistrable movable dwellings in caravan parks throughout Victoria and another 660 are constructed each year (most of which are sold to parks in Victoria). However, these dwellings are dispersed throughout the 712 caravan parks in Victoria, which means that each caravan park generally has a small number of unregistrable movable dwellings. Indeed, the Victorian Caravan Park Association survey of its members suggested that on average, each park has 18 unregistrable movable dwellings. Further, feedback from stakeholders suggested that unregistrable movable dwellings are not replaced or upgraded frequently because on average they last between 10 and 15 years. Therefore, it is likely that caravan park operators, like other residential purchasers, lack the technical expertise required to assess the quality of dwellings.

## 4.3 Spillovers

Consumers and producers tend to consider their personal costs and benefits when making decisions, not the costs or benefits to others. However, many consumption or production decisions affect people who are not direct parties to the transaction. These are known as externalities or spillover effects. Their existence means that market driven outcomes may not capture the whole community perspective.

Spillovers affecting accommodation in caravan parks include:

- externalities associated with public safety risks
- undersupply of energy efficient and water saving structures
- externalities associated with dwellings that withstand bushfires.

The dwelling owners in caravan parks face different incentives to consider spillovers.

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<sup>11</sup> Building Commission, 2006, *Regulatory Impact Statement for the Building Regulations*, p. 19.

## Externalities associated with public safety risks

The Regulatory Impact Statement for the Building Regulations (Building Commission 2006) outlines the potential negative externalities associated with risks to public safety rising from inadequate building standards.<sup>12</sup> The potential losses associated with defective building work and building products is high, including injury or death, loss of economic value by consumers, costly legal action and significant reputation damage to the industry:

*The owner and/or the occupier of a building are not easily able to ensure that the building in fact meets the specifications they think they are paying for ... people may unwittingly contract for, buy or rent buildings that do not meet with the approved design and/or do not meet their needs. Sooner or later these defects may present risks to health or safety, disappoint in terms of quality of finish, and/or fail to meet expectations for sound proofing, thermal and waterproofing standards and other aspects of amenity.<sup>13</sup>*

In the caravan park industry, the spillover effects for public safety risk are high because a large proportion of users of caravan park accommodation are tenants and short term occupiers. Short term occupiers are unlikely to undertake research to assess such risks because the perceived benefits of research are unlikely to outweigh the costs in terms of time and expertise.

## Undersupply of energy efficient and water saving structures

Consumers do not pay the full cost of energy because prices charged for electricity and gas do not include the environmental damage associated with carbon emissions from these activities. Similarly, water prices do not reflect its scarcity. Consumers cannot be expected to make rational choices that optimise community welfare if the prices they pay are not cost-reflective. The Regulatory Impact Statement prepared for the proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses (ABCB 2006) explains that the effects of this are an overconsumption of electricity and gas for heating and cooling and an overconsumption of water.<sup>14</sup>

The dwelling owners in caravan parks face different incentives to these spillovers. For example, private owners of unregistrable movable dwellings in caravan parks have incentives to reduce their energy consumption because they capture the private benefits of lower energy costs. By contrast, park operators who own dwellings for short term accommodation may not face the same incentives because they can pass some of the higher energy costs onto consumers.

Theoretically, their ability to do so is limited by prices for competing accommodation. However, much of the competition for unregistrable movable dwellings in caravan parks comes from private holiday houses, which are generally more expensive. Further, it is likely that few private holiday houses contain energy efficient features which also provides little incentive for unregistrable movable dwelling owners to introduce features to improve energy efficiency. This may result in an underproduction of these dwellings.

There is considerable evidence that the construction materials and orientation of dwellings affect energy used for heating and cooling. Similarly, it is possible to reduce

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<sup>12</sup> Building Commission, 2006, *Regulatory Impact Statement for the Building Regulations*, p. 20.

<sup>13</sup> PC (Productivity Commission), 2004, *Reform of Building Regulations*, Canberra.

<sup>14</sup> ABCB (Australian Building Codes Board), 2006, *Regulatory Impact Statement for the proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses*, p. 6.

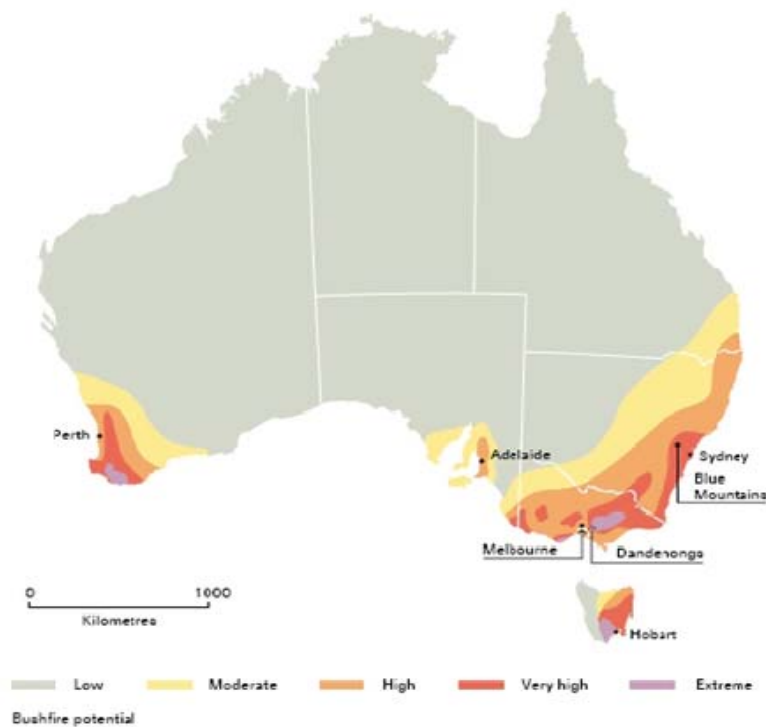
water consumption by installing water tanks for activities such as flushing toilets and watering gardens. Energy and water efficient construction methods provide benefits to owners (in the form of cost savings for energy and water use), but they also provide wider community benefits that private owners are unlikely to consider when building.

As previously mentioned, the majority of unregistrable movable dwelling owners are caravan park operators. These caravan park operators may face commercial incentives to introduce energy efficiency measures because they can decrease the long term costs of energy use and subsequently increase profit. This commercial incentive however, may not be seen as a top priority. The large capital outlay required to install energy efficiency measures may deter many owners of unregistrable movable dwellings, despite the possible cost reductions in the future.

### Externalities associated with dwellings that withstand bushfires

According to the Regulatory Impact Statement prepared for the proposal to revise the Building Code of Australia requirements for construction in bushfire prone areas (ABCB 2009), areas of moderate to extreme bushfire potential are concentrated in the southern and south-eastern margins of Australia (Figure 7). Most caravan parks in Victoria identified in chapter 3 are situated in areas with high to extreme bushfire potential.

Figure 7: Bushfire potential in Australia



Source: ABCB (Australian Building Codes Board) 2009, *Regulatory Impact Statement for the proposal to revise the Building Code of Australia requirements for construction in bushfire prone areas*, p. 17.

The benefits of bushfire protection for structures do not accrue entirely to the party that designs or builds the dwellings — bushfire protection measures applied to one dwelling can reduce the risk of fire spreading to surrounding dwellings. This spillover can lead to an underproduction of dwellings that withstand bushfires for two reasons:

- Without intervention, constructors do not have incentives to voluntarily incorporate bushfire protection measures in the construction materials of dwellings, where consumers are price driven and unable to verify the benefits arising from an increase in construction costs.<sup>15</sup>
- The actions and non-actions of property owners in minimising the risk and cost of damage to their own or surrounding properties can also have a wider effect on society. Society would incur costs associated with emergency services, volunteer time and production losses.

The majority of unregistrable movable dwellings are owned by caravan park operators, who do not use these dwellings as their primary place of residence. This means that tenants must rely on the owners to incorporate bushfire protection measures in the construction materials of the dwellings.

Park operators have incentives to take actions to moderate the bushfire risk (such as incorporating bushfire protection construction methods) because they own the asset, but the severity of the outcome warrants government action especially in the light of the recent bushfires. Evidence presented to the Bushfire Royal Commission demonstrates

<sup>15</sup> ABCB (Australian Building Codes Board), 2009, *Regulatory Impact Statement for the proposal to revise the Building Code of Australia requirements for construction in bushfire prone areas*, p. 23.

that the community expects the Victorian Government to take action to improve the safety of people in bushfire prone areas.

The speed and unpredictability of the 2009 bushfires highlighted the need for improved fire protection for dwellings to mitigate the risk of loss of life in the event that a resident is unable to leave early from the bushfire danger. The Government responded to increased community expectations by introducing additional construction requirements for general residential construction where the bushfire attack level is assessed as being 12.5 or greater.

## 4.4 Social equity objectives

Strategy 7 of *A Fairer Victoria* aims to boost housing affordability. Accommodation in caravan parks fulfils the permanent housing needs of particular sections of the community (especially low income and low asset groups, including some retirees) because it is less expensive than other housing types. Access to affordable housing is critical to reducing disadvantage, improving Victorians' sense of well-being and maintaining the fabric of our communities.

According to the Real Estate Institute of Victoria (REIV), house prices across Victoria rose strongly in the years before 2008. The REIV estimated that Victorians required approximately 36 per cent of family income to meet average loan repayments in December 2007 compared with about 27 per cent five years earlier.<sup>16</sup> Long term accommodation in caravan parks can provide a solution to the housing affordability issue. As noted in chapter 3, unregistrable movable dwellings in caravan parks are attractive to low income groups (including retirees) because they are relatively affordable and offer other financial advantages such as access to rental assistance.

Regulating the technical standards for the construction and installation of unregistrable movable dwellings may also be warranted for other social equity reasons — for example, the high costs of legal expertise may preclude some groups in the community from accessing the legal system to protect their consumer and/or property rights.

There is however, tension between imposing regulatory requirements (even those to improve the safety and amenity of structures) and meeting social equity objectives such as affordable accommodation for all Victorians. This becomes more important as population growth and rising house prices become more prevalent.

## 4.5 Regulatory inconsistency in the building industry

At present, the construction and installation of unregistrable movable dwellings in caravan parks are regulated differently from other dwellings in Victoria. This regulatory inconsistency creates a two-class system for those using unregistrable movable dwellings which conflicts with social justice expectations. The alternative form of accommodation is often general residential construction, which must now comply with building requirements to improve safety and amenity.

The BCA (adopted nationally in 1996) promotes national harmonisation in the building industry. It contains technical provisions for the construction of buildings and other structures, covering such matters as structure, fire resistance, access, services and equipment, and energy efficiency as well as certain aspects of health and amenity. The goal of the BCA is to encourage nationally consistent, minimum necessary standards of

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<sup>16</sup> VCEC (Victorian Competition and Efficiency Commission), 2008, *A State of Liveability: An Inquiry into Enhancing Victoria's Liveability*, Draft Report, May, p. 199.

relevant objectives efficiently.<sup>17</sup> The BCA is produced and maintained by the Australian Building Codes Board on behalf of the Australian Government and State and Territory Governments. The BCA has been given the status of building regulations by all States and Territories. The BCA is reviewed annually and updated in line with changing community expectations for safety and amenity of building and construction.

The Victorian Competition and Efficiency Commission's inquiry into housing regulation in Victoria (VCEC 2005) notes that where the regulation is found to be beneficial it is best imposed on a consistent basis, such that:

- Builders and designers (including constructors) operating across many jurisdictions can use and apply a style set of mandatory requirements rather than having to familiarise themselves with multiple codes.
- Constructors can produce a style of product that meets demand across all jurisdictions rather than having to develop different products for each jurisdiction.
- Tradespeople benefit from consistent building designs because they can apply their skills in any jurisdiction.<sup>18</sup>

These benefits also apply to the construction and installation of unregistrable movable dwellings in caravan parks. Two of the four major constructors in Victoria sell their products in other jurisdictions. Consistent standards across all jurisdictions would allow constructors to streamline their processes and reduce the extent of cost increases associated with raising the construction standards for unregistrable movable dwellings.

## 4.6 Health and public safety concerns

### Prevention of communicable diseases

Caravan parks exhibit many of the characteristics of other accommodation providers. For example, they experience a high turnover of mostly short term occupiers, and provide sanitary facilities which in some cases are shared by guests. These aspects of conduct are regulated via the Health (Prescribed Accommodation) Regulations 2001 for other accommodation providers such as hotels, motels, guesthouses and boarding houses. The arguments for maintaining the health and safety of users of these types of accommodation can also be applied to caravan parks.

For example, there are links between low standard accommodation and poor health and welfare, as discussed in the Regulatory Impact Statement for the Health (Prescribed Accommodation) Amendment Regulations (DHS 2008). For example:

- the lack of amenities has been linked to gastroenteritis and dysentery, especially among young children and the elderly
- uncollected waste can lead to the spread of gastrointestinal and parasitic diseases, mainly caused by increased insect and rodent infestation, while poor maintenance of sewers, food waste and tipping can lead to increased cases of leptospirosis
- overcrowding can lead to accidents, respiratory illness in children and the elderly, and the transmission of infectious diseases like tuberculosis and meningitis.<sup>19</sup>

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<sup>17</sup> [www.abcb.gov.au](http://www.abcb.gov.au) — Accessed [7 July 2009].

<sup>18</sup> VCEC (Victorian Competition and Efficiency Commission), 2005, *Housing regulation in Victoria: building better outcomes*, Final Report, October, p. 86.

<sup>19</sup> DHS (Department of Human Services), 2008, *Regulatory Impact Statement for the Health (Prescribed Accommodation) Amendment Regulations*, p. 23.

Preventing the spread of communicable diseases will reduce costs to the community by preventing unnecessary morbidity and mortality, avoiding lost work hours, and savings in health care costs. The provision and maintenance of amenities in caravan parks would not be covered in the absence of the Regulations.

As discussed in chapter 3, the majority of accommodation in caravan parks is for tourists. Therefore the health and public safety requirements imposed on the tourism industry under the Health (Prescribed Accommodation) Regulations are applicable to caravan park accommodation.

## 4.7 Conclusion

Many of the risks of not regulating the building and construction, and accommodation industries also apply to caravan parks. Increasingly, the accommodation provided in caravan parks is in the form of unregistrable movable dwellings. Therefore, it is important that their construction and installation meet minimum safety standards. It is also important that facilities and services at caravan parks such as water, plumbing, electricity and waste disposal be provided. Government manages these risks through regulation for the general building and construction industry and the accommodation industry; it is likely that the community will expect Government to regulate these matters for caravan parks.

It is important to note that demonstrating that there is a need for regulation is not sufficient to justify industry specific regulation such as the Regulations considered here, which were originally introduced in 1988. The options for addressing these issues are discussed in chapter 7.



## 5 Issues facing the industry

According to the Regulatory Impact Statement prepared in 1999:

*The primary purpose of the [Regulations] is to ensure that the housing of long term residents of caravan parks meets a standard that, as far as is practicable, is comparable to standards for conventional residences and provided for the health, safety and amenity of the housing. A secondary objective is to ensure that the facilities and onsite vans used by holiday makers at caravan parks meet a standard of health, safety and amenity.<sup>20</sup>*

While these objectives remain valid, changing community expectations and changing policy objectives have meant that the Regulations may not be up-to-date. Data on the extent of issues or incidents in caravan parks is not readily available. Stakeholder feedback however, suggests that there have been a number of developments over the last 10 years that need to be considered as part of the assessment associated with revising regulations.

### 5.1 Technical standards for the construction and installation of dwellings

The construction industry in Victoria is regulated via the *Building Act 1993*, which in turn requires practitioners to comply with the *Building Regulations 2006* and the BCA. The Building Act establishes the legal framework for regulating building construction and maintenance. The Building Regulations are derived from the Building Act and specify requirements for building permits, building inspections, occupancy permits, and enforcement, among other things. They also call up the BCA as a technical reference that must be complied with, giving it legal status in Victoria. The BCA references Australian Standards that are deemed to satisfy the performance requirements necessary to maintain the structural integrity of buildings.

Under section 517 of the *Residential Tenancies Act 1997*, the Building Act except for part 12A (Plumbing Works) does not apply to unregistrable movable dwellings situated in a caravan park. Rather, requirements for construction including Australian Standards and other requirements are prescribed in the Regulations. Part 1 of Schedule 3 of the Regulations sets requirements for the construction and installation of unregistrable movable dwellings. Part 2 of Schedule 3 establishes requirements for the construction and installation of annexes, while Schedule 4 sets out the requirements for prefabricated holiday unit construction and installation. These standards are designed to provide a level of amenity for residents and occupiers. They specify minimum enclosed floor areas, minimum ceiling heights, minimum room size for bathrooms and toilets, measures for moisture prevention in bathrooms and toilets, and lighting and ventilation requirements. These standards are applied to all unregistrable movable dwellings to protect the structural integrity of the dwellings when they are moved.

An installer of an unregistrable movable dwelling or rigid annexe must attach a compliance plate that states the constructor's details and confirms that the structure complies with the Regulations. The installer must also provide an installation certificate to the purchaser of the unregistrable movable dwelling or rigid annexe that confirms that the structure is installed according to the Regulations. These features are designed to protect the rights of dwelling owners and give them confidence that the dwelling is safe.

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<sup>20</sup> Regulatory Impact Statement for the Residential Tenancies (Caravan Parks and Movable Dwellings) Regulations 1999, p. 1.

The owner of the unregistrable movable dwelling or rigid annexe must give a copy of the installation certificate to the caravan park operator and the council within seven days of its installation. The owner of the prefabricated holiday unit must notify the council and the owner of the caravan park of its proposed installation.

Without the current regulations, there would be no requirements governing the construction and installation of unregistrable movable dwellings, rigid annexes and prefabricated holiday units in caravan parks. Stakeholder feedback conducted by PricewaterhouseCoopers suggested that the industry would continue to operate as usual in the absence of regulations, at least in the short-term, because:

- construction processes are based on the current regulatory requirements
- unregistrable movable dwellings are constructed for use in other jurisdictions which have similar regulations
- constructors have a commercial incentive to maintain standards.

Over the longer term, it is possible that construction processes will change and that constructors may reduce the quality of unregistrable movable dwellings incrementally over time. This is more likely to occur for constructors who produce solely for the Victorian market. The extent to which this occurs depends on the level of price competition between constructors and common law requirements for constructors to produce dwellings that are fit for purpose. While it is possible that industry may vary current production practices and adopt different standards in the absence of these Regulations, industry advises this is unlikely.

### *5.1.1 Issues relating to unregistrable movable dwellings and rigid annexes*

PricewaterhouseCoopers conducted targeted stakeholder consultation that identified three separate issues with the current Regulations: first, whether the construction and installation standards were necessary and/or sufficient to guarantee the structural integrity of unregistrable movable dwellings and rigid annexes; second, the varying interpretation of terms such as 'notification' and 'to the satisfaction of council' by different councils; and third, if requirements for prefabricated holiday units are still necessary. These issues are discussed below.

#### Validity of technical construction and installation standards

According to the Regulatory Impact Statement prepared in 1999 for the current Regulations, the standards for constructing and installing unregistrable movable dwellings and rigid annexes in caravan parks should be comparable with standards for conventional housing types, as far as is practicable. The Department of Planning and Community Development engaged building surveying consulting firm Progressive Building Solutions to compare the technical requirements of the Regulations with the BCA. According to Progressive Building Solutions, the technical standards contained in Schedule 3 of the Regulations are sufficient to protect the integrity of these structures.<sup>21</sup>

However, the review by Progressive Building Solutions also revealed some technical issues with the current Regulations. First, some of the Australian Standards referenced in the Regulations are out of date, compared with those referenced in the BCA. This creates

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<sup>21</sup> Progressive Building Solutions, 2009, *Review of schedule 1 and 3 of the Residential Tenancies (Caravan Parks and Movable Dwellings Registration and Standards) Regulations 1999*.

inconsistencies between the standards used for unregistrable movable dwellings and rigid annexes installed in caravan parks and those used for construction generally.

Progressive Building Solutions found that the Regulations were generally more onerous than the BCA because they removed design flexibility. The BCA is a performance based document, which gives the option of using prescriptive standards as deemed-to-satisfy measures or using alternative solutions which satisfy performance requirements. In contrast to the current Regulations, the BCA provides both certainty (in the form of prescriptive standards) and flexibility (in the form of alternative solutions).

An exception to this was the requirement in the Regulations for footings, which is less onerous than the BCA. The Regulations require that footings be installed to the satisfaction of the council, but unlike the BCA, does not refer to the Australian Standard. However, technical advice from the Department of Planning and Community Development suggested that it is likely that footings are constructed to comply with the Australian Standards specified in the BCA. Engineers must comply with their code of ethics which requires them to conform with accepted standards. Further, public liability insurance means that councils are also likely to require that footings comply with accepted standards.

Termite management is another area where the Regulations are less onerous than the BCA. The current Regulations require that rigid annexes installed in termite prone areas must be protected, but does not require any protection for unregistrable movable dwellings. In its submission to the Department of Planning and Community Development, the Victorian Caravan Parks Association suggested that all structures in caravan parks are susceptible to termites. Further, approximately 80 per cent of caravan parks are located in areas likely to be subject to a termite infestation. There is no data available on the number or cost of termite infestation in caravan parks. Consultation did not elicit any evidence of damage to unregistrable movable dwellings caused by termites.

Community expectations regarding acceptable levels of safety and amenity in buildings change over time. These are reflected in the amendments which are made to Building Regulations and the BCA. Since these Regulations were made in 1999, two significant changes, which reflect these changing attitudes, have been made. These relate to requirements for:

- Construction requirements in bushfire prone areas — The Building Amendment (Bushfire Construction) Interim Regulations 2009 provide new requirements for residential buildings in Victoria. These Regulations require that the construction method and materials reflect the appropriate bushfire attack level. They will be included in the BCA in May 2010.
- 5 star energy ratings — This system was introduced in Victoria in 2005 to help lower the effect residential buildings have on the environment. The system, which is implemented through the BCA, requires that all new homes and apartments in Victoria achieve a 5 star rating for the building fabric and install either a rainwater tank for toilet flushing or a solar hot water system. It does not apply to unregistrable movable dwellings because they are exempt from the BCA. However, as noted in chapter 3, unregistrable movable dwellings constructed for Western Australian and South Australian markets already comply with these requirements.

The feedback that PricewaterhouseCoopers received from stakeholders on the technical standards was mixed. The Victorian Caravan Parks Association and individual park operators supported maintaining separate Regulations. Apart from concerns about termite management (which they recommended extending to all structures), they reported few problems with the technical integrity of these structures. Further, they argued that the Regulations are more stringent than the BCA, because they include

elements to protect unregistrable movable dwellings and rigid annexes when they are moved.

These stakeholders were also concerned that adopting the BCA would impose what they consider to be unnecessary requirements. Such as obtaining building permits, complying with termite protection measures, meeting with 5 star energy and water efficiency measures. They suggested these would adversely affect the cost and therefore affordability of this type of accommodation for long term residents.

By contrast, councils responding to a PricewaterhouseCoopers' survey about the current Regulations suggested that unregistrable movable dwellings and rigid annexes constructed in caravan parks be covered by the BCA. They argued the increased size and sophistication of unregistrable movable dwellings in particular means that they should be treated like all other dwellings. They were concerned that they could not verify compliance with standards in the same way that they can with other dwellings, which they inspect throughout the construction process. They considered the compliance plate and installation certificate insufficient.

As part of targeted consultation conducted by PricewaterhouseCoopers, the Housing for the Aged Action Group also supported moving construction and installation of unregistrable movable dwellings to the BCA. They were concerned that the current technical standards were not appropriate to maintain the amenity of unregistrable movable dwellings used by long term residents. For example, the lack of insulation has adverse environmental effects and increases the heating and cooling costs for residents. There is also a possibility that this may also affect residents' health (although it is unlikely that the risk is high because constructors report unregistrable movable dwellings are constructed to at least a 3.5 star rating).

Targeted consultation by the Department of Planning and Community Development noted the inconsistency between unregistrable movable dwellings, rigid annexes and prefabricated holiday units constructed in caravan parks and adjacent structures (such as carports, pergolas and verandahs). The former do not require a building permit whereas the latter do.

As noted in chapter 3, the number of unregistrable movable dwellings in caravan parks has increased substantially between 1997 and 2009 and now comprise approximately 12 per cent of total site capacity in caravan parks.<sup>22</sup> On average, 660 unregistrable movable dwellings are constructed in Victoria each year. This expansion of the unregistrable movable dwelling industry means the technical standards for their construction and installation are now more important.

## Notification processes

Currently, councils must be notified when an unregistrable movable dwelling or rigid annexe is installed. Feedback from the Victorian Caravan Parks Association and individual operators highlighted a concern about inconsistency about how councils implement the Regulations. For example, one council requires a permit (at a cost of \$310) whenever an unregistrable movable dwelling is installed. By contrast, another council requires a notification advice (at a cost of \$70) be submitted when an unregistrable movable dwelling is installed, while other councils do not require notification at all. Further, the Victorian Caravan Parks Association argued many councils are unsure of what to do with information when it is supplied by caravan park operators.

Feedback from PricewaterhouseCoopers' targeted consultation suggested that the differences in fees levied by councils reflect the different costs incurred by councils. This view was reinforced by Local Government Victoria, which suggested that the different

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<sup>22</sup> ABS *Survey of Tourist Accommodation: Caravan Parks* (Cat. No. 8635.0).

fees are likely to reflect different activity levels. In particular, councils with large numbers of caravan parks are likely to charge for services, while those with few caravan parks may not develop a charge for council services. Overall, there was not sufficient evidence to suggest that this requirement be changed.

If a caravan park is in an area which is vulnerable to flooding, the Regulations require the owner of the park to notify the owner of an unregistrable movable dwelling of this fact in writing prior to installation. As mentioned previously, the majority of unregistrable movable dwellings are owned by the park operator. There would therefore be no material cost of the park operators notifying themselves of this risk.

Stakeholder feedback suggests that more than 80 per cent of unregistrable movable dwellings are owned by park operators. Therefore this notification requirement would only be applicable to the remaining 20 per cent of unregistrable movable dwellings. This means that this requirement would apply to approximately 100 unregistrable movable dwellings out of the 538 installed in Victoria. Further, this notification requirement can be fulfilled verbally. It was within this context that industry advised they did not believe this requirement to impose any material or measurable cost. For the purposes of this analysis it has been assumed that this cost is zero — even though this is an underestimate, or be it a very small underestimate.

This measure is considered beneficial as it enables the owner of an unregistrable movable dwelling to make an informed choice about the location and installation of their dwelling and it protects a caravan park owner by ensuring this information is available to all unregistrable movable dwelling owners.

Similarly the Regulations require the seller of an unregistrable movable dwelling to provide specific information on the sale of a movable dwelling including structural limitations and the Bushfire Attack Level (BAL) to which the dwelling is constructed. This information is provided by the manufacturer of an unregistrable movable dwelling and should be maintained by the owner for resale.

### Removal of requirements for prefabricated holiday unit

Schedule 4 of the Regulations specifies minimum requirements for the structural performance of prefabricated holiday units and their associated services (such as electricity installation, gas fixtures, sanitary and plumbing facilities and glazing).

Feedback from PricewaterhouseCoopers' targeted stakeholder consultations suggested that prefabricated holiday units are not used in caravan parks because they are not suitable for use all through the year. All stakeholders agreed that the technical standards for these structures were not necessary.

### 5.1.2 *Interjurisdictional comparison*

All jurisdictions require that unregistrable movable dwellings comply with requirements for safety and amenity, such as minimum ceiling height, moisture prevention, and lighting and ventilation but the specific requirements vary across jurisdictions. Like Victoria, New South Wales has regulations that specify the Australian Standards that constructors and installers must comply with, although the list of requirements is more extensive (Appendix A). By contrast, Western Australia has regulations that refer to the BCA where appropriate. The New South Wales and Western Australian Regulations both include adjacent structures such as carports, pergolas and verandahs.

Regulations in New South Wales and Western Australia were introduced in 2005 and 1997 respectively. Neither jurisdiction has data on the costs and benefits of their regulations.

Queensland and South Australia do not have separate regulations for the construction and installation of these structures. These jurisdictions rely on their general building industry requirements, including the technical standards referenced in the BCA.

## 5.2 Maintenance of facilities and services

The issues raised in section 5.1 relate specifically to unregistrable movable dwellings. The Regulations contain requirements for caravan parks that relate to all accommodation types, specifically:

- provision of drinking water, water supply, electricity, and waste collection and disposal services and lighting
- provision of permanent sanitary and laundry facilities for campers, and caravans and campervans without private facilities
- provision of fire fighting facilities and fire access
- preparation of emergency management plans
- cleaning and maintenance requirements.

As noted in chapter 4, these aspects of conduct are managed for all other accommodation providers by the Health (Prescribed Accommodation) Regulations 2001. Without the current Regulations, there would be no requirements for caravan park operators to provide these facilities and services.

### 5.2.1 Issues relating to caravan park management

Feedback from submissions to the Department of Planning and Community Development, and targeted consultation and surveys conducted by PricewaterhouseCoopers suggested that stakeholders considered these aspects of the Regulations necessary. However, there were suggestions that the requirements for fire safety and emergency management plans could be improved. Some stakeholders also suggested changes to the requirements for permanent sanitary facilities.

#### Fire safety in caravan parks

The Victorian environment is one of the most bushfire prone environments in the world. Over recent years, there has been an increase in the number intensity and frequency of bushfires.<sup>23</sup> Key drivers of this include the drought (reflected in record low rainfall and extreme temperatures) while at the same time, fuel loads have increased because many smaller fires (which occur naturally through lightning strikes) have in the past been successfully contained by Victoria's bushfire agencies.

At the same time, there have been significant demographic changes in Victoria that mean a greater number of people are at risk:

- The increasing number of residential developments on the urban-rural fringe of Victoria's metropolitan and regional cities (like Melbourne, Geelong and Bendigo).

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<sup>23</sup> Victorian Government, 2008, *Living with Fire – Victoria's Bushfire Strategy*.

Some of these developments are caravan parks that cater exclusively to residents over 55 years of age (also termed residential parks).

- The rising number of tourists travelling to bushfire prone areas during the high bushfire danger period. Some of these tourists stay in caravan parks.

The bushfires of February 2009, which have been described as the worst in Victoria's history, demonstrated the increased risks to lives and property. They resulted in the loss of 173 lives and 2,029 homes, with immense destruction of property, stock, businesses and public facilities.<sup>24</sup>

Recognising the risk to caravan park users, the Regulations require operators to submit site plans to the council including information on the park's fire fighting facilities and fire fighting access. These site plans must be to the council's satisfaction when parks register and the council must consult the relevant fire authority. The Country Fire Authority issued a comprehensive Guideline in 2006 that provides advice on fire access/separation, fire vehicle access, fire fighting equipment and identifying and managing fire hazards.

Councils find the Country Fire Authority's recommendations useful and practical, but they often seek more specific details from the Country Fire Authority about how to enforce the recommendations. The Country Fire Authority argued that the current requirement creates an element of subjectivity because while councils must consult with the relevant fire authority, they are not required to adhere to any recommendations.

Surveyed park operators found the Guideline useful because it combined prescriptive measures (which can be applied to new parks) and performance measures (which allow for circumstances in existing parks). However, the Victorian Caravan Parks Association argued that requiring compliance 'to the satisfaction of council' created difficulties:

*The Regulations state that it is to the 'satisfaction of the council' but in practice all councils request that it is referred to the fire authorities for approval. The fire authorities will also not approve this for liability and refer it back to council.*<sup>25</sup>

The Country Fire Authority suggested that the Regulations reference the Guideline, which clarifies the requirements for councils, fire authorities and park operators.

## Preparation of Emergency Management Plans

An emergency management plan is a written set of instructions to help caravan park users deal with incidents or situations that could pose a threat to life, health or property. There are different types of emergency situations, including (but not limited to):

- fire, explosion or natural disaster, including flood
- dangerous chemical release
- medical emergency
- bomb threats
- violence or robbery.

Emergency management plans establish a framework for the effective handling of emergencies and/or disasters, and management of the return to normality. Adherence to this framework is intended to:

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<sup>24</sup> 2009-10 Victorian Budget Overview.

<sup>25</sup> Victorian Caravan Parks Association submission to the Department of Planning and Community Development, p. 14.

- avoid or minimise loss of life and property
- ensure any emergency can be effectively dealt with
- support a prompt response to any emergency
- direct key people to act on specific tasks and provide direction
- provide response mechanisms that support business continuity during and after an emergency.

Currently, a caravan park owner must, to the satisfaction of the council, prepare an emergency management plan providing for evacuation procedures to be followed by residents and occupiers in a fire or other emergency that may affect the caravan park.

The Victorian Caravan Parks Association suggested that the current Regulations are not clear about who is responsible for checking and approving a park's emergency management plan. Currently the Regulations state 'to the satisfaction of the council' but in practice councils refer it to the Country Fire Authority. To remove this inconsistency and provide councils and park operators with some guidance, the Country Fire Authority prepared an Emergency Management Plan Manual that can be used by park operators and councils. Like the previous issue, referencing this Manual in the Regulations would clarify the requirements for councils, fire authorities and park operators.

### Provision of communal sanitary facilities

The current Regulations require that park operators provide sanitary facilities in accordance with Table F2.1 of the BCA for a Class 3 building on the basis of one resident per long term site. This requirement does not account for the rising proportion of sites containing unregistrable movable dwellings that have their own facilities including parks that cater solely for residents (so-called 'residential parks'). Feedback to the Department of Planning and Community Development suggested that the number of facilities that must be provided by park operators could be lowered to recognise this.

#### 5.2.2 *Interjurisdictional comparison*

Both New South Wales and Western Australia specify fire safety requirements in their Regulations. New South Wales has prescriptive requirements in their regulations for the availability and maintenance of fire fighting equipment and minimum distances between structures (including adjacent structures such as carports and balconies), while the Western Australian Regulations refer to Australian Standards.

New South Wales and Western Australia also require that sanitary facilities be provided based on the number of sites. These jurisdictions' regulations do not account for private facilities contained in unregistrable movable dwellings.

### 5.3 Issues relating to ensuring compliance

The registration system imposes the general conduct requirements on caravan park operators. These registration conditions are the basis for enforcing the requirements of the Regulations. Allowing the Regulations to sunset would remove the requirement for caravan park operators to register with councils and for councils to maintain a register. This would remove any compliance mechanisms which in turn may lead to conditions in some caravan parks that are below the minimum expectations of society.



### 5.3.1 Registration

Part 2 of the Regulations specifies the registration requirements for caravan parks and associated fee levels. Currently, a caravan park owner must register their park with the relevant municipal council. The application must include:

- a site plan that identifies the number of long term and short term sites and the other facilities of the park
- the prescribed fee (\$2.50 per long term and short term site).

Registration for all caravan parks is valid from 1 January to 31 December each year and must be renewed annually. The Regulations also require that park owners appoint a park supervisor, maintain a detailed register of residents, develop an emergency management plan and ensure specific information is available for occupiers and residents (such as the registration certificate, park plan, the park rules, the emergency management plan, and the Act and Regulations). The council can also grant the transfer of caravan park registration.

Each council must register caravan parks in its municipality and maintain a register as they do in respect of a range of accommodation types. All similar types of short term and tourist accommodation are required to be registered with local government in order to operate. Specifically, councils are required to keep a separate register in respect of each class of prescribed accommodation including hotels, motels, rooming houses, and student dormitories.

The registration process enables the council to provide an independent assessment of the health, safety and amenity provided by the caravan park. Registration simplifies this process by specifying requirements and collating relevant information.

Under the current Regulations, councils must be satisfied that the safety and amenity of users of a caravan park are protected (and will continue to be so for the duration of the registration period). Due to the range of safety and amenity factors in a caravan park (safety of buildings and unregistrable movable dwellings, provisions of amenities, management of water and waste, fire safety and emergency planning, etc.) it is reasonable to expect that in order to be satisfied, council would need to physically inspect a park periodically. Feedback from stakeholders indicates that councils are not consistently inspecting parks. Councils indicated that this was due to the registration fee being insufficient to cover the associated costs.

#### Registration period

The annual registration requirement is an historical feature of caravan park regulation in Victoria. Prior to 1988, caravan parks operated under the Health (Camping) Regulations 1965, which required annual registration renewal with councils. This feature was retained when separate regulations for caravan parks were introduced in 1988, and in subsequent revisions, including the current Regulations.

Some stakeholders through PricewaterhouseCoopers' targeted consultation questioned the need for caravan park operators to renew their registration each year, instead suggesting periods ranging from three years to 10 years. Caravan park owners and operators argued that the large capital investment associated with acquiring a caravan park means turnover of ownership was low. The Country Fire Authority and Metropolitan Fire and Emergency Services Board also suggested a longer registration period, with a requirement that parks be inspected by the relevant fire authority prior to renewal.

We received limited feedback from councils on this issue. One council that responded wanted to retain the current annual registration period. It was concerned that allowing a longer registration period would reduce incentives for councils to monitor and enforce the Regulations, resulting in a reduction in quality standards.

All 712 caravan parks in Victoria must register with the relevant council, creating an administrative and compliance burden for caravan park operators and councils.<sup>26</sup>

## Fees

The Residential Tenancies Act allows for councils to charge fees in relation to caravan parks, only in respect of the registration process. Advice from the Office of the Chief Parliamentary Counsel indicates that the Regulations must prescribe at least a framework for fee setting and may prescribe specific fees, and maximum and/or minimum fees. As part of the registration process, council must be satisfied that each caravan park meets and will continue to meet the standards in the Regulations for the duration of the registration period.

The fee for registering a caravan park is currently set at \$2.50 per long term and short term site. This rate has not been changed since 1988, when separate regulations were first introduced for caravan parks.

As previously mentioned, stakeholder feedback indicates that the current fee level is insufficient to recover the cost of inspection associated with registration of caravan parks. This has led to councils not consistently inspecting caravan parks.

Some councils responding to the survey suggested that the Regulations be revised to allow councils to determine the fees charged for registration, as is done for other accommodation providers (such as hotels, motels, boarding houses) under the Health (Prescribed Accommodation) Regulations 2001. Alternatively, some suggested that the Regulations include a minimum and maximum fee, within which councils may determine their own fee level.

The Victorian Government's *Cost Recovery Guidelines* state that Government departments and agencies should recover the full costs of activities associated with administering regulations (such as, registration, licensing, issuing permits, monitoring compliance, investigations and enforcement activities).<sup>27</sup> The *Monetary Units Act 2004* provides for fees and penalties payable to the Public Account to be fixed by reference to a fee or penalty 'unit' that can be indexed each year by the annual rate. In this way, fees and penalties expressed in units in their governing legislation are automatically indexed each year by the annual rate.<sup>28</sup>

Currently, there are at least 55,942 long term and short term caravan sites in Victoria.<sup>29</sup> Therefore, the amount of fees paid by Victorian caravan parks is at least \$139,855.

### 5.3.2 Enforcement

Currently, a penalty of 10 penalty units is prescribed for a breach of certain requirements of the Regulations. Section 526 of the Residential Tenancies Act 1997 gives authorised persons (persons authorised by councils or the Minister) powers of entry and inspection

<sup>26</sup> Housing for the Aged Action Group, 2007, *Caravan Parks, Residential Parks and Residential Villages Directory*.

<sup>27</sup> Department of Treasury and Finance, 2007, *Cost Recovery Guidelines*.

<sup>28</sup> Victorian Government, 2003-04 Budget Paper No.2, Budget Statement, Appendix A, p. 262.

<sup>29</sup> ABS, *Survey of Tourist Accommodation Caravan Parks* (Cat. No. 8635.0).

to determine whether the Act or the Regulations are being complied with. Section 527 allows a council or the Minister to institute proceedings for breach of the Act or Regulations. The combined effect of sections 522 and 523 of the Act is to enable the Minister to make an order for the closure of a caravan park if there has been a serious or continuing offence under the Regulations made under Part 14 of the Act.<sup>30</sup>

Generally, feedback received by PricewaterhouseCoopers from councils and the Municipal Association of Victoria suggested that the current system of penalties was sufficient for enforcing compliance with the Regulations. Only one council argued that imposing penalties through the Victorian Civil and Administrative Tribunal or the Magistrates' Court was a lengthy and costly process.

This feedback suggested there does not appear to be sufficient evidence to warrant a change in the way the Regulations are enforced.

### *5.3.3 Interjurisdictional comparison*

All jurisdictions require caravan parks to register with the relevant council. Like Victoria, Western Australian Regulations limit the registration period to one year. By contrast, the registration period is at the discretion of the council in New South Wales. New South Wales and Western Australia also specify duties for caravan park operators, similar to those included in the current Victorian Regulations.

In Western Australia, the annual registration fee is the greater of:

- an amount based on the number of long stay and short stay sites (\$6 per site), camp sites (\$3 per site) and overflow sites (\$1.50 per site); or
- \$200.

## 5.4 Other issues

### *5.4.1 Consumer protection*

Consumer Affairs Victoria has conducted consultation in 2009 on consumer protection issues for permanent residents of caravan parks who own their dwellings. The issues relate to security of tenure for those residents who lease sites on a long term basis. These issues are the subject of a separate review currently being conducted by CAV. They fall outside the scope of these Regulations.

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<sup>30</sup> Regulatory Impact Statement for the Residential Tenancies (Caravan Parks and Movable Dwellings) Regulations 1999, p. 5.

## 5.5 Conclusion

The objectives of the current Regulations (to protect the health, safety and amenity of residents and occupiers) remain valid, but the requirements of the current Regulations may not be sufficient to achieve these objectives. Community expectations about the minimum standards necessary to maintain the health and safety of people using caravan park accommodation have changed. The current requirements may not achieve the desired minimum standards at the lowest cost. Some requirements are ambiguous, creating confusion for users, operators and councils.

## 6 Objectives

The objectives of any government intervention for caravan parks and movable dwellings should address the problems in chapter 5 while also accounting for the broader policy matters discussed in chapter 4. The case for regulation and the current issues facing the industry suggest that objectives for intervention should be based on minimising the cost of this type of accommodation without compromising its safety. Greater consistency and compliance are also key priorities.

The *Victorian Guide to Regulation* requires that objectives be SMART (specific, measurable, achievable, realistic and relevant and time-dependent).<sup>31</sup>

The six objectives for regulating this industry are:

*1. To protect the health and safety of caravan park users.*

This objective aims to guarantee safety for all occupiers of this type of accommodation in caravan parks.

*2. To minimise the cost on industry and users of unregistrable movable dwellings, rigid annexes and prefabricated holiday units.*

This objective is in line with other policy directions such as *A Fairer Victoria* that aim to improve housing affordability in Victoria by keeping the costs of this type of accommodation to a minimum without compromising other policy objectives.

*3. To promote equity of accommodation.*

This objective aims to make the standard of accommodation provided by unregistrable movable dwellings and rigid annexes consistent with that of general residential accommodation. It is in line with other policy directions such as *A Fairer Victoria* that aim to improve equity.

*4. To promote consistency of compliance and understanding of the requirements.*

This objectives aims to improve stakeholder compliance by clarifying the requirements in the Regulations.

*5. To remove unnecessary administrative burden on all stakeholders.*

This objective is in line with the Victorian Government's *Reducing Regulatory Burden Initiative*.

*6. To cost recover in line with the cost recovery objectives of efficiency, equity and fiscal sustainability.*

This objective is in line with the Victorian Government's *Cost Recovery Guidelines*.

With these objectives in mind, chapter 7 discusses options to address the problems currently facing the industry.

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<sup>31</sup> Department of Treasury and Finance, 2007, *Victorian Guide to Regulation*, pp. 3-5.

## 7 Options

This chapter identifies a range of possible government interventions that are considered most likely to overcome the problems defined in chapter 5 to achieve the objectives established in chapter 6. The proposed options were determined after stakeholder consultation with local government, industry representatives and relevant government departments and agencies. The options identified in this chapter will be analysed in further detail using cost–benefit analysis in chapter 8.

There are several ways to address the issues identified in chapter 5, including regulatory and non-regulatory arrangements. Options are identified separately for each of the issues identified in chapter 5; that is, standards for construction and installation, caravan park management and ensuring compliance.

### 7.1 Standards for construction and installation

As noted in chapter 5, stakeholders identified issues with the technical standards for the construction and installation of unregistrable movable dwellings, rigid annexes and prefabricated holiday units: how to define the standards and whether requirements for prefabricated holiday units are still necessary. Options for addressing these problems are discussed below.

#### *7.1.1 Technical standards for unregistrable movable dwellings and rigid annexes*

The technical standards for unregistrable movable dwellings and rigid annexes can be managed in four ways which are compared to the base case. While the technical standards in each of the options are similar or identical it is the means of specifying them which differs.

##### Base case

In the absence of these Regulations, there would no mandated regulations governing the technical standards for the construction and installation of unregistrable movable dwellings and rigid annexes in caravan parks. However, stakeholder feedback suggests that this will not change the current industry practices over the life of the proposed Regulations because manufacturing processes are based on the standards contained in the current Regulations. In addition, unregistrable movable dwellings and rigid annexes are constructed in Victoria for use in other jurisdictions, which have comparable regulations based on current Australian Standards. While it is possible that industry may vary current production practices and adopt different standards in the absence of these Regulations, industry advises this is unlikely.

Therefore, for the purpose of this analysis, there is no basis to assume that industry would not incur the costs they have advised. In this light, the base case against which the options are compared is the current requirements where constructors would continue to comply with the Australian Standards contained in the current Regulations.

##### Option 1: Retain the current requirements

Under this option, constructors and installers would continue to comply with the Australian Standards contained in the current Regulations. This means that in some cases, they would be required to comply with standards that are now superseded by

more up-to-date standards. This option would not address the issues of bushfire protection or energy efficiency.

## Option 2: Update the requirements in the Regulations

This option would update the standards specified in the Regulations. The Regulations would reference the most up-to-date Australian Standards and specify other requirements in order to address the issues raised (such as bushfire safety and energy efficiency) including:

- Updating the construction and installation standards referred to in Schedules 1 and 3 of the Regulations to protect the safety of unregistrable movable dwellings and rigid annexes respectively.
- Introducing energy efficiency requirements similar to the 5 star energy rating system for general residential construction.
- Introducing enhanced bushfire construction measures, similar to those required for general residential construction.

## Option 3: Performance Based Standards (Adopt the BCA)

This option involves regulating the construction and installation of unregistrable movable dwellings and rigid annexes in caravan parks. In this option, the BCA is referenced in the Regulations. To improve clarity under this option, the Regulations will specify which sections of the BCA are not relevant to the construction of unregistrable movable dwellings. Any future amendments to the BCA that are not relevant to unregistrable movable dwellings in caravan parks will require an amendment to the Regulations. The BCA is updated annually. Each time it is updated, the Department of Planning and Community Development will assess the amendments to determine the relevance to the construction of unregistrable movable dwellings. If sections of the BCA are seen as irrelevant to the construction of unregistrable movable dwellings, a regulatory amendment will add them to the list of specified exclusions in Schedule 2 of the Regulations. Because exempting unregistrable movable dwellings from additional requirements will not impose additional costs on the sector, it is not expected that a Regulatory Impact Statement will be required in these cases. It is impossible to estimate how many exclusions for unregistrable movable dwellings from future changes to the BCA will be made. However, it is known that two upcoming changes to the BCA — 6 star energy rating system and the visitable and adaptable features in housing — cannot be included at this stage.

As discussed in chapter 4, the BCA is a performance based document which contains technical provisions for the design and construction of buildings and other structures. Construction can comply with the BCA through the deemed-to-satisfy provisions or an alternative approach which meets the performance standard, or a mixture of both.

This option would address the issues of bushfire safety and energy efficiency as the BCA contains requirements to address these.

## Option 4: Use the building regulatory framework

This option could be realised by amending the Residential Tenancies Act to remove section 517 which exempts movable dwellings in a caravan park from the provisions of the Building Act. This approach requires a legislative change. By removing the exemption from the Residential Tenancies Act all unregistrable movable dwellings, rigid annexes and prefabricated holiday units would be under the regulatory framework for general construction. This would require owners of these dwellings to obtain a building permit and

for all dwelling construction to comply with the rules in the BCA. The Residential Tenancies Act is currently under review, but the review is limited to Part 4 which covers tenancy arrangements for long term residents in caravan parks. It does not cover Part 14 which regulated caravan parks and movable dwellings; therefore this option is considered outside the scope of this RIS.

Alternatively, the Regulations could require that unregistrable movable dwellings and rigid annexes be constructed in accordance with the requirements of the BCA. Specifically, the Regulations would refer to Part 3 of the *Building Regulations 2006*, which would require unregistrable movable dwellings and rigid annexes be constructed to comply with the technical standards for class 1A buildings. Part 3 also requires that owners obtain a building permit, which requires that a municipal building surveyor or private building surveyor inspect the structure to ensure compliance with the BCA.

This option requires that unregistrable movable dwellings and rigid annexes comply with all aspects of the BCA that apply to residential construction, including requirements for footings, termite management, 5 star energy rating, and construction materials for residential dwellings in bushfire prone areas. It also addresses the problems stakeholders identified with the current notification process because anyone installing an unregistrable movable dwelling or rigid annexe in a caravan park would be required to obtain a building permit prior to installation.

### 7.1.2 Prefabricated holiday units

Prefabricated holiday units are erected on site from pre-constructed components. They differ from unregistrable movable dwellings because they can have flexible sides similar to a tent but must have a solid roof. Stakeholder feedback has suggested that prefabricated holiday units are not a substitute for unregistrable movable dwellings because they are not suitable during winter.

As noted in chapter 3, caravans are still the main form of accommodation in caravan parks despite the move towards unregistrable movable dwellings over the last 10 years. Caravan park operators require accommodation that can be used all year round and prefabricated units do not fulfil this requirement.

#### Base case

Industry feedback has suggested that the number of prefabricated holiday units manufactured has fallen dramatically in recent years due to their short term nature and the popularity of other longer term accommodation such as unregistrable movable dwellings and rigid annexes.

In the absence of the Regulations, the construction and installation of prefabricated holiday units will be unregulated. This will mean that there will be no obligation to ensure the structural performance and the amenity services of all prefabricated holiday units are built in accordance with Australian Standards. This includes all Australian Standards prescribed in Schedule 4 of the Regulations such as, electrical installations, plumbing and sanity facilities and the glazing of walls. This could mean that over time the quality of the design and construction of prefabricated holiday units may decrease incrementally over time. This may decrease the cost of prefabricated holiday units; however it may increase the risk to user safety if the units are designed and constructed below Australian Standards.

It is not possible to know when this incremental change will happen or its extent. Industry suggests that this potential change will not occur or if it does occur, it will be immaterial over time. Therefore for the purpose of this analysis, the base case is the same as the



situation under the current Regulations. It is assumed that manufacturers of prefabricated holiday units will continue to comply with the Australian Standards contained in the current Regulations.

Ideally it would be useful to provide an estimate of the possible range of impact that any decline of standards over time would involve, if it were to occur. Unfortunately data does not exist on the number of prefabricated holiday units and the cost of construction and there are no suppliers or manufacturers to draw feedback from. Moreover, given the differing nature of materials for prefabricated holiday units (canvas through to timber) it would be difficult to estimate this cost. What can be said however, is that these are a low cost structure and changes in production processes would not dramatically increase, or in this case, decrease the total cost.

### Retain the current requirements

Under this option, constructors and installers would continue to comply with the Australian Standards contained in the current Regulations. This would be included in option 1.

### Remove the current requirements

As noted in chapter 4, all stakeholders suggested removing the construction and installation standards for prefabricated holiday units because these structures are no longer used in caravan parks. The potential for operators to revert back to prefabricated holiday units is low, because they are not a long term accommodation solution. This would be included in options 2, 3 and 4.

#### *7.1.3 Termite protection*

The options for termite protection include:

- retain the Australian Standard referenced in the current Regulations which only requires termite protection for rigid annexes (included under option 1)
- update the requirements to ensure owners of unregistrable movable dwellings and rigid annexes are notified when the caravan park is sited in a termite prone area (included under options 2 and 3)
- adopt the BCA for all structures in caravan parks (included under option 4).

## 7.2 Caravan park management

There are a number of options for addressing the concerns with fire safety and emergency management plans discussed in chapter 5. These are discussed below.

#### *7.2.1 Fire safety — fire fighting facilities and access*

There are four options for addressing the problems stakeholders identified with the current requirements for fire fighting facilities and access in caravan parks which will be compared to the base case.

## Base case

Currently, fire safety in caravan parks must be to the satisfaction of the relevant municipal council, which is required to consult with the relevant fire authority (usually the Country Fire Authority). In the absence of these Regulations, there will be no requirements regarding the fire safety of caravan parks. Over time, this may result in park operators not complying with all of the Country Fire Authority's standards.

However, it is likely that caravan park operators will continue to provide fire safety measures to comply with common law obligations to provide facilities that are fit for purpose. Further, operators have a commercial incentive to protect the park (and the assets within it) from fire danger by providing adequate fire fighting facilities and allowing for adequate fire access to and within the park.

It is not possible to know when this incremental change will happen or its extent. Industry suggests that in the absence of the Regulations, the behaviour of park operators will not change or if it does, it will be immaterial due to commercial incentives and common law obligations. In light of this, for the purpose of this analysis, the base case is the same as the situation under the current Regulations. It is assumed that caravan park operators will continue to provide fire fighting facilities and would continue to consult with the relevant fire authority to ensure the safety of their caravan park.

## Option 1: Retain the current requirements

This option involves retaining the current requirements:

- caravan park operators must provide fire fighting facilities and allow for adequate space around dwellings for access for fire fighters, to the satisfaction of the council
- council must consult with the relevant fire authority before determining if caravan park operators comply with requirements.

## Option 2: Replicate the BCA for fire separation and the CFA Caravan Park Fire Safety Guideline for fire equipment and maintenance in the Regulations

Under this option, the relevant fire separation sections of the BCA are replicated and the relevant fire equipment and maintenance sections of the Country Fire Authority (CFA) Caravan Park Fire Safety Guideline are replicated in the Regulations.

The fire separation distance specified in the BCA is 1800mm. That is the distance between dwellings (including adjacent structures such as carports, garages, pergolas, verandas and separating walls between movable dwellings). For the installation of unregistrable movable dwellings this is preferred to the 2000mm specified in the Country Fire Authority Guideline as it will allow for higher park capacity and therefore keep costs lower for consumers, while maintaining safety through fire separation distances which are standard in the building and construction industry.

The requirements in the CFA Caravan Park Fire Safety Guideline, developed by the Country Fire Authority in 2006 specify requirements for fire fighting equipment and maintenance (for example, hoses, hydrants and extinguishers). It combines prescriptive requirements (that can be applied to new parks) and performance measures (which allow for circumstances in existing parks).

### Option 3: Reference the BCA for fire separation and the CFA Caravan Park Fire Safety Guideline for fire equipment and maintenance in the Regulations

Under this option, the relevant fire separation sections of the BCA are referenced and the relevant fire equipment and maintenance sections of the CFA Caravan Park Fire Safety Guideline are referenced in the Regulations.

The fire separation distance specified in the BCA is 1800mm. That is the distance between dwellings (including adjacent structures such as carports, garages, pergolas, verandas and separating walls between movable dwellings). For the installation of unregistrable movable dwellings this is preferred to the 2000mm specified in the CFA Guideline as it will allow for higher park capacity and therefore keep costs lower for consumers, while maintaining safety through fire separation distances which are standard in the building and construction industry.

The requirements in the CFA Caravan Park Fire Safety Guideline, developed by the Country Fire Authority in 2006 specify requirements for fire fighting equipment and maintenance (for example, hoses, hydrants and extinguishers). It combines prescriptive requirements (that can be applied to new parks) and performance measures (which allow for circumstances in existing parks).

### Option 4: Adopt the BCA

Under this option, minimum distances between dwellings and other structures (such as carports, garages, etc), use of fire rated walls between adjacent structures and setbacks from the road would be those specified by the BCA. However, the BCA does not cover matters such as the provision and maintenance of fire fighting equipment, so these requirements would need to be specified separately in the Regulations.

## 7.2.2 Preparation of Emergency Management Plans

The current Regulations require all caravan park operators to prepare an emergency management plan for their caravan park to the satisfaction of the relevant municipal council. There are three options for addressing stakeholders' concerns with the current emergency management plan requirements.

### Base case

In the absence of these Regulations, caravan park operators are not required to prepare an emergency management plan. Victorian occupational health and safety laws require employers to provide and maintain a safe workplace. This obligation extends to all people at the workplace, whether or not they are employees. WorkSafe Victoria advises that all organisations should have an emergency management plan, but it is not compulsory for most workplaces.

In the absence of the Regulations park operators would still have a commercial incentive to prepare an emergency management plan to protect the park and its users. The extent to which plans would be prepared is not known. The quality and accuracy of the emergency management plans would also be unclear because the plans would not be independently assessed — as they are currently by local government.

Option 1: Retain the current requirements

Currently, caravan park operators must prepare, to the satisfaction of the council, an emergency management plan and notify residents and occupiers. Council must consult with the relevant fire authority to determine if park operators comply with requirements.

### Option 2: Replicate the Emergency Management Plan Manual in Regulations

The Country Fire Authority has published the Emergency Management Plan Manual to assist property owners and business proprietors to develop comprehensive emergency management plans. It is based on two Australian Standards:

- AS3745—2002, Emergency Control Organisations and Procedures for Buildings
- AS4083—1997, Planning for Emergencies — Healthcare Facilities.

This option proposes mandating this Manual by replicating it in the Regulations. It would require all caravan park operators to prepare an emergency management plan in accordance to the Manual. It outlines the features that an emergency management plan should contain and a process for developing the plan.

It does not affect the responsibilities of councils or the relevant fire authority (usually the Country Fire Authority), compared with the current Regulations. That is, the council retains the responsibility for approving plans, but clarifying the requirements makes it easier for council officers to assess the adequacy of plans. Any concerns that they have may still be referred to the relevant fire authority for clarification. Currently, the costs of these activities are covered by registration fees.

### Option 3: Reference the Emergency Management Plan Manual in Regulations

Another option is referencing the Country Fire Authority Manual in the Regulations. As above, this clarifies the requirements for caravan park operators and improves the ability of council officers to assess the adequacy of plans. Further, this option will ensure that any changes made to the Manual in the future are reflected in the Regulations.

## 7.2.3 *Provision of communal sanitary facilities*

Currently, the Regulations state the number of communal sanitary facilities that must be provided by a caravan park.

### Base case

Removing the Regulations will have no practical effect on the number of sanitary facilities in the short term. Over time however, it is possible that caravan park operators will limit the number of sanitary facilities provided to reduce capital costs when new parks are constructed or existing parks upgrade their facilities. This could adversely affect the health and safety of caravan park occupiers and residents.

### Option 1: Retain the current requirements

Currently, the Regulations state that each park must provide sanitary facilities in accordance with Table F2.1 of the BCA for a Class 3 building on the basis of one resident per long term site, which states that operators are required to provide one sanitary facility for every 10 residents.

## Option 2: Reduce the current requirement

As noted in chapter 5, the rising proportion of unregistrable movable dwellings in caravan parks (including parks comprised entirely of accommodation for long term residents) reduces the need for communal sanitary facilities in caravan parks. The number of sanitary facilities that must be provided by a caravan park operator may be reduced to reflect the lower demand for these facilities. Specifically, the Regulations could require that park operators provide sanitary facilities on the basis of one resident per long term site for every site that does not have private sanitary facilities in a movable dwelling. This option would especially benefit caravan parks comprised entirely of long term residents.

### 7.2.4 Provision of other health and safety services

#### Base case

If these Regulations sunset, there will be no legislative requirement for caravan park operators to provide these services. By contrast, the Health (Prescribed Accommodation) Regulations 2001 require their provision for all other accommodation services. This option would also remove the obligations for the preparation of emergency management plans and fire safety.

Removing these Regulations will have no practical effect on the provision of health and safety services in the short term. Over time however, it is possible that caravan park operators will incrementally decrease the level of maintenance undertaken on these facilities. This could adversely affect the health and safety of caravan park occupiers and residents.

#### Option 1: Remake current Regulations

This option involves retaining the current requirements and remaking the Regulations.

#### Option 2: Rely on other legislative or regulatory instruments

This option involves relying on existing legislative or regulatory instruments, specifically the Health (Prescribed Accommodation) Regulations 2001.

It was difficult to estimate the costs of providing these services because the caravan park industry is declining and few new parks are opening. Therefore, analysis of these options is limited to the multi-criteria analysis presented in chapter 9.

## 7.3 Ensuring compliance

### 7.3.1 Registration

#### Base case

In the absence of these Regulations, caravan parks would not be registered with local government.

This option would remove the administrative and compliance burden of the registration process currently imposed on caravan park operators and councils, including the fees levied by councils.

It would mean that councils would not automatically be aware of caravan parks operating in their jurisdiction. It may also reduce the incentive for councils to oversight the safety and amenity of users of caravan parks by making it more onerous to obtain information about a park. This may present difficulties for councils if they are still required to inspect parks to monitor and enforce part operators' compliance with safety and amenity requirements. That is, caravan park operators will be unregulated, compared with providers of other comparable accommodation that are regulated under the Health (Prescribed Accommodation) Regulations and registered with council. Under the Health (Prescribed Accommodation) Regulations, all similar short term and tourist accommodation must be registered with local government, including hotels, motels, rooming houses and student dormitories.

### Option 1: Retain the current registration requirements

This option would retain the current requirements regarding registration of all caravan parks in Victoria. Registration is administered through local government with renewal on an annual basis.

### Option 2: Extend the registration renewal period

The options for extending the registration renewal period include three years, five years and in perpetuity — that is, for the life of the regulations or 10 years.

## 7.3.2 Fees

If registration is maintained, a secondary issue is the fees levied by councils. The Regulations must prescribe at least a framework for fee setting and may prescribe specific fees, and maximum and/or minimum fees. Currently fees are levied on a per site basis to recover costs associated with the following activities:

- inspecting parks to satisfy council that they are able to comply with the Regulations
- preparing and dispatching registration renewal forms
- seeking advice from the Country Fire Authority or Council Building Department following an inspection.

### Base case

In the absence of the Regulations, there would be no requirement to register a caravan park with the relevant municipal council.

Without registration, no fees would be levied by municipal councils for monitoring and enforcing the general conduct of caravan parks. This would remove the ability to enforce standards in caravan parks effectively leaving them unregulated unlike other forms of accommodation which are registered under the Health (Prescribed Accommodation) Regulations.

### Option 1: Retain the current fees

This option would retain the current fee level of \$2.50 per long term or short term site.

### Option 2: Indexation of fees to account for inflation and converted to fee units

The current fee level of \$2.50 was set in 1988. This option involves indexing the current fee to account for inflation since 1988. This fee level is then converted to fee units to ensure the future indexation of the fee level.

### Option 3: Levy a flat fee for each caravan park

This option involves levying a flat fee for each caravan park instead of charging fees on a per site basis.

### Option 4: Fee level determined by council up to a prescribed maximum

This option will give councils the discretion to set their own fee levels in accordance with cost recovery principles within an upper limit based on park size.

## 8 Discussion of quantifiable impacts

This section compares the quantifiable economic and social costs and benefits of each option identified in chapter 7. The impacts are considered relative to the base case where there is no government intervention (that is, the base case of allowing the current Regulations to sunset in June 2010) thus assisting with an assessment of whether each option delivers a net benefit to society. In most instances the base case considered was 'business as usual' because removing the Regulations would not affect behaviour of constructors and caravan park operators, at least in the short term. This appraisal is consistent with the *Victorian Guide to Regulation*.<sup>32</sup>

Where possible, this cost–benefit analysis uses the net present value economic measure of performance which is the difference between the present value of total incremental costs and the present value of total incremental benefits. The *Victorian Guide to Regulation* suggests that benefits and costs are discounted to present value terms using a discount rate of 3.5 per cent. By using the net present value, the costs over the life of the Regulations (10 years) can be calculated.<sup>33</sup> The net present value has a starting year of 2010. The cost–benefit analysis assumes 100 per cent compliance with all requirements. To the extent that this is does not actually occur then the costs will be over-stated and the benefits lower than what would be desirable.

### 8.1 Standards for construction and installation

#### 8.1.1 Base case

Data on the construction costs of unregistrable movable dwellings comes from the Victorian Caravan Parks Association. According to the Victorian Caravan Parks Association, the average construction and installation costs per unregistrable movable dwelling are:

- \$50,000 for a small (single wide) dwelling with an average size of 40 square metres
- \$90,000 for a large (double wide) dwelling with an average size of 80 square metres.

These cost estimates are limited to the constructor's costs and do not reflect the costs of fit out, which can include appliances, window furnishings and floor coverings.

The current number of unregistrable movable dwellings installed in Victoria each year is estimated to be 534.<sup>34</sup> The Victorian Caravan Parks Association estimates that 90 per cent of these dwelling are small and the other 10 per cent are large dwellings. Therefore the current cost of unregistrable movable dwellings constructed in Victoria each year is \$28.8 million which reflects the weighted average cost of small and large unregistrable movable dwellings.

The Victorian Caravan Parks Association advised that in the absence of the Regulations there would be no reduction in the standards of unregistrable movable dwellings. As

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<sup>32</sup> Department of Treasury and Finance, April 2007, *Victorian Guide to Regulation*.

<sup>33</sup> 
$$NPV = \sum_{t=1}^T \frac{C_t}{(1+r)^t}$$
, r = discount rate, T = 10 years, C = incremental cost or benefits each year.

<sup>34</sup> This estimate assumes 81 per cent of the 660 unregistrable movable dwellings constructed in Victoria each year, are sold and installed in Victoria.



such, the base case is the current situation and therefore it has been assumed that there would be no change in construction costs if the Regulations were to sunset in 2010.

This is because current manufacturing processes are based on the existing Regulations which in turn, reference national standards that are consistent across jurisdictions. This includes all requirements including the installation of compliance plates that would be expected by purchasers of unregistrable movable dwellings to verify their quality (particularly at resale).

It is also assumed that in the absence of the Regulations, owners of rigid annexes would continue to protect rigid annexes from termite damage. Stakeholder feedback suggests that rigid annexes are more prone to termite damage than unregistrable movable dwellings. Owners of rigid annexes have a commercial incentive to protect their asset from termite damage. The Victorian Competition and Efficiency Commission's inquiry into housing regulation determined the cost of termite protection to be \$1,200 for chemical termite barriers.<sup>35</sup> Further, manufacturers construct dwellings for other jurisdictions in Australia and therefore will need to meet the minimum requirements in these jurisdictions (Appendix A).

Therefore, we have employed a simplifying assumption that Victorian manufacturers will continue to adhere to national standards over the ten year life of the Regulations. We anticipate that manufacturers will have a commercial incentive to produce dwellings that are consistent with national standards and by implication, that costs will remain constant. Despite this simplifying assumption, the possibility of some changes to current practices to reduce costs cannot be completely discounted. It is possible there would be incremental reductions in the cost of producing unregistrable movable dwellings. While this will mean that costs would be lower over time than the business as usual case — and therefore costs associated with remaking the Regulations would be higher, it is difficult to estimate the level of decline and hence costs.

However, measures to reduce production costs may impact on the health and safety of users of unregistrable movable dwellings and remaking the current regulations provides a framework to ensure that this does not occur. Furthermore, industry advises that this is unlikely.

For the purpose of this analysis, taking industry advice, there is no basis to assume that industry would not incur the costs they have advised. In this light, it is assumed that the base case equals the current situation. This is consistent with the views expressed by the Victorian Caravan Parks Association.

The Department of Planning and Community Development seeks information on the likely costs of requiring unregistrable movable dwellings to comply with the technical standards in the proposed Regulations

- Is it feasible to assume that the absence of the Regulations, there would be no reduction in the technical standards of unregistrable movable dwellings?

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<sup>35</sup>VCEC (Victorian Competition and Efficiency Commission), 2005, *Housing regulation in Victoria: building better outcomes*, Final Report, October, p. 479. We assumed only the cheapest form of termite protection is likely to be used for rigid annexes.

### *8.1.2 Option 1 – Retain the current requirements*

As discussed above, this option would not necessarily impose any additional cost to society, industry or consumers over and above the base case. Industry suggested that the current practices will not decline in the absence of the Regulations. At the time that the current Regulations were drafted, industry was heavily consulted, minimising the level of unnecessary regulatory burden. However, this option would not address the issues raised in chapter 5. Over the life of the Regulations it is likely that community expectations will continue to evolve. This may result in the Regulations being further out of step with equivalent standards in the building industry.

### *8.1.3 Option 2 – Update the standards in the Regulations*

This option would specify standards in the Regulations and refer to the most up-to-date and currently relevant Australian Standards. It would also remove the technical requirements for prefabricated holiday units. According to technical consultants for the Department of Planning and Community Development, there are no further additional costs, over and above the base case associated with this option.

However, there would be effects if unregistrable movable dwellings and rigid annexes were required to comply with the 5 star energy efficiency rating system and bushfire protection. These costs are calculated separately below.

Because this option would specify standards within the Regulations, they could not be updated as community expectations evolve, except by reviewing the Regulations. Therefore over time the Regulations may fall out of step with equivalent standards in the building industry. It would also not allow for the additional flexibility of the performance based standards of the BCA.

### *8.1.4 Option 3 – Performance Based Standards (Adopt the BCA)*

This option would adopt the construction requirements in the BCA which are relevant to the construction of unregistrable movable dwellings and rigid annexes including the 5 star energy efficiency rating system, bushfire protection measures and specify further requirements as necessary. This option would provide an appropriate level of amenity without the full costs associated with requiring full compliance with the Building Regulatory Framework (such as obtaining a building permit).

The costs of this option would be the same as for option 2 above because the BCA and the Regulations reference the same Australian Standards. However, as the BCA is revised annually, the specifications may change over time. In the absence of any proposed changes to the BCA (that is, if the BCA remained constant over the life of the Regulations) it is likely that the options will have the same effect. This may not be the case but cannot be determined at this point in time.

As noted previously, the BCA is a performance based document, which gives the option of using prescriptive standards as deemed-to-satisfy measures or using alternative solutions which satisfy performance requirements. In contrast to the current Regulations, the BCA provides both certainty (in the form of prescriptive standards) and flexibility (in the form of alternative solutions). This flexibility could potentially reduce costs associated with construction of unregistrable movable dwellings. The Australian Building Code Board which is responsible for the BCA lists the advantages of this dual approach as being:

- permitting the use of alternative materials, forms of construction or designs to the prescriptive requirements

- the innovative use of materials, forms of construction or designs
- permitting designs to be tailored to a particular building
- giving clear information on what the BCA is trying to achieve
- allowing the designer flexibility in the use of materials, forms of construction or design provided that the intent of the BCA is met (in other words, allow for flexibility provided the performance required by the BCA is met); while still allowing acceptable existing building practices through the deemed-to-satisfy provisions.

### Compliance of all new unregistrable movable dwellings and rigid annexes with enhanced bushfire construction requirements (Options 2, 3 and 4)

It is difficult to estimate the cost of requiring all new unregistrable movable dwellings and rigid annexes to comply with bushfire construction standards specified in the BCA. It is difficult as there is no data on the current standard to which unregistrable movable dwellings and rigid annexes are constructed currently, nor is there data available on the impact of bushfire on dwellings in caravan parks. Also, there are currently significant changes being made to the building standards in respect of bushfire safety, further limiting the available data. Manufacturers were unable to provide any information on the extra costs involved in complying either with the current requirements of the BCA or the enhanced requirements that come into effect when the BCA is updated in May 2010.

The approach of the RIS has therefore been to present the most recent estimates relating to construction costs of bushfire safety measures for residential buildings together with qualitative analysis of its application to unregistrable movable dwellings in caravan parks.

Following the Victorian bushfires in February 2009, changes to the bushfire safety requirements specified in the BCA have been proposed. These are due to come into effect in May 2010. As this is prior to the commencement of these proposed regulations, it is this new, higher standard which has been considered here.

The proposed standard imposes construction requirements dependant on the determined Bushfire Attack Level (BAL) for the site. There are six bushfire attack level categories: BAL-LOW, BAL-12.5, BAL-19, BAL-29, BAL-40 and BAL-FZ. As detailed in AS 3959, the BAL for a particular site is determined, through assessment of fire risk factors including prevailing wind speed, slope of land, vegetation type, fuel load, and proximity to vegetation. The proposed standard imposes additional construction requirements where the bushfire attack level is assessed as being 12.5 or higher.

The best data available on the costs associated with bushfire safety requirements comes from the Regulatory Impact Statement prepared by the ABCB in relation to this proposed change. Advice from the Building Commission indicates that this data is the best currently available about the costs of meeting the proposed bushfire requirements. The ABCB RIS (2009) examined the cost of current bushfire construction requirements contained in the BCA and proposed enhanced measures designed to improve the survivability of general residential buildings during a bushfire.

Table 9 below presents the estimated the cost differences between meeting the current standards and the proposed higher standard for three assumed flame temperatures – 1000K, 910K and 1090K. This is based on broad order costs provided by a quantity surveyor for each house design.

**Table 9: Estimated percentage cost change of compliance with current and proposed standard<sup>36</sup>**

House Type / Site Assessment	Option 1 (1000K)	Option 2 (910K)	Option 3 (1090K)
<b>Expected Cost Increase</b>			
Base House	(\$3,409)	(\$4,191)	(\$2,506)
Large two storey	(\$6,910)	(\$8,580)	(\$5,654)
ELC House	\$1,129	(\$1,477)	\$7,337
<b>Percentage cost increase</b>			
Base House	-1.2%	-1.5%	-0.9%
Large two storey	-1.8%	-2.2%	-1.5%
ELC House	0.6%	-0.4%	2.2%

The cost estimates in relation to the construction of unregistrable movable dwellings in caravan parks, are based on the final cost analysis for the elevated lightweight construction (ELC) example house and an average BAL assuming a flame temperature of 1090K (which is the standard required in Victoria). This data suggests construction costs for unregistrable movable dwellings could increase by 2.2 per cent, which would equate to \$1,100 for a small dwelling and a \$1,980 cost for a large dwelling. Using this average cost, the additional cost of compliance with enhanced bushfire protection measures for unregistrable movable dwellings would be \$634,392 per annum, over and above the base case, with a net present value over the life of the Regulations of \$5.27 million.

It should be noted that this estimate has a number of limitations that affect the reliability of the estimates. On the one hand, the requirements for the ELC house are likely to be more costly than for unregistrable movable dwellings because an ELC is entirely constructed from timber and is elevated further from the ground than an unregistrable movable dwelling. Second, the BAL average is based on a house distribution with a significant majority of dwellings in BAL – Low in urban areas.

However, the above estimates are the percentage change from meeting the current requirements. The current Regulations do not contain equivalent bushfire safety requirements. However, the Department believes it is likely that unregistrable movable dwellings would meet at least in some areas, the existing low or medium standard. Feedback from stakeholders has indicated that some unregistrable movable dwellings are currently constructed to higher safety standards. Informal feedback from stakeholders has indicated that the 2.2 per cent cost increase is considered reasonable.

While constructors were approached in regard to this question, as noted above, no detailed information on the costs associated with meeting bushfire protection measures was available. One constructor indicated meeting the BCA added approximately \$5,000 to the costs of construction. It is reasonable to expect that a proportion of this would go towards meeting the existing bushfire requirements. However, no constructor was able to provide a breakdown which distinguished between components of the cost increase.

As new unregistrable movable dwellings are manufactured to order the relevant BAL would be known prior to the construction and installation of unregistrable movable dwellings. The BAL can be assessed by a caravan park owner using a guide produced by the Building Commission and it is reasonable to expect that BAL assessment would be undertaken as part of the emergency planning, planning application or notification processes already undertaken and therefore there would be no additional costs involved over and above those specified in the RIS.

<sup>36</sup> ABCB (Australian Building Codes Board), 2009, *Regulatory Impact Statement for the proposal to revise the Building Code of Australia requirements for construction in bushfire prone areas*, p. 104.

While possible that unregistrable movable dwelling sites in caravan parks would be assessed as a higher BAL level-(BAL-40 or BAL-FZ), it is unlikely for a number of reasons. Unregistrable movable dwelling sites are likely to be on relatively flat land, and as they are generally moved on a truck, are likely to have open space adjacent to them allowing for installation or removal. Also as parks are subject to the requirements of the Regulations regarding fire safety and emergency management planning it is unlikely that these fire risk factors will be high. However, as BAL assessments are site specific it is not possible to make definitive statements.

Meeting the construction requirements for higher BAL levels would most likely involve some modification at manufacture – for example more fire resistant window systems, and some modifications at installation such as fire resistant —sarking□ protecting the underfloor space. Therefore it is reasonable to expect that an unregistrable movable dwelling constructed to a lower BAL (12.5 or 19) could be modified to meet BAL 40 or even FZ.

It is likely that the costs for an unregistrable movable dwelling will be less than the example of an elevated lightweight construction used in the ABCB RIS (2009) as an elevated lightweight construction is entirely constructed from timber and is elevated further from the ground than an unregistrable movable dwelling.

In the absence of the Regulations, the extent to which caravan park operators comply with the existing fire safety measures may decrease. Caravan park operators may have an incentive to reduce the level of fire safety measures to reduce costs in the short term. Despite this cost minimisation incentive, caravan park operators have a commercial incentive to protect their assets from bushfire risk — including the caravan park and the dwellings within their park.

Additionally, the non-commercial benefits of increased bushfire protection measures have been explored in the ABCB RIS (2009). According to this document, improving the survivability of a dwelling in the event of a bushfire reduces the risk of danger to life. The document suggested that the proposed measures improve the survivability of dwellings during a bushfire, which in turn reduces the risk of danger to life and other damage costs (such as disruptions to business, clean up costs and disaster relief packages).<sup>37</sup>

Neither surveyed caravan park operators, the Country Fire Authority nor councils could provide data on deaths or injuries in caravan parks caused by bushfires. However, the 2009 Victorian Bushfires Royal Commission noted that the lack of historical evidence is not evidence that the risk has been avoided. According to the Office of Best Practice Regulation, the value of a statistical life is estimated at \$3.5 million.<sup>38</sup> It is not clear how many lives will be saved by these measures, but relative to the cost of increasing bushfire resistance of \$5.27 million (net present value over the life of the Regulations); only two lives need to be saved over the life of the Regulations to be worth its implementation. Given this relatively low threshold the Department of Planning and Community Development believe that the costs of the Regulations will be outweighed by the benefits over their 10-year life.

It should be noted that the new building regulations and the updated BCA requirements for bushfire resistant construction are intended as life saving measures to be used as options of last resort only. The policy of “leave early” together with the emergency management plans in place for caravan parks would mean that it is unlikely that unregistrable movable dwellings be considered as a first place of refuge. However, if a

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<sup>37</sup> ABCB (Australian Building Codes Board), 2009, *Regulatory Impact Statement for proposal to revise the Building Code of Australia requirements for construction in bushfire prone areas*, p. 62.

<sup>38</sup> OBPR (Office of Best Practice Regulation), 2008, *Guidance Note: value of statistical life*, Canberra.

resident is caught unaware or for some reason is unable to leave, providing an increased level of protection in unregistrable movable dwellings should mitigate the risk of loss of life in a catastrophic fire.

The Department of Planning and Community Development seeks information on the likely costs of requiring unregistrable movable dwellings to comply with bushfire protection construction measures. In particular:

- How accurate are the current estimates presented in the RIS?
- How applicable are the estimates for residential construction to unregistrable movable dwellings?
- What different features would be incorporated into the construction of unregistrable movable dwellings due to additional bushfire protection measures and what is their cost?

### Notification for all new unregistrable movable dwellings built within a termite prone area (Options 2 and 3)

The Victorian Caravan Parks Association estimated that 80 per cent of all caravan parks in Victoria are in a termite prone area. Currently, all new rigid annexes must be protected against termite infestation.

This option requires park operators to notify the owners of unregistrable movable dwellings and rigid annexes if the park they are in is in a termite prone area instead of enforcing termite protection measures for all new rigid annexes. Caravan park operators would be required to formally notify the owners of rigid annexes and unregistrable movable dwellings before the dwelling was installed in their caravan park. This requirement is unlikely to impose any significant costs on caravan park operators because the majority of structures in caravan parks (including unregistrable movable dwellings and rigid annexes) are owned by caravan park operators (see chapter 3). Therefore, we did not estimate the costs of this requirement.

While options 2 and 3 impose an obligation to notify if a dwelling is built in a termite prone area, the requirement in the current Regulations to protect rigid annexes from termite damage will be removed. Industry feedback and advice from the Department of Planning and Community Development, believe that the owner of a rigid annexe has an incentive to protect their own asset from termite damage. In light of this incentive, the extent of government action should be to ensure appropriate information is provided through notification.

### Compliance of all new unregistrable movable dwellings with the 5 star energy rating system (Options 2, 3 and 4)

It is difficult to estimate the effect compliance with the 5 star energy rating system will have on the costs of constructing unregistrable movable dwellings. For example, the Regulatory Impact Statement for the Building Regulations (Building Commission 2006) showed that the incremental cost to achieve 5 star energy standards for standard dwellings is within a range of 2 to 3 per cent of total construction costs.<sup>39</sup> This would increase the cost of a \$50,000 unregistrable movable dwelling by at least \$1,000. By

<sup>39</sup> Building Commission, 2006, *Regulatory Impact Statement for the Building Regulations*, p. 20.

contrast, one constructor estimated that complying with the BCA for unregistrable movable dwellings constructed for the South Australian market added around \$5,000 to the cost of dwellings. At least some of this will be from complying with the 5 star energy rating requirements, but it is not clear how much because the constructor was unable to itemise the additional requirements of complying with the BCA. Further, it is not clear whether this estimate is representative of costs across the industry.

The costs could also be estimated by using the absolute increase in costs associated with the 5 star energy rating system presented in the Regulatory Impact Statement prepared for the proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses. This work assessed the effects of the proposed energy efficiency measures on a sample of class 1 houses in eight climate zones as determined by the Australia Building Codes Board. Costs were estimated per square metre, which means that they are more readily applied to structures of different sizes, such as small and large unregistrable movable dwellings.

The ABCB RIS (2006) uses four representative building forms to illustrate the impact of complying with the 5 star energy efficiency measures<sup>40</sup>:

- a small single story brick veneer house
- a large double story brick veneer house with an attached garage
- a cross-ventilated weatherboard house with a metal roof
- a weatherboard passive solar design house with a metal roof.<sup>41</sup>

For the purpose of this analysis, costs estimates for the average residential house have been used. It is important to note that there are differences between this average and unregistrable movable dwellings that may affect the applicability of these results to unregistrable movable dwellings.

- Occupancy in unregistrable movable dwellings may be higher than a standard house because as holiday accommodation, unregistrable movable dwellings are occupied during the day. Additionally, feedback from one caravan park operator suggests that the majority of their unregistrable movable dwellings are occupied 365 days a year.
- However, other differences suggest that the potential costs savings are likely to be significantly overestimated:
  - Energy intensive appliances are less prevalent in unregistrable movable dwellings than is assumed in the ABCB RIS (2006). Therefore, appliance savings are likely to be overestimated for unregistrable movable dwellings. For example, the ABCB RIS (2006) assumed air-conditioning use in all dwellings but unregistrable movable dwellings are not sold with air-conditioning as standard.
  - Due to the smaller size of unregistrable movable dwellings, cooling and heating the dwellings will be easier and quicker than a larger conventional house.
  - Stakeholder feedback suggests that the lifespan of unregistrable movable dwellings is 10 to 15 years. Cost estimates presented in the ABCB RIS (2006) assume a 40-year dwelling lifespan.

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<sup>40</sup> All four representative house types are on concrete slab on ground and have a suspended timber floor.

<sup>41</sup> ABCB (Australian Building Codes Board), 2006, *Regulatory Impact Statement for proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses*, p. 81.

Despite these limitations, the data represented in the ABCB RIS is the best available information on the cost estimates of upgrading unregistrable movable dwellings to comply with 5 star energy efficiency measures. For the purpose of this analysis therefore the ACBC RIS (2006) estimates are used in this RIS to provide context to the likely impact associated with the proposed change.

The climate impact was estimated by identifying and costing the measures that would be taken to upgrade each dwelling from compliance with the existing measures to compliance with the proposed deemed-to-satisfy provisions, which include:

- increasing insulation requirements for roofs, external walls and floors
- more stringent limits on the conductance and solar heat gain properties of glazing
- allowing builders to explore various trade-offs in their efforts to reduce the cost of the measures and/or to preserve certain features for aesthetic or design reasons — for example:
  - trade-off between higher performance glazing and more shading to keep the sun off the glass
  - trade-off between requirements for wall insulation and glazing.<sup>42</sup>

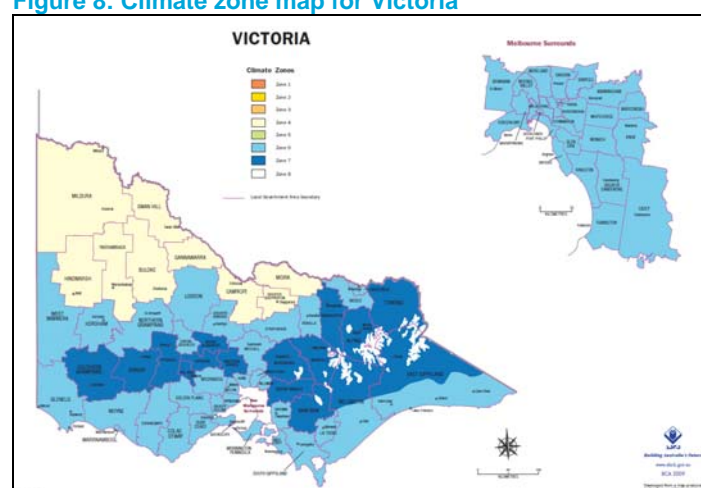
The energy efficiency measures differ significantly by climate zone, being more demanding where the climate creates a greater need for artificial heating and cooling. Hence, the costs of complying with the 5 star energy rating system vary between zones.

Victoria comprises three zones:

- Zone 4 — a hot dry summer and a cool winter, creating not only a significant cooling load but also a moderate heating load.
- Zone 6 — a mild ‘temperate’ climate and virtually all houses require some form of heating.
- Zone 7 — a cold ‘temperate’ climate and most houses require a significant heating load (Figure 8).

Caravan parks are distributed evenly throughout these zones as suggested by Figure 8.

**Figure 8: Climate zone map for Victoria**



Source: [www.abcb.gov.au](http://www.abcb.gov.au) — [Accessed: July 2009].

<sup>42</sup> ABCB (Australian Building Codes Board), 2006, *Regulatory Impact Statement for proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses*, p. 9.



Estimates of the additional construction costs and energy savings for each zone presented in the Regulatory Impact Statement were obtained from AccuRate — a building energy rating package developed with funding from the Auditor-General’s Office (Table 10).<sup>43</sup>

**Table 10: Impact Analysis for zone 4, 6 and 7 for a representative dwelling with average occupancy**

	Zone 4	Zone 6	Zone 7
Additional construction cost (dollars per m <sup>2</sup> )	3.91	2.11	2.7
Lifetime cost of energy (dollars per m <sup>2</sup> )	-5.76	-3.12	-4.46
Appliance costs (dollars per m <sup>2</sup> )	-2.29	-2.14	-1.24
Total lifetime costs (dollars per m <sup>2</sup> )	-4.14	-3.16	-2.99

Source: ABCB (Australian Building Codes Board), 2006, *Regulatory Impact Statement for the proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses*.

Depending on the zone in which they are located unregistrable movable dwellings would have to comply with different standards to achieve a 5 star energy efficiency rating. This however would not have any practical implications for manufacturers as advice from stakeholders suggests that all unregistrable movable dwellings are made to order — with the destination of the unregistrable movable dwelling typically being known before its construction.

Following on from this, the cost estimates presented below are based on a number of assumptions:

- The average size of a small (single wide) dwelling is 40 square metres and the average size of a large (double wide) dwelling is 80 square metres.
- 90 per cent of unregistrable movable dwellings constructed each year are small and 10 per cent are large.
- The number of unregistrable movable dwellings constructed each year is distributed evenly between zones 4, 6 and 7. Unregistrable movable dwellings are built to order and so the energy efficiency requirements will vary according to the zone in which it will be located.

Compared with the base case, a small unregistrable movable dwelling’s construction costs would increase by \$115.10 (or 0.2 per cent) and a large unregistrable movable dwelling’s construction costs would increase by \$230.21 (or 0.3 per cent) (Table 11). The total construction cost of unregistrable movable dwellings complying with the 5 star energy rating system, compared with the base case, is \$67,564 per annum with a net present value over the life of the Regulations of \$561,903.

These energy efficiency costs above are relatively low because the requirements for unregistrable movable dwellings are confined to the deemed-to-satisfy provisions for improving the thermal rating of the construction materials. The Victorian Caravan Parks Association suggested that currently unregistrable movable dwellings are constructed to a 3.5 star rating standard. Therefore, accomplishing a 5 star energy rating for these dwellings would be achievable at a fairly low cost. Under options 2 and 3, the Victorian water saving measures (water tanks) and solar hot water would not be required.

<sup>43</sup> ABCB (Australian Building Codes Board), 2006, *Regulatory Impact Statement for proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses*, p. 16.

**Table 11: Impact Analysis for unregistrable movable dwellings installed in Victoria**

Zone 4, 6 and 7	Small dwelling		Large dwelling	
	Cost per dwelling (\$)	Proportion of construction cost (%)	Cost per dwelling (\$)	Proportion of construction cost (%)
Additional construction cost	115.10	0.2	230.21	0.3
Lifetime cost of energy	(176.09)	(0.4)	(352.18)	(0.4)
Appliance costs	(74.84)	(0.1)	(149.69)	(0.2)
Total lifetime costs	(135.83)	(0.3)	(271.66)	(0.3)

Source: ABCB (Australian Building Codes Board), 2006, *Regulatory Impact Statement for the proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses*.

Data prepared for the Regulatory Impact Statement prepared for the proposal to amend the Building Code of Australia to increase the energy efficiency requirements for houses demonstrated that the 5 star energy rating system also generated benefits for dwelling owners. The lifetime cost of energy savings (per dwelling) and the appliance cost savings (per dwelling) were calculated (Table 11).

The annual savings associated with new unregistrable movable dwellings installed in Victoria complying with the 5 star energy rating system include a lifetime cost of energy savings of \$103,364 per annum and an appliance cost savings of \$43,911 per annum. The net present value of these savings is \$1.22 million.

It is possible that these calculated energy savings are out of date because energy prices have changed since the Regulatory Impact Statement was prepared in 2006. However, this is still the most accurate estimate of the savings of unregistrable movable dwellings complying with the 5 star energy rating system.

While the BCA currently requires dwellings to meet the 5 star standard, the BCA is currently being revised at the National level and a higher, six star standard is proposed. It is not the intention of these Regulations to require unregistrable movable dwellings at this stage to meet this higher standard. When the standard is introduced, the Regulations will exempt unregistrable movable dwellings from the 6 star requirements. Introducing 6 star requirements would be considered only following assessment of the impact of the 5 star requirement proposed by the Regulations.

The Department of Planning and Community Development is seeking information on the likely costs of requiring unregistrable movable dwellings to comply with energy efficiency measures. In particular:

- How accurate are the current estimates?
- How applicable are the estimates for residential construction to unregistrable movable dwellings?
- What features of unregistrable movable dwellings would be different to incorporate the additional energy efficiency measures, and what is their cost?

### Technical standards for prefabricated holiday units (Options 2, 3 and 4)

As discussed in chapter 5, consultation with industry has indicated that it no longer constructs prefabricated holiday units. Therefore updating the standards will have no

effect. The Department of Planning and Community Development noted that industry does not find these structures practical or fit for purpose. Based on this advice, the requirements in schedule 4 are obsolete and could be removed. Compared to the base case, there would be no material cost of removing the requirements for prefabricated holiday units.

It is possible that prefabricated holiday units may become more appealing in the future, especially if increased regulation in other dwelling types in caravan parks changes the relative attractiveness of dwellings that are subject to less stringent regulatory requirements. However, their limited usefulness in winter moderates their appropriateness as a substitute for unregistrable movable dwellings.

### Other relevant building regulations (Options 3 and 4)

Other relevant building regulations that would be applied to unregistrable movable dwellings are requirements regarding overshadowing of existing dwellings on an adjoining allotment. Presently, two-storey unregistrable movable dwellings are not common, however it is feasible that in the future they may become more widely used. It is therefore felt that the relevant building regulations which provide protection of the privacy and amenity of neighbouring properties through overshadowing should apply to unregistrable movable dwellings which are more than single storey.

This requirement requires a two-storey unregistrable movable dwelling to consider the requirements in Section 418 of the Building Regulations 2006. Under this requirement buildings must not reduce the sunlight of a recreational private open space of an existing dwelling on an adjoining allotment to a specified extent. This may mean that the siting of a two-storey unregistrable movable dwelling may need to be adjusted. Therefore this requirement has no costs over and above the base case as it may only affect the siting of two-storey unregistrable movable dwellings and has no practical implications at manufacture.

#### *8.1.5 Option 4 — Use the building regulatory framework*

This option would bring the construction of unregistrable movable dwellings under the Building Act 1993, meaning the Building Regulations 1996 and the BCA would apply as for other dwellings in Victoria. This option would have the same costs as the options of updating the technical standards or referring to the BCA. However, it would also impose two other costs: the cost of the building permit process and the cost of termite protection for all new unregistrable movable dwellings and rigid annexes. Under this option, all unregistrable movable dwellings and rigid annexes would require a building permit. This option would require a legislative change to amend s.517 of the Residential Tenancies Act 1997.

### Termite protection for all new unregistrable movable dwellings and rigid annexes in termite prone areas

There is no information on what percentage of unregistrable movable dwellings and rigid annexes would actually need termite protection. The BCA requires all structures in termite prone areas to consider termite protection. This would impose termite protection measures on approximately 427 unregistrable movable dwellings each year.

The Victorian Competition and Efficiency Commission's inquiry into housing regulation estimated that physical termite barriers cost \$4,000 for and chemical termite barriers cost

\$1,200.<sup>44</sup> Based on Victorian Caravan Parks Association guidance, we applied weights of 50 per cent to both methods of termite protection, giving a weighted average cost of \$2,600. Therefore, the annual cost of termite protection for all new unregistrable movable dwellings installed in termite prone areas is \$1.11 million with a net present value over the life of the Regulations of \$9.23 million.

The Victorian Competition and Efficiency Commission's inquiry into housing regulation explains that investing in termite protection may provide a benefit to neighbours and others if it discourages the spread of termites in an area.<sup>45</sup> Ensuring that all dwellings in a termite prone area are protected solves the market failure of negative spillover effects to third parties (see chapter 4).

A benefit of termite protection is the avoided termite damage to dwellings. According to Jeary (2003), the average cost of a termite attack is over \$2,300 with an attack rate on timber framed housing approximately once every 130 years of exposure.<sup>46</sup>

PricewaterhouseCoopers received no evidence from stakeholders that termites pose a problem for unregistrable movable dwellings. Stakeholder feedback has suggested that in the absence of the Regulations, owners of rigid annexes would continue to protect them from termite damage .

### Cost of obtaining building permit

Advice from the VCPA and the Building Commission suggested that the cost of obtaining a building permit for unregistrable movable dwellings is \$1,360 including warranty insurance and statutory charges. Unlike standard dwellings that require four inspections by a building surveyor, it is likely that an unregistrable movable dwelling would require fewer inspections because they are constructed off-site.<sup>47</sup> Therefore, the annual cost to the industry of obtaining a building permit for every new unregistrable movable dwelling would be \$726,240 with a net present value over the life of the Regulations of \$6 million.

## 8.2 Maintenance of facilities and services

It is assumed that the base case for the management of caravan parks is the same as the current requirements in the Regulations. Without the Regulations, market forces would serve as an incentive for park operators to maintain a general level of maintenance. An information deficiency would arise because prospective users are unable to assess the quality of accommodation until they arrive at the premises. A market solution to this problem is AAA Tourism who rate caravan parks against a wide set of standards which covers the facilities and services available, the cleanliness of the accommodation and the quality and condition of the premises. Both tourists and prospective long term residents could rely on this market tool (Figure 9).

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<sup>44</sup> VCEC (Victorian Competition and Efficiency Commission), 2005, *Housing regulation in Victoria: building better outcomes*, Final Report, October, p. 479.

<sup>45</sup> VCEC (Victorian Competition and Efficiency Commission), 2005, *Housing regulation in Victoria: building better outcomes*, Final Report, October.

<sup>46</sup> Jeary, A. P., 2003, *Study of the attack rates by termites and costs of associated damage on domestic housing in New South Wales*.

<sup>47</sup> One inspection of the footings and a final inspection.

Figure 9: AAA Tourism



AAA Tourism provides ratings of around 11,000 tourist accommodation premises, spread across 10 categories, including hotels, motels, caravan parks, B&Bs and houseboats. Facilities are given star ratings, from 1 to 5. The rating process involves physical visits to premises, generally every 12 to 18 months. Points are awarded based on over 500 criteria. The criteria are published and thus known to accommodation providers, who can actively seek a higher rating by incorporating specified items from the checklist.

In relation to caravan parks, a series of specific questions are asked in relation to features of the accommodation, general facilities, cleanliness and appearance. The scoring system is known and published. Points totalling between 310 and 1,000 are awarded.

Source: [www.aaatourism.com.au](http://www.aaatourism.com.au)

As mentioned in chapter 5, feedback from stakeholders suggested two areas of the current regulatory requirements that required attention. Fire safety in caravan parks and the preparation of emergency management plans are discussed separately below. These are not areas easily or currently assessed as part of the AAA Tourism rating system.

### 8.2.1 Fire safety in caravan parks

The recent bushfires in Victoria highlighted the importance of fire safety. The 2009 Victorian Bushfires Royal Commission was established on 16 February to investigate the causes and responses to the bushfires which swept through parts of Victoria in late January and February 2009.<sup>48</sup> As noted above, we were not provided any data on the number of deaths in caravan parks caused by fire. Although it is not clear how many lives will be saved by requiring caravan park operators to implement fire safety measures, only two lives need to be saved over the life of the Regulations to be worth its implementation (based on the statistical value of a life of \$3.5 million).

#### The base case

The base case for caravan park operators is the current requirements for fire safety because industry would still provide an appropriate minimum level of fire safety. Each caravan park operator has a common law obligation to provide fit for purpose facilities. Adding to this obligation is a commercial incentive for park operators to protect the park (and the assets within the park) from fire damage by providing appropriate fire fighting facilities and allowing for adequate fire access into the park.

In theory, AAA Tourism could incorporate fire safety as a criterion in their star rating system for caravan parks to inform consumers of the potential fire risk in caravan parks. AAA Tourism however, might not have the expertise, knowledge and time to assess the fire safety measures in caravan parks.

#### Option 1: Retain current requirements

Currently, the Regulations do not specify the requirements that must be met by a caravan park; rather it is left to the 'satisfaction of the council'. The council must consult with the relevant fire authority (the Country Fire Authority or the Metropolitan Fire and Emergency Services Board) in determining any issue under this current regulation.

It is difficult to estimate the true cost to councils of monitoring and enforcing compliance with fire safety standards. Data obtained by PricewaterhouseCoopers from a limited survey of councils suggested that it takes 1.5 hours to carry out a fire safety inspection of a caravan park, but it is unclear how representative this is across Victoria. Information provided by the Department of Planning and Community Development suggested that the maximum time required to inspect an average sized park was 2.75 hours. We used both these estimates to present a range of costs that may be incurred by councils.

The annual cost of inspecting all caravan parks in Victoria is \$79,929 for inspections that take 1.5 hours.<sup>49</sup> By contrast, the annual cost of inspections that take 2.75 hours is \$146,537 (Table 12). It is likely that both figures overestimate the current burden of this requirement because stakeholders advised that not all parks are inspected annually.

The cost of this measure over the life of the Regulations depends on the registration period. We have assumed that inspections will coincide with registration. The options for registration (discussed later in this chapter) are annual, three yearly, five yearly and perpetual registration. The net present value of inspecting caravan parks are presented in Table 12. This represents the maximum administrative burden of an average park, based on advice from Victorian Municipal Building Surveyors Group and Building Commission.

<sup>48</sup> [www.royalcommission.vic.gov.au](http://www.royalcommission.vic.gov.au) — [Accessed August 2009].

<sup>49</sup> This estimate is based on an average hourly rate of \$74.84, which reflects the average hourly rate of a building surveyor or fire protection officer that was adjusted to include on-costs and overheads.

**Table 12: Administrative costs to councils of fire safety inspections**

	Cost per annum (\$)	NPV (1 year) (\$)	NPV (3 years) (\$)	NPV (5 years) (\$)	NPV (10 years) (\$)
1.5 hour inspections	79,929	664,739	266,367	142,249	77,226
2.75 hour inspections	146,537	1,218,668	488,339	260,789	141,581

Local councils are not required to enforce the fire authorities' recommendations. There is no suggestion that local government do not enforce the recommendations, but the potential risk for this is present. Not following the fire authorities' advice may result in loss of life, injury and property loss.

### Option 2: Replicate the BCA for fire separation and the CFA Caravan Park Fire Safety Guideline for fire equipment and maintenance in the Regulations

Under this option the requirements set out in the BCA for fire separation (1800mm) and the CFA Caravan Park Fire Safety Guideline for equipment and maintenance and other provisions would be replicated in the Regulations. While it would not alter the standards or requirements, it would clarify the appropriate standards for all parties thereby reducing compliance costs. Both documents must be replicated because BCA specifies fire separation distances, but does not include any requirements for the provision and maintenance of fire fighting equipment relevant to caravan parks. These requirements are covered in the Country Fire Authority's Caravan Park Fire Safety Guideline. Under this option, any other differences between the BCA and the Guideline would be assessed and the most appropriate measure would be replicated.

There are no additional costs over and above the base case of mandating these requirements. Replicating the BCA and the Country Fire Authority Guideline in the Regulations improves consistency and ensures that the party who can best determine appropriate guidelines is doing so in all instances. The standards would not be updated until the Regulations are reviewed, potentially for 10 years. At the time of review stakeholder input would be able to be obtained.

### Option 3: Reference the BCA for fire separation and the CFA Caravan Park Fire Safety Guideline for fire equipment and maintenance in the Regulations

This option mandates the same requirements as in option 2 above and similarly would incur no additional costs over and above the base case. It provides the same level of consistency and clarity as option 2; however, it also provides additional benefits of ensuring ongoing relevance because the standards may be updated over time. Updating would be by the relevant fire authorities (the Country Fire Authority or the Metropolitan Fire and Emergency Services Board).

By referencing the CFA Guideline, all future changes, apart from the fire separation requirements for which an alternative is seen as superior, would become standard. In this light, this option could be seen as more risky than option 2 as the changes to the CFA guidelines would not be subject to a RIS but would be subject to CFA processes.

### Option 4: Adopt the BCA

The BCA specifies minimum distances between dwellings and other adjacent structures, the use of fire rated walls between adjacent structures and setbacks from the road. The BCA however, does not include any requirements for the provision and maintenance of fire fighting equipment, relevant to caravan parks. To deal with this, the New South Wales

and Western Australian regulations have explicit requirements for installing and maintaining fire hose reels, fire hydrants and fire extinguishers. These Regulations could follow the approach taken in New South Wales and Western Australia of referencing both the relevant Australian Standards and the BCA for fire safety measures.

There is no additional material cost of this option compared with the base case or the previous options of mandating the use of the Country Fire Authority's Fire Safety Guidelines. However it does not have the same benefits in terms of clarity.

### 8.2.2 Preparation of Emergency Management Plans

As mentioned in chapter 7, emergency management plans are required for all caravan parks to manage the risks that could pose a threat to life, health or property. Like fire safety, received no data on the types of emergencies occurring in caravan parks. It is not clear how many lives will be saved by requiring caravan park operators to prepare emergency management plans, but only one life needs to be saved over the life of the Regulations to be worth its implementation (based on the statistical value of a life of \$3.5 million).

#### The base case

The current Regulations require all caravan parks to prepare an emergency management plan to the satisfaction of the relevant municipal council. The cost of assessing the emergency management plan is recovered by councils through the registration fee. If the Regulations were to sunset in June 2010, this requirement would not be mandated.

In the absence of the Regulations park operators would still have a commercial incentive to prepare an emergency management plan to protect the park and its users. The extent to which plans would be prepared is not known. The quality and accuracy of the emergency management plans would also be unclear because the plans would not be independently assessed — as they are currently by local government.

#### Option 1: Retain the current Requirements

Stakeholder feedback suggested that the costs of preparing an emergency management plan are over and above the base case. The Victorian Caravan Parks Association estimates that initially preparing an emergency management plan takes 15 hours and then revising the plan for registration renewal takes five hours.

Therefore, the cost in the first year for all caravan parks is \$1.03 million, while the cost in subsequent years is \$342,650.<sup>50</sup> Based on information from the Department of Planning and Community Development, it takes councils an hour to review each park's plan at an hourly rate of \$74.84.<sup>51</sup> Therefore, the total cost to review all plans in Victoria is \$53,286 each year.

Like the requirement for fire safety inspections, the net present value of this measure will vary with the registration period because we assume that caravan park operators and councils will revise and review plans when registration is renewed. Estimates for annual, three yearly, five yearly and perpetual registration are contained in Table 13. This represents the maximum administrative burden of an average park, based on advice from

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<sup>50</sup> The opportunity cost of time is \$96.25 based on guidance from the Victorian Competition and Efficiency Commission.

<sup>51</sup> This estimate is based on an average hourly rate of \$74.84, which reflects the average hourly rate of a building surveyor or fire protection officer that was adjusted to include on-costs and overheads.



Victorian Municipal Building Surveyors Group and Building Commission. Under this option it is assumed that all caravan park operators would need to re-write their emergency management plan in the first year of the Regulations — 2010. This is to ensure that all emergency management plans are up-to-date with any amendments in the revised Regulations.

**Table 13: Costs of preparing emergency management plans**

	Cost per annum	NPV (1 year)	NPV (3 years)	NPV (5 years)	NPV (10 years)
Administrative burden on caravan park operators(\$)					
• First year	1,027,950	3,511,810	1,804,018	1,271,934	993,188
• Subsequent years	342,650				
Administrative burden on councils (\$)	53,286	443,159	177,578	94,832	51,848
Total administrative burden (\$)	1,423,886	3,954,969	1,981,596	1,366,766	1,045,036

### Option 2: Replicate the CFA Emergency Management Planning Manual

The Country Fire Authority Manual is based on Australian Standards and assists the development of a comprehensive plan by outlining the features the plan should contain and the process for developing the plan. Clarifying the requirements by replicating it in these Regulations makes it easier for caravan park operators to prepare plans and for council officers to assess their adequacy. Any concerns that councils have may with plans can still be clarified by the relevant fire authority.

As above, the total cost of this measure is \$1.08 million in the first year and \$395,936 in subsequent years. Similarly, the net present value of this measure will vary depending on the registration period, as outlined in Table 13.

### Option 3: Reference the CFA Emergency Management Planning Manual

The costs and benefits of this option are the same as for option 2. However, referencing the Manual has the further benefit of flexibility in the future if the Manual is updated. Changes to it in the future would not require a change to the Regulations.

## 8.2.3 Provision of communal sanitary facilities

Currently, the Regulations state that each park must provide sanitary facilities in accordance with Table F2.1 of the BCA for a Class 3 building on the basis of one resident per long term site. This table states that operators are required to provide one sanitary facility for every 10 residents.

Retaining these requirements imposes no additional costs compared with the base case. The alternative is to amend the number of facilities required based on one resident per long term site for every site that does not have private sanitary facilities in a movable dwelling.

Based on the Victorian Caravan Parks Association membership survey, currently each park must provide an average of 14 sanitary facilities. By contrast, the new definition

requires each caravan park to provide facilities for 120 of 138 sites.<sup>52</sup> This reduces the number of sanitary facilities that need to be provided per park to 12. The Victorian Caravan Parks Association estimates that it costs \$375,000 to construct a six booth facility. Therefore, this option reduces costs by \$125,000 per park.

It is difficult to assess the effect this change is likely to have over the life of the Regulations. The fall in the number of caravan parks in Victoria in the past 10 years suggests that few new parks are opening. Further, it is not possible to estimate how often existing park upgrade their sanitary facilities. However, this option will reduce the cost of new or upgraded facilities, compared with the current Regulations.

## 8.3 Ensuring compliance

As mentioned in chapter 5, registration of caravan parks imposes general conduct requirements on caravan park operators (such as collecting information on users and providing information). It also provides councils with information necessary to determine if caravan parks will meet the requirements of the Regulations throughout the registration period.

If the Regulations were to sunset, the base case for ensuring compliance with the Regulations would be no registration of caravan parks and no fee assigned to registration. All options regarding registration and the subsequent fee level will be compared to this base case.

### 8.3.1 Registration

#### Base Case

Allowing the Regulations to sunset would remove the administrative and compliance burden of the registration process currently imposed on caravan park operators and councils. Removing registration also removes the requirement for fees, but this is discussed in the next section. This section discusses only the administrative costs to park operators and councils associated with registration.

#### Option 1: Retain current registration requirement

Based on previous estimates, the net present value of annual registration (including the costs to caravan park operators and councils) ranges from \$435,559 to \$2.4 million. The current costs of registration include the administrative costs to park operators and to councils associated with completing the registration process.

##### **Administrative cost to park operators**

Surveyed caravan park operators stated that to re-register with the municipal council, they must fill in the form in schedule 2 of the Regulations and send it back to the council. On average, this takes 15 minutes per park and 178 hours for all caravan parks in Victoria. The administrative cost to caravan park operators is \$17,845 per annum.<sup>53</sup>

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<sup>52</sup> It is assumed that all long term accommodation (owner-renters or renter-renters) contain private facilities.

<sup>53</sup> Based on the opportunity cost of time of \$96.25 per hour and postage costs of \$1 per re-registration.

### Administrative cost to councils

As noted earlier, it is difficult to obtain accurate information about the costs to councils of administering the Regulations. Information from surveyed councils (which may not be representative of all councils in Victoria) suggested the administrative burden on councils of registration is one hour per park. This estimate was limited to the administrative tasks associated with dispatching renewal forms, processing forms when they are returned and

By contrast, information provided by the Department of Planning and Community Development indicated that the maximum time which would be spent by councils in respect of an average sized caravan park would be an estimated 6.58 hours (Table 14).

**Table 14: Registration tasks undertaken by councils**

Task	Hourly rate (\$)	Time taken Estimate (hours)	Cost Estimate (\$)
Administration	Administrative Officer Band 4B (43.17)	2.00	121.25
• Dispatch renewal	Building Surveyor (74.84)	0.25	
• Issue certificate	Environmental Health Officer (64.82)	0.25	
• Update register			
• General administration			
• Research past compliance issues			
Inspection of a caravan park	Environmental Health Officer (64.82)	2.75	178.26
Assessment of park documentation	Environmental Health Officer (64.82)	1.00	64.82
Assessment of previous compliance orders/complaints)	Environmental Health Officer (64.82)	0.33	20.45
Total		6.58	384.78

Stakeholder feedback may explain some of the disparity between survey estimates and those provided by the Department of Planning and Community Development. Individual caravan park operators and the Victorian Caravan Parks Association suggested that many parks are not inspected each year (with some stating that they have never been inspected) and that councils do little with the information that caravan park operators provide (such as installation certificates). The administrative burden for councils of registering caravan parks ranges from \$34,528 per annum to \$273,970 per annum (Table 15).

### Option 2: Extend the registration period

This option imposes costs on industry and government compared with the base case, but the costs are lower than with the current requirements because of the extended renewal period. Renewal could be extended to three years, five years or in perpetuity. The merit of each of these options is discussed below.

#### Three-yearly registration

If registration was extended to three years, the administrative burden imposed on councils and caravan park operators would be incurred every three years (that is, in years one, four, seven and ten). Caravan park operators would spend 15 minutes on registration every three years at a cost of \$59,467 over the life of the Regulations.

The net present value of the burden imposed on councils ranges from \$115,065 to \$913,016.

### Five-yearly registration

If registration was extended to five years, the administrative burden of registration imposed on councils and caravan park operators would only be imposed once every five years, or twice over the life of the Regulations. Caravan park operators would spend 15 minutes on registration every five years at a cost of \$31,758 over the life of the Regulations.

The net present value of the burden imposed on councils ranges from \$61,448 to \$487,581.

### Registration in perpetuity — once during the lifetime of the Regulations

If registration is in perpetuity, then the registration period is effectively 10 years. After 10 years, the Regulations would sunset and there would be no requirement to renew registration. The administrative burden of registration would be imposed on councils and caravan parks once over the life of the Regulations. Caravan park operators would spend 15 minutes on registration every 10 years with a cost of \$17,241 over the life of the Regulations.

The net present value of the burden imposed on Councils ranges from \$33,360 to \$264,706.

**Table 15: Administrative burden of registration**

	Cost per annum (\$)	NPV (1 year) (\$)	NPV (3 years) (\$)	NPV (5 years) (\$)	NPV (10 years) (\$)
Caravan park operators	17,845	148,406	59,467	31,758	17,241
Councils					
• Survey estimates	34,528	287,153	115,065	61,448	33,360
• Departmental estimates	273,970	2,278,504	913,016	487,581	264,706

## 8.3.2 Fees

Currently, a set fee is prescribed in the Regulations although it is charged by local councils and not the Victorian Government. The Regulations must prescribe at least a framework for fee setting and may prescribe specific fees, and maximum and/or minimum fees.

### Option 1: Retain the current fee level

The current fee level is \$2.50 per long term or short term site. The Department of Planning and Community Development estimates that each park has an average of 90 sites. Therefore, the cost to the industry of the current fee level is \$160,200 per annum.

### Option 2: Indexation of fees

The fee level associated with caravan park registration has remained the same since Regulations were introduced in 1988. This option indexes the fees using the consumer price index which reflects inflation over the last two decades. This is then converted into fee units to ensure indexation in the future. The new indexed fee would be \$4.60

compared to \$2.50 in 1988.<sup>54</sup> This represents an 84.3 per cent change in cost with an average annual rate of inflation of 3.1 per cent.

Based on the Department of Planning and Community Development estimate that (on average) each park contains 90 sites, each park would be levied 35.4 fee units per annum.<sup>55</sup>

Overall, the cost to the industry of indexed fee levels is \$294,768 per annum.

### Option 3: Levy a flat fee for each caravan park

An alternative option is levying a flat fee instead of charging on a per site basis. Department of Planning and Community Development's targeted consultation with councils, the Victorian Municipal Building Surveyors Group and the Building Commission advised that fees that recover costs should be based on the time estimates and hourly rates that they were supplied for these activities (Table 16). This represents the maximum administrative burden of an average sized park.

**Table 16: Registration tasks undertaken by councils**

Task	Hourly rate (\$)	Maximum time taken (hours)	Maximum administrative cost (\$)
Administration	Administrative Officer Band 4B (43.17)	2.00	121.25
• Dispatch renewal	Building Surveyor (74.84)	0.25	
• Issue certificate	Environmental Health Officer (64.82)	0.25	
• Update register			
• General administration			
• Research past compliance issues			
Inspection of a caravan park	Environmental Health Officer (64.82)	2.75	384.07
	Fire Prevention Officer (74.84)	2.75	
Review of emergency management plan	Building Surveyor/Fire Prevention Officer (74.84)	1.0	74.84
Assessment of park documentation	Environmental Health Officer (64.82)	1.0	64.82
Assessment of previous compliance orders/complaints)	Environmental Health Officer (64.82)	0.33	20.45
File storage	One unit per application		60.00
<b>Total</b>			<b>725.43</b>

These estimates suggest that the maximum cost to councils to register an average sized park is \$725.43.

For councils, the cost of caravan park registration has a fixed component which is quite low, relating to the minimum required administrative costs and a variable cost depending on whether a physical inspection is undertaken and the complexity of this inspection.

While there will be some variation, the costs are unlikely to change considerably depending on park size but rather across parks based on the park's compliance with the Regulations.

<sup>54</sup> Reserve Bank of Australia inflation calculator.

<sup>55</sup> The current fee unit level in Victoria is \$11.69 (June 2009).

It is also important to recognise the ability of parks to pay (taking into consideration that smaller parks have lower income streams). Historically, this approach has been taken. Option 4 (discussed below) is consistent with this approach.

#### Option 4: Fee level determined by the council up to a specified maximum

The Residential Tenancies Act allows for councils to charge fees in relation to caravan parks, only in respect of the registration process. The Regulations must prescribe at least a framework for fee setting and may prescribe specific fees, and maximum and/or minimum fees, which include:

- general administrative activities (such as issuing renewal notices, issuing registration certificates, updating the register and researching past compliance issues)
- inspection activities (inspecting parks to determine if they meet fire safety and general health and amenity standards)
- review of emergency management plans
- assessment of park documentation
- assessment of any previous compliance orders.

As noted above, the Department of Planning and Community Development estimates that the maximum cost to councils to register an average sized park is \$725.43 (which equates to a cost per site of about \$8). The average cost per site was used to calculate the maximum fee levels for each group in the scale shown in table 17. Converting these fees to fee units enables them to alter over time in line with inflation.

**Table 17: Proposed fees for three yearly registration based on cost recovery**

Number of sites	Proposed maximum fee <sup>56</sup>	Fee expressed in fee units
1 to 25 sites	\$198.73	17
26 to 50 sites	\$397.46	34
51 to 100 sites	\$794.92	68
101 to 150 sites	\$1,204.07	103
151 to 200 sites	\$1,601.53	137
201 to 250 sites	\$1,998.99	171
251 to 350 sites	\$2,396.45	205
301 to 350 sites	\$2,805.60	240
350 to 400 sites	\$3,203.06	274
Over 400 sites	\$3,997.98	342

The fees in this scale only approximate the actual costs to councils of the registration process. As noted above, costs are unlikely to change considerably depending on park size but rather across parks based on the park's compliance with the Regulations. Therefore, the proposed fee structure may result in under-recovery of costs from smaller caravan parks and over-recovery from larger parks (i.e. larger parks would cross-subsidise smaller parks). This is consistent with the historical approach to fees that recognises the ability of parks to pay (taking into consideration that smaller parks have lower income streams).

<sup>56</sup> This has been calculated based on the current fee level of \$11.69 (June 2009).

These proposed fee levels represent the upper limit that councils could charge for registration. Under this option, councils that lack the appropriate resources to undertake a costing process can levy the prescribed fees. Alternatively, councils could introduce fees that they believe better reflect the costs that they incur. The fees set by councils should be consistent with the Victorian Government's Cost Recovery Guidelines. Allowing councils to set fees up to this upper limit may also reduce the overall compliance burden. Caravan park operators that clearly comply with the Regulations may incur a lesser fee because they are less onerous for councils to register.

The Department of Planning and Community Development will provide guidance to councils to promote compliance with the Victorian Cost Recovery Principles, however, if a council simply chooses to charge the upper limit of the scale, then there is potential for over-recovery of costs.

While ideally the fee and fee scale would be determined so as to avoid even the potential for over-recovery of costs, a lack of data on park numbers and size means that this has not been possible.

Feedback is sought on whether the fee scale and magnitude is appropriate and whether it is likely to lead to an under or over-recovery of costs by Local Government.

The overall fee revenue that will result under this option is uncertain because Councils will decide the exact fee to levy on each caravan park; however the total revenue received by councils could be approximately \$517,000 every three years.<sup>57</sup>

Under this option, councils would also charge a transfer of ownership fee of five fee units. This is consistent with cost recovery principles and the estimates provided by the Municipal Building Surveyors Group and the Building Commission. There is no available information on the number of caravan parks that are transferred each year, although anecdotal evidence from stakeholders suggests transfer of ownership does not occur often.

The Department of Planning and Community Development is seeking information on the likely costs to councils of registering caravan parks. In particular:

- What activities are involved in registering caravan parks and monitoring and ensuring their compliance with Regulations?
- Who undertakes each activity and how long does it take?
- Does the time taken to complete each activity vary with the number of parks and the size of parks?
- How accurate are the survey estimates?
- How accurate are the estimates provided by the Department of Planning and Community Development?
- What costs are recovered through the current registration fees?
- Are separate fees levied for any council activities associated with monitoring and enforcing compliance with Regulations?
- What is the appropriate determination of a flat fee and what it should be based on?
- Do councils possess the skills to determine fees for appropriate cost recovery?
- How does council determine the registration fee applied to prescribed accommodation providers (such as hotels, motels, rooming houses, etc)? How long does each task take?
- How accurate is the fee scale and magnitude? Is it reasonable to expect an under or over-recovery of costs by Local Government?





## 8.4 Summary of quantifiable effects

Table 18: Technical standards for unregistrable movable dwellings

Options	Consequences	Per annum effects compared to base case	Net present value over the life of the Regulations
<b>Option 1: Retain current technical standards</b>		\$0	\$0
<b>Option 2: Update the requirements in the Regulations</b>	Bushfire construction requirements	Cost of \$634,392 per annum or \$1,188 per dwelling	Cost of \$5.27 million
	Compliance with the 5 star energy rating system	Construction cost of \$67,564 per annum Saving of \$147,278 per annum <sup>58</sup> Net saving of \$79,714 per annum or \$149 per dwelling	Cost of \$561,903 Savings of \$1.16 million Net saving of \$662,950
	Notification of termite prone area	\$0	\$0
	Remove requirements for prefabricated holiday units	\$0	\$0
<b>Total</b>		Total cost of \$554,678 or \$1,038 per dwelling. This is a cost of 2 (1.15) per cent of the total construction costs of a small (large) dwelling	Total cost of \$4.61 million
<b>Option 3: Performance based standards (Adopt the BCA)</b>	Consequences same as above	Total cost of \$554,678 or \$1,038 per dwelling. This is a cost of 2 (1.15) per cent of the total construction costs of a small (large) dwelling	Total cost of \$4.61 million
<b>Option 4: Use the building regulatory framework</b>	Total cost of options 2 and 3	Total cost of \$554,678 or \$1,038 per dwelling.	Total cost of \$4.61 million
	Obtaining building permit	Cost of \$726,240 per annum or \$1,360 per dwelling	Cost of \$6 million
	Termite protection measures	Cost of \$1.11 million per annum or \$2,078 per dwelling	Cost of \$9.23 million
		Total cost of \$2.39 million or \$4,477 per dwelling. This equates to 8.9 (4.9) per cent of the total construction cost of a small (large) dwelling	Total cost of \$19.88 million

<sup>58</sup> Includes lifetime cost of energy savings and appliance cost savings.

**Table 19: Administrative costs to councils of fire safety inspections**

	Cost per annum (\$)	NPV (annual registration) (\$)	NPV (3-yearly registration) (\$)	NPV (5-yearly registration) (\$)	NPV (10-yearly registration) (\$)
1.5 hour inspections	79,929	664,739	266,367	142,249	77,226
2.75 hour inspections	146,537	1,218,668	488,339	260,789	141,581

**Table 20: Costs of preparing emergency management plans**

	Cost per annum	NPV (1 year)	NPV (3 years)	NPV (5 years)	NPV (10 years)
Administrative burden on caravan park operators(\$)					
• First year	1,027,950	3,511,810	1,804,018	1,271,934	993,188
• Subsequent years	342,650				
Administrative burden on councils (\$)	53,286	443,159	177,578	94,832	51,848
Total administrative burden (\$)	1,423,886	3,954,969	1,981,596	1,366,766	1,045,036

**Table 21: Savings of providing communal sanitary facilities**

	Options	Per annum effects compared with current Regulations
Provision of communal sanitary facilities	Reduce the number of required facilities	\$125,000 each time a park upgrades its sanitary facilities

**Table 22: Administrative burden of registration**

	Cost per annum (\$)	NPV (1 year) (\$)	NPV (3 years) (\$)	NPV (5 years) (\$)	NPV (10 years) (\$)
Caravan park operators	17,845	148,406	59,467	31,758	17,241
Councils					
• Survey estimates	34,528	287,153	115,065	61,448	33,360
• Departmental estimates	273,970	2,278,504	913,016	487,581	264,706

**Table 23: Proposed fees based on cost recovery**

Number of sites	Proposed maximum fee <sup>59</sup>	Fee expressed in fee units
1 to 25 sites	\$198.73	17
26 to 50 sites	\$397.46	34
51 to 100 sites	\$794.92	68
101 to 150 sites	\$1,204.07	103
151 to 200 sites	\$1,601.53	137
201 to 250 sites	\$1,998.99	171
251 to 350 sites	\$2,396.45	205
301 to 350 sites	\$2,805.60	240
350 to 400 sites	\$3,203.06	274
Over 400 sites	\$3,997.98	342

<sup>59</sup> This has been calculated based on the current fee level of \$11.69 (June 2009).

## 9 Discussion of qualitative impacts and assessment of preferred option

There are several methods to determine the best option for achieving an outcome. The most appropriate depends on the type of information available.

One approach (as set out in chapter 8) is cost–benefit analysis, which estimates the effects of a program in financial terms. This technique seeks to quantify (that is, assign a monetary value to) the benefits derived and costs incurred by those parties affected by an activity to determine the aggregate net impact to society and the economy. The net effect is then compared to a base case or the status quo. Some of the benefits and costs may have been realised in the past or may be realised in the future. To account for this, past and future benefits and costs are translated into present value terms by applying a discount rate.

A comparison of costs with benefits is used to determine if an activity is worthwhile (also called the net present value). If the net present value is positive, benefits exceed costs; the regulatory proposal has a positive net social benefit, which means it would increase the efficiency of the economy.

Cost–benefit analysis is attractive as an evaluation tool because:

- it enables consideration of the gains and losses to all members of society
- it enables valuation of impacts in terms of a single, familiar measurement scale (that is, money) and can therefore (in principle) assist in showing that implementing a specific option is worthwhile relative to the status quo
- the money values used to weight the relative importance of the different effects are based on people’s preferences
- it provides decision makers with quantitative information about the likely effects of a regulatory proposal
- it quantifies the effect of regulatory proposals in a standard manner, which promotes comparability, assists in the assessment of relative priorities and encourages consistent decision making
- it captures the various linkages between the regulatory proposal and other sectors of the economy (for example, increased safety may reduce health care costs), helping decision makers maximise net benefits to society
- it helps discover cost-effective solutions to policy problems by identifying and measuring all costs.

The major disadvantage of cost–benefit analysis is that costs and benefits can be difficult to value in dollar terms. This is the case in this instance; it was difficult to quantify the benefits of the options discussed in chapter 8, most of which affected the health and safety of caravan park residents and occupiers.

Therefore, we used a qualitative approach, multi-criteria analysis that is particularly useful in circumstances where it is necessary to consider a range of economic, environmental and social costs and benefits which cannot be satisfactorily quantified and/or valued. Multi-criteria analysis establishes preferences between options by reference to an explicit set of objectives and measurable criteria to assess the extent to which the objectives have been achieved. The criteria must reflect the absolute and/or relative performance of the options, and must be measurable, in the sense that it must be possible to assess, at least qualitatively, how well a particular option is expected to perform in relation to the criteria.

Each option was assessed against the following criteria (in order of significance):

- the health and safety of occupiers and residents are protected
- the costs to industry of achieving safety standards (and subsequently users) are minimised
- the requirements for caravan parks are consistent with requirements for other sectors of the economy
- councils and caravan park operators understand their obligations and the requirements are applied consistently throughout Victoria
- the requirements minimise the administrative burden on those affected.

Weightings are assigned to each criterion, reflecting its relative importance in the policy decision-making process. The main purpose of the Regulations is to provide a healthy and safe environment for caravan park occupants and residents, so protect health and safety has the highest weighting (35 per cent). Minimising cost to the industry (and subsequently caravan park occupiers and residents) is ranked below minimum safety standards, but maintaining the affordability of this type of accommodation is an important factor (30 per cent). The remaining criteria are considered desirable, but less important than maintaining health and safety at a minimum cost. As far as practicable, the Government aims to encourage consistency between the regulations for accommodation available in caravan parks and other forms of housing and accommodation. This criterion is given a higher ranking (15 per cent) than improving the clarity of the Regulations and minimising the administrative burden on affected parties (10 per cent respectively).

Each option is assigned a score, depending on how well it meets each criterion. A score of '+10' is assigned if there is a positive/desirable/good effect; '0' if there is no effect or if the effect is neutral; '-10' if the effect is negative/undesirable/poor. For example, the option that is most likely to maximise the health and safety of caravan park occupiers and residents will be given the highest score, while the option that is least likely to maximise their health and safety will be given the lowest score. Scores between 5 and 10 represent the most significant effect, while scores between 0 and 5 represent a mild effect when compared with the base case. This scale is the same for negative effects.

An overall score is derived by multiplying the score assigned to each measure by its weighting and summing the result. A positive score represents an attractive alternative, and the alternative with the highest score represents the preferred approach.

This approach has advantages over informal judgement unsupported by analysis:

- it is open and explicit, providing an audit trail to the logic underpinning our final recommendations
- it allows a blending of financial, economic and public policy objectives
- the choice of criteria is open to analysis and to change if they are felt to be inappropriate.

## 9.1 Standards for construction and installation

Technical standards for constructing and installing unregistrable movable dwellings and rigid annexes in caravan parks protect the health and safety of occupiers and residents in the same way that general building requirements protect the health and safety of users of all other buildings constructed in Victoria. For example, these requirements overcome the information imbalances experienced by those purchasing unregistrable movable dwellings and rigid annexes. They also account for risks that face the general public if unregistrable movable dwellings and rigid annexes are inadequately constructed and provide for similar levels of safety (see chapter 4).

Option 1 (retain the current requirements) imposes the same requirements as the base case of no regulations and therefore receives a score of 0 against all criteria. By contrast, the remaining options impose higher standards than those currently used by the sector and therefore received higher scores for this criterion but the extent of the benefits is unknown. For example, the remaining options require compliance with updated Australian Standards. They also introduce safety during bushfires requirements that are the same as those of general residential construction. The recent Victorian bushfires highlight how important it is that dwellings constructed in bushfire prone areas include features that reduce the risk of damage or destruction during a bushfire. The Regulatory Impact Statement prepared for the proposal to revise the Building Code of Australia requirements for construction in bushfire prone areas demonstrated that the proposed features improved the survivability of dwellings during a bushfire.<sup>60</sup>

Options 2 and 3 impose the same requirements and therefore received the same score for criterion 1.

The cost estimates show that retaining the current requirements (option 1) imposes no costs on the caravan park industry compared with the base case (which assumes constructors will operate as usual in the absence of Regulations). Updating the requirements in the Regulations or performance based standards (adopt the BCA) (options 2 and 3 respectively) impose the same costs. They are more costly than option 1 because they include the additional construction costs to improve their safety and amenity such as compliance with enhanced bushfire construction requirements and compliance with the 5 star energy rating system. However, the cost per dwelling is small (on average an additional \$1,038 per structure), so these options received a score of -1 (Table 24).

**Table 24: Summary of costs compared with current Regulations**

	Option 1	Option 2	Option 3	Option 4
Cost per dwelling (\$)	0	1,038	1,038	4,477
Total annual cost (\$)	0	554,678	554,678	2,390,000
Net present value (\$m)	0	4.61	4.61	19.88

Using the building regulatory framework (option 4) is the most costly option, imposing an additional \$4,477 on average to the cost of a dwelling. Like options 2 and 3, it improves the safety and amenity of dwellings, but it also imposes additional costs and higher levels of protection of which there is less evidence that unregistrable movable dwellings require:

- Unregistrable movable dwellings would require termite protection (costing \$2,600 per dwelling) although we received no evidence that termites are a problem.

<sup>60</sup> ABCB (Australian Building Codes Board), 2009, *Regulatory Impact Statement for the proposal to revise the Building Code of Australia requirements for construction in bushfire areas*.

Further, the cost of protecting against termites appears to outweigh the cost of repairing damage.

- Owners of unregistrable movable dwellings and rigid annexes would require a building permit. Some stakeholders suggested that this has the benefit of providing unregistrable movable dwelling and rigid annexe owners with the same protection as other residential dwelling owners, such as access to building insurance. However, as noted in chapter 3, the majority of unregistrable movable dwellings are purchased by caravan park operators and used for commercial purposes, not private residential use. Further, there is little evidence that inspections by building surveyors are necessary to ensure the structural integrity of dwellings. We received little feedback from stakeholders and we were unable to identify any evidence to show that unregistrable movable dwellings that comply with the current technical standards are structurally unsound.

Therefore, this option received a score of -5 for this criterion. It is not the most costly conceivable option; however it is more than four times as costly as options 2 and 3.

Options 2, 3 and 4 promote consistency with other regulatory frameworks in Victoria (including building rules) to varying degrees. Option 4 (using the building regulatory framework) makes the requirements for unregistrable movable dwellings and rigid annexes the same as those for general residential construction and hence received a score of 10 for this criterion. Option 2 (update the requirements in the Regulations) promotes consistency by initially updating the Australian Standards included in Regulations, but not allowing for future updates. It is possible that the standards included in the Regulations will diverge from those used in the general construction industry over the life of the Regulations. Option 3 overcomes this problem by referencing the relevant section of the BCA. Therefore, option 3 received a score of 8 for criterion 3, while option 2 received a score of 5.

All options received a score of 0 for criteria 4 because there is no difference in their effects on compliance and understanding compared with the base case.

Options 1, 2 and 3 also do not impose any administrative burden compared with the base case and therefore received scores of 0. By contrast, option 4 requires legislative changes, which imposes significant administrative burden on government. Therefore, this option received a score of 10 for criterion 5.

This analysis (summarised in Table 25) shows that option 3 (performance based standards (adopt the BCA)) is the preferred option. The benefits of this option are:

- Residents and occupiers would benefit from similar levels of safety and amenity as residents in other dwellings, including lower energy costs in the future, and avoided costs of damage caused by bushfire.
- It ensures consistency between the requirements for unregistrable movable dwellings and other residential construction over time. It is also flexible because the BCA allows compliance via deemed-to-satisfy requirements or an alternative solution that meets the performance based requirements.
- The unnecessary requirements for prefabricated holiday units would also be removed.

**Table 25: Assessment of options for construction and installation standards for unregistrable movable dwellings and rigid annexes**

Criteria	Weighting	Option 1	Option 2	Option 3	Option 4
Protect health and safety	35%	0	8	8	8
Minimum cost	30%	0	-1	-1	-5
Consistency	15%	0	5	8	10
Compliance and understanding	10%	0	0	0	0
Minimum burden	10%	0	0	0	-10
Total	100%	0	3.25	3.7	1.8

## 9.2 Maintenance of facilities and services

### 9.2.1 Fire safety in caravan parks

Minimum distances between structures and minimum set backs from roads are important for allowing emergency access and egress in a caravan park during a fire. They also reduce the risk of fire spreading between structures, thereby reducing the effects of fire (such as damage to property and loss of life). Providing and maintaining fire fighting equipment also reduces the spread of fire, which in turn minimises risks to property and lives. Commercial incentives to protect the value of their assets, plus common law requirements to provide facilities that are fit for purpose means that caravan park operators are to provide these features. However, the potential costs associated with fire means that governments regulate to ensure these features are applied to all other buildings constructed in Victoria. Similar arguments apply to their provision in caravan parks.

The four options considered to address this issue fulfilled criterion 1 of protecting the health and safety of caravan park occupiers and residents and therefore received a score of 0 (to reflect that there is no difference compared with the base case). The discussion in chapter 8 also shows that while the costs of conducting fire safety inspections vary according to how long it takes to conduct an inspection, there is no cost difference between options 1, 2, 3 and 4, compared with the base case in the short term. Similarly, all four options impose the same costs on caravan park operators compared with the base case. Therefore, all received a score of 0 for criteria 1 and 2.

All four options impose an administrative burden on councils who inspect caravan parks as part of the registration process to determine if the park satisfies the requirements of the Regulations. However, this cost does not vary across options, so they all received a score of -10 for criteria 5.

The differences between the options relate to how well each achieves the Government's other objectives identified in chapter 6. Option 1 of remaking the Regulations does not address the lack of clarity in the current Regulations about the roles and responsibilities of councils, caravan park operators and the relevant fire authority (usually the Country Fire Authority), and therefore received a score of 0. By contrast, options 2 (replicating the BCA for fire separation and the Caravan Park Fire Safety Guideline for fire equipment and maintenance in the Regulations), 3 (referencing the BCA for fire separation and the CFA Caravan Park Fire Safety Guideline for fire equipment and maintenance in the Regulations) and 4 (adopting the BCA) make requirements explicit, improving clarity and

understanding of the Regulations and therefore all received a score of 10 for this criterion.

Options 3 and 4 improve the consistency of the caravan park requirements with those for the rest of the construction industry. The Guideline is based on various Australian Standards which may be updated over time while the BCA is also updated on a frequent basis. Option 3 allows these changes to be reflected in practices in caravan parks without having to update Regulations (and hence this option received a score of 10 for criterion 3). Option 4 allows for some to be updated automatically (those contained in the BCA), but not others (specifically the standards for providing and maintaining fire fighting facilities), so received a score of 5. It is unclear if costs to caravan park operators will increase or decrease if the Guideline is updated in the future.

In summary, option 3:

- protects the health and safety of caravan park users by establishing minimum standards for caravan park accommodation
- clarifies requirements for councils, the relevant fire authority and caravan park operators
- allows for the greatest flexibility if the BCA or the CFA Caravan Park Fire Safety Guideline are updated in the future.

For these reasons, option 3 (referencing the BCA for fire separation and the CFA Caravan Park Fire Safety Guideline for fire equipment and maintenance in the Regulations) is the preferred option. This assessment is summarised in Table 26; option 3 achieved the highest rating (1.5) of those considered.

**Table 26: Assessment of options for fire safety in caravan parks**

Criteria	Weighting	Option 1 (Remake Regulations)	Option 2 (Replicate the BCA and the Guideline)	Option 3 (Refer the BCA and the Guideline)	Option 4 (Adopt the BCA)
Protect health and safety	35%	0	0	0	0
Minimum cost	30%	0	0	0	0
Consistency	15%	0	0	10	5
Compliance and understanding	10%	0	10	10	5
Minimum burden	10%	-10	-10	-10	-10
<b>Total</b>	<b>100%</b>	<b>-1.0</b>	<b>0</b>	<b>1.5</b>	<b>0.25</b>

### 9.2.2 Preparation of emergency management plans

Victoria is the only jurisdiction that requires caravan park operators to prepare an emergency management plan (chapter 5). According to Worksafe Victoria, an emergency management plan contributes to a business' duty of providing a safe environment for all people, whether they are employees or not. They establish a framework for managing emergencies (such as fire, dangerous chemical release, flood) which is designed to:

- avoid or minimise loss of life and property
- ensure any emergency can be effectively dealt with
- support a prompt response to any emergency



- direct key people to act on specific tasks and provide direction
- provide response mechanisms that support business continuity during and after an emergency.

We have no information on the number of emergency evacuations from caravan parks.

The benefits of emergency management plans are largely unclear; however the statistical value of a life (\$3.5 million) suggests that only two lives need be saved to outweigh the costs on caravan park operators and councils. The likelihood of the break-even point being achieved therefore is reasonably high.

Options 1 (remaking the Regulations), 2 (replicating the CFA Emergency Management Plan Manual in the Regulations) and 3 (referencing the Manual in the Regulations) all fulfil criterion 1 of protecting the health and safety of occupiers, residents and employees. Further, there is no difference between the requirements in these options and the base case; so each received a score of 0 for criterion 1.

The three options also impose the same administrative burden on caravan park operators (\$1.03 million in the first year and \$342,680 for reviews in subsequent years) and councils (\$53,286 per annum), which is over and above the base case. Like fire safety above, the various options do not affect the time it takes councils and caravan park operators to prepare and review emergency management plans. Therefore, all three options received a score of -10 for criterion 5.

The main differences between the options relate to how well they satisfy the other criteria based on the Government's objectives. Option 1 does not address the lack of clarity in the current Regulations about the roles and responsibilities of councils, caravan park operators and the relevant fire authority (usually the Country Fire Authority) compared with the base case, and therefore received a score of 0 for criterion 4. By contrast, options 2 (replicating the Manual in the Regulations) and 3 (referencing the Manual in the Regulations) make requirements explicit, improving clarity and understanding of the Regulations and therefore both received a score of 10 for this criterion.

Option 3 also improves the consistency of the caravan park requirements with those for the rest of the construction industry. The Manual is based on various Australian Standards which may be updated over time. Option 3 allows these changes to be reflected in practices in caravan parks without having to update Regulations (and hence received a score of 10 for criterion 3). Option 2 does not allow for this flexibility compared with the base case, so received a score of 0.

This analysis suggests that option 3 is the most appropriate means for specifying the requirements for preparing emergency management plans because it:

- protects health and safety by establishing minimum standards in caravan parks
- clarifies requirements for councils, the relevant fire authority and caravan park operators
- allows for flexibility if the Guideline is updated in the future.

This assessment is summarised in Table 27; option 3 achieved the highest rating (1.5) of those considered.

**Table 27: Assessment of options for emergency management plans**

Criteria	Weighting	Option 1 (Remake Regulations)	Option 2 (Replicate Manual)	Option 3 (Refer to Manual)
Protect health and safety	35%	0	0	0
Minimum cost	30%	0	0	0
Consistency	15%	0	0	10
Compliance and understanding	10%	0	10	10
Minimum burden	10%	-10	-10	-10
<b>Total</b>	<b>100%</b>	<b>-1.0</b>	<b>0</b>	<b>1.5</b>

### 9.2.3 Provision of communal sanitary facilities

Caravan parks exhibit many of the characteristics of other accommodation providers. For example, they experience a high turnover of mostly short term occupiers, and provide sanitary facilities which in some cases are shared by guests. There is evidence that links low standard accommodation with poor health and welfare (chapter 5). Preventing the spread of communicable diseases will reduce costs to the community by avoiding unnecessary morbidity and mortality, avoiding lost work hours and reducing health care costs.

Therefore both options considered for provision of sanitary facilities protect the health and safety of occupiers and residents of caravan parks. As mentioned previously, industry has advised that in the absence of the Regulations, the current standards would still be adhered to. Therefore both options received a score of 0 for criterion 1 (same effect as the base case).

The only difference between the two options and the base case is their effect on costs. The analysis of costs suggests that option 2 (amending the requirement for sanitary facilities so that it is based on the number of sites that do not have private facilities) imposes the least cost on caravan park operators, compared with option 1 (retaining the current requirement) and the base case. Option 2 requires caravan park operators to provide 12 facilities on average, at a cost of \$750,000, compared with option 1, which requires 14 facilities at a cost of \$875,000. Therefore, option 2 received a higher score for criterion 2 compared with option 1. Option 1 received a score of 0 for criterion 2 due to the fact that it is the same as the base case.

This assessment is summarised in Table 28; option 2 achieved the highest rating (1.5) of those considered. Therefore, option 2 is the preferred option.

**Table 28: Assessment of options for sanitary facilities**

Criteria	Weighting	Option 1 (Retain current requirements)	Option 2 (Reduce requirements)
Protect health and safety	35%	0	0
Minimum cost	30%	0	5
Consistency	15%	0	0
Compliance and understanding	10%	0	0
Minimum burden	10%	0	0
<b>Total</b>	<b>100%</b>	<b>0</b>	<b>1.5</b>

## 9.2.4 Provision of other health and safety services

As noted in chapter 7, requirements such as providing safe drinking water, plumbing, refuse collection and disposal, and cleaning and maintenance services are important to stop the spread of communicable diseases. The benefits include avoiding unnecessary morbidity and mortality, avoiding lost work hours and reducing health care costs, all of which are difficult to quantify but the likely benefits are likely to be marginal.

Similarly, it was not possible to obtain estimates on the costs and benefits of complying with these regulatory requirements because the industry as a whole is contracting. They will already be available in existing parks and the fall in the number of caravan parks in Victoria in the past 10 years suggests that few new parks are opening; hence park operators are not aware of the current costs of providing these services.

Therefore, the analysis is limited to the multi-criteria analysis presented below.

There are two options for providing these services:

- remake the current regulations (option 1)
- rely on other legislative or regulatory instruments (option 2).

Both options fulfilled the first assessment criterion of protecting the health and safety of caravan park users by specifying minimum safety standards for caravan park accommodation. They maintain consistency because the requirements in the current Regulations are the same as those contained in the Health (Prescribed Accommodation) Regulations. Similarly, both options clearly specify the requirements, fulfilling the objective of improving compliance and understanding for caravan park operators, and do not impose an administrative burden on operators. Therefore, both options received scores of 10 for these criteria when compared with the base case of no regulation.

They also impose the same costs on caravan park operators and so both received a score of -10 on criterion 2.

The only difference between the two options is the administrative burden. Option 1 (remaking the current Regulations) is likely to fulfil the other criteria at a lower cost than option 2 (relying on other legislative or regulatory instruments). Option 2 requires amending the Health Regulations to include caravan parks. Therefore, option 1 received a higher score (-5) than option 2 (-10).

For these reasons, option 1 is the preferred method. This assessment is summarised in Table 29: both options received the same rating for four out of five decision criteria, but option 1 received a better rating for minimum burden.

**Table 29: Assessment of options for other health and safety issues**

Criteria	Weighting	Option 1 (Retain current requirements)	Option 2 (Rely on other legislative or regulatory instruments)
Protect health and safety	35%	10	10
Minimum cost	30%	-10	-10
Consistency	15%	10	10
Compliance and understanding	10%	10	10
Minimum burden	10%	-5	-10
<b>Total</b>	<b>100%</b>	<b>2.5</b>	<b>2.0</b>

## 9.3 Ensuring compliance

### 9.3.1 Registration

Registration of caravan parks imposes general conduct requirements on caravan park operators (such as collecting information on users and providing them with information on the park itself, the Regulations and the Residential Tenancies Act). It also provides councils with information necessary to determine if caravan parks will meet the requirements of the Regulations throughout the registration period.

The registration process currently imposes an annual cost of \$17,845 on caravan parks (excluding the cost of fees which is discussed below). As discussed in chapter 8, it is difficult to determine the administrative burden to councils because of varying estimates of the time it takes for councils. For example, estimates of the costs per annum to councils range from \$34,528 to \$273,970 (Table 30). Regardless of the size of the burden, removing registration (option 1) would reduce the burden of the Regulations. This is the base case and therefore received scores of 0 against all criteria. The remaining options are compared with this base case.

**Table 30: Summary of costs of registration periods compared with base case**

	Cost per annum (\$)	NPV (1 year) (\$)	NPV (3 years) (\$)	NPV (5 years) (\$)	NPV (10 years) (\$)
Caravan park operators	17,845	148,406	59,467	31,758	17,241
Councils					
• Survey estimates	34,528	287,153	115,065	61,448	33,360
• Departmental estimates	273,970	2,278,504	913,016	487,581	264,706

All stakeholders consulted during preparation of this Regulatory Impact Statement supported registration because it triggers the requirement for caravan park operators to comply with the Regulations and it also ensures that councils are aware of caravan parks that operate in their jurisdiction (chapter 5). It is possible that removing registration may reduce incentives for councils to monitor and enforce compliance with the Regulations, resulting in a decline in quality. Option 2 (annual registration) provides an incentive for caravan parks to comply with requirements. Despite the fact that stakeholder feedback suggests that inspections are not undertaken on a regular basis, the threat of a potential inspection provides an incentive for caravan park operators to comply with the requirements. Option 2 requires annual inspections and therefore received a score of 10 for criterion 1. It is consistent with requirements for other accommodation providers therefore it receives a score of 8 for criteria 3.<sup>61</sup> It also ensures councils and caravan park operators understand their obligations, therefore, it received scores of 10 for criteria 4.

However, it also imposes the greatest administrative burden on caravan park operators (\$148,406 over the life of the Regulations) and councils (between \$287,153 and \$2.3 million over the life of the Regulations). Therefore, it received a score of -8 for criterion 5.

While recognising the benefits of registration, many stakeholders recommended extending the registration to three years. The cost estimates show that this would reduce the net present value of the administrative burden to caravan park operators to \$59,467. Similarly, the net present value of the administrative burden to councils ranges from \$115,065 to \$913,016. This change more than halves the administrative burden on

<sup>61</sup> Other prescribed accommodation types have either yearly or three-yearly renewal.

councils, and hence received a score of -4 for minimising burden. It provides for a degree of consistency between other accommodation providers and ensures that councils and caravan park operators understand their obligations (receiving scores of 8 and 10 for criteria 3 and 4 respectively).

The registration period could also be extended to five years or 10 years. These options also reduce the administrative costs to park operators and councils and therefore received higher scores for criterion 5 than option 3 (three year registration period). However, these options have some disadvantages compared with option 3. First, they further reduce consistency with other accommodation providers, who are required to register annually. Second, they may affect compliance with the Regulations. In particular, stakeholders were concerned that longer registration periods may also result in fewer inspections by councils, because inspections tended to coincide with registration. This may reduce the quality of caravan park accommodation. It is for these reasons that options 4 and 5 received lower scores for criteria 1 and 3 than option 2.

Analysis of these criteria recommends retaining registration, but increasing the period to three years (Table 31). The longer period recognises the low turnover of ownership in this sector and that siting of caravans and unregistrable movable dwellings within parks generally does not change significantly over time. It also reduces the administrative burden for caravan park operators and councils.

**Table 31: Assessment of options for registration**

Criteria	Weighting	Option 1 (No registration)	Option 2 (1 year)	Option 3 (3 years)	Option 4 (5 years)	Option 5 (10 years)
Protect health and safety	35%	0	10	10	7.5	6
Minimum cost	30%	0	0	0	0	0
Consistency	15%	0	8	8	5	2
Compliance and understanding	10%	0	10	10	10	10
Minimum burden	10%	0	-8	-4	-3	-2
<b>Total</b>	<b>100%</b>	<b>0</b>	<b>4.9</b>	<b>5.3</b>	<b>4.1</b>	<b>3.2</b>

The Department of Planning and Community Development seeks information on the effects of extending the registration period for caravan parks to 3 years, 5 years or 10 years.

- How will this affect the administrative burden on councils and caravan park operators?
- Will the incentives for complying with the requirements change?
- How many inspections are conducted by each council and at what cost?

### 9.3.2 Fees

The Residential Tenancies Act allows for councils to charge fees in relation to caravan parks, only in respect of the registration process. The Regulations must prescribe at least a framework for fee setting and may prescribe specific fees, and maximum and/or minimum fees. The criteria for assessing the appropriateness of various fee options are different from those used to assess other aspects of the Regulations. Specifically, the criteria are:

- fees should recover councils' costs of registration
- fees should be simple to determine and administer
- fees should be flexible
- fees should be consistent with regulatory requirements for similar providers.

Fees that recover costs and fees that are simple to determine and administer (criteria 1 and 2) are considered the most important criteria; they are weighted equally (at 35 per cent). Criteria 3 and 4 are desirable features of any fee regime, although less important than minimising burden. These criteria were weighted at 15 per cent each.

This analysis considers four options:

Option 1: fees based on the current fee level (\$2.50 per site)

Option 2: fees indexed to account for inflation (\$4.60 per site)

Option 3: levy a flat fee for each caravan park

Option 4: fees determined by council up to a specified maximum.

Option 1 has the benefits of being simple to determine and administer (because councils are already familiar with levying fees on this basis), being flexible (because fees vary with the size of the park, although there is no option for councils to levy fees that better reflect costs) and being consistent (because it requires caravan park operators to pay registration fees, like all other prescribed accommodation providers).

However, option 1 also has some disadvantages. First, it is unlikely that this option recovers councils' costs in most instances. The fee level has not changed since regulations for caravan parks were introduced in 1988. Second, the fees paid by caravan park operators are not consistent with the fees paid by prescribed accommodation providers, whose fees are determined by councils under the Health (Prescribed Accommodation) Regulations. Therefore, option 1 received a score of 1 for criterion 1, scores of -5 for criterion 2, score of 5 for criterion 3 and a score of 10 for criterion 4.

Option 2 received a higher score for criterion 1 than option 1 (5 compared with 1) because it accounts for the rising cost of living since 1988. However, it is important to note that this may still not reflect the actual costs incurred by councils because it assumes that the base rate (\$2.50) was accurate and it is not clear that this assumption is correct. Option 2 scored -5 for criteria 3, 5 for criteria 4 and 10 for criterion 5 because it exhibits the same features as option 1.

Option 3 is also simple to determine and administer therefore received a score of -5 against criterion 2. It is also consistent with the regulatory framework for other accommodation providers (and so again scored 10 against criterion 4). However, it does not fulfil the other criteria as well as options 1 and 2. A default fee is unlikely to reflect the range of costs of regulating caravan parks (and therefore scored 4 against this criterion 1). It is also inflexible (and therefore scored 0 against criterion 3).

Option 4 allows councils to establish fees that reflect cost recovery up to a maximum prescribed in the Regulations. It is difficult to determine the true costs councils incur in registering caravan parks because we received information from different sources (see

chapter 8). However, the Department of Planning and Community Development advised their estimates be used to calculate prescribed fees that recover costs.

The analysis presented in chapter 8 suggested a range of maximum fees based on park size that were based \$725.43 which is the maximum cost to councils for registering an average sized park (assuming it has 90 sites). These were then converted to fee units to allow for future inflation (Table 32).

**Table 32: Proposed fees based on cost recovery**

Number of sites	Proposed maximum fee <sup>62</sup>	Fee expressed in fee units
1 to 25 sites	\$198.73	17
26 to 50 sites	\$397.46	34
51 to 100 sites	\$794.92	68
101 to 150 sites	\$1,204.07	103
151 to 200 sites	\$1,601.53	137
201 to 250 sites	\$1,998.99	171
251 to 350 sites	\$2,396.45	205
301 to 350 sites	\$2,805.60	240
350 to 400 sites	\$3,203.06	274
Over 400 sites	\$3,997.98	342

<sup>a</sup> This estimate is based on an average of 90 sites.

These proposed fee levels represent the maximum fees that councils could charge for registration. Under this option, councils that lack the appropriate resources to undertake a costing process may levy the prescribed fees. Alternatively, councils could introduce fees that they believe better reflect the costs that they incur within this upper limit. The fees set by councils should be consistent with the Victorian Government's *Cost Recovery Guidelines*. Allowing councils to set fees within this upper limit may also reduce the overall compliance burden. Caravan park operators that clearly comply with the Regulations may incur a lesser fee because they are less onerous for councils to register.

This option overall recovers councils' costs and therefore received a score of 10 against criterion 1 (although, as noted above, there may be over-recovery from caravan parks of some sizes and under-recovery from others). By contrast, fees may not be simple to determine and administer if councils lack the resources required to undertake a costing process to identify and cost the tasks involved in regulating caravan park operators. Tempering this effect is the option councils have to levy the relevant prescribed fee if they consider it appropriate. Therefore, this option received a score of -8 against criterion 2. The other benefits of this option include flexibility and consistency with the fee structure for other accommodation providers. For these reasons, this option received scores of 10 for criteria 3 and 4.

This analysis is summarised in Table 34. The multi-criteria analysis shows that option 4 (allowing councils to determine the fee level up to a specified maximum) is the preferred option. It is important to note that the fee per park (of up to \$800 for an "average" caravan park with 90 sites) will only be levied once every three years, instead of the current annual fee. Therefore, the difference in costs between the current fee level (\$2.50 per site or \$225 per park per year, for an "average" caravan park with 90 sites) and the proposed fee level is relatively small.

<sup>62</sup> This has been calculated based on the current fee level of \$11.69 (June 2009).

**Table 33: Assessment of options for fees**

Criteria	Weighting	Base Case (No fees)	Option 1 (Current fees)	Option 2 (Index fees)	Option 3 (Default fee)	Option 4 (Fee determined by council up to a specified maximum)
Fees that recover costs	35%	0	1	5	4	10
Fees that are simple to determine and administer	35%	0	-5	-5	-5	-8
Flexibility	15%	0	5	5	0	10
Consistency	15%	0	10	10	10	10
Total	100%	0	0.85	2.25	1.15	3.7

## 9.4 Conclusion

The quantitative costs and benefits are an important component in determining the most appropriate options for regulating caravan parks in Victoria. However, there were many other costs and benefits that were not so easily quantified. Therefore, the assessment of the preferred options was based on a qualitative discussion drawing on the objectives set out in chapter 6:

- the health and safety of occupiers and residents are protected because there are minimum safety standards for caravan park accommodation
- the costs to industry (and subsequently users) of achieving safety standards are minimised
- the requirements for caravan parks are consistent with requirements for other sectors of the economy
- councils and caravan park operators understand their obligations and the requirements are applied consistently throughout Victoria
- the requirements minimise the administrative burden on those affected
- to cost recover in line with the cost recovery objectives of efficiency, equity and fiscal sustainability.



The preferred options, based on these criteria are:

- retaining separate Regulations and referencing performance based technical standards in the BCA to set minimum standards for the construction and installation of unregistrable movable dwellings and rigid annexes
- referencing the BCA for fire separation and the Country Fire Authority Caravan Park Fire Safety Guideline for fire fighting equipment and maintenance in the Regulations
- referencing the Country Fire Authority Emergency Management Manual for preparation of emergency management plans
- reducing the number of sanitary facilities provided in caravan parks to reflect the rising proportion of dwellings with private facilities
- remaking the other health and safety requirements contained in the current Regulations
- retaining registration but extending the registration period to three years.

Separate criteria were used to determine the preferred fee option:

- fees should recover councils' costs of registration
- fees should be simple to determine and administer
- fees should be flexible
- fees should be consistent with regulatory requirements for similar providers.

The preferred option is allowing councils to set registration fees up to a specified maximum in the Regulations. The prescribed fee levels are based on the costs incurred by councils in registering caravan parks, as advised by the Department of Planning and Community Development. It is important to note that while the maximum estimated cost per average park (\$794.92 for 3 years) appears significantly higher than the current fee level of \$2.50 per site, for an average 90 site caravan park, it would currently cost \$675 for the equivalent 3 years . Therefore, the difference in costs to caravan park operators per site is a relatively small \$0.44 cent increase to \$2.94.

## 10 Other considerations

This section identifies a range of other factors that may be relevant for comparing options for the Regulations, but which could not be incorporated into the cost–benefit analysis because they cannot be monetised but are relevant for inclusion in an economic appraisal.

In addition to cost benefit analysis, the *Victorian Guide to Regulation* recommends conducting qualitative analysis of costs and benefits where quantification is not possible.

### 10.1 Competition effects

The Regulations impose some restrictions on competition. National Competition Policy requires that Regulation be introduced only:

- when the benefits of the restriction to the community as a whole outweigh the costs
- the objectives of the Regulation can only be achieved by restricting competition.

The restrictions on competition are:

- minimum construction and installation standards for unregistrable movable dwellings and rigid annexes
- minimum fire safety standards
- minimum standards for facilities and amenities available in caravan parks.

These restrictions reflect a basic community expectation of residential accommodation that all accommodation providers should provide.

The potential small risk of limiting new entrants of caravan park operators is justifiable because the Regulations will ensure accommodation meets specific, but basic standards and meets public health objectives. Furthermore, the costs to operators (most of whom are small businesses) are not considered to be excessive. The expected benefits, however, are substantial, including the protection of the health and welfare of caravan park occupiers and residents. This will have positive flow on effects for the broader community's public health.

### 10.2 Small business effects

According to the *Victorian Guide to Regulation*, small business firms typically lack economies of scale and bargaining power, and therefore may face disproportionately higher costs of complying with most forms of government regulation compared with their large counterparts. This is unlikely to be a problem in this case because most caravan park operators are small businesses. All constructors of unregistrable movable dwellings in Victoria are also small businesses. The effects on small business were mentioned in chapters 8 and 9.

## 10.3 Administrative burden

The preferred options involve the following administrative changes:

- extend the registration period to three years. The administrative cost of this option is \$28,971 per annum. Compared to the current requirements this presents a cost saving of \$57,584 per annum.

Overall, the preferred options reduce the administrative burden of the Regulations. Therefore, the overall administrative burden of the Regulations will be less than the \$250,000 threshold outlined in the *Victorian Guide to Regulation* and therefore the Standard Cost Model is not required.

## 10.4 Enforcement and implementation

The proposed Regulations are substantially similar in terms of enforcement and compliance as the existing Regulations. The administration and enforcement of the Regulations remain the responsibility of Local Government and the relevant fire authority. The resource implications will vary considerably between local councils depending on the number of caravan parks located within their area however they are highly unlikely to change from the current requirements. The Regulations provide for fees to offset the cost to councils of administering the registration of caravan parks and, on a cost recovery basis to cover the costs to councils.

A range of different council services have a role in enforcing these regulations. These services (predominantly building services and environmental health services) are provided by councils regardless of the number (if any) of caravan parks within the municipality and are funded by general revenue. It is not possible to estimate the costs involved in enforcing these regulations further than it has been done within this Regulatory Impact Statement in relation to registration, as it depends not only on the number of caravan parks within a municipality but also on the level of compliance activity required for a park.

Disputes between council and caravan park operators or other parties to the Regulations can be referred to the Building Appeals Board for determination, which is consistent with the current arrangements.

Advice on the technical aspects of the standards for construction and installation of unregistrable movable dwellings is available to constructors and to metropolitan building surveyors from the Building Commission.

Information on the new Regulations will be disseminated to local government, caravan park operators, users and industry.

Enforcement of the Regulations is established by the Residential Tenancies Act (Part 14 Division 5). Council may issue a compliance notice to a person who has contravened Part 14 of the Act or the Regulations. Failure to rectify the matter specified within the time allocated in the notice can lead to substantial fines (50 penalty units and up to 10 penalty units per day) or closure of the park. Fines for non-compliance (up to 10 penalty units or \$1168.90) are specified in the proposed Regulations.<sup>63</sup>

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<sup>63</sup> The current penalty unit level in Victoria is \$116.89 (June 2009).

## 10.5 Evaluation strategy

Effective regulation is important to allow government to achieve its social and economic objectives. It is important that regulation be reviewed regularly to ensure that it represents the most appropriate means of meeting these objectives.

These proposed Regulations will sunset in 10 years at which time another comprehensive review will be conducted to assess the need for and most appropriate form of regulation. However throughout the life of the regulations, ongoing assessment by Government will take place to ensure their effective operation.

The standards for constructing unregistrable movable dwellings referred to in the Regulations are contained in the BCA. The BCA is subject to review by the Australian Building Codes Board which recognises that the BCA needs to be continually developed and enhanced to account for new initiatives, research and practices. Any interested party to propose changes which are then assessed by the Australian Building Codes Board's Building Codes Committee. This process means that if measures in the BCA are found to be more costly than expected, more difficult to administer or otherwise deficient, it is open to affected parties to initiate a proposal for change. The BCA is reviewed annually.

There are a number of pieces of work taking place across Government in relation to caravan park policy:

- Consumer Affairs Victoria is also reviewing the residential tenancy requirements for caravan parks contained in the Residential Tenancies Act.
- The Department of Sustainability and Environment will a new policy for Crown Land Caravan Parks, which will respond to increasing demand for sites and ensure equitable public access to Crown land caravan and camping parks in Victoria.

This work should provide improved baseline data about the number, location and land use characteristics of caravan parks together with improved demographic data.

## 10.6 Consultation

The Department of Planning and Community Development held initial consultations with other departments and agencies in 2008 to identify issues, options and understand the broader policy environment that may affect how caravan and residential parks are managed in the future.

Consultation conducted by Department of Planning and Community Development	Stakeholder
Government stakeholder	Department of Planning and Community Development – Planning Policy and Reform, Local Government Victoria, Strategic Policy and Research Department of Sustainability and Environment — Crown Land and Leasing Services Department of Justice - Consumer Affairs Victoria Department of Human Services — Housing and Community Building Department of Innovation Industry and Regional Development — Tourism Victoria
Technical stakeholder	Building Commission Country Fire Authority Metropolitan Fire and Emergency Services Board Municipal Association of Victoria Victorian Municipal Building Surveyors Group Victorian Caravan Parks Association Building Appeals Board Caravan Industry Association

To complement the Department's consultation, PricewaterhouseCoopers consulted the following stakeholders:

Organisation	Contact
Victoria Caravan Park Association	James Kelly and Miguel del Rio (Industry representatives)
Country Fire Authority	Matthew Wright
Housing for the Aged Action Group	Jeff Fiedler
Jayco	Robert Ensick (General Manager)
Todd Devine Homes	Todd Devine
Fleetwood Rainbow Lifestyle Communities	Manager of Sales and Marketing James Kelly (Managing Director)
Mexicala – tourist park operators	Miguel del Rio (Director)
Doon Reserve Caravan Park	Ken and Denise Bell (Park Mangers)
Healesville Tourist Park	Kevin and Kim Anderson (Park Owners)
Shire of Yarra Ranges	<ul style="list-style-type: none"> <li>Ingrid Makowski (Senior Environmental Health Officer)</li> <li>Lawrie Slagter (Building Surveyor)</li> </ul>
Mornington Peninsula Shire	Peter Phillips (Municipal Building Surveyor)
Surveys received	<ul style="list-style-type: none"> <li>Central City Caravan Park — Bendigo</li> <li>All Seasons Caravan Park — Mildura</li> <li>Halcyon Caravan Park — Safety Beach</li> <li>Wynndean Holiday Resorts — Ocean Grove</li> <li>City of Greater Geelong</li> <li>Kingston Council</li> <li>Bass Coast Council</li> <li>Colac-Otway Council</li> <li>City of Greater Shepparton</li> <li>City of Greater Bendigo</li> </ul>

All the responses elicited through the stakeholder consultation have been considered and addressed in this Regulatory Impact Statement, as set out in chapter 5.

## Questions for stakeholders

The Department of Planning and Community Development seeks stakeholder feedback on a number of issues. These questions are a summary of those presented in chapters 8 and 9.

### Technical standards

- The Department of Planning and Community Development seeks information on the likely costs of requiring unregistrable movable dwellings to comply with the technical standards in the current Regulations
  - Is it feasible to assume that the absence of the Regulations, there would be no reduction in the technical standards of unregistrable movable dwellings?
- The Department of Planning and Community Development is seeking information on the likely costs of requiring unregistrable movable dwellings to comply with energy efficiency measures. In particular:
  - How accurate are the current estimates?
  - How applicable are the estimates for residential construction to unregistrable movable dwellings?
  - What features of unregistrable movable dwellings would be different to incorporate the additional energy efficiency measures, and what is their cost?
- The Department of Planning and Community Development seeks information on the likely costs of requiring unregistrable movable dwellings to comply with bushfire protection construction measures. In particular:
  - How accurate are the current estimates presented in the RIS?
  - How applicable are the estimates for residential construction to unregistrable movable dwellings?
  - What different features would be incorporated into the construction of unregistrable movable dwellings due to additional bushfire protection measures and what is their cost?
  - Is the current business as usual case an indicative estimate of industry practices in the absence of the Regulations?

### **Ensuring compliance**

- The Department of Planning and Community Development seeks information on the effects of extending the registration period for caravan parks to 3, 5 years or 10 years
  - How will this affect the administrative burden on councils and caravan park operators?
  - Will the incentives for complying with the requirements change?
  - How many inspections are conducted by each council and at what cost?
- The Department of Planning and Community Development seeks information on the appropriate basis for levying fees for caravan park registration:
  - What activities are involved in registering caravan parks and monitoring and ensuring their compliance with Regulations?
  - Who undertakes each activity and how long does it take?
  - Does the time taken to complete each activity vary with the number of parks and the size of parks?
  - What costs are recovered through the current registration fees?
  - Are separate fees levied for any council activities associated with monitoring and enforcing compliance with Regulations?
  - What is the appropriate determination of a flat fee and what it should be based on?
  - How does council determine the registration fee applied to prescribed accommodation providers (such as hotels, motels, rooming houses, etc)?
  - How accurate is the fee scale and magnitude? Is it reasonable to expect recovery of costs by Local Government?

The formal consultation period for this Regulatory Impact Statement is 42 days (6 weeks) and all feedback should be provided by 5pm on 12 April 2010. All submissions must be in writing and will be treated as public documents, unless otherwise indicated by the submitter. Written information should be sent to:

Geoff Turner  
Housing and Building Policy  
Department of Planning and Community Development  
RE: Regulatory Impact Statement — Caravan Park Regulations  
GPO Box 2392  
Melbourne Vic 3001

# Appendix A Interjurisdictional comparison

## 1 Governing Acts and Regulations

There are some similarities and differences between Victoria and other jurisdictions. For example, New South Wales is similar to Victoria in their approach as their Regulations specify construction and installation standards for movable dwellings, which are often prescriptive. By contrast, Western Australia uses a more performance-based approach via the BCA of Australia. Queensland uses *Model Local Law 12 (Caravan Parks) 2000* to regulate caravan park management and the *Building Act 1975* to set standards for the construction and installation of movable dwellings. South Australia does not have separate regulations for caravan parks or movable dwellings; rather this jurisdiction relies on the BCA and the *Development Act 1993* to set standards for the industry.

### New South Wales

In New South Wales, the Local Government (Manufactured Home Estates, Caravan Parks, Camping Grounds and Movable Dwellings) Regulations 2005 regulates the caravan park industry under the Local Government Act 1993. The 2005 Regulations combined what had previously been in two separate sets of requirements; the Local Government (Caravan Parks, Camping Grounds and Moveable Dwellings) Regulations 1995 and the Local Government (Manufactured Home Estates and Manufactured Homes) Regulations 1995 which were repealed in 2005.

The primary objective of the NSW Regulations is to provide opportunities for affordable alternatives in short term and long term accommodation. Specifically the Regulations set standards:

- for the construction of manufactured home estates, caravan parks and camping grounds
- for the design and construction of manufactured homes and movable dwellings
- to promote the health, safety and amenity of residents in manufactured homes and movable dwellings.

The NSW Regulations specify standards of the design and standards of movable dwellings. The Regulatory Impact Statement for the 2005 Regulations considered three alternatives:

- base case scenario — do nothing, allow the Regulations to lapse
- administrative action only — allow the industry to self-regulate by introducing industry guidelines and practice notes, and transfer park registration provisions to the *Local Government Act 1993*
- prescriptive standards in the Regulations — current NSW Regulations.

The cost–benefit analysis in the 2005 Regulatory Impact Statement determined that allowing the industry to self-regulate would be difficult because industry agreement would not be mandatory and could subsequently cause a reduction of standards and reduce quality in the industry. The setting of prescriptive standards was the preferred alternative for the industry because it provided the highest net benefit to society.



## Queensland

In Queensland, the *Model Local Law 12 (Caravan Parks) 2000* regulates caravan park management. This law:

- ensures that caravan parks are properly operated and maintained
- ensures that parks comply with appropriate standards of cleanliness and hygiene
- provides for the comfort and convenience of short and long term caravan park residents
- regulates general conduct in caravan parks.

Movable dwellings must be designed and constructed to comply with the *Building Act 1975*. Movable dwellings are defined as a *building* and therefore must comply with the BCA.

## Western Australia

Western Australia regulates its industry under the *Caravan Parks and Camping Grounds Regulations 1997* under the *Caravan Parks and Camping Grounds Act 1995*. The Regulations do not contain any explicit objectives. The Regulations cover caravan park registration, the maintenance and standards of facilities in caravan parks and the design standards of movable dwellings. Unlike Victoria, the Western Australia Regulations refer to the BCA for construction and installation standards for movable dwellings.

Prior to 1997, Western Australia had no specific regulations regarding caravan parks and movable dwellings. Many of the technical requirements necessary to make park homes safe were already included in the BCA and therefore the Government decided to refer to the BCA where appropriate to avoid duplication. The Government also recognised that not all aspects of the BCA applied to park homes, so the Regulations specify only those parts that are necessary to ensure the structural integrity of these dwellings. When the Regulations were introduced in 1997 the Government did not require departments to undertake a regulatory impact review.

## South Australia

This jurisdiction does not have separate legislation for the construction and installation of movable dwellings; it relies on the *Development Act 1993*. The Development Act (SA) does not exempt temporary or movable building from the BCA of Australia.

## 2 Identifying similarities and differences between Victoria and other jurisdictions

### Registration of caravan parks

The Victorian and Western Australian Regulations require that caravan park operators register their park with the relevant council annually. The NSW Regulations require that park operators register with a council, but the licence duration is at the discretion of the council. The Queensland Local Law is flexible and similar to the NSW Regulations because it allows each council to determine the licence conditions and duration.

All jurisdictions specify duties that the park operator (licensee) must adhere to for registration. In Victoria, New South Wales, Queensland and Western Australia, municipal councils must keep and maintain a register of caravan parks in their municipality.

	VICTORIA	NSW	QLD (local law only)	WA
Registration of caravan park	Annual registration to council	Registration to council; licence duration at discretion of council	Not regulated	Annual registration to council
Register of caravan parks	To be maintained by council	To be maintained by council	Not regulated	To be maintained by council
Duties of caravan park owners on registration	<p>A park owner must:</p> <ul style="list-style-type: none"> <li>• appoint park manager to ensure supervision of park</li> <li>• maintain a register of occupiers</li> <li>• display a registration certificate, plan of the park, copy of park rules, emergency contact details in a central place for residents to view</li> <li>• provide residents access to a copy of the Act and Regulations</li> </ul>	<p>A park owner must keep a register of occupiers in park.</p> <p>Regulations state specific information that must be given to prospective occupiers by a park operator.</p>	<p>A park owner must:</p> <ul style="list-style-type: none"> <li>• take reasonable steps to ensure the home owner always has access to their own site and reasonable access to common areas</li> <li>• maintain the common areas and communal facilities in a reasonable state of cleanliness and repair, and fit for use</li> <li>• ensure the times the park manager is available are reasonable</li> <li>• ensure the continuity of supply of a utility to the park and the site</li> <li>• otherwise, comply with the site agreement for the site and the park rules.</li> </ul>	<p>Duties of licence holders are to ensure that:</p> <ul style="list-style-type: none"> <li>• office hours are displayed</li> <li>• occupiers have pedestrian access and vehicular access to their site at all times</li> <li>• an occupier must have access to toilet and ablution facilities</li> <li>• facilities are clean and hygienic</li> <li>• all dwellings must be movable within 24 hours notice (must have wheels)</li> <li>• caravan operator to ensure that sites allocated and used in accordance with the licence.</li> </ul>

## Standards of unregistrable movable dwellings

The NSW and Victorian Regulations are similar because they explicitly specify construction standards for movable dwellings. The NSW Regulations however are more onerous than Victoria in most cases. The Western Australian provisions allow greater flexibility than the Victorian and NSW Regulations because they adopt the BCA of Australia for the construction of park homes and adjacent structures, which includes performance based design. South Australia and Queensland rely on the BCA to regulate the construction standard of movable dwellings. In Queensland, the *Building Act 1975* states that movable dwellings must comply with the BCA. In South Australia, the *Development Act 1993* does not exempt movable dwellings from the BCA. According to the BCA, a movable dwelling is classified as a Class 1 building.

The following section highlights the major differences between the jurisdictions regarding the standards for the construction and installation of movable dwellings:

- **Structural soundness** — The Victorian Regulations do not require movable dwellings to be designed by an engineer. By contrast, the NSW provisions require a structural engineer to construct a movable dwelling according to the latest design standards. The NSW Regulations also include provisions for earthquake and snow loads.
- **Ceiling height** — Victoria sets prescriptive standards for the ceiling height of habitable rooms in a movable dwelling. New South Wales provides more flexibility

than Victoria because specific conditions are allowed for sloping ceilings. The ceiling height in unregistrable movable dwellings installed in Queensland, Western Australia and South Australia is specified by the BCA. The WA Regulations specify a maximum height for storage sheds.

- Moisture prevention — Victoria is the only jurisdiction that specifies the relevant Australian Standard for moisture prevention in Regulations. Unregistrable movable dwellings constructed in New South Wales, Queensland, Western Australia and South Australia must comply with the deemed-to-satisfy provision or the performance requirements specified in the BCA.
- Lighting and ventilation — the Victorian Regulations set minimum standards for window areas and openings in movable dwellings. The NSW Regulations also specify Australian Standards for lighting and ventilation and are more onerous than the Victorian Regulations; for example, natural light and ventilation exemptions are not allowed for service areas such as bathrooms, showers and laundry facilities. Unregistrable movable dwellings constructed in Queensland, Western Australia and South Australia must comply with the deemed-to-satisfy provision or the performance requirements specified in the BCA.
- Electricity supply and water and plumbing works — the Victorian Regulations refer to the Australian Standard for electricity supply and plumbing services for movable dwellings. The NSW Regulations are more onerous than the Victorian Regulations because they provide more prescriptive requirements for electrical supply and plumbing services. The NSW Regulations refer to the *New South Wales Plumbing and Drainage Code of Practice*.
- Fire prevention and safety — the Victorian provisions require councils to consult with the relevant fire authority to determine the appropriate distance between dwellings. This approach introduces a lack of certainty and creates inconsistency. To help alleviate this, the Country Fire Authority (CFA) published the *Caravan Park Fire Safety Guidelines* in 2006. The guidelines set a minimum setback distance which is consistent with requirements in the BCA for a *Class 1A residential building* and allows for the combustibility of typical structures found in caravan parks. The CFA guidelines also define *associated structures* and specify the minimum required width for fire-fighter access and fire separation that must be provided between and around each structure in a caravan park. New South Wales and Western Australia specify setback distances in their Regulations that apply to all buildings, not just dwellings. Queensland and South Australia rely on the BCA for fire separation provisions.
- Smoke alarms — the Victorian Regulations require smoke alarms to be installed in movable dwellings but do not identify how a smoke alarm should be installed, although the CFA guidelines do provide some guidance. The NSW and Western Australian requirements are more prescriptive because they refer to the BCA for the construction and installation of smoke alarms. Smoke alarm installation standards are set in South Australia and Queensland via the BCA.
- Termite protection — termite protection provisions in Victoria are limited to rigid annexes (not other dwellings) and approval is at the council's discretion. New South Wales includes specific requirements for termite protection for relocatable homes and associated structures. In Queensland, South Australia and Western Australia, the BCA sets termite protection provisions.
- Siting — the NSW Regulations contain requirements governing site boundary arrangements for relocatable homes while Western Australia has similar restriction for caravans only. The current Victorian Regulations do not include siting requirements.
- Access for people with disabilities — the Western Australian Regulations contain requirements for disability access, based on the BCA's requirements in Part D3 for *Class 3 Buildings*. No other jurisdiction provisions this requirement.

- Rigid annexes — the Victorian Regulations set prescriptive standards for the installation and construction of rigid annexes. The Western Australian, Queensland and SA provisions are more flexible because they adopt the BCA for the construction of annexes, which includes performance-based design. The NSW provisions are more onerous than Victoria because a structural engineer must use the latest design standards, while Victoria does not require annexes to be designed by an engineer.
- Prefabricated Holiday Units — Victoria is the only jurisdiction to define and prescribe specific provisions for prefabricated holiday units.
- Installation certificates for movable dwellings — the Victorian Regulations specify that the installer supply the owner with an installation certificate, which is then passed onto the park operator. The certificate must certify that the dwelling was installed in accordance with the Regulations. In New South Wales the relevant council must issue a *certificate of completion* to the dwelling owner within 5 days of being notified of the dwelling's installation. The Western Australian Regulations state that the builder of a park home must provide a certificate to the purchaser certifying that the dwelling's construction and installation are in accordance with the requirements in the BCA. Queensland and South Australia do not require an installation certificate for movable dwellings.
- Associated structures — the Victorian Regulations do not define associated structures. By contrast, the NSW Regulations set specific requirements for garages, carports and associated structures abutting movable dwellings. Western Australia, South Australia and Queensland, via the BCA do not allow an occupier to abut any structure other than an annexe to movable dwellings.

Vic Proposed	VICTORIA	NSW	QLD	WA	SA
Structure and design of unregistrable movable dwellings	An unregistrable movable dwelling must be of a design which is structurally sound.  Regulations set installation standards for footings, chassis and tie-down gear.	A relocatable home or associated structure must be of a design certified by a practicing structural engineer to be structurally sound.  Regulations set installation standards for footings, chassis, tie-down gear and minimum clearance beneath the home.  Includes design gust wind speed requirements according to the Australian Standard.	The construction of a movable dwelling must be in accordance with the BCA.	The construction of a park home must be in accordance with the BCA.  Regulations set installation standards for footings, chassis and tie-down gear.	The construction of a movable dwelling must be in accordance with the BCA.
Ceiling height	The average ceiling height of a habitable room in an unregistrable movable dwelling must be 2400 mm for at least two-thirds of the floor area of the room.  The minimum height of a ceiling of a habitable room in an unregistrable movable dwelling must not be less than 2100 mm.	The ceiling height of each habitable room (other than a kitchen) in a relocatable home must be at least 2.4 metres.  The ceiling height of a kitchen, laundry, hallway or other similar part of a relocatable home must be at least 2.1 metres.  The Regulations allow flexibility if the habitable room has a sloping ceiling.	Specified in the BCA.	Refers to the BCA Regulations only specify maximum height of storage sheds	Specified in the BCA.
Moisture prevention	Regulations set requirements for moisture prevention materials.	Regulations set internal waterproofing requirements for floors, wall surfaces, according to	Specified in the BCA	Refers to the BCA	Specified in the BCA

Vic Proposed	VICTORIA	NSW	QLD	WA	SA
		the Australian Standard.			
Lighting and ventilation	Regulations specify minimum window area in an unregistrable movable dwelling and minimum opening of windows.	Rooms must have natural light, windows and openings and ventilation.	Specified in the BCA	Refers to the BCA	Specified in the BCA
Electrical	Electrical installation and wiring within the unregistrable movable dwelling must be in accordance with the Australian Standard.	The electrical wiring in a relocatable home must comply with the requirements of Australian Standard.	Specified in the BCA	Refers to the BCA	Specified in the BCA
Plumbing	Any sanitary plumbing and drainage within or connected to the unregistrable movable dwelling must be in accordance with the Australian Standard.	All pipes and fittings in a relocatable home that relate to water supply, sewerage or stormwater drainage must be installed in accordance with the Plumbing and Drainage Code of Practice, and the requirements of any relevant statutory body.	Specified in the BCA	Refers to the BCA	Specified in the BCA
Smoke alarms	A person who constructs an unregistrable movable dwelling must ensure that, on or before the completion of the construction of that movable dwelling, a smoke alarm that complies with the Australian Standard.	A relocatable home must be equipped with automatic fire detection and alarm system that complies with the requirements of the BCA in relation to Class 1(a) buildings.	Specified in the BCA	Refers to the BCA	Specified in the BCA
Fire prevention and safety	A caravan park owner must, to the satisfaction of the council provide fire fighting facilities in or in relation to the caravan park; and ensure there is sufficient space between and around dwellings in the caravan park for access for fire fighters.  The council must consult with the relevant fire authority before determining any matter of fire prevention and safety.	Regulations set minimum separation distances between dwellings.	Specified in the BCA	Regulations set minimum distances between park homes, and the position of carports, en suites and other buildings.	Specified in the BCA
Termite protection	If a caravan park is in an area that the council has designated under the Building Regulations 1994 as an area likely to be subject to infestation by termites, the caravan park owner must not permit a rigid annexe to be installed in the caravan park unless the rigid annexe is protected against termite infestation to the satisfaction of the council.	Shields, barriers or the like must be provided in accordance with the Australian Standard to protect any structural members that are susceptible to attack by termites.	Specified in the BCA	Refers to the BCA	Specified in the BCA
Rigid annexes – structure and design	Each rigid annexe must be designed and constructed in accordance with the Australian Standard,	A rigid annexe must be of a design certified by a practicing structural engineer to be structurally sound.	Specified in the BCA	Refers to the BCA	Specified in the BCA

Vic Proposed	VICTORIA	NSW	QLD	WA	SA
	<p>except that a design wind speed of not less than 41 metres per second must be used.</p> <p>Regulations set standards for the floors, walls and roof panels of annexes.</p>	<p>A rigid annexe must be designed to resist loads as determined in accordance with the following design codes, as appropriate under the Australian Standard.</p> <p>Regulations set glazing standards for annexes according to the Australian Standard.</p>			
Access for people with disabilities	Not regulated	Not regulated	Specified in the BCA	Refers to the BCA	Specified in the BCA
Setback distances	Not regulated	A relocatable home and any associated structure must not be located closer than one metre to an access road, or closer than 2 metres to the boundary of the caravan park.	Not regulated	Not regulated	Not regulated
Installation certificates	<p>At the completion of installation of a dwelling, the installer must provide an installation certificate to the dwelling owner, which must be then passed on to the park operator.</p> <p>An installation certificate must certify that all information provided in the certificate is complete and correct in all details; and that the caravan park owner has approved the installation; and that the installation, service connections and siting of the dwelling are in accordance with the Regulations.</p>	Within 5 business days after receiving written notice of the completion of installation of a manufactured home or associated structure, the council must issue to the owner of the home or structure a certificate of completion.	Not required under the BCA	A person who constructs a park home is to provide to the purchaser of the park home a certificate under the Builders' Registration Act 1939 stating that the builder has built, or supervised the building of, the park home; and that the park home has been constructed in accordance with the requirements of the BCA.	Not required under the BCA
Associated structures	Not regulated	An associated structure must not be designed or modified so as to be useable as a habitable room.	Specified in the BCA	An occupier is not to construct, or cause any other person to construct, any structure or building, other than an annexe, or a building that may be located on an occupied site.	Specified in the BCA

## Maintenance and standards for facilities and essential services in parks

In Victoria, a park owner must ensure that every dwelling and facility provided in a caravan park is in a clean, sanitary and hygienic condition. The WA Regulations have a similar requirement in the duties of park licence holders. The NSW Regulations specify that a dwelling installed in a park must be maintained in a condition that is safe and healthy for a persons use.

The following section highlights the major differences between the jurisdictions regarding the standards and maintenance of facilities in caravan parks:

- Water supply — the Victorian Regulations specify that a park operator must ensure that the provided water supply is fit for human consumption and ensure that all sites have a permanent connection to this water supply. The NSW provisions refer to the New South Wales Plumbing and Drainage Code of Practice and the Australian Drinking Water Guidelines (2004), while the Western Australian Regulations refer to the National Plumbing and Drainage Code, under the Australian Standard.
- Discharge of sewerage and waste water — Victoria refers to the *Environmental Protection Act 1970* or allows local councils to approve a suitable facility for the discharge of sewerage and waste water. New South Wales and Western Australia by contrast, rely on the Plumbing and Drainage Code of Practice and the Australian Standards respectively.
- Refuse disposal — the Victorian and WA Regulations specify that a park operator must ensure that all refuse is regularly disposed of in a sanitary matter. The NSW Regulations state that arrangements specified in the approval for the caravan park must be instituted and maintained for the removal of garbage and for the maintenance of garbage receptacles in a clean and sanitary condition.
- Emergency Management Plans — Victoria is the only jurisdiction to specify that park operators must prepare an Emergency Management Plan to the satisfaction of the local council.
- Minimum number of facilities — the Victorian Regulations refer to the Specified in the BCA and state that park facilities must be in accordance with the BCA's requirements for a Class 3 building. The NSW and WA Regulations require park owners to ensure a minimum number of facilities for residents (on a per site basis).
- Control of animals — Western Australia is the only jurisdiction to specify the control of animals in a caravan park.
- Telephone and postal service — New South Wales and Western Australia are the only two jurisdictions to require that a telephone service be installed for residents, while Western Australia and Queensland require a postal service be available for residents.
- Cyclone activity — Western Australia is the only jurisdiction to set requirements for caravan parks located within a cyclonic region.
- Electricity to sites — the Victorian and New South Wales Regulations specify that electricity to sites must comply with the Australian standards, while the WA Regulations rely on the BCA.
- Fire-fighting equipment — the Victorian Regulations allow councils to determine the appropriate fire fighting facilities. The CFA guidelines set requirements for fire authority and occupant fire equipment in caravan parks. This includes fire hoses, hydrants and reels, smoke alarms, portable fire extinguishers and fire blankets. The WA and NSW Regulations have explicit requirements for the installation and maintenance of fire hose reels, fire hydrants and fire extinguishers according to the Australian Standard.
- Setbacks from road frontages — the Victorian guidelines do not provision this requirement, however, the CFA guidelines specify setback distances between dwellings and road frontages and requirements for an access road for fire authorities. New South Wales is the only jurisdiction to set a provision regarding the minimum distance dwellings must have from road frontages to make the park more accessible to emergency services.
- Car park facilities — the Victorian Regulations do not have any provisions for parking facilities within a caravan park. The WA Regulations specify requirements for the construction and maintenance of car park facilities while the NSW Regulations specify requirements for visitors parking only.

	VICTORIA	NSW	WA
Water supply	<p>A caravan park operator must ensure water supply is fit for human consumption.</p> <p>A park operator must ensure water supply to all sites with a permanent connection.</p>	<p>The water supply service must comply with the Plumbing and Drainage Code of Practice, and the requirements of any relevant statutory body.</p> <p>The water supplied for human consumption or domestic purposes must comply with the Australian Drinking Water Guidelines published in 2004 by the National Health and Medical Research Council.</p>	<p>Water supply to sites must be in accordance with the National Plumbing and Drainage Code, under the Australian Standard.</p>
Discharge of sewage and waste water	<p>A caravan park owner must ensure that all sewage and waste water discharged from a movable dwelling in a caravan park is discharged to a reticulated sewerage system; or to a septic tank system permitted under the <i>Environment Protection Act 1970</i>; or to such other system for the collection, removal and disposal of sewage and waste water as is approved by the council.</p>	<p>The sewage disposal system must comply with: the Plumbing and Drainage Code of Practice, and the requirements of any relevant statutory body.</p> <p>A caravan park or camping ground must be provided with a stormwater drainage system. All dwelling sites and camp sites must be adequately drained.</p>	<p>Minimum distance of sites from sullage waste water dump point must be in accordance with the Australian Standard.</p> <p>A long stay site with a caravan which has ablution, toilet or laundry facilities is to have a sewage connection point must be in accordance with the Australian Standard.</p> <p>There is to be a communal chemical soil waste dump point which must be in accordance with the Australian Standard.</p>
Refuse disposal	<p>A caravan park owner must ensure that all refuse at the caravan park is regularly removed and disposed of in a sanitary manner to the satisfaction of the council.</p>	<p>Caravan park operator must maintain the removal of garbage and maintain garbage receptacles in a clean and sanitary condition</p>	<p>Regulations specify requirements for the removal of rubbish</p>
Emergency Management Plans	<p>A caravan park owner must, to the satisfaction of the council, prepare an emergency management plan providing for evacuation procedures to be followed by residents and occupiers in a fire or other emergency that may affect the caravan park.</p> <p>A caravan park owner must notify residents and occupiers of the evacuation procedures in the emergency management plans.</p>	<p>Not regulated</p>	<p>Not regulated</p>
Minimum requirement for residents	<p>Sanitary facilities must be in accordance with the BCA 1996 (for a Class 3 building).</p>	<p>Regulations set requirements on the minimum number of:</p> <ul style="list-style-type: none"> <li>• Washing machines</li> <li>• Laundry tubs</li> <li>• Clothes dryer</li> <li>• Drying areas</li> <li>• Ironing facilities</li> <li>• Showers</li> <li>• Toilets and basins</li> <li>• Mirrors</li> </ul>	<p>Regulations set requirements on the minimum number of:</p> <ul style="list-style-type: none"> <li>• Showers</li> <li>• Toilets</li> <li>• Hand basins</li> <li>• Baby basins</li> <li>• Power points</li> <li>• Laundry facilities</li> <li>• Facilities for people with disabilities</li> </ul>



	VICTORIA	NSW	WA
Control of animals	Not regulated	Not regulated	A person is not to bring an animal into a facility, or allow an animal under his or her control to stay there, except with the approval of the licence holder of the facility. This regulation, does not apply in respect of a guide dog or hearing dog accompanying its owner.
Standards for prefabricated holiday unit (prefab)	A prefab must be designed to withstand its own dead load; and wind pressures in accordance with the Australian Standard.	Not regulated	Not regulated
Telephone services	Not regulated	Telephone services must be provided in such a manner that a telephone connection is available to each dwelling site.	There is to be at least one telephone available at all times for the use of occupiers at a facility, unless otherwise approved.  Each long stay site and each site with a park home is to have all connections necessary to install a telephone on the site, unless otherwise approved.
Postal service	Not regulated	Not regulated	If mail is delivered to a facility by Australia Post the occupiers of each long stay site are to have a lockable mail box; and there is to be a suitable central area which is open at least 2 hours a day from Monday to Friday from which mail can be collected.
Cyclone activity	Not regulated	Not regulated	Where a facility is in an area in a cyclonic region each caravan, annexe or other building or structure on a site is to be made safe, and in particular is to be tied down using anchor points, as approved, capable of securing the caravan, annexe or other building or structure in winds at design wind speed for that area, during any cyclonic activity or while there is warning of possible impending cyclonic activity.
Electricity to sites	Electricity to sites must comply with the Australian Standard	Any electrical circuit must be installed in accordance with the Australian Standard.	All caravan sites at a facility are to be supplied with electricity, unless the local government has exempted a facility from this requirement.  All long stay sites are to have a separate meter to record the electricity, if any, supplied to that site
Fire fighting equipment	A caravan park owner must, to the satisfaction of the council provide fire fighting facilities in or in relation to the caravan park.	Regulations set requirements for the availability and maintenance of fire hydrants. The fire hose reels must be constructed in accordance with the Australian Standard.	A fire hose in a facility is to be on a fire reel which is to be installed in accordance with the Australian Standard. Fire extinguishers in a facility are to be in accordance with the Australian Standard. Fire equipment at a facility is to be maintained in accordance with the Australian Standard.
Car park and parking	Not regulated	Regulations set requirements for visitor parking	Regulations set requirements for the construction and maintenance of car park and parking restrictions.

