

# Increases to Site Fees by CPI

Increases by CPI by operators needs to be evaluated by the reviewing panel.

In low inflationary environments increases to Site Fees by way of applying the CPI may seem an attractive option.

1. Should CPI increases be capped at say 3% when CPI escalates to rates above the CPI as they have done in the past.
2. Should CPI increases only be applied to the actually declared recurring expenses that are incurred in operating a village.

Currently the CPI is applied to the whole of the Site Fee paid by homeowners and that is approximately \$1,800,000 per year. For example in my village we have estimated that the recurring expenses are \$700,000 per year. However when the CPI increase is applied it is applied to the total Site Fees received.

## **An example if the the CPI was 3%**

Site fees paid = \$1,800,000 @ 3% = \$54,000\*\*  
Operating Costs = \$ 700,000 @ 3% = \$21,000\*  
Profit = \$1,100,000 @ 3% = \$33,000

\* I believe the CPI increase of 3% should only be applied to the bag of items that are used to calculate the CPI or the actual declared costs that it takes to run the village.

\*\* Current situation where CPI is applied to total site fees received.

## **An example if the the CPI was 6%**

Site fees paid = \$1,800,000 @ 6% = \$108,000\*\*  
Operating Costs = \$ 700,000 @ 6% = \$42,000\*  
Profit = \$1,100,000 @ 6% = \$66,000

\* I believe the CPI increase of 6% should only be applied to the bag of items that are used to calculate the CPI or the actual declared costs that it takes to run the village.

\*\* Current situation where CPI is applied to total site fees received.

Due to the lack of time available to consider this aspect of site fees this submission is light on details. However until operators are forced to declare their actual expenses this will be shrouded in mystery .