

# ARMY LEAVE CENTRES: THE CASE FOR TARIFF CHANGES

A key objective for the Army Welfare Executive (AWE) is to achieve a break-even financial performance from Army Leave Centre (ALC) operations and for members to access quality holiday accommodation at moderate cost. A break-even position will maintain Army Central Welfare Fund (ACWF) equity at a level that provides benefits for current members and for our members of the future.

### Historical Context

The ALC facilities were only made possible due to the significant commitment that the Army made to the 1951 Waterfront strike. In recognition of that critical commitment the government of the day made a gratuitous payment to the Army to recognise the service of the full-time soldiers. The military leadership showed foresight and vision by placing the funds into a welfare scheme, and the ACWF was established.

### Situation

ALC income has fallen short of annual operating costs in the last five years by, on average \$179,000 per annum, as per the table below. Viewed another way, the deficit performance has reduced ACWF equity (soldier funds) by \$895,000 and action to improve financial performance is now necessary.

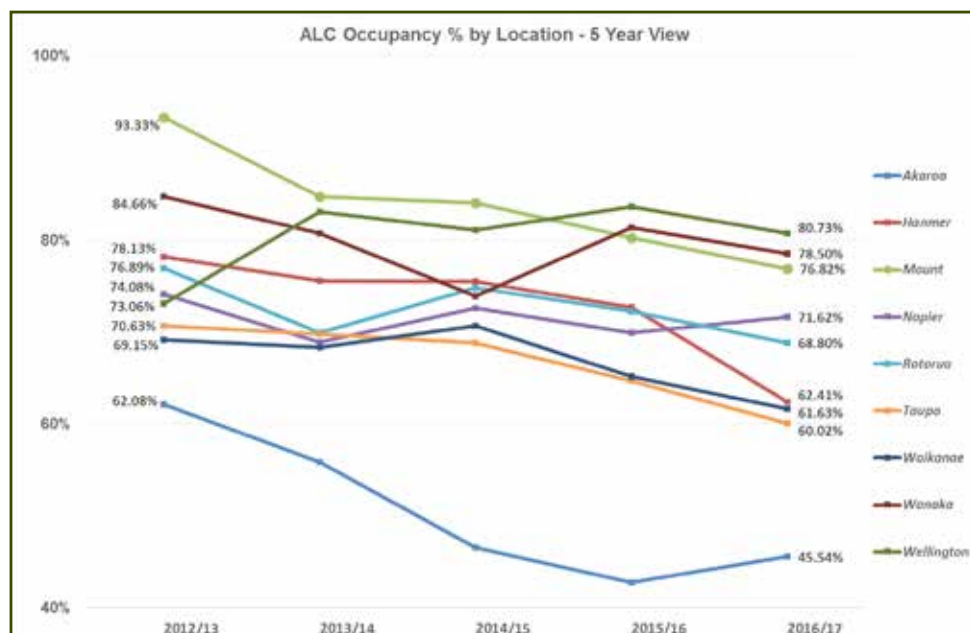
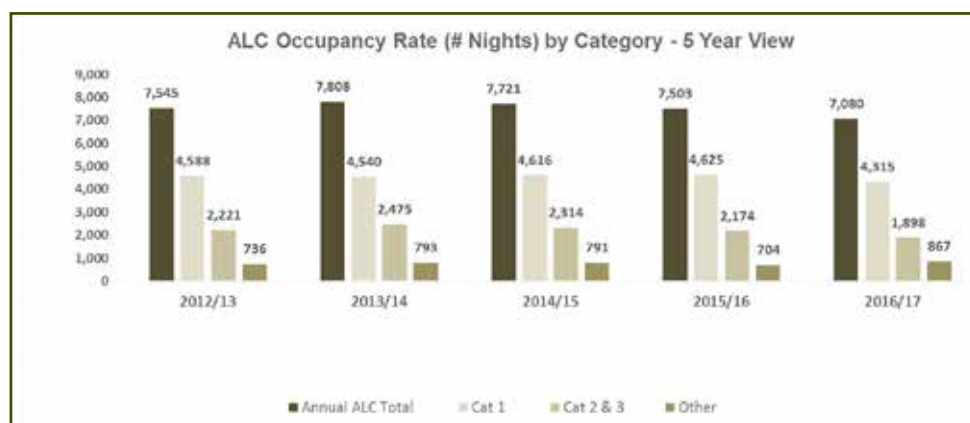
### New Zealand Army Leave Centres Financial Performance

	2017	2016	2015	2014	2013
	\$000	\$000	\$000	\$000	\$000
<b>Operating Revenue</b>					
Tariff Income	386	412	417	352	334
Interest Income	6	5	3	2	3
Other Income	2	3	3	2	0
	394	420	423	356	337
<b>Operating Expenses</b>					
Custodian Employment Costs	143	148	143	144	133
Property Operating Costs	159	199	171	174	160
Property Maintenance Refurb/Disposal Costs	74	62	83	71	117
Other Expenses	3	6	19	4	7
Depreciation	154	161	157	171	162
	533	576	573	564	579
<b>Operating Surplus (Deficit)</b>	<b>(139)</b>	<b>(156)</b>	<b>(150)</b>	<b>(208)</b>	<b>(242)</b>

Annual results suggest that the financial gap is improving but only direct ALC operational costs are included. One-off costs of major refurbishments, significant maintenance projects and the ALC booking system (on the Hub) are funded by the ACWF; not ALC funds, and are not included. To reduce the deficit, a decision was taken in 2016/17 (and remains in 2017/18) to constrain expenses to only essential safety and maintenance, which has reduced the deficit, but the gap is still too high.

### Occupancy

ALC Category and Location occupancy over the last five years is shown in the following graphs. A level of decline is clearly evident and comes at a time when fixed costs are also rising – rates, insurances, electricity, maintenance, workforce costs. Whilst never a popular nor easy decision, increasing tariff rates will help to address the situation and preserve ACWF equity – your funds.



### Tariff Changes

A uniform increase of \$20/night (\$15/night for Wellington Apartments) has been approved in Category One but the majority of the increase will be passed on to non-members in Category Two and Category Three. If ALC occupancy rates (and income) show improvement the AWE will review tariff levels, but a prolonged period of further operating deficits will require a review of the current ALC property footprint.

### Category One Differential

The tariff differential between Regular Force (RF) personnel and other Category One members has been raised as being inconsistent with our One Army strategy. ALC tariffs have always reflected a differential between the RF and the Army Reserves and the permanent Civilian workforce. The lower tariffs are set at levels that reflect:

- The legacy of full-time soldiers during the 1951 Waterfront Strike. The RF are founding members of the ACWF and Army Reserves and permanent Civilian staff were provided Category One benefits in later years to reflect the principles of being One Army and the AWE considers a tariff differential is still relevant today.
- The contribution that RF members make to Army Non-Public Funds income from compulsory mess and unit private fund fees, sports clubs fees, Corps funds which Army Reserves and permanent civilians are, typically, exempted from.
- The unique sacrifice that full-time service requires on training, coursing, preparing for operations and operational deployment. The lower tariffs incentivise the use of ALC to provide respite from service commitments and allow time with family. For these reasons, Reserves on Short Term Regular Force Engagements (STRFE) are given the same ALC benefits as the RF.

### Eligibility

A review of operations highlighted that current ALC eligibility criteria is not fully meeting access for Army priority members: full-time personnel and families, members who need additional welfare support and deployed personnel and dependents. The new ALC eligibility criteria will ensure:

- Army RF personnel have priority access during ALC peak demand periods
- Army people can reach out to use facilities in times of need
- Army deployed personnel and dependents retain priority access
- Army Reserves and the permanent Civilians retain other Category One benefits
- Army units can better plan for and book ALC facilities six months in-advance

### Future

The AWE is committed to providing members the right mix and access to welfare benefits that represent value for money, that are delivered in a sustainable way and that leave a legacy for members in the future.

### The following ALC changes that will take effect from 1 April 2018<sup>1</sup>:

Category ONE	New Tariff Rate	Wellington Apartments (Only) <sup>2</sup>
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a. NZ Army Regular Force (includes Deployed Army Personnel):

i. Private to Corporal	\$60	\$75
ii. Sergeant to Captain	\$65	\$80
iii. Major and Above	\$75	\$90

b. NZ Army Reserve

\$75 \$90

c. NZ Army Civilians

\$75 \$90

d. Compassionate at NZ Welfare Discretion

6 months in advance booking entitlement. Only NZ Army Regular Force eligible in ALC ballot periods and deployed personnel have booking in priority (see also note 3 below).<sup>3</sup>

### Category TWO

a. Ex-NZ Army Regular Force	\$90	\$105
b. Ex-NZ Army Reserve	\$90	\$105
c. Ex-NZ Army Civilians	\$90	\$105
d. NZ Army Units	\$90	\$105

6 months in-advance booking entitlement. No ALC Ballot Period entitlement.

### Category THREE

a. RNZAF and RNZN Regular Force	\$95	\$110
b. Other NZDF/Sponsored Civilians	\$95	\$120
c. NZ Police, NZ Fire Service and eligible NZ RSA	\$95	\$120
d. Other NZDF Units and Groups	\$145	\$150

3 months in-advance booking entitlement. No ALC Ballot Period entitlement.

<sup>1</sup> All current ALC paid bookings are not affected by this change.

<sup>2</sup> The Wellington Apartments tariff rates above do not include a mandatory \$47 service fee, per booking.

<sup>3</sup> Dependents of Deployed Army Personnel book by Email: [army.leavecentre@nzdf.mil.nz](mailto:army.leavecentre@nzdf.mil.nz) or Phone: 0800 111 823 (Option #1). Refer also to the ALC booking conditions at <http://org/l-ags/pages/HR/Welfare/lc/alc-home.aspx> in the Deploying Personnel page.