



# Meeting the changes

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As the number of convention centres and their capacities continue to grow worldwide, traditional practices are becoming outmoded. New competitive demands and owner expectations over the past few years are forcing a rethink when it comes to such areas as funding and management. Much of this is driven by changing industry economics, with the availability of bigger and better convention

venues creating something of a "buyer's market".

Costs are a primary consideration for centre clients because an annual convention's profitability generally has a major bearing on an association's income. At the same time, associations are more aware than ever of the economic benefit they bring to venues, and are prepared to use this leverage in negotiations.

However, an environment of increasing fiscal restraint among government owners is evident, with many looking for profitability or at least reduced deficits from centres that have, in many areas, been "loss leaders" for the greater economic benefits they generate. Convention centre managers are caught in the middle, looking for new ways to meet these challenges. The questions are: how did we get to this point, and where will things go from here?

The first generation of purpose-built, stand-alone centres were generally built and run under a public ownership/public management model. The cost of development and ongoing operations were rationalised on the basis of the incremental economic benefit of the events hosted.

Then there was an evolution in some areas toward private management, what might be termed a public ownership/private management model. The result was the introduction of outsourced management contracts and sometimes joint ventures — a trend that today is far stronger in North America and the Asia-Pacific than in Europe.

the building and management of convention venues by the private sector. The result is convention centres "under the same roof" with hotels, casinos or retail complexes rather than being separate, stand-alone entities as in the traditional model. Such relationships are formalised into long-term public/private partnerships.

Now the hotel sector is also pursuing conventions, with major meeting capacity being incorporated into property development and expansion — a trend that again has been the case for a long time in North America but is now also an emerging trend in other continents.

In some cases, governments have used development concessions or support funding for hotel projects in return for the inclusion of expanded meeting capacity, thus realising their aim to enter the convention venue business without directly assuming development and management responsibilities themselves.

These new models will not completely replace earlier models for the simple reason that circumstances, challenges and opportunities vary significantly in different parts of the world, and governments must respond to their own particular



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Now we are seeing the beginnings of a third phase, and again it is based largely on evolving industry economics. Governments still recognise — or in some cases are just waking up to — the importance of attracting conventions, with all the accompanying benefits such as incremental economic impact, networking and education opportunities for local professional and business communities, and leveraging local industry and trade development. However, at the same time they are also faced with competing needs for capital resources, a desire to share and spread the financial risk and pressure to lessen public-sector involvement in non-core activities and services.

The result appears to be a greater willingness to explore a broader range of creative initiatives, to establish or expand convention amenities so that cost can be managed, while ensuring the country or city is not being left behind in this increasingly competitive environment.

One of the new approaches is based on trading off public assets, such as surrounding hotel, real estate or retail development rights or casino licences, in order to finance

circumstances. However, I believe that convention venues with mixed-use amenities and mixed equity structures represent an important part of the future of the industry.

Convention centre managers should be invigorated and challenged by both healthy competition and the changes it brings to traditional approaches. It tests professionalism and ensures that the quality standards of both individual venues and the industry are constantly being improved, which can only be good for clients and their delegates.

The industry needs to acknowledge and embrace these changes. Industry associations like AIPC provide a global forum where information is readily shared and strategies explored among colleagues. The challenge for venue managers is to balance a need to compete aggressively while at the same time working together on the best ways to address common needs and challenges. In the end, such an approach will lead to more successful adaptation of evolving industry demands — and better meet the needs of customers.

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