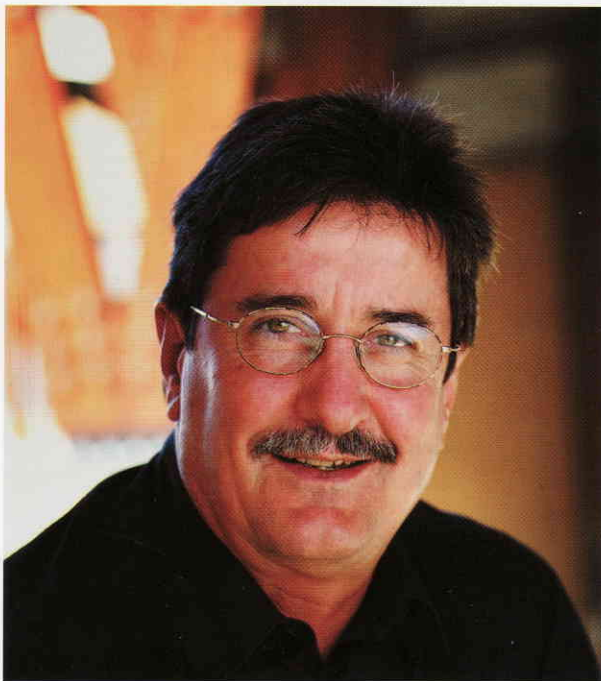


CONVENTION CENTRES: IS THE MODEL EVOLVING?

AS THE NUMBER AND CAPACITIES OF CONVENTION CENTRES CONTINUE TO GROW WORLDWIDE, MANY OWNERS ARE ALSO REVISITING THE GOVERNANCE AND OPERATIONAL MODELS THAT SUPPORT THEM. GEOFF DONAGHY OF THE CAIRNS CONVENTION CENTRE LOOKS AT THIS EMERGING TREND



The expanding capacities and improving quality of convention venues has created something of a 'buyers market' over the past few years; this is a primary consideration for centre clients because the profitability of an annual convention is generally a big part of an association's income, allowing them to provide better services to their members. At the same time, associations are more aware than ever of the economic benefit they bring, and prepared to use this in their negotiations with venues.

However, there is now also an environment of increasing fiscal restraint amongst government owners, many of whom are now looking for profitability or at least reduced deficits from centres which in many areas have traditionally operated as "loss leaders" for the greater economic benefits they generate. Convention centre managers are caught in the middle, and looking for new ways to meet these challenges. The questions are. "How did we get to this point? Where will things go from here?"

The first generation of purpose built, standalone centres were generally built and operated under a public ownership/public management model. Under this model, the cost of development and ongoing operations were rationalised on the basis of the incremental economic benefit the facilities created through the events they hosted. The next stage was an evolution in some areas toward private operators being brought in to add management expertise - what might be called a public ownership/private management model. The result was the introduction of outsourced management contracts and sometimes joint ventures - a trend that even today is much stronger in North America and Asia-Pacific than it is in Europe.

Now, we're seeing the beginnings of a third phase, and again it's based largely on evolving industry economics. Governments still recognise (or in some cases are just waking up to) the importance of attracting conventions, however, at the same time they are also increasingly faced with competing needs for capital resources, a desire to share and spread financial risk and pressure to reduce public sector involvement in non-core functions and services.

The result appears to be a greater willingness to explore a broader range of creative initiatives to establish or expand convention facilities in order to

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manage cost while ensuring their countries or cities are 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 licenses, in order to finance the construction and management of convention facilities by the private sector. The result is convention centres “under the same roof” with hotels, casinos or retail complexes rather than being separate, standalone entities as the traditional model would dictate, with relationships formalised into long-term public private partnerships.

The hotel sector is now also pursuing the conventions area, with major meeting capacity being incorporated into many new hotel development and expansions – a trend that again has been the case for a long time in North America but now

also a strong emerging trend in other continents. In some cases, governments have used development concessions or support funding to hotel projects in return for the inclusion of expanded meeting capacity, thus realising their desire to get into the convention venue business without directly assuming development and operational responsibilities themselves.

These new models won't 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 circumstances. However, I believe that convention venues with mixed use facilities and mixed equity structures represent an important part of the future of the industry.

As convention centre managers, we should be

invigorated and challenged by both healthy competition and the changes it brings to traditional approaches. It tests us as professional managers and ensures that the quality standards of both our individual venues and the industry we are part of are constantly being improved – something that can only be a good thing for our clients and their delegates.

The challenge for ourselves as facility managers is to balance a need to compete aggressively while at the same time working together on the best ways to address our common needs and challenges. In the end, this kind of approach will allow us to adapt more successfully to evolving industry demands – and better meet the needs of our customers. ■

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