



GEOFF DONAGHY, CAIRNS CONVENTION CENTRE

**AIPC MEMBERS SPEAK**



**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. TRADITIONAL APPROACHES TO AREAS SUCH AS FUNDING AND MANAGEMENT ARE NOT ALWAYS ABLE TO MEET THE COMBINED EFFECTS OF NEW COMPETITIVE DEMANDS AND OWNER EXPECTATIONS THAT ARE NOW BEING PLACED ON CENTRES, AND AS A RESULT OTHER OPTIONS ARE GETTING MORE ATTENTION THAN THEY WOULD HAVE EVEN A FEW YEARS BACK.

TEXT **GEOFF DONAGHY**, CAIRNS CONVENTION CENTRE

Much of this is being driven by changing industry economics. 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, and where will things go from here?

The first generation of purpose built, stand-alone centres were generally built and operated under a public ownership/public management model. Under this model, the cost of development and ongoing operations were rationalized 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 recognize (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 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 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, stand-alone entities as the traditional model would dictate, with relationships formalized 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 realizing 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 profes-

sional 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.

Our industry needs to acknowledge and embrace these changes with industry associations like AIPC providing a global forum where information is readily shared and strategies explored amongst colleagues. 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

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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.

**Geoff Donaghy is Managing Director of the Cairns Convention Centre.**

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