

Reconciling the 'Odd Couple'

By Rod Cameron, Director of Programming & International Development for AIPC

Surveys suggest that almost 70 per cent of convention centres have a level of government ownership.

This means most centre owners deal in an area far removed from their core job of administering public policy, which means many may be challenged to even understand the industry. Consequently, the economics of convention centres are poorly understood by many.

From the management side, the situation can be just as difficult. The priorities and instincts of the political process do not lend themselves well to a market environment, particularly in a challenging global business sector. In the worst case, a centre may have to deal with political issues while trying to perform in an intensely competitive private business environment.

Meantime, convention centre clients just want the best possible value for their event, and have a world of choices available.

Why are governments typically owners? Simply because the economics of the industry demand a "patient" investor, and governments are among the few falling into this category. Consider that:

- Organisers believe their events will deliver

significant economic benefits to a host destination, so expect attractive venue rates.

- When returns do appear, they are dispersed throughout the host community. Governments can benefit through incremental tax returns from convention-related activity.
- Major events book far in advance, which means it takes a long time to deliver a return.
- Events hosted by convention centres can support many areas of government policy – professional development, for example – but contribute little to a centre's bottom line.

More governments are recognising the many varied benefits of a convention centre, and this puts pressure on centres to compete more effectively.

Here are five factors that could help turn a potentially dysfunctional relationship into one that benefits both parties ...

1. The owner needs to clarify objectives for the centre. Today there is more recognition of the role centres play in such areas as economic growth, investment, professional and business development, and destination positioning. These broader objectives need to be defined.

2. The single-purpose, government-owned corporation may well continue to be favoured for managing a centre, but how that corporation should be governed needs to be determined as well as the appropriate mix of stakeholder representation. Board members' first allegiance should be to their governance responsibilities.

3. Owners need to understand how industry economics work, and set realistic goals. An owner needs to recognise that to some extent a centre must work as a "loss leader".

4. An owner should create a dedicated revenue source. Assigning a portion of incremental tax revenues generated by the centre or revenue sources (such as parking) can contribute to a centre's bottom line.

5. The owner should create an arms-length relationship between politics and business decisions.

By acquiring knowledge and clarifying expectations, government owners can help ensure effectiveness while meeting their obligations.

• For further information, contact Marianne de Raay (marianne.de.raay@aipc.org) or visit www.aipc.org



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