

# Reconciling 'The Odd Couple'

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50 YEARS

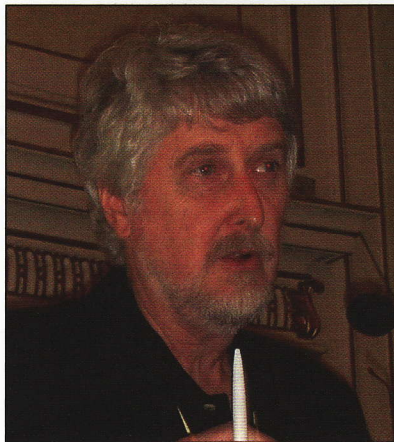
**Rod Cameron, director of programming and international development for AIPC, on the dysfunctional relationship of governments and convention centres.**

Recent surveys suggest that almost 70 per cent of convention centres are owned by some level of government. Such a figure doesn't seem particularly significant until you realise it means that a large majority of centre owners are dealing in an area far removed from their core function as administrators of public policy. With many challenged to understand even how the industry works. At the same time, governments change, and over time and a number of different administrations, corporate memory fades, often leaving a situation where the current administration may not even remember why they're in this business in the first place.

One of the consequences of this situation is the fact that the economics of convention centres are poorly understood, if not a complete mystery, to many owners whose decisions will nevertheless hugely impact how effective their investments in such facilities on behalf of the taxpayer will be. None of this is consistent with the kind of good stewardship that governments are supposed to apply to public assets under their responsibility.

The situation can be just as difficult from the operator side. Few business operations (other than utilities) are put in this kind of position relative to government, and for good reason. The priorities of the political process do not lend themselves well to those associated with a market environment, particularly one that has to function in a challenging global business sector. At its worst, such a relationship can create the worst of all worlds, with centres having to deal with a wide range of political issues on the one hand while also having to perform in an intensely competitive private business environment on the other.

The fact is, a convention centre's clients don't care who owns the facility, nor do they care what kinds of policy restraints the operator is dealing with; what they do know



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is that they want to get the best possible value for their event - and they have a world of choices available to them.

So why are governments typically owners?

Quite simply, because the economics of the industry have created conditions where a 'patient' investor is required, and governments are among the very few that fall into this category. Consider that:

- Industry pricing is based on an understanding by event organisers that their events will deliver significant economic benefits to a host destination, and they expect recognition for that in the form of attractive facility rental rates. As a result, convention centres often operate for the greater economic benefits they create rather than being profit centres in themselves. While some are able to generate an operating profit, very few can retire the capital cost of building them in the first place.
- When the returns do appear, they will be dispersed widely throughout the host community (based on delegate spending)

rather than concentrated in a way that enables an operator to capture them. In fact, only governments are in a position to capture a part of the overall benefit through incremental tax returns resulting from convention related activity in the local economy.

- Major events book far in advance, which means something booked today may not deliver a return for five years or more – a period that few private investors can afford to contemplate.
- Convention centres and the events they host also directly address many other areas of government policy – economic, community and professional development, for example – that are of specific value to governments responsible for advancing these, but contribute little to a centre's bottom line and are of no interest whatsoever to a private investor.

These circumstances suggest that this relationship isn't likely to change any time soon. In fact, more governments around the world are recognising the benefits that having a convention centre can generate, and are rushing to participate in an industry that can attract everything from investment and business development to new visitor revenues and global attention.

So better than simply identifying the problems inherent in such a relationship, is

**AIPC is an international association of over 160 of the world's leading convention and exhibition centres.**

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