

2013

# Review of Visitor Information Services Discussion Document



Shire of Roebourne

12/11/2013

## **1. Introduction**

Tourism is an essential component within one of the four critical themes of Council's Strategic Community Plan 2012-2022, that being the development of a well managed and diversified local economy. As Council's overarching economic development strategy is further refined and developed through the Local Planning Strategy process, tourism will continue to be a growth area for economic diversification with its own specific emphasis. The need for a sustainable approach to the operation of visitor information services is a critical action of the economic diversification strategy.

Strong financial support of the visitor centres is essential to ensure their on-going viability. If Council were to significantly decrease or cease funding altogether, essentially the visitor centres would have to cease operations, with resultant job losses depriving the community of an important visitor servicing role.

However it must also be said that increasing costs and continued financial dependence on the Shire is not desirable in the long term. The current operating model of the two visitor centres bring with it dual overheads of management, governance, systems, functions, memberships, funding, promotion and marketing.

## **2. Purpose of Visitor Information Services Review**

To review the activities and operations of both visitor centres with a view to:

- Identifying opportunities to achieve economies in the operation of both centres;
- Enhance/improve outcomes in service delivery;
- Increasing general operational efficiencies of both centres;
- Recommending a sustainable alternative operating/governance model

## **3. Background to Visitor Centre Funding**

The Shire of Roebourne has, for over a decade, been the principal funding partner for the Karratha and Roebourne Visitor Centres via an annual funding contribution as part of its role in supporting community, business and industry in the region. The Visitor Centres are both operated as incorporated bodies with a board of management. From 2001, Visitor Centres budget allocations were based on the following contribution model from the Shire of Roebourne Tourism Policy (2001) which was in effect at that time:

- Karratha Visitor Centre – contribution should not exceed 30% of Visitor Centre gross income; and,
- Roebourne Visitor Centre – contribution should not exceed 60% of gross income with a two-year objective of 50% of income.

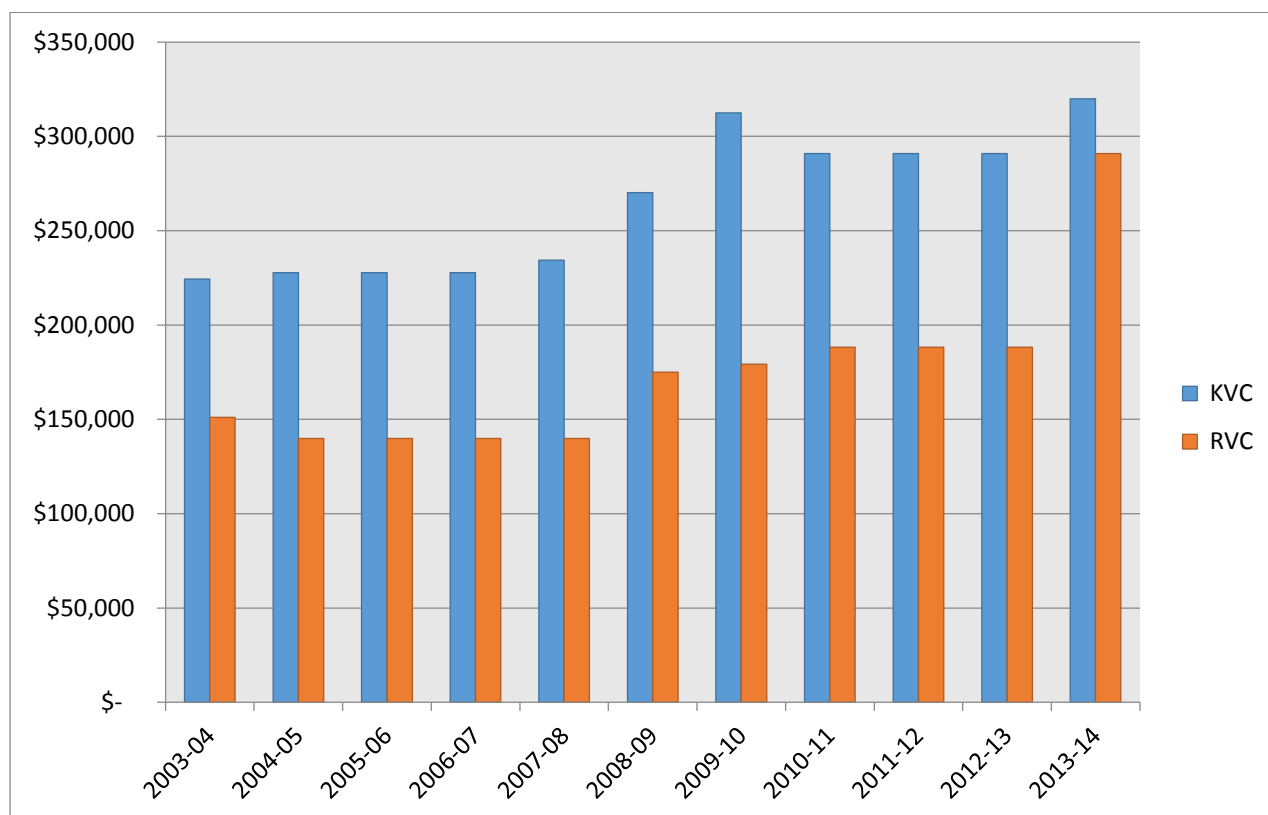
Since that time budget allocations have variously been adjusted due to visitor centre applications at that time (e.g. 2007/8) or CPI or 5% (whichever was greater) adjustments during the periods 2008/9 through to 2010/11. For the 2011/12 financial year, Council's contribution was 58% of Karratha Visitor Centre's gross income and 80% of Roebourne Visitor Centre's gross income.

In January 2011, Council wrote to both visitor centres requesting that they develop new strategic plans, with a minimum of three years duration, to take them to the next level of sustainable development and operation. Particularly they were requested to identify opportunities for partnerships with industry and identify opportunities for revenue generation and product development. It was made clear that ongoing funding at the current levels was unsustainable and that the ongoing business plans needed to reflect a decreased reliance on Shire funds for operation. They were further advised to explore additional opportunities for collaboration with each other.

Accordingly, the funding allocations for both 2011/12 and 2012/13 were held at the same levels. Funding periods within the last five years have ranged from 3 year agreements (2008/9-2010/11) reduced to one year agreements for 2011/12, 2012/13 and 2013/14. In addition it should be noted that the RVC has signed a three year agreement with Rio Tinto for \$380,121 which according to the RVC Strategic Plan is to increase tourism services, support port to port tours, issue rail access road passes and to conduct cultural awareness tours. The RVC Strategic Plan also references a funding agreement with Rio Tinto for facility maintenance and minor upgrades.

For 2013/14 Council resolved to increase funding to both visitor centres with an allocation of \$290,873 (increase of \$102,607) for Roebourne and \$319,960 for Karratha (10% increase).

**Fig 1. Visitor Centre Funding 2003/04-2013/14**



## 4. VISITOR CENTRE PERFORMANCE

The following charts detail Visitor Centre visitor numbers; income, expenditure and profit/loss; cost per visitor and return on investment.

### 4.1 Visitor Numbers

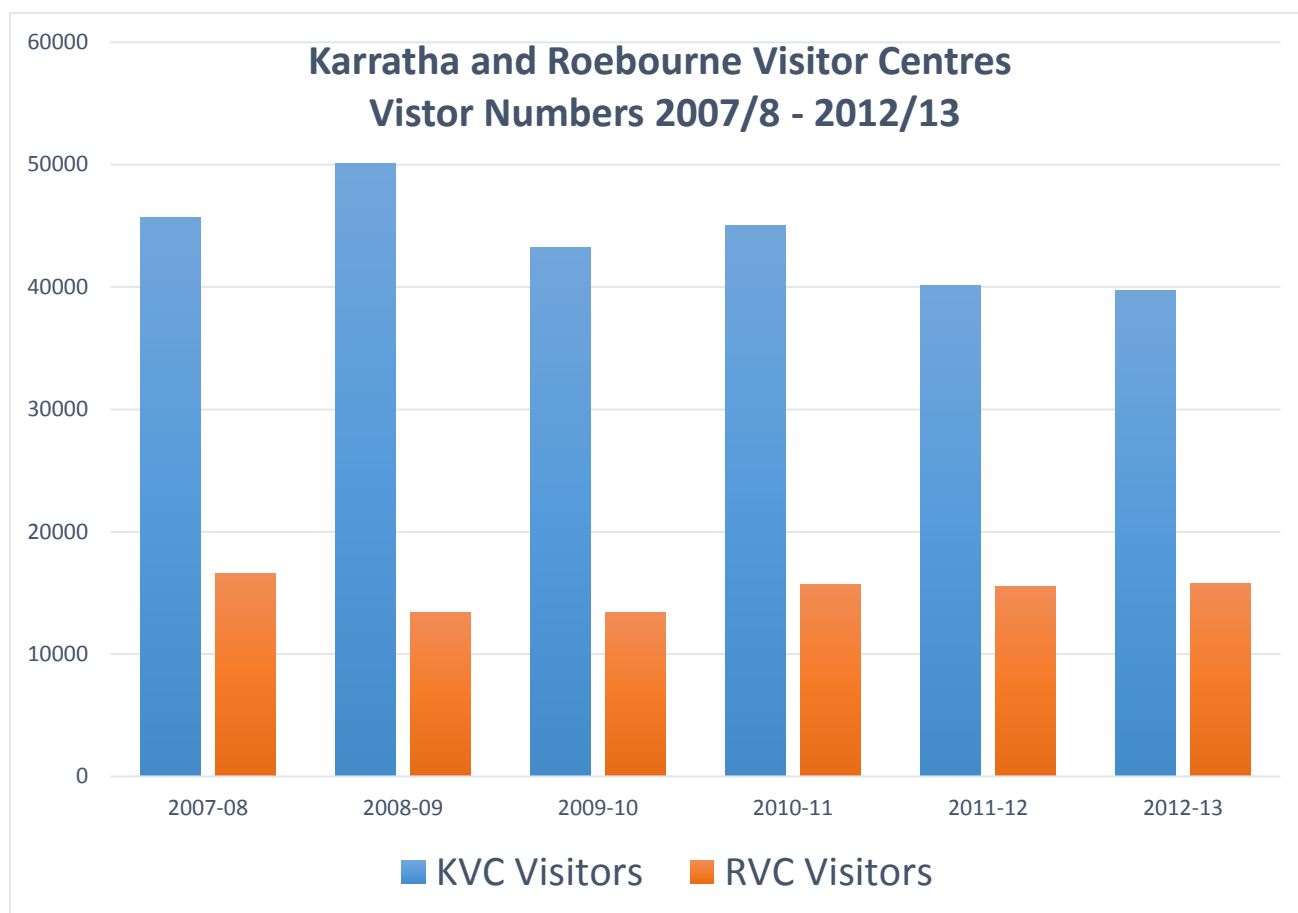


Figure 2: Karratha and Roebourne Visitor Centre – Visitor Numbers 2007/8 – 2012/13

Karratha Visitor Centre numbers have ranged from 40,000 – 50,000 per annum with an average of 45,000 per annum over the last six reported years. Roebourne Visitor Centre numbers have ranged from 13,300 – 16,500 per annum with an average of 15,000 per annum over the last five reported years. 2012/13 figures have been consistent with 2011/12 figures for both visitor centres with a slight increase for Roebourne and a slight decrease for Karratha.

## 4.2 Income and Expenditure

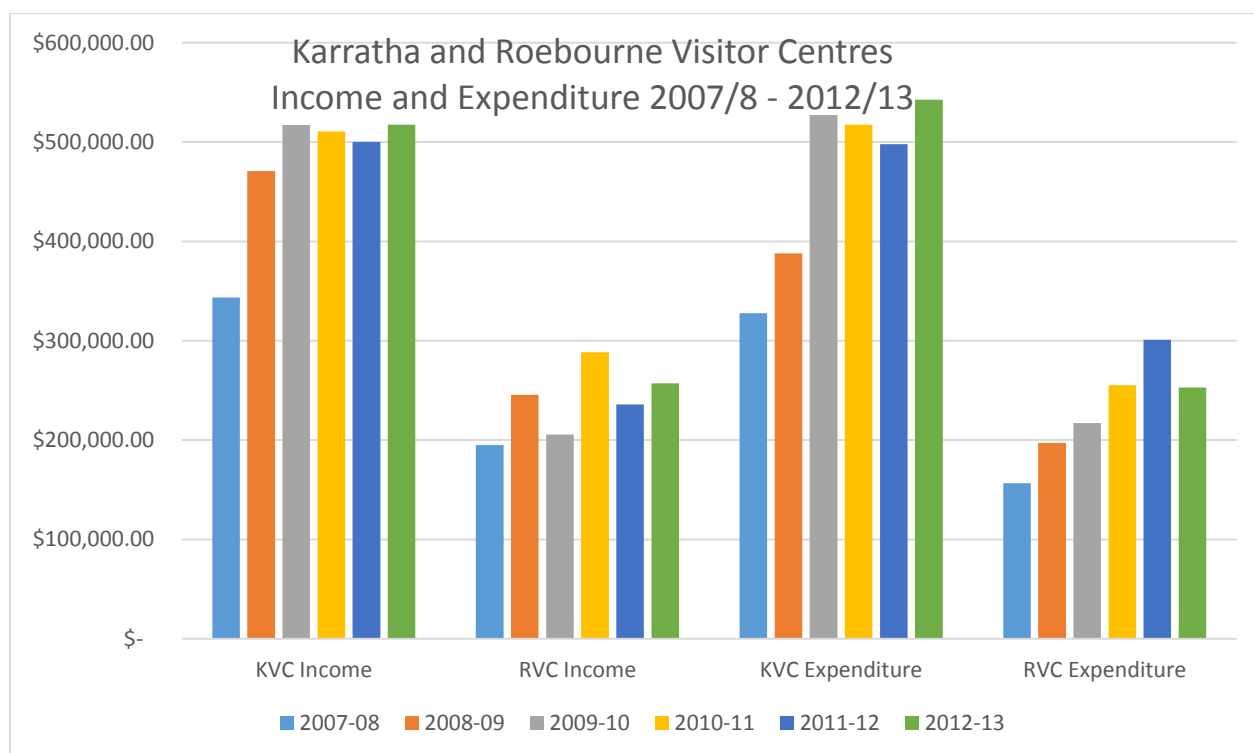


Figure 3: Karratha and Roebourne Income and Expenditure 2007/8-2012/13

From 2009/10 to 2011/12, Karratha Visitor Centre had shown a 5% decrease in expenditure whilst Roebourne Visitor Centre has shown a 92% increase in expenditure over the last five years. For 2012/13, Karratha Visitor Centre had shown a 9% increase in expenditure whilst Roebourne Visitor Centre has shown a 15% decrease in expenditure.

### 4.2.1 Profit and Loss

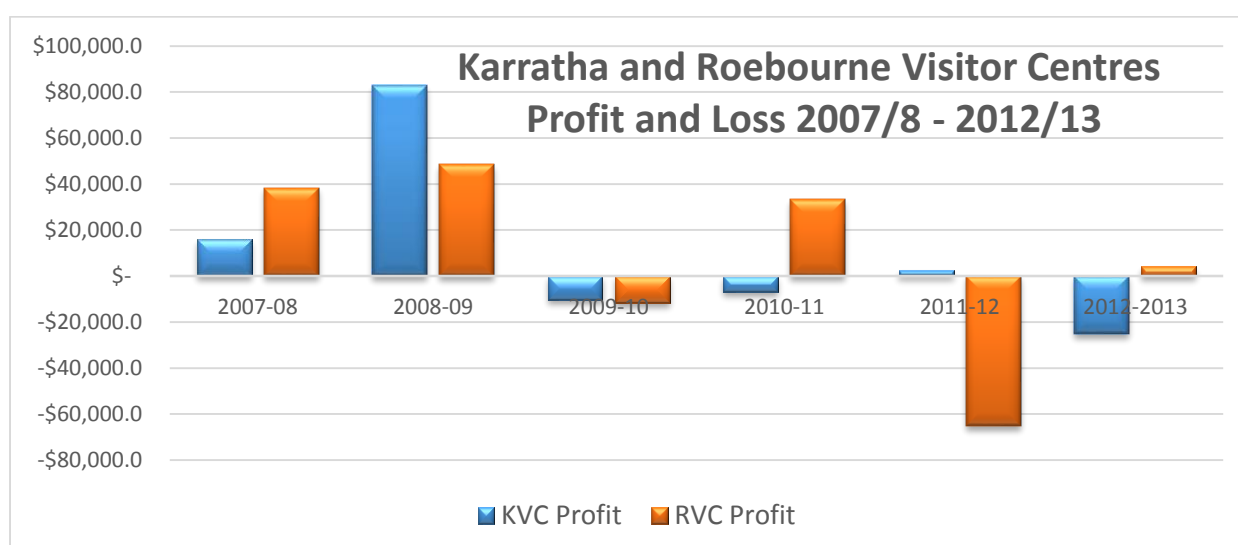


Figure 4: Karratha and Roebourne Profit and Loss 2007/8-2011/12

Profit margins for both visitor centres have fluctuated significantly over the last five years with both having substantial profits in the years 2007-2009 with less profitable years subsequently. Roebourne had a \$93,000 turnaround from a \$33,000 profit in 2010/11 to a \$60,000 loss in 2011/12. The latter loss was primarily attributed to a wages blowout due to an initiative to fund an Arts and Craft employee.

For 2012/13 Roebourne significantly improved with a modest profit of \$4,197 which is a net turnaround of nearly \$70,000 whilst Karratha had a loss of \$25,078 after a modest profit of \$2,328 the previous year.

#### 4.2.2 Visitor Centre Cost Per Visitor

The following table represents a cost per visitor indicator. It is calculated by dividing the funding allocation by number of visitors for each visitor centre.

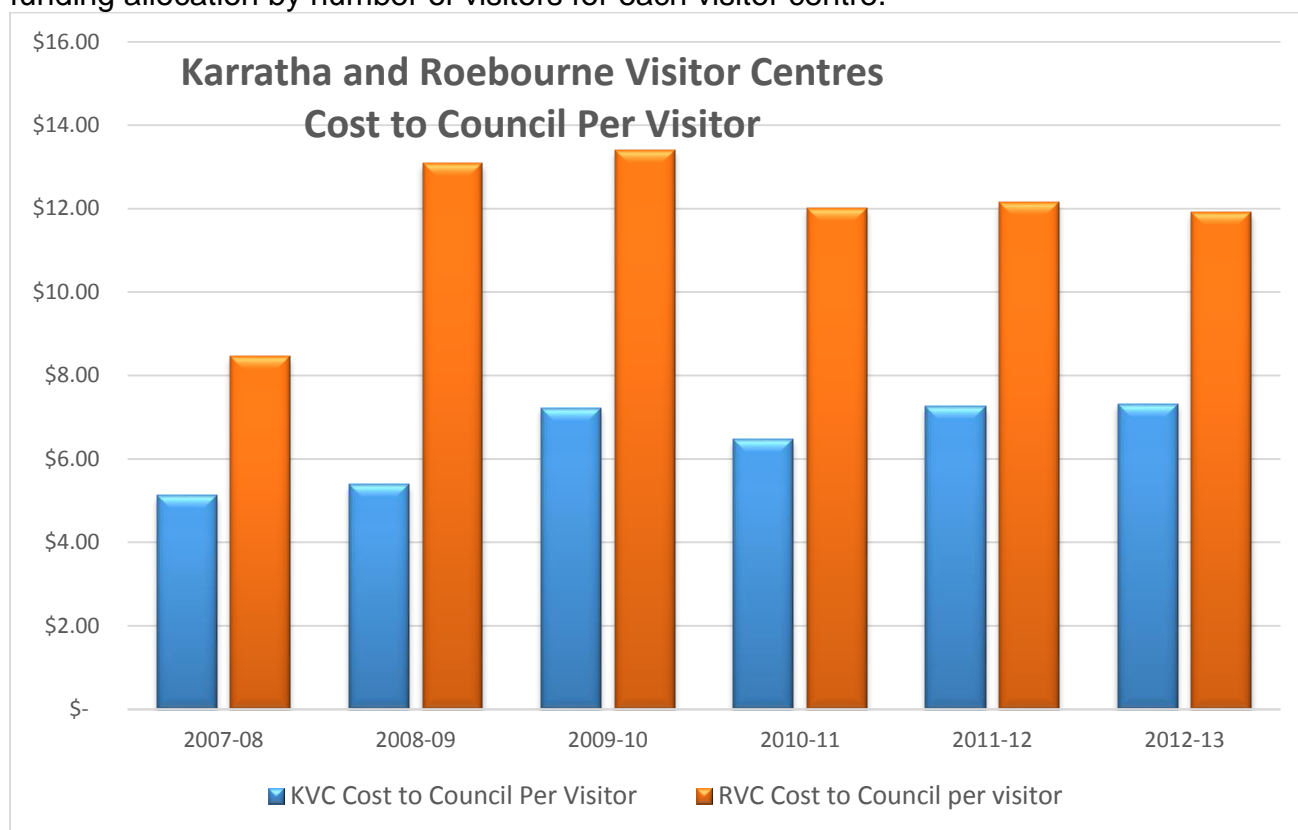


Figure 5: Karratha and Roebourne Cost to Council Per Visitor 2007/8-2012/13

Costs per visitor have been consistently higher for Roebourne than Karratha over the last five years, however Roebourne has been gradually improving since 2009/10.

#### 4.2.2 Return on Investment

The following table represents the return on Council's Investment. It is calculated by dividing the total income of the visitor centre by the funding allocation for each visitor centre.



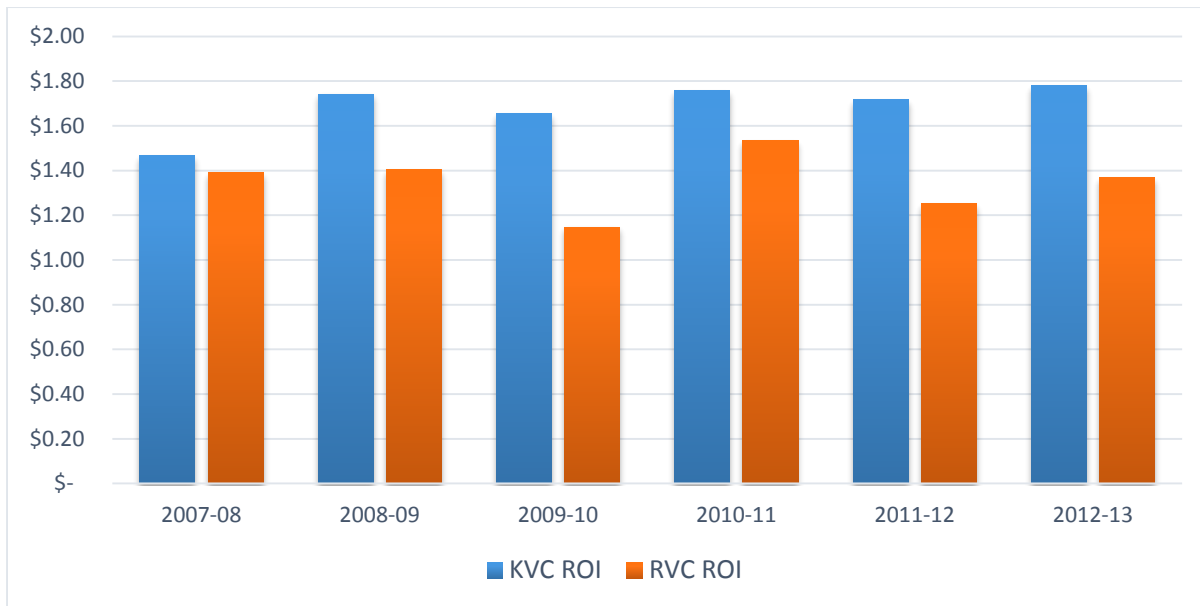


Figure 6: Karratha and Roebourne Return on Investment (ROI) 2007/8-2012/13

The Return on Investment for both Visitor Centres have fluctuated over the last five years however Karratha Visitor Centre has shown consistently higher return on investment than Roebourne Visitor Centre. Both visitor centres improved for the 2012/13 financial year.

#### 4.3 Karratha Visitor Centre (KVC) – Specific Performance

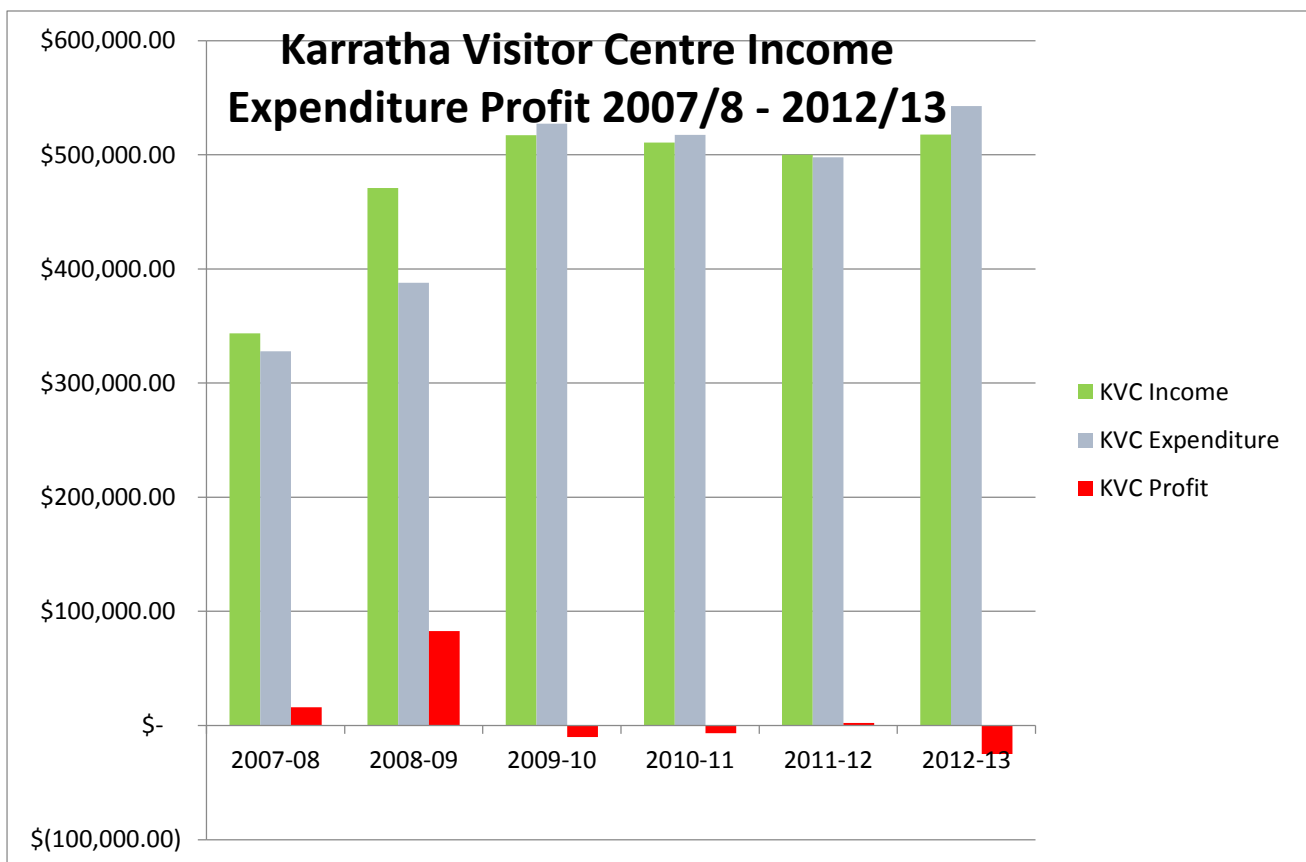


Figure 7: Karratha Visitor Centre Income, Expenditure, Profit 2007/8 – 2012/13

### 4.3.1 KVC Performance for 2012/13

April 2012 – October 2012 Visitor Numbers 34,479

Income 2012/13	\$517,646 (2011/12 \$500,140)
Expenditure 2012/13	\$542,724 (2011/12 \$497,812)
Net Surplus from Operations	<b>-\$25,078</b> (2011/12 \$2,328)
Retained Surplus at 30 June 2013	\$408,561 (2011/12 \$433,640)

### 4.4 Roebourne Visitor Centre (RVC) – Specific Performance

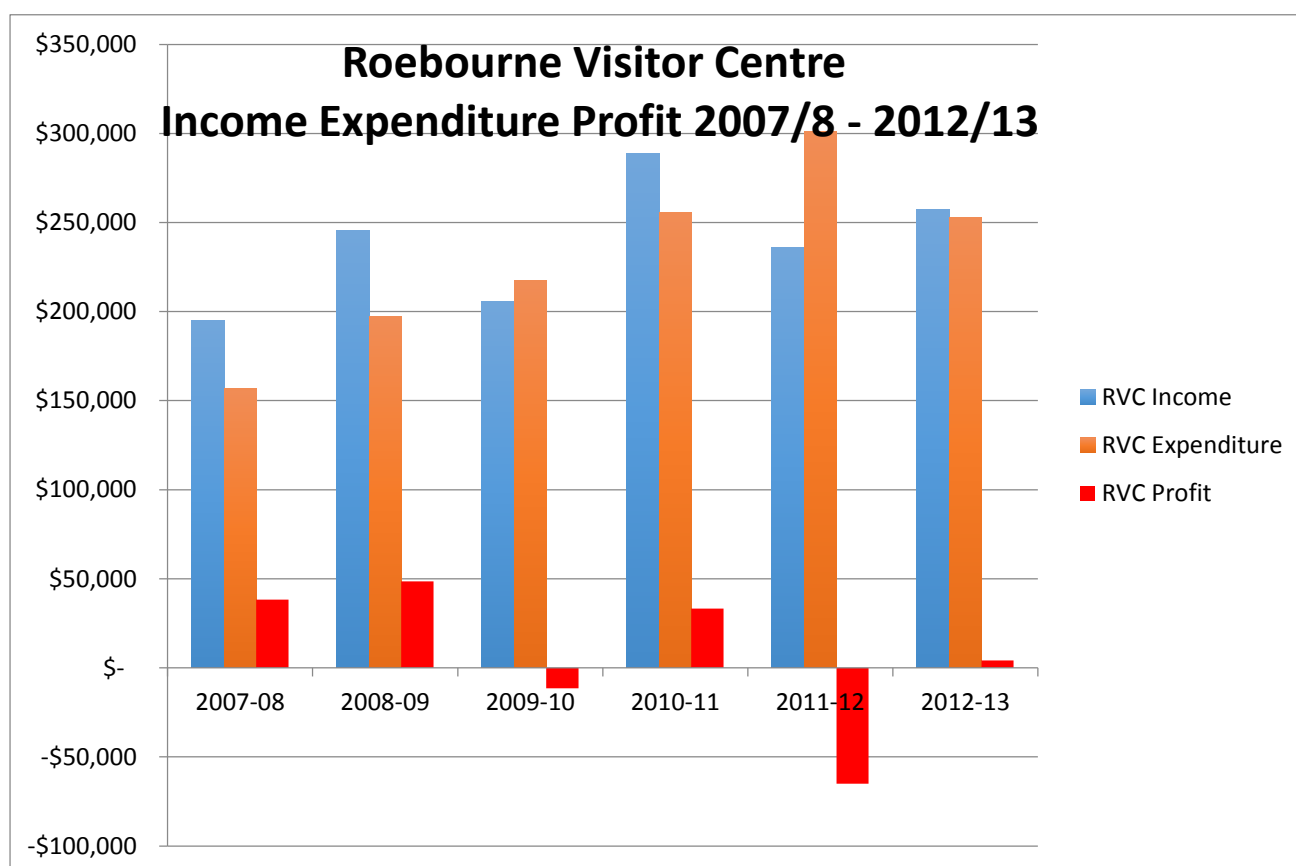


Figure 8: Roebourne Visitor Centre Income, Expenditure, Profit 2007/8 – 2010/11

#### 4.4.1 RVC Performance for 2011/12

2011/12 Visitor Numbers 15,600 (15,800 for 2010/11)

Income 2012/13	\$257,304 (2011/12 \$235,828)
Expenditure 2012/13	\$253,107 (2011/12 \$300,917)
Profit for the year	\$4,197 (2011/12 <b>\$65,088 loss</b> )
Retained earnings at 30 June 2012	(2011/12 \$86,552)

The financial performance of the RVC shows a significant improvement in 2012/13 with a modest profit of \$4,197 compared to a loss of \$65,088 the previous year which is a turnaround of \$69,285.



From a qualitative prospective, Roebourne Visitor Centre has been providing quality visitor information services as evidenced by the many complimentary testimonials provided by satisfied customers and further by being awarded of the Tourism and Hospitality Award for the 2013 Karratha and Districts Chamber of Commerce and Industry Business Excellence Awards. This being the third such recent award has now put the RVC into the KDCCI BEA Hall of Fame.

#### **4.5 Commentary on Visitor Centre Performance**

The Roebourne and Karratha Visitor Centres continue to provide a valuable visitor information service adding value to the tourism experience in our Shire. They are staffed by dedicated and experienced staff providing a high level of customer service.

However it must also be said that increasing costs and continued financial dependence on the Shire is not desirable in the long term. The current operating model of the two visitor centres bring with it dual overheads of management, governance, systems, functions, memberships, funding, promotion and marketing.

This view is supported by a report commissioned by the Pilbara Regional Council (PRC) into the operations of Pilbara Visitor Centres (Kadar Pearson and Partners, 2007) which highlighted the difficulty for Council in supporting two centres with duplication in information provision and services. The report recommended that the Shire of Roebourne reconsider its level of support as the duplications were inefficient and therefore offered poor value for money.

Council's investment of \$610,000 is the most significant of any Pilbara local government with the nearest comparative Council investment being the Town of Port Hedland which lies within the \$300,000's.

Consistent with Council's stated mission of ensuring excellent, efficient and innovative local government services, it would be strategic to consider a more sustainable operational model for delivery of sustainable visitor information services going forward.

### **5. Summary of KVC and RVC Strategic Plans**

#### **5.1 KVC**

The KVC Strategic Plan affords the vision for the KVC as leading a new approach to tourism in Karratha facilitated by the following guiding principles:

- Delivery of quality visitor services (identification of key markets, periodical visitor surveys to understand visitor patterns and demographics, retain accreditation, and delivery of quality customer service).
- Resources are responsibly managed (operations manual adopted and reviewed regularly, maximise staffing as a major operational cost, identification and development of new income sources, and reporting to the Shire against agreed KPIs).
- Members and community recognise the value of services provided (Member products promoted and sold, promotion of social and economic value of tourism, value for

money for membership fees, recommendation of use of visitor services, and KVC contributes to local amenity and diversity).

- Karratha and districts profile raised as a place to visit (active marketing to core target markets, market exposure, and destination profile leveraged through working with others).

## **5.2 RVC**

The RVC Strategic Plan notes the Centre's vision as the provision of friendly, accurate and impartial information that actively promotes the diversity and uniqueness of the Pilbara Region through access to quality product and services that create everlasting experiences for visitors. This is achieved via the following objectives:

- Organisational sustainability – review and development of the organisation's structure, systems and processes to ensure leadership, accountability, effectiveness and adaptability towards overall sustainability.
- Partnerships and collaborations – identify and develop partnerships and collaborations with a diverse range of stakeholders, funding bodies and other service organisations to increase business and service capacity.
- Product and Service development – participate in the development of tourism policies and strategies that contribute toward increased tourism products, services and marketing initiatives.

## 6. Models of Visitor Centre Management

The following matrix details the major types of visitor centre management models in existence in WA with examples, advantages and disadvantages of each model.

Operational Model	Examples	Advantages	Disadvantages
Individual Incorporated NFPs for both VCs managed by a Committee  (In 2004, 65 WA VCs were managed by a committee (65%))	Roebourne, Karratha, Broome, Derby	Community 'owned' and operated	Duplication and/or competition between the two centres in terms of governance i.e. boards, management, policies, procedures and systems, functions, memberships, funding, promotion, market focus, etc Board of management issues Increasing costs and financial dependence on the Shire Difficulties in moving towards a commercial mode of operation
Amalgamate visitor centres under one board and one management	n/a	Reduces Duplication Reduces costs Potential for improved governance and greater synergies between the two organisations	Disenfranchisement of existing board and staff
Shire Managed with Shire Staff  (In 2004, 26 WA visitor centres were directly run by Local Government (26%))	Tom Price, Moora, Kellerberrin, Mandurah, Bunbury, Swan Valley (All Level 1 Visitor Centres in Victoria are run by Local Government)	Reduces Duplication & costs Greater control over financial expenditure and auditing Greater access to internal & external marketing Forms part of a broader process of strategic tourism planning and reporting on objectives and outcomes LG staff are generally paid higher salaries and receive enhanced training opportunities	Visitor Centres are incorporated NFPs who are participants in building ownership and/or lease arrangements  Disenfranchisement of existing board and staff
Outsourcing to commercial entity using LG infrastructure and oversight by LG	Town of Port Hedland (FORM)	Reduces Duplication Reduces costs Opportunity to move towards a commercial model Clear legal and contractual obligations	Loss of local 'ownership' Visitor Centres are incorporated NFPs who are participants in building ownership and lease arrangements Disenfranchisement of existing board and staff

Operational Model	Examples	Advantages	Disadvantages
Privatise	Wyndham, Marble Bar, New Norcia, Hyden	Reduces cost to Shire	Disenfranchisement of existing board and staff Loss of local 'ownership' Complications with ownership and lease arrangements Unlikely to be commercially feasible given current state of Tourism in the region

*Source: Visitor Servicing Study, WA Tourism Commission, May, 2004*

It should be noted that Tourism WA has embarked on a review of the WA Visitor Centre network inclusive of Roebourne and Karratha Visitor Centres. The purpose of the review is to seek to determine the optimal role of Visitor Centres for consumers and industry, and recommend sustainable operating models for the Visitor Centre network. Haeberlin Consulting has been engaged to undertake the review and one of the elements will be to interview visitor centre management/boards and key stakeholders of which the Shire of Roebourne has been identified. It would be strategic for Council to await the publication of the report (Expected in Jan/Feb 2014) and to take into consideration any recommendations for best practice visitor centre operations prior to decisions on preferred options going forward.

## **7. Potential areas for collaboration to achieve economies of scale**

- Marketing, advertising and publications
- Financial Management
- Administration
- Staffing
- Resource Sharing

## **8. Pilbara Regional Tourism Plan 2007 – Relevant Findings**

In August 2007 Kadar Pearson and Partners Pty Ltd delivered a Regional Tourism Plan to the Pilbara Regional Council (PRC). Part of the assessment involved a review of structures and the cost of operating the Pilbara Visitor Centres with advice given on the appropriateness of their structures in terms of efficiency and effectiveness.

The report noted the Shire's then contribution as \$367,700, double the nearest expenditure for a Pilbara Visitor Centre with the greatest differential in visitor numbers 18,000 below the Shire of Roebourne. Based on econometric modelling to quantify the value of the contribution from each Shire/town to visitor Centres annually, the Report estimated a return on that investment for the Shire of Roebourne of \$1:\$2.18 (the lowest in the Pilbara) as inadequate for continued support at that level. The Report also highlighted the difficulties inherent in the Shire servicing two visitor centres which generally serviced the same visitors, also serviced

at the Woodside Visitor Centre. The assessment showed at that stage that while Karratha outperformed Roebourne in terms of merchandise sales, commissions and income from memberships, Roebourne outperformed the KVC in terms of the ratio of expenses to visitors serviced. It recommended a focus on different market segments with the KVC moving more closely to business visitor services and suggested various adjustments to funding.

Notably, Newman Visitor Centre which was then subject to management by FORM was viewed favourably by the Consultants noting that it was an 'extremely efficient and proactive operation' serving as a model of what is possible in a remote region (return on investment \$1:\$7.29). In particular, the report viewed that the Centre had a sound business focus with the goal of self sustainability. The funding to the Centre at that stage was \$90,000 (Shire) and \$50,000 (BHP) with very high return from sales, although servicing half the tourist population of the Shire of Roebourne.

Based on the cost benefit analysis, the Report noted more broadly that there was a general recognition by Visitor Centres that Shire monies would continue at current levels and therefore the need to introduce efficiencies or develop proactive strategies to increase the business base were not being recognised. In brief, the Report recommended: the introduction of performance criteria against which funding is allocated; monthly reporting against agreed budgets and performance measures; key performance indicators tied to membership (improves the promotion of the value of tourism in the region); the development of a strategy and implementation plans for self sufficiency; release of funds quarterly based on percentage of budgets and targets met (address current lack of accountability); data collection as a KPI to establish broader demographic profiles (market segmentation for product development); and the conduct of a business audit of each centre annually (documentation and systems, records on trading data, quarterly and annual business plan, documentation of training and staff management processes).

The 2007 report by Kadar Pearson and Partners cites that the difficulty for the Shire in supporting two centres 'is clear as there is duplication not only in information and services but in generally servicing the same visitors. Although it was identified that there was a need to continue to support both Visitor Centres (no reasoning given except perhaps opportunity to target different markets), it viewed that the level of support needed to be reconsidered as the duplications were inefficient and therefore offered poor value for money.

This clearly remains an issue with the RVC Strategic Plan citing as a threat to sustainability, the KVC, specifically 'competition for funding, grants and membership'. Both Centres Strategic Plans note the former existence of a joint membership drive, with the KVC noting that it withdrew from the arrangement, separating data bases, to create more harmony with the Board and clientele. The RVC's strategic plan notes a lack of understanding as to why this occurred. The RVC Strategic Plan iterates that the potential for collaboration on the membership base has merit for future reference including collaborative opportunities to secure members, partnerships and funding opportunities.

Clearly synergies exist between the centres in terms of marketing, Information Technology, procedures and policies, board of management, staff coverage and so forth offering greater efficiencies and cost savings. RDAP's Map and Gap Analysis noted a threat to sustainability for smaller NGOs and the need to examine synergies and efficiencies to ensure reliable service delivery to the community.

The KVC Strategic Plan states that the Shire may wish to consider the efficiency and consistency of tourism delivery given the two Visitor Centres are funded by the Shire noting that there are many potential benefits to be had from structuring closer cooperation (perhaps through the development of KPIs for both associations with the aim of generating increased cost effectiveness and visitor outcomes for the funds received).

The 2007 Regional Tourism Strategy also suggested differentiation in terms of market segment with the Roebourne Centre being strongly focused on leisure and visitor services (because the majority of visitors travel north-south) and the KVC focusing more on the business sector. A review of the documentation for each Centre indicates opportunity for refining market segment and associated product.

## **9. Appendices**

- Regional Tourism Strategy, Kadar and Associates, 2007
- Shire of Roebourne Tourism Matrix
- Shire of Roebourne Key Tourist Assets
- Case Study 1 – Charleville VIC (Example of amalgamation of two tourism assets)
- Case Study 2 – Lismore VIC (Example of a Council overseeing two VICs)
- Haeberlin Consulting – Recent presentation with some preliminary thoughts from their review of WA Visitor Centres on behalf of Tourism WA

## **10. Guiding Questions**

10.1 What is your view of the performance of the Karratha and Roebourne Visitor centres as indicated earlier in this Discussion Document and from your own observations? Is it an accurate analysis or are there any other factors not considered?

10.2 Do you believe the current governance/operational structure is sustainable going forward? Why/Why not?

10.3 Which model of governance/operational structure do you believe is the most appropriate and why?

10.4 Do you have any other suggestions for potential areas of collaboration?

10.5 Do you have any suggestions for potential tourism related activities that the visitors' centres should investigate that they are not currently undertaking?

10.6 Do you believe an overarching tourism advisory group is warranted for the Shire?

a. If so which organisations should be involved?

b. What should be the terms of reference for the group?