

**Doctor of Business Administration
Graduate School of Business
RMIT University**

**Maintaining Environmental Values
in a Commercial Environment – a Framework for
Commercial Development in Victoria's National Parks**

December 2006

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Declaration

I certify that in respect of the content and conduct of the work reported here:

- the work is submitted in part fulfilment of the degree of Doctor of Business Administration;
- except where due acknowledgement has been made, the work is that of the author alone;
- the work has not been submitted, in whole or in part, to qualify for any other academic award;
- the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; and
- any editorial work, paid or unpaid, carried out by a third party is acknowledged.

David Alan Cochrane
4 December 2006



Acknowledgement

The following thesis is, in effect, the end of one step in a long journey that began over 7 years ago when I was travelling around Australia with my family. It was then that I began to realise the true value of the amazing national park system we have in this country and the importance of making these natural assets available to the total community. Australia is blessed with a magnificent natural landscape and astounding range of indigenous flora and fauna which we need to protect, but also need to ensure is accessible. It is the combination of both of these needs which was the driver behind my desire to complete this thesis. I hope that the final output will in some small way assist in the future development of our national park system.

The completion of 5 years of research culminating in this thesis does not happen without the support and assistance of a number of people. Firstly I must thank my wife Jenny and my children, James, Ashleigh and Thomas for their understanding and patience as this research journey continued. Little did they know when I started that it would involve all of us visiting various national parks in Victoria, the rest of Australia and New Zealand including going on long walks in the bush and on glaciers. I am sure, with the completion of this work, they will be pleased to finally have unfettered access to the study and internet in our house.

I have also received unwavering support from a number of other sources. In particular, without the support of Parks Victoria – particularly Brett Cheatley, Neil McCarthy and Dennis Duckett – this project would not have been possible. Their assistance in organising interviews, allowing me have access to their files and in making themselves available to provide guidance has been greatly appreciated. It would also be remiss of me not to thank the staff of RMIT Business along with my fellow students from the 2001 intake. In particular, I must thank two special students, Peter Shepherd and Michael Howard, for their assistance and for putting up with the views of the resident ‘greenie’. Theirs is a friendship which will endure well beyond this research.

Finally, I wish to thank my supervisor, Professor Miles Nichols, for his experience and direction in the completion of this research. Miles agreed to become my supervisor half way through the research when guidance was needed. His ability to provide this direction along with his responsiveness to my needs has greatly enhanced the outcome of this thesis.

As I said at the beginning, the completion of this research is for me but one step in a long journey. My commitment to the need to protect our environment for future generations is unwavering, and the search for my next contribution to this final outcome has already begun.

Maintaining Environmental Values in a Commercial Environment – a Framework for Commercial Development in Victoria’s National Parks

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Abstract

This research has focussed on the development of a commercial business model (CBM) for providing tourism and support service based commercial activities in Victoria's national parks which also allowed for the protection of the parks natural values.

National parks are vital if we as a nation are to retain our natural heritage - but the public sector land stewards of these important assets are facing increasing funding and user pressures. The result is a growing focus on the commercialisation of our national parks to provide services and generate the revenue required to maintain these assets. However, this has resulted in the exacerbation of a long existing conflict – these commercial operators are primarily focus on the achievement of a commercial return, while the land stewards' main responsibility is in the protection of the natural values of these assets.

In completing this project an abductive research approach (using grounded theory) has been adopted. Specifically, the research activities undertaken included data collection via a number of techniques including stakeholder interviews, detailed examination of existing commercial arrangements, literature research on international approaches and models, development of a suggested commercial business model based on a synthesise of the research outcomes and, finally, obtaining user feedback. The use of the various data sources, and subsequent sourcing of user feedback facilitated the triangulation of the research results.

The findings from this research challenge a number of the practices currently adopted in the structuring of commercial activities suggesting that these practices are inhibiting the quality of the service being provided to the national park visitor along with the level of protection being afforded to the parks natural values. The resulting CBM provides park managers with a framework for identification and structuring of commercial business activities, practical guidance on the actions required in the completion of a concession process and identification of a number of the relevant issues which need to be considered and addressed in establishing and managing a national park concession.

The CBM has been developed specifically for application within Victoria's national parks (based on a public/private sector relationship). The output will also provide guidance on methods for embedding natural values on public/private sector relationships in other settings.

Chapter 1: Introduction

1.1 Background

There is today a growing public awareness of the importance of the need for businesses to adopt a more responsible approach to sustainability, social responsibility and environmental responsibility – and this is particularly evident in our national parks. (For a discussion on the role of National parks see Section 2.4.1 of Chapter 2.) National Parks are vital if we as a nation are to retain our natural heritage - but the managers of these important assets are facing increasing funding pressures. The result has been a growing focus on the commercialisation of our national parks as a way to generate the revenue required to maintain these assets.

However, this has resulted in the exacerbation of a long existing conflict – commercialisation has a focus on the profit motive while maintaining these natural assets requires a focus on maintaining the natural values by minimising the extent of environmental impact. While this conflict is clearly recognised, the efforts of park authorities to maintain natural values within a commercial environment has been subject to much criticism, and a diverse number of approaches have been taken with varying degrees of success. (See Greens NSW 1998 and Figgis 2000 for examples of the criticism along with Eagles *et al* 2002 and Marshall and Moore 2000 for a consideration of some past approaches.) Similarly, environmental groups are often criticised for inhibiting the development and accessibility of our national parks to the general public.

This conflict exists in all States of Australia, but due to legislative and Government policy differences, the ultimate solution to the conflict will vary for each State. In Victoria this conflict is particularly important as Victoria:

- is a State which has a substantial national park network (Section 2.4.2)
- has a park manager agency (Parks Victoria) which is committed to ensuring community access to our national parks along with the provision of the resources necessary to facilitate this access and to provide an enriching visitor experience (Section 4.2.1), and
- has a Government policy framework which encourages visitation while also constraining the extent of infrastructure services which can be provided (Section 4.2.1).

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1.2 Research Question and Objectives

Research has, therefore, been completed to develop a Commercial Business Model (CBM) which allows business activities in national parks to be undertaken, while also meeting the obligations required to protect the natural heritage values of these national park. This CBM:

- provides the basis for the structuring of commercial activities in national parks in Victoria
- is applicable across a broad range of business activities, legal structures and legal agreements that are associated with commercial activities in national parks
- provides a basis for ensuring natural values (encompassing the protection of natural flora and fauna species) are maintained, and
- takes into consideration the needs of all stakeholders (i.e. the private sector capital return requirement, the need for funding for park maintenance, the need for accessibility etc).

While the resulting output is specifically directed towards application within the setting of Victoria's national parks (based on the characterisation of a public sector/private sector relationship), it is expected that it would also provide guidance on methods for embedding natural values on public/private sector relationships in other settings.

1.2.1 Research Question

What are the current business models for providing tourism and support service based commercial activities in national parks, what aspects of these approaches would be regarded as best practice and how effective are they in meeting the visitor service and natural value protection needs of the parks managers?

The above represents the primary research question which has been considered. The examination of current practices was based on an examination of legislative requirements, current Victorian, national and international practices and the identified experience of existing commercial operators and park managers. In completing this research (desk top and field), there were a number of secondary questions which also needed to be dealt with if the primary question was to be adequately answered:

- What are the current approaches and business models to commercialisation being adopted?
- What are the natural values considered as being of importance?

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- To what extent has the completion of commercial activities in Victoria's national parks taken into consideration the protection of natural values?
- What are positives and negatives of the existing models used?
- What are the needs of the park managers and the commercial providers of these commercial activities?
- What are the major issues which need to be addressed, and features included, in any commercial business model?
- What are some potential future external environment changes and what might their impact be on this relationship be (eg private sector ownership of protected areas)?

1.2.2 Research Objectives

In considering the research questions (and proposal) the primary research purpose or objectives were to:

- explain and evaluate the current approaches and commercial business models used
- consider the causal relationships between these commercial frameworks and their impacts on visitor service provision and environmental values in Victoria's national parks
- assess the effectiveness of these relationship structures in meeting their objectives
- develop the framework of a theoretical CBM which provides the basis for placing adequate emphasis on natural values in a commercial relationship, and
- from this, to develop a commercial business model for Victoria with input obtained from national park stakeholders.

The key output from the research is a commercial business model applicable in Victoria for the public-private sector relationship for the provision of tourism and support service related activities in national parks.

1.2.3 Scope of the Research

In completing this research it was important to clearly define the expected scope of application of the output and, in particular, the restrictions in regard to geographic application. The nature and structure of Australia's segregation of management responsibility for protected land, including national parks, results in it not being possible to complete research such as this across all States. In particular, State-based differences in areas such as legislative framework, the approach to policy versus management, corporate governance and current

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approaches to application inhibit the ability to develop a comprehensive commercial business model which is appropriate across all jurisdictions.

Therefore, in completing this research it was decided to focus on the development of the proposed business model within one legislative and policy framework, this being that which operates in Victoria. Once developed for the Victorian environment, the researcher then considered the potential scope for transferring the outcome to the other park management jurisdictions and agencies.

Similar to the jurisdictional differences, there are also significant differences in the requirements for managing a land based national park as opposed to a marine park (e.g. type of natural values, approach to controlling public access, scope for the provision of private sector services etc). Therefore, the scope of this research project also needs to be contained within the parameters of land based national parks, although again a significant number of the principles established should be transferable to the management of marine parks.

1.3 Structure of the Thesis

1.3.1 Overall Approach and Outcome

The research approach incorporates obtaining information from a number of different sources with the triangulation of this information to facilitate the generation of a ‘best practice’ CBM for use by park managers in establishing and managing the provision of visitor services by commercial business operators in Victoria’s national parks.

The information was initially sourced by the completion of a review of the legislative framework along with existing practices in Victoria and other relevant countries. From this information consistent practices were identified along with preferred features of possible approaches. This information was then further supplemented by interviews with park managers coupled with detailed reviews of a number of existing Victorian agreements with commercial operators. The analysis of these information sources will result in the development of a potential CBM, which was then subjected to review by a sample of park managers and commercial operators. The update of the model based on the results of this user review represents the final CBM.

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The final CBM represents a model which incorporates the specific Victorian environmental factors (e.g. legislative and policy requirements), includes the practices regarded as most effective across the world and which has been subject to review by a number of park managers and commercial operators. Importantly, this model also provides comprehensive guidance material covering the completion of a commercial operation through its full lifecycle – from project initiation through to ultimate closedown of the service provision. It is these important features which result in the research providing a unique output (the CBM) which can be used by park managers in Victoria.

1.3.2 Thesis Structure

In completing this research project a qualitative research approach has been adopted using the principles and techniques of grounded theory. In particular, the initial qualitative research activities are based on the generation of data with the relevant theory being developed towards the end of the study after the triangulation analysis of the data generated. The structure of the thesis is also based around this approach where:

- Chapter Two – defines relevant terms, and then examines the current state of play in Australia generally with a particularly focus on Victoria. The chapter provides the general background information to the conflict of the need for commercial income by park managers while protecting the environment. In particular, the chapter considers the role of national parks, their environmental importance to the community, the current funding and management models used, the extent of commercial activities permitted and the legislative framework under which the commercial activities are completed.
- Chapter Three – outlines the research methodology used along with the overall approach adopted in the sourcing and analysis of the resultant data.
- Chapter Four – provides the first source of input, which is ultimately used in the development of the business model conceptual framework. This chapter includes a review of the current literature available with a particular focus on the approaches adopted in Victoria and a number of other countries around the world (with the countries examined being selected based on their importance to the development worldwide network of national parks). The resulting analysis of the key features of the business models used in these countries (along with similarities and differences in approaches) provides the key

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themes and issues which form the basis of the CBM framework while also identifying a number of potential ‘best practice’ features of the models examined.

- Chapter Five – extends the collection and analysis of data into the practical environment with the sourcing of an additional two groups of input. In this chapter the results of interviews with Victorian park managers along with the review of Victorian park management files for a selection of commercial initiatives are considered and evaluated. The outcome from this chapter is a clarification of issues and trends identified in Chapter 4, identification of additional key aspects for consideration and confirmation of identified areas of best practice (with the synthesis of this information ultimately used to develop the CBM).
- Chapter Six – focuses on the accumulation and analysis of the data previously generated resulting in the development of a possible CBM to be used by park managers in national parks in Victoria in the future. This chapter represents the synthesis of the information from the literature review (Chapter 4) along with the practitioners input (Chapter 5) into the development of the unique CBM which provides clear guidance covering the full life cycle of a commercial agreement.
- Chapter Seven – details the feedback of the practitioners – the park managers and relevant commercial operators - on the CBM (developed in Chapter 6). The CBM will be either confirmed or updated to reflect these comments, with the CBM then being finalised.
- Chapter Eight – is the culmination of the research project. The chapter outlines the key findings, including the identification of the CBM to be used in national parks in Victoria in the future. The chapter also considers the potential for this model to be applied outside the Victorian environment along with the identification of potential further areas for research.

The major output from this research project, an overall CBM for the conduct of commercial operations in national parks in Victoria, provides national park managers and commercial operators with a clear approach to be used in the future. Importantly, this CBM will uniquely recognise both the value of national parks to the community (including their ecological value) along with the importance of commercial operations in servicing the need of the national park visitor.

Chapter 2: Commercialisation in National Parks – the State of Play in Australia and Victoria

While the focus of this research is on commercialisation in national parks in Victoria, it is important to understand the context which has resulted in the rapid expansion of the national park network in Australia, and particularly Victoria, along with the demands which are creating the apparent conflict between park managers and commercial operators. In this chapter these important contextual matters are considered along with the clarification of key terms and the provision of additional background relevant information (in Section 2.1).

To appreciate the value of national parks it is first appropriate to provide some indication of the size of the national park estate along with the growth that has occurred since the first national park was established in Australia and Victoria. While Section 2.2 considers these matters from a total Australian and Victorian perspective (thereby enabling the placement of Victoria within the total Australian framework), this research is specifically focussed on the development of a CBM for application within Victoria. This is necessary due to the significant structural differences between the various park managers in Australia, as is explained in Section 2.3. Therefore, the rest of the chapter is then focussed predominantly on the Victorian experience.

Section 2.4 examines the importance of national parks to Victoria as demonstrated by:

- the Victorian legislated role of national parks
- the extent of the expansion in the Victorian parks estate (which is creating funding pressures for the parks managers) along with the growth in the visitation levels in national parks (which is placing pressure on access to the national parks), and
- the wide range of benefits to the community resulting from national parks.

In considering these benefits, it is particularly relevant to consider the environmental importance of Victoria's national parks. Therefore, Section 2.5 examines the key role national parks play in protecting Victoria's natural values.

The community importance and value of parks represents one of the important areas to understand when considering the factors which influence the nature of commercial relationships in national parks. To fully understand this relationship it is also necessary to

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consider the current management and funding arrangements in place in Victoria and Australia. Therefore, Section 2.6 outlines the management model being adopted within Australia and Victoria along with the role of park management agencies in that model and the sources of funding available to these agencies (and particularly in Victoria). With this knowledge of the community needs for access to national parks along with an understanding of the structure and funding approaches of park management agencies it is possible to consider the pressure points this conflict may create (as is done in Section 2.7).

One of the key conflict points identified is the potential use of commercial service providers in a national park environment. Section 2.8 examines, within the Victorian environment, the extent of funding sourced from these commercial activities along with the range of activities covered and the legal nature of this relationship, while Section 2.9 considers the potential benefits of achieving an effective commercial relationship.

However, before proceeding to the provision of this important contextual information, it is first appropriate to provide clarity over a number of the key terms which are applicable to this research. This information is provided in the following Section.

2.1 Definition of Key Terms

Embedded within the primary and secondary research questions (detailed in Section 1.2 of Chapter 1) are a number of key terms which require clarity of definition if the direction of the research, the development of a clear understanding of the contextual environment and the application of the resultant output is to be clearly understood. These include definition of the areas of protected land covered by the national park designation, clarification of the relationship of natural values to the protection of ecosystems, definition of what constitutes a commercial relationship within the national park environment and specification of the expected characteristics of a CBM.

2.1.1 National Park

Any consideration of commercialisation in national parks requires that we be able to identify the areas of protected land covered by the “national park” designation. Up until the mid-1990’s this would have been difficult as there was no universally accepted classification system. Green and Paine (1997) calculated that during the mid-1990’s there were at least

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1388 different categories of ‘protected area’ worldwide. Any attempt to evaluate practices in national parks, as a designation of a specific category of protected land, prior to 1994 ‘was hindered by the proliferation of protected area designations, since any political jurisdiction can establish whatever classification structure it deems appropriate’. (See Weaver 2001, p.69.)

In response to this clear need, the World Conservation Union (IUCN) developed an international criterion for defining and classifying protected areas managed for ecosystem conservation and recreation (IUCN 1994). This IUCN classification system is based on six basic categories (detailed in Table 2.1 below with the National Park category being highlighted in italics).

Table 2.1: IUCN Protected Area Categories

Cat.	Designation	Description	No & Area in Australia -1999	
			No	Area (000’s ha)
Ia	Strict Nature Reserve	Area of land and/or sea possessing some outstanding or representative ecosystems, geological or physiological features and/or species, available primarily for scientific research and/or environmental monitoring.	1,981	19,120
Ib	Wilderness Area	Large area of unmodified or slightly modified land, and/or sea, retaining its natural character and influence, without permanent or significant habitation, which is protected and managed so as to preserve its natural condition.	49	3,919
<i>II</i>	<i>National Park</i>	<i>Natural area of land and/or sea, designated to</i> <i>(a) protect the ecological integrity of one or more ecosystems for present and future generations</i> <i>(b) exclude exploitation or occupation inimical to the purposes of designation of the area and</i> <i>(c) provide a foundation for spiritual, scientific, educational, recreational and visitor opportunities, all of which must be environmentally and culturally compatible.</i>	598	23,909
IIb			5	1,295
III	Natural Monument	Area containing one, or more, specific natural or natural/cultural feature which is of outstanding or unique value because of its inherent rarity, representative or aesthetic qualities or cultural significance.	660	272
IV	Habitat/Species	Area of land and/or sea subject to intervention for	1,397	325

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Cat.	Designation	Description	No & Area in Australia -1999	
			No	Area (000's ha)
	Management Area	management purposes so as to ensure the maintenance of habitats and/or to meet the requirements of specific purposes.		
V	Protected Landscape/ Seascape	Area of land, with coast and sea as appropriate, where the interaction of people and nature over time has produced an area of distinct character and significant aesthetic, ecological and/or cultural value, and often with high biological diversity. Safeguarding the integrity of this traditional interaction is vital to the protection, maintenance and evolution of such an area.	151	861
VI	Managed Reserve Protected Area	Area containing predominantly unmodified natural systems, managed to ensure long-term protection and maintenance of biological diversity, while providing at the same time a sustainable flow of natural products and services to meet community needs.	376	11,721
None specified			3	1
To be advised			31	16
TOTAL			5,251	61,439

Source: Definitions from IUCN (1994), and number and area of protected areas from CAPAD 2000 (2001).

Under this system (which is now widely accepted as the international standard for protected areas), the lower the designation of the site, the lower the amount of acceptable environmental modification and human intervention.

The paradoxical relationship is also apparent in the changing nature of management objectives within each categorisation. Table 2.2 provides an analysis of management objectives within each IUCN category (which can then be used to identify the most appropriate category for a specific protected area).

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Table 2.2: Matrix of management objectives and IUCN protected area categories

Management Objectives	Ia	Ib	II	III	IV	V	VI
Scientific research	1	3	2	2	2	2	3
Wilderness protection	2	1	2	3	3		2
Preservation of species and genetic diversity (biodiversity)	1	2	1	1	1	2	1
Maintenance of environmental services	2	1	1		1	2	1
Protection of specific natural/cultural features			2	1	3	1	3
Tourism and recreation		2	1	1	3	1	3
Education			2	2	2	2	3
Sustainable use of resources from natural ecosystems		3	3		2	2	1
Maintenance of cultural/traditional attributes						1	2

Key: 1 = Primary objective; 2 = Secondary objective; 3 = Potentially applicable objective; – = not applicable

Source: IUCN (1994)

For the purpose of this research, category II (National Park) is the most relevant protected area designation. As is demonstrated by a consideration of management objectives for category II, the National Park category has a requirement to preserve and protect the undisturbed natural environment while at the same time providing opportunities for a range of recreational and educational activities. The National park category is also an area which is experiencing substantial visitor growth while also becoming increasingly reliant on visitor based revenues (as demonstrated in Section 2.4.2 and Section 2.8.1).

While the Australian system of national park and conservation reserves are regarded as distinctive (as most national parks and reserves are managed by State and Territory governments rather than the federal government (Westcott 1991, p.331)), this international basis of classification has been extensively adopted in Australia (for example see Parks and Wildlife Commission of the Northern Territory 2002 which adopted a definition based on the IUCN definition, Parks Victoria 2000 and Department of Industry, Tourism and Resources 2003). In fact, within Australia policy is being increasingly developed within a national framework following the establishment of the National Reserve System and National Reserve System Program in 1996.

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2.1.2 Natural Values and the Relevance of Environmental Impacts

To understand the intent and objective of maintaining natural values, it is first necessary to appreciate the connection but also the distinction between biodiversity, ecosystems and environmental impacts. While a number of different definitions of each of these exist, they are all similar in intent. The following will therefore provide a basis for understanding the relationships:

- Biodiversity can be defined as “the variety of life forms – the different plants, animals and micro-organisms, the genes they contain and the ecosystems of which they form a part. It is usually considered at three levels – genetic diversity, species diversity and ecosystem diversity” (Department of the Environment, Sport and Territories 1996).
- Ecosystem is “a unique unit comprising a recognisable floristic composition, the substrate, position in the landscape and biota” (Parks Victoria 2000, p.86) and is “the minimum system that includes and sustains life” (Botkin and Keller 2003, p.G-5).
- The environment is “all factors (living and nonliving that actually affect an individual organism or population at any point in the life cycle” with environmental impact being the effects of some action on the environment, particularly actions by human beings” (Botkin and Keller 2003, p.G-6).

In essence, a national park has an important role to play in maintaining our biodiversity and contributes to the maintenance of our biodiversity values, with the ecosystem forming one important component of our total biodiversity. While a national park cannot be responsible for maintaining all life forms, it does have a role in maintaining the relevant life forms within its boundary along with the ecosystems required to support those life forms.

Therefore, for the purpose of this thesis, natural values will be represented by the indigenous flora and fauna within the park boundaries along with the associated ecosystems.

Importantly, in protecting these natural values, the role of the park manager is to ensure the natural values are not affected adversely by external environmental impacts.

2.1.3 Commercial Relationship and Commercial Operator

A commercial relationship exists where one party agrees for a second party to provide a specified asset or service under an agreed arrangement. In determining the nature of the commercial relationship a number of factors are of particular relevance, being the type of

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service being provided and to whom, the nature of any payment expected, the ownership of the individual parties (be they public or private), and the nature of the legal relationship.

While there is a multitude of variables within these factors, the nature of commercial relationships within national parks in Australia is constrained by a number of factors including the legislative framework. In essence, the range of possible commercial relationships within a national park setting can be restricted to the following:¹

- **Agency Operated Enterprise (AOE)** is a commercial activity undertaken directly by agency employees and includes the provision and management of campgrounds and other forms of commercial accommodation, kiosk services and guided tours.
- **Alien Tenure** is an easement, lease or licence over, or for the occupation of, an area of land or seabed under the care control and management of an agency for a purpose that may have no connection with the objectives for which the area was reserved.
- **Concession** is a right granted by way of a lease, licence, permit or other form of authorisation for the purpose of conducting trade or commerce on an area of land, sea bed, or water or airspace under the care, control and management of an agency with there being two types of concessions:
 - **Complex Concessions** are for the provision of substantive services such as campground management, kiosk and other fixed food services, transport services, accommodation, safari camps, complex tours such as guided boat tours, caves management etc.
 - **Simple Concessions** are for the provision of routine services such as tour operations and single event activities.
- **Contract Service** is where the private sector is paid to provide management of a concession with income retained by the land management agency.
- **Lease** is a right granted for the occupation of an area of land or seabed that is under the direct ownership of an agency or that is granted by the owner of land managed by the agency (not alien tenure). (Leases include a range of different types of public-private arrangements including public private partnerships (PPPs), build own operate (BOOs), build own operate transfer BOOTs) etc.)

¹ This is based on the definitions within a report prepared for a number of Australian park managers by the Parks and Wildlife Commission, Northern Territory on commercial management processes. See Parks and Wildlife Commission, Northern Territory 1999.

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- **Licence** is a permit, licence or other approval granted by an agency for the conduct of trade or commerce on an area of land, seabed, or water or airspace under the care, control and management of an agency.

The parties to this commercial relationship are normally the designated park manager and the ‘commercial operator’, being the private sector organisation responsible for the provision of the designated service within the identified park. Commercial operators are also often referred to as the concession or licence holder, the lessee or the concessionaire.

2.1.4 Commercial Business Model

While the research project will assist in developing the concepts which are encompassed within the term “CBM”, it is expected that these will include the characteristics detailed in Table 2.3.

Table 2.3: Business Model Characteristics

- Ownership	Structure of ownership e.g. large versus small organisations, private versus not-for-profit organisation
- Environmental affinity	Previous record of environmental management, attitude of management to natural values
- Social responsibility	Role of organisation in the community, acceptance (and reporting) of social responsibility
- Public sector requirements	Specification of public sector requirement
- Stakeholder relationships	Nature of relationship with other stakeholders including scope of influence
- Control and reporting mechanisms	Requirements for achieving adequate levels of control and approach to reporting results covering financial, social and environmental performance reporting
- Management structure	Approach to management of the organisation and integration with management of the total park. Specification of minimum governance requirements
- Types of services provided	Specification of services provided and integration of services with other activities in the park and the surrounding region
- Agreement structure	Type of agreement structure used – lease, licence, concession etc
- Agreement period	Time period of initial agreement, extension options, termination options etc

2.2 National Parks in Australia

While the first national park in the world was established in the USA (being Yellowstone National Park in 1872), Australia quickly followed suite and now has a long and distinguished tradition in protected land management. Royal National Park (Sydney), reserved in 1878, is the oldest national park in Australia with the oldest continuing national parks in Victoria being Mt Buffalo and Wilsons Promontory National Parks, both of which were first reserved in 1898. Since that time Australia has continuously and substantially increased the extent of land under protection with this including a significant number of national parks – be they land based, marine or alpine parks. By 1999, 7.8% of the total Australian landmass was classified as protected areas under public sector management and control (Figgis 1999, p.2) and this has increased even further since.

As is demonstrated by the data in Figure 2.1 below, the main States with significant levels of protected areas (based on '000s of hectares) are South Australia, Western Australia and Queensland. However, when considered as a percentage of landmass the dominate States are the ACT (with 50%), Tasmania (with close to 30%) and South Australia (with approximately 20%). In Victoria approximately 16%, or 3.645 million hectares of land, was protected by the parks system in 2000. (See Parks Victoria 2000, p.4 for further details of the Victorian totals).

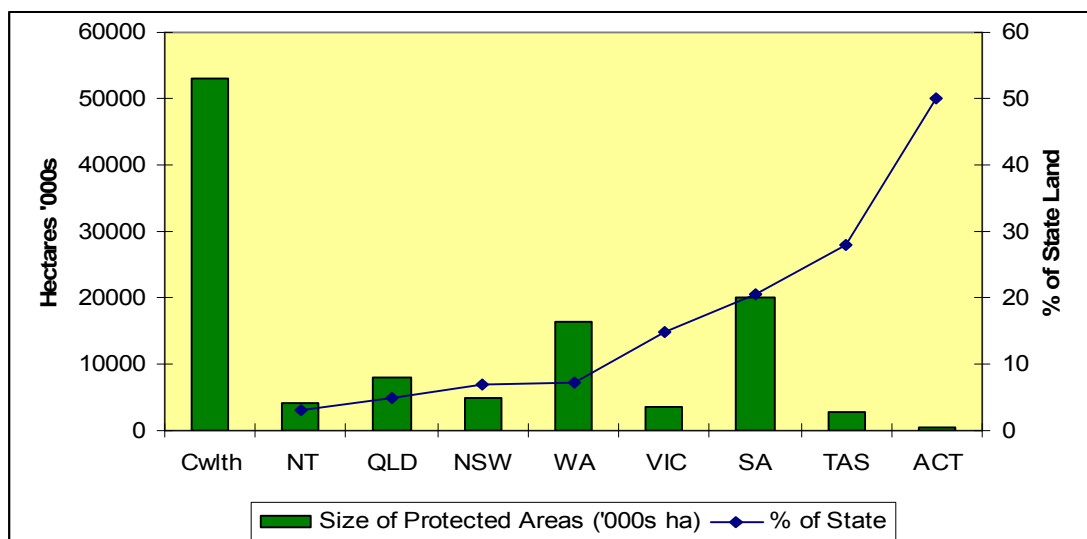


Figure 2.1: Size and Percentage of Protected Areas in Australian States

Source: Parks Victoria 2000, State of the Parks 2000, p.5

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Importantly for this research project (and as is demonstrated by Table 2.4), a significant portion of the total protected land in Australia is designated as national parks and, therefore, are managed based on the core objectives of this IUCN Category II designation (as outlined previously in Table 2.1).

Table 2.4: National Parks in Australia by Jurisdiction

Jurisdiction	Number 2000	Area (‘000’s of hectares)	Visitation 01/02 (millions)
Commonwealth	6	2,131	3.1
New South Wales	142	4,172	22.0
Victoria	36	2,578	27.0
Queensland	216	6,587	13.0
Western Australia	63	4,874	9.8
South Australia	18	4,338	2.2
Tasmania	18	1,424	1.3
Northern Territory	10	1,962	5.2
Australian Capital Territory	1	1,106	N/A
National Total	511	28,172	83.6

Source: CAPAD 2000, 2001 for number and area and DITR 2003 (p.9) for visitation.

(Note: Australia had 511 national parks as at September 2001(as above) including those areas which are wholly aboriginal land and are managed as national parks (CAPAD 2000, 2001). However, as noted in *Pursuing Common Goals* (DITR 2003, p.91) based on the specific IUCN classification Australia had 598 category II protected areas/national parks covering an area of 23.9 million hectares of land [CAPAD 2000, 2001]).

As is demonstrated by the above data, national parks are an important feature of the Australian landscape which is heavily visited by Australian and international visitors. They are also an important driver for tourism development. (For a discussion of this see DITR 2003, Figgis 2000 and Charters *et al* 1996.) Importantly, within Victoria over 70% of our protected land is represented by 36 national parks covering over 2.5 million hectares of land generating 27 million visitors per annum.

2.3 National Park Management Responsibility across Australia

In Australia there are nine separate protected area systems that are managed by the public sector, one in each of the six states and two territories, and a Commonwealth system. The Australia public sector national park organisations are detailed in Table 2.5.

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Table 2.5: Australian Public Sector National Park Organisations

Location	Govt Dept	Mgt Organisation(s)
National	Environment Australia (dept)	Parks Australia (division)
Victoria	Dept of Sustainability and Environment (dept)	Parks Victoria (agency)
New South Wales	Dept of the Environment (dept)	NSW National Parks and Wildlife Service (agency)
Queensland	Environmental Protection Agency (dept)	Qld Parks and Wildlife Service (division)
Northern Territory	Dept of Infrastructure, Planning and the Environment (dept)	Parks and Wildlife Commission of the Northern Territory (agency)
Western Australia	Department of Conservation and Land Management (dept)	Department of Conservation and Land Management (dept)
South Australia	Dept of Environment (dept)	National Parks and Wildlife (division)
Tasmania	Dept of Primary Industries, Water and Environment (dept)	Parks and Wildlife Service (division)
ACT	Dept of Urban Services	Environment ACT (division)

Note: The national organisation has a peripheral role in actual parks management in Australia (unlike in a number of other countries) with management responsibility predominantly being ceded to the States. States have a dual role, in that they are responsible for policy setting and park management. In some cases this dual role resides within the one organisation (albeit in different divisions) while in others it has been clearly segregated.

While all jurisdictions work together to ensure Australia has comprehensive, adequate and representative protected area systems (Cresswell & Thomas 1997), there are important differences within each of these management frameworks which inhibit the ability to develop a commercial business model that applies to all jurisdictions.

In particular (and as was noted in DITR 2003, pp.12-13), there is no single national policy to guide private sector use of national parks. The different legal and administrative systems inherent in each jurisdiction along with the differences in policy objectives have resulted in different approaches to private sector involvement in national parks. A survey of park management agencies in Australia (DITR 2003, pp.12-13) identified the following key differences:

- **Legislation:** There is no consistent legislative framework.
- **Policy:** While all policy frameworks enable some private sector involvement in protected areas, the nature of involvement and the extent is different.

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- **Information:** The government agencies have different databases for recording commercial activity and gathering statistics on visitation and revenue generation.
- **Licences and permits:** There is no consistency in licence fees, or licence length.
- **Revenue:** There is no consistency between states and territories and the Commonwealth on how revenue raised through visitation or tourism activities is used.
- **Incentives:** The use of incentives is focused on variation in concession periods, rather than the driving of specific commercial operator behaviour. But even within this restricted use of incentives, variations occur in application across the States.
- **Plans of Management (POMs)** are prepared for all national parks and they largely determine the extent of commercial development permitted in a park during the lifetime of the plan. However, there is no consistency in preparation approach, including content and extent of consultation.

Therefore, this research was restricted to the development of a CBM for Victoria. Victoria has been selected as it is one of the primary States which has recognised the potential for the private sector to assist in the provision of visitor services in national parks. As was noted by Figgis (1999) “a substantial push for a greater role for the private sector in nature conservation and national parks.....is raised more in Queensland and Victoria than in other states” (Figgis 1999, p.62). Consistent with this focus, the majority of the remaining discussion in this chapter focuses on Victoria.

2.4 National Parks – their Importance to the Community

2.4.1 The Role of National Parks

From the earliest days of their creation in Australia and around the world, national parks have been strongly associated with tourism and recreation (Eagles *et al* 2002; Butler & Boyd 2000; Ceballos-Lascuráin 1996). However, while providing opportunities for public enjoyment and recreation remains a function for many of Australia’s park agencies, more recently conservation objectives have become more dominant. (For a further discussion on this trend see Wright 1996, pp. 8-13 and also note the need for Parks Victoria to document the ecological value of Victoria’s national parks in State of the Parks 2000 (2000).)

In fact, once reserved as a national park, an area must be managed for the protection and conservation of its natural values with other uses being carefully managed to be consistent with the objective of conservation. This focus of objective is also enshrined in the statutory

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mandate for Victoria's national parks. Under the *National Parks Act 1975 (Vic)* (which is the relevant Victorian legislation) the State, as manager of the national parks in Victoria, is required to:

- “ensure that each national park ... is controlled and managed ... in a manner that will:
 - o preserve and protect the park in its natural condition for the use, enjoyment and education of the public;
 - o preserve and protect indigenous flora and fauna in the park;
 - o exterminate or control exotic fauna in the park;
 - o eradicate or control exotic flora in the park; and
 - o preserve and protect wilderness areas in the park and features in the park of scenic, archaeological, ecological, geological, historic or other scientific interest;
- promote and encourage the use and enjoyment of national parks and State parks by the public and the understanding and recognition of the purpose and significance of national parks.” (*National Parks Act 1975 (Vic)*, Clause 17(2))

Under these objectives, the maintenance of natural values is an important focus for Victoria's national parks. As was noted by Parks Victoria in *State of the Parks 2000 (2001)*, in addition to their role in biodiversity conservation, parks in Victoria have a number of additional conservation purposes (with these purposes having legislative support). They:

- Contribute to the protection of 700 km of 16 of Victoria's 18 Heritage Rivers which, under the *Heritage Rivers Act 1992 (Vic)* are managed primarily to protect their significant natural conservation, recreation, scenic or cultural heritage values.
- Manage 18 of Victoria's 26 Natural Catchment Areas under the *Heritage Rivers Act 1992 (Vic)* to maintain or enhance the area's essentially natural condition.
- Manage 104 Reference Areas (proclaimed under the *Reference Areas Act 1978 (Vic)*) in 45 parks and reserves where human interference is restricted as these are areas of particular ecological and scientific interest that can serve as a reference for comparative assessment of impacts on land uses elsewhere.
- In addition to the designated Wilderness Parks, manage 19 Wilderness Zones in seven National Parks (established under the *National Parks Act 1978 (Vic)*).
- Under the *National Parks Act 1978 (Vic)*, manage 21 Remote and Natural Areas in 12 National Parks (including 11 islands) to protect the area's natural attributes.

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- Manage 100 special water supply catchment areas (covering 33% of the total area of parks and reserves) under the *Catchment and Land Protection Act 1994 (Vic)*, with this function having a critical role in protecting Victoria's water supply.

(See Parks Victoria 2000, 2001, pp.9-10)

However, it is also clear that the role of national parks in conservation, while dominant, is not their only function. The dual role of National Parks as a centre for both environmental stewardship and recreational use has been embedded in the constituent legislation of a number of countries including Canada (Section 4.3.1), the USA (Section 4.3.2) and New Zealand (Section 4.3.3). In Victoria, although the primary purpose of national parks is to conserve natural values, the appreciation and enjoyment of these values is encouraged through appropriate recreation – and it is this potentially conflicting role which creates much of the dilemma faced by park managers.

While Victoria's total parks system receives over 28 million visitor-days per annum (refer Table 2.2 in Section 2.1.2 of this chapter), the majority of these visitors are concentrated in less than 30 parks. In general, visitor impacts are highly localised. In particular, Parks Victoria noted in State of the Parks 2000 (2001) that trampling of vegetation and some disturbance of wildlife occurs at high-use visitor nodes in 20 of Victoria's most popular parks. (High-use nodes are areas which experience large numbers of annual visitors, mostly up to 50,000.) As a result, as visitor numbers in the most popular parks and reserves continue to grow intensive pressure is being placed on the natural values of particular sites. As will be demonstrated later (in Section 2.5 and Appendix A), Victoria's park system protects a wide range of ecosystems and species. However, despite being protected in parks, some of these ecosystems and species are now rare or at risk of extinction.

2.4.2 Their Number, Size and Visitation Levels

▪ The Expanding Natural Estate

Victoria's managed parks estate has been expanding rapidly, particularly in the last two decades, as is demonstrated by the graphic below. In the early 1970s managed parks and reserves represented approximately 4% of the total land area of Victoria. By the turn of the century this had increased to 16%, and this expansion has predominantly occurred to protect a range of ecosystems that were previously poorly protected. (In the past, parks were often established for economic or social reasons rather than for their biological characteristics.)

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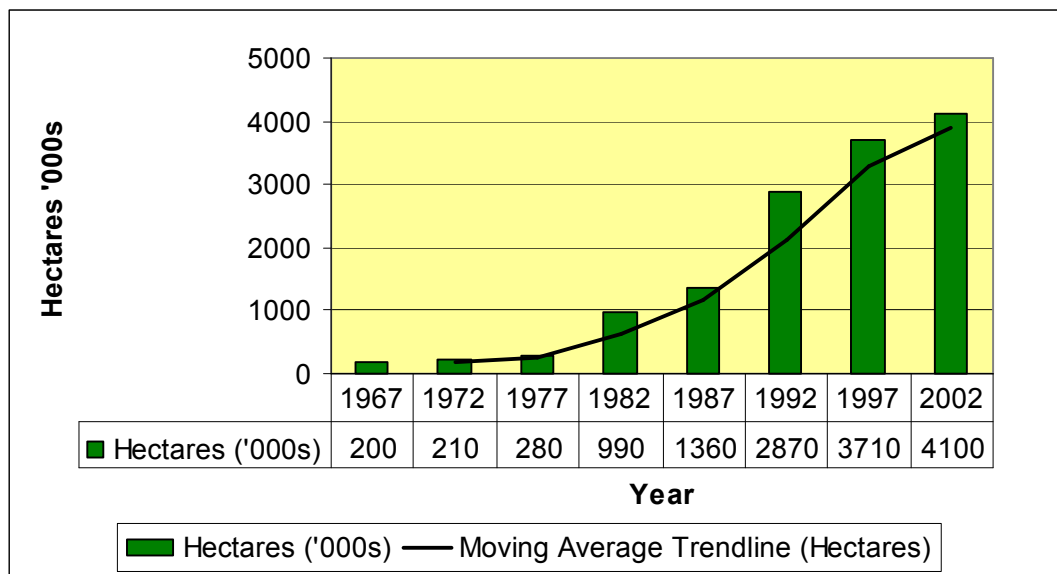


Figure 2.2(a): Managed Park Estate in Victoria – 1967 - 2002

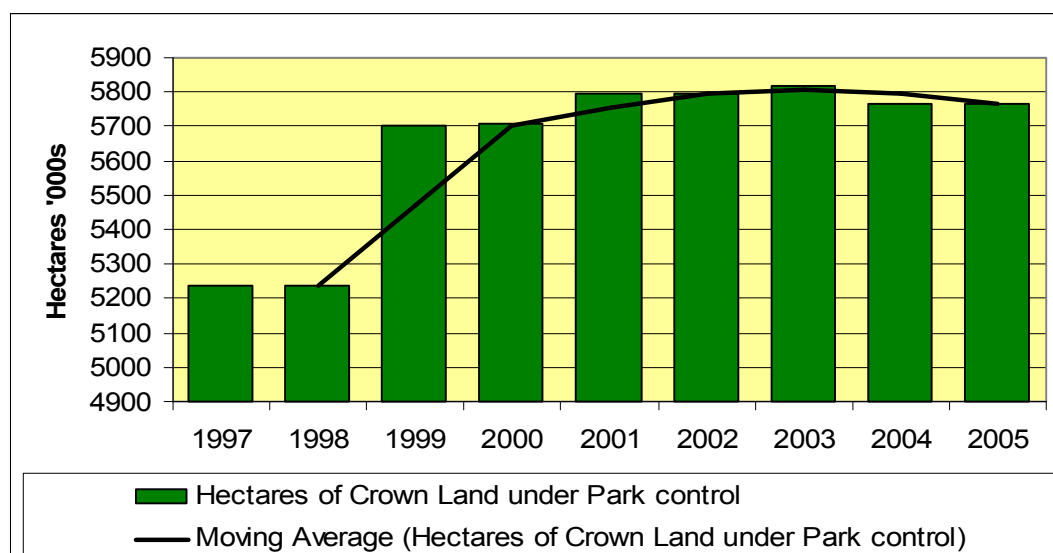


Figure 2.2(b): Managed Crown Land Estate in Victoria – 1997 - 2005

Source: Interpretation of data from Parks Victoria Annual Reports' for 1997/98, 1998/99, 1999/00, 2000/01, 2001/02, 2002/03, 2003/04, and 2003/04.

Note: Comparative information to enable the extension of Table 2.2(a) was not available post 2002 due to a change in the information disclosed in annual reports. Therefore, Table 2.2(b), which shows total crown land managed by Parks Victoria, is provided to indicate the trend post 2002 in the parks estate.

Within the Victorian parks and reserves network, over 70% of the system consists of national parks, with the sizes of the individual parks varying significantly. Both Alpine and Murray-Sunset National Parks are over 630,000 hectares; while Organ Pipes National Park, at 121 hectares, is the smallest national park in Victoria.

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The distribution of park classifications in Victoria, along with their related IUCN classification is summarised in Table 2.6 below.

Table 2.6: Victorian Park Areas and IUCN Classifications

Type of Park	Total area of the parks system ('000s ha)	% of the parks system	IUCN Cat	No of Parks	Victorian Management Objective
National Park	2,576	70.8	II III	33	Preserve and protect the natural condition of the park and its natural and other features and, subject to this, provide for use by the public for enjoyment, recreation and education. Legislation: <i>National Parks Act 1975 (Vic)</i>
				3	
				36	
Wilderness Park	202	5.5	Ib	3	Protect as wilderness and provide for solitude and appropriate self-reliant recreation. Legislation: <i>National Parks Act 1975 (Vic)</i>
State Park	184	5.0	II III VI	24	Preserve and protect the natural condition of the park and its natural and other features and, subject to this, provide for use by the public for enjoyment, recreation and education. Legislation: <i>National Parks Act 1975 (Vic)</i>
				6	
				1	
				31	
Other Park	112	3.0	Ia II III VI NC NA	1	Protect the natural and cultural values and provide opportunities for appropriate enjoyment, recreation and education. Legislation: <i>National Parks Act 1975 (Vic)</i>
				2	
				6	
				1	
				5	
				6	
				21	
Metropolitan Park	8	0.2	NC	37	Primarily for recreation and open space but are also important for maintaining biodiversity in urban areas.
Reserve*	563	15.4	Ia III IV VI NC	40	Provide for a range of purposes including wildlife or wildlife habitat, and the protection of scenic, natural and historical features. Legislation: <i>Crown Land (Reserves) Act 1978 (Vic)</i>
				12	
				30	
				51	
				54	
				187	
Total	3,645	100.0			
* - Selection of the 2,500 conservation areas					
Ia	Strict Nature Reserve: protected areas managed mainly for science.				
Ib	Wilderness Area: protected area managed mainly for wilderness protection.				
II	National park; protected area managed mainly for ecosystem protection and recreation.				
III	Natural Monument: protected area managed mainly for conservation of specific natural features.				
IV	Habitat/Species Management Area: protected area managed mainly for conservation through management intervention.				
VI	Managed Resource Protected Area; protected area managed mainly for the sustainable use of natural ecosystems.				
NC	Not classified as protected areas.				
NA	Category not assigned.				

Source: State of the Parks 2000 – combination of data in Tables 2 and 3 on pages 5 and 6. Also refer Table 2.1 for a more detailed description of the IUCN classifications.

While growth in the size of the managed land estate is now stabilising and no further significant increases are expected, Parks Victoria (as the estate manager) is experiencing

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physical asset growth in different areas. In particular over the last 5 years Parks Victoria has assumed responsibility for recreational boating facilities, jetties and piers in Western Port and Port Phillip Bays and has been given responsibility for the management of the recently gazetted 16 Marine national parks. (Refer Parks Victoria Annual reports for 1999/00 to 2004/05.)

▪ Growth in Visitation Levels and Visitor Requirements

It is only in recent years that statistics on visitation levels to Victoria's parks has been prepared and the reliability of some of this information, particularly in the early years, is uncertain. The more reliable data is presented in Figure 2.3.

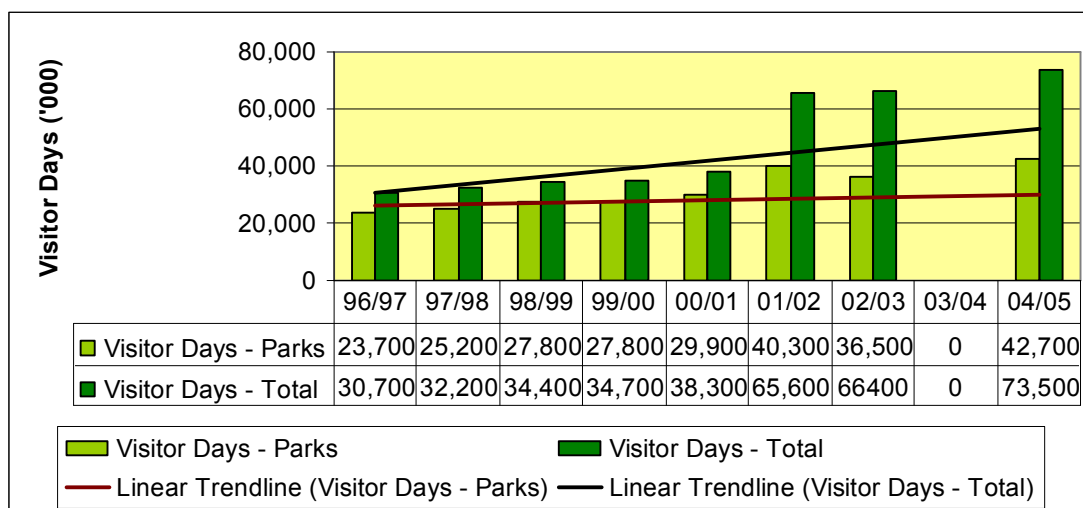


Figure 2.3: Parks Victoria Visitor Statistics

Source: Interpretation of data from Parks Victoria Annual Reports' for 1997/98, 1998/99, 1999/00, 2000/01, 2001/02, 2002/03, 2003/04 and 2004/05 and Parks Victoria website

Note: In 2003/04 full visitation polling was not completed and, therefore, visitation statistics were not available.

Visitor days at Victoria's parks have grown by more than 80% in the period 1996/97 to 2001/02, or around 12.5% p.a. However, care needs to be taken in interpreting these results as in 2001/02 Parks Victoria changed the method of determining visitation from a 'car count' methodology to a 'telephone interview' methodology and it is likely that this change is, at least partly, responsible for the significant increase in 2001/02. The approach for the period from 96/97 to 00/01 was consistent, with the annual growth rate still being 6%. The trend line for total visitor days (comprising parks and other recreational areas such as jetties and piers) indicates an even higher growth rate in visitors, with this growth continuing beyond 2001.

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While there may be some question over the accuracy of this visitor days data, other indicators of visitation growth suggest a similar trend. Two possible internal measures are the number of telephone inquiries to Parks Victoria along with the number of Web page hits. Both show growth levels significantly in excess of the indicative visitation numbers, with telephone inquiries having an annual growth of over 25% and internet hits exceeding 30% per annum.

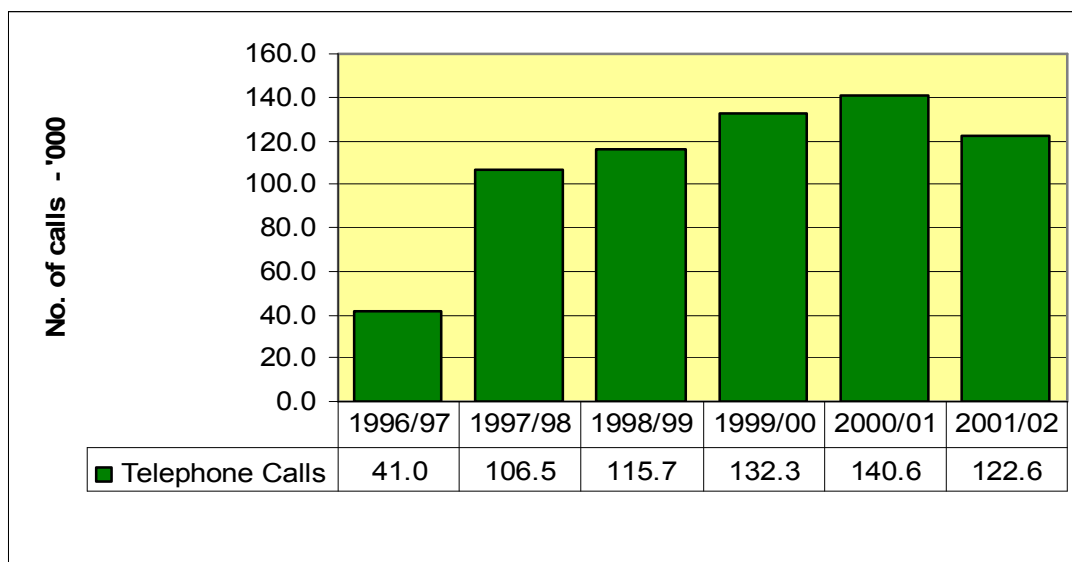


Figure 2.4: Parks Victoria Telephone Enquiries

Source: Interpretation of data from Parks Victoria Annual Reports' for 1997/98, 1998/99, 1999/00, 2000/01 and 2001/02. In 2002/03 Parks Victoria ceased publishing this information in its' annual reports.

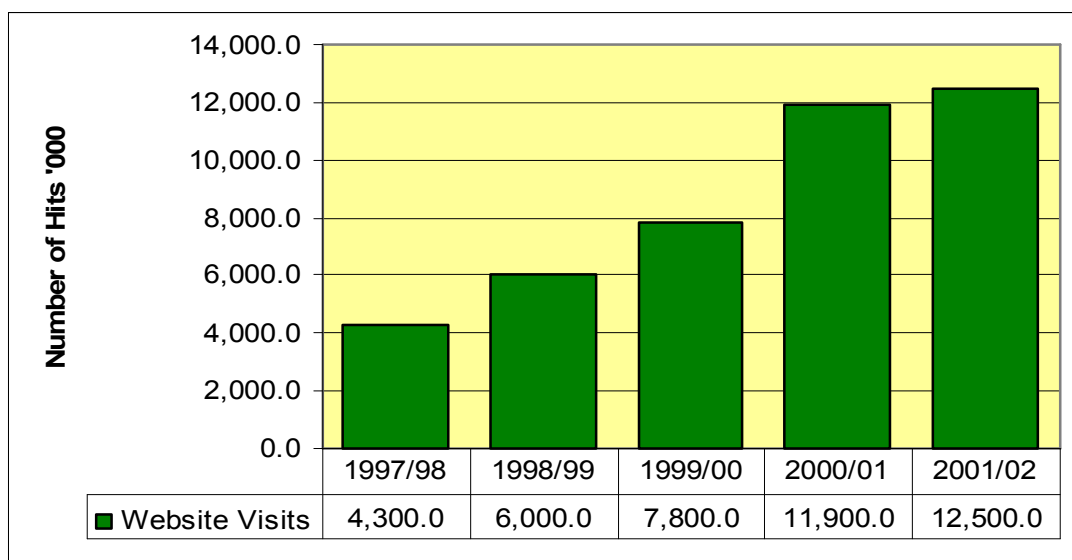


Figure 2.5: Parks Victoria Internet Hits

Source: Interpretation of data from Parks Victoria Annual Reports' for 1997/98, 1998/99, 1999/00, 2000/01 and 2001/02. In 2002/03 Parks Victoria ceased publishing this information in its' annual reports.

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This trend is also supported by external tourism information covering both the past and the future. In particular, a number of different tourism forecasts expect tourism numbers growth (domestic and international) to continue in the long term. The most recent forecast by Tourism Australia (2006) indicates that:

- Inbound international visitors to Australia will grow by around 5.5 % p.a between 2006 and 2015 going from 5.65 million visitors in 2006 to 9.16 million visitors in 2015, with leisure and holiday visitors being over 80% of all visitors.
- Domestic visitor nights in Australia would grow by around 0.5% p.a. reaching 285.4 million visitor nights in 2015, with leisure and holiday visitors accounting for around 79% of total nights.
- In Victoria, domestic visitor nights would increase from 50.7 million in 2006 to 52.9 million in 2015, with leisure and holiday visitors accounting for around 82% of total nights
- Backpackers' tourism growth would exceed the average.
- Nature based tourism and recreation activities would continue to be one of the major high growth sectors by Victorian, interstate and international visitors.

(Refer Tourism Australia 2006 for details of the visitor forecasts.)

Such growth in visitation would significantly increase pressure on already heavily visited sites and facilities in Victoria.

2.4.3 The Park Value Drivers

The increasing demand by the consumer for access to Victoria's national parks network provides a strong indication of the importance of these parks to the community. However, national and other community parks provide a substantially greater range of benefits to the community than is represented by this one dimension. At the highest level, Park Values can be categorised into three groups:

- Social values – which focus on benefits to the community and community groups
- Economic values – which are supportive of economic activity in the community
- Environmental (or natural) values – which lead to the protection of our common ecology.

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Each of these individual values groupings represent a subset of the total value of Parks to the community within the broader ‘Park Cluster’, as is depicted in the following industry mapping framework:

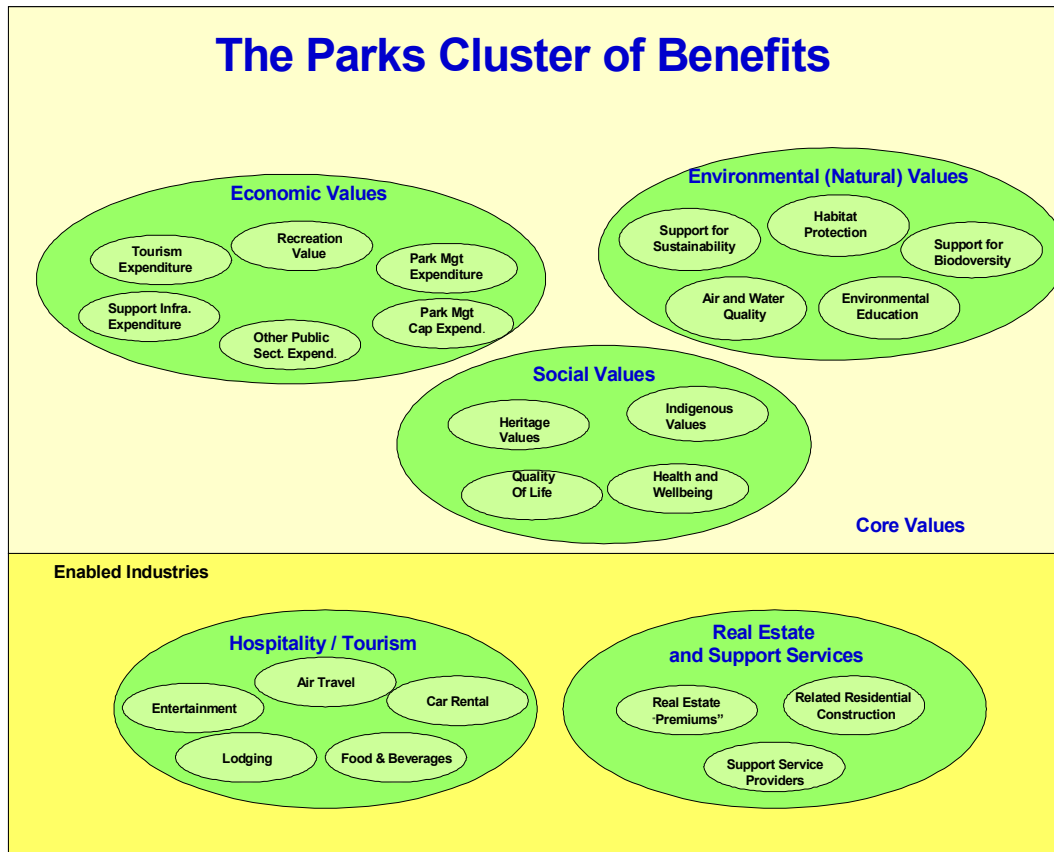


Figure 2.6: Parks Cluster of Benefits

Source: Cochrane 2004, p.66.

The core value groupings (of economic, social and environmental) also have a flow on impact, by facilitating the economic impact of a range of enabling industries (as identified in Figure 2.6).

The values or benefits under each of these core categories can then be either direct or indirect values. Direct benefits “are enjoyed by people either through visitation or via some knowledge of the Parks assets. In contrast, indirect benefits are enjoyed via the impact on other goods and services that people value”(Read Sturgess, 1999). These benefits can then be further segmented into use or non-use benefits. Use benefits are generated from the direct use of the park. Non-use benefits are experienced by people who do not visit a park but still enjoy the benefits, and these are often referred to as existence values.

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These benefit groupings are, in some cases, potentially capable of quantification (using an appropriate measure) while others are intrinsically unquantifiable.

The following provides a framework for identifying these benefits:

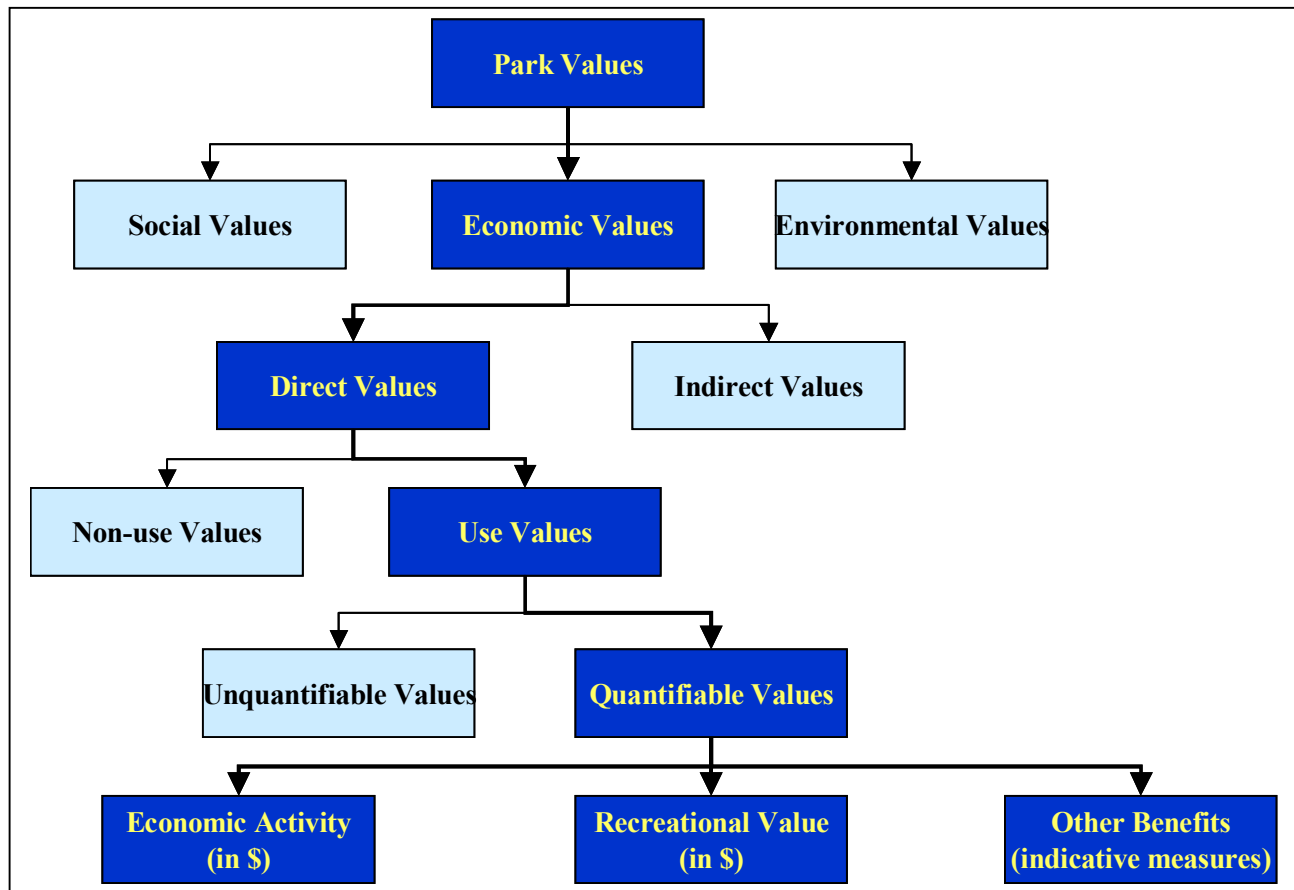


Figure 2.7: Framework of Park Values

Source: Cochrane 2003, p.8.

In considering the validity of this framework it should also be noted that:

- The diagram follows the tree through the various stages of the Economics Value grouping. A similar tree applies to the other two key value groupings.
- It is certainly possible for a specific benefit to fall within more than one grouping. For example, the benefit of improved community health resulting from parks has significant social (improved quality of life, individual well-being) and economic benefits (as a result of reduced health costs and worker absenteeism).
- Indirect benefits are generally broad ranging benefits that are ‘derived’ rather than generated directly from the park. The output from the benefit is often distant from the park input and, therefore, the clear input-output relationship required to support the

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benefit quantification is unclear. As a result, indirect benefits are often not clearly quantifiable.

- Non-use benefits are similar to indirect benefits from a quantification perspective in that the input-output relationship is also often difficult to clearly define.

The relevance of this overall value framework is two fold. Firstly, it serves to emphasize that in considering the value of national parks it is important to adopt a holistic view of the total benefit of the parks to the community (economic, social and environmental).

Secondly, the framework highlights that national parks also have an important economic value to any community and that any consideration of commercialisation in national parks does need to recognise this value. Clearly, there are mutual interests that link tourism, parks and communities, and this commercial interest is one of the links that provide the basis for future mutual partnerships. A recent study of the economic value of a selection of national parks in Victoria assessed the economic value of 3 of the States iconic national parks to be almost \$500 million to regional Victoria (Stone 2006). In the USA a study released by the Department of the Interior noted that the USA national park system generated US\$10.3 billion of revenue. Importantly, the report also noted that national parks in the USA returned US\$5 to the economy for every dollar invested (Anonymous 2006).

2.5 The Environmental Importance of National Parks

In Section 2.4 the role of national parks was considered and, in particular, it was noted that the emphasis was now focussed more on their conservation values with recreational values coming second. In particular, with their primary objective of conservation, national parks now protect many of the most important natural values inherent in the total Victorian parks and reserves system. Of the 36 national parks in Victoria 26 have the highest level of flora and fauna biodiversity values of all the parks in the State, and 20 have threatened flora and fauna species. (See Parks Victoria 2000.)

Up until 2000 the importance of the environmental values of Victoria's park system was not clearly known. Therefore, Parks Victoria undertook an extensive evaluation of the total park system, with the outcome being the *State of the Parks 2000* (Parks Victoria 2000), which for the first time presents a consolidated picture of the environmental values protected in

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Victoria's parks and reserves. This report segregates these values into a number of categories – bioregions² and vegetation, flora diversity, fauna diversity and visitor impacts. A summary of the key findings from this report is included in Appendix 1, with this report demonstrating the environmental values of the parks system and particularly national parks.

The clear conclusions from this research are that Victoria's parks and reserve system, and particularly the national park system have an important role to play in the protection of the natural values of our environment but that the increasing level of visitation is having a negative impact on our ability to achieve the required level of conservation protection.

2.6 The Management and Funding of Parks

National parks represent a natural resource highly valued by the community. To adequately understand the challenges being faced in protecting this important asset in Victoria it is important to consider the approach to management being adopted along with the role of the designated management agency and the associated sources of funding.

2.6.1 The Management Model for National Parks

Within Australia there are a number of organisations charged with responsibility for the management of national parks (including management of commercial relationships). In all jurisdictions except Victoria the management agency resides within a Government Departmental structure and, therefore, the same entity is in effect responsible for policy and delivery. Within Victoria 'delivery' responsibility resides with Parks Victoria (as a separate agency) who has a reporting responsibility to a Government Department (being the Department of Sustainability and Environment) who have policy responsibility.

The major stakeholders encompassed within this commercial relationship are depicted in Figure 2.8.

² Biogeographical regions, or bioregions, describe areas that have broadly similar ecological characteristics across the landscape.

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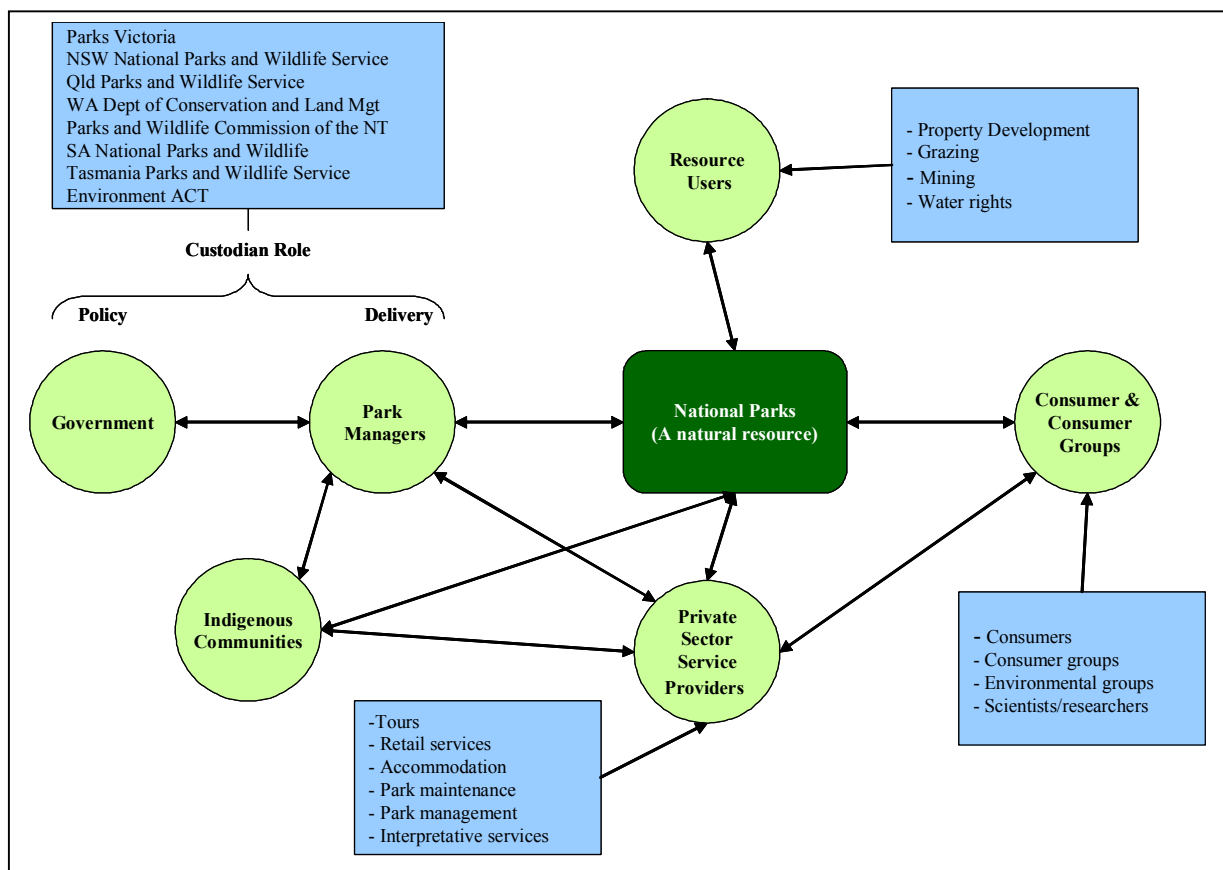


Figure 2.8: Park Management Commercial Relationship Stakeholders

Source: An updated version of the model in Cochrane 2004, p.67.

2.6.2 The Role of Park Management Agencies in Australia and Victoria

Clearly, in this relationship the role of the park management agency is paramount. As has been noted by a number of commentators, most public sector organisations differ from private enterprise in that, unlike the private sector, they tend to have multiple purposes (see Donnelly 1999). Park agencies, like other public sector organisations, engage not only in the direct delivery of services to the public (i.e. the management of the parks systems), but they also have additional indirect purposes.

These additional purposes arise, in part, because of the diverse range of stakeholders which need to be considered, including not only park users, but future users, non-users, commercial sector partners, local communities, citizens, management, employees and other public sector agencies. They also occur because of the diverse range of values attaching to a national park (as previously discussed).

All of Australia's park management agencies (including Parks Victoria) have common responsibilities and mandates in relation to the preservation and management of their estates.

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This conservation responsibility, in all cases, is the primary responsibility with others such as public access and recreation being secondary. However, in fulfilling this responsibility park management is placing an increasing focus on delivering quality services to the visiting public. Typically, the management agencies now include in their definition of service delivery the conservation objective of the protection of natural and cultural values along with the provision of quality recreation and tourism opportunities, interpretation and education services, weed and feral animal eradication and fire management (Archer and Weaving 2002).

In addition to this service delivery role, it is increasingly being recognised that park management agencies also have an important role to play in building broader community awareness and facilitating a sense of community value, ownership and affinity with national parks. In fact, it has been suggested this ‘community-building’ role is an important function for most public sector organisations, and that focusing excessively on the visitor to national parks as the main stakeholder runs the risk of not fulfilling this responsibility (Foster 2000). It is also argued that park managers have an important role to play in developing community awareness of the importance of conservation. McArthur (1994) noted there is some evidence to suggest that when visitors to national parks obtain a satisfying experience, they will often come closer to supporting the underlying philosophy of park management. This perception was also reinforced by Forestell (2000) who stated that “in an evolutionary sense, it is possible that the continued delivery by park managers of quality park experiences may bring about a change in visitor and wider community attitudes towards the natural environment”.

Within Victoria the legal responsibilities and powers of the parks manager, Parks Victoria, are specified in the *Parks Victoria Act 1998 (Vic)*, with these being:

“7. **Functions of Parks Victoria**

(1) The functions of Parks Victoria are—

- “(a) to provide services to the State and its agencies for, or with respect to, the management of parks, reserves and other land under the control of the State;
- (ab) to provide services to the State and its agencies for, or with respect to, the management of waterways land (within the meaning of the **Water Industry Act 1994**) for the purposes of conservation, recreation, leisure, tourism or water transport;

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(b) with the approval of the Minister, to provide services to the owner of any other land used for public purposes for, or with respect to, the management of that land;

(c) to carry out such other functions as are conferred on it by or under any Act.

(2) In carrying out its functions, Parks Victoria must not act in a way that is not environmentally sound.”

(Parks Victoria Act 1998 (Vic), Act No 44/1998)

If Parks Victoria, like other park management agencies, is to meet its direct and indirect service responsibilities to the community, it is essential it provide quality services, promote appropriate visitor behaviour, and encourage a community awareness, understanding and appreciation of the conservation responsibilities of park agencies, the values inherent in protected areas and the opportunity for appropriate visitor use and behaviour.

2.6.3 Sources of Funding

It is important, if Parks Victoria and other management agencies are to fulfil this extensive role, they be adequately funded, and this responsibility currently falls predominantly on the public purse. Responsibility for managing and maintaining national parks in Australia rests with the public sector, with access to these parks being provided as a free or subsidised commodity where the direct price does not exist or is minimal (Figure 2.9 and Queensland Parks and Wildlife Service 2000). As a result, visitor infrastructure and services have been funded largely by taxpayers in Australia and Victoria.

As was noted by Buckley (2004, p.11), among others, even where visitors and tour clients pay park entrance fees, there are few parks where these fees currently cover the costs of providing and maintaining visitor facilities, let alone the costs of conserving the natural heritage for which the park was established. For visitors to national parks, therefore, both the costs of maintaining the natural attraction and the costs of infrastructure such as roads, tracks, lookouts and toilets are provided largely as taxpayer funded public goods. One of the corollaries of this is that, for commercial tourism in national parks, infrastructure costs are effectively cross-subsidised out of the public purse.

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This view is re-enforced by the following analysis of park management funding sources in Victoria.

▪ Park Management Funding Sources

Funding sources for Victoria's parks have been subject to significant variation and uncertainty over the last decade, as is demonstrated by the diagram below.

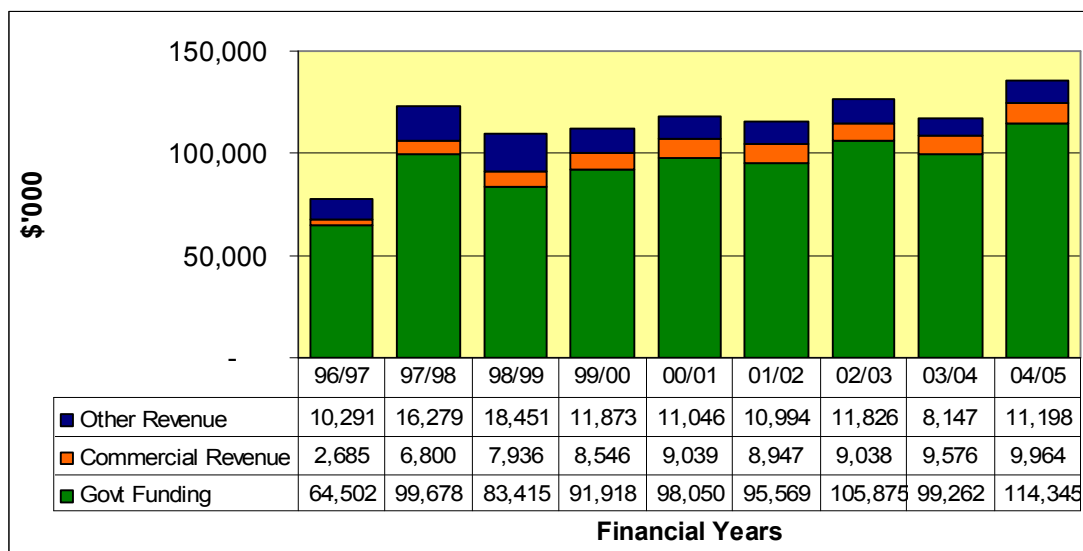


Figure 2.9: Parks Victoria Funding

Source: Interpretation of data from Parks Victoria Annual Reports' for 1997/98, 1998/99, 1999/00, 2000/01, 2001/02, 2002/03, 2003/04 and 2004/05.

The trends evident in this diagram (and a more detailed analysis of the specific data from the Annual Reports) indicate that:

- The clear majority of funding comes from the Victorian Government.
- Until very recently, the core base of recurrent government funding had not varied significantly since the establishment of Parks Victoria.
- The main variation in Government funding is in the allocation of capital funding, with this being discretionary (depending on government priorities).
- Revenue from commercial activities has been demonstrating consistent growth.
- Other revenue sources (including sponsorships and specific grants) are highly variable.

In the 5 year period up to 2004/05 the total level of funding has remained relatively static even though the size of the natural estate along with the demand for services has increased significantly. In 2004/05 the State Government increased the recurrent allocation to Parks

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Victoria (but even after the additional allocation the funding remains insufficient to adequately maintain the park assets).

▪ Performance of Parks Management

While the conduct of this research does not require a detailed examination of the efficiency of Parks Victoria management, the consideration of funding requirements does need to take into account indicators of management efficiency in funding utilisation. In particular, if this analysis suggests that Parks Victoria is using the available funding efficiently but that the overall funding level is inadequate, greater pressure is placed on the need for the park manager to source the additional funds (and services) required from alternative sources. The expanded use of commercial operators is one example of such a possible source.

It could (correctly) be argued that any inefficient organisation facing funding constraints should focus on improving efficiency before there is a concentration on alternative funding. However, cost benchmarking studies (as outlined in Figure 2.10 following) indicate that Parks Victoria has delivered significant cost efficiencies in park management. For example, the average cost per visitor to a national park across all Australian States is \$6.38, which is almost three times higher than Parks Victoria's cost of \$2.23 per visitor. A more detailed analysis of these benchmarks also supports the contention of a growing shortfall in Parks Victoria's funding - these benchmarks suggest funding has not kept pace with the expansion in the number, area and diversity of parks, or the increase in park visitors.

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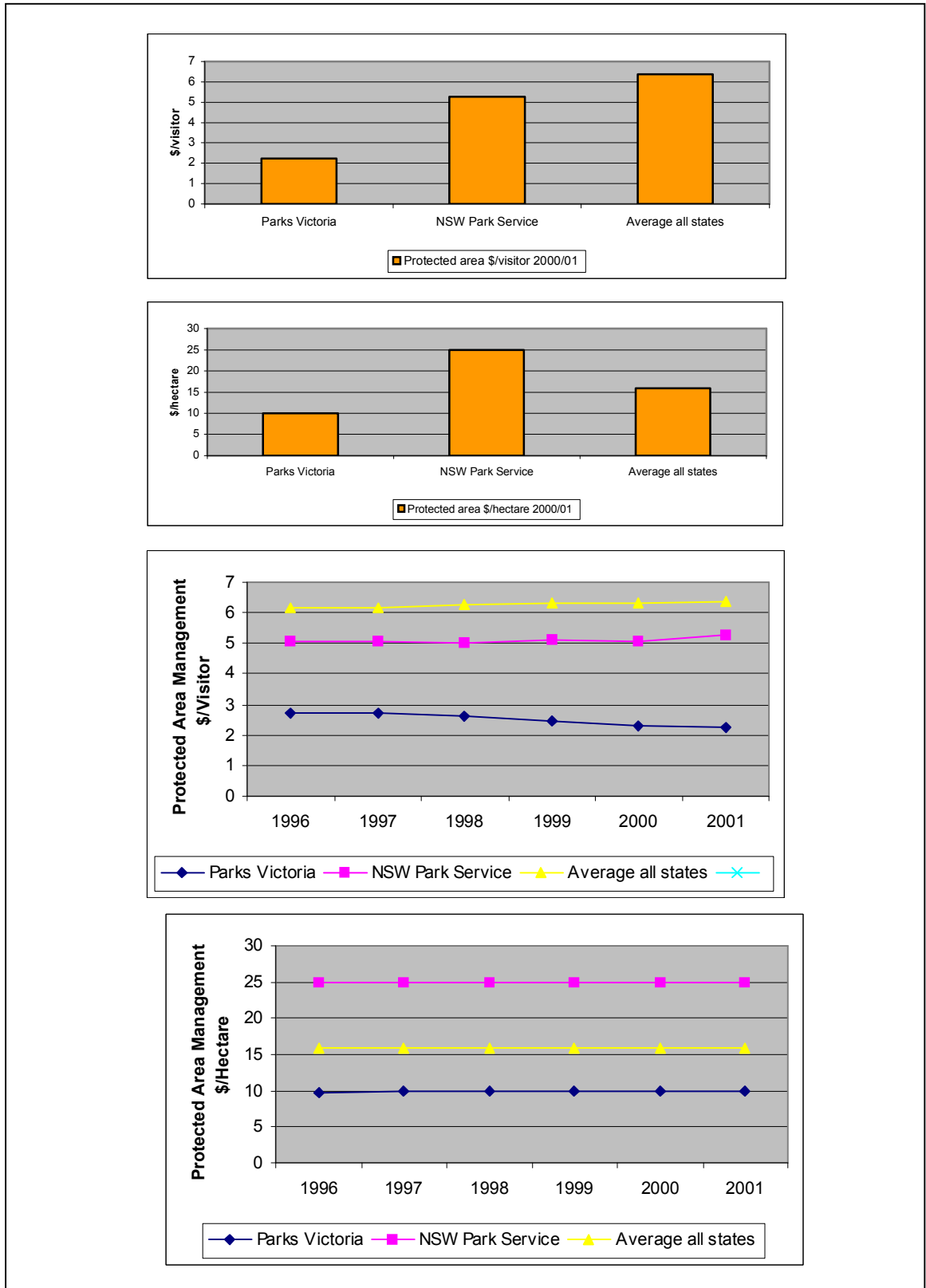


Figure 2.10: Parks Victoria Cost Performance Benchmarking

Source: International Parks Strategic Partners Group 2004, pp.20-23.

2.7 The Dilemma for Parks Management

The preceding evaluation of key trends in national park visitation and finding provides an indication of the dilemma facing parks management in Victoria (and the rest of Australia). People are seeking out more natural areas for recreation and are visiting national parks in ever increasing numbers. Simultaneously, there has been an increasing community awareness of environmental issues has created broad-based support for protecting natural landforms and biological diversity. Unfortunately, the two trends are in direct conflict due to there being real, as well as perceived, environmental problems with increasing visitation to national parks which have natural constraints on visitor numbers which can safely visit without damaging the environment.

This trend is also not just limited to Australia. Increased interest in and concern for the environment is a trend across western society which is considered to be a primary factor in the higher demand for nature-based tourism experiences. Tourists are increasingly interested in travelling to more natural and pristine environments and countries with the most diverse flora, fauna and ecosystems (such as Australia) have the greatest potential for nature-based tourism and ecotourism (Ceballos-Lascuráin 1996).

This pressure has been acknowledged by the Commonwealth controlling agency, Department of Industry, Tourism and Resources (2003, p.1) who noted that while the park managers have conservation obligations, the use of parks for public enjoyment, recreation and education is also a part of their responsibilities and providing for these visitor needs is increasingly difficult in an environment of budget and resource constraints. The department went on further to note that these pressures could be categorised as resulting from funding approaches, public sector reforms and philosophy differences.

- **Funding.** Government is beginning to see protected areas as assets with substantial income-generating potential rather than as a drain on resources, although conservation remains at the centre of policy.
- **Public sector reforms** create pressure to find more efficient and effective ways of meeting public needs. There is growing external pressure for government agencies to be less regulatory, more business-like, and customer focused. These forces are driving park management in new directions and facilitating cultural change within park management agencies.

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- **Philosophical.** Where there is conflict between park agencies or park managers and tourism operators, it can create a perception that tourism is a problem rather than an opportunity. Sometimes conflict is driven by philosophical and ethical differences between the public and commercial sectors.

(Department of Industry, Tourism and Resources 2003, p.29-30)

These comments are equally applicable to all parks management agencies in Australia. As was noted by TTF Australia (an industry representative organisation who complete independent research into and forecasts for the tourism and transport industries), most Australian parks agencies have insufficient funds to adequately carry out both natural resource management and visitor infrastructure management simultaneously (TTF Australia 2004, p.12). This position is also supported by the preceding analysis, which provides an indication of the funding pressures Victoria's park manager is facing. In particular:

- the size of the land managed
- the number and scope of water based responsibilities
- visitor numbers
- the requirements of visitors, and
- the responsibility of the parks manager

are all increasing at significant rates and are forecast to continue to increase into the foreseeable future. However, the funding provided by Government has not matched this increase, resulting in there being a significant mismatch between the management responsibilities of Parks Victoria and the provision of funding to enable fulfilment of this management responsibility.

Importantly, due to legislative constraints, the ability of Parks Victoria to generate funding from external sources is restricted. In particular, as Parks Victoria is a public body subject to its' own constituent legislation, it is legally required to comply with other relevant State legislation including that related to charging for services. In effect, Parks Victoria is not permitted to increase its direct charges to the consumer by any more than the increase in CPI (with the relevant minister's approval and after completion of a Regulatory Impact Statement).

Conservation groups have also been closely watching public sector reforms and have previously expressed concern over what they perceive is a shift towards tourism-centred park

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management and that this may lead to profits being put before good practice: “Park managers increasingly see tourism development rights, licences, entry fees and levies as the answer to government budget cuts ... causing protected areas to be regarded primarily as economic resources ... rather than ecological refuges” (Figgis 2000).

This represents a major dilemma for all park managers, and particularly for the Victorian park manager. The challenge of balancing the needs of conservation, commercial tourism and private visitation increases in complexity as the number of visitors increase, as patterns of visitor use change and as public demand intensifies for higher standards in terms of both conservation management and tourism experiences.

The range of stakeholders who are impacted by this apparent dilemma is diverse ranging from the three levels of Government (Commonwealth, State and Local) to the park authorities, the commercial operators and the park users. Importantly, a significant number of these stakeholders are active participants in either structuring the commercial arrangements or as users of the services provided by the commercial operators and the park authorities.

2.8 Commercial Activities – the Range and Scope of Services

The constraints and issues noted in the previous sections places increasing pressure on the generation of additional revenue through charges to the private sector providers of commercial services in national parks (being the “commercial operators”). Therefore, the potential expansion of the use of commercial operators to deliver visitor services has a number of potential benefits to Parks Victoria and to the consumer - it facilitates the expanded provision of services to the increasing visitor base, it provides a potential avenue for the sourcing of financing for visitor infrastructure assets, and it provides Parks Victoria with a source of revenue not subject to State controls.

2.8.1 Commercial Activities as a Source of Funding

As is indicated by the chart below, revenue from commercial activities as a source of financing has expanded significantly in Victoria over the last 7 years from a relatively small base. While in 1997 the importance of this funding source was not significant, it has since grown to be an area of greater importance.

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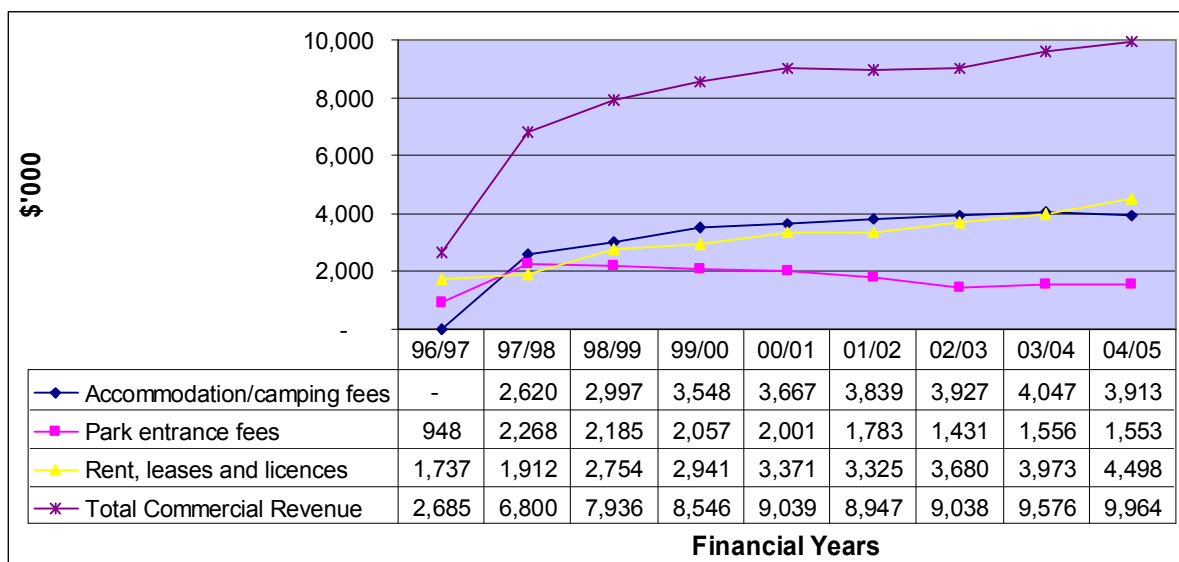


Figure 2.11: Revenue from Commercial Operations

Source: Interpretation of data from Parks Victoria Annual Reports' for 1997/98, 1998/99, 1999/00, 2000/01, 2001/02, 2002/03, 2003/04 and 2004/05

It is also important to consider each of the major revenue sources separately. Revenue from accommodation and park entrance fees represent direct consumer charges which, as noted previously, are subject to legislative constraints. The substantial increases in these revenue lines results from increased visitation and facility provision more than pricing increases. Rent, lease and licence revenue represents a more flexible revenue base and one which has experienced significant growth.

2.8.2 Commercial Activities – the Range and Number

The range of commercial activities completed in national parks in Victoria is diverse, as are the approaches taken to the structuring of these activities (discussed in Section 2.8.3). The range of commercial services provided is already significant, as is demonstrated by the data in Appendices 2 and 3. It is clear, from this list, that Parks Victoria is already either directly or indirectly providing a large range of commercial activities within the parks estate. While not explicitly clear, it is also reasonable to assume that this range of services has increased over the last decade or more, as the use of the private sector to provide commercial services in a protected environment has become a more accepted delivery method.

This position is supported by Table 2.7, which indicates that while there has been a decline in the number of approved tour operators, the number of activities provided by commercial

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operators along with the number provided per operator has increased substantially. This indicates an increase in the number of services and the number of parks in which the services are provided.

Table 2.7: Number of Commercial Operators

	1998	1999	2000	2001	2002	2003	2004	2005
Number of Licensed Tour Operators	373	407	259	292	292	612	243	253
Number of Activities	550	571	N/A	N/A	N/A	3,027	N/A	3,800
Activities per Operator	1.5	1.4	N/A	N/A	N/A	4.9	N/A	15.0

Source: Interpretation of data from Parks Victoria Annual Reports' for 1997/98, 1998/99, 1999/00, 2000/01, 2001/02, 2002/03, 2003/04 and 2004/05.

The table in Appendix 2 provides a breakdown of these activities in 2003 between the types of service offered and, again, this list indicates the diverse range of commercial services now being offered.

In a number of instances, the commercial activities are completed 'in-house' by the park authorities. However, the motivation behind this approach is based on the need to maintain control over the park and its environment – not because of a perception that the park authority is necessarily best placed to deliver the commercial activity. The overall preference is for commercial activities to be contracted out wherever possible (e.g. Victorian Government policy discourages the completion of commercial activities by the park manager as does the Australian Government Competitive neutrality policy (which has been adopted by all the States of Australia). The approaches taken to controlling these commercial activities by the national parks managers are diverse in regard to both the overall approach and the particular requirements embedded within the approach.

2.8.3 The Legal Nature of the Relationship

The contractual approaches taken to controlling external service providers by the national park managers (or the lack of a formal contractual relationship) include:

- Legislation (with penalties)
- Leases
- Public private partnerships
- Joint ventures
- Incentives
- Licences
- Contracts for service provision
- Royalties
- Concessions
- Fee for service

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- Voluntary guidelines
- Draft management plans
- Visitor restrictions
- Restrictions on activities

There is currently no consistency in the approach adopted. Similarly, there is no consistency in the delivery framework adopted by the commercial suppliers (e.g. in legal structure, in organisational structure, in strategy, in funding arrangements etc). (For further discussion on these differences refer to Bickerstaff 1999 and Department of Industry, Tourism and Resources 2003.)

In considering the legal relationship it is important to recognise that the available options are influenced by the legislative structure under which the park manager operates. This legislative structure varies for each State. Within Victoria the legal responsibilities and powers of Parks Victoria are specified in the *Parks Victoria Act 1998 (Vic)*. While this Act specifies the functions of Parks Victoria along with its general powers (which include the power to “enter into agreements and arrangements for the provision of services” (see *Parks Victoria Act 1998 (Vic)*, Act No 44/1998, Clause 8)), its actual responsibilities are more clearly defined in a Management Services Agreement between Parks Victoria, the Minister for the Environment and the Secretary of the Department of Sustainability and Environment. Under this agreement, Parks Victoria is responsible for management of:

- “all areas reserved under the *National Parks Act 1975* and open space, parks and waterways under section 110 of the *Water Industry Act 1994*;
- nominated Crown land reserved under the *Crown Land (Reserves) Act 1978*;
- conservation reserves reserved under the *Crown Land (Reserves) Act 1978* and managed in accordance with approved land use under the *Land Conservation Act 1970*;
- Other areas as specified under the *Parks Victoria Act 1998*.”

(See Parks Victoria 2001-2002 Annual Report, p 3)

It is these specific Acts which provide Parks Victoria with the authority to enter into legal agreements with commercial operators while also specifying certain requirements for these agreements. For example, for Reserved Crown land, the *Crown Land (Reserves) Act 1978 (Vic)* details some leasing provision requirements including the permitted maximum period of any lease.

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Parks Victoria, as the entity responsible for the managed of parks in Victoria, is also required to comply with a number of other legislative requirements (e.g. *EPA Act (Vic)*, *ESC Act (Vic)*) along with Government regulations and policy requirements which impact operations (e.g. pricing policy).

All of these legislative and regulatory requirements need to be considered when contracting with an external organisation to provide services on public land (including national parks).

2.9 The Benefits of an Effective Relationship

Parks Victoria, like all park management agencies, faces a significant challenge in continuing to provide an effective service using the resources available from the public purse. The ability of Parks Victoria to harvest alternative sources of revenue to supplement public sector funding is restricted by legislative and structural constraints. One such source is income from commercial relationships with private service providers in national parks – but the benefits of such a relationship has the potential to extend beyond the financial. Also, the more experience park management agencies have in developing partnerships with commercial operators, the more likely they are going to be able to see the benefits and the way forward to solve conflicts and reach satisfactory compromises. These potential benefits were summarised by the Department of Industry, Tourism and Resources (2003) as follows.

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Table 2.8: Benefits of an Effective Relationship

Benefit	Derived from
Tourism contributions to protected area management	
Environmental/social	<ul style="list-style-type: none"> - visitor management - education and inspiration of visitors, increasing environmental awareness and support for parks - in-kind contributions to park management agencies - incentive to expand protected areas, both public and private - voluntary labour for conservation projects - marketing and publicity
Economic	<ul style="list-style-type: none"> - income through increased visitation (entry fees, camping fees, tours, etc.) - income through permits and licence fees - financial contributions to park management, research, conservation projects, etc. - market-responsive visitor services and infrastructure
Protected area management contributions to tourism	
Environmental/social	<ul style="list-style-type: none"> - sustainable management of nationally and internationally-known attractions - education and interpretation
Economic	<ul style="list-style-type: none"> - publicly-funded infrastructure - publicly-funded marketing of parks - provision of access rights through permits, licences, leases which can be restricted or exclusive, thus adding value

Source: Department of Industry, Tourism and Resources 2003, p. 34.

2.10 Conclusions

While focussing on Victoria, this chapter has highlighted the pressures facing all park managers – the need to manage an expanding land estate where the values of the estate are increasingly being recognised as is demonstrated by the increased level of visitation. With these demands also comes a need to provide an expanded service to the visitor. However, the park manager is not receiving funding levels or increases commensurate with the increasing visitor demand resulting in growing funding pressures. While one response of the park manager may be to restrict public access to parts of the estate, such an approach is inconsistent with the objectives of the park manager (of visitor accessibility) while also being politically unacceptable. Therefore, the park manager needs to consider the sourcing of funds from alternative sources – with improved and expanded commercial operators being a viable alternative. If correctly structured, the use of commercial operators has the dual benefit of

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assisting in the provision of the services required by the visitor while also providing the park manager with another revenue stream.

These changing circumstances with an increased emphasis on the use of commercial operators to meet an expanding need have placed increasing importance on the need for park managers to have a modern management tool to achieve maximum benefit. The development of an effective commercial business model between Parks Victoria and the commercial operator to facilitate the provision of visitor services has the potential to provide significant benefits to all the direct parties (the park manager, the commercial operator) along with the indirect stakeholders (the visitors, other service providers), and is the focus of the remainder of this thesis.

The completion of this research, to be effective, needs to be correctly placed within an appropriate research strategy using supportable social research methods for data gathering and reduction. These issues are considered in the next chapter.



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3.1 Research Methodology and Overall Approach

There are potentially a number of research approaches which can be adopted in completing social research, with there being key points of difference between the various approaches. That is, “we can discriminate between difference methods in terms of their relative emphasis upon deduction or induction, their degree of structure, the kinds of data they generate and the forms of explanation they create. At each extreme... we can distinguish (between) what is known as nomothetic and ideographic methodologies” (Gill and Johnson 1997, p.37) and the selection of this research method will heavily influence the identification of the actual research approach required.

While nomothetic methodologies have an emphasis on the importance of basing research on systematic protocol and technique (eg the approach and methods employed in the natural sciences), ideographic methodologies emphasise the analysis of subjective accounts generated by ‘getting inside’ situations and involving oneself in the everyday flow of life (see Burrell and Morgan 1979, pp.6-7). Under the various ideographic based strategies, there is an ‘emphasis on theory grounded in such empirical observations which take account of subjects meaning and interpretational systems in order to gain an explanation of understanding’ (Gill and Johnson 1997, p.37).

Ideographic type strategies are those which are most appropriate for this project, with the abductive research strategy being the preferred type. The principles of the abductive research strategy, which requires the completion of inductive evaluation along with theory generation based on the inductive output, provide the overall approach used. The actual activities undertaken, which are consistent with this research approach, include:

- data collection via a number of collection techniques including stakeholder interviews (with park managers and commercial operators)
- detailed examination of a number of existing commercial concession agreements from the initiation process to service delivery to closure
- literature research on international approaches and models (desk top)
- literature research on business models used in other situations (desk top)
- use of inductive logic to identify, evaluate and isolate trends from the data collected
- consideration of how the trends impact on the motives and actions of the stakeholders, and

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- development of a commercial business model framework and completion of model validation procedures.

Importantly, the application of the abductive research strategy has been completed using the principles and techniques of grounded theory. The principles of grounded theory for qualitative research were first articulated by Glaser and Strauss (1967), and have been subject to much discussion, debate and refinement since. (For example, see Strauss and Corbin 1990, Pandit 1999 and Charmaz 2003.) However, the base principles of grounded theory remain intact, being that the emergent theory should be ‘grounded’ in data from the field, the theory is articulated towards the end of the research and that grounded theory is a form of emergent research in that it does not begin with (or test) a hypothesis as the aim is to discover the theory implicit in the research.

The research activities to be completed are summarised in Figure 3.1 below.

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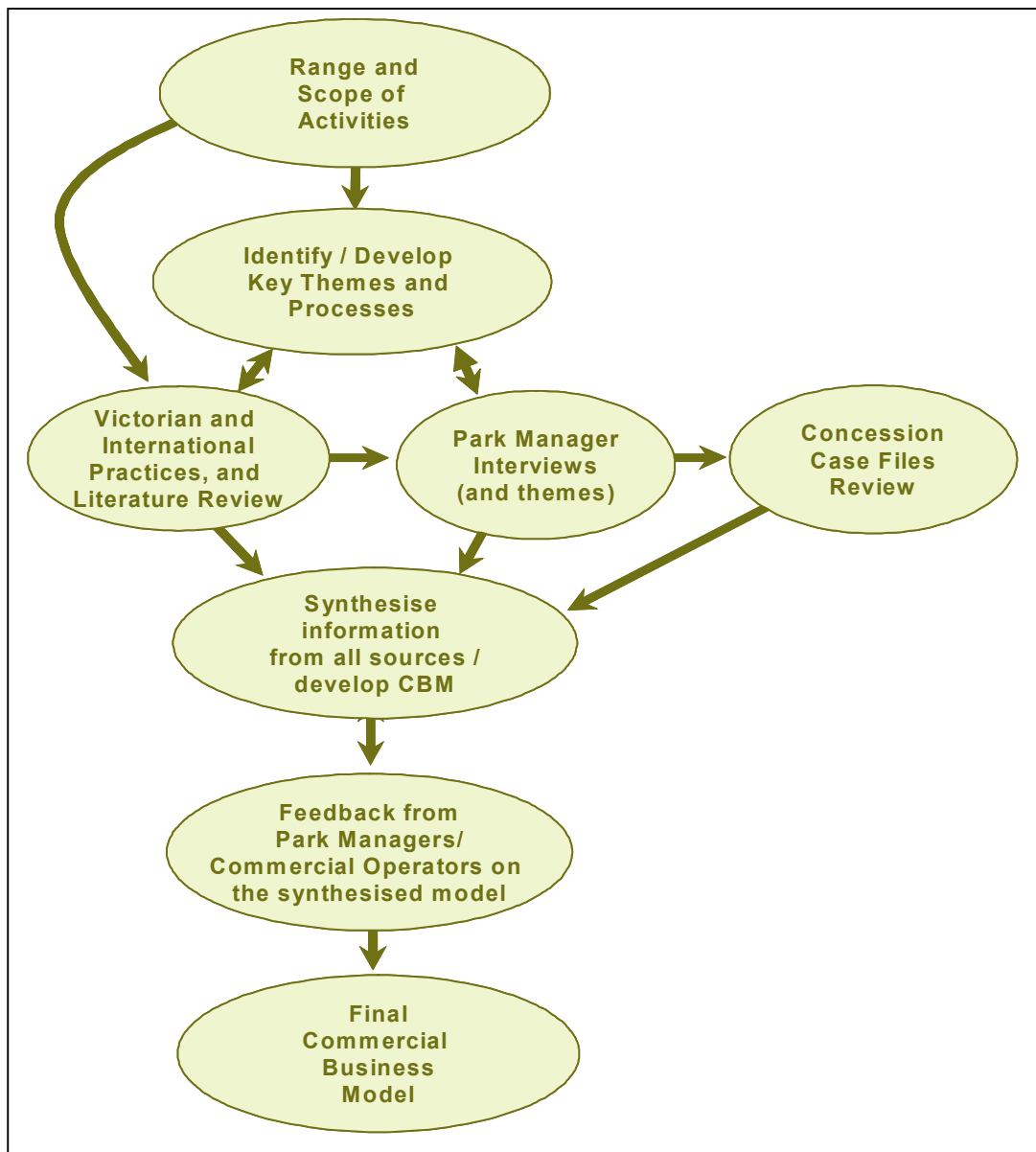


Figure 3.1: Research Activities to be Completed

These activities include, importantly, a triangulation of data for analysis as the activities include the completion of a literature review identifying current practices, the completion of interviews and the review of a sample of case files, with these multiple sources of data being used to generate a CBM. As a final step in this triangulation process, the CBM is subject to a final review by users prior to finalisation.

One of the other key aspects of this approach is the early development of themes and processes, which are then further developed and refined as additional research is completed.

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This process is further demonstrated by Figure 3.2, which details the outputs and outcomes at each stage in the process.

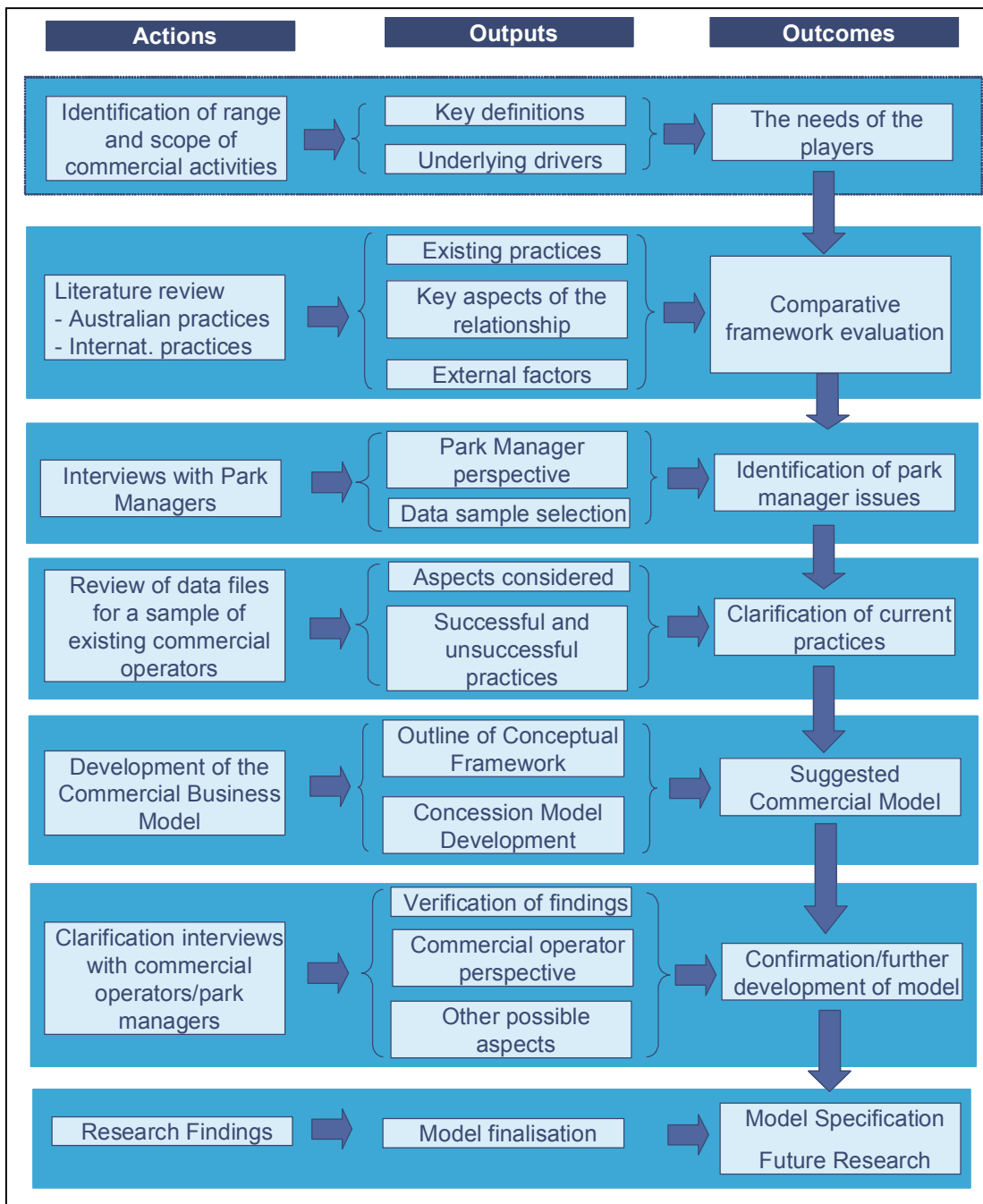


Figure 3.2: Overall Research Approach

This approach contains many of the main features of grounded theory in that the research does not start with any particular theory or hypothesis and it requires the development or emergence of theory based on the constant comparison of information. Also, the extent of data obtained will be dependent upon the point at which information saturation is achieved (i.e. information will continue to be sourced until the data is no longer contributing to the

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theory development) and the actual samples will be emergent (as is the theory and methods generally).

However, there have been two important variations from what might be termed the 'pure' form of grounded theory.

- Grounded theory was initially developed for the completion of qualitative research with the dominant data source being interviews (see Cresswell 1998, p.38). Included in the sourcing of data for this project is the development of the initial categories and properties based on interviews and data analysis from existing records. As is noted by Blaikie (1990), such a combination of qualitative and quantitative data can still be used to complete research based on the principles of grounded theory.
- Grounded theory does not place the same emphasis on the completion of a literature review as, due to the emergent nature of the research, the literature requirement will not be known at the beginning (but rather, will emerge during the research). This research project varies this in that the approach adopted will require the completion of an initial literature review. This is required to locate the research within the relevant fields of literature initially, with this subsequently updated as any additional matters emerge.

These represent variations from grounded theory which is appropriate for this particular research project.

3.2 The Research Conceptual Framework and Model

While the preceding has detailed the research strategy to be adopted, this strategy could only be appropriate if it is placed within an appropriate philosophical orientation. In particular, the philosophical assumptions implicitly adopted in this research regarding what Burrell and Morgan (1979) have termed 'human nature' influenced the choice of an ideographic methodology and an abductive research strategy. Burrell and Morgan (1979) identified four possible philosophical orientations or paradigms for undertaking research, with the positioning of these options being dependent on positioning within the two dimensions of objectivity versus subjectivity and the sociology of radical change versus regulation.

For this research undertaking, the interpretivist theoretical paradigm (which sits in the subjective and sociology of regulation dimensions of the Burrell and Morgan (1979) model)

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provides the ontological and epistemological principles which are consistent with the requirements of the proposed research. The interpretivist ontology regards social reality as the product of processes by which social actors together negotiate the meanings for actions and situations – it is a complex of socially constructed meaning. It also has an epistemology based on the hermeneutic tradition in that “researchers work ‘bottom up’ by adopting the position of learner rather than researcher. The social actors teach the researcher how to understand the world” (Burrell and Morgan 1979).

In applying the interpretivist ontology to research, it is assumed that the various stakeholders (e.g. park managers, commercial operators) are influenced by their interpretation of the incentives provided to direct their actions. That is, the stakeholders’ interpretation of the characteristics of the commercial business model used influence their actions in supporting environmental values (and the various stakeholder groups may adopt different interpretations of the same characteristics).

The interpretivist epistemology required to assist in understanding the concepts and meanings used by the stakeholders along with their interpretations, requires the completion of open or semi-open interviews. It is only with an open interview that the intent of the output can be understood and correctly interpreted while providing the adaptive flexibility required to pursue relevant issues.

Importantly, the interpretivist model is consistent with the abduction strategy (previously detailed) as interpretivism employs a process of abduction in which everyday concepts are investigated, technical concepts generated from the data and an interpretation/explanation constructed. As noted previously, this model also supports the use of the bottom up approach (the hermeneutic tradition) where the researcher adopts the position of learner (rather than expert) in completing the interviews etc and requires the interviewees to teach the researcher to understand their motives and logic.

3.3 Data Sources, Types and Forms

For this research proposal multiple data sources have been utilised:

- The primary data was obtained using obtrusive information gathering in semi-natural settings via:

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- the completion of detailed reviews of data maintained by the park manager for selected commercial arrangements, and
- the completion of open structured interviews of park managers and commercial operators, with them being individually interviewed at their primary business location.
- The completion of a literature review of current practices in Victoria and a number of international countries.
- These data sources were supplemented by the use of external statistical data (eg from the ABS and international data) along with other sources (eg newspapers).
- Obtaining feedback from a sample of park managers and commercial operators on the initially developed CBM.

The use of the various data sources, and subsequent sourcing of user feedback facilitates the triangulation of the research results. The completion of a literature review identifying current practices, the completion of interviews and the review of a sample of case files will provide multiple sources of data used to generate a CBM. The final step in the triangulation process will be for the CBM to be subject to a review by users prior to finalisation.

The data was collected both in a quantitative form (predominantly from the review of existing data available) and qualitative form (predominantly from the interviews of the parks managers in Victoria along with a sample of commercial operators). The literature review combined both these types as it provided qualitative and quantitative data (while the other secondary sources predominantly supply quantitative data).

3.4 Data Collection, Analysis and Interpretation

3.4.1 Data Collection and Sample Size

The process for the collection of the required data consists of four primary stages:

- Literature review of existing practices.
- Initial park manager interviews.
- Review of data for a number of selected commercial arrangements.
- Following the initial CBM development (using the literature review and other inputs detailed above), validation interviews with commercial operators and park managers.

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In determining this approach to data collection and the related sample sizes, one of the primary driving factors was the potential coverage of park management agencies in Australia. While the intent of this research project was to develop key features of an overall CBM, there are significant State-based differences which limit the ability to achieve this (as was discussed in Section 2.3). Therefore, the research was restricted to the development of a CBM for Victoria, with the research focus requiring the interviews to concentrate on the organisation responsible for park management.

In completing the research a theoretical sampling approach was used with the samples being stratified to ensure all target areas were adequately covered.³ The final feedback interviews were completed using discriminant sampling to ensure maximum benefit was achieved from the interviews. In particular, the interviewees were selected based on their ability to verify the developed model or to assist in the further development of the model. (For a discussion on the use of discriminant sampling in grounded theory see Cresswell 1998.)

Chapter 5 (and particularly Section 5.2.1 [for park manager interviews] and Section 5.3.1 [for the review of existing concession agreements]) provides specific information on the population sizes, sample sizes, basis of selection of interviewee and approach to completion of interviews. Chapter 7 (and particularly Section 7.1) provides similar information in regard to commercial operator and park manager validation interviews.

The total data collection process along with the relevant population and sample sizes is summarised in Table 3.1 below.

³ In using theoretical sampling in grounded theory research, the researcher selects a sample based on the potential contribution to the development of the theory. For a discussion of theoretical sampling see Glaser and Strauss 1967 and Cresswell 1998.

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Table 3.1: Data Collection Procedures and Sample Sizes

Data Collection Procedure	Population Size	Sample Size	Timing	Comment
Examination of Victorian and international practices	N/A	N/A	2003	Initially completed in 2003, with the literature review then updated in 2006.
Park manager interviews	<20	3	January - March 2004	Sample was structured to ensure coverage of all levels of management.
Review of existing concession agreements	<30	16	May – June 2005	Existing agreements was rationalised to ensure coverage of current agreements encompassing a wide range of services.
Following model development, validation interviews with				
- commercial operators	<30	5	July – Sept. 2006	Interviewees were provided with the proposed CBM for review and feedback.
- park managers	<20	4		

- **Approach to Park Manager Interviews** - The primary data was collected via face-to-face structured open interviews with individuals in the Victorian park management agency (Parks Victoria). In conducting the interview the researcher adopted the position of the ‘empathetic observer’. While the interviewer needs to be objective, it is necessary for the interviewer to understand the position and objectives of the interviewee if the subjective meanings of the information imparted were to be properly understood.
- **Initial Data Research** - Based on the interviews with the Victorian park managers, a range of existing commercial relationships was identified and the existing documented information (i.e. the case files) on the relationship examined.
- **Validation Interviews with Commercial Operators and Park Managers** - Upon completion of the initial development of the CBM, interviews with commercial operators and park managers were conducted to obtain feedback on the proposed model. Prior to each interview, the interviewee was provided with a copy of the developed CBM. During the interview the commercial operator/park manager was requested to comment on the appropriateness of the CBM (as it pertained to them), identify any perceived concerns with the model, comment on any possible omissions from the model, comment on any possible refinements, and provide any additional comments considered relevant.

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3.4.2 Data and Research Timing

This research proposal represents a cross-sectional study as the data collection is from current sources representing the current position. While the sample of existing concession agreement files contains some data of a historical nature, the outcomes were considered based in the current context (as the sample selection criteria included only examining more recent concession agreements where the current context was most applicable).

3.4.3 Data Reduction and Analysis

The data obtained is both qualitative and quantitative in nature. One of the primary data sources are semi-structured interviews where qualitative data is expected to dominate. There will also be significant quantitative data sourced from the initial literature review (in Chapter 4) along with the concession agreement file review (in Chapter 5). This quantitative data will provide useful corroborative support for the analysis and interpretation of the qualitative data. The data will be measured at the nominal and ordinal levels.

Techniques for data reduction and analysis were determined *a priori*, as it was important the data was collected in a form appropriate to the technique. Content analysis techniques (for determining actual performance) and repertory grid techniques (for considering the relevance and effectiveness of key drivers such as incentive types) were used for the analysis of the quantitative and qualitative data. Content analysis is a research method that uses a set of categorisation procedures for making valid and replicable inferences from data to their context. The method combines qualitative (defining the categories) and quantitative (determining numbers within categories) aspects. The completion of content analysis requires the conduct of a series of steps -coding, categorising, classifying, comparing and concluding.⁴ Repertory grid analysis has been used in this research to assist in the analysis of the outcomes of the interviews as it is a technique which enables the comparison and analysis of the responses to common identified areas.

The reduction and analysis of the quantitative and qualitative types of data followed content analytical procedures based on the principles of grounded theory with data displays being used (where feasible) to summarise the data. In particular:

⁴ For a further discussion on content analysis techniques see Content Analysis – Combining qualitative and quantitative methods (www.geolog.com/gmsmnt/gmca.htm) and Neuendorf 2006.

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- initially, the overriding concepts, categories and properties were identified (being the coding step)
- these initial base concepts were further developed and clarified, as necessary, based on the output of the park manager interviews and concession agreement file reviews studies (being the categorising and classification steps), and
- these concepts and categories form the basis for the analysis of the data used for the development of the proposed CBM (being the comparing and concluding steps).

It is important to note that, under this process, the development of the form of data analysis and reduction occurred continuously through the study with it being based on the data actually collected.

3.4.4 Data and Theory Validation

Maxwell (1996, p.87) uses the term validity to refer to the “correctness or credibility of a description, conclusion, explanation, interpretation, or other sort of account”, and identifies two broad threats to validity that are often raised in relation to qualitative studies – researcher bias and reactivity.

Researcher bias is said to be present if data is selected that fits the researchers existing theory or ‘stand out’ to the researcher. Reactivity refers to the influence of the researcher on the setting or individual studies. Reactivity bias is unavoidable in interview situations. What the interviewee says is always a function of the interviewer and the interview setting.

Techniques used in this research project to reduce researcher and reactivity bias were:

- Interview questions were semi-structured and open-ended so as to reduce the possibility of asking leading questions.
- Interviewees were asked to review a written account of the interview.
- Sample sizes and specific samples (for the concession file review and the commercial operator interviews) were selected in conjunction with advice from park managers.
- A large sample of concession agreement files was selected to ensure coverage of all types of services and agreements as against a smaller number of interviews (thereby providing a counter to interviewee bias).

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To improve validity triangulation of data was also completed. While one dimensional approaches to the collection and interpretation of data often rely on their own method to validation of approach, a greater measure of confidence can be obtained where a wider range of measures and data sources are used. Therefore, greater validity can be expected from an increased number of measures, with the use of multiple measures being a triangulation of data. (See Neuman 1991.) A number of data sources have been used in this study (being the completion of interviews at various stages, literature research and file reviews – using a variety of methods), with the various data sources enabling the required triangulation validation of results. Importantly, the proposed CBM was ultimately submitted to a sample of commercial operators and park managers for review and update prior to finalisation.

3.5 Ethical Compliance

The completion of this research project required interviews of appropriate management within the national park management organisations along with the commercial operators and the gaining of access to concession agreement files. Therefore, the project has been completed in a manner which conforms with the NH & MRC *National Statement on Ethical Conduct in Research Involving Humans* (1999) and the RMIT Human Research Ethics Committee, and has been approved by the RMIT Business Portfolio Human Research Ethics Sub-Committee.

3.6 Summary Conclusion

In completing this project an abductive research approach (which is one of the ideographic type methodologies for social research) has been adopted based on the completion of inductive evaluation along with theory generation based on the inductive output, with the application of this abductive approach being completed using the principles and techniques of grounded theory. Specifically, the research activities undertaken, included:

- data collection via a number of techniques including stakeholder interviews (with park managers and commercial operators within parks)
- detailed examination of a number of existing commercial arrangements from the initiation process to service delivery to closure
- literature research on Victorian and international approaches and models
- identification of the relevant trends to explain positive and negative impacts on the environment
- consideration of how the trends impact on the motives and actions of the stakeholders, and

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- development and testing of a commercial business model which provides the required positive incentive to drive commercial operator action.

These activities include the sourcing of data from a number of interviews (including obtaining user feedback on the developed commercial business model). A theoretical sampling approach has been adopted in selecting the samples for the interviews and concession file reviews, with discriminant sampling being used for the final feedback interviews. The use of the various data sources, and subsequent sourcing of user feedback facilitates the triangulation of the research results.

The following chapter represents the commencement of the sourcing of this data, being the review of current literature and practices on approaches to commercial activities in national parks.



Chapter 4: National Park Commercial Models – a Review of Current Literature and Practice

“Models for managing protected areas are... changing rapidly – in many cases involving non-governmental organisations and the private sector in the establishment and management of protected areas. This requires clarity of the roles of different actors...; it also requires better co-ordination and co-operation than currently exists” (Figgis 1999, p.v).

This quotation from the foreword to *Australian National Parks and Protected Areas: Future Directions* (1999) reflects the primary driver for this research. It is recognised that the business model for the management of national parks is changing, but the actual specification of the parameters for this future business model are at a very early stage of development. Park managers acknowledge the need to use private commercial operators to provide visitor services in national parks, but do not have a fully developed model for facilitating this. Park managers need a set of commercial practices (based on their overall management requirements) which will provide the basis for a usable commercial business model which supports the use of the private sector in service provision in national parks. These trends and the resultant need for a set of commercial practices have been identified in a number of recent reports as the drivers behind these reports considering possible features of a commercial business model (see Department of Industry, Tourism and Resources 2003, various reports prepared by the Australian and New Zealand Environment and Conservation Council (ANZECC), TTF Australia 2004 and Morse *et al* 2005). These represent an important contribution to the debate, and begin to identify some of the possible features. However, they do not provide a comprehensive solution. It is argued by the researcher that the development of a workable business model requires a combination of a number of important elements – including knowledge of the national park management system in Australia and Victoria along with an understanding of the needs and motivations of the private sector in providing services.

This chapter begins the process of identifying and developing each of these elements by reviewing the literature to determine and evaluate current CBM practices in national parks in Victoria and a number of other countries. The position of this research within the total research framework (previously outlined in Chapter 3) is depicted in Figure 4.1.

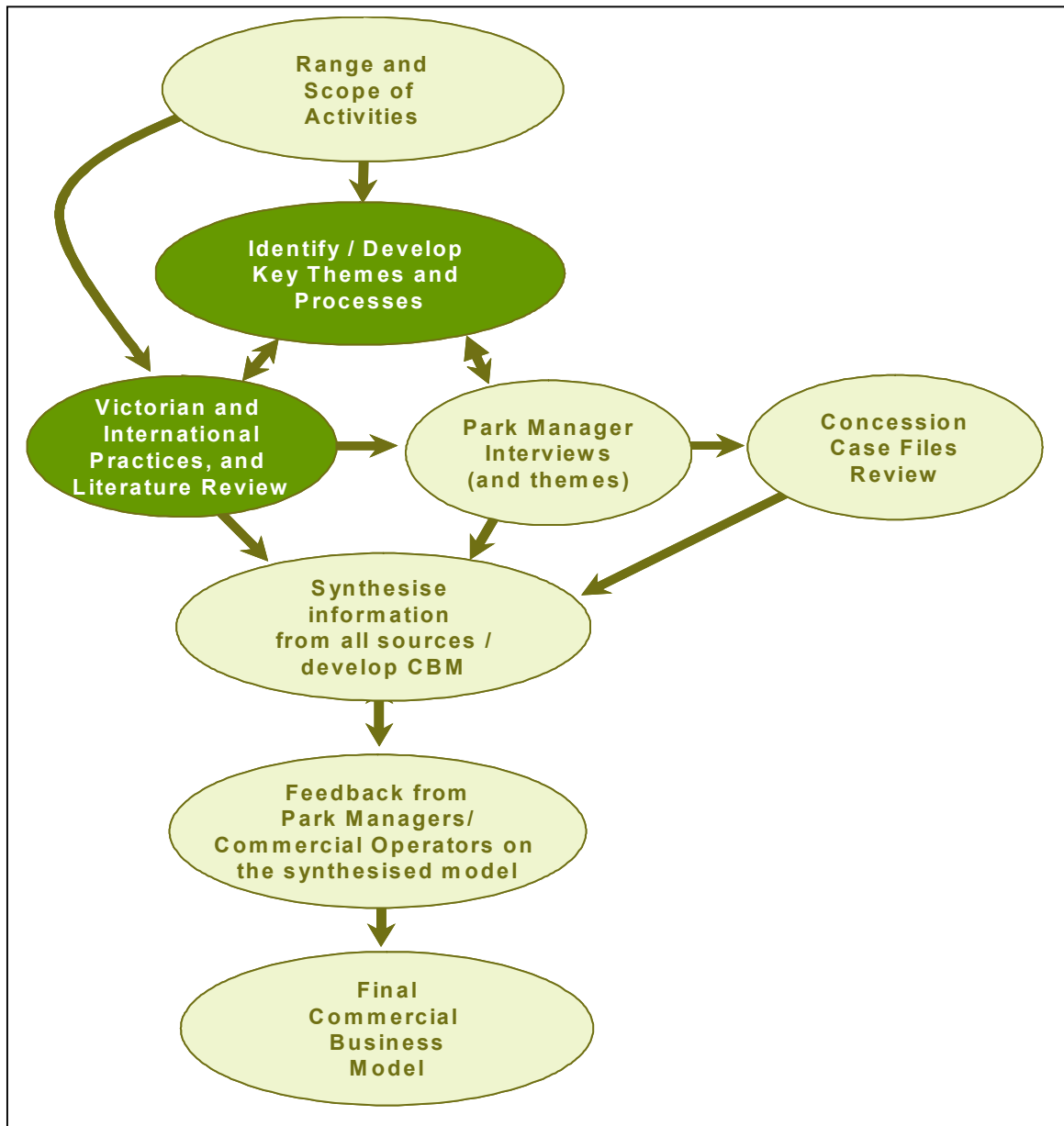


Figure 4.1: Research Activity Completed in this Chapter

The structure of this evaluation of Victorian and international practices in managing these commercial relationships is depicted in Figure 4.2.

Chapter 4: Current Commercialisation Practices – the Review of Current Literature

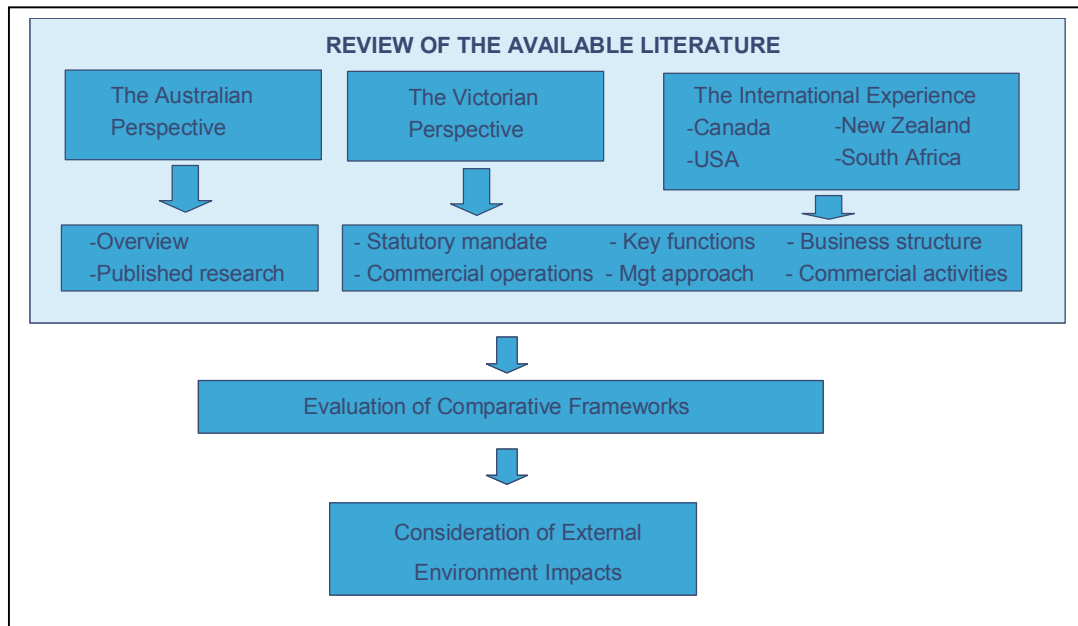


Figure 4.2: Approach to Evaluating Comparative Practices

Initially, a consideration of available research on commercial business models is completed (in Section 4.1), via an examination of current literature. Then an examination of current commercial business models used in Victoria (Section 4.2) along with the main international countries (Section 4.3) is completed. Based on the identified commercial business models, a comparison of practices is completed (in Section 4.4) including an identification of the key similarities along with specific differences. This review is focussed on identifying what is regarded (by the available literature) as potential best commercial business model practices including the structural arrangements for the commercial relationship which would need to be considered within the Australian and Victorian environment. This review, and its placement within a Victorian context, provides the basis for the development of a commercial business model framework (in later chapters). Finally, it is also important to identify and consider the potential changes in the external environment and the possible implications of these changes on commercial practices (as is done in Section 4.5).

In developing the required commercial business model framework it is necessary to consider the extent to which the completion of commercial activities in national parks (including the development of a commercial business model) has been considered in recent literature, along with the specific Victorian environment which impacts on Victorian practices (such as the legislative framework). The following sections complete this consideration from the Australian and Victorian perspectives.

Chapter 4: Current Commercialisation Practices – the Review of Current Literature

4.1 Commercial Business Models for National Parks in Australia

"Scenery is a hollow enjoyment to the tourist who sets out in the morning after an indigestible breakfast and a fitful night's sleep on an impossible bed."

(quote from [Stephen T. Mather](#), first Director of the National Park Service of USA, from the internet sight of the USA National Park Service, www.nps.gov)

While the Australian system of management of national park and conservation reserves is regarded as distinctive (as most national parks and reserves are managed by State and Territory governments rather than the federal government (Wescott 1991, p.331)), Australia is also seen increasingly as a world leader in many areas of national park management. An example of this leadership is the contractual framework now used extensively for the completion of parks management in public-private sector park management structures for indigenous communities, which originated in Australia. (For a discussion of this framework see Reid 2001, pp.135-155).

Not surprisingly, as one of the leading parks managers and providers of community access to national parks (as evidenced by the number and size of national parks in Australia, the level of visitation and involvement of Australian park management organisations in international developments in park management practices), Australia is also facing many of the challenges faced by other national park organisations around the world. These challenges were considered from an Australian and Victorian perspective in Chapter 2 (and are considered from a Canadian, USA and New Zealand perspective in Section 4.3), and can be summarised as follows.

- The size of the protected area estate has increased significantly over the last twenty years, particularly in the developed world and there has also been a corresponding increase in park usage by the community (as indicated by visitation levels).
- The above factors have placed significant pressure on management approaches to national parks, with parks management moving away from the community based approach, becoming increasingly professional and placing a greater focus on the requirements of the visitor (at the possible expense of the environment). (For a further discussion on this trend see also Coffey 2001, pp.70-71 and Westcott 1995).

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- The extent of public funding committed to the management of protected areas, while increasing in total, is declining on a relative basis (e.g. on a per hectare basis) thereby placing increasing pressure on the development of alternative funding sources.
- The above funding pressures have resulted in increasing use of the private sector in the provision and operation of visitor services, while this combined with increasing visitation has caused increasing involvement of the private sector in the provision of tourist services.

This later trend, the increasing involvement of the private sector in the delivery of services, has been subject to significant debate in Australia and other countries. The first Australian conference on the issue was held in 1994 and resulted in the main current Australian reference on the issue, *National Parks: Private Sector's Role* (Charters *et al* 1996). There have also been, since this initial conference, various general suggestions on the extent to which commercial activities should be permitted in national parks along with comments on how to control the extent of these commercial activities, with the majority of these coming from lobby organisations or the publications of these organisations. For example:

- Greens NSW believe tourism activity should be controlled by the establishment of regulatory mechanisms, the increased financial contribution of service providers and visitor limitations (Greens NSW 1998).
- The Australian National Parks Association believes the commercial exploitation of wilderness areas should be ruled out completely and immediately (National Parks Association 2001).
- The publications of the Australian Conservation Foundation maintain that the permitted 'multiple use' management approach of our national parks was failing to delivery in maintaining the environmental integrity and sustainability of these national reserves (Prideaux *et al* 1998).

The above views suggest a need for caution in the acceptance of positions adopted by some authors (as these authors are potentially advocating a position based on an ideological position rather than a full consideration of the issues or needs of the community). It is important to understand that while there has been extensive research completed and articles written about national park systems (and, in particular, the Australian national park system) along with the issues facing these national parks, the relevance of the output from this research needs to be carefully evaluated along with the importance of segregating fact from opinion.

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A significant amount of the available literature (both referenced and secondary) has been researched and written within the interpretive paradigm, with significant use of case studies and personal experiences to establish and support positions taken (e.g. Department of Industry, Tourism and Resources 2003, Greens NSW 1998, TTF Australia 2004). This, unfortunately, opens much of the literature to the potential criticism of bias, a criticism which in some instances would appear to be founded (e.g. Greens NSW 1998).

This need for care in considering the literature in relation to national parks does not detract from the extent of literature available. There is clearly significant literature on the role of the private sector in our national parks, but much of this is focussed on a consideration of the problem rather than the structuring of a solution (and, in particular, the development of a practical and comprehensive commercial business model). For example, the previously referred to *National Parks: Private Sector's Role* (Charters *et al* 1996) focuses on the role of the private sector within a national park environment and, while it does include relevant case studies, the focus of these case studies is on the role of the private sector rather than how best to structure the park manager-private sector relationship. As is indicated by this example, the debate in the literature focuses on whether, and to what extent, the private sector has a role in national parks. (Refer Charters *et al* 1996 and Figgis 1999 for examples of this discussion.) This thesis is not focussed on this debate, rather, it assumes the private sector has a role in the delivery of visitor services and focuses on the structuring of the park manager-private sector business relationship.

In recent years a number of reports have been released which do extend their consideration into the individual aspects of a commercial business model. In particular a report from the Department of Industry, Tourism and Resources (2003) focussed on the development of a partnership approach to the public-private sector relationships, while a subsequent report by Morse, King and Bartlett (2005) looked at the development of a theoretical business model for application within Kakadu National Park (which required careful integration with the traditional indigenous owners). Some of the key outcomes of relevance for these studies are incorporated in the following. However, the dual criticisms of potential bias along with a lack of adequate detail can be directed at these reports which detract from their overall relevance (while still providing good indications of areas to consider).

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The preceding has focussed on available literature which considers commercial activities within a national park or protected land framework. In considering the potential characteristics and structures of a commercial business model it is also relevant to take a more holistic view focussed on the overall concepts inherent in a commercial business model, irrespective of the specific requirements of the national park environment. There are a number of potential traditional areas of business research applicable in this area with the more significant being:

- Environmental management and values
- Specification of the private sector role
- Stakeholder management/theory
- Social responsibility reporting
- Incentive approaches, and
- Public-private sector relationships and business structures.

While there is extensive literature on a number of these areas, very little considers these areas in relation to the national park environment or only consider them within a holistic public-private business approach. There is extensive literature on individual public-private sector business models (such as Public Private Partnerships) on a range of generic business structures and on commercialisation in the public sector (see Kelly 2000 and Mellors 1995). However, these models take a more holistic view in defining the areas of application and, therefore, have not been developed to meet the needs of the environment in which the national park managers operate. In particular, the models do not consider the legislative constraints which exist in providing commercial services in national parks (e.g. restrictions on period of tenure which impact on the level of investment attractiveness) or the importance of the environmental and social obligations of the national park manager. There has certainly been a consideration of the importance of stakeholder involvement in natural resource management (Moore *et al* 2001). However, this has been completed from the perspective of a generic organisation and does not represent a full application of stakeholder theory to the structuring of a business relationship in a national park environment. There are numerous articles on corporate social responsibility (CSR) and corporate social reporting (Clarkson 1995 and Swanson 1999), but the focus is on the CSR of organisations in a normal external supplier-customer-stakeholder relationship. The unique requirements associated with providing a service within a protected area are not considered. (For examples of this discussion refer Clarkson 1995 and Swanson 1999).

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The one exception to this trend is in regard to incentive options, where a detailed study initiated by the Commonwealth Government has considered the applicability of possible incentive approaches to the conservation of biodiversity (see Young *et al* 1996). However, even this material may be viewed as insufficient as it considers the incentive issue in isolation rather than as a component of a total commercial business model and with a focus on unprotected lands rather than protected lands.

The available literature (previously referred to) does provide valuable background information and, in some cases, guidance in the evaluation of specific areas. However, there is no available research which, either in part or whole, provides a framework for the structuring of commercial arrangements in national parks. This is particularly valid when the need to place the commercial business model in Victoria is taken into consideration, which is the focus of this research. This conclusion has also been confirmed during discussions with senior management of some of the public sector national park management organisations, who have consistently expressed a strong interest in the results of this research project.

4.2 Commercial Activities in National Parks - the Victorian Perspective

The preceding section has considered the literature from an overall Australian perspective and found that the literature had not adequately addressed the development of a specific commercial business model for application in national parks. However, a rich source of information exists regarding existing commercial practice in national parks in the legislature and other environmental literature (see Figure 4.2). This section considers this from the Victorian perspective.

As the focus of this research is the development of a commercial business model within the Victorian context it is necessary to have a deeper understanding of the Victorian framework around which commercial activities are completed. This needs to be considered at two levels, from the perspective of the overall contextual environment along with the specific commercial operating requirements (legal and operational). Therefore, this section considers in detail the Victorian context based on the following.

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Figure 4.3: Approach to Reviewing the Victorian Perspective

Any commercial business model needs to take into consideration the legal framework in place (covering the statutory mandate and associated key functions) along with the overall business structure and approach to management adopted, these representing the contextual environment. Within this overall environment are the specific requirements associated with commercial operator arrangements – the legal form of any agreement, the type of activity for which concessions are required, and the basic requirements of a concession along with the concession process in place. An understanding of this context and specific environment will provide the basis for comparison with approaches in other jurisdictions.

4.2.1 The Victorian Contextual Environment

Parks Victoria was established in 1996 as the statutory authority responsible for management of Victoria’s protected parks and reserves, including national parks.

▪ Statutory Mandate/Requirements

The statutory functions of Parks Victoria are detailed in Section 7 of the *Parks Victoria Act 1998 (Vic)* (as previously outlined in Section 2.6.2 of Chapter 2). Under this Act, Parks Victoria’s responsibilities are to provide services to the State and its agencies for the management of parks, reserves and other land under the control of the State. With the approval of the Minister, it may also provide services to the owner of any other land used for

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public purposes for the management of that land. Importantly, the Act (Section 7(2)) also requires that Parks Victoria must not act in a way that is not environmentally sound in carrying out its functions.

While the *Parks Victoria Act 1998(Vic)* provides the statutory mandate for Parks Victoria, the organisation also has a range of additional statutory responsibilities under various other Acts. These responsibilities are summarised in the Parks Victoria Annual Report for 2004/05 (2005) with this organisation being responsible for managing:

- all areas under the *National Parks Act 1975(Vic)*
- reserved and unreserved Crown land including conservation and other reserves, metropolitan parks, regional parks and historic areas (under the *Crown Land (Reserves) Act 1978(Vic)*, *Forest Act 1958(Vic)*, *Wildlife Act 1975(Vic)*, *Land Conservation Act 1970(Vic)* and *Heritage Rivers Act 1992(Vic)*)
- recreational and other activities on waterways land in the metropolitan area as defined in the *Water Industry Act 1994(Vic)*
- piers and jetties in Port Phillip Bay and Western Port and recreational boating on these bays pursuant to powers conferred on it as a port manager under the *Port Services Act 1995(Vic)*, and
- a number of other areas under leases or other arrangements (including Yarra Bend Park, land leased by Alcoa at Anglesea, and reservoir parks).

It is with respect to the *National Parks Act 1975(Vic)* that this research is specifically concerned. In particular, Section 17 of this Act places on the Government (and therefore Parks Victoria) the responsibility to:

- “(a) ensure that each national park and State park is controlled and managed, in accordance with the objects of this Act, in a manner that will:
 - (i) preserve and protect the park in its natural condition for the use, enjoyment and education of the public;
 - (ii) preserve and protect indigenous flora and fauna in the park;
 - (iii) exterminate or control exotic fauna in the park;
 - (iv) eradicate or control exotic flora in the park; and
 - (v) preserve and protect wilderness areas in the park and features in the park of scenic, archaeological, ecological, geological, historic or other scientific interest;

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.....
(c) promote and encourage the use and enjoyment of national parks and State parks by the public and the understanding and recognition of the purpose and significance of national parks and State parks.”

The objects of this Act are detailed in Section 4 of the legislation and include the requirements:

- “(a) to make provision, in respect of national parks, State parks, marine national parks and marine sanctuaries—
- (i) for the preservation and protection of the natural environment including wilderness areas and remote and natural areas in those parks;
 - (ii) for the protection and preservation of indigenous flora and fauna and of features of scenic or archaeological, ecological, geological, historic or other scientific interest in those parks; and
 - (iii) for the study of ecology, geology, botany, zoology and other sciences relating to the conservation of the natural environment in those parks; and
 - (iv) for the responsible management of the land in those parks.”

Parks Victoria is given significant power to enable it to fulfil these functions. Under Section 8 of the *Parks Victoria Act 1998(Vic)*, for the purpose of carrying out its functions, Parks Victoria:

- may enter into agreements and arrangements for the provision of services
- may act as a committee of management under the *Crown Land (Reserves) Act 1978(Vic)*
- may do anything necessary or convenient to be done for or in connection with, or as incidental to, the performance of its functions.

Therefore, under these various Acts, the Victorian Government has a clear statutory mandate to establish and maintain a network of national and State parks for the purpose of conservation of the natural values of the environment while also making these areas of protected land available to the public for recreational and educational purposes.

Responsibility for delivery of this statutory mandate is then allocated to Parks Victoria under various legislation along with the management agreement between the Victorian government and Parks Victoria.

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▪ Key Functions

While the statutory mandate specifies a number of key functions in legislation, these are, in effect, enshrined within the vision and purpose for Parks Victoria as detailed in the 2004/05 Annual Report (p.2).

“Vision - An outstanding park and waterway system, protected and enhanced, for people, forever.

Purpose- We exist to:

- conserve, protect and enhance environmental and cultural assets;
- responsibly meet the needs of our customers for quality information, services and experiences;
- provide excellence and innovation in park management; and
- contribute to the social and economic well-being of Victorians.”

Clearly, Parks Victoria recognises its important role in conservation as this dominates the visions and purpose. The function related to enabling community access is also included but clearly resides as a secondary (albeit important) purpose.

▪ Business Structure/Approach to Management

The overall business structure and approach to the management of national parks in Victoria, including the provision of services to the public, can be considered based on different levels of management. At a Government level – where the Department of Sustainability and Environment (DSE) (through the Minister for Environment, the Minister for Planning and the Secretary to DSE) has entered into a Management Services Agreement with Parks Victoria which details the overall arrangements regarding the relationships and responsibilities for the provision of services to DSE with these management services being delivered within State policy, contractual agreements and in accordance with specific statutory responsibilities (as previously outlined). At a corporate level – where day-to-day responsibility for operations and administration is delegated by the Board of Parks Victoria to the Chief Executive (who is appointed by the Board following consultation with the Minister) and his Executive Team. At a business unit level – where the Commercial Business Division (which is also referred to as the Central Concession Unit) manages the establishment and monitoring of the performance

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of commercial facilities along with the planning and programming for pay-for-use services on the Parks Victoria estate, with a view to ensuring that such activities comply with policy and governance requirements and enhance the visitor experience of the estate. Within the park management agency, the Central Concession Unit has lead responsibility for commercial activities in national parks. At a region and individual park unit level – where the five geographic regions (of Victoria) manage the on-ground delivery of services throughout the Victorian estate, including environmental and cultural values conservation, protection and enhancement programs, asset maintenance, fire and emergency services support, visitor and tourist services, and recreational programs.

The key features of this structure are:

- the establishment of a separate entity (Parks Victoria) for the delivery of service with there being a clear adoption of the purchaser-provider business model
- the segregation of Government policy (which resides within DSE) from delivery of services
- the establishment of a separate business unit for the development and management of commercial relationships with this unit taking the dominant role in the development of complex concessions while also providing an overview service for simple concessions, and
- regions and management within individual parks having a primary role in simple concessions and a secondary role in complex concessions.

4.2.2 Specific Victorian Commercial Operator Arrangements

As has been demonstrated, the use of commercial operators in national parks for the delivery of visitor services represents an important area of operations for all national park managers. The actual management of these operations, normally via concession type arrangements, vary significantly as does the key aspects of the concessions. Within Parks Victoria, a number of the key features are determined by legislation while the management process has been developed based on experience. The following sections detail the commercial operator arrangements and processes based on a consideration of the legal form of the agreement, the activities for which an agreement is required, the basic tenants of agreements, the actual process for managing concessions and the evaluation criteria used in awarding concessions.

▪ Legal Form of Agreement

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Within Victoria, the legal form of the agreement between a commercial operator and Parks Victoria is specified by the various legislative requirements as are the areas of application and a number of terms of the agreement. These can be summarised as follows:

Table 4.1: Summary of Victorian Legal Agreements

Tenancies or leases in National Parks	<ul style="list-style-type: none">- The Minister may grant for a period not exceeding twenty years a tenancy of land in the park having an area of not more than one hectare for use as a kiosk cafe or store or for scientific research or for a ski tow (<i>National Parks Act 1975(Vic)</i> s.19).- The Minister may grant to a person a tenancy of a camping ground or building in the park for a period not exceeding seven years (<i>National Parks Act 1975(Vic)</i> s.19)- The Minister may grant a tenancy of or licence for a period not exceeding seven years for any specified purpose of a like nature to a purpose for which the land was being used at the time it became a park or part of a park (<i>National Parks Act 1975(Vic)</i> s.26A).- Tenancies and leases under the <i>National Parks Act 1975(Vic)</i> are subject to such terms and conditions as the Minister determines.
Permits or licenses in National Parks	<ul style="list-style-type: none">- The Secretary may grant to a person a permit to carry on a trade or business in the park for a period exceeding six weeks but not exceeding three years (<i>National Parks Act 1975(Vic)</i> s.21).- A permit granted may be cancelled or suspended by the Minister if the holder does not comply with the terms and conditions of the permit (<i>National Parks Act 197(Vic)</i>5 s.21).- The Minister may determine from time to time the terms, conditions, charges and fees for such permits granted or that may be granted under the <i>National Parks Act 1975(Vic)</i>.
	<ul style="list-style-type: none">- A person shall not, in a park, carry on a trade unless he is carrying on the trade or business under and in accordance with a licence, permit, tenancy, agreement or any other authority (<i>National Parks Act 1975(Vic)</i> s.43).- Any land which has been reserved either temporarily or permanently under section 4 shall not (except as authorized by this or any other Act) be sold leased or licensed (<i>Crown Land (Reserves) Act 1978(Vic)</i>, s.8).

▪ Activities for which a Concession is Required

Chapter 2 (and particularly Appendix 2) provided an outline of the range of commercial activities completed in Victoria's national parks along with the number of operators. These

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activities can be further segregated based on the type of legal agreement used. In 1999 the Parks and Wildlife Commission of the Northern Territory completed a ‘commercial management’ survey to identify the range of concessions granted by park management agencies along with the length of tenure (covering all types of parks and reserves). While completed in 1999, the resultant outcome continues to provide a good guide to the range of activities for which a concession is required segregated by type of agreement (with these having been recently confirmed with Parks Victoria). Appendix 3 summarises the outcomes of this survey, as it relates to Victoria. (For the full survey result see Parks and Wildlife Commission, Northern Territory 1999). The original survey categorised the findings into four concession types; leases (which are equivalent to complex concessions), licenses (which are equivalent to simple concessions), alien tenure and agency operated enterprise. (Refer Section 2.1.3 for a definition of each of these types of concessions.) The summary in the appendix covers three of these categories as alien tenure in Victoria is encompassed within the lease categorisation.

This summary also highlights the high degree of variation of concession terms which occurs in Victoria’s parks in that:

- some services are provided under both leases and licences (eg kiosk)
- some services are provided by the public sector in one park (via AOE) whereas in other parks the same service is provided by the private sector (via a lease or licence), and
- there is significant variation in concession tenure with leases ranging from monthly to 21 years and licences from 1 to 10 years. (The survey covered agreements in national and other State parks. The tenure of State park concessions are covered by the *Crown Land (Reserves) Act 1978 (Vic)* which permits longer tenure (up to 21 years) than that permitted under the *National Parks Act 1975 (Vic)*, which has a maximum of 20 years.)

Clearly, the range of services provided within parks by the private sector under various types of concession arrangements is extensive. Lessees and Licensed Tour Operators (LTOs) play a key role in facilitating community access to public land and in encouraging tourism and recreation in Victoria while also having a potentially significant role to play in encouraging the appropriate use of the land and in promoting (and protecting) the natural values of these lands.

▪ Basic Tenants of the Concession

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There are a number of basic tenants of various types of concessions either as a result of legislation, a directive from the Minister or a policy of the management agency (Parks Victoria). These can be summarised as follows for the two legal instruments relevant for Victoria.

Table 4.2: Basic Conditions of Leases and Licences

Lease (Complex Concession)	Licence (Simple Concession)								
Type of Activity									
Complex service areas such as campground management, kiosk operations, safari camp, retail services,, other accommodation etc	Routine activities such as guided tour operations, single event activities.								
Activity Exclusions									
Major tourism facilities must be sited outside of national parks. (DITR 2003, p. 13.)									
Period of Tenure									
Up to 20 years inside a national park and up to 21 years on other reserved land. Longer period possible under unusual circumstances.	Up to 3 years								
Parks Victoria Pricing to Concessionaires									
General Approach: For commercial business operations charges may attempt to recoup all costs including interest on capital invested in land and facilities. Commercial operations should, in principle, make a positive net return for the State. (Queensland Parks and Wildlife Service 2000, p. 7)									
Subject to individual negotiation under a strict policy and procedural structure.	Fixed fees for tour operators as follows:								
	<table border="1"> <tr> <td>New application fee</td> <td>\$165.00</td> </tr> <tr> <td>Permit fee for one year permit</td> <td>\$55.00</td> </tr> <tr> <td>Permit fee for three year permit</td> <td>\$165.00</td> </tr> <tr> <td>Per Head fee</td> <td>\$1.10</td> </tr> </table>	New application fee	\$165.00	Permit fee for one year permit	\$55.00	Permit fee for three year permit	\$165.00	Per Head fee	\$1.10
	New application fee	\$165.00							
	Permit fee for one year permit	\$55.00							
	Permit fee for three year permit	\$165.00							
Per Head fee	\$1.10								
(Per 2004 Tour Operator Licence									
Application/Renewal available on									
http://www.parkweb.vic.gov.au/.)									
Distribution of Lease and Licence fees									
Under Section 33 of the <i>National Parks Act 1975(Vic)</i> all monies received by way of “rents, fees, tolls or other charges payable under this Act or the regulations, whether under a lease, licence, permit, tenancy or other instrument” are to be paid into the Consolidated Fund of the Government. (Effectively, concession receipts are not directly available for use on management and maintenance of the asset used to generate the revenue.)									

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▪ The Concession Process (including Evaluation Criteria)

Parks Victoria has established a structured process for application and issuing of LTO permits for simple concession type arrangements, with these outlined in three publicly available documents:

- Information for Prospective Tour Operators on Public Land in Victoria;
- Frequently Asked Questions and Answers about Tour Operator Licensing; and
- 2004 Tour Operator Licence Application/Renewal.

Parks Victoria also has a formal process (and supporting manual) for the application and issue of leases and licenses, but this is not a publicly available document. The Parks Victoria ‘Leases and Licence Process Manual’ has been most recently updated in December 2004, with the manual providing a guide to the process steps required in establishing a lease concession. However, the manual provides minimal information on the business requirements. (For example, the manual specifies the maximum legal term possible but does not discuss the options below this maximum or a basis for selection of the lease term.). The identified key features for each type of concession are:

Table 4.3: Outline of the Concession Process

Lease (Complex Concession)	Licence (Simple Concession)
Management Control	
Responsibility for all leases rests with the Commercial Division of Parks Victoria.	While the Commercial Division is responsible for all leases and licences, prime responsibility rests with the individual national park manager.
Needs Identification and Specification	
Normally initiated by Parks Victoria (either individual park, regional or central management). Would then be subject to internal review and specification process prior to going to tender (including completion of the Parks Victoria ‘Commercial Project Justification’ schedule).	Normally relies on initiative of the potential operator. Parks Victoria does not take a lead role in identifying the need.
Contract Specification	
Developed individually for each lease using a ‘standard form agreement’ as the base. Therefore, key terms and conditions may be subject to negotiation eg lease term, option extension arrangements, financial obligations, exclusivity etc	Based on standard form ‘licence agreement’.

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Lease (Complex Concession)	Licence (Simple Concession)
Selection/Tender Process	
Normally subject to a full public Expression of Interest/Request for Tender process.	Subject to individual applications.
Evaluation Criteria and Process	
Determined dependent upon individual requirements of the project. Factors which may be considered include consistency with vision, management arrangements, past experience, financial capabilities, environmental aspects, risk distribution/exposure, financial return and investment level.	The ‘Information for Prospective Tour Operators on Public Land in Victoria’ (www.parkweb.vic.gov.au) notes that “each tour application will be assessed on its merits, including the quality of service offered and the consistency of delivery, and the likely impacts on the area(s) concerned.”
Financial Relationship	
Subject to negotiation. Will vary depending upon nature of service being provided, required level of operator or park manager investment, perceived profitability of service, risk allocation, length of tenure, exclusivity etc. There are no specified minimum requirements.	Based on a defined pricing structure.
Incentive/Performance Structure	
Subject to negotiation. No specified minimum requirements.	Based on defined pricing structure with minimal incentive. Annual renewal process subject to satisfactory provision of past services.
Quality/Accreditation Requirements	
No specification. Subject to individual identified need.	In 2004 Parks Victoria made compliance with the government funded and industry-endorsed Adventure Activity Standards (AAS) a condition of all Tour Operator Licences.
Lease/Licence Approval	
Parks Victoria makes submission to Minister as all leases in national parks are subject to Ministerial approval.	Approved by Commercial Division. Licences are ultimately signed by the CEO (under authority from the Minister).

4.2.3 Natural Values Protection versus Commercial Activities

As has been noted previously, there is a continuing conflict between the needs and objectives of the commercial operator and the requirements of the park manager. Therefore, in considering the park manager approach to ensuring the protection of the natural values of national parks it is important to determine the extent to which the concession process places environmental obligations on the operator.

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Within the licensing (simple concession) arrangements in Parks Victoria, there is a hierarchy of conditions to ensure that activities are undertaken in a safe and sustainable way and do not impinge on the enjoyment of other park visitors. Licenses can include general, activity, location and special type conditions which specify environmental requirements.

General conditions apply to all locations and all activities. The main environmental based conditions within the general conditions category include specifying that fires may only be lit in fireplaces for areas managed under the *National Parks Act 1975 (Vic)*, that pets and firearms are not to be taken into national parks, include the requirement to not damage, destroy, disrupt or remove any native flora (live or dead) or any native fauna from the site or the park, prohibition on the feeding or handling of wildlife without the consent of Parks Victoria, detailing the requirement for camp sites to be maintained and left in a tidy condition and to be located at least 20 metres from any stream, dam or aqueduct, and specifying that all rubbish is to be removed unless rubbish bins are provided. Activity conditions apply to a particular activity in all locations. Activity conditions cover such areas as group sizes and standards to be adhered to. Location conditions may apply to a particular activity at a particular location (and all operators undertaking that activity). For example, in Mt Buffalo National Park, tree protectors are required if trees in the climbing/abseiling area are to be used as anchor points or protection systems. In addition to these types of conditions, additional special conditions may be applied to individual licenses where required. No other formal environmental requirements are placed on licensed operators.

The position for leases (complex concessions) is more flexible. Included within the 'standard form' lease agreement are some general environmental requirements. However, these may be varied as required with them being removed, altered or replaced with alternative requirements.

The above review of environmental obligations placed on commercial operators in national parks under lease and licence operators suggests that these obligations do not appear to be excessively onerous. This review also indicates that minimal consideration is given to the placement of obligations outside a predetermined framework.

4.3 Commercial Activities in National Parks - the International Perspective

The funding and visitor infrastructure issues facing Australian and, in particular, Victorian national park management agencies are not unique. These problems are also encountered by park management agencies across the world and the international approaches to using commercial operators to provide additional funding and services may provide useful insights for Australian park management agencies.

National park systems are in various stages of development across the world with some countries only recently commencing the establishment of a protected land system (eg Laos⁵) while others are far more advanced in respect to the actual land reserved along with the management systems in place. The countries with developed and established systems (excluding Australia) include Canada, the United States of America and New Zealand. Therefore, in considering the international perspective and experiences, these will be the countries of prime focus. South Africa will also be examined because of one unique feature within that country, the development of private conservation reserves, often attached to large public national parks.

4.3.1 Canada

Canada, similar to Australia, was one of the first countries to establish a national park system. Canada's first national park was established in 1885 when twenty-six square kilometres was reserved at Banff, Alberta. Since that time, the system has been subject to continuous growth whereby it now consists of 41 national parks and 149 national historic sites (Parks Canada Agency, Corporate Plan 2004/05–2008/09, p 11).

Up until recently, management responsibility for the Canadian national parks resided within a department of Government. In 1998 this changed when Parks Canada was restructured to become the Parks Canada Agency – a separate legal entity reporting to the Minister of Canadian Heritage. In 2000, Parliament passed the *Canada National Parks Act (Can)* which further modernised Parks Canada's historical role and, most importantly, established ecological integrity as the first priority of the management agency. This recommitment of

⁵ Based on a discussion in 2006 with an Australian based land manager seconded to Laos to develop a protected land system.

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ecological integrity was, in part, driven by the March 2000 report of the Panel on the Ecological Integrity of Canada's National Parks which confirmed the progressive loss of native biodiversity and habitat and highlighted the threats such as invasive species to the parks ecosystems. (See Parks Canada Agency, Corporate Plan 2004/05–2008/09, p.10 for further information.) In December 2003, the Prime Minister named the Minister of the Environment as responsible for the overall direction of the Parks Canada Agency. Today, more than 4,000 people work for Parks Canada (<http://www.parkscanada.pch.gc.ca>).

Similar to Victoria, there has been major growth in the size of the Canadian parks estate (including national parks) along with the addition of marine parks. Between 1989 and 2000 the size of protected lands in Canada increased from 29.4 million hectares (protecting 2.95% of Canadian ecosystems) to 68.3 million hectares (protecting 6.84% of Canadian ecosystems), with the growth in national parks being a major contributor (Dearden and Dempsey 2004). As a result the Parks Canada Agency, as the entity responsible for management of national parks is facing the same trends as in Australia.

- Visitation is substantial and increasing. On average, people visit Canada's national parks, national historic sites and national marine conservation areas 26 million times each year (which is similar to the Victorian visitation levels in 2001/02).
- Recent Canadian polling shows about one quarter of Canadians visited a national park in the past year.
- Nearly two-thirds of national park facilities across the country are in need of repair.
- The Parks Canada Agency budget is not adequate to maintain all these facilities and the related services.
- In the 2003/04 year the Parks Canada Agency generated approximately C\$17.8 million revenue from rents from lands, buildings and concessions (being approximately 2.2% of the total funding of C\$530 million). This compares to the Victorian equivalent of A\$7million (or 6% of the A\$120 million of total funding).

(Canadian data sourced from the Parks Canada Agency, Corporate Plan 2004/05–2008/09 and the Parks Canada Agency Annual Report 2003-2004 (2004) with the Victorian data from the Parks Victoria Annual Reports.)

The key functions of the Parks Canada Agency are similar to Parks Victoria. In its Corporate Plan 2004/05–2008/09, the commitment of the organisation is noted to be:

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- “To protect, as a first priority, the natural and cultural heritage of our special places and ensure that they remain healthy and whole.
- To present the beauty and significance of our natural world and to chronicle the human determination and ingenuity which have shaped our nation.
- To celebrate the legacy of visionary Canadians whose passion and knowledge have inspired the character and values of our country.
- To serve Canadians, working together to achieve excellence guided by values of competence, respect and fairness.”

Based on the requirements of the *Canada National Parks Act 2000 (Can)*, the protection of the natural and cultural heritage is detailed as the first priority of the organisation.

Surprisingly, however, the above commitment does not include any direct reference to meeting community recreational requirements. However the Parks Canada Agency does have a clear focus on engaging partners at the regional and local level to identify strategies to improve ecological integrity in national parks. Regional or Field Units reach out to fully engage neighbouring communities, other governments, tourism and other business sectors within greater park ecosystems to accomplish this goal. One example of this is the Whistler-Blackcomb Resort where the Parks Canada Agency has established a joint initiative with local environmental and community groups, known as Habitat Improvement Teams. Under this scheme, the organisation loans heavy equipment where it can be of assistance in local environmental and community projects. The equipment is operated by organisation staffs who volunteer their time. (For further information see Buckley 2004, p.25-28.)

While Canada has a clear focus on the protection of its natural and cultural assets, the park management agency is still facing the same problems as park managers in other countries of the world. The Parks Canada Agency Annual Report 2003-2004 (2004) identifies 5 key challenges the agency faces, with the first of these being the ‘establishment and protection of the natural and cultural heritage’, the second being ‘enhancing visitor experience and visitor education’ and the fifth being ‘asset condition’. The agency further notes that the ability to satisfy these requirements will be put in jeopardy without significant new investment in visitor facilities along with major reinvestment in assets. Similar to other park management agencies, the Parks Canada Agency is looking to solve this problem by raising additional revenues from alternative sources (i.e. non-government sources). This financial imperative is encouraging a business approach to protected area management where it has been suggested

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the environmental integrity of the parks is potentially being compromised. (For a discussion on this trend in Canada see Dearden and Dempsey 2004.)

However, the approach of the Parks Canada Agency is focussed on resolving the funding issues internally rather than with the use of concession income. The Parks Canada Agency expects its income from externally sourced operating revenue to increase from C\$80 million in 2004/05 to C\$111 million in 2009/10 – but the majority of this increase will be sourced from entrance fees and camping fees. During this corresponding period the revenue from rents from lands, buildings and concessions is expected to only increase from \$17.8 million to \$19 million. (See Parks Canada Agency, Corporate Plan 2006/07-2010/11.)

The Parks Canada Agency does not have an enhanced focus on the generation of concession income, and this is also reflected in the current organisation structure, which does not have a separate Central Concession Unit (Parks Canada Agency Annual Report 2003-2004 (2004)). While not being a primary focus for generating revenue, the agency certainly does have the legislative powers to enter into business agreements. The initial authority to enter into a wide range of business agreements is provided by Section 16 of the *Canada National Parks Act 2000 (Can)*. This authority is then further controlled by regulations and, in particular, the *National Parks of Canada Businesses Regulations 1998 (Can)* which provide the framework used by the Parks Canada Agency in administering commercial activities including licences. Under these regulations the Parks Canada Agency has the authority to issue business licences with the specification of some controls around the issuing of these licences. However, unlike other countries, the level of specification included in the regulations places minimal legislative controls over these businesses. In particular, there is no restriction on the level of fees and on the period on tenure with minimal constraint on the scope of the business opportunities possible. All these variables are at the discretion of the Parks Canada Agency. There is also, in the regulations, no distinction between complex and simple concessions, with both types of concessions covered by the total licence regulations.

The Parks Canada Agency restrictive approach to the use of concessions is further confirmed by a number of the principles included in the Parks Canada Guiding Principles and Operational Policies (2006). Under these principles and policies the main document for the management of operations within individual national parks is the Management Plan. It is a requirement of the *Canada National Parks Act 2000 (Can)* that these plans be prepared for

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each national park and that the plans be tabled in parliament. Under the Parks Canada Guiding Principles and Operational Policies (2006) these Management Plans are to be prepared after full consultation with the various stakeholders of the individual park. Included in these plans is to be the specification of the services to be completed in the national park along with the approach to service provision. The Guidelines also note that only limited tenure on national park land is permitted for the provision of essential services and authorised residential use – and only if this tenure is supported by the Management Plan. It is also noted in the Guidelines that the location of community services and facilities should take place in adjacent communities (i.e. not in the national park) and that no new golf courses or ski fields are permitted in national parks. In Canada, the use of concessions for the provision of visitor and other services is clearly no longer a preferred approach to service delivery or revenue generation.

4.3.2 USA

While Australia and Canada were one of the first countries to create national parks, the USA can rightly claim to be the founder of the worldwide national park movement. On 1 March, 1872 the Congress of the United States of America established Yellowstone National Park as the first national park in the world. In the USA responsibility for management of national parks was immediately given to the US Department of the Interior (DOI), and this line of management continues today. The only major change to occur over this period happened in 25 August 1916 when President Wilson signed legislation passing the *National Park Service Organic Act (USA)* creating The National Park Service (NPS), a new federal bureau within DOI responsible for protecting the 40 national parks and monuments then in existence and those yet to be established. (For further information see www.doi.gov/history.html and www.nps.gov/legacy/mission.html).

Today:

- DOI manages 507 million acres of surface land, or about one-fifth of the land of the United States, with 84.4 million acres of this being managed by the NPS.
- The NPS of the United States comprises 388 units covering 84.4 million acres in 49 States and the various USA islands.

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- There are 279 million (recreational and cultural) visits per annum to these 388 units, including parks, monuments, seashore sites, battlefields and other cultural and recreational sites provided by NPS.

(www.doi.gov/facts.html)

While the NPS is clearly a substantive entity managing a range of important assets for the people of the USA, it is still facing the same issues as national park agencies in other countries. In particular, it has major funding difficulties. Overall, it has been estimated the “parks have a US\$600 million shortfall, on top of a maintenance backlog estimated at US\$4.5 billion to US\$9.7 billion” (Lubick 2005). While the validity of the size of this shortfall may be questioned (as it was prepared by a lobby group, the National Park Conservation Foundation), it certainly indicates the NPS is facing significant funding pressures. The NPS response to this pressure has been to focus on obtaining additional revenue streams from external (i.e. non-government) sources.

The USA has a different form of bureaucracy than countries under the Westminster system (such as Australia and Canada) and, in particular, has a more formal management approach where requirements (legislative and policy) are embedded within (publicly available) documentation, the main ones being:

- Departmental Manual Chapters – which represent permanent policy documents approved by the Secretary or the Assistant Secretary – Policy, Management and Budget.
- Secretary’s Orders – temporary or interim policies approved by the Secretary that expire after a specified period of time or are converted to the Departmental Manual.

The role of the NPS is detailed in the *National Park Service Organic Act (USA)* which states that “the Service thus established shall promote and regulate the use of Federal areas known as national parks, monuments and reservations...to conserve the scenery and natural and historic objects and the wildlife therein and to provide for the enjoyment of the same in such manner and by such means as will leave them unimpaired for the enjoyment of future generations.”

While this extract from the original constituent Act establishing the NPS provides an overall statutory mandate, it is the relevant chapters of the Departmental Manual which provides clearer guidance on the purpose and objectives of the NPS.

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- “Purpose: The NPS preserves unimpaired the natural and cultural resources and values of the National Park System for the enjoyment, education and inspiration of this and future generations.
.....
- Objectives; Based on the Organic Act, other applicable laws, and the organisation’s strategic plan, the long-range objectives of the NPS are:
 - Natural and cultural resources and associated values are protected, restored and maintained in good condition and managed within their broader ecosystem and cultural context.
 - The NPS contributes to knowledge about natural and cultural resources and their associated values. Management decisions about resources and visitors are based on adequate scholarly and scientific information.
 - Visitors safely enjoy and are satisfied with the availability, accessibility, diversity and quality of park facilities, services and appropriate recreational opportunities. Park visitors and the general public understand and appreciate the preservation of parks and their resources for this and future generations.
 - Natural and cultural resources are preserved through formal partnership programs with other federal, state and local agencies and nonprofit organisations to provide educational, recreational and conservation benefits for the American people and to ensure continued access for public recreational use.”
(<http://elips.doi.gov/elips/release/3526.html>)

Interestingly, while the purpose and objectives give recognition to the protection of natural values, there is also a strong emphasis on ensuring accessibility of services and facilities for park visitors. This emphasis appears to be greater than for Australia and Canada and is also present in the defined functions of the NPS which includes the requirement to provide “opportunities for public enjoyment and visitor experience of parks so that....park visitors safely enjoy the availability, accessibility, diversity and quality of park facilities, services, and appropriate recreational opportunities” (<http://elips.doi.gov/elips/release/3526.html>). In fact, the NPS staffing includes an associate director of tourism, with the role of this person including to “teach the practices, operations and expectations of the tourism industry to NPS management” (Anonymous 2005).

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In the NPS, the overall business structure and approach to the management of national parks is based on a clearly defined structure (outlined in the Departmental Manual) with the different levels of management being:

- Government level – the Secretary of the DOI is directly responsible for the management of national parks with this role being completed by the NPS.
- Corporate level – The NPS is headed by a Director, with his headquarters office providing national level leadership and advocacy; policy and regulatory formulation and direction; program guidance; budget formulation; legislative support; accountability for programs and activities managed by the field and key program offices.
- Business unit level – National Program Centres (or Business Units) are part of the Headquarters office and provide professional and technical support services to regions and park units. Importantly, the national program centres include the Concessions Program Centre. This office is responsible for the oversight of commercial visitor services in the National Parks authorized by concession contracts. The office is required by statute to provide oversight of all contracts and is responsible for regulatory and policy information, overview, and program direction and for ensuring that the government receives a fair return for the privileges authorized by concessions contracts.
- Region unit level – There are seven regions in the NPS with each region headed by a regional director. Below this are the Park units, which are the basic management entity of the NPS.

In addition to the above structure, there also exists in the USA system the National Park Service Concessions Management Advisory Board, with the purpose of this Board being “to advise the Secretary and National Park Service on matters relating to management of concessions in of the National Park System” (*National Park Service Concessions Management Improvement Act of 1998 (USA), Section 409*).

The key features of this USA style of structure are:

- provision of formal management systems (via legislative and policy materials) which are available to the public
- the inclusion of park management responsibility directly within a Government department (being DOI)
- the continued integration of Government policy with the delivery of services as NPS is a directly responsible Bureau of DOI

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- the establishment of a separate business unit with responsibility for all aspects of concession management, and
- the establishment of an advisory board to assist concession policy.

American has long recognised the value of commercial operators in the provision of services in national parks, but has established a structured and transparent system (embedded in legislation) of management for administering and controlling these commercial arrangements. Commercial operators and concession contracts are required to comply with three important public documents:

- Legislation – In 1965 Congress established a Concession Program in the National Park Service through the passage of the 1965 *Concession Policy Act (USA)*, (Public Law 89-249). On November 13, 1998, the *Concessions Policy Act (USA)* was reformed with the passage of the *National Park Service Concessions Management Improvement Act of 1998 (USA)*.
- Regulations - Title 36 of the Code of Federal Regulations contains important regulations for the preservation of the parks and administration of concession operations (36 CFR 51). (<http://concessions.nps.com>). These regulations provide a clear interpretation of the administration of the Act.
- Management Policies - Commercial Visitor Services in parks are subject to a comprehensive set of National Park Service Management Policies.

The preamble to the Commercial Visitor Services Management Policy (Chapter 10), stated below, is directly aligned with the National Park Service Mission and the intent of *National Park Service Concessions Management Improvement Act of 1998 (USA)*.

"The National Park Service will provide, through the use of concession contracts, commercial visitor services within the parks that are necessary and appropriate for visitor use and enjoyment. Concession operations will be consistent with the protection of park resources and values and demonstrate sound environmental management and stewardship."

In reviewing this documentation, it is important to note that the position taken appears to be one of partnership rather than purchaser versus provider. As is noted on the NPS website, “by welcoming the private sector as a partner in park operations, the National Park Service

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broadens the economic base of the region in general and the communities surrounding the parks in particular” (<http://concessions.nps.com>).

Under USA legislation, commercial visitor services are only to be operated under concession contracts or commercial use permits and should not be provided within a park if the identified needs for visitor services can be adequately met outside park boundaries. For commercial visitor services, there are, in effect, two forms of legal agreement applicable in the USA. Commercial use permits are only to be used for commercial operations with annual gross receipts of not more than \$25,000 resulting from services originating and provided solely within a unit of the National Park System and for uses by organized children’s camps, outdoor clubs and non-profit institutions (including back country use). A commercial use permit does not permit the construction of any structure, fixture, or improvement in a national park and the term of the permit shall not exceed 2 years. Concession agreements apply for all other purposes.

Concession and commercial use permits are issued by parks to qualified businesses to provide a variety of commercial visitor services ranging from restaurants, lodging, gift shops, backcountry guides, horseback rides, white-water rafting, and a variety of other services unique to the National Park Service. Currently, there are approximately 600 private operators operating in approximately 135 parks in the national park system employing over 25,000 hospitality industry people with gross turnover of over US\$800 million annually (<http://concessions.nps.com>).

There are a number of basic tenants of the two types of concessions - the complex concession and the commercial use permit (equivalent to a simple concession) -which are either as a result of legislation, a directive from the Secretary or a policy of the NPS.

- **Period of Tenure** - A complex concessions contract is generally awarded for 10 years or less, but may be for up to 20 years if it is determined that the contract terms and conditions, including the required construction of capital improvements, warrant a longer term. It is NPS policy for the term of concession contracts to be as short as prudent in the circumstances. Permit tenure cannot exceed 2 years.
- **Pricing to Concessionaires** – For complex concessions there is no clear specification as it is subject to negotiation. The principle requirement is that a payment be determined based on the probable value to the concessionaire of the privileges granted by the particular

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contract. For simple concessions the only specification is the need for there to be a payment of a reasonable fee. However, as this form of agreement can only be used where the operator gross revenue is less than US\$25,000, the level of any fee to the NPS would not be significant.

- Distribution of Lease and Licence fees - All concession and commercial use permit fees (and other monetary consideration) are to be deposited into a special account established in the Treasury of the USA with 20% available to support activities throughout the NPS regardless of the unit of the NPS, and 80% available for use at the unit (i.e. national park) for visitor services and for purposes of funding high-priority and urgently necessary resource management programs and operations.
- Transfers and Multiple Contracts - Commercial providers operating in more than one park unit must have separate contracts for each park unit.

The NPS also has a formal process it is required to follow when granting concessions and commercial use permits. A number of the key features of this process are:

- Needs Identification and Specification - The determination of what commercial services to provide is accomplished through the NPS planning process. Commercial services planning begins at the general management planning level where the activities, services, and facilities that are necessary and appropriate to achieve the desired resource protection and visitor experience conditions are established. Based on this, a Commercial Services Plan is prepared for each national park (<http://concessions.nps.com>).
- Contract Specification - Approved standard contract language is used in all NPS concession contracts. There is no restriction on the number of licences issued for any service (*National Park Service Concessions Management Improvement Act of 1998*, s. 418(b)).
- Selection/Tender Process - The NPS is required to adopt a public solicitation process for concessions and concession renewals based on a public RFP process. For small concessions or commercial use permits a competitive process is still required but is to be based on simplified procedures. In order to obtain the best service provider and maximize benefits to the government, the NPS encourages competition in the awarding of concession contracts.
- Evaluation Criteria and Process - The NPS has a formal evaluation process and criteria for all concessions which is based on achievement of a minimum criteria (which applies to all responses) following by a point scoring system based on defined criteria. Under the

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minimum criteria, no proposal will be considered unless it provides the minimum acceptable franchise fee, provides the facilities, services, or capital investment required, and has appropriate measures necessary to ensure the protection, conservation, and preservation of resources of the unit of the NPS.

- Product Range/Pricing of Services - The NPS approves the nature, type, and quality of merchandise to be offered and all rates charged to visitors. While the concessionaire is permitted to set its' own rates, these can not exceed the market rates and charges for comparable facilities, goods, and services.
- Performance Evaluation/Reporting Requirements of the Concession
 - Minimum reporting requirements for concessions include preparation of an operating plan which describes operational responsibilities between the concessionaire and the NPS, development of a risk management program, and submission of annual financial report that reflects only the operations that they are authorized to pursue.
 - Concession operations are also required to be subject to regular evaluation to ensure that park visitors are provided with high-quality services and facilities, which are safe and sanitary, and meet NPS environmental, health, safety, and operational standards. The evaluation results provide a basis for NPS management to determine whether to continue or terminate a concession contract.
 - In the operation of visitor services, concessionaires will be required by contract to meet environmental compliance objectives by complying with all applicable laws pertaining to the protection of human health and the environment; and incorporating best management practices in all operations, construction, maintenance, acquisition, provision of visitor services, and other activities under the contract.

4.3.3 New Zealand

In New Zealand the Department of Conservation (DOC) is the leading central government agency responsible for the conservation of New Zealand's natural and historic heritage. DOC was formed when the *Conservation Act 1987 (NZ)* was passed to integrate conservation management functions; with its legislative mandate being this constituent Act along with other key statutes such as the *National parks Act 1980 (NZ)* and *Reserves Act 1977 (NZ)*.

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DOC currently looks after about one third of New Zealand's land mass (8.1 million hectares of a total landmass of 26.2 hectares) which has been protected for scientific, scenic, recreational, historic or cultural reasons. Among the categories of protected land are 14 national parks, 5 wilderness areas, and three UNESCO Ramsar Convention wetlands of international importance. (Department of Conservation 2002, pp19-22). DOC, like other national park managers, has been experiencing visitation growth and funding pressures:

- The overall recreational use of the protected area network is increasing, particularly in the most popular sites where growth in 2002/03 averaged approximately 10%.
- DOC manages and staffs 32 visitor centres (both on and off public conservation land), which provide information services to about 2.2 million visitors per year.
- The number of people using the department's website remained high in 2002/03, with nearly one million visitors using the site.
- In regard to funding for outdoor recreation on conservation lands, the NZ Government has decided it wishes to maintain the existing levels of recreational opportunities, but not all the facilities.

(Sourced from Department of Conservation, Annual Report for the year ended 30 June 2003 and Department of Conservation Statement of Intent 2003-2006.)

DOC is responsible for the conservation of New Zealand's natural and historic heritage, with national parks forming one component of this responsibility. However, in recognition of the value of national parks, the *National parks Act (NZ)* affords these areas greater protection than other reserved land, whereby national park status can only be revoked by an Act of Parliament. Within national parks the Act requires a balance to be struck between the dual requirements of "preservation in perpetuity" and "public access and enjoyment". However, greater emphasis is given by the Act to preservation aspects. Specially protected areas can be established that allow partial or complete exclusion of the public from sensitive areas.

DOC's key functions are set out in the *Conservation Act 1987 (NZ)* (which are equally applicable to national parks), these including to:

- Manage the land and other natural historic resources.
- Advocate conservation of natural and historic resources.
- Promote the benefits of conservation (including Antarctica and internationally).
- Foster recreation and allow tourism, to the extent that use is not inconsistent with the conservation of any natural or historic resource.

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(Department of Conservation 2002, p 10)

In New Zealand, total conservation management resides in one department (DOC) combining policy and management with this department being responsible for all conservation activities, not just land management and national parks. Within the department, policy responsibility for concession management rests within a centralised function, while the actual administration is completed in the relevant areas by local management.

New Zealand, similar to Victoria, Canada and the USA, include in the base Acts sections which enable concessions to be granted and which provide the framework for the way concessions are managed. The applicable Act depends on the type of land for which the concession is required. Part V of the *National parks Act (NZ)* deals with the control and management of national parks including the granting of concessions within national parks. A concession is an official authorisation to operate in an area managed by DOC and it may take the form of a lease, licence, permit or easement and is required for all commercial visitor service type activities (<http://www.doc.govt.nz/About-DOC>). Therefore, in order to run a commercial activity in an area managed by DOC, one needs to apply for a concession. The concession system helps the department to ensure that the various concession activities are compatible with the primary aim of protecting the land and other resources. It also helps to make sure those services and facilities provided for visitors are appropriate, of a suitable standard and that other activities do not conflict with visitor enjoyment.

DOC currently manages about 3,500 concessions across all public lands in New Zealand. The total revenue of DOC in the 2002/03 year was NZ\$225 million, and of this only NZ\$346,000 related to ‘leases and rents’. However, DOC also administers ‘revenues’ on behalf of the Crown, and these revenues are not reported in the DOC accounts. For 02/03 such revenue from ‘concessions leases and licences’ was NZ\$8.9 million, up from NZ\$8.4million in 01/02. (All information from Department of Conservation, Annual Report for the year ended 30 June 2003, p 80, 90, p 101-104.) Under this arrangement the majority of the concession revenue earned on DOC land is not directly available to DOC and, therefore, there is no incentive to maximise this revenue stream. This is consistent with the New Zealand approach of conservation over commercialisation.

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As in the other countries considered, there are a number of basic tenants of various types of concessions which are either as a result of legislation or a policy of DOC. However, in New Zealand a more flexible approach than that noted in other countries is taken. If a concession is to be granted DOC will negotiate the details of the legal agreement, with the areas to be covered in the negotiation including the type of agreement/concession, its terms and length, the annual rentals and any conditions required to minimise the effects of the concession activity.

Similar to the other countries, DOC has a formal process it is required to follow when granting concessions. Most concessions are initiated by an individual or business approaching DOC seeking permission to run a particular business. Sometimes concession opportunities are publicly offered (tendered) by DOC. While the actual process for obtaining a concession will vary, important features are:

- Initial discussions are with concession staff in the office responsible for the area the service is to be provided, not at a head office level.
- The application process includes the need to describe the environmental effects of the proposed activity and the actions planned to minimise any negative effects.
- In reviewing the application DOCS will consider the need to publicly advertise so that there is an opportunity for interested people to make submissions and the need to hold public hearings.
- DOC will also take into account the views of the indigenous communities.

Based on all the information DOC will make a decision on whether or not to grant the concession. Key considerations in evaluating concession applications include consistency with the management plan or conservation strategy for the area, there being no significant negative effects on the environment and, if the concession includes buildings or structures, whether there is a more suitable place that would cause less damage.

DOC clearly recognises that fostering recreation is a major part of its work. The *National parks Act (NZ)* contains explicit recognition that the enjoyment of natural heritage is one of the main reasons for the existence of the department and the National Park network.

However, greater emphasis is given in this Act to preservation aspects. In recognition of this requirement and the potential commercial conflict with environmental requirements, DOC has established a target program to monitor selected recreation concessions for significant effects on the natural and historic heritage, and complete environmental monitoring programs for a

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number of concessions. Adjustments in management actions and relevant concession operating conditions have been made in the past in response to the findings from the monitoring evaluation⁶.

However, there are concerns in New Zealand that DOC has an excessive environmental focus to the disadvantage of the visitors. In a recent review of the *National park Act (NZ)* public comment was called for on the Act and the policy framework for its administration. It in the final report it was noted that, in the public comments ‘a significant number of recreationalist submissions took issue with the policy presumption that conservation necessarily had priority over recreation in the DOC’s exercising of its roles and responsibilities’. (See Hill Young Cooper Ltd 2004, p.13.) Given the enhanced focus of DOC on conservation over recreation (when compared to, say, the USA) it is reasonable to expect this apparent conflict to continue.

4.3.4 South Africa

South Africa, similar to the other countries examined, has an extensive network of national parks, is one of the leaders in the management of these important assets and faces the same visitor infrastructure and funding issues. However, in considering possible models for commercial activities in national parks, the prime importance of South Africa is not its approach to management of concessions in national parks but rather its integration of national parks with adjoining land in the provision of services. In particular, South Africa has developed a highly successful model initiated by the private sector using private conservation reserves to fund tourism. “Often adjacent to large public Protected Areas, these private reserves extend wildlife habitat whilst generating funds through upmarket lodges and safaris” (TTF Australia 2004, p.14). More importantly for public sector management agencies, this approach is now increasingly being used directly in national parks (such as Kruger National Park).

The model described above was initially considered in detail by Buckley (2003) with him then expanding this consideration for the TTF as a possible future funding mechanism (Buckley 2004). These papers considered three South African approaches at Londolozi, Ngala and Sabi Sabi. Each of the examples considered:

⁶ For example, aircraft movements at specific sites were monitored for noise effects on site users. This enabled managers to identify the number of landings that were acceptable at those sites. (Department of Conservation, Annual Report for the year ended 30 June 2003, p 27.)

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- forms part of the larger Sabi Sands Private Reserve
- is adjacent to Kruger National Park
- has been developed and operated by Conservation Corporation Africa (CCA), a private corporation which operates over 20 game lodges and reserves in 6 African countries, including 5 lodges in South Africa
- provides up-market tourist accommodation and guided game viewing opportunities, including open vehicles, night drives, and close approaches to habituated animals including potentially dangerous species (which are not available to public visitors travelling through Kruger National Park in their own vehicles and staying in the Park's facilities)
- generates significantly more revenue operating as upmarket private tourism destinations than if the reserves had simply been gazetted as additions to the National Park
- supports field wildlife research by its rangers and outside agencies, and
- jointly manages wildlife with the adjacent and much larger Kruger National Park.

However, there are also some subtle but important differences between the three examples. Londolozi is one of the oldest private reserves in southern Africa, first established in the 1920s. Importantly, dedication as a private game reserve has conserved areas from clearance for agriculture. Unlike Londolozi, Ngala is a three way partnership between a government agency, a non-government organisation and a private corporation. The Ngala property was donated to the South Africa National Parks Trust (SANPT), via the Worldwide Fund for Nature, by landowner Hans Hoheisen. The Ngala land has since been incorporated into Kruger National Park, but in April 1992 SANPT entered into an agreement with CCA under which CCA has exclusive tourism operating rights over the Ngala land, including the Ngala Game Lodge. A substantial lease fee and a proportion of profits from the tourism operations are returned to SANPT for use in expanding or adding to conservation areas. The third example, Sabi Sabi, is a private game reserve previously used for grazing cattle, where lion and white rhino have been reintroduced.

These South African experiences present possible alternative models for national parks. Within South Africa, the success of the private conservation reserves has resulted in Kruger National Park reconsidering its approach to tourism in the Park. As a result, Kruger National Park has also recently let contracts to private operators to develop and operate exclusive-access upmarket lodges in remote areas not accessible to self-drive visitors.

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In addition to the financial contributions, the most significant potential contributions of these types of models to conservation are to protect the areas from clearance for settlement, agriculture, or grazing by cattle. The model also results in increased investment in infrastructure along with increased revenue to park management agencies in an appropriate environment which recognises the importance of conservation protection.

The concept of private conservation reserves is certainly present in Australia. Similar models are in use in some of Australia's larger protected areas e.g. via such organisations as Earth Sanctuaries, the Australian Bush Heritage Fund and other Australian Wildlife Conservancies. There are also some examples of large rural pastoral properties such as Arkaroola and El Questro developing a business on private property adjacent to a significant national park. However, the reserves are generally far smaller in scale to South Africa in physical size along with scale and quality of operation, the reserves are (in the majority of cases) not situated adjacent with national parks, and the three way model (of Ngala) is not yet used in Australia. The model of establishing these types of facilities within national parks are in use in some parks in Australia, but not in Victoria.

4.4 Common and Essential Themes for Running a National Park – an Evaluation of Comparable Frameworks

The preceding section has provided an overview of the management model adopted in a number of countries for commercial operators along with the placement of this activity within the total parks management activity and, from this, it is clear that there are a number of similarities across these countries along with a number of important differences. A synthesis of the experiences of Australian and international current practices provide a guide to the initial essentials of the CBM for a national park in Victoria (with these themes being further investigated and developed in later chapters). To provide these essentials the following details the common actions and themes relating to current practice detected (by completing a comparison of key areas in each of the models examined), along with the key points of differences between the models.

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▪ Natural Values protection versus Commercialisation (and the relevance of Externalities)

One of the most obvious similarities is between the statutory mandate or mission for the agencies. All agencies have been mandated to provide for enjoyment of the national parks while leaving them in an unimpaired condition. However, even within this paradigm there are important differences in focus. In some of the jurisdictions the emphasis has been on visitor service (e.g. NPS in America and possibly South Africa) while in others the focus is increasingly on preservation (e.g. Canada and New Zealand), with this change occurring in an environment of increasing support for natural values protection. While there may be many reasons for this changing and variable area of focus, it has been suggested that one of the key drivers is the nature of the organisational structure (see Lowry 1994). The USA NPS has become increasingly centralised and controlled (resulting in a shift of authority away from the field) with the appointment of the NPS CEO being subject to political influence. The Parks Canadian Agency along with the New Zealand DOC has remained structurally decentralised. Both DOC and the Parks Canadian Agency (along with Parks Victoria) operate in a more conservation focussed department while NPS has remained in the more commercially focussed DOI. In addition, both the Parks Canadian Agency and Parks Victoria have been placed in single focus agencies with a degree of independence from political influence. While DOC remains within a total department which could be subject to political influence, this does not seem to be occurring. These structural differences seem to have enabled the Parks Canadian Agency and DOC to focus increasingly on the preservation of natural areas while in the NPS the increased emphasis has been on the visitor access and services aspect of the mandate. The position in Victoria is one where the conservation value is recognised as being of vital importance while also ensuring national parks are accessible for all. This position was recently endorsed by the chief executive of Parks Victoria who noted that “national parks are set aside so that we can maintain ecosystems in their natural state.....Parks Victoria does not shrink from its key role as a conservation agency. However, we are also totally committed to managing parks for everyone” (Stone 2006).

This has manifested itself in those agencies with a conservation focus attempting to restrict a number of commercial activities (e.g. discouraging off-road vehicle travel, prohibiting new golf courses, discontinuing commercial fishing, prohibiting major developments in national parks) while the commercially focussed agencies had few changes and continue to permit a

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number of potentially environmentally damaging commercial activities. Interestingly, those with a conservation focus appear to be disenfranchising the commercial operators while those with a commercial focus are subject to criticism from the conservationists.

▪ **The Concession Framework and Process**

Irrespective of this philosophical and structural difference, all agencies were committed to the use of concession arrangements for the provision of visitor services. While there were some variations, the range of services provided is extensive and includes merchandising, kiosk operations, entry fee/pass collection and sales, accommodation, caravan parks, campgrounds, guided tours, cave tours, equipment hire and ski field operations. Some of the key similarities and differences in the concession process were:

- **Concession types** – there were basically two types of concessions used:
 - Complex concessions (or leases) were generally found to be used where an activity is capital intensive and where a proponent seeks an interest in the land.
 - Simple concessions cover all kinds of permission from permits, to licenses, agreements or other approvals granted for the conduct of trade or commerce on an area of land that is under the care, control and management of an agency.
- **Legal agreements** – simple concessions tend to have fixed contractual arrangements and terms, including fees. Complex concessions, while still having a standard contractual form, had a number of aspects subject to negotiation.
- **Period of tenure** – there was significant variation in the period of tenure for complex concessions with America requiring as short a period as possible but no more than 20 years while other jurisdictions had periods up to 50 years or more. Simple concessions were more comparable with the tenure normally being for up to no more than 3 years (and subject to annual renewal).
- **Concession management** – concession management and procurement for complex concessions was, in all cases, managed by a specialist (central) unit with access to commercial (but not necessarily environmental) expertise. Simple concessions were managed at a region level based on centrally determined quality control safeguards and Agency wide standards (although the extent of centralised control varied).
- **Concession process** – all agencies operated a concession process for complex concessions which was transparent and focused on maximising the competitive environment (normally via an EOI/RFP process). For simple concessions, the process was simplified and was

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based on operators responding to perceived needs rather than the park agency initiating the activity (with the exception of the NPS which still followed the public process route).

- **Concession evaluation** – each agency except the NPS had a developed concession evaluation criteria for application across all concessions, with this criteria then being amended to fit the specific need and with the criteria being made available to all respondents. The main difference in the USA was the detailing of a defined criteria and scoring mechanism, thereby reducing the flexibility available to the management agency. All agencies included in the evaluation criteria aspects of environmental requirements, although the extent of inclusion and application varied significantly.
- **Concession pricing** – simple concessions were normally based on a fixed charging regime. The one exception to this was New Zealand, where all concessions fees are subject to negotiation. Complex concessions adopted a far more flexible approach although the philosophical position generally required the park management agency to achieve a return commensurate with the value of the asset being provided to the operator. These charges should be based on at least recoupment of all costs (capital and recurrent) with there also being an appropriate return to the agency. The use of incentive structures to drive behaviors did not appear to be a key factor in determining the pricing structure.
- **Pricing of services to the visitor** – in some of the agencies responsibility for visitor service pricing was retained whereas in others the concessionaire assumed this responsibility with the agency retaining an oversight/approval role. Park managers often took the position that charges for visitor services reflect a balance between the conservation role of the agency (which reflects the community service obligation of the agency) and user-pays revenue (of the operator), a position that can create conflict with the operator. The agencies always retained an approval responsibility over the range of products and services provided.

A key point of difference was the allocation of the fees received by the park agencies from the concession activity. In Victoria, Canada and New Zealand these revenues went into the general revenue pool of the Government with there being no direct flow back to the management agency (although some indirect arrangements were in place). In the USA the revenue distribution was clearly back to the responsible agency, with 80% being allocated specifically for use in the national park where the concession operated. The ‘general revenue pool’ approach was generally used where there was a focus on conservation values while the American approach focuses on a maximisation of concession revenue and visitor service.

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Based on the above, the positioning of a concession within the overall management framework adopted by the various countries can be depicted as follows although, as identified, variations exist.

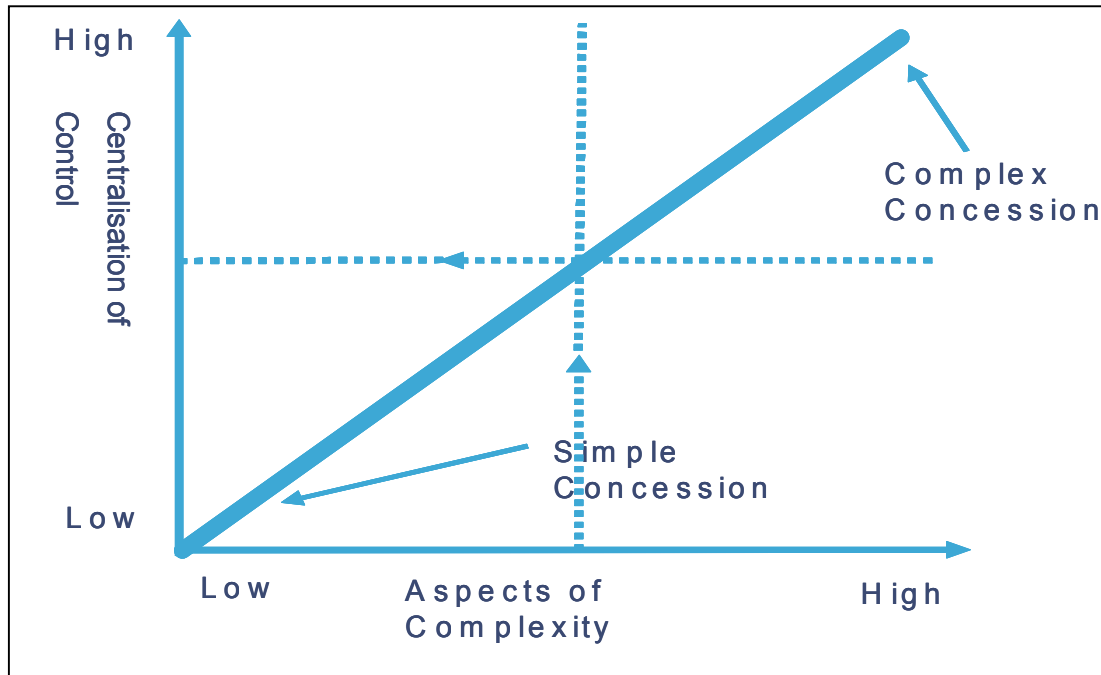


Figure 4.4: Positioning of Concession Types within a Management Framework

The model reflects preferred practice based on the commercial business models examined in that the type of concession used depends on the requirements of the service to be provided. A simple concession would typically be used for basic services where the commercial operator is not required to make significant financial investment whereas the more complicated the service the more complex the concession required. These factors have been termed ‘aspects of complexity’ and provide a guide to how complex the concession agreement needs to be, along with the likely concession tenure. The experience of the existing park managers also indicated that the more complex a concession, the more likely it is that the establishment of the concession would need to be completed with significant input from the Central Concession Unit rather than the regional or individual park manager. This aspect has been called the ‘centralisation of control’.

This diagram indicates what has been synthesised as being ‘best practice’ in managing concession agreements in national parks, but variations from this do occur. While the ‘aspects of complexity’ are effectively dependent variables (with them based on the specific

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requirements of a concession), the role of the park manager is an independent variable in that a park manager may still choose to have central control of a concession even though it may have minimal aspects of complexity. (However, the framework indicates that this would represent an approach or practice that was not preferred by the existing park management organisations.)

While advocating the use of concessions, a number of management agencies (such as Parks Victoria and the Parks Canada Agency) also provided competing agency operated enterprises (AOEs). However, the range of services provided by AOEs was much narrower than that of private sector provided park services with AOEs predominantly being focussed on merchandising, entry passes, food services, guided tours, equipment hire, accommodation and camping. Unlike commercial concessions, there was no apparent or set life for AOEs. New Zealand, in particular, did not conduct any AOEs. (See Parks and Wildlife Commission, Northern Territory, 1999)

There was also consistency over the future of partnerships and the need to develop facilities requiring land (e.g. accommodation) on land adjoining a national park in preference to development within the park itself.

▪ The Benefits and Disadvantages of the use of Concessions

The reason for using concessions to provide services in national parks varied, with the prime reasons including to relieve funding pressures to achieve a revenue stream or to source funding for infrastructure works, to enable the provision of services that otherwise would not be available and to support Government policy (eg privatisation, community involvement), possibly at some cost to the Agency. Irrespective of the reasons for the use of concessions, there was general acknowledgement of the benefits arising, including:

- Enabling the agencies to expand their human and equipment resource pools within existing budgets, freeing field staff for broader park management duties.
- Improved service delivery in regard to both the range and the quality of services provided.
- Improved efficiency due to the involvement of the private sector.

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The recognition of the possible negative outcomes of concessions was not so universally acknowledged. To varying degrees, it was noted that some of the negative outcomes may include:

- Increased focus on commercial return by the national park manager to the disadvantage of the conservation requirements.
- Actual damage caused to the natural environment.
- Loss of control over the quality of services provided in the national park.
- Conflict between the various external service providers.
- Poor relationships between the operator and Agency staff resulting in community concern.

It also needs to be acknowledged that there are potentially some areas of concern from the operators' perspective when using concessions in national parks including:

- The operator does not (normally) have ready access to or ownership of the property.
- Even where the operator has ownership, this reverts to the park agency at the completion of the concession period.
- The operator has little or no say regarding clientele.
- It is often unclear whether an Agency's by-laws or regulations apply to the provision of the service or the leased area.
- Marketing of the national park often occurs without the involvement of the operator.
- Similarly, the operator is often not involved in the park infrastructure development program.
- The operator is frequently constrained in regard to product range, pricing and price changes. Charges for visitor services reflect a balance between the community service obligation (supported by the agency) and user-pays revenue.

This review of the current Victorian approach to concession management along with the approaches in a number of other countries has assisted in the identification of practices which require further consideration and development within a commercial model framework, together with the placement of the model within an overarching parks management model.

4.5 External Environmental Factors and their Likely Impact

4.5.1 Use of Adjacent Land by the Private Sector

Operating on private property adjacent to parks has been identified as an attractive option for tourism and tourism services with the operator providing services which often are not possible within the national park and with the operator integrating into the total development of the park. This approach is being encouraged in both Victoria and New South Wales (as advised during interviews with park managers), particularly in regard to large scale developments which would not be acceptable within the park boundaries

These businesses (on private land rather than public land) operate with the same conservation ethos as park management and have the potential to complement and extend the range and services of protected areas. The approach has been successful in South Africa where the private operators understand the importance of maintaining an approach consistent with the conservation values of the adjacent, resulting in benefits to the operator and to the park manager. However, the opposite can also be the case with unsatisfactory consequences in an environment where the park manager has little ability to influence the behaviour of the private sector operator. The use of adjacent land by the private sector also has the potential to negatively impact on the operations of commercial operators within the park boundaries.

4.5.2 Creation of Private Sector Conservation Reserves

A second trend has been the purchase of private property for the creation of independent conservation reserves which are effectively competitors to national parks. Conversely, these reserves represent examples where private conservation is providing a public benefit without relying on public funding.

This trend is certainly prevalent in South Africa (Section 4.3.4), although similar large commercial operations are less common in Australia. With the exception of Earth Sanctuaries Ltd, a publicly listed company with wildlife conservation as its primary goal, the establishment of private conservation reserves is being driven by the not-for-profit, non-government organisations. For these organisations the primary focus is conservation or species protection with commercial returns being secondary. While there are historical examples of privately purchased land for reserves, private efforts have increased since the

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1990s. Birds Australia has several properties to protect habitat for threatened bird species, and the Australian Wildlife Conservancy creates reserves to protect habitat and threatened species. These efforts have been supported by public and private funding and have added to Australia's national reserve system. These activities are also being funded, in some cases, by the establishment of Conservation Trusts. The Australian Bush Heritage Fund, founded in 1990, is an independent non-government organisation funded by donations from supporters with the aim to buy and protect areas of ecological importance. It has purchased 13 properties, its latest being Carnarvon Station Reserve in Queensland where accommodation facilities are provided for visitors, and management is looking at establishing profit-making tourism operations to support conservation activities.

4.5.3 Establishment of Conservation Agreements

There are also a number of other conservation initiatives being taken by the private sector or being initiated by the public sector with private sector involvement and agreement. These conservation covenants, easements and other agreements have been identified as a way to facilitate conservation and promote ethical land management in the private sector.

4.6 Conclusions

The research completed in this chapter represents the beginning of the data review process in the development of the CBM. In particular, this chapter has:

- Reviewed the current literature available on commercial business models in national parks, with this review indicating that, while there have been a number of studies completed in this area, these studies have not resulted in a CBM of sufficient scope and detail to be capable of practical application by park managers. Much of the current work has also concentrated on the Australian experience (thereby not giving adequate considerations to the international experiences). In considering this literature the impact of bias also needs to be recognised due to the philosophical positioning of the authors. However, the literature has assisted in the identification of a number of the important facets which need to be incorporated into any final CBM, and these have been taken into consideration in developing the key themes to be used in the next stage of the research, being stakeholder interviews.

Chapter 4: Current Commercialisation Practices – the Review of Current Literature

- Examined current commercialisation practices in Victoria along with a number of international countries, and completed an evaluation of these comparative frameworks. The review of current practices has assisted in the identification of preferred practices along with differences in approaches. Based on this, a number of areas of best practice have been identified.
- Considered a number of external environmental factors and their likely impact on any developed CBM.

Importantly, the completion of this literature review has assisted in the identification and development of key themes to be incorporated into a CBM, along with issues which need to be considered in developing the CBM. These themes and issues will be important in ultimately establishing a number of the key features of the CBM – the types of commercial operators required, the nature of the services to be offered under various legal agreements, the role of the commercial operator in environmental protection, the role of the park manager in initiating and controlling commercial operations in national parks etc.

These themes and issues have been used to develop the areas to be covered in the next stage of the research, being the park manager interviews (which are discussed in Chapter 5) and have also assisted in identifying the areas considered during the review of existing concession agreements (which is also discussed in Chapter 5).



Chapter 5: Analysis of Interviews and Existing Data

5.1 Approach to Data Collection and Ordering

The research completed in Chapter 4, being a review of the current commercialisation practices in Victoria and in a number of other relevant countries, effectively represents the first step in data collection and analysis. This review of the literature (in Chapter 4) has assisted in the identification and recognition of a number of key themes and issues which now provide the focus for the next stage in data collection and analysis. Based on the research map and approach detailed in Chapter 3 (and particularly Section 3.1), the activities completed in this chapter are highlighted in Figure 5.1.

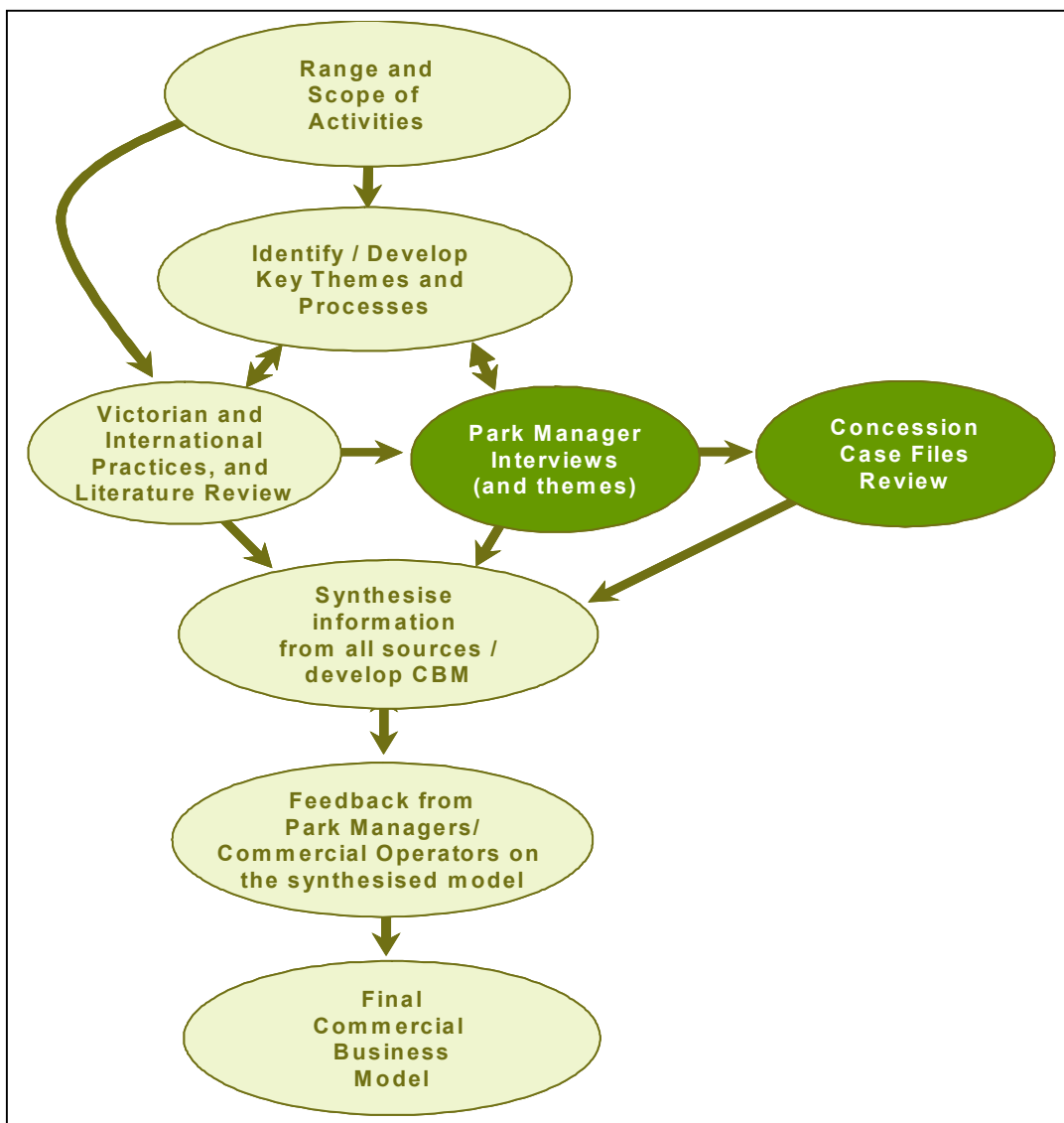


Figure 5.1: Research Activity Completed in this Chapter

Chapter 5: Analysis of Interviews and Existing Data

The final two steps in the collection, ordering and analysis of data (incorporated in this Chapter) consist of:

- Park Manager Interviews - This step in the data collection and analysis (to assist in the development of the end commercial business model) requires the completion of a number of interviews with park managers, with the objective of the interviews being to confirm and/or further develop the key themes and issues (detected in Chapter 4) which need to be incorporated into the continued development of the commercial business model. (Refer Section 5.2)
- Concession Case Files Review – Consequential to the above, a number of existing concession agreements have been reviewed to confirm and update the status of current practice (already identified in Chapter 4) along with the identification of additional areas of concern. (Refer Section 5.3)

The completion and analysis of these two additional data sources, in addition to the information on current practice identified in Chapter 4, will enable the triangulation of the resulting quantitative and qualitative data thus enhancing the validity and reliability of the resulted commercial business model (as developed in Chapter 6).

As an overall principle, a “theoretical sampling approach” (as developed by Glaser and Strauss (1997))⁷ has been taken in determining the sample sizes for each of these steps, with the concession file review sample size also being of sufficient number to ensure the bias inherent in the park manager interviews is reduced. The sample sizes along with the areas of interest have been determined as the research has progressed rather than at the beginning. Further information on sample sizes is detailed in each of the following sections.

5.2 Park Manager Interviews

The first group of interviews completed was restricted to a small sample of park managers to provide an initial base of information (supplementing that obtained in Chapter 4) on which to commence development of the CBM. Concession operators were not included in this initial interview process due to restrictions on access. In particular, it was indicated by the park managers that it was preferable to delay the concession operator interviews until completion

⁷ Theoretical sampling has been described as ‘the process of data collection for generating theory whereby the analyst jointly collects, codes and analyses his data and decides what data to collect next and where to find them, in order to develop this theory as it emerges’ (Glaser and Strauss, 1967, p.65).

Chapter 5: Analysis of Interviews and Existing Data

of the review of concession files (in Section 5.2) and development of the CBM (in Chapter 6). The park manager preferred that commercial operators only be approached after an understanding of the business and position had been obtained of the individual commercial operator (via the concession file review).⁸ The outcomes of the subsequent interviews with commercial operators are included in Chapter 7.

5.2.1 Data Collection

Based on the outcomes of the previous research, a set of themes and issues key to the development of the commercial business model have been developed (in Chapter 4). These have been used in the development of an interview outline, which has then been used to interview a selection of senior management from Parks Victoria. (Refer Appendix 4 for this interview outline.)

The population from which the interviewees were selected is small and, therefore, a sample was selected to ensure adequate coverage of participants (with the identification of interviewees being completed in conjunction with Parks Victoria management). Based on this three staff members were selected for interview, being a senior manager with an interest in but not responsible for concession arrangements in national parks, the senior manager with responsibility for concession arrangements, and a manager actively involved in the initiation and implementation of concession arrangements. This sample size provided coverage of all the groups of different roles of park managers involved in concession management with the sample covering park personnel within an individual national park, within the Central Concession Unit and within senior management. The interviews were also completed based on the principles of the theoretical sampling approach as the information needs for each interview was refined based on the outcome of the preceding interview.

All interviews were completed at the premises of Parks Victoria using a semi-structured approach. The interview outline provided the basis for the interview but additional areas of interest raised during the interview were also pursued. At the conclusion of the interview, the

⁸ The park manager was also concerned about management of the relationship with the commercial operator, and requested that the commercial operators only be contacted once. Based on this restriction, it was considered that the maximum commercial operator input would be obtained by obtaining feedback from the commercial operator after the development of the CBM, rather than obtaining commercial operator comment prior to CBM development.

Chapter 5: Analysis of Interviews and Existing Data

notes of the discussion were prepared and provided to the interviewee, who was requested to confirm the notes were a fair representation of the discussion.

5.2.2 Analysis of Results

The completed interviews provided a number of valuable insights into concerns and issues being considered by park managers in developing future commercial relationships, with there being a high degree of consistency between the interviewees. While the interview outline in Appendix 4 provided the basis for the areas considered, during the interview a number of key themes began to emerge. Grouped under these key themes, the prime comments of relevance are detailed below.

▪ Objectives of Park Managers and Commercial Operators

The interviews confirmed that the park managers perceive their primary purpose is one of conservation and that the role of a State based park manager is to interpret and enforce policy – not to get involved in commercial aspects. The State does have a role in providing open space access (social equity) for the community, but does not need to provide all visitor services.

While in the past there has been an assumption that the public and private sector objectives were incompatible, this probably needs to be questioned in the future. There are a number of global examples (e.g. Yosemite National Park) where the private sector has successfully taken over this environmental role with a financial motive.

▪ Skills and Attitude of the Park Manager

The ability of the park manager to further develop commercial concessions is constrained by both the historical cultural of the entity along with the skills inherent within the staff. There has historically been a philosophical opposition to the completion of commercial activities by park manager staff. The park manager has traditionally regarded tour operators as “a necessary evil”, with this leading to an adversarial approach with a reactive relationship. This attitude represents a significant problem which makes it difficult to build trust – there needs to be a more cooperative approach with commercial operators in the future.

Chapter 5: Analysis of Interviews and Existing Data

An associated issue was the possible lack of commercial skills. Park managers often do not have sufficient interest, business knowledge and/or skills to understand a commercial sector proposition (e.g. value proposition, employment capability, return to park manager). The ability to evaluate commercial opportunities is constrained by the cultural capability to accept commercial operators; the dominance of technical over managerial skills; and the lack of capabilities to manage a commercial operator.

▪ Legal and Political Constraints on Services

The ability to provide and expand commercial services in national parks is constrained by a number of factors including the political construct (which has also been influenced by the past) in that:

- No activity is permitted to hinder park management.
- There is the political constraint that ‘no inappropriate commercial activities’ are permitted.
- Any activity needs to fall within the perception of proper commercial practices.
- Any activity needs to be completed within the national park boundaries. Importantly, Parks Victoria is not permitted to look outside the national park boundaries as this is outside the scope of its identified areas of operations.

The need to follow the policy requirements of Government also results in further constraints. Parks Victoria could not encourage and develop a recent innovative visitor service offering because of the need to follow Government purchasing policy guidelines. As a result, the private sector established the offering on private land near a national park, with this facility now being a competitor. There also exist a number of legal constraints, with one of the more immediate concerns being the restrictions on the time period of concessions. Under current legislation (and as noted previously), licences can only be offered for up to 3 year tenure while leases can be offered for up to 7 or 20 years tenure (with no extension possible).

These artificial constraints have adverse impacts on possible funding model options, with any extension providing a substantial improvement to the potential investment offer to the private sector.

Chapter 5: Analysis of Interviews and Existing Data

▪ Approach to Market

The Parks Victoria approach to the market often influences the type of responses received, resulting in the majority of concessions being provided by small business. If you go to the market requesting submissions for the operations of a small individual service with a short tenure, the responses come from small/family businesses rather than large corporations. The inability of Parks Victoria to aggregate service offerings across services or regions encourages submissions from small rather than large operators. This, in turn, may lead to some of the problems encountered with small operators – funding problems, lack of business knowledge etc - which can subsequently lead to operator failure or lack of return.

▪ Future Trends in Service Provision

The park managers interviewed believed that the market for commercial services under the current model is saturated and that there needs to be a change to the model in Australia. In the future model the public and private sectors need to be more closely aligned and there also needs to be a full commercial value chain in a national park. In addition, the distinction between entry into a national park (public sector role) and service provision in the national park and surrounds (private sector role) needs to disappear. This view is also supported by a trend emerging for the private sector to set up operations outside the traditional park boundary (but nearby). Under this model, this should be encouraged, private operators then undertake collaborative programs with the park manager – inside and outside the park. The private sector provides a complimentary service inside the park to the activity outside the park.

The role of the park manager in environmental management is also starting to be questioned, with a push for the Not-for-Profit organisations (NFPs) to take over the function (e.g. World Wildlife Fund for Nature). Similarly, large private sector and philanthropic organisations are establishing private parks. In these parks, the investors revegetate a substantial portion of the park, sub-let an area for development and then run the total park as a profit venture with conservation objectives. To be effective both the private investors and NFPs need to have product integrity of a ‘natural environment’. These providers are, in effect, providing a service in competition with the park manager (such as Parks Victoria).

Chapter 5: Analysis of Interviews and Existing Data

5.2.3 Key Conclusions

The completed interviews provided a high degree of consistency in outcomes, with the identification of a number of matters which need to be considered in the development of the commercial business model. Key areas emanating from the interviews for further consideration include:

- Identification of the skills necessary to establish effective concession arrangements.
- Increasing focus on the development of a cooperative approach between the public and private sectors to concession development and implementation.
- Development of approaches which breakdown the barriers between the role of the public and private sectors to provide a seamless visitor service.
- Recognition of the political and legal constraints which exist (at least in the short-term).
- Development of approaches which place increased emphasise on the creation of a substantive product offering for the concessionaire.
- Incorporation of a greater consideration of the potential to expand concession opportunities to include activities outside the boundaries of the national park.
- Recognition of the increasing competitive environment in which the park managers are operating.

These issues also need to be considered in the completion of the review of existing concession agreements undertaken below.

5.3 Review of Existing Concession Agreements

Based on the interviews described above, the key concession management themes and issues (as detailed in Appendix 4) have been further developed with this forming the basis for the areas examined in completing the review of existing concession agreements. This review of existing concession agreements is necessary to confirm the identified park manager practices in concession management while also providing a basis for analysing the adequacy of these practices.

5.3.1 Data Collection

The first step in deciding the sample of concession agreements to be reviewed is to determine the potential population size (of concession agreements). Unfortunately, it is not possible to

Chapter 5: Analysis of Interviews and Existing Data

determine this total population due to the disparate nature of the park managers operations along with a lack of information on all concessions. Therefore, based on the advice of Parks Victoria, the population was refined using the following criteria:

- To ensure the individual concession agreement files examined represented recent practice it was agreed that only those concessions initiated in the last 10 years were of relevance.
- The sample was to include concessions where service provision was provided in a national park or on the boundaries of a national park with the target client base being national park visitors.
- Simple concessions established using standard procedures and contractual arrangements were included as one sample rather than multiple samples as to do otherwise would distort the total sample. Whilst dominant in number, the contribution of these simple concessions to revenue is minimal.

This criterion significantly reduced the number of potential concession agreements to review. A listing of individual concessions was prepared (with the assistance of Parks Victoria), with the resultant population being a total of 27 concessions consisting of 9 licences (simple concessions), 17 leases (complex concessions) and one management agreement (which has the characteristics of a licence). Cluster sampling (using selective judgement) was then used based on the objective of having a representative sample of licences and leases covering a diverse range of services including both large and small concession businesses. Based on this selective sampling, a total of 16 concession agreements were identified. It was considered that this sample size was more than sufficient (based on a population size of 27). Of the 16 selected samples, 11 represented concessions within a national park while another 5 were on the boundaries or in a close proximity, with the concessions by concession type being summarised in Figure 5.2.

Chapter 5: Analysis of Interviews and Existing Data

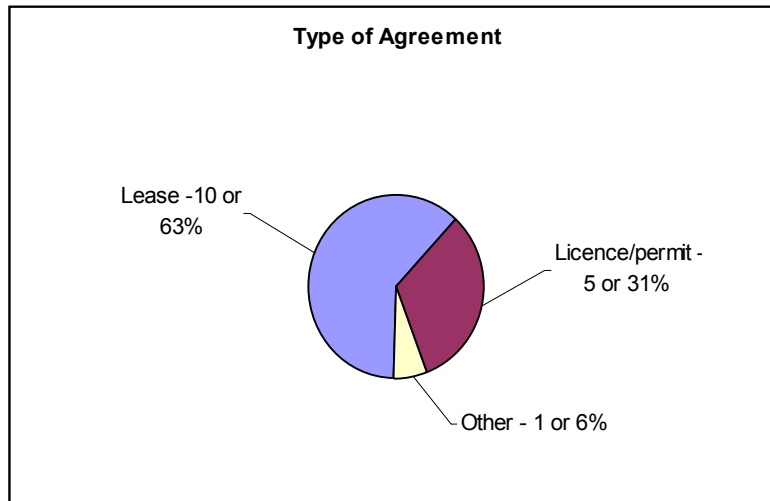


Figure 5.2: Number of Concessions Reviewed by Concession Type

The range of services covered by these 16 concessions is diverse, with the coverage summarised in the following figure.

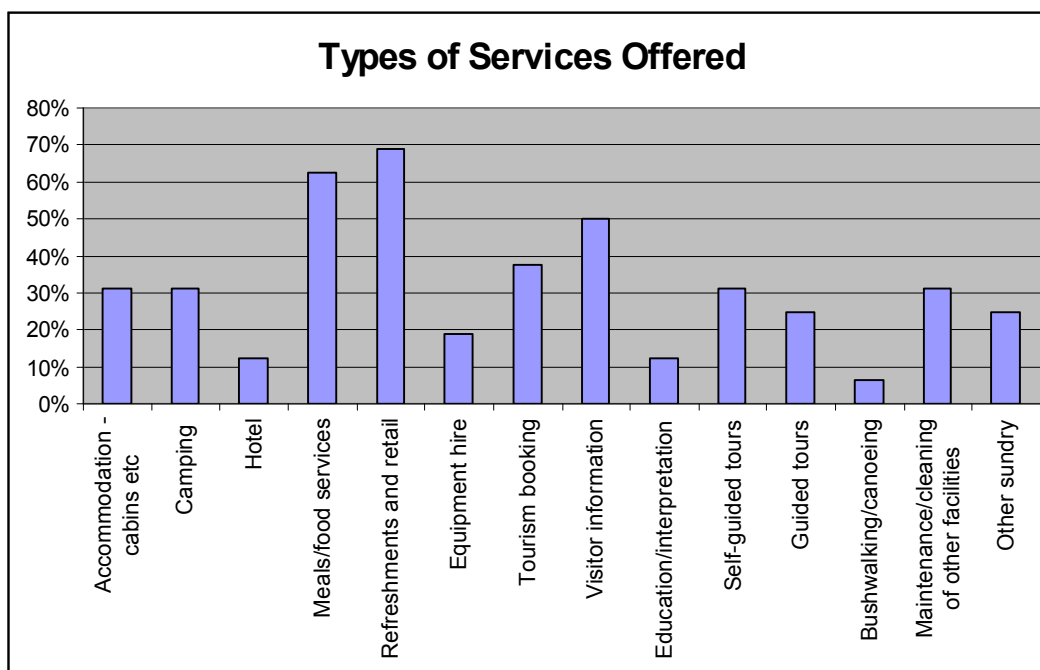


Figure 5.3: Types of Services included in Concessions Reviewed

Of the 16 concessions included in the sample, 11 or nearly 70% included the provision of refreshments and retail services with a number also including some form of accommodation. The services included in these selected concessions provide a good representative sample of services being provided by concessionaires.

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The list of concessions for review was then provided to Parks Victoria, who accessed all the available files for each of these concessions and made these files available for review. The files for each of the individual concessions represented an amalgam of the communication between the park manager, the commercial operator and any professional advisers used (e.g. various correspondence, relevant file notes of discussions, copies of legal agreements, legal opinions (where required), property valuations (where required) etc) along with copies of the various internal park manager approvals required (e.g. completed Commercial project justification pro forma). The review of files was completed over 3 days in the offices of Parks Victoria. Each concession was reviewed with file outcomes being summarised under the themes previously identified. In completing this review, the required information was not always available, in which case no comment or fact was recorded on the individual concession schedule.

The data was subsequently summarised where the outcomes for each theme was combined so that relevant trends and/or differences could be identified. The outcome of this analysis, which is summarised in Appendix 5, forms the basis for the comments in the following Analysis of Results section.

Due to the need for confidentiality, it is not possible to disclose the individual concessions examined. Therefore, in completing the analysis, each concession agreement has been given an alpha reference, which is used for future individual designations.

5.3.2 Analysis of Results

The analysis of results of the file review is detailed in Appendix 5. Prior to commencing the review a core set of data requirements was prepared (based on the themes identified in Chapter 4 and further refined by the park manager interviews). Each of the individual concession files was then reviewed to determine an answer to each of the identified data sets. Where an answer could not be determined from the information in the files, no response was recorded. The answers to each of the data sets were then summarised across all concessions examined. In addition, the total of 16 concessions being examined was then further segregated into an assessment of the relative success of each of the concessions based on a review of a number of key factors, being the perceived level of satisfaction of service delivery, the length of time of the concession establishment process, the satisfaction of financial obligations, the perceived satisfaction of environmental requirements and the extent

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of disputation evident between the park manager and the commercial operator. (The assessment of these factors was based on data contained in the files.) The outcomes of each of the data sets were then further segregated based on the assessed level of success of the concession (ranging from successful to financial failure). Any other matters of relevance noted during the concession file review were also noted for further consideration.

As noted, the analysis of results of the file review is detailed in Appendix 5 with the following (by key theme) representing a summary of the results.

▪ Development of Service Offering

The majority of the concessions examined (14 of the 16) represented a continuation of an existing service and/or an enhancement or refurbishment of an existing asset. The primary purpose of going to the market for the concession was to source capital funding to enable the completion of capital works (which otherwise probably would not have occurred) and enhance the existing service provision. For these concessions there was no documented consideration of options for the expansion of the service or the consideration of methods to expand the market offering.

The other two concessions resulted in the establishment of significant commercial businesses which have provided an expanded product offering to the visitor along with significant benefits to the park manager and the commercial operator. The final service offering included in the concession was, in both cases, developed by the commercial operator as part of the tender response within the framework provided by Parks Victoria.

Interestingly, for concessions which involve further development of existing infrastructure, Parks Victoria has in place a process which requires the completion of, effectively, a business case by regional staff to establish the basis of the concession offering. Included within this process is the need to address a number of important issues including the strategic fit of the concession, relevant stakeholder management issues, a financial and economic analysis, environmental impacts and requirements, product design, project risk and an options analysis. Only one example where this had been completed was located for the 16 concessions examined. (This suggests that a number of the required processes were in place to properly develop a concession product offering, but that these processes were not adequately used and that the staff may not have the necessary skills to complete the required analysis.)

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For all of the concessions, the operator was being offered a monopolistic position within the individual national parks. Under current arrangements for leases this is a valid approach as the business size is normally insufficient to support more than one service provider.

Generally, there is only enough infrastructure to support the one operator (e.g. one retail outlet) and the establishment of additional infrastructure is inconsistent with the environmental objectives. However, it does need to be recognised that this increases the need to ensure concession agreements are structured correctly to restrict monopolistic activities such as predatory pricing and inadequate service standards.

▪ Role of Park Manager in Process

While the location of the service provision for the concessions was the national parks, the majority of the responsibility for the development of the tender documentation, completion of the tender process and monitoring of subsequent performance appeared to rest with central rather than regional personnel. While regional personnel were involved in a number of the concessions, their role was often peripheral to the overall process. This was apparent for both simple and complex concessions.

▪ Tender Brief Development, Tendering Process and Evaluation

The Parks Victoria process requires that where the concession payments are expected to exceed a specified annual value, Parks Victoria must enter into a full tender process. If the expected lease payment is less than this specified value then the full tender process can be avoided provided sufficient submissions (3) can be elicited from known interested parties. This practice reflects the need for Parks Victoria to comply with the principles of the Victorian Government Purchasing Board requirements.

However, the approach used in the application of this principle varied widely and it was apparent from the review of concessions that it is the more recent concessions which had been subject to the more comprehensive tender process. One concession examined, in particular, highlighted this point. For this particular need (the refurbishment and operation of a derelict asset), Parks Victoria had previously completed two tender processes with unsatisfactory outcomes (and no operator being appointed). However, prior to going to the market a third time Parks Victoria adopted a more professional approach including obtaining external

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assistance with the development of the tender specification and service offering, appointment of a marketing agent to control advertising and elicit community response and commitment of sufficient personnel and financial resources to the tender process. The result of this improved approach was the receipt of 5 viable submissions with a concession ultimately being awarded which, to date, has been successful for all parties. This recent approach appears to have established a benchmark for future tender processes.

▪ Contract Development, Structuring and Negotiation

Parks Victoria has developed, based on legal requirements and past experience, a standard lease and licence agreement, which formed the basis for contract development and negotiation for the majority of concessions. These agreements were then refined to meet the requirements of the individual concession. The main areas where refinement occurs were in definition of required service and specification of requirements where a prescriptive approach was adopted (e.g. hours of operation, numbers per tour, and compliance with food standards).

Importantly, the agreements had a number of standard restrictions (e.g. use of advertising material, no vending machines, no gambling permitted) along with standard environmental requirements of both a general and specific nature (refer discussion following for further information on environmental requirements).

The ability of a commercial operator to achieve refinements to these agreements was limited, particularly in regard to shorter term licences. This approach, along with the time taken to complete negotiations and finalisation of agreements (which in some concessions extended beyond a year) indicated the potentially adversarial nature of the contract negotiations. However, in two of the larger and more recent concessions negotiated the approach was more cooperative with, in one instance, a separate agreement being developed specifically for the concession.

A key area of variation in the concession agreements examined was the period of the concession along with the fixed term nature of the agreement.

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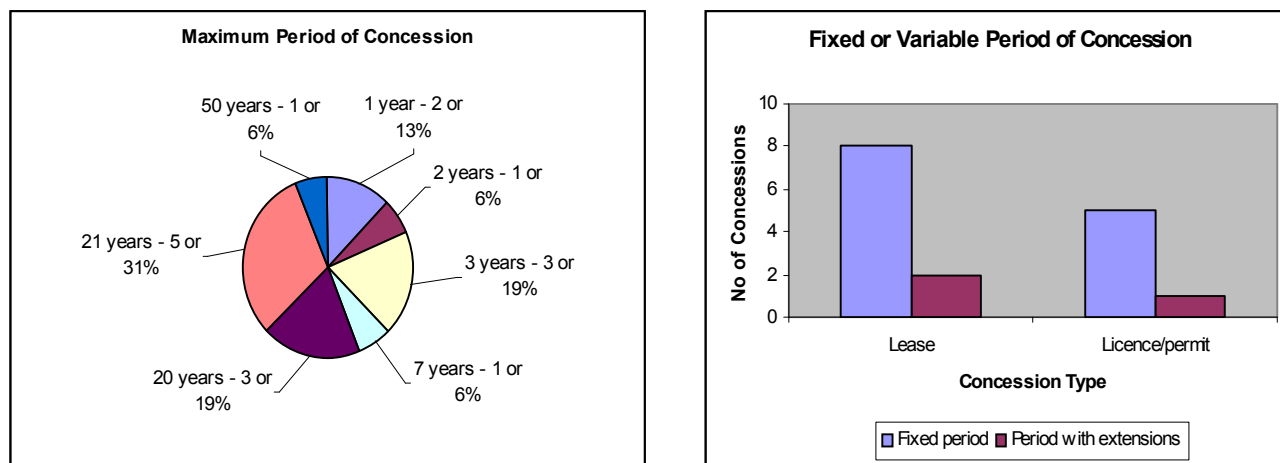


Figure 5.4: Period of Concessions

For the licence agreements in the files examined, the maximum periods for the concessions varied between 1 and 3 years with all but one licence being for a fixed period. The periods of the leases varied between 7 to 50 years⁹. The variation appeared to be dependent on the Act under which the concession was granted, with the maximum permitted period dominating. The majority of the leases were for a fixed period, indicating that this concession represented a long-term commitment by both parties with no review periods.

▪ Operator Characteristics

An important consideration in the success of any concession is the characteristics of the appointed commercial operator – in particular the past experience of the operator along with the operators' financial capacity and business acumen. This is, in part, reflected in the structure of the commercial operator along with the size of the operators past business activities.

The majority of the operators for the concessions examined would be characterised as small businesses with a number operating as sole traders or in partnerships with no corporate protection. On closer examination, a number of these small business operators represented 'local' families (as in they were people from the area of the national park in which the concession activity was to be completed) who did not have significant experience in the business area they were about to enter. This lack of experience coupled with the commitment

⁹ The 50 year concession related to a service provided within a State rather than a national park (but within close proximity to a national park). Therefore, it was possible to provide the longer period of tenure (after having obtained special Ministerial approval).

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to a substantial financial obligation (refer discussion in following section) represented a potentially significant risk. The lack of business or tourism service provision experience potentially impacts on the ability of the commercial operator to meet the service requirements of the park manager and the park visitor and this, combined with the need for a substantial financial commitment, has the potential to lead to financial failure (along with a deterioration in the visitor experience). Three of the concessions examined were classified as financial failures, and all three of these concessions were operated by small business and required significant initial financial investment.

For many of the concessions examined, the business opportunity presented was not of sufficient size to warrant the involvement or investment of a larger corporate entity and, therefore, the concession opportunities encouraged the involvement of small business rather than a larger enterprise.

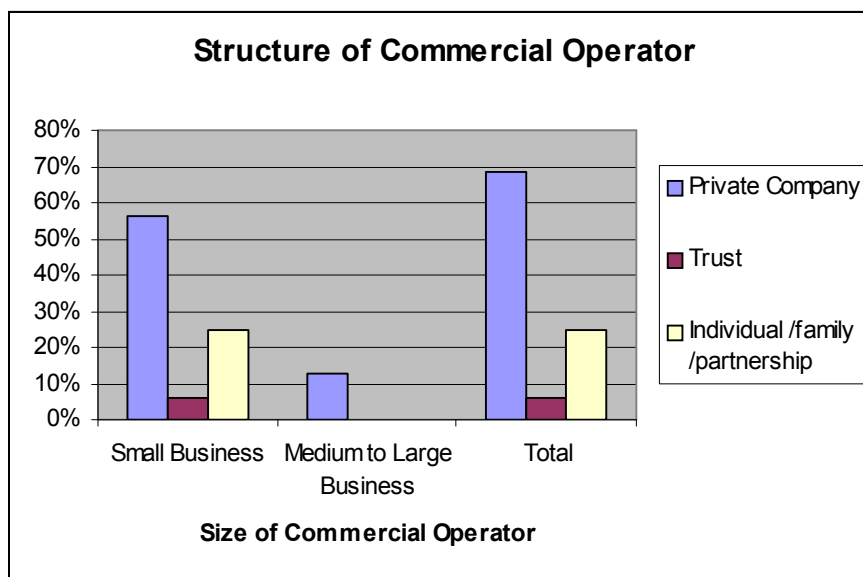


Figure 5.5: Structure of Commercial Operator by Size

Of the concessions examined 2 were medium to large business entities with extensive past experience of relevance and access to the required financial resources to meet the capital and operating commitments. Not surprisingly, these were also the commercial operators which negotiated the most variations from the standard concession agreement (to ensure the agreement was suitable for the requirements of the service being provided) and also represented concessions identified as being successful for all parties.

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▪ Concession Payment Structuring and Financial Relationship

In considering the structure of the concession payment along with the financial viability of the relationship a number of factors are relevant including the actual structure and timing of the required concession payments, the quantum of the lease payment along with the associated capital expenditure requirements, and the allocation of responsibility for capital and operating expenditure risk. These factors (in conjunction of other drivers) combine to determine the potential financial viability of the concession. It is important an appropriate balance between return to the park manager and to the commercial operator is determined with this balance being needed over the total period of the concession.

As is demonstrated in Figure 5.6, for the concessions examined, the dominant concession structure used was one based on a specified base payment or a combination of a minimum base payment in conjunction with a payment based on activity (normally a percentage of revenue), particularly for leases. All concessions requiring a base rental only also included regular adjustments for movement in the Consumer Price Index (CPI) or CPI interspersed with adjustments based on determining movements in market based property rental prices. There were examples of structures based only on an activity level, with this arrangement mainly applying to shorter term permits which also required monthly payments of permit fees. Leases most frequently required payment of concession fees on an annual basis.

While certain approaches dominated there were also regular variations from the norm which suggests there is no agreed 'best' approach. In a monopolistic environment the use of solely a base rental approach along with annual payment requirements would be of some concern, as such an approach does not constrain the ability of the commercial operator to achieve monopolistic pricing and profits. (This is particularly true were there is also a lack of other regulatory type controls by the park manager over such areas as movements in service pricing.)

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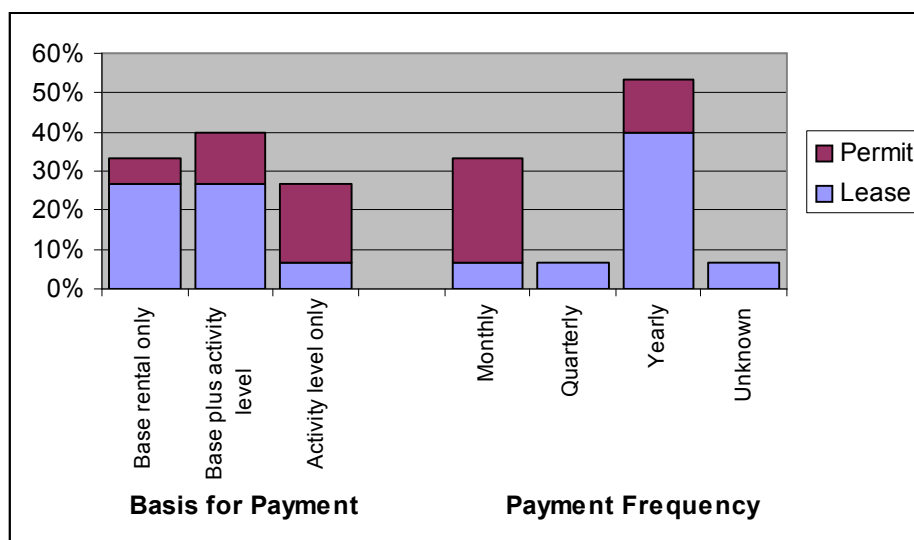


Figure 5.6: Structure of the Concession Payment

In negotiating any concession agreement an important consideration is the total quantum of the concession payment along with the extent of additional financial responsibilities placed on the operator, and particularly capital expenditure requirements. To assist in determining an appropriate concession payment the park manager will often obtain the advice of an independent expert, normally a valuer (such as the Victorian Valuer-General). Such valuers are experienced in adopted land-based valuation approaches, but such approaches may not be appropriate for concessions where land title does not pass but, rather, the opportunity being presented is a business opportunity. Alternative valuation techniques may be more appropriate and, in particular, for a business opportunity it could be argued that business valuation approaches are required.

Figure 5.7 provides a guide to the quantum of lease payment required under the various concessions examined along with the associated capital expenditure requirements with these segregated between either small or significant payment streams by size of commercial operator.¹⁰

¹⁰ Segregation of lease payment between small and significant is based on guidance from Parks Victoria, as is the segregation for capital expenditure. Due to the commercially confidential nature of this information, Parks Victoria has requested that the actual figures not be disclosed.

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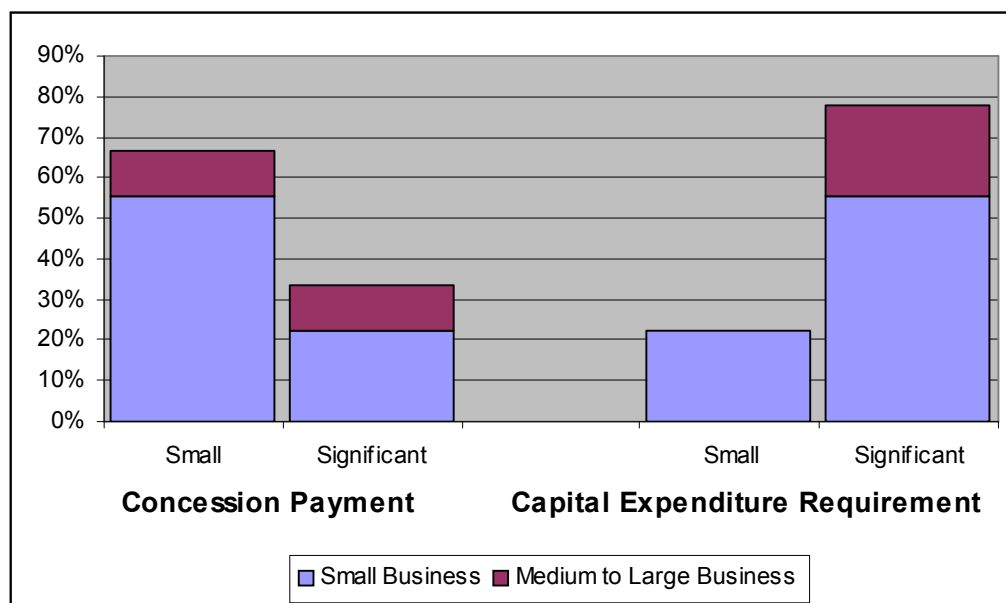


Figure 5.7: Operator Lease and Capital Expenditure Commitments

While for the majority a small business has only assumed responsibility for a small concession payment there were situations where the small business assumed substantive lease payment obligations. From a capital expenditure perspective the dichotomy was more substantial, probably due to the need for the funding of the refurbishment/renewal of park assets being a key driver for the park manager. In a substantial number of concessions the small business operator assumed a significant capital expenditure responsibility (with financial distress and a failure to meet the capital requirements resulting for two of the small business operators).

This concern over the appropriateness of the risk versus reward equation for the commercial operator and the park manager is further demonstrated by Figure 5.8. It is the small business group that had the greatest exposure to entering into an agreement which was not financially viable, but it was also this group that assumed the greatest financial responsibility in regard to capital and operating expenditure responsibility along with the quantum of the required capital and concession payment commitments. Importantly, the granting of a concession where financial viability may be a concern was potentially a problem for both the commercial operator and the park manager. The allocation of responsibility appears more appropriate for the large business concession holders, where there was a sharing of responsibility between all parties. This may in part reflect the maturity of the commercial operator business managers and their ability to structure a concession agreement which benefits all. It is interesting that

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in one of the concessions examined (with a large business commercial operator), the issue of funding infrastructure capital expenditure (which supports but is not directly linked to the concession) was resolved by establishing a joint fund between the park manager and the concession holder, with each contributing based on an agreed approach.

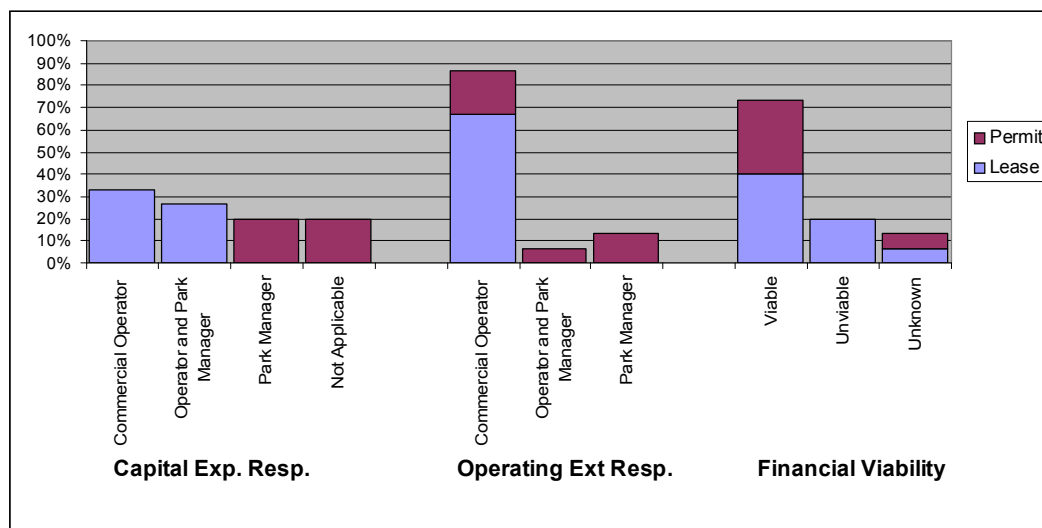


Figure 5.8: Financial Responsibility and Viability

This analysis suggests that care needs to be taken in structuring the concession payment arrangements for leases. The determination and allocation of financial responsibility needs to ensure that the viability of the business is not threatened. This requires a structure with an appropriate risk allocation and reward arrangement that is appropriate for all parties.

▪ Use of Incentives

As is demonstrated by Figure 5.9, there was minimal use of direct incentives to drive operator behaviour in any area of operation. As has previously been noted, a number of the concession payment structures included an activity based payment, but this was not designed to encourage achievement of performance targets by commercial operators. Rather, the activity based payment ensured the park manager received a share of the revenue above defined levels.

For the majority of concessions, the achievement of performance targets (where set) or compliance with the requirements of the concession agreement (e.g. operating hours, responsible conservation practices, food standards etc) was voluntary. The only remedial

Chapter 5: Analysis of Interviews and Existing Data

action available for non-compliance is termination of the concession, but the park manager is reluctant to take such an action (refer following discussion on termination provisions).

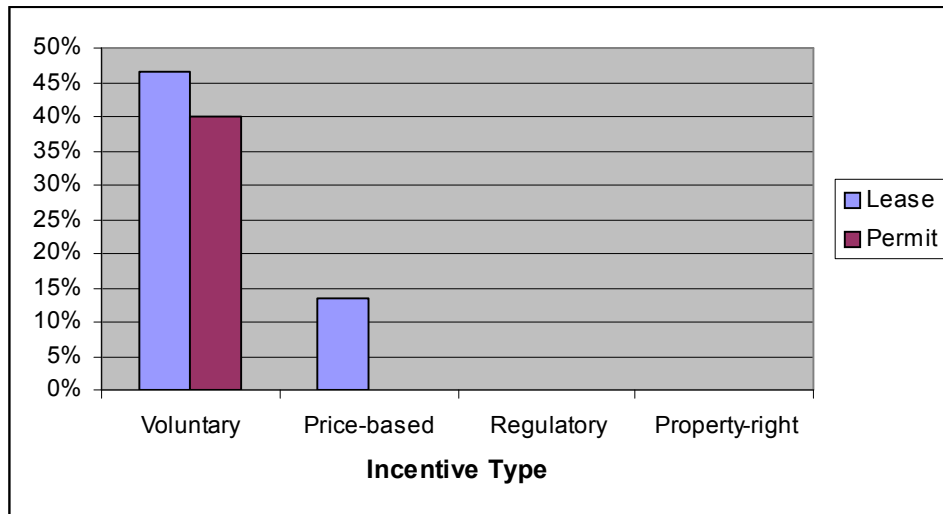


Figure 5.9: Types of Incentives included in Agreements

In a small number of the concessions reviewed there were additional price-based incentives where the commercial operator received a financial advantage provided they achieved specified targets (eg achievement of capital expenditure requirements or completion of maintenance requirements resulting in a reduction in the concession base payment). While the principle of using price-based incentives to drive specific performance is sound, there also needs to be care in the application of the principle. One of the concessions where this arrangement was established still failed to meet the requirements to achieve the financial benefit as the cost of achieving the targeted outcome was greater than the benefit obtained.

▪ Interaction with Park Manager and the Community

The review of the 16 concessions indicated that there was generally a lack of formal arrangements for effective communication between the commercial operator of a concession and the local or regional park manager, other concession operators in the national park and relevant local community organisations. The frequency of interaction for the concessions examined was as follows:

- Park Management – in only 1 of the concessions was there a formal requirement for the concession operator and the park manager to meet in a cooperative manner with this being required on a six monthly basis. While another 3 of the agreements included a

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requirement for a park manager/operator meeting, the objective of the meeting was to review the operators' performance with the meeting being at the instigation of the park manager. There was no reference in the agreements to the participation of the commercial operator in the development of park strategy and in only 1 agreement was there a reference to the need to comply with the management plan of the national park (even though most national parks have individual management plans in place).

- Other Commercial Stakeholders – only 1 commercial operator included regular (monthly) meetings with other commercial stakeholders operating in the park, with this being at the instigation of the commercial operator rather than a formal agreement requirement or park manager initiative.
- Community Stakeholders – the concession agreements did not include any requirement for liaising with relevant community groups, although two commercial operators completed such discussions regularly as they recognised the importance of community support.

While a number of the concession agreements (appropriately) included restrictions on the type of advertising signage the commercial operator was permitted to use, there was no reference to the potential involvement of the commercial operator in the joint marketing of the national park.

Community and operator interaction along with integration of a commercial operator into the total park activities is an area which has not been subject to significant attention in the past, and may warrant further consideration in the future.

▪ **Role in Environmental Management**

For the concessions examined, the emphasis given to environmental management varied widely with there being no apparent reason for the wide variation. Key findings from the concessions examined are:

- The need to consider the approach of a tenderer to environmental management was included in the evaluation criteria for a number of concessions but an instance was noted where there was no mention of environmental requirements for a tender which had the potential to have environmental impacts.
- In the majority of concessions the past environmental performance of the tenderer or the attitude of the tenderer to conservation of natural values was not considered.

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- Of the 16 concession agreements examined, 5 included specific environmental requirements related to the specific concession (e.g. approach to bird feeding, constraints on camping, constraints on tour group sizes). The remaining agreements approach to environmental management incorporated a general requirement to comply with management principles in regard to conservation; and/or a number of standard requirements (e.g. minimise damage to land, no cutting of trees, no burning, need to report an environmental event, use of recyclable materials).
- In one instance a tenderer was awarded a concession even though the tenderer was already exhibiting inappropriate environmental management practices.

While the concession agreements in some instances referred to specific environmental requirements, there was no reference to meeting specific targets and the agreements did not include specific incentives or sanctions for satisfying the environmental requirements. Where specific requirements were included, the ability to change these requirements (due to changed practices etc) was difficult and time consuming.

▪ Performance Reporting and Control

Again, specification of and compliance with performance requirements is an area where there was high variability in the outcomes, although the main focus was on reporting base data for the service being provided.

- A number of concessions included specific Key Performance Indicators (KPI) for financial and service delivery areas (e.g. occupancy levels, gross revenue, capital expenditure). There were no KPIs for the environmental or social areas of activity.
- Frequency of reporting varied widely with some only requiring reports at the end of the concession (for some short term permits) with others requiring quarterly, monthly or annual reports.
- While some concessions were required to submit full annual financial statements, this was not a frequent requirement.
- As noted previously, for some concessions the commercial operator was required to meet with the park manager to assess performance. For the majority such a requirement did not exist.

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Specification of relevant KPIs, the provision of performance feedback and the need to complete comprehensive performance reporting on a full 'triple bottom line' approach was not consistently applied in the concessions examined.

▪ Closedown and Termination Provisions

The approach adopted by the park manager where a concession is nearing conclusion is one of cooperation where the final arrangements are determined between the parties concerned.

While the concession agreements for leases provide direction and some allocation of responsibility it is recognised that cooperation is required to ensure service standards are maintained.

Greater difficulty is experienced where a commercial operator is not performing adequately. The concession agreements include the expected clauses in regard to the need to negotiate where a dispute arises with termination being a last resort, and this generally reflects the Parks Victoria approach. However, experience indicates that difficulties often arise in achieving this termination. For one of the concessions examined, the commercial operator was replacing a previous unsatisfactory operator. The previous operator had been a cause for concern for over 10 years (including the registering of significant visitor complaints, concern over predatory pricing and concern over environmental practices) with Parks Victoria attempting to negotiate a settlement. Because of the structure of the original agreement it was not possible for Parks Victoria to terminate the concession (without incurring significant financial penalties). For a second concession established in the late 1990's, the failure of the commercial operator to perform had been a concern since soon after establishment of the concession and a resolution to the dispute is still being negotiated.

5.3.3 Key Conclusions

The review of a sample of existing concession arrangements has highlighted a number of specific areas where potential improvements in current practice may be possible, and these are considered in the development of the commercial business model (in the following chapter).

This review has also indicated a number of important business characteristics which need to inherently exist in the effective establishment and on going operation of a concession including:

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- The adoption of a cooperative approach to discussions between the parties rather than an adversarial approach.
- The need to establish a business opportunity of sufficient substance to warrant the interest of medium to large businesses, which may require the combining of services across a number of parks or of a number of services within parks.
- The need for all parties to have sufficient business expertise and skills (or access to such expertise) to ensure a viable business opportunity is developed which benefits all parties.
- The need to recognise the importance of all stakeholders within the national park operating as partners rather than in the traditional client/supplier relationship over the period of the agreement.
- The need to focus beyond the financial requirements and potential of a concession to ensure appropriate emphasis is given to the social and environmental needs.
- The need to ensure that the influence of the commercial operator extends beyond the specific concession service offering with the operator also having a role in the total strategic direction of the national park.

It is also considered, based on the review of concessions and the feedback from the park manager interviews that benefits may occur if further emphasis is given to the identification and development of additional concession service offerings, with the park manager taking a more proactive approach to identifying and developing alternative service offerings.



Chapter 6: Development of the Commercial Business Model

The literature and data analysis in previous chapters has provided the basis from which the CBM can be developed. The research to date enabling the models development includes:

- a) the review of current practices within national parks which provided the basis for the identification of issues, themes and relationships
- b) interviews with park managers where these issues, themes and relationships were then discussed, clarified and expanded, and
- c) a review of a targeted sample of files of existing commercial relationships in national parks (where the targeting was facilitated by b)).

The next step in the research map (as previously documented) is the development of the CBM.

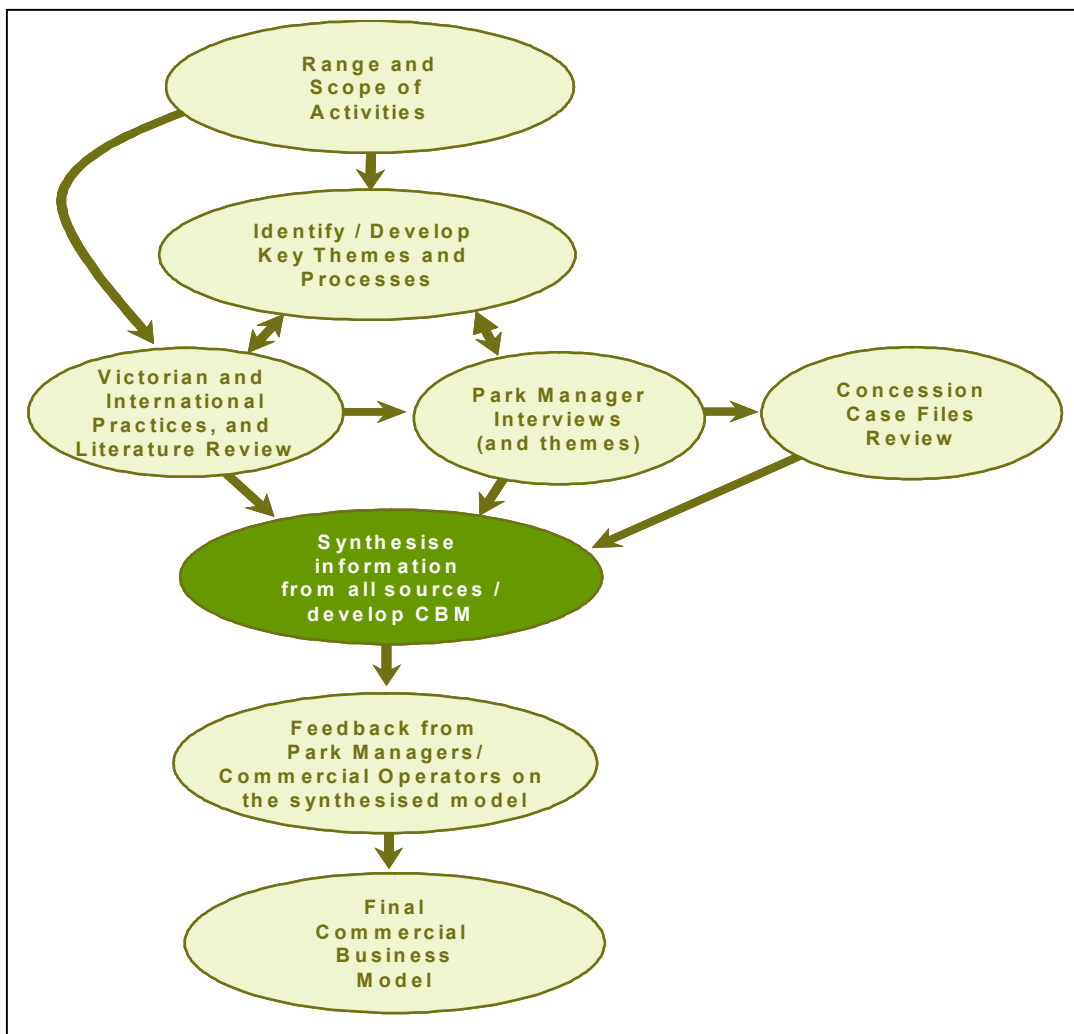


Figure 6.1: Research Activity Completed in this Chapter

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The synthesis of this research (through the identification of common practices, the evaluation of these practices to identify those considered best practice (as completed in Appendix 5) and the identification of key issues which need to be considered) has enabled the development of a CBM. Based on these outcomes it has been possible to identify and develop a CBM, which will then be presented to a selection of commercial operators and park managers (not already interviewed) for final comment (and, if necessary, final modification).

The CBM developed to date (which can be used by future and current park managers), consists of three key components:

- (a) ***The Concession Conceptual Framework*** – which provides an outline of the environment in which the business model will operate, including clarification of the objectives of the park manager and commercial operator.
- (b) ***The Concession Complexity Model*** – which provides the framework for determining the approach to be taken in the development and management of the concession including assessing the type of concession required, the role of the park manager in the concession and the expected business characteristics of the commercial operator.
- (c) ***The Concession Selection and Management Process*** – which outlines the concession process to be used by park managers in developing the product offering, identifying the type of concession type, sourcing the concession operator etc including the provision of guidance on the activity requirements at each key stage in the process and the possible variations in application between concession types.

These three components and the interaction between each of them represent the total commercial business model. This interaction, which is represented in Figure 6.2, is an important feature of the model.

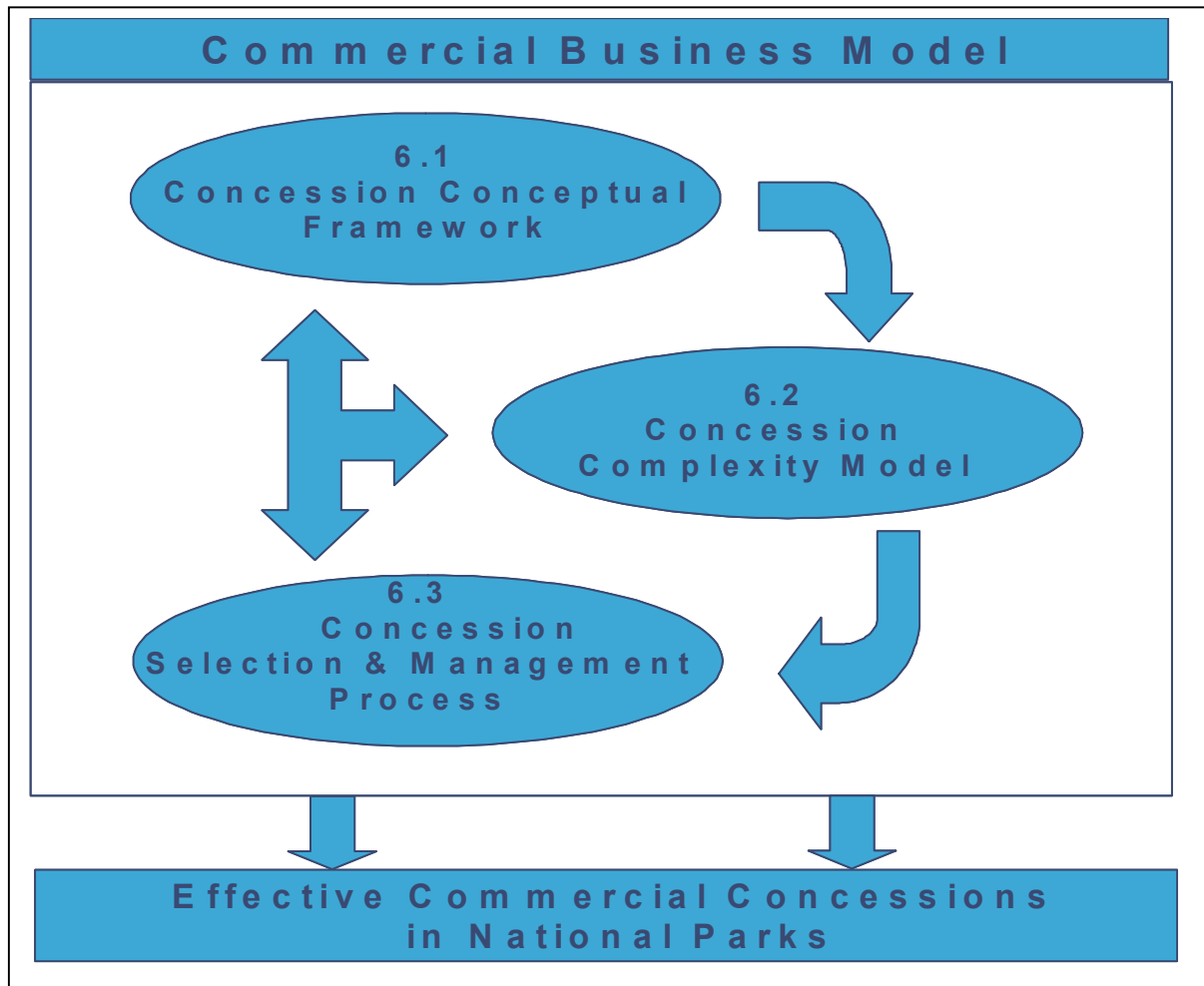


Figure 6.2: Components of the Commercial Business Model

The *Concession Conceptual Framework* (described in further detail in Section 6.1) provides the overarching park management environment over which concession management is to occur. This framework is predominantly dictated by the external environment and is not subject to variation in the short term (although long-term change may be feasible or imposed).

The *Concession Complexity Model* (refer Section 6.2) has been developed within the internal and external confines of this Concession Conceptual Framework. The application of the Concession Complexity Model assists in the determination of the appropriate approach to the initiation and management of individual concessions and, more importantly, identifies approaches which would not be appropriate.

The *Concession Selection and Management Process* (refer Section 6.3) outlines the important steps in the development, awarding and operation of concessions. This process also provides specific guidance on the approach to be adopted on a number of important issues, including

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identification of differences depending on the position of a concession within the *Concession Complexity Model*.

While the application of the CBM (for use by the park manager) represents a stepped process involving each of the three components, it is also important to recognise that the model will be further developed and informed based on experience before being finalised (see chapter 7). It is expected that in the long-term, the experience of the application of the *Concession Complexity Model* and the *Concession Selection and Management Process* may identify potential changes to the *Concession Conceptual Framework* which, if affected, will improve the use of concessions in National Parks and which, in turn, may require refinements to the other two components. For example, the period of concessions is currently restricted by the legislative framework. However, in the long term it may be possible to change the legislation to permit longer concession periods (which would encourage more substantive asset investment by the private sector). This change in the *Concession Conceptual Framework* would the need to be reflected in both the *Concession Complexity Model* and the *Concession Selection and Management Process*.

Each of the components of the CBM is considered further in the remainder of this chapter. However, before proceeding it is appropriate to reiterate the scope of operation of the model. As has been indicated in earlier chapters, the model being developed is to have application within a specific area of operation. In particular, the model has been being developed for application to services provided within the boundaries of national parks in Victoria. While the model could be equally applied to service providers outside national parks but near to the boundaries, the current legislative authority for the park manager does not extend to this area. (The impact of commercial operators on or near the park boundary is a separate project beyond the scope of this research). Similarly, while the principles of the model could equally be used in State parks and other classifications of reserved land, the details of the model would need to be amended to reflect the variation in inherent environmental factors (e.g. legislative differences). The model is also specifically directed to the provision of visitor services by commercial operators. The model is not applicable for resource use based types of services (e.g. extractive industries), which have a completely different set of requirements and environmental issues.

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This chapter discusses the development and application of each of the ‘sub-models’ that make up the CBM. Section 6.1 outlines the *Concession Conceptual Framework*, which provides the overarching environment in which the commercial operations are to be completed. Section 6.2 details the *Concession Complexity Model*, which provides the management framework to be applied, while Section 6.3 (the *Concession Selection and Management Process*) and Section 6.4 (Guidance material) provides more detailed information on the actual process.

6.1 The Concession Conceptual Framework

The examination of park manager business practices in previous Chapters has clearly established the importance of understanding the external influences and conceptual framework around which a commercial business model is to operate. Therefore, in developing an appropriate commercial business model, there is a need to place the model within a concession conceptual framework which takes into account the unique aspects of managing protected land.

Importantly, in any overarching park management model, the roles of protected areas need to be viewed in the context of evolving physical, social and legal environments. Today, there is increasing awareness that parks and protected areas cannot be managed in isolation but instead must be viewed as integral parts of the structure and ecological processes of the landscapes in which they exist (as is demonstrated by the South African examples). This concept and its associated principles have been incorporated into the language of contemporary land stewardship by the term ‘ecosystem management’ (see Wright (1996) for a discussion of this principle and its application to protected areas). The guiding principles of ‘ecosystem management’ model can provide the functional paradigm for parks and protected areas including facilitating the historical, political, ecological and legal bases for the model.

Based on the principles of ecosystem management (which, as noted above, include a consideration of the political, ecological and legal requirements) and the synthesis of the internal and external influencing factors identified in the previous research, the *Concession Conceptual Framework* (along with the key functional relationships within the framework) have been identified and are depicted in Figure 6.3.

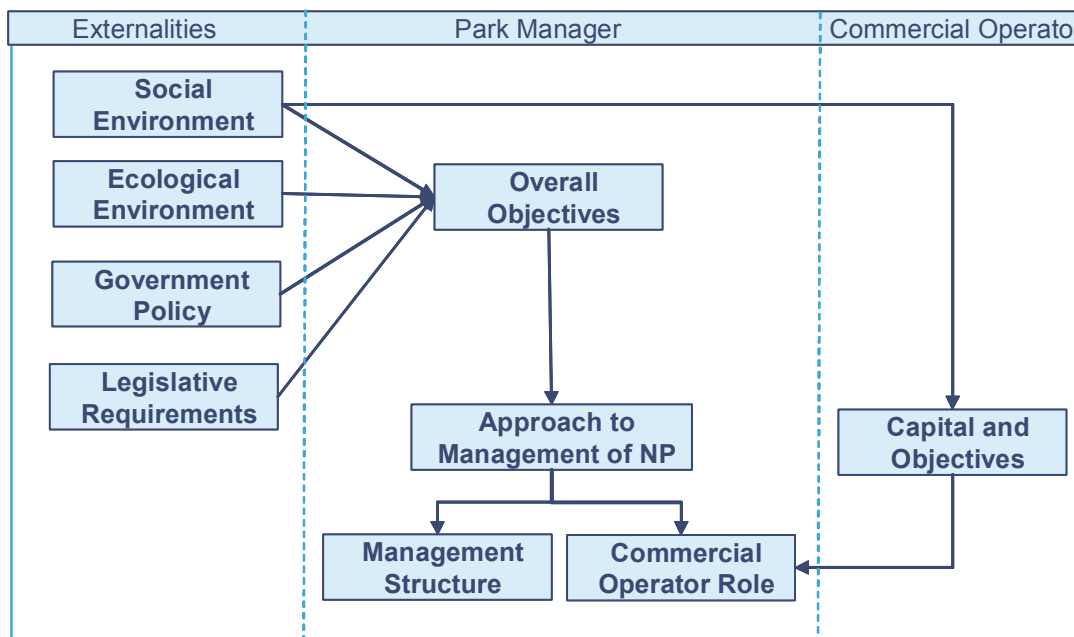


Figure 6.3: The Concession Conceptual Framework (including the functional relationships)

Under this *Concession Conceptual Framework*, the approach of the park manager to the completion of commercial activities is heavily influenced by externalities (as discussed in Section 6.1.1) over which, at least in the short to medium term, the park manager has little influence. Similarly, the park manager approach also needs to give due consideration to the overall objectives of the commercial operator and park manager organisation (as opposed to the individual national park or service requirements), with these objectives being discussed in Section 6.1.2. Each of these aspects of the *Concession Conceptual Framework* then influence the park manager approach to management of commercial services including the structuring of the management function and the role of the commercial operator in this service provision (as discussed in Section 6.1.3). (The headings to Sections 6.1.1 to 6.1.3 (including relevant sub-headings) include underlined key words or phrases. These underlined key words or phrases provide the roadmap for the connection back to the various components of Figure 6.3.)

6.1.1 The Influence of Externalities

A key feature of this framework (depicted in Figure 6.3) is the development of an understanding of the externalities (being influencing factors which are beyond the control of the players, at least in the short term), and the relevance of these externalities to the development of the commercial business model. The preceding analysis (in Chapters 4 and 5) identified a number of areas of similarities and/or differences in externalities which impact on

the features of the resulting commercial model. These individual externalities have been grouped by the researcher into common themes (which emerged from the research completed), and are summarised in Table 6.1 following.

Table 6.1: Key External Influences

Externality Grouping	Descriptor	Relevance to a Victorian Model
Social Environment	<p>Economic Prosperity - The extent of leisure time available along with the economic affluence of the society and its focus on nature-based tourism.</p> <p>Visitor Expectations - The expectation of the national park visitor to having access to appropriate facilities.</p>	<p>Victoria represents and affluent society with increasing demands for nature-based tourism in an environment where appropriate facilities are provided.</p>
Ecological Environment	<p>Species Protection - The role of the national park network in the protection of the environment and the maintenance of biodiversity.</p> <p>The role of the national park network in environment protection and utilities service provision outside the park boundaries.</p>	<p>There are a significant number of endangered and protection flora and fauna species in Victoria’s national parks. These parks also have an important role in the provision of water resources to the Victorian community (as a number of the parks represent water catchment areas).</p>
Government Policy	<p>Park Management - In all the other countries examined park management was the responsibility of the Government of the country whereas in Australia it is State based</p> <p>Requirement for Transparency- The level of transparency required in park management, including concession management, varied widely between countries.</p> <p>Political Bureaucracy - The position of the management agency within the political bureaucracy, with the agency being part of a larger department or operated as a separate agency.</p>	<p>Park management in Australia is completed by each State with the influence of the federal government being minimal. This results in differences between States.</p> <p>Victoria requires high transparency, but not to the extreme demonstrated in the American model.</p> <p>In Victoria park management responsibility resides within a separate management agency rather than within a department resulting in greater management freedom.</p>
	<p>Political Interference - The extent to which political interference in operations is possible (via funding and senior executive</p>	<p>Extent of political interference is minimal.</p>

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Externality Grouping	Descriptor	Relevance to a Victorian Model
Legislative Requirements	<p>appointments)</p> <p>Conservation prioritisation - The prioritisation given to management for conservation compared to management for access</p> <p>Prescriptive nature of Legislative Framework – large differences existed in the extent to which the legislative framework incorporated specific concession requirements, with the total USA framework being the most prescriptive.</p>	<p>Legislative framework places emphasis on conservation aspects while also recognising importance of community accessibility.</p> <p>Victorian framework includes a number of important specific requirements including:</p> <ul style="list-style-type: none"> ▪ type and length of concessions ▪ types of activities ▪ allocation of concession funds (to consolidated revenue).

The CBM developed for application within Victoria needs to recognise these externalities as key structural drivers around which the *Concession Complexity Model* and the *Concession Selection and Management Process* needs to be framed.

One of the outcomes of this range of externalities is the direct and indirect prescription of the role and activities of the park manager, thereby minimising operational flexibility. For example, the distribution of revenue raised by the park manager is legislated in the constituent legislation (with commercial revenue going into consolidated revenue for the State rather than being returned to the park managers). Similarly, the role of the park manager in the environmental management of National parks is specified in the legislation and further outlined in constituent agreements between the park manager and the Government, with areas of specific environmental requirements also being directed by other areas of Government policy. In effect, the externalities result in the park manager operating in a prescriptive environment – with the use of concessions and concession management being virtually the only area where entrepreneurial activity can be encouraged (but within constraints).

6.1.2 Objectives of the Park Manager and the Commercial Operator

Commercial operators and national park managers (along with other stakeholders such as adjacent private landowners and conservation groups) each have different, and equally legitimate, objectives and priorities. Unfortunately, these objectives are often inconsistent and the lack of recognition of these differences has the potential to create conflict. For example, a commercial operator would prefer to use cheaper packaging material (such as polystyrene cups and plastic bags) to maximise profits while the park manager would advocate the use of more costly recycled packaging to enhance environmental integrity.

The park manager objectives are often specified by the constituent legislation and the interpretation of the Government of the day while commercial operator objectives are primarily focused on the financial aspects of the relationship. These differences were well summarised in a 2003 report by the Department of Industry, Tourism and Resources and are presented in Table 6.2.

Table 6.2: Differences in Management Objectives

National Park managers want:	Commercial operators want:
<ul style="list-style-type: none"> • help with conservation of ecosystems, biodiversity and heritage values; • better visitor management; • to achieve environmental outcomes through planning and regulation; • visitor enjoyment and understanding; • an environment that attracts visitors and enhances their product; • additional income for management and projects; and • help with research. 	<ul style="list-style-type: none"> • conservation of the environment underpinning their business; • access and infrastructure for visitors; • opportunities for product development or service delivery; • minimal bureaucracy; • low overhead costs, commercial viability and profits; and • flexibility to cope with changing circumstances and demand.

Source: Department of Industry, Tourism and Resources 2003, p. 2.

These differences (the majority of which are not negotiable) and their impact on the commercial relationship need to be clearly recognised when structuring a CBM. The model needs to be structured to ensure (and assist) each of the players achieves their individual objectives. For example, the park manager needs to structure a rental mechanism which enables the park manager to earn an appropriate economic rent for the access provided to the

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operator whilst also ensuring the operator remains financially viable, achieves an adequate return for the investment made and has sufficient incentive to protect the environment while meeting the service requirements of the customers. As was demonstrated in the analysis in Chapter 5, this is not an easy balance to achieve, but is a necessary component of an effective business model.

6.1.3 Park Manager Approach to Management of the National Park

A key area of difference previously identified between the park managers (in various countries) was the different management approaches adopted in managing concession activities. In particular, differences existed in the actual structure of the concessions management function, the approach to management of the individual national park and the approach to the involvement of the concession operator in the management of the park.

These factors represent important drivers in determining the ability of a park manager to efficiently leverage the provision of services using commercial operators.

▪ **The Concessions Management Structure**

In the various countries examined (in Chapter 4) there was generally a consistent approach to the organisational structure for the management of concessions (i.e. the concessions management function), with the primary areas of consistency being:

- A centralised concession management unit (often referred to as the Concession Unit or Central Concession Unit) existed in the organisation.
- This unit, among other roles, was responsible for the development and administration of concession management policy.
- Identification of service need was initiated predominantly by the individual national park manager, although central management also played a role.
- Complex concessions were managed from a central area of the organisation.
- Simple concessions were managed at the individual park level, with the central function having an approval/guidance role.

While the above represent areas of consistency, differences also existed in other important areas. Variations occurred in regard to access to and the provision of appropriate skills, the

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extent of focus on environmental values over commercial return, the extent of participation of individual park managers in the concession process, and the adequacy of policy development.

The role of the Concessions Unit in policy development is an important consideration. The ANZECC benchmarking review of commercial practices in parks services identified a number of key policy areas which need to be considered, including:

- Concession policy needs to be a consistent and logical output of higher policy.
- It is important to be clear about why a concession is being considered. Is it to determine levels and patterns of park use, raise revenue, manage risk or to ensure that appropriate standards are met?
- The relationship between the concessionaire and the park agency needs to be clearly understood. Is it competitor, partner or business client?
- It is important to clearly identify who should be licensed, how the process should be managed and what the level of economic return should be.

(Parks and Wildlife Commission, Northern Territory 1999)

A secondary matter identified when considering concession management was the adequacy of park management staff resources and skills in concession management. It was noted in a 1992 report (Taskforce on Management Improvement 1992) that “the philosophy and practice of raising revenue through charging the users of government facilities and services has emerged as a strong trend in public sector management over the last twenty years in Australia.

However, the introduction of user charges into public sector agencies requires staff to develop skills in marketing, client services and technical management. A lack of these skills has been identified as one of the factors limiting benefits gained from adoption of commercial practices” (Taskforce on Management Improvement 1992). This concern was equally recognised in a 1999 study (Parks and Wildlife Commission, Northern Territory 1999) where the need to recognise the “importance of training for staff involved in concessions management” was emphasised.

The preferred organisational structure for concessions management for the park managers examined was one where concessions policy was developed within a centralised unit, with this unit also being responsible for the development of complex concessions and the provision of guidance to the individual park manager for simple concessions. However, to be effective it is also apparent that the commercial skill levels of park managers needs to be improved, that

a more cooperative (rather than adversarial) relationship needs to be developed between the commercial operator and the park manager, and that the differing needs of the commercial operator over the life of a concession needs to be reflected within the park management structure.

▪ **Management of the National Park**

At an individual national park level differences exist in the approach to the incorporation of visitor service provision into the total management plans for the park. All jurisdictions have an obligation to prepare management plans for individual parks. In some jurisdictions there were also additional obligations to prepare plans specifically focused on commercial opportunities (eg USA) or to prepare tourism plans (see Morse *et al.* 2005) which include a consideration of visitor requirements and commercial opportunities, with summaries of these plans incorporated into the overarching management plan.

When prepared, there was a strong perceived benefit by the park manager and commercial operator in the development of these intermediary commercial/tourism plans as they assisted in the clarification of the park manager commercial operator relationship. (Also see Morse *et al.* 2005 for a further discussion on the need for tourism plans.) In some instances, it may be appropriate for the existing commercial operator to assist in the development of these plans.

▪ **Concession Operator Role in Park Management**

The role of the concession operator in the management of the individual park is an area of significant debate and discussion. The recent Department of Industry, Tourism and Resources study (2003) identified a number of issues in the relationship between the park manager and the operator which impact on the effectiveness of the service provided including:

- There is a lack of mutual understanding arising from differing perspectives.
- Park and environment laws, plans, regulations and processes, which are appropriately and necessarily aimed at conservation and resource management objectives, can inadvertently prevent development of viable business operations and new products that are compatible with park aims.
- The reluctance on the part of tourism operators to become constructively involved in consultative mechanisms established by park agencies to guide park planning.

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- The under-utilisation of marketing and presentation of parks – used correctly it is an effective way to influence visitor expectations and to direct visitation into areas that are beneficial for both tourism and conservation outcomes.

(See Department of Industry, Tourism and Resources 2003, p. 43, Archer and Weaving 2002 and Beeton 2003.)

The research completed (in Chapters 4 and 5) have also confirmed the role of the concession operator in the management of the individual park as being important. This research also highlighted similar negative impacts resulting from the lack of a cooperative park manager/commercial operator relationship. While there are many possible areas of co-operation between the park manager and the commercial operator, a consideration of the role of marketing will serve as a good exemplar.

The above Department of Industry, Tourism and Resources study (2003) identified the lack of marketing control by the commercial operator as one of the areas which impact on economic viability. Images of parks are marketed to create expectations. A visitor's value perception is affected by whether or not those expectations are met. If there is dysfunction between a park image and the product delivered, a visitor is likely to be dissatisfied with the park and the operator and to speak unfavourably of their experience to others. Similarly, marketing by the park management agency, the commercial operator or a combination of both can have a significant influence on visitor numbers and the impact on the natural values of the park. Marketing can take several forms including the marketing of products and services (e.g. parks as tourist destinations), social marketing (to change the behaviours and attitudes of target groups), policy marketing (to convince specific sectors of society to accept a policy, similar to "advocacy advertising" conducted by private companies to communicate their positions of good corporate citizens) and de-marketing or 'Don't-use-our-programs' marketing to advise and/or persuade targeted groups not to use government programs that have been available in the past (Wilkinson 2003).

Using these forms of marketing, the marketing mix can potentially be manipulated to achieve a balance between visitation, revenue and economic, environmental and cultural sustainability (Beeton and Benfield 2003). Within a national park, the role of marketing can be varied to achieve defined outcomes such as:

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- Managing the total level of visitation to a Protected Area by encouraging or discouraging visitation.
- Encouraging or discouraging specific types of visitors from visiting a certain area or site.
- Influencing visitor expectations, activities, site choices and on-site behaviour.
- Enhancing visitor satisfaction by ensuring that visitor experiences match expectations.
- Creating understanding of the need for visitor management measures such as exclusion from sensitive areas.
- Educating the general public and media regarding conservation issues.
- Increasing levels of public support for Protected Areas and their conservation goals.

(TTF Australia 2004, p.16.)

When completed in isolation, utilising these approaches by park managers can have a potential negative impact on the commercial operator and may result in the operator either being disadvantaged or completing marketing contrary to the intent of the park manager. The concession file review (in Chapter 5 and Appendix 5) identified only one concession (of the 27 examined) where any form of cooperative marketing was completed. The dominant approach was for each party to undertake marketing activities independently although the manager did, in a number of instances, constrain the marketing activities of the commercial operator.

Marketing represents one area where, in principle, there may be an argument for greater co-operation between the park manager and the operator. There are also potentially other areas including development of entry pricing policies, planned park development programs, pest and weed eradication programs and development of additional visitor services in the park.

6.1.4 Summary of Concession Conceptual Framework Considerations

Based on the preceding consideration of each of the key *Concession Conceptual Framework* areas, the following provides an outline of the approach to be adopted in structuring the concession framework. This represents a synthesise of the identified areas which need to be acknowledged by the park manager and commercial operator in undertaking concession activities, and which outlines the features of a ‘best practice’ concession structure (as identified from the research completed).

Table 6.3: Concession Conceptual Framework Functional Relationships

Area	Specific Matters to be Addressed (where applicable)	Applicable to	
		Park Mgr	Oper
Key External Influences			
Social Environment	- Recognition of the increasing demands of visitors for nature-based tourism in an environment where appropriate facilities are provided.	+	+
Ecological Environment	- Recognition of the role of the parks in ecological protection and, in particular, in the protection of biodiversity.	+	+
	- Acknowledgement of the role of parks in provision of base community resources, particularly water.	+	+
Government Policy	- Segregation of policy development from implementation	+	+
	- Recognition of the role of the park manager free from political interference	+	+
	- Compliance with key government policy frameworks, including purchasing process requirements	+	+
Legislative Environment	- Acknowledgement of legislative constraints	+	+
	- Recognition of conservation emphasis included in legislative framework	+	+
Park Manager and Commercial Operator Objectives			
Differences in Objectives	- The differences in objectives (the majority of which are not negotiable) and their impact on the commercial relationship need to be clearly recognised.	+	+
	- The model needs to be structured to ensure (and assist) each of the players achieves their individual objectives.	+	+
Approach to Management of the National Park			
Concessions Management Function	- A centralised concession management unit exists in the organisation.	+	
	- This unit, among other roles, is responsible for the development and administration of concession management policy, with policy being consistent with higher policy.	+	
	- The purpose of specific concessions is clearly defined and understood.	+	
	- Identification of service need is to include involvement of the individual national park manager and central management.	+	
	- Complex concessions are managed by the centralised concession management unit.	+	
	- Simple concessions are managed at the individual park level, with the centralised concession management unit having an approval/guidance role.	+	
	- The relationship between the concession operator and the park manager is clearly understood and is based on the principles of a partnership.	+	+
	- The central concession management unit has	+	

Area	Specific Matters to be Addressed (where applicable)	Applicable to	
		Park Mgr	Oper
	adequate resources and skills in commercial and conservation areas.		
Individual Park Level Management	- Park managers include a consideration of visitor requirements and commercial opportunities within park management plans.	+	
	- Where relevant individual commercial tourism plans are prepared to support the over-arching park management plan.	+	+
	- Existing commercial operators are involved in the preparation of park management plans at an advisory level.	+	+
Role of the Concession Operator	- The concession operators are actively consulted and involved in the management of the park.	+	+
	- A number of specific park activities are completed jointly (rather than individually), including the marketing of the park.	+	+

Following on from the identification of the structural issues (and constraints) associated with concession operation in national parks is the need to analyse the most appropriate management structure for concession management along with the commercial characteristics of the preferred commercial operator – and the next model (the *Concession Complexity Model*) considers this.

6.2 The Concession Complexity Model

The research completed (in Chapters 4 and 5) indicates that the level of control exerted by a park manager over a commercial operator is highly variable (between individual concessions) as are the scope of requirements placed on the operator, with the key driver for this variation being the type and scope of the service offering applicable to the concession. This scope of service offering in conjunction with the differences in operator requirements also indicates the degree of commercial sophistication required of the operator for a concession to be regarded as successful.

These themes have been identified as being ‘best practice’ based on the examination of approaches around the world (in Chapter 4) along with the interviews with park managers and the review of concession files (in Chapter 5) and, from these, the relationships detailed in this chapter have been established. (These will also be tested with final user interviews in a later chapter.) In particular, these themes, along with the features of the *Concession Conceptual Framework* previously discussed (in Section 6.1), have been used to develop the following ‘*Concession Complexity Model*’, which provides the approach for determining the key

features of a concession, around which the individual concession requirements can then be developed (using the *Concession Selection and Management Process* outlined in Section 6.3).

6.2.1 The Model

The *Concession Complexity Model* is represented diagrammatically in Figure 6.4 below.

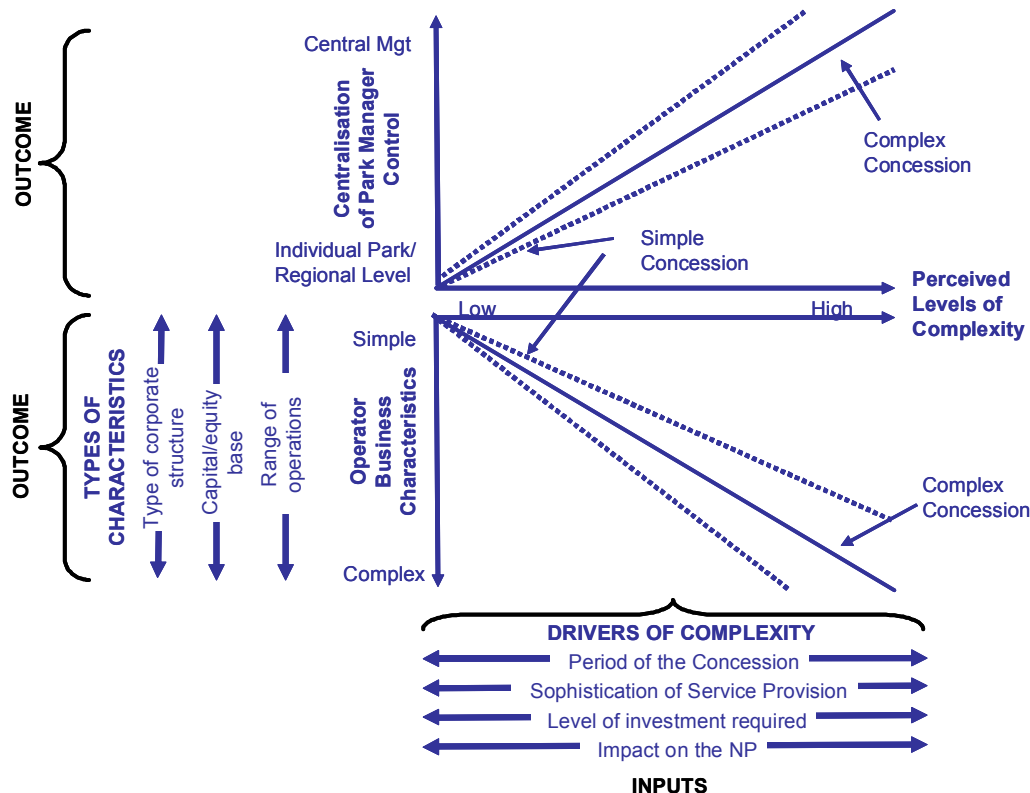


Figure 6.4: The Concession Complexity Model

Under this model, the key outcomes of the extent of centralised control which needs to be exerted by the park manager along with the degree of commercial sophistication required of the concession operator are both a function of the key input, being the level of complexity of the service to be provided, where the complexity of individual concessions is heavily influenced by a number of key factors termed collectively the drivers of complexity. These key factors are:

- *The sophistication of service provision* – the greater the level of expertise required to deliver the specified service along with the greater the expected utilisation of the service the greater the level of complexity of service provision required.
- *The level of operator and/or park manager investment* – a concession which requires a high degree of financial investment by the park manager and/or the operator will increase

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the level of complexity due to the additional performance requirements (along with risk) attaching.

- *The period of the concession* – the longer the period of the concession the greater the financial, service and risk exposure of all parties involved and the greater the implications of an inappropriate concession agreement.
- *The impact of the proposed activity on the park environment* – concessions which have greater impact on park environments (e.g. increased involvement in environmentally sensitive areas, higher long-term implications) will require higher degrees of control and, therefore, increased concession complexity.

The levels of these drivers of complexity are also indicators of the extent of business sophistication required from and by the commercial operator. In considering this level of business sophistication the key business characteristics to consider (determined from previous chapters), termed collectively the operator business characteristics, are as follows.

- *The type of corporate structure required* – operators providing a simple service within one National Park can operate under a simple corporate structure as the requirements of service provision are simple. However, increases in the level of complexity resulting from a number of areas (eg supplying services within a number of National Parks) increases the requirements placed on the operator which correspondingly increases the need for more appropriate corporate structures.
- *The operator capital or equity base required* – the greater the investment requirement placed on the operator the greater the need to operate under more sophisticated corporate structures.
- *The range of operations of the operator* – the greater the range of services provided by an operator (be it within one National park, within a number of National Parks or within National Parks and other areas) the greater the need for the operator to have a corporate structure that enables the segregation of the service areas.

These drivers of complexity are also good indicators of the extent of control required to be exerted by the park manager, termed collectively the centralisation of park manager control, including the extent to which central management is involved.

The *Concession Complexity Model* should be used under a process where the identified drivers of complexity are used to determine the degree of complexity associated with the

identified concession and, therefore, the type of concession agreement which is appropriate. This is then used by the park manager to determine the role of central versus regional management in the establishment and management of the concession, and by the park manager and the potential concession operator to assess the viability of the entity as a potential service provider.

6.2.2 General Variability of Outcomes

The *Concession Complexity Model* has been developed to outline the importance of the identified drivers of complexity in determining the role of the park manager in the concession process along with the preferred supplier business characteristics for specified types of concessions. The model is not definitive (as would occur within, say, a mathematical model) and the relationship is not necessarily linear. As a result, the outcomes based on a determined level of complexity have a degree of variability, and this is recognised within the model by the ‘bands’ to reflect potential ranges of outcomes. This variability occurs as the *Concession Complexity Model* does not result in definitive outcomes, and because of changes which occur during the life-cycle of a concession agreement.

▪ General Variability in Outcomes

The determination of the level of complexity of a concession (which itself is an assessment based on judgement) does not result in a definitive specification of the level of centralised park manager control required or in the specific business characteristics required. Rather, the *Concession Complexity Model* provides a general indication of the outcome, with some variability being acceptable. (The method for determining all the ‘input’ and ‘output’ variables is discussed in detail later in this chapter.) Importantly, the greater the level of complexity the greater the extent of variability possible. This general variability is reflected in the bands included in the model, as highlighted in Figure 6.5 below.

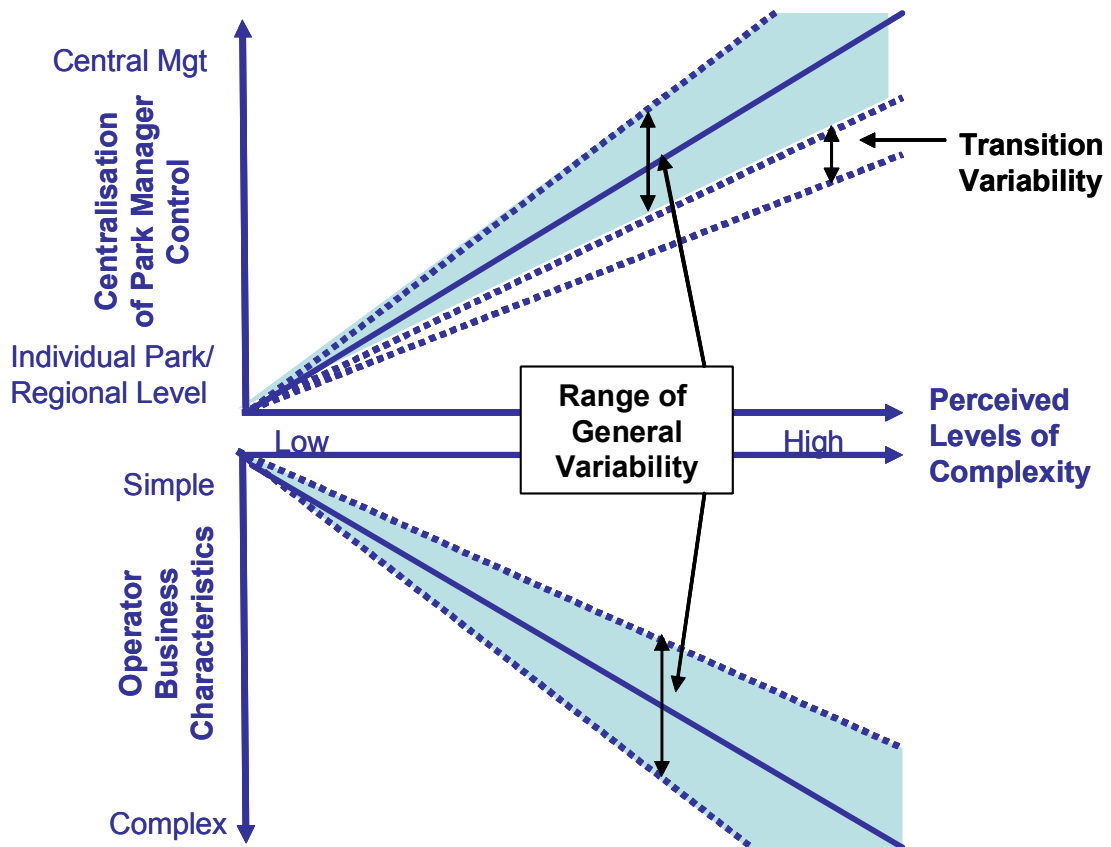


Figure 6.5: The Range of Variability

▪ **Transition from Concession Establishment to Concession Operation**

In addition to the general variability, there is also an additional aspect of variability which needs to be taken into account. In developing the CBM, it is relevant to consider the changes in requirements over the total life of a concession, and not just the requirements associated with the initial identification and establishment of concession. Once established it is expected that, in the majority of situations, the model outcome (ie the specification of the role of central versus regional park managers in the process) will be similar. However, it is important that the park manager also recognise that for complex concessions the role of the regional manager will increase. It is important, during the operational phase, that the regional manager have regular contact with the concession operator to enable the maintenance of the on-going partnership relationship. This potentially changing role of the various levels of park managers over the lifecycle of a concession is depicted in Figure 6.6.

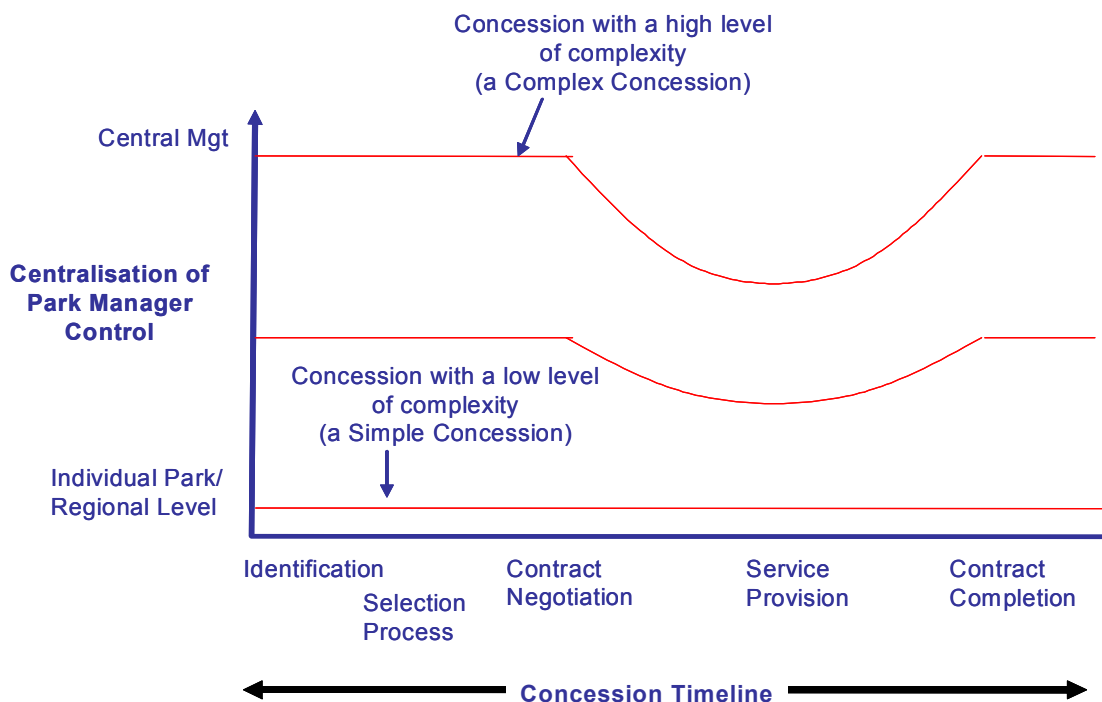


Figure 6.6: The Changing Role of Park Management over the Concession Timeline

(Refer Figure 6.12 and associated comments for details of the Concession Timeline.)

Simple concessions which, by their nature and observation have low levels of complexity, will predominantly be managed by the individual or regional park manager throughout the period of the concession agreement. However, the greater the level of complexity, the more important the role of the Central Concession Unit of park management during the initial establishment of the concession agreement and at the end of the concession agreement. During the operational phase, the role of the central Concession Unit will decline with the individual or regional park manager taking a greater role in park management. This variability existed in a number of the concession agreement files examined. For example, the establishment of a complex concession was normally driven by the Central Concession Unit with the role of the individual; park ranger being more dominant during the service provision period. For simple concessions, the concession file review indicated that, while the variability still existed, the role of the Central Concession Unit was minimal with the individual park ranger assuming control at all stages.)

This additional level of variability is reflected in the *Concession Complexity Model* by the inclusion of a second expanded band of variability around the level of centralisation of park manager control area of output and, in particular, with a potential for greater individual park

manager control (during the operational phase of the concession). This is highlighted in Figure 6.7 below.

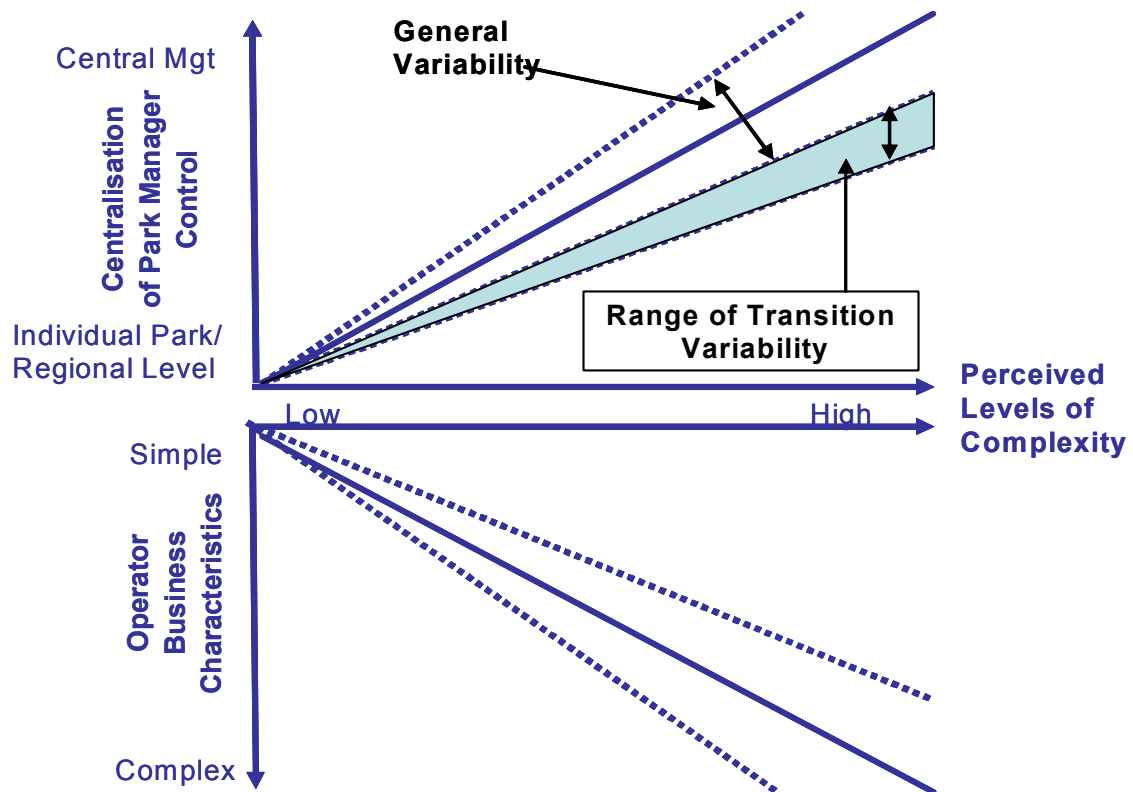


Figure 6.7: The Second Band of Variability (Transition Variability)

This potential for variability (at two levels) can best be demonstrated by an example. A 20 year concession requiring the commercial operator to provide fixed tented accommodation in a sensitive area of a national park (e.g. in one of the designated overnight areas of the Great Ocean Walk) potentially represents a complex concession. The specification of the service offering, including the environmental constraints, would require significant involvement of the individual park manager while the determination and negotiation of the concession arrangements would require the commercial skills of a Central Concession Unit. The concession establishment would require both individual and central park manager involvement with the central manager being the dominant party - although even within this relationship there is potential for variability in the role of the individual park manager. Once the concession is established, the role of the park manager (in controlling the impact of construction on the park and in monitoring the environmental impact of the operations of the fixed tents) would become greater.

6.2.3 Identified Areas of Inefficiency

This *Concession Complexity Model* also indicates potential areas of inefficiency in park management. The areas where potential inefficiency may arise are in:

- The allocation of park manager resources to the management of individual concessions. Concessions may be managed by an individual park ranger, by the manager responsible for a regional grouping of national parks, by management in the Central Concession Unit (at the central office of the park manager) and by a combination of all resources. Efficiency is achieved where the correct allocation of management responsibility within the park management agency occurs.
- The use of the most appropriate commercial operator to provide a service. The selection of an inappropriate commercial operator (where the capabilities, financial facilities, size and scope of existing business of the operator are inappropriate for the service required to be delivered) may result in inefficient park manager resource commitment, reduced concession revenue to the park manager, excessive service pricing for the park visitor and, at the extreme, commercial operator failure.

Under this model it would be appropriate for a concession with low complexity (i.e. a simple concession for guided walking tours) to be controlled and managed at the regional or individual national park management level. Such concessions do not require the resources, processes or expertise associated with being managed at a Central Concession Unit level. Similarly, such a concession does not require a concession operator with complex business characteristics as this would result in an excess operator management infrastructure and financial return (required to cover overhead costs). Conversely, complex concessions need to have a higher level of Central Concession Unit management as regional or individual national park management does not normally have the experience or management capacity to meet the needs of such concession arrangements. Similarly, a concession operator with simple business characteristics would not normally be able to fulfil the capital and service requirements associated with a complex concession (with the potential end result being operator financial failure, as has happened in the past). These areas of inefficiency are depicted in Figure 6.8 below.

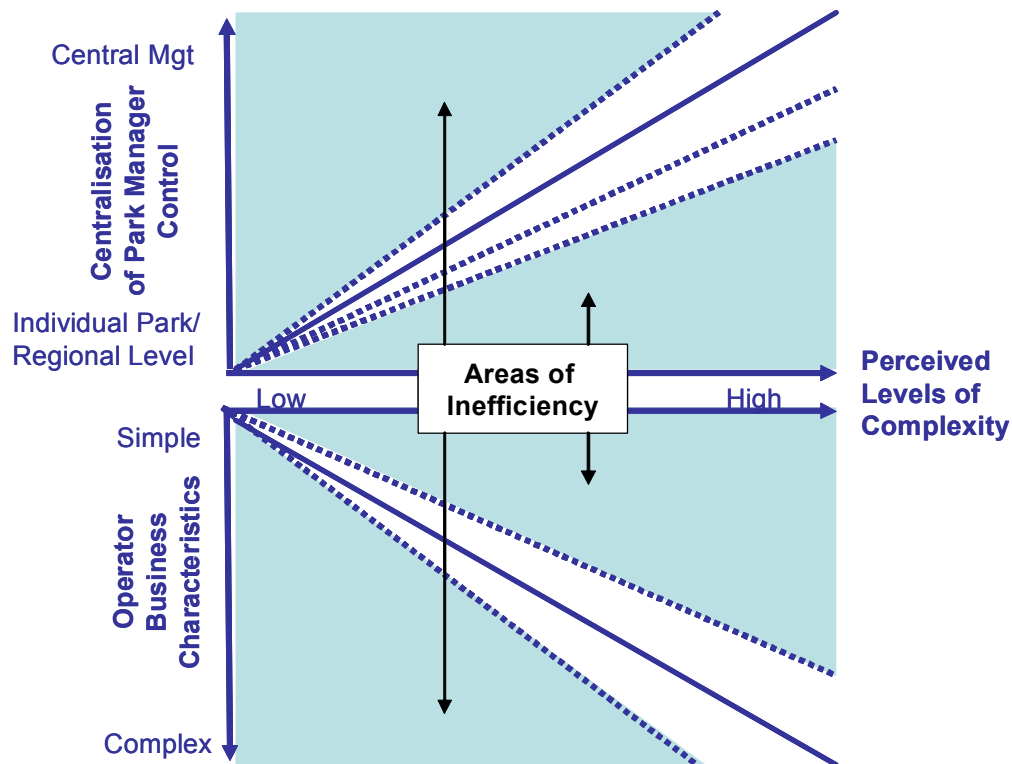


Figure 6.8: Identified Areas of Inefficiency

Park managers should avoid straying into these areas of inefficiency, as they represent areas of potential additional financial cost and inadequate service provision for the park manager (and the park visitor) along with inadequate commercial return for the commercial operator.

6.2.4 Use of the *Concession Complexity Model* by the Park Manager

It is anticipated that the *Concession Complexity Model* will be used by the park manager to identify the management resources (and skills) required for individual concessions while also being used to assist in ensuring the business characteristics of the preferred commercial operator are appropriate for the concession service being supplied.

The use of the *Concession Complexity Model* by the park management agency would require the agency to complete the following steps for individual concessions:

- *Step A – Determine the level of complexity* – where the identified drivers of complexity are used to determine the degree of complexity associated with the identified concession and, therefore, the type of concession agreement which is appropriate.

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- *Step B – Determine the park management requirements* – where the perceived level of complexity is used by the park manager to determine the role of central versus regional management in the establishment and management of the concession, and
 - *Step C – Determine the concession operator business requirements* - where the perceived level of complexity is also used by the park manager and the potential concession operator to assess the viability of the entity as a potential service provider.
-
- *Step A – Determine the level of complexity*

In applying this *Concession Complexity Model* the park manager would initially determine the identified level of complexity for a particular concession offering, as is demonstrated by Step A in Figure 6.8 below. The park manager would infer the perceived level of complexity based on a consideration of the key drivers detailed (i.e. subjectively arrive at an ‘overall’ perceived level of complexity after considering all of the complexity drivers). In considering these drivers it is important to note that each driver moves in sympathy with each other. For example, the longer the period of the concession, the greater would be the expected level of financial commitment by the concession operator and the greater the expected range of services to be provided. While the drivers move in sympathy, they do not necessarily move in unison. For example, a substantial increase in the level of investment required may not necessarily result in a comparable increase in the period of the concession (although some increase would be expected).

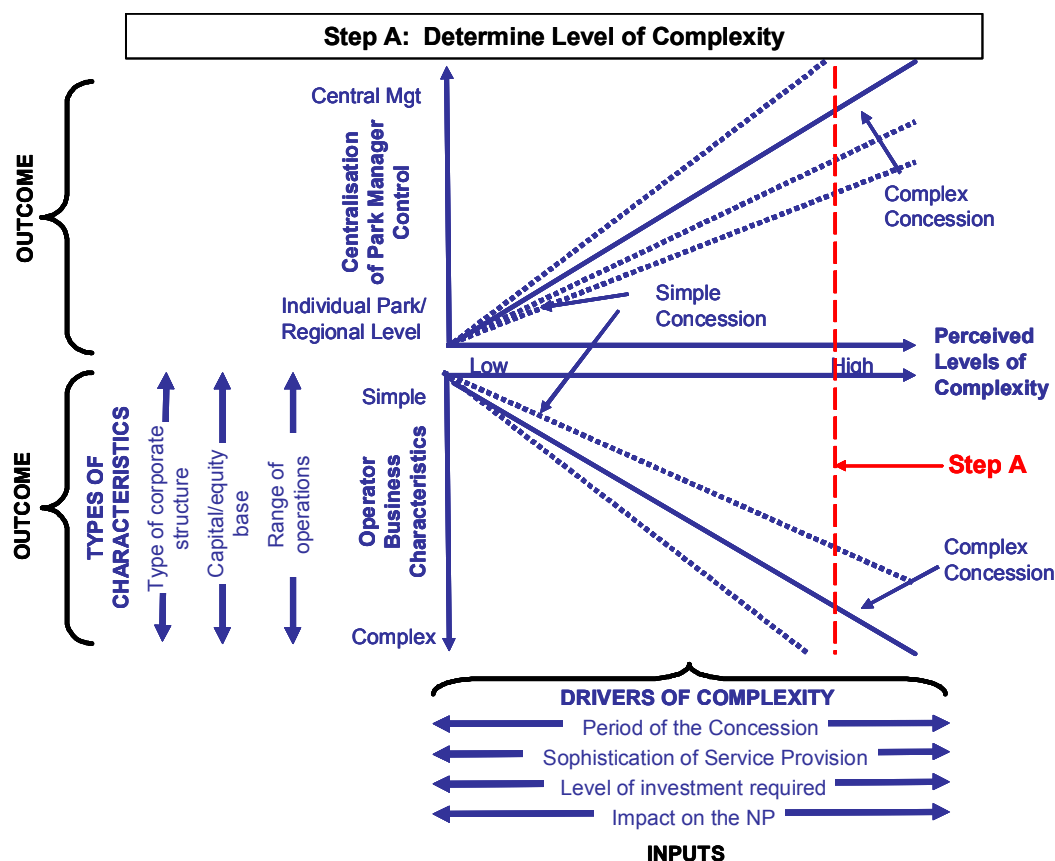


Figure 6.9: Determining the Level of Complexity

The above example could be a proposed concession for the construction of additional visitor interpretation and service facilities in Wilsons Promontory National Park (WPNP). Such a concession would require significant capital investment by the operator (to build and operate, for example, a substantial high quality ecotourism styled interpretative centre incorporating other service offerings such as retail and restaurant services) with a long-term agreement (up to 21 years) being assessed as appropriate. It, therefore, would represent a complex concession which has the potential to have a significant impact on a National Park due to the impact of the construction on the park environment along with the impact of the additional visitation on the park assets (e.g. walking tracks).

- **Step B – Determine the park management requirements**

This input would then be used to determine the degree of centralisation required (i.e. the degree of involvement of the Central Concession Unit within the park manager organisation along with the role of the individual park manager) as demonstrated in Figure 6.10.

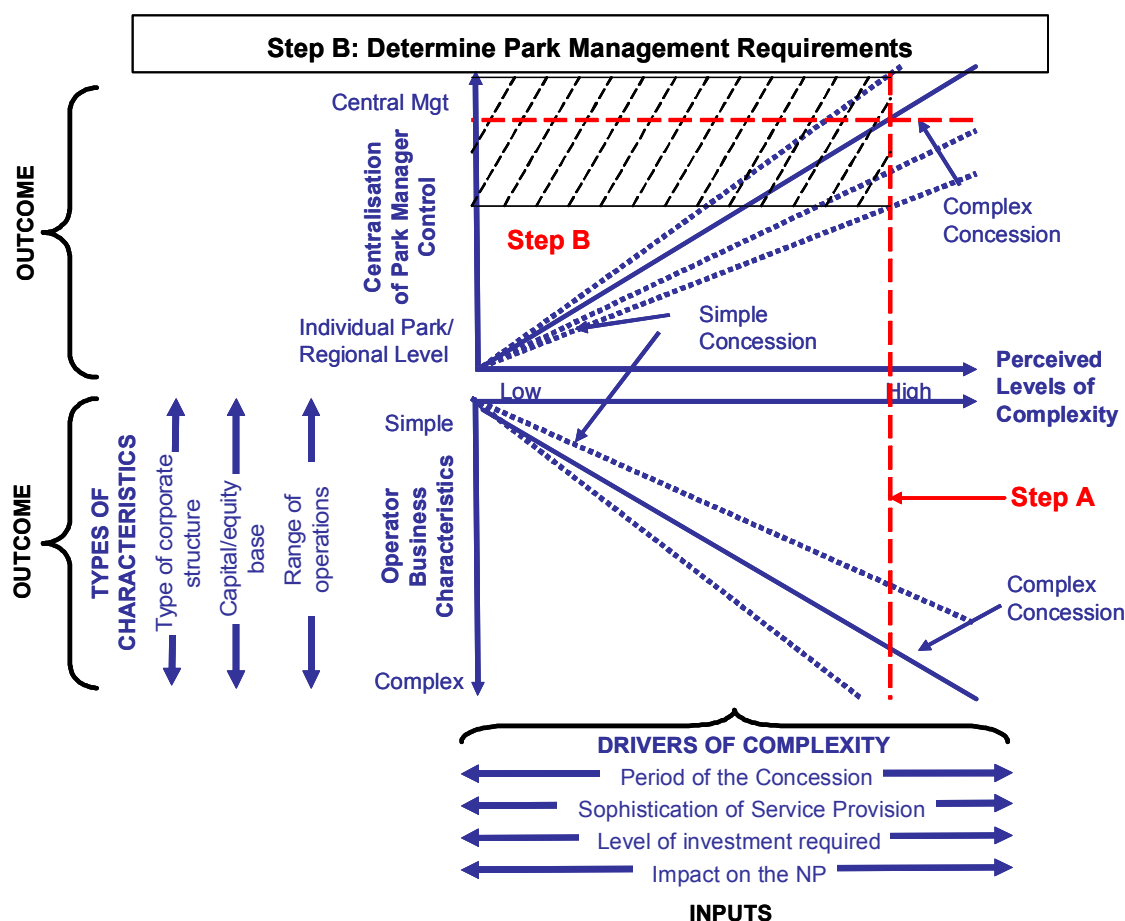


Figure 6.10: Determining the Park Management Requirements

Under the previous WPNP example, the central Concession Unit would initially have responsibility for the tendering and negotiation of the concession, although the individual WPNP park manager would also need to be involved to ensure the needs and environmental requirements of the specific park are adequately addressed.

▪ **Step C – Determine the concession operator business requirements**

The determined level of complexity would also be used to identify the expected business characteristics of the potential supplier of the concession services, this being as depicted in Figure 6.10. Based on the individual drivers of complexity, the park manager would be able to infer the expected individual business characteristics of the commercial operator (e.g. a high level of investment required infers the need for the operator to have access to significant financial resources) and, from this consideration of individual characteristics, can determine the overall level of business characteristics required.

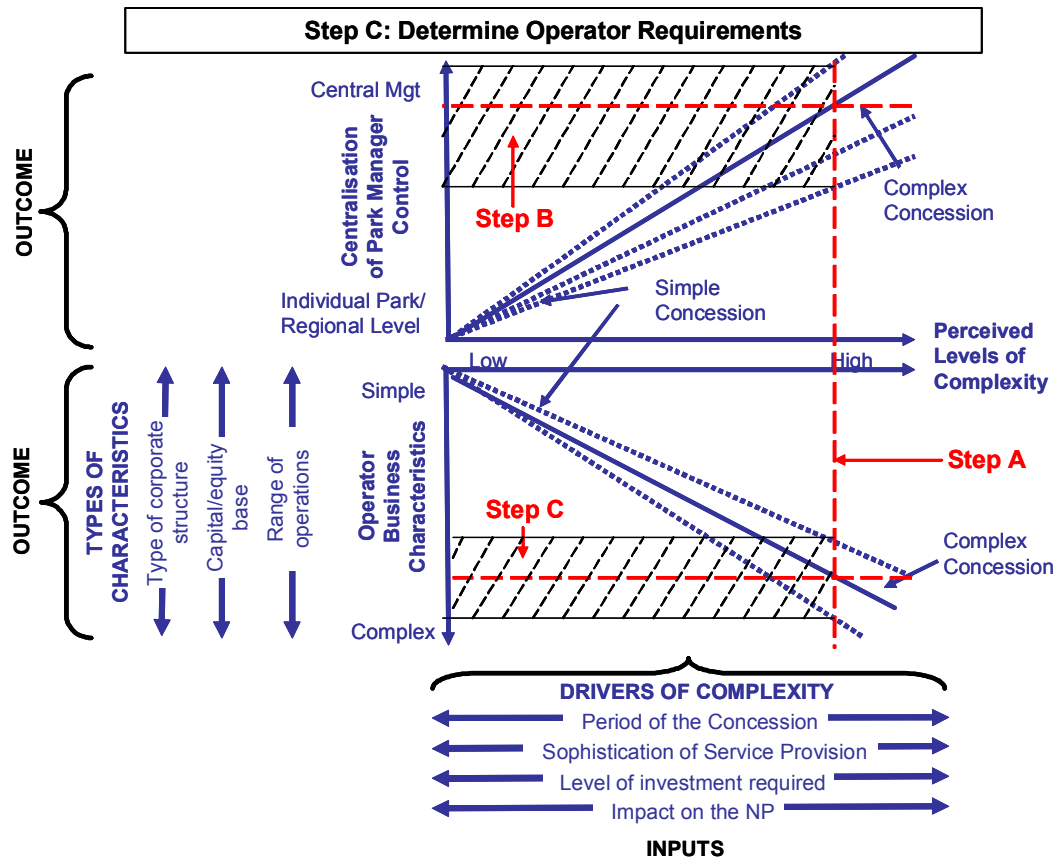


Figure 6.11: Determining the Operator Business Characteristics

Similar to the drivers of complexity, each of the individual business characteristics move in sympathy with each other, although they do not necessarily move in unison. The WPNP example (used previously) would require a concession operator with complex operator business characteristics, as outlined in Figure 6.11 above. To provide the services required, the commercial operator would need to have access to significant financial resources (which would not place the entity in a position of financial stress) and would also need to have access to sufficient resources and skills to provide the range of services required. It would be expected that such a commercial operator would be structured as a company (rather than a family partnership or trust) with other business activities.

Under this model, the services associated with a concession which has low levels of complexity could be provided by a commercial operator with simple business characteristics and the concession management process could predominantly be completed at the individual park manager level with minimal central management involvement.

6.3 The Concession Selection and Management Process

The previous section has outlined the *Concession Complexity Model* which is to be used to assist in determining the type of concession to be used (e.g. simple or complex) based on the complexity of the service to be provided, along with the most efficient park manager approach to establishment of the concession agreement and identification of the preferred business characteristics of the commercial operator.

The identification of the level of complexity along with the outcomes of the *Concession Complexity Model* (the concession type, operator characteristics and park manager requirements) will also influence the process and requirements of the park manager in awarding and operating concessions. The utilisation of inappropriate processes may result in inefficiencies for the park manager and result in the awarding of concessions which result in inadequate service provision (for example, the completion of a full public tender process controlled by a central Concession Unit for the awarding of a simple concession represents would be inappropriate. The use of such a process for a simple concession represents an excessive allocation of park manager resources for a concession with minimal complexity and financial return to the park manager).

The third key component of the total CBM – the *Concession Selection and Management Process* – has been developed to meet this need to provide concession process guidance. The completion and distillation of the research for this thesis, including the literature review and interviews, has enabled the identification of the key activities in the concession process. In particular, key themes were identified in completing the review of current practices in Chapter 4 along with the identification of areas of ‘best practice’ under these themes (by the completion of a comparison of current practices). These themes and identified ‘best practices’ were further tested and developed during the interviews with park managers (in Chapter 5) The completion of the concession file review (in Appendix 5 and summarised in Chapter 5) was also focused on the testing and further development of the areas of best practice. The following represents a synthesis of the analysis of the completed research. This research (in Chapters 4 and 5) has also highlighted a number of specific issues which need to be considered at each activity point in the *Concession Selection and Management Process*, where variations in the approach to the concession process are required depending on the requirements of the concession type.

For each of the key activities identified in the process of awarding and operating a concession it is appropriate to identify, based on the research completed to date:

- the key attributes which need to be considered in developing the concession requirements,
- along with, where relevant, specific issues on which guidance is required, and
- guidance on the potential areas of applicability of these activities, attributes and areas (in that some of the matters may only be relevant for the park manager or the operator whereas others may be equally important for both).

These factors are individually considered for each identified area of activity in the following sections. Importantly, the development of the approach for each of these activity areas has included a consideration of the requirements of the *Concession Complexity Model* along with the potential impact of changes in the external environment (as reflected in the *Concession Conceptual Framework*). The major areas of activity within the overall concession process plotted against a ‘whole-of-life’ concession process timeline are detailed in Figure 6.12, with this resulting in a depiction of the overall concession process.

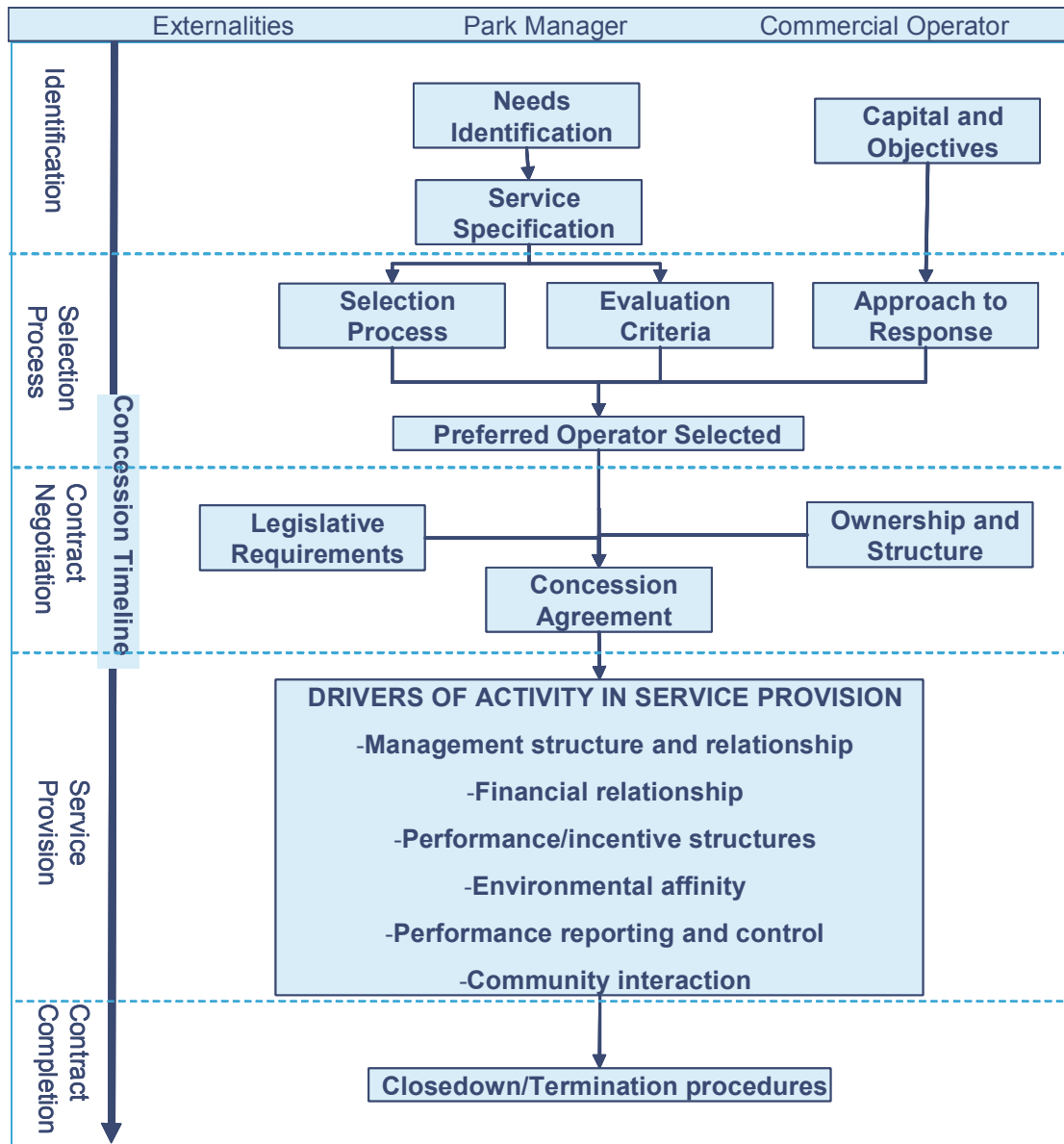


Figure 6.12: The Concession Selection and Management Process

This consideration of each of these activity areas will ultimately provide the basis for the preparation of a summary of the approach to be adopted in completing each activity area (as detailed in Section 6.4) which the park manager can then use to ensure that the concession allocation process is correctly determined.

The above Concession Process diagram (Figure 6.12) along with the Concession Process Structure, Key Attributes and Issues table in Section 6.4 combine to provide the overall *Concession Selection and Management Process* material.

6.3.1 Concession Needs Identification and Specification

As was noted in a previous chapter (see Table 4.3 of Chapter 4), the initial identification of the service need of a national park for complex concessions has predominantly been the role of the individual national park manager. For simple concessions the park managers in all jurisdictions took a reactive position whereas for complex concessions the approach could be either reactive or proactive. It could be argued that this historical approach has resulted in a minimalist approach to service provision (e.g. identifying restricted service needs which are targeted to smaller less sophisticated commercial operators) which has resulted in a failure to meet the needs of the visitor, restricted community access to national parks, and a failure to maximise the potential use of commercial operators.

This approach is not appropriate in the future where park managers need to take a more proactive approach to need identification, including consideration of expanded service offerings to increase revenue sources. In the future, park managers at both a central and individual park level will need to initially consider and develop the expected park service offerings to meet growing visitor requirements including development of new service offerings.

The completion of this ‘service definition’ process is an important first step in the completion of the process for allocating a concession, and the service definition provides the initial information required for the application of the *Concession Complexity Model*.

Having independently identified and defined a service need, it is then appropriate for the park manager to consider and be satisfied as to the validity of the concession approach. Bickerstaff (1999) reinforces this view in his report '*A Review of Current Systems for Licensing Organised Group Activities in Protected Areas in Australia*', where he indicates that agencies need to identify why a concession is appropriate for the provision of the designated services Bickerstaff notes that concessions which consider four key factors are “more likely to result in synergistic partnerships”, these being:

- To clarify the respective rights and obligations of operators and park managers.
- To ensure that appropriate risk management, interpretation and performance standards are set and maintained.
- To improve the two-way flow of information between managers and operators.

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- To provide a management tool with which to direct the demand for park areas and thus optimising the use of facilities while minimising impact.

Importantly, this evaluation also needs to consider the associated financial aspects of the concession and, in particular, whether the return to the park manager will be maximised by the use of the concession arrangement or whether internal service provision will maximise the return. While a number of the concession management processes reviewed included formal documentation and approval for concessions (and particularly complex concessions), the extent to which this documentation addressed important issues was variable. In determining the appropriateness of a concession arrangement for the provision of an identified service, and to assist in the specification of the service offering to take to market, it is important to consider:

- the definition of the service to be provided
- the adequacy of demand to provide an appropriate return to the operator and the park manager
- the acceptability of the impact of the service on the natural values of the individual park and the ability to minimise that impact
- the extent of integration of the service within the park and the surrounding region
- the potential competitive market for service providers, and
- the expected number of operators which may be required (e.g. monopolistic or oligopolistic).

In completing this evaluation it is also appropriate to consider the role of the individual park manager compared with the Central Concession Unit, with this being dependent on the complexity of the proposed services to be provided.

6.3.2 Concession Selection and Management Process and Criteria

Concession applications can be generated from public (industry) inquiry or by a specific park agency initiative (normally via an Expression of Interest (EOI) or Request for Tender (RFT) process). Public inquiry initiated concessions can be for known concession opportunities, to identify acceptable opportunities not previously considered or may propose concessions that are in conflict with the purpose or values of a park. Care needs to be taken in determining the selection process and in developing the selection criteria to apply.

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The procurement process for major concessions is likely to be complex; particularly when there is a mix of development, tour operations and the need to issue a lease for a complex concession. It is important that the decision process for complex concessions, which usually have long term implications along with significant financial ramifications, include central and regional park agency staff along with specialist input. Central staff are to provide the commercial skills while regional staff are necessary to ensure the needs of the individual national park (where the service is to be provided) are considered. These resources may also need to be supplemented with independent specialists to provide additional skills (e.g. business valuation, legal) along with to meet the political need for independence and transparency. (Bickerstaff [1999] reinforces this view by proposing that highly decentralised approaches to concessions may work at the micro-level, but are a disaster at higher levels of resolution.)

It is, therefore, clearly appropriate that a concession selection/approval process is established. Similarly, an evaluation criterion needs to be established to ensure an appropriate basis for selection which takes into account all areas. The USA approach includes specification of evaluation criteria to be used for all concessions along with a defined weighting regime. While this approach is transparent, it also reduces flexibility to ensure criteria and weightings reflect the individual circumstances of an individual concession. In other jurisdictions (e.g. New Zealand and Victoria) a more informal approach is adopted where the criteria is established on an individual basis, with this criteria then being publicly available to all respondents (although the disclosure of the individual weighting to criteria is not always similarly disclosed). This approach has the benefit of flexibility but also presents the potential for an important criterion to be overlooked or incorrectly weighted, a lack of transparency and for respondent dissatisfaction.

6.3.3 Concession Process - Commercial Operator Approach to Responding

The approaches taken by commercial operators in responding to the needs of the park manager also vary significantly. For simple concessions, the requirements are normally based on the completion and submission of a standard form, which is then considered and approved or rejected with little communication between the operator and the park manager. For more complex concessions the response may extend to the preparation and submission of a detailed response addressing a number of matters required by the initiating Request for Tender (with the operator have significant freedom in determining the form and structure of the response

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along with the ultimate scope of information provided), the completion of an interview with the park manager, the possible provision of additional information and the negotiation of various aspects of the ultimate service provision requirements and arrangements.

This can potentially be a complex and costly exercise for the potential commercial operator who will provide the requested service. The concession file review (in Appendix 5) identified a number of areas which need to be considered by a commercial operator before responding to an opportunity, with these being reinforced by the areas identified in the Department of Industry, Tourism and Resources report (2003, p.39) as factors which underlie successful partnerships in national parks. This research identified that, in evaluating and responding to an opportunity, it is important for the potential commercial operator to carefully evaluate the opportunity to ensure it is an appropriate area of operation for the service provider which will provide an adequate return to the operator, ensure that the potential commercial operator is able to provide the information required to enable the evaluation of the ultimate submission, ensure that the final submission provides all the required information and ensure that the submission includes the identification of any areas which require further clarification or discussion.

The commercial operator should be committed to the provision of the requested service and prepare a submission that maximises the opportunity for selection under arrangements which are appropriate for all participants.

6.3.4 Legal Relationship and Agreement

The type of legal relationship along with the structure of the actual agreement is a vital component of any business relationship in that not only does it define the contractual requirements, the tone of the wording and requirements is an indicator of the guidance on the intent of each party – is a cooperative or adversarial approach being adopted, the level of business trust being exhibited etc. A number of aspects of this legal relationship along with the agreement are determined by legislation and, therefore, could be interpreted as constraints. In particular, in Victoria:

- *Legal structure* – two structures are permitted, leases for complex concessions and licences for simple concessions.
- *Tenure* – the period of tenure for leases can range from 3 to 21 years, with longer periods only possible under unusual circumstances. Licences can be for periods up to 3 years.

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- *Ownership* – under the current Act leases do not permit the operator to take ownership of the asset developed in the National Park while licences do not involve the creation of permanent physical assets.

In developing the current commercial business model, the above factors are recognised as constraints around which the model needs to be structured. A change in these constraints is unlikely in the short to medium term (as such a change could only be effected through a change to the legislation, which could take up to 3 years to complete). However, the legislative requirements are inhibiting the expansion of the role of the commercial operator and need to be relaxed to facilitate private sector investment. Consideration of these issues is beyond the scope of the current research, but should be examined in detail in the future.

There are also aspects of the current agreements where variation is possible. The base conditions for both leases and licences is specified in a ‘standard form agreement’ developed by Parks Victoria, with key terms and conditions then being subject to negotiation. Many of the specific requirements represents positions taken by Parks Victoria and/or the Government and, as such, may be subject to variation. The review completed as part of this research indicates that the current standard agreements need to be reviewed and updated as the intent of the agreements seem to be based more on an adversarial approach to business management rather than a co-operative approach. In addition, issues considered by some clauses do not provide sufficient clarification of responsibilities (e.g. environmental obligations and reporting requirements) while some matters requiring consideration are not addressed (e.g. partnership arrangements and the marketing approach).

In particular, the agreement needs to be developed to address the following:

- *Environmental obligations* – further development of environmental obligations on either party is required including an expanded range of specific requirements (eg constraints on product range, disposal policies, approach to native fauna and flora, use of detergents, use of packaging materials, intent of display material etc) along with a more general requirement for environmental responsibility. A greater focus on development of obligations for specific areas is also appropriate. (As was noted in Section 5.3.2, the environmental obligations currently being placed on commercial operators are minimal and are not consistent with achieving the conservation objectives of the park manager.)

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- *Partnership arrangements* – the agreement needs to provide greater clarity over the establishment of a partnership relationship within individual national parks including the expected participation of the commercial operator in the development of the park itself, in the visitor service and traffic flow decisions and other relevant operational decisions along with input into the development of management and commercial plans. (The current extent of partnering arrangements, as summarised in Appendix 5, is minimal resulting in little cooperation between the parties.)
- *Co-operative marketing* – the expected involvement of the operator in the marketing of the National Park needs to be a focus of attention, along with the role of the operator in the marketing activities undertaken by the park manager. (The need for and benefits of cooperative marketing were previously discussed in Section 6.1.3 of this chapter.)
- *Flexibility* - leases often represent long-term obligations for the operator and the agency. Therefore, leases may need provisions that allow for some flexibility regarding adherence to future standards and environmental constraints along with recognition of changing park management needs and constraints. However, lease conditions, which allow room for change, must also be reasonable for the lessee and take into account commercial economic factors.

6.3.5 Operator Ownership and Structure

The 2003 Department of Industry, Tourism and Resources study found that, while there are some large operators who use natural areas as a backdrop (such as the hotel or resort sector) or as a destination (such as coach tours), overwhelmingly the nature based tourism industry is composed of small, family-based businesses motivated mainly by lifestyle choice and making a marginal profit (Department of Industry, Tourism and Resources 2003, p.8). It is also suggested that the excessive focus on small operators can potentially have adverse consequences as small operators traditionally have limited access to capital, have limited capacity to be involved in community or environmental planning processes and do not advertise interstate or overseas because the costs are too high. Rather, they rely on government or industry marketing campaigns to generate demand.

In fact it has been argued that the physical structure of a national park makes it attractive to smaller operators (Buckley 2004, p.12). These operators potentially obtain greater opportunities for profit by reducing costs through access to subsidised and maintained infrastructure within protected areas. There are also a number of structural factors which

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may discourage larger business including the restrictions on asset ownership and lease period along with the need to complete applications for each park separately and to provide individual park reports. The current arrangements in Victoria favour the involvement of small business over larger corporations (due, in addition to the factors previously noted, to the park manager approach of predominantly offering individual concession agreements to commercial operators rather than establishing a concession of significant size). However, this approach potentially works to the disadvantage of the park manager and is inconsistent with the suggested *Concession Complexity Model*. While small business operators may be viable for simple concessions, this is not the position for complex concessions. The use of a small business operator for the provision of a complex service requiring long-term obligations with significant capital investment requirements provides greater risk to the park manager in a number of areas over the longer term – lack of understanding of base business needs, inadequate investment in marketing, higher risk of financial failure, inadequate continuous investment in asset provision and maintenance. (Three of the concessions examined in Appendix 5 either have or are in danger of financial failure due to some or all of these factors.)

It is important the process of service definition and supplier selection include consideration of supplier requirements (e.g. scope of services required, number of parks service is to be provided in, management skill requirements, investment requirements on a whole-of-asset-life basis) so that a clear guide is provided on the appropriate supplier characteristics.

6.3.6 Management Structure and Arrangements

Based on the review of commercial business models (in Chapter 4), an often ignored area of consideration when determining the structure of a commercial relationship in a national park is the management structure of the operator along with the basis for interaction of the commercial operator management with the park manager (and other external stakeholders). For simple concessions, the service provider will typically be a small business owner-operator (based on the concession case file review summarised in Chapter 5) where there is a direct connection between the operator and park management. For more complex concessions where the service provider is a larger entity with multiple areas and locations of operation the relationship is not as direct. In this situation consideration needs to be given to the authority and role of the operator site manager (compared to the operator central management) and

continuity of management. These factors can have a significant impact on the establishment of a cohesive long-term relationship between the business partners.

Irrespective of service provider structure, it is also important to ensure that minimum governance requirements are specified along with a consideration of the approach to meetings between the parties, communication channels, participation in park strategy development and facility expansion etc

6.3.7 Financial Relationship and Viability

Commercial operators providing services in national parks have one key point of difference from mainstream service providers; they have a reliance on natural surroundings as part of their image and product (along with a dependence on the park management agency). While this reliance should drive behaviour which maintains the basis for their business (i.e. the natural values of the park), the commercial reality is that before they can commit to ecologically sustainable practices or contribute to the protection of the natural values, the concessions need to be profitable and commercially viable.

Based on the outcomes of the park manager interviews and concession case files review (in Chapter 5), there were a number of factors identified which influence the commercial viability of a concession and the concessionaire. While a number of factors were identified, the points below represent those assessed by the researcher as being of key importance. This rationalisation has been based on the application of sound economic principles coupled with a hierarchical filtering process to identify those of most relevance. It is important, in developing the financial requirements of a concession, that these prime factors be resolved in a manner which does not place pressure on the financial viability of the concession. The primary factors identified are:

- *Tenure* - Operators need continuity of tenure and consistency of policy to facilitate investment and long-term planning.
- *Land ownership* - Concession operators in national parks do not own the land which generates their revenue. This creates difficulty in raising capital for business purposes and this difficulty can only be partially offset by long-term tenure.
- *Development of a definable product* – Development of a concession product (particularly one which is tourism related) requires an attractive collection of definable and repeatable

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experiences and support activities. Park agency decisions on infrastructure have an impact on this (eg location of interpretation centres, opening hours and food and beverage provisions). Park management decisions may inadvertently limit the capacity to turn attractions into viable tourism products.

- *Demand awareness* – prior to entering into any arrangement it is important to ensure that there is adequate demand to support a commercial activity and this needs to be considered within a long-term perspective. Research may be needed to determine the demand for activities that require major investments of both personnel and public funding. Similarly, all parties need to understand the impact of individual decisions on demand levels. Some parks (eg Wilsons Promontory National Park) are stretched beyond their visitor capacity during peak summer weekends; resulting in the need for ballot systems and restrictions on day visitor numbers. (See Wearing and Nelson 2004, pp.25- 26.)
- *Park management influence* – The image of the operator business environment and product (the national park) is heavily influenced by other areas of park management (eg marketing activities, entry pricing, access to areas, provision of boardwalks, provision of other services) as is the growth in visitation and the experience of the visitor.
- *Availability and quality of product* - Quality control and dependability are key issues in ensuring product meets client demands. In national parks under concessions the operator normally has responsibility to conduct their own quality control. However, their product can be affected by decisions made by park agencies to restrict areas of access or activities or by the actions of other commercial operators. While there may be good reasons for management arrangements to be changed, unexpected changes have an impact on the ability of operators to deliver reliable products (which reduces the value of their products and the uncertainty can limit investment).

There are many areas of the financial relationship between the park manager and the commercial operator which impacts on the financial viability of the operator. These need to be considered and resolved prior to the finalisation of an agreement. If not, the potential for future conflict is significant. (During the concession file review (in Appendix 5) it was noted that the leases subject to the greatest level of disputation (being leases A, F and H) were also the leases assessed as being financial failures.)

6.3.8 Performance Incentives and Structure

The current approach to structuring of concession payments is only just beginning to incorporate the use incentive structures to direct behaviour. Figure 5.9 of Chapter 5 noted that less than 15% of the lease concessions examined used pricing incentives, with there being no incentives included in the licence concessions examined. Significant improvements in this area are possible in influencing both park manager and commercial operator activities.

- **Incentives to Maximise Concession Revenue**

Under the current funding flows in Victoria, revenue to the park manager generated from concessions is returned to Consolidated Revenue (being the general revenue base of the Victorian Government which is used to fund total Government activities) rather than being directed for use by the park manager (with this requirement being legislated). This arrangement operates as a disincentive for the maximisation of concession revenue (and has also encouraged the use of alternative approaches to revenue classification which enable revenue retention). Retention of revenue and, particularly, local retention would logically be a driver of behaviour for both the operator and the park manager in creating a positive cycle from revenue to better services and facilities to positive public attitude and back to increased revenue (Queensland Parks and Wildlife Service 2000, p.3). Conversely, while it has been suggested that the ‘best practice’ for the distribution of concession revenue is “100% revenue retention by the Agency” (Parks and Wildlife Commission, Northern Territory 1999), there are inherent dangers associated with this approach. Potentially, the original objective for permitting licensed activities may be lost in the quest to generate revenue and lead to the hijacking of staff and other resources away from core park management activity along with a loss of focus on maintenance of natural values.

The USA has partially addressed this issue by establishing a system where all revenue earned from concessions is placed in an account established by Treasury, but with these funds then being available for use by the NPS, with 20% available to support activities throughout the total park network and 80% available for use in the park which generated the revenue. Whilst an improvement on the current practice in Victoria, this also suffers from the danger of the Government of the day reducing total funding commitment to the parks as a result of the increased external revenue generation, thereby resulting in no net increase in funding available.

The current Victorian practice (which mirrors that used in a number of other jurisdictions) is a legislative requirement and, therefore, needs to be considered an external constraint in developing the commercial business model. However, it is an area which does require refinement in the future.

It should also be noted that the park manager, as an arm of Government, is constrained in its ability to change prices for services offered within the park. Unlike private businesses, it is a requirement of Victorian government policy that government agencies must be able to prove to the community that all charges and especially new charges are fair, necessary and equitable and any increases in charges are justifiable or in line with the consumer price index (ANZECC report prepared by Queensland Parks and Wildlife Service 2000, p.7).

This pricing constraint has the potential to encourage park managers to use commercial operators to provide services rather than the manager assuming this responsibility, as the commercial operator would not be constrained by this requirement. This may result in commercial operators providing some services (e.g. environmental tours) which do not have the same level of conservation protection.

While the constraint placed by this Government policy is not unreasonable, further flexibility is required to ensure it does not result in inappropriate behaviour.

▪ **Incentives to Direct Behaviour**

The current approach to the use of incentives (financial or otherwise) to drive operator (and visitor) behaviour appears restricted in Victoria and the other jurisdictions examined (as evaluated in Chapter 5). For simple concessions, the ‘flat-fee’ approach dominates. For complex concessions differing financial incentive structures are used, but these are designed to drive revenue maximisation rather than any other required behaviour (such as conservation or visitor reduction). However, a number of studies already completed have indicated that the use of incentives to link commercial operations with other park objectives (including conservation) can operate as an effective management practice. (See Parks and Wildlife Commission, Northern Territory 1999, Queensland Parks and Wildlife Service 2000, Young *et al.* 1996). These reports identify ‘best practice’ approaches as including:

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- Establishing fees that reflect the Agency objective(s) for concessions (whether it is cost recovery, risk management or profit).
- Using exclusive or semi-exclusive concession arrangements to limit change to the environment or the recreational setting.
- Using concession arrangements as a risk management tool when legally compliant liability, indemnity, operational and competency provisions are included in documentation.
- Establishing good relationships with and controls over all types of commercial operators, and ensuring that all conditions of permits, leases and other agreements are adequate and fulfilled.
- The use of the incentives to collect good visitor data.
- Ensuring that core business is not over-ridden by commercial interests. While increased standard of service and facilities will often be a desired outcome of a concession arrangement, such services and facilities should not be out of keeping with the desired management setting of the protected area, or incompatible with the area's environmental needs.

The implementation of a commercial business model should include the development of appropriate incentive arrangements to drive commercial operator performance and behaviour. While the nature of the final incentive structure should be determined based on the objectives and environmental setting of a specific concession, a number of possible approaches to consider have been identified by the researcher based on a synthesis of the literature review, interviewee comment and the concession file review along with the researcher experience of incentive approaches in other industries (e.g. the franchise industry). Possible approaches include:

- Concession fee scales which provide a sharing of additional revenue for achievements beyond that expected (eg turnover or profit levels).
- Concession fee scales which include incentives for the achievement of defined outcomes in service provision, environmental achievements, customer satisfaction levels, scope of service etc.
- Financial penalties for failure to achieve defined targets (although such an approach need not be used carefully as it can represent a negative incentive if inappropriately applied).
- Definition of levels of expenditure required in specific areas (eg marketing or interpretive activities) which are combined with park manager expenditure to increase impact.

- Subsidisation of specific activities required which would not normally form part of a commercial activity (e.g. use of green power which currently is available at a cost premium).
- Joint revenue or profit sharing arrangements covering both operator and park manager revenues (e.g. a sharing of entrance fee revenue where it exceeds a defined target).

6.3.9 Linking Commercial Operations to Conservation Objectives – Enhancing Environmental Affinity and Ecological Integrity

The previous section on incentives included a consideration of the potential for the use of incentives to drive commercial operator behaviour, including conservation objectives. Based on the outcomes of the data research (coupled with observations from personal experience), such an approach has the potential to deliver significant direct and indirect environmental benefits. These include using commercial operators to improve facilities and services for park users also creates a better image and public appreciation and therefore lessen management problems - thus indirectly achieving conservation objectives, ensuring commercial operators have appropriate experience and training, particularly in conservation practices, can result in increasing conservation awareness amongst operators and their customers, ensuring the operator understands, where necessary, that at times a decline in revenue may be necessary in the interests of environmental protection and of the park in the long-term is important and using commercial operators to deliver appropriate services allows park management to focus their resources on conservation, feral wildlife eradication and visitor impact minimisation to improve the park from both an environmental and a visitor's perspective.

However, it is unlikely that the commercial operator will always behave in a manner consistent with the protection of the natural values of the park (due to the [sometimes] inconsistency of this objective with the profit objective of the commercial operator) and, therefore, it is important to ensure the lease or licence agreement include appropriate performance and standards clauses which adequately address these conservation requirements and that the clauses are enforceable (and are enforced).

Safety procedures, minimal impact behaviour, relationships to other park users, public liability insurance, and guarantees of restoration of any damage caused are among the aspects which may need to be covered. Such clauses also need to ensure individual national park environmental, social, and economic conditions are considered. In some national parks bird-

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watching may not be appropriate if it occurs during nesting season. Similarly, operator provided education programs that merely entertain campers may not be appropriate, while those that focus on the history and culture related to a particular landscape may be. The review of standard legal agreements for Victoria and the other jurisdictions examined indicated a possible lack of clauses addressing these important issues.

While the above has considered the position in regard to individual concessions, it is also important to note that the combination of activities and uses from a number of concessions has the potential to create “cumulative effects” that may be more harmful to ecological integrity than a situation where the individual activities or uses are carried out independently (Wilkinson 2003). The ecological integrity of an individual park can be affected not only by the impacts of particular activities or particular levels of use, but also by the attitudes, values, beliefs, and behaviour of park visitors and regional communities and partners. In considering approaches to minimise the impact of commercial operations on the ecological integrity of a national park it is important to consider both the individual and cumulative impacts, and to reflect this need in any commercial agreements.

6.3.10 Performance Reporting and Control

In the jurisdictions and cases examined the attention given to specification of performance reporting, along with the identification of performance reports actually submitted, was minimal. However, the provision of clear direction in this area is considered important by the researcher to ensure the service provider is aware of the responsibilities associated with operating in an area of protected land with high ecological value and generates information and reports which enable performance against these responsibilities to be assessed, to provide the park manager with comfort on the adequacy of the performance of the provider and to provide the park manager with information which will assist in the making of future strategic and operational management decisions.

The establishment of consultative and feedback mechanisms between the park manager and the commercial operator, including performance reporting between the parties, has been identified as one of the factors which underlie successful concession arrangements. (See Department of Industry, Tourism and Resources 2003, p.39.) This paper also highlights that performance reporting should consider the requirements from the perspective of the service provider to the park manager along with the reporting the park manager is required to provide

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to the service provider. For example, it is reasonable to expect that commercial operators would appreciate information on park attendance levels along with planned park maintenance activities as this information would commercial operators in assessing past performance and considering future approaches.

The review of concession case files identified a number of significant deficiencies and inconsistencies in the current approach adopted (as detailed in Section 5.2.2 and Appendix 5). To rectify these identified concerns, the development of reporting responsibilities and requirements needs to include a consideration of the frequency of the requirements along with the content of the reports, the development of KPIs which clearly reflect the expected areas of performance of the provider, the development of reporting requirements which extend beyond the traditional financial reports into the social and environmental areas, the specification of appropriate reporting governance arrangements (e.g. compliance requirements, access to records, elapsed time from end of reporting period to provision of report and an approach to provide feedback on submitted reports).

6.3.11 Interaction with the Park Manager and the Community

In a 2002 Australasian survey of public participation in protected area management for the ANZECC Working Group (see Parks and Wildlife Commission of the Northern Territory 2002, p.19) all the park management agencies in Australia and New Zealand confirmed that public participation was considered to be a major plank in their corporate strategy while 8 out of the 9 organisations confirmed they were actively seeking to enhance their efforts in public participation. In this ANZECC (2002) report some of the major areas identified for public involvement in protected area management included:

- Provision of input into draft Plans of Management and other policy documents.
- A wide range of volunteer activities.
- Stakeholder liaison through formal and informal mechanisms, including local management committees, advisory committees, community reference groups, community consultative committees, Friends groups, stakeholder groups and industry liaison groups, and representation on statutory boards, advisory councils, park management committees and other legal entities.
- Full consultation with Aboriginal communities under native title and land rights legislation.

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This survey recognised the growing importance of public participation in protected land management and developed a public participation model to reflect current levels of participation. It noted that public participation could be viewed as a continuum, extending from full government control to full community control.

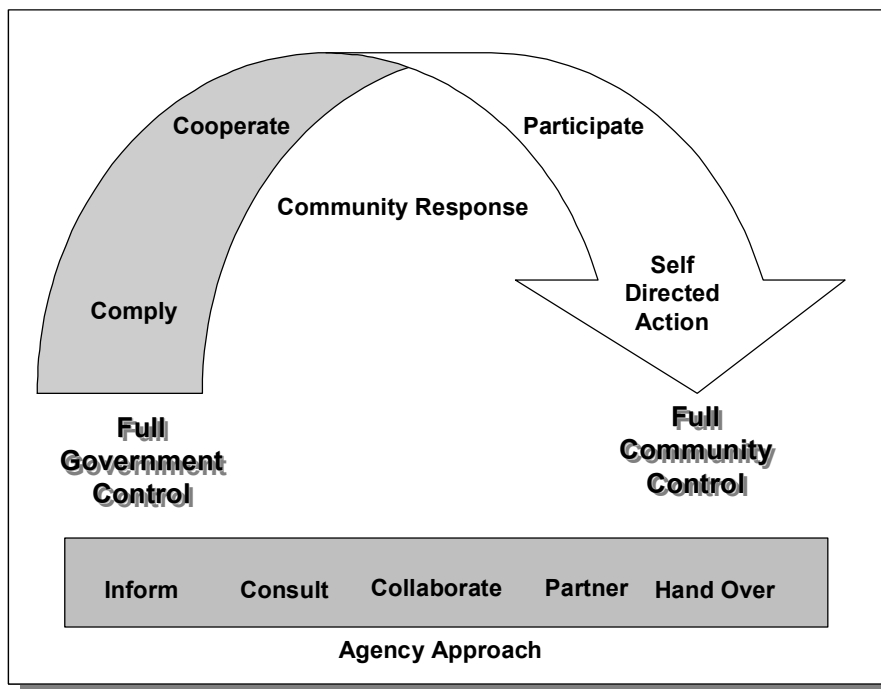


Figure 6.13: The Public Participation Model

Source: Parks and Wildlife Commission of the Northern Territory 2002, p.6.

The lowest level of participation is compliance that, essentially, is the imposition of a decision on the community. At the other end of the spectrum is self-directed action, here the community is given full responsibility for decision-making and control of the process. Based on the 2002 survey, it was found that most public participation programs rested somewhere between these two extremes.

This model is equally relevant to commercial concessions and the commercial business model under which they operate in a number of respects. Firstly, a commercial operator needs to be aware of the environment in which the service will be provided and the impact of that on the operations. Secondly, it is likely that the park manager would equally wish to have the operator involved in this public participation program from the perspective of the operators association with the park manager and the operators associated with other interest groups. Finally, both the operator and the park manager would need to mirror this model in their

relationships, indicating that a relationship in the ‘comply’ quadrant (which probably represents the current relationship) will not be acceptable in the future (to all parties). Movement towards the ‘participate’ quadrant is the most likely target for the future, and needs to be incorporated into any future agreements.

6.4 Summary Concession Selection and Management Process Guidance

Based on the preceding consideration of each of the key areas of activity in the concession process along with the requirements at each of these points, the following summary of the approach to be adopted in completing each activity area has been developed. This summary consists of two tables:

- The Concession Selection and Management Process Structure, Key Attributes and Issues table (Table 6.4).
- The Concession Type Differences table (Table 6.5) which identifies key differences in concession type requirements for each activity area.

These two tables represent the ‘user version’ of the *Concession Selection and Management Process*, with the structure of the tables following the concession process as summarised in Figure 6.12. Importantly, the tables provide the guidance necessary to assist the park manager in the development of a concession agreement. Table 6.4 effectively provides a checklist of matters for the park manager to consider at each stage of the concession process while Table 6.5 highlights the key areas where there may be variability in the approach taken, depending on the type of concession used.

Table 6.4: Concession Process Structure, Key Attributes and Issues

Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
Overall process requirements		- Clarification of the role of the regional park manager and Central Concession Unit in the establishment of the concession along with the ongoing operations	+	
		- Identification and sourcing of the skills required for the total process (including potential external sourcing)	+	
		- Ensuring the required resources are available to complete the concession implementation	+	
Needs identification and specification	Determining services to be provided by the private sector	- Clear specification of service to be provided	+	
		- Potential of existing service providers to meet the requirement	+	
		- Confirmation that the service is best provided by a concession	+	
	Integration of services with other activities in the park and the surrounding region	- Determine the expected commercial operator expenditure requirements along with the expected concession fee (using appropriate valuation techniques for the concession)	+	
		- Potential to expand the service to make it more attractive for the private sector	+	
		- Potential for service provision across a number of national parks	+	
No of commercial operators – monopolistic, multiple service providers etc	- Potential for provision of integrated service	+		
	- Need for interaction with other stakeholders	+		
	- Implications for service providers on park boundaries	+		
Park manager concession selection and management process and criteria	Development of project brief	- Confirmation of need for monopolistic approach	+	
		- Consideration of implications of monopoly on service provision and need for regulatory type control	+	
		- Role of regional park manager	+	
	Advertising process/approach	- Extent of centralisation required	+	
		- Clear specification of comprehensive financial, service delivery, environmental and social requirements	+	
		- Sourcing of required skills to complete the concession process	+	
		- Identification of most appropriate method to approach the market for responses	+	
	- Individual approaches	+		

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:		
			Park Mgr	Oper.	
Commercial operator approach to responding	Selection/tender process	- Advertising medium to be used and frequency	+	+	
		- Requirement for an EOI	+		
		- Requirement for an RFT	+		
		- Establishment of independent evaluation panel	+		
	Evaluation criteria	- Development of an evaluation criteria which gives appropriate recognition to and specification of:			
		- Vision	+		
		- Management	+		
		- Financial	+		
		- Environment	+		
		- Social	+		
Conduct of contract negotiation	- Experience	+			
	- Risk exposure	+			
	- Incorporation of draft concession agreement in tender documentation	+			
Commercial operator approach to responding	Source of opportunity identification	- Request for clarification of contractual terms for discussion	+		
		- Adoption of a commercial approach to contract negotiation	+		
				+	
	Approach to deciding whether to respond	- Concession services is in appropriate business area for commercial operator			+
		- Ability to provide an adequate commercial return			+
		- Acceptance of concession agreement terms			+
		- Ability to meet the information needs of the tender			+
Satisfaction of information requirements	- Identification of areas which require clarification			+	
	- Approach to potential interview requirements			+	
				+	
Legal relationship and agreement	Type of agreement	- Lease			
	Agreement features	- Licence	+	+	
- Service delivery contract					
- Development of specific agreement features required		+	+		
	- Specification of environmental obligations	+	+		

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
Ownership and structure	Agreement period	- Outline of cooperative/partnership arrangements	+	+
		- Ability to amend agreement during initial negotiation and flexibility during concession period	+	+
		- Time period of initial agreement (including consideration of legal restrictions)	+	+
	Structure of commercial operator ownership	- Extension options appropriate	+	+
		- Termination options required	+	+
	Large versus small organisations	- Type of legal structure appropriate	+	+
Ownership	Ownership	- Private versus not-for-profit	+	+
		- Based on the expected lease commitment and capital requirement, determine the most appropriate type of business to meet the need	+	+
		- Family		
		- Private company		
Financial commitment of owners	Financial commitment of owners	- Public company	+	+
		- Investment fund		
		- Extent of protection against future ownership changes		
Management structure and arrangements	Approach to management of the organisation	- Ability to satisfy initial capital commitment	+	+
		- Ability to meet operational expenditure requirements	+	+
	Integration with management of the total park	- Satisfaction that the entity ownership and structure is consistent with the financial obligations	+	+
		- Extent to which the management will be located on site	+	+
		- Role and influence of ownership on management	+	+
		- Need for and frequency of meetings with on site park managers	+	+
Specification of minimum governance requirements	Specification of minimum governance requirements	- Need for and frequency of meeting with other operators/stakeholders	+	+
		- Extent of participation in park strategy development/facility expansion etc	+	+
Financial relationship	Allocation of financial responsibility	- Clear segregation between responsibilities of operator and park manager	+	+
		- Capital funding needs (including security requirements)	+	+
		- Operating requirements	+	+

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
		<ul style="list-style-type: none"> - Clear specification of product offering and role of participants in establishing/controlling demand - Specification of approach for allocation of joint costs (including marketing expenditure) - Establishment of procedures for funding of future capital works which benefit both parties 	+	+
	Basis for operator commercial payment to park manager	<ul style="list-style-type: none"> - Development of basis for payment including: <ul style="list-style-type: none"> - Minimum base fee - Incentive based fee (e.g. % of revenue) - Allowance for increases for inflation - Allowance for regular reviews to market - Provision of potential discounts based on achievement of specific objectives (e.g. specified level of capital expenditure, level of customer satisfaction etc) - Review of overall potential payments to ensure they are financially realistic (including use of an independent business valuation where appropriate) 	+	+
	Frequency of payment	<ul style="list-style-type: none"> - Establishment of approach for concession fee payment including frequency - Preferable to have a monthly or quarterly concession fee payment regime with annual adjustments (if required) - Integration of payment frequency with reporting requirements 	+	+
	Flexibility of financial requirements	<ul style="list-style-type: none"> - Possible inclusion of facility to renegotiate concession arrangements after a specified period, particularly for long-term concessions 	+	+
Performance/incentive structures	Approach to encouraging/enforcing environmental and commercial objectives	<ul style="list-style-type: none"> - voluntary - price based - regulatory - property right based 	+	+
	Incentive structures other than financial		+	+
Environmental affinity	Previous record of environmental management	<ul style="list-style-type: none"> - Consideration of previous environmental record of the commercial operator 	+	+
	Environmental management requirements	<ul style="list-style-type: none"> - Establishment of environmental management requirements of the commercial operator covering: <ul style="list-style-type: none"> - Compliance with the conservation objectives of the park 	+	+

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
		<ul style="list-style-type: none"> manager - Specification of specific environmental requirements, including performance targets, related to the service being delivered - Specification of specific environmental requirements related to the operations of the national park - Inclusion of (prompt) procedures for amending environmental requirements - Integration of commercial operator into environmental outcomes of the national park 	+	+
		<ul style="list-style-type: none"> - Inclusion of reporting requirements covering: <ul style="list-style-type: none"> - financial reporting - social reporting - environmental reporting - Specification of frequency of reporting including possible two tiered approach with regular restricted reports monthly or quarterly and comprehensive reports annually - Need for financial information provided to enable assessment of financial viability of operator - Specification of requirements of park manager reporting to commercial operator 	+	+
Performance reporting and control	Reporting requirements included in contractual relationship		+	+
	Feedback processes	<ul style="list-style-type: none"> - Need for formal performance review meetings including frequency - Approach for obtaining independent rating of operator performance - Specification of reporting governance requirements 	+	+
	Identification of KPIs	<ul style="list-style-type: none"> - Development of an appropriate set of KPIs (including where appropriate specific targets) covering <ul style="list-style-type: none"> - Service delivery - Financial outcomes - Environmental outcomes - Community interaction 	+	+
Community interaction	Role of organisation in the community	<ul style="list-style-type: none"> - Participation in relevant stakeholder groups 	+	+
	Acceptance (and reporting) of social responsibility	<ul style="list-style-type: none"> - Connection with community 	+	+

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
Closedown/termination procedures	Allocation of responsibilities	<ul style="list-style-type: none"> - Clear specification of requirements near the conclusion of the concession including: <ul style="list-style-type: none"> - Allocation of responsibilities - Continuation of maintenance standards - Responsibility for rectification works - Approach to valuation of assets and inventory - Handover procedures 	+	+
	Termination procedures	<ul style="list-style-type: none"> - Clear specification of: <ul style="list-style-type: none"> - Actions which will result in termination - Procedures for termination - Allocation of financial responsibilities - Dispute resolution procedures - Inclusion of timetable where termination is required 	+	+

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While the preceding table provides importance guidance in the application of the *Concession Selection and Management Process*, it is also important in applying this process to be aware of the key process differences based on concession types. Much of the previous discussion has centred on the process for the complex concession (as traditionally characterised by a lease agreement). The simple concession will not require as comprehensive a process as a simple concession will be of shorter tenure and will require minimal investment by the operator. Key differences are summarised in the table below.

Table 6.5: Key Differences between a Complex and Simple Concession

Area of Activity	Concession Type Differences for Simple Concessions
Overall requirements	<ul style="list-style-type: none"> - Regional office and local park management will control the selection process and the operational reviews, with Central Concession Unit guidance
Needs identification and specification	<ul style="list-style-type: none"> - Will often be initiated by the commercial operator - Will normally represent a single service in one national park - Will be a ‘standard’ service offering where service descriptions already exist
Concession Selection and Management Process and criteria	<ul style="list-style-type: none"> - Will not necessarily require an EOI/RFT type process - Evaluation criteria still required - Will have only one or a limited number of responders
Commercial operator approach to responding	<ul style="list-style-type: none"> - Extent of information required to be provided will be limited - Sophistication of the response provided will be limited - Will normally use the licence/permit arrangement with the agreement being of a shorter duration (up to 3 years)
Legal relationship and agreement	<ul style="list-style-type: none"> - Simple concessions can still be completed under lease agreements but tenure should be shorter than the maximum - Still need to ensure the agreement is appropriate for the specific service being provided
Ownership and structure	<ul style="list-style-type: none"> - Private company structure still preferred, but not required - Small business operator may be a potential service provided, although larger business may still be interested if the concession can be combined with other activities of the operator - More likely to be a small business with minimal management structures in place
Management structure and arrangements	<ul style="list-style-type: none"> - Focus is on the individuals rather than the management processes - Commercial operator should still be involved in strategy development for the national park and have regular meetings with the park manager and the other commercial operators

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Area of Activity	Concession Type Differences for Simple Concessions
Financial relationship	<ul style="list-style-type: none"> - Level of investment required not substantial with park manager assuming more of the financial responsibility, particularly in the provision of infrastructure - Concession cost structure will be reliant on activity levels, so concessions fees which vary with activity level are preferable
Performance/incentive structures	<ul style="list-style-type: none"> - Where the park manager wishes to encourage certain activities, the use of incentives is still appropriate
Environmental Affinity	<ul style="list-style-type: none"> - All aspects of environmental responsibility and reporting remain important
Performance reporting and control	<ul style="list-style-type: none"> - Depending on basis for concession fee, more frequent reporting on specific requirements may be more appropriate - Specification of appropriate KPIs required, although they may be of a more standard nature - Annual completion of a full TBL report, including full financial information (to verify ongoing financial viability) remains important
Community interaction	<ul style="list-style-type: none"> - Concession operator still needs to have strong community connections and regular community interaction - It is likely that the commercial operator will be a local business person with already well established links with the community
Closedown/termination procedures	<ul style="list-style-type: none"> - Full termination requirements and responsibilities still required - While closedown procedures are still required to be specified, their relevance is reduced as the commercial operator is unlikely to have significant asset investments in the concession

As a general rule, the greater the degree of complexity associated with a concession the more comprehensive will the concession process need to be. Therefore, as a concession moves up the ‘scale’ from a simple to a complex concession the greater will be the need for the involvement of the central concession unit, the more important the need to have a commercial operator with complex business characteristics and the more resources and process controls required to establish and operate the concession.

6.5 Conclusion

Based on the review and synthesise of the completed research a suggested CBM for application in Victoria’s national parks has been developed by the researcher. This CBM consists of three components – the *Concession Conceptual Framework*, which provides the overarching environment in which the commercial operations are to be completed (Section

Chapter 6 Development of the Commercial Business Model

6.1), the *Concession Complexity Model*, which provides the management framework to be applied (Section 6.2) and the *Concession Selection and Management Process*, which provides more detailed information on the actual process (Section 6.3).

Importantly, the three components are interdependent parts of a total model which includes the need for interaction between the components. The CBM provides both high level guidance to the park manager in the development and awarding of a commercial contract along with specific identification of the key attributes of the concession process along with the matters to be considered under each of these attributes (Section 6.4). Finally, the CBM as developed also identifies the key process differences which arise depending on the concession type being considered (Section 6.4).

It is expected that the CBM, as developed, will assist both the park manager and the commercial operator in the completion of commercial activities in Victoria's national parks. However, before being finalised, the CBM needs to be subjected to final scrutiny by these potential users. The outcome of this review process, along with the impact of the resulting feedback on the CBM, is considered in (the following) Chapter 7.



Chapter 7: Outcomes of Final Participant Interviews

The CBM developed in Chapter 6 has been based on the analysis of data from a number of sources – the review of the contextual environment in which national park managers and commercial operators co-exist (in Chapter 2), the review of current literature including a consideration of practices in Victoria and other countries (in Chapter 4), interviews with a sample of Victorian park managers on current concession management practices and processes (in Chapter 5) and a review of a large sample of existing concession agreements in Victoria (in Chapter 5).

It is now appropriate to obtain feedback on the developed CBM and to update the CBM from this feedback, as is shown in the research map (below) as developed in Section 3.1 of Chapter 3.

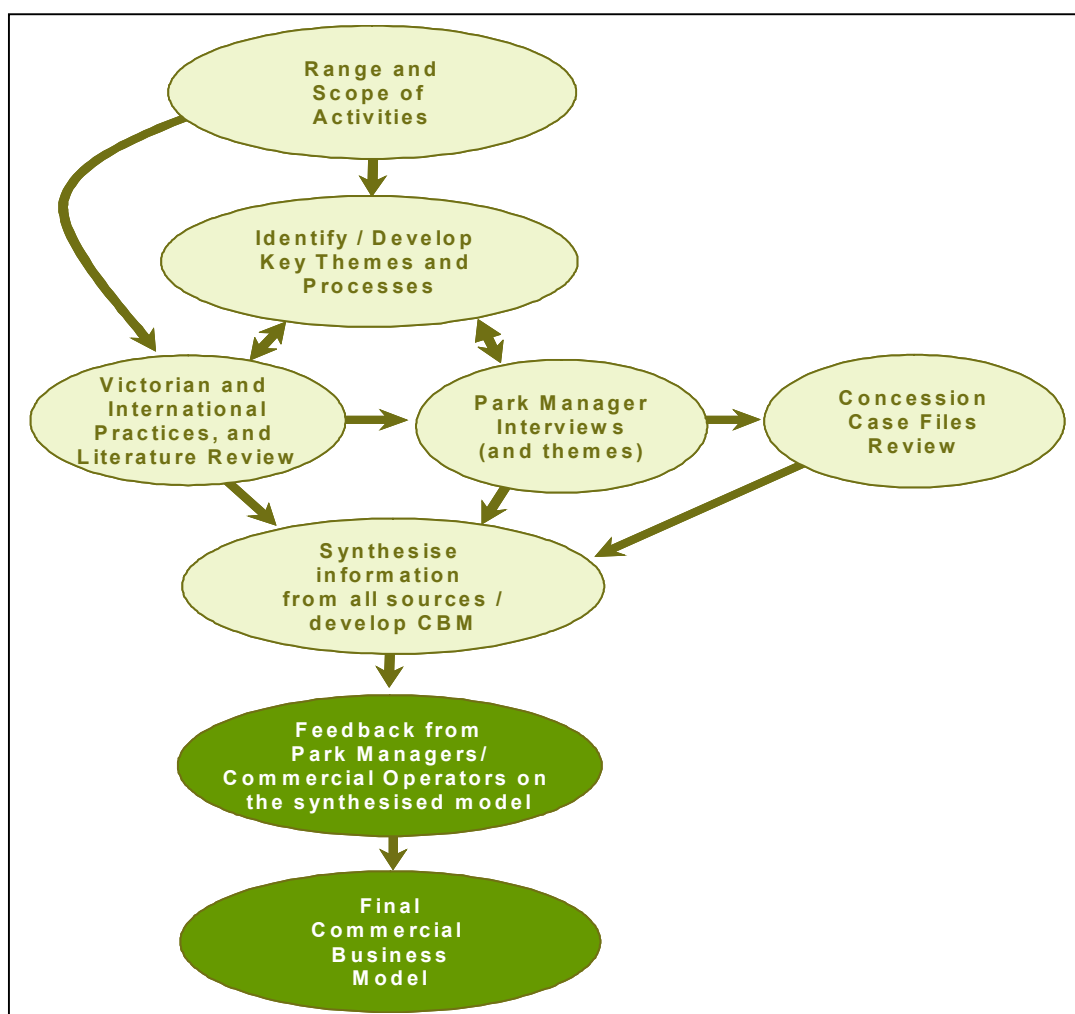


Figure 7.1: Research Activity Completed in this Chapter

Chapter 7 Outcomes of Final Participant Interviews

The main omission from the development process to date of the CBM has been the completion of interviews with the other major participant in the CBM – the actual commercial operator. Due to privacy constraints and restrictions on confidentiality, Parks Victoria's strong preference was that commercial operators not be interviewed until after the initial CBM development was completed. This chapter details the results of these interviews with commercial operators.

To ensure all primary participants were given the opportunity to comment on the CBM (developed in chapter 6) it was also appropriate to again obtain the feedback of park managers (using a separate group from those initially interviewed prior to the development of the CBM). The results of these interviews are also included in this chapter.

7.1 Feedback Interviews with Commercial Operators and Park Managers

The objective of the final interviews was to obtain participant comment on the developed CBM from both the commercial operator and the park manager perspective. The interviews completed were as follows:

- *Commercial Operators* – a sample of five commercial operators was selected from the total population of 27 commercial operators previously identified (refer Section 5.3). This sample size along with the specific commercial operators were selected by the researcher (with no influence from Parks Victoria) as a representative sample (using subjective stratified sampling) covering both simple and complex concessions over a diverse range of services. All interviews were completed at the premises of the individual commercial operator.
- *Park Managers* – a sample of four park managers (at various levels of management) were asked to review and comment on the model developed. This sample size was considered sufficient to obtain the extent of additional feedback necessary (and as a supplement to the park manager interviews completed earlier in the research project (as summarised in Chapter 5).) Three interviews were completed by telephone and one face-to-face (at the request of the park manager).

Prior to the interview, the interviewee was provided with a copy of the developed CBM (refer Appendix 6 for an example of the information provided). The interviewee was requested to

Chapter 7 Outcomes of Final Participant Interviews

review the information prior to the interview. During the interview the commercial operator/park manager was requested to:

- comment on the overall validity of the CBM
- identify any perceived concerns with the model
- comment on any possible omissions from the model
- comment on any possible refinements, and
- provide any additional comments considered relevant.

The results of these interviews are summarised in the following section.

7.2 Summary of Feedback Interview Results

The commercial operators supported the model and used the interviews as an opportunity to reinforce particular areas considered important. The commercial operator interviews were also used as an opportunity to highlight areas where the commercial operator believed the current model, based on their experience, was inadequate or in need of refinement. The park managers were, similarly, supportive of the CBM. The park managers used the interviews as an opportunity to clarify certain aspects of the model and to reinforce the importance of the initial specification and development of the concession service and arrangements.

The outcomes of these interviews were used by the researcher to confirm and further develop the overall approach suggested in the developed CBM and to assist in the refinement of specific areas. Analysis of the comments from the commercial operators and the park managers was also completed after giving due recognition to the inherent biases of each grouping. In particular, the validity of comments given was considered based on achieving outcomes which are appropriate for all parties rather than comments which disadvantage a particular group. (For example, some of the comments of commercial operators were directed to enhancing the financial return to the operator, but with negative environmental impacts.)

The results of the feedback interviews (including all relevant comments and the basis for accepting or discounting the need for change to the CBM) are detailed in Appendix 7. Table 7.1 provides a summary of the primary points (which resulted in CBM refinement).

Chapter 7 Outcomes of Final Participant Interviews

Table 7.1: Final Interview Feedback Summary

Area	Key Results
<p>Overall Validity of the CBM</p>	<p>Summary Comments: Overall comments from the commercial operators and the park managers were supporting of the model and particularly a number of the important features.</p> <p>CBM Model Implications: No refinement required – all matter noted were already adequately addressed in the developed CBM.</p>
<p>Perceived Concerns with the CBM</p>	<p>Summary Comments: Commercial operators emphasised the need for the park managers to have appropriate commercial skills and for the arrangements to be developed in a cooperative environment. Park managers expressed similar comments with a particular emphasis on the need for appropriate commercial skills.</p> <p>CBM Model Implications: Need to ensure the importance of commercial skills and of a partnership approach is given greater emphasis in the CBM.</p>
<p>Possible Omissions from the CBM</p>	<p>Summary Comments: Commercial operators emphasised the need for a commercial partnership and for the concession process to be transparent. Also noted the inability to further develop commercial opportunities once the initial agreement is in place. The park managers’ principal comment was to ensure the impact on the national park and the surrounding areas are included in the drivers of complexity for the <i>Concession Complexity Model</i>.</p> <p>CBM Model Implications: Importance of trust and transparency needs to be given greater emphasis in the CBM. Also need to incorporate an ability to expand existing concession agreements where appropriate. Impact of concession on areas around the national park needs to be more clearly included in the drivers of complexity.</p>
<p>Possible Refinements to the CBM</p>	<p>Summary Comments: Commercial operators noted the benefit of the use of joint marketing approaches (with the park manager) along with the desirability of regular meetings between the commercial operator and the park manager. The importance of recognising the differing objectives of the participants was noted by both the park managers and the commercial operators. The park manager also indicated examples of situations where the park management agency may appoint a commercial operator for a concession recognising that the appointment may result in additional costs (e.g. indigenous community appointments).</p> <p>CBM Model Implications: Completion of joint marketing along with regular meetings to be incorporated into</p>

Chapter 7 Outcomes of Final Participant Interviews

Area	Key Results
	refined CBM. Importance of differing objectives is already adequately reflected in the CBM. Discussion on inefficiencies to be updated to reflect exceptions based on alternative selection criteria.
Additional Comments Considered Relevant (by interviewee)	<p>Summary Comments: Commercial operator and park manager comments related to matters outside the scope of this research.</p> <p>CBM Model Implications: No refinement required. However, areas for future research were identified.</p>

7.3 Implications for Developed Commercial Business Model

Table 7.1 illustrates the valuable feedback on the validity of the developed CBM and has identified important areas of refinement. In particular, the *Concession Selection and Management Process* requirements (as detailed in Table 6.4 (Concession Process Structure, Key Attributes and Issues)) need to be amended to include comments about the facilitation of additional commercial opportunities within an existing concession agreement, the expanded approach to the completion of co-operative marketing, and the expanded approach to the completion of regular meetings between the commercial operator, the individual park ranger and the Central Concession Unit personnel. The discussion of the Concession Complexity Model also required refinement as a result of the interview feedback. The explanation of the ‘drivers of complexity’ needed to be updated to ensure the social, environment and economic impact of the concession on the areas surrounding the national park are included for consideration. The discussion of the ‘areas of inefficiency’ also needed to be amended to note that there may be situations where the park manager may choose an economically or financially inefficient option due to the need to satisfy other requirements.

These comments did not require a change to the base elements of the framework (being the *Concession Conceptual Framework*, the *Concession Complexity Model* and the *Concession Selection and Management Process*, as described in Chapter 6). Rather the comments represent required refinements to the discussion of the *Concession Complexity Model* and to the checklist of matters for the park manager to consider at each stage of the concession process (as detailed in Table 6.4). These required refinements have, therefore, been incorporated into the final CBM, which is detailed in Appendix 8.

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However, of more relevance to the structure of the CBM were the number of comments which relate to ‘state of mind’ type requirements rather than specific process issues (e.g. comments in relation to value differences, the need for trust and transparency along with a cooperative relationship and the need for a commitment by all participants to a successful concession agreement). Such high level philosophical concepts, while important to the application of a CBM, cannot be incorporated into the specifics of the model. Rather they represent overarching principles which need to be adopted by the primary participants in the application of the model – and these can be referred to as ‘Value Statements’. In developing Strategy Plans for corporations the basic philosophy of an organisation is often embedded within three key areas – the Vision Statement, the Corporate Purpose and the Corporate Values.

Therefore, to reflect these import values in the establishment and conduct of commercial concession arrangements, the inclusion of appropriate Value Statements in the CBM represented a useful enhancement. The inclusion of these Value Statements resulted in the structure of the CBM being as detailed in Figure 7.2.

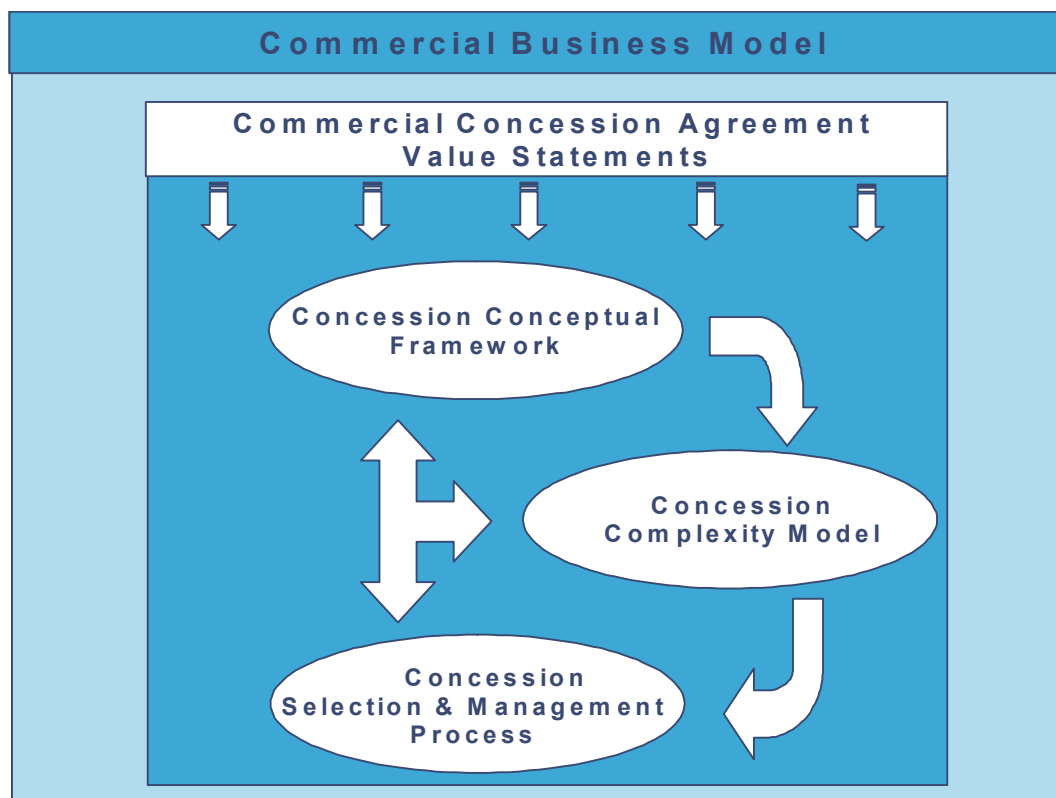


Figure 7.2: Updated Commercial Business Model

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Based on the commercial operator and park manager comments, the specific philosophical Value Statements to be incorporated into the CBM are:

Value Statements
<ul style="list-style-type: none">▪ Concession agreements will be structured to reflect the commercial requirements of the operators while ensuring conservation needs are fully protected.▪ Concession agreements will be established based on the principles of a full co-operative partnership between the commercial operator and the park manager exhibiting the features of a trusting commercial relationship.▪ The park manager and the commercial operator will ensure, during all stages of the lifecycle of the concession agreement, that appropriate commercial and environmental skills are utilised.▪ The establishment and operation of concession agreements will be completed under an agreement for full transparency in the processes, approvals and obligations required of all parties.▪ Both parties will use their best endeavours to minimise the concession establishment period, including assisting with the obtaining of approvals from other external parties.

These Value Statements have been incorporated into the final CBM, which is detailed in Appendix 8.

7.4 Final CBM (after user feedback)

The final CBM (being the primary output from this research) is detailed in Appendix 8, and consists of four key components:

- (d) *The Commercial Concession Agreement Values Statement*
- (e) *The Concession Conceptual Framework*
- (f) *The Concession Complexity Model*
- (g) *The Concession Selection and Management Process*

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These four components and the interaction between each of the components represent the total commercial business model. This interaction, which is represented in Figure 7.2, is an important feature of the effective application of the total model.

The *Commercial Concession Agreement Values Statement* represents import values which must be embedded within all interaction between the park manager and the commercial operator in the establishment and conduct of commercial concession arrangements. The *Concession Conceptual Framework* provides the overarching park management environment over which concession management is to occur. This framework is predominantly dictated by the external environment and is not subject to variation in the short term (although long-term change may be feasible). The *Concession Complexity Model* has been developed within the internal and external confines of this Concession Conceptual Framework. The application of the *Concession Complexity Model* assists in the determination of the appropriate approach to the initiation and management of individual concessions and, more importantly, identifies approaches which would not be appropriate. The *Concession Selection and Management Process* outlines the important steps in the development, awarding and operation of concessions.



Chapter 8: Conclusions and Future Research

At the conclusion of this research project it is appropriate to consider the outcomes of the research along with possible future refinements. This has been completed in the following chapter, commencing with Section 8.1 which considers the outcome of the research from the view of answering the primary research question (as initially detailed in Chapter 1) along with the articulation of the final CBM for Victoria (being the primary output from the research) and the possible inhibitors to the conduct of commercial activities in Victoria's national parks. Section 8.2 outlines the potential applicability of the Victorian CBM to other national park jurisdictions in Australia, while Section 8.3 re-iterates restrictions on the areas of application of the CBM. Finally, Section 8.4 outlines areas identified during the conduct of this research which require further examination, but which are outside the scope of this research project.

8.1 Summary of Research Findings

8.1.1 The Research Questions

The initial intent of this research was to examine the currently available business models for undertaking tourism and support service based commercial activities in Victoria's national parks and, based on this, to develop a commercial business model for conducting commercial activities in national parks which also protects the natural values of the national park. This CBM was to provide the basis for the structuring of commercial activities in national parks in Victoria, be applicable across a broad range of business activities, legal structures and legal agreements that are associated with commercial activities in national parks, provide a basis for ensuring natural values (encompassing the protection of natural flora and fauna species) are maintained, and take into consideration the needs of all the stakeholders (i.e. the private sector capital return requirement, the need for funding for park maintenance, the need for accessibility etc). Based on these objectives, the primary research question to be answered was:

<p>What are the current business models for providing tourism and support service based commercial activities in national parks, what aspects of these approaches would be regarded as best practice and how effective are they in meeting the visitor service and natural value protection needs of the parks managers?</p>
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This question can be split into three core areas which required attention being:

- Identification of the current business models for providing tourism and support service based commercial activities in national parks.
- Identification of the aspects of these approaches which would be regarded as best practice.
- Consideration of how effective the current models are in meeting the visitor service and natural value protection needs of the parks managers.

The results of the research in answering these three aspects of the primary research question follows.

Aspect 1: Identification of the current business models for providing tourism and support service based commercial activities in national parks.

Chapter 4 examined the business models used in Victoria (and to some extent Australia) along with a number of other countries (Canada, USA, New Zealand and South Africa) and identified a number of consistencies in approach along with some differences. In all cases, use of commercial operators for the conduct of commercial activities was being encouraged as the preferred approach to providing visitor services and core visitor infrastructure while also providing an important additional revenue stream to the park manager.

The basis behind all the models was the use of the concession arrangement and, in particular, the segregation between:

- a simple concession (often called a licence or permit) for basic services (eg guided tours) with this agreement requiring minimal financial investment by the operator and being for a short period, and
- a complex concession (often called a lease) for the provision of a range of services (e.g. accommodation facilities with food services) with this agreement requiring significant financial investment along with business acumen and being for a longer period of time.

However, the research into current practices also identified that there was no clear and detailed articulation of a CBM. While research had been completed into the development of a CBM, the research suffered from a number of potential deficiencies – the models developed did not encompass the complete concession process, did not provide sufficient detail to be useful (to the potential user) and/or did not consider the requirements of all participants in the

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concession process. It was clear, from this research, that there was a need for the development of a comprehensive independent CBM of sufficient detail to be useful to the Victorian park manager.

Aspect 2: Identification of the aspects of these approaches which would be regarded as best practice.

The review of the existing international commercial business models, along with the evaluation of the specific application of the Victorian model, identified a number of areas which were consistently used by all jurisdictions examined and which could, therefore, be regarded as best practice while also highlighting potential areas of poor practice. This comparison of commercial business models identified that:

- While there were similarities in the statutory mandate - all park managers examined were mandated to provide for enjoyment of the national parks while leaving them in an unimpaired condition – there were also significant differences in the emphasis between visitor services and preservation. Park managers with a conservation focus attempted to restrict a number of commercial activities, while the commercially focussed park managers continued to permit a number of potentially environmentally damaging commercial activities. Irrespective of this philosophical difference, all park managers were committed to the use of concession arrangements for the provision of visitor services.
- Key areas of comparable practice across the park managers examined were:
 - The use of simple and complex concessions.
 - The use of fixed contractual arrangements for simple concessions with complex concessions, while still being based on a standard contractual form, also having a number of aspects subject to negotiation.
 - Concession management and procurement for complex concessions was, in all cases, managed by a specialist (central) unit with access to commercial (but not necessarily environmental) expertise.
 - All park managers operated a process for complex concessions which was transparent and focused on maximising the competitive environment.

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- The use by virtually all park managers of a developed concession evaluation criteria for application across all concession, with this criteria amended to meet the needs of specific concessions.
- The use of a fixed price charging regime for simple concessions, with complex concession pricing being subject to negotiation.
- There were also identified a number of areas of significant variation in the approaches adopted by park managers. In particular:
 - Significant differences in the period of concession tenure existed ranging from one year up to 50 or more years.
 - The approach to the pricing of concession services to the consumer varied, with visitor service pricing responsibility being retained by the park manager in some cases while in others full responsibility was handed to the concession operator.
 - A key difference was the approaches taken to the use of revenue earned by the park manager from commercial activities occurred. In the USA proceeds were distributed to the individual park and the park management agency based on a pre-determined formula whereas in Victoria proceeds are predominantly directed to State consolidated revenue.

Based on the output from this review of existing commercial business models used, along with the park manager and commercial operator interviews and the review of a number of existing concession agreements, a number of key themes and issues were identified, evaluated and incorporated into the final CBM (with these effectively representing identified areas of best practice). The more important areas identified were:

- Philosophical position
 - > The need to establish a co-operative partnership based trust between the parties (rather than an adversarial approach).
 - > The need to apply transparent procedures while minimising the extent of bureaucratic process.
- Concession structures
 - > Provision of concession structures and agreements appropriate for the type of service being provided.
 - > Using simple concessions (or licences) for the provision of basic services and complex concession agreements (or leases) for more complex service requirements.

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- > Clearly relating the concession tenure period to the investment requirements of the concession including considering the life of any assets utilised along with the period required for the commercial operator to achieve an adequate financial return.
- > Providing concession arrangements which support the sourcing of appropriate lending facilities by the commercial operator.
- Commercial requirements
 - > Determining a lease payment mechanism and financial requirement that is a fair reflection of the obligations of the commercial operator along with a fair return to the park manager.
 - > Using appropriate business value approaches to determine lease payments and structures rather than property value approaches.
 - > Including in concession agreements requirements which promote innovation by the commercial operator and allows for commercial flexibility.
 - > Ensuring that the commercial operators have the necessary experience and financial resources required to provide the concession services along with an appropriate affinity to the important of maintaining natural values and environmental protection.
 - > Ensuring the agreement has sufficient flexibility to enable future variations (as required).
- Environmental requirements
 - > Including in concession agreements clear and comprehensive requirements which focus on achieving the desired environmental outcomes.
 - > Using a combination of specified natural value protection requirements along with performance incentives in the implementation of the environmental objectives of concession agreements.
 - > Ensuring the environmental requirements has sufficient flexibility to enable them to be amended in the future (if required).
- Operational arrangements
 - > Establishing clear communication procedures between the park manager and the operator involving all relevant levels of park management.
 - > Involving the commercial operator in the on-going planning for the individual national park.
 - > Adopting co-operative marketing programs, including the development of joint marketing strategies, to enhance the visitation and development of the national parks.
- Park management agencies

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- > Committing appropriate resources to developing potential products to ensure the offering is of sufficient substance to be attractive to the private sector.
- > Ensuring that the parties involved in establishing a concession have the required business acumen and conservation values to constructively facilitate the negotiations.

During the completion of the research required to develop the CBM a number of external environmental trends were identified which may impact on future commercial relationships, these being:

- the growing use of land adjacent to national parks for the establishment of commercial ventures (including some which impinge into the national park itself)
- the growth in the number of private sector owned conservation reserves, normally by not-for-profit organisations with an environmental protection focus
- the use of conservation agreements or covenants to promote ethical land management in the private sector, and
- the increasing involvement of indigenous communities in the operations of national parks (including the provision of commercial services).

The implications of these initiatives are potentially significant for the provision of commercial services in the future and any commercial business model needs to be sufficiently flexible to allow for these future changes. In particular:

- Park managers need to ensure that they include indigenous communities and organisations in the planning, development and delivery of commercial services in the future.
- The various levels of Government should consider the need to establish appropriate property rights and procedures for the sale and management of conservation reserves with appropriate environmental covenants.
- Park managers need to consider appropriate protocols for expanding commercial arrangements to encourage private sector involvement in conservation where benefits are also enjoyed by the community.
- Maintaining conservation values should be expanded into a greater shared public-private sector role incorporating the use of private conservation reserves for conservation protection.
- The increasing use of park boundaries will place pressure on government to establish compatible zoning on the edges of parks while also placing pressure on park managers to expand their areas of influence.

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While important, the majority of these implications extend beyond the structure of a CBM into the delivery of the core activities of park managers.

Aspect 3: Consideration of how effective the current models are in meeting the visitor service and natural value protection needs of the parks managers.

The important conservation values of national parks were considered in Section 2.3 (The Environmental Importance of National Parks) of Chapter 2 while Section 2.2 considered the value drivers of national parks. The natural values of importance which warrant protection included:

- protection of the natural habitat, including flora and fauna protection where national parks are the domain for a large number of protected and endangered species
- provision of support for the maintenance of biodiversity
- maintenance of air and water quality (with national parks providing important water catchments' areas
- environmental education, and
- continuation of sustainable business practices.

Many of these natural values can be impacted by commercial activities in national parks (e.g. impacts of visitor trampling of flora, use of incorrect chemicals, feeding of fauna, cutting of trees for firewood, use on non-bio-degradable products etc).

The current (global) approach of park managers in meeting these natural value protection needs, when providing commercial services in national parks, is one based on a regulatory approach where concession agreement include specific environmental requirements. For simple concessions these tend to be based on a defined set of parameters. Environmental requirements for complex concessions are established on a case-by-case basis, with the resulting outcome being the establishment of minimal requirements. This approach is inadequate as it provides the commercial operator with significant freedom which, in some situations, has resulted in inappropriate environmental practices.

This concession agreement based approach focuses on the delivery of minimum standards rather than best practice. Protection of the natural values in national parks would best be

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served by the use of a combination of approaches - market incentives, concession based controls and education.

The completion of the research required to answer this primary research question, along with the analysis of the results of this research, provided the basis for the development of the final CBM.

8.1.2 The Commercial Business Model

Based on the research completed a proposed CBM for undertaking commercial activities in Victoria's national parks has been developed, with the final model being detailed in Appendix 8. This model has been developed for use by park managers in their on-going relationships with concessionaires, but the model does present both the park manager and the commercial operator with some significant challenges.

In particular, the application of the model requires both parties to adopt a set of *Value Statements* which will have a significant impact on the nature of the public-private sector relationship going forward. These *Value Statements* provide the philosophical underpinning of the total CBM, and include the requirement for the parties to operate in a true atmosphere of trust and partnership – a philosophical position that has not existing in the past.

The remaining three components of the CBM – the *Concession Conceptual Framework*, the *Concession Complexity Model* and the *Concession Selection and Management Process* – provide the core components for the structuring and operation of the relationship over the lifecycle of a concession agreement. Importantly, the CBM will assist the park manager to allocate the appropriate resources to the development of the concession offering and the appointment of the commercial operator while also assisting in the identification of a commercial operator which is capable of meeting the service needs of the concession. This guidance will improve the efficiency of the park manager, improve the level (and cost) of the service being offered to the national park visitor and reduce the level of conflict between the park manager and the commercial operator (while also assisting in the protection of the natural values of the impacted national park). This assistance to the park manager will also have flow-on benefits to the commercial operator through an improved business relationship with the park manager along with (hopefully) an enhanced financial return.

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The application of these components also places substantial challenges on all parties. To be successful there is a need for a significant improvement in the commercial skills of the park managers. The commercial operators, similarly, need to develop a better understanding of the conservation requirements of the park managers along with an improved appreciation of the structural constraints under which the park managers are required to operate. Importantly, the communication level and open exchange of information between the park manager and the commercial operator needs to improve significantly in both frequency and scope for the commercial businesses to operate effectively.

8.1.3 Other Constraints on Commercial Activities

In developing the CBM one of the initial requirements was to establish the conceptual framework and environment around which it was necessary to complete the commercial activities. This framework (which is represented by the *Concession Conceptual Framework* component of the total CBM) represents, in a number of situations, constraints around which the model has been structured. In the short to medium term these are factors which are not subject to change and, therefore, it has been necessary to develop the model around these factors.

However, the research completed identified a number of these constraints which may be inhibitors to the completion of commercial activities in national parks and which need to be re-evaluated in the medium to long-term. Areas for consideration for change are:

- *Distribution of commercial revenues earned* – under current arrangements revenues earned by Parks Victoria are, in the majority of situations, returned to general revenue for the State rather than being directly available to Parks Victoria. There is a strong argument that these funds should be available to the parks management agency for use in the management and maintenance of the parks.
- *Concession periods* – legislation restricts licence periods to no more than 3 years with leases having a maximum of up to 21 years. Such constraints are restrictive, particularly for complex concessions requiring major investment by the commercial operator in assets with a life significantly in excess of 21 years. An extension to this restrictive requirement may encourage further private sector investment.

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- *Ministerial approval* – Under current processes leases in national parks are subject to Ministerial approval, which introduces the increased potential for political interference in the awarding of a concession agreement while also extending the approval time required.

8.2 Ability to Transfer the CBM to Other Park Jurisdictions

The CBM developed in this research has been orientated towards Victoria's national parks based on experiences within the Victorian environment and, therefore, has a number of specific requirements and processes which are directed towards satisfaction of specific legislative requirements. As such, specific aspects of the CBM are not directly transferable to other jurisdictions or to other forms of land based recreational activities (and particularly the *Concession Conceptual Framework*, and the *Concession Selection and Management Process* components).

However, the CBM does provide the basis for the development of comparable models for application in other jurisdictions. In particular, the structure of the four key components of the model (the *Values Statement*, the *Concession Conceptual Framework*, the *Concession Complexity Model* and the *Concession Selection and Management Process*) provide the basis for the development of individual CBMs for other jurisdictions.

In Section 8.4 one of the areas identified for further research is the need to establish a uniform approach across Australia for the management of commercial concessions. There are high degrees of similarity between all national parks across Australia (e.g. natural value protection requirements, increasing visitor numbers (both national and international), visitor requirements, needs for core visitor infrastructure etc). The concept of State boundaries, for national parks and the role in the Australian community, represents an artificial construct which constrains accessibility and development. The potential to use this CBM for the establishment of a uniform approach across Australia for the management of commercial concessions is significant.

8.3 Other Limitations on Research Applications

Section 8.2 considers the application of the CBM across national parks in the States of Australia. There are also other jurisdictional differences which result in similar restrictions. In particular, the CBM developed is for application within national parks in Victoria. The

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park manager of Victoria's national parks also has responsibility for the management of other types of reserved land (such as State parks. As the management of national parks is controlled by a different legislative framework to other reserved land with there being significant differences between the two legislative frameworks, the CBM developed by this research cannot be applied to other reserved land in Victoria (although again, the principles are relevant across all types of reserved land).

There are also significant differences in the requirements for managing a land based national park as opposed to a marine park (e.g. type of natural values, approach to controlling public access, scope for the provision of private sector services etc). Therefore, the scope of this research project has also been contained within the parameters of land based national parks. Again, a significant number of the principles established are transferable to the management of marine parks.

8.4 Areas for Future Research

As with any substantive research project, the work completed in many ways raises as many questions as it answers. In particular, the research completed has identified a number of areas which would benefit from the completion of additional research. These represent areas which, while outside the scope of this research, would provide additional valuable information and/or would further assist in the efficient conduct of commercial activities in national parks. Detailed below are a number of areas identified during this project which would be appropriate for further research.

- *Development of a uniform approach across Australia* – this research has focused on the development of a model applicable to Victoria. However, there is clearly a need to complete comparable research to develop a uniform commercial business model for the granting and controlling of concessions for application across all of Australia. Such a model has the potential to increase the services available to visitors, to reduce concession management costs (for the commercial operator and the park manager) and to improve the infrastructure in national parks.
- *Involvement of other Government Agencies* – Commercial operators expressed concern over the number of other Government agencies they were required to communicate with

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in establishing a commercial venture (in addition to Parks Victoria), with one operator indicating there were 39 separate direct or indirect Government agencies they needed to meet with and/or gain approvals. The agencies cover such diverse areas as building approvals, environmental planning agencies, food standards agencies, consumer affairs agencies, various accreditation agencies etc. While the 'cost of red tape' is a regular refrain of business, it is also an area which may benefit from further research to determine an approach of rationalisation which may benefit the commercial operator and the park manager.

- *Visitation research* – The objective of providing commercial facilities in national parks is to enable the satisfaction of the needs of the visitor. However, the extent of information on the number of visitors to national parks, the demographics of the visitor and the needs (current and future) of these visitors is restricted. While some information is available at an individual State level, this information is not sufficiently detailed and is not consistently sourced across Australia.
- *Encouraging best environmental practice* – the guidelines and frameworks for encouraging positive environmental practices (by both visitors and commercial managers) is currently inadequate. The current approach is the use of legislative requirements with little consideration given to the effectiveness of other methods, such as positive incentives. Research directed towards the establishment of Australia-wide guidelines encouraging the protection of natural values would be of significant benefit. These guidelines, which may be a combination of legislative requirements and performance incentives, would assist in the establishment of the environmental objectives of concession agreements.
- *Integration of private reserves with public national parks* – In other countries, particularly South Africa, private wildlife parks have become as important in conservation protection as public national parks. In Australia the number and range of private conservation reserves is continuing to increase. While the operators of these reserves are competitors to national parks they are also focussed on the continued conservation of flora and fauna species and land forms. Research into approaches to enable the private conservation reserves and park management agencies to operate in cooperation would benefit both parties.

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The final area for future research relates to the application of this CBM. While the model has been developed based on the currently known facts and perceptions, these are subject to regular change and variation as is the basic conceptual framework. It is recommended that, at some time in the future, the application of this Commercial Business model (or any variation thereon) be subject to further review. This review process is necessary to ensure that the model is effective in its application and to identify any further refinements required.

8.5 Conclusions

This research reports on an investigation into the current business models for providing tourism and support service based commercial activities in national parks and recommends a future CBM for the undertaking of these activities. The investigation included an examination of current practices based on a consideration of legislative requirements, current Victorian, national and international practices and the identified experience of existing commercial operators and park managers. It also included the identification of the natural values which are considered as being of importance in national parks along with the extent to which the conduct of commercial activities in Victoria's national parks considers the protection of these natural values.

The results reported show that the current approaches used by the Victorian park manager are not well structured with a number of inherent inefficiencies. While there is a defined process for the establishment and conduct of commercial activities, the processes are not consistently applied and do not support efficient service provision. The approach of the park manager does not encourage the expanded use of the private sector for providing services in national parks or the establishment of an efficient partnership relationship with commercial operators. There is a lack of coordination between the activities and objectives of the park manager and the commercial operator resulting in conflict, inefficient and potentially costly service provision and ultimately the potential for financial failure. The current approach also places minimal emphasis on the identification and monitoring of the actions required by the commercial operator to protect the natural values of these national parks.

A recommended future CBM has then been developed which addresses the identified inadequacies of the current approaches. The resulting commercial business model provides

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park managers with a framework for identification and structuring of commercial business activities, practical guidance on the actions required in the completion of a concession process and identification of a number of the relevant issues which need to be considered and addressed in establishing and managing a national park concession. The application of this CBM will also contribute to an improved appreciation of the importance of understanding and fostering a positive cooperative relationship between the park manager and the commercial operator.



Abbreviations and Glossary



Abbreviations and Glossary

ACT	Australian Capital Territory
ANZECC	Australian and New Zealand Environment and Conservation Council
AOEs	Agency operated enterprises – commercial operations operated by the park management agency.
Bioregions	Biogeographical regions, or bioregions, describe areas that have broadly similar ecological characteristics across the landscape.
BOOs and BOOTs	Build Own Operate and Build Own Operate Transfer schemes, being two types of a type of approaches for funding and conducting projects involving the public and private sectors.
CAPAD	Collaborative Australian Protected Areas Database
CBM	Commercial Business Model
Concession Unit, Central Concession Unit or Commercial Division	The unit or division within the park management agency responsible for the management of concessions.
CPI	Consumer Price Index, a measure of the inflation rate in Australia.
CPS or PCA	Canada Parks Service or Parks Canada Agency, the national park management agency in Canada.
CSR	Corporate social responsibility
DITR	Department of Industry Tourism and Resources, a department of the Government of the Commonwealth of Australia.
DOC	Department of Conservation, the department of the Government of New Zealand responsible for the management of New Zealand's national parks.
DOI	Department of the Interior, the department of the Government of

Abbreviations and Glossary

	the USA which is responsible for the National Park Service.
DSE	Department of Sustainability and Environment, the department of the Government of the State of Victoria with oversight responsibility for the parks management agency, Parks Victoria.
Ecotourism	Ecotourism is nature-based tourism that involves education and interpretation of the natural environment and is managed to be ecologically sustainable. Ecotourism is a subset of nature-based tourism (Commonwealth Department of Tourism 1994).
EOI	Expression of Interest, a part of the tender process where potential operators submit expressions of interest in the provision of the requested service. From the EOI process, a short list of potential suppliers is determined who are then asked to submit an RFT.
LTos	Licensed Tour Operators, being commercial operators licensed to provide a tourism service in a national park in Victoria.
IUCN	International Union for the Conservation of Nature
KPI	Key performance indicator
National Park	Natural area of land and/or sea, designated to (a) protect the ecological integrity of one or more ecosystems for present and future generations, (b) exclude exploitation or occupation inimical to the purposes of designation of the area and (c) provide a foundation for spiritual, scientific, educational, recreational and visitor opportunities, all of which must be environmentally and culturally compatible (IUCN 1994).
NFP	Not for Profit organisation, private sector organisations with social focus (rather than a profit motive). All profits are used to further the social objectives of the entity (e.g. environmental protection).
NH&MRC	National Health and Medical Research Committee
NPS	National Park Service, the park management agency in the USA.
p.a.	per annum

Abbreviations and Glossary

PoM	Plan of Management – referring to the plans of management that are prepared for national parks and other protected areas.
PPPs or PFIs	Public Private Partnerships or Public Financing Instruments – being a type of approach for funding and conducting projects involving the public and private sectors.
Ramsar	Convention on Wetlands, signed in Ramsar, Iran, in 1971 is an intergovernmental treaty which provides the framework for national action and international cooperation for conservation and wise use of wetlands and their resources. There are presently 136 Contracting Parties to the convention with 1283 wetland sites totalling 108.7 million hectares designated for inclusion on the Ramsar List of Wetlands of International Importance.
RFT	Request for Tender, a process where potential suppliers are requested to submit applications for the provision of a service.
SANPT	South Africa National Parks Trust
USA	United States of America

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Appendices



Appendix 1 – Environmental Values of Victoria’s Park System



Environmental Values of Victoria's Park System

Parks Victoria has completed an extensive evaluation of the total Victorian park system, with the outcome being the *State of the Parks 2000* (Parks Victoria 2000), which for the first time presents a consolidated picture of the environmental values protected in Victoria's parks and reserves. A summary of the key findings from this report follows.

Bioregions and Vegetation

- Parks and reserves play a key role in protecting biodiversity in all 22 of Victoria's bioregions¹¹ (which form part of the national bioregional framework for terrestrial and marine environments).
- Victoria has a wide range of vegetation communities that reflect the extensive variation in climate, soils and topography across the State.
- Indigenous vegetation communities support not only the unique range of flora found in parks and reserves but also provide critical habitat for native fauna.
- Significant depletion of vegetation types has occurred in Victoria and the Victorian parks system play an important role in rectifying this:
 - Seven of Victoria's 28 vegetation types have been substantially reduced in area since 1750.
 - These most depleted vegetation types are protected in 170 different parks and reserves.
 - The parks and reserves in Victoria conserve between 7% and 41% of what remains of these vegetation types.
 - Parks and reserves protect about 39% of all of the indigenous vegetation that remains in Victoria. All of the 28 indigenous vegetation types are represented in the parks and reserve system.

Flora and Fauna Protection and Diversity

Victoria's parks and reserves play a major role in protection our indigenous flora and fauna, as is demonstrated by the table below.

¹¹ Biogeographical regions, or bioregions, describe areas that have broadly similar ecological characteristics across the landscape.

Appendix 1 - Environmental Values of Victoria's Park System

Flora and Fauna Protection in Victoria's Parks

	Flora	Fauna
Indigenous species protected in parks and reserves:		
- number of species	>3,600	>800
- % of total in Victoria	91%	62%
Number of species protected which are found:		
- nowhere else in the world	44	12
- nowhere else in Victoria	63	
Overall extent of protection of species	81%	82%
Number of threatened indigenous species in Victoria:	1,652	253
- number of these protected in parks and reserves	1,108	231
- number of these protected which only occur in national parks	465	
(A threatened species is at risk of extinction)		

Visitor Impacts

As noted by Parks Victoria in completing this research, there is a major lack of research into the actual impacts of visitors on the natural values of parks (see Parks Victoria 2000, p.74). Therefore, the research completed provides one of the first guides in Australia to the potential environmental damage being caused (or which may potentially occur in the future) as a result of visitor impacts. This research indicates that:

- The majority of the 28 million visitor-days in parks are concentrated in less than 30 parks (meaning that, in general visitor impacts are highly localised).
- Trampling of vegetation and some disturbance of wildlife occur at high-use visitor nodes in 20 of Victoria's most popular parks, with 13 of these being national parks. (High-use nodes experience large numbers of annual visitors, mostly up to 50,000.)
- A total of 162 high use visitor and transit nodes (96 visitor and 66 transit) have been identified with:
 - evidence of impacts such as trampling, compaction of root systems and removal of trees or limbs for firewood being recorded at 105 of the nodes, and
 - there being some evidence of impact on threatened species in 57 of the 162 high use nodes.
- Of the 96 high-use visitor nodes:
 - 59 occur in national parks

Appendix 1 - Environmental Values of Victoria's Park System

- 40 of the 54 high-use visitor nodes with visitation greater than 25,000 per annum occur in the 13 national parks, and
- of the 32 recreational activities investigated, 26 were considered to have actual or potential impacts on threatened species in at least one location.

(All information in this appendix has been sourced from *State of the Parks 2000* (Parks Victoria 2000).)

Appendix 2 – Licensed Activity Summary in 2003



Licensed Activity Summary (in 2003)

Activity	No. of operators licensed for activity	No. of licensed recreation opportunities	Locations Offered
Abseiling	37	186	47
Ballooning	1	3	3
Bicycle Touring	16	45	42
Birdwatching	34	170	98
Boat Tours: Motorised	12	18	13
Boat Tours: Non-motorised	3	4	4
Bushwalking	113	792	212
Camel Riding	1	1	1
Canoeing / Kayaking	42	243	95
Car / Limousine Tours	2	16	11
Caving	15	37	16
Coach/Bus Tours	62	350	114
Diving	4	5	4
Dolphin Tours	1	1	2
Fishing	13	63	34
Fossicking/Prospecting	6	18	14
Four Wheel Drive Tours	45	299	126
HangGliding	1	1	1
Heritage Tours	3	5	5
Horse Riding	18	35	30
Horse-Drawn Wagon Tours	2	9	9
Mountain Bike Riding	39	152	79
Rafting	31	176	63
Rock Climbing	37	176	43
Sea Kayaking	11	34	19
Ski Touring	19	39	17
Snow Shoe Tours	7	12	4
Spotlight Tours / Nightwalks	21	87	64
Surfing/Surf Education	9	16	6
Trail Bike Tours	7	34	18
	612	3,027	

Source: Information supplied by Parks Victoria.

NOTE: As a point of comparison, approximately 3000 licences and permits have been issued to commercial tourism operators by parks agencies authorising them to operate their businesses in Australian National Parks (TTF Australia 2004, p.9).

Appendix 3 – Victorian Concession Activities, Types and Tenure



Victorian Concession Activities, Types and Tenure

ACTIVITY	Leases	Licences	AOE
Accommodation/Chalet/Lodge	21		±
Arboretum Management		3	
Campground	7-21		±
Caravan Park	7-21		±
Cave Complex/Tours	7		±
Commercial Vehicle Tour Operations		3	
Community Building/Facility	5+5+5		
Dog Training		3	
Ferry Services		5	
Go Kart Track	8		
Golf Courses	10-21		
Golf Driving Range	Monthly - 21		
Guided Tours – Boat, Bushwalking, Abseiling		3	±
Hot Air Ballooning		1-3	
Hotel/Tavern	21		
Interpretive Centre	3-21		±
Kiosk	3-21	3-10	
Kiosk - Mobile		1-3	
Lighthouse	21		
Nightclub	21		
Nurseries	3-10		
Outdoor Cinema	7		
Recreation/Sporting Club	21		
Recreational Equipment Hire – Boats, Bicycles		3	
Residential Lease	1-3		
Research	1-21		
Restaurant/Food Services	21	±	±
Retail Shop/General Store/Merchandising	10	1-3	±
Transport Operations		3	±
Length of tenure identified for concessions is that which is currently used and is represented in years (eg. 1). Where a renewal term was identified for a concession it is shown as, for example, 1+1. Activities also completed as an Agency Operated Enterprise are indicated as ±.			
Note – Schedule includes agreements in all parks in Victoria and, therefore, the length of tenure is, in some cases, greater than that permitted in national parks.			
Source: Reconfiguration of data from Appendix D of Parks and Wildlife Commission, Northern Territory (1999), <i>Commercial Management Processes in the Delivery of Park Services</i> , a report to the ANZECC Working Group on National Park and Protected Area Management, with some data updated			

Appendix 4 – Park Manager Interview Outline



Doctor of Business Administration

Interview Framework/Outline – Park Management

**Maintaining Environmental Values
in a Commercial Environment – a Framework for Commercial
Development in Victoria’s National Parks**

David A Cochrane
Student No 3025999

Appendix 4 – Park Manager Interview Outline

1. National Park and its Manager

<p>- Features of National Park and its' manager</p>	<p>Services provided along with the financial requirements (eg entry fees)</p> <p>Extent of National Park management presence</p> <p>Structure of NP management</p> <p>Role of NP Players in commercial operations</p> <ul style="list-style-type: none">- tendering- contract negotiation- contract management <p>Relationship of NP manager with policy setting</p>
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2. National Park Objectives and the Role of the Operators

<p>National Park Objective and Roles</p>	<p>Objectives of the National Park</p>
	<p>Role of the commercial operator in achieving objectives</p>
	<p>Objective of the Commercial operator</p>

Appendix 4 – Park Manager Interview Outline

3. Approach to Service Provision and Range of Services

Service Provision	<p>Approach for determining services to be provided by the private sector</p> <p>Services provided in the Park</p> <p>Extent of integration of services with other activities in the park and the surrounding region</p> <p>No of commercial services</p> <p>No of commercial operators – monopolistic, multiple service providers etc</p>
Public sector requirements and role	<p>Specification of public sector requirement</p> <p>Involvement of public sector in operations</p> <p>Financial commitment of public sector</p>
Private sector requirements and role	<p>Specification of private sector requirement</p> <p>Involvement of private sector in operations</p> <p>Financial commitment of private sector</p> <p>Nature/structure of relationship with park manager</p>

4. Selection of Commercial Operators

Park manager selection process and criteria	<p>Approach to development of project brief</p> <p>Advertising process/approach</p> <p>Selection/tender process used</p> <p>Evaluation criteria used</p> <p>Response rate</p>
Commercial operator approach to responding	<p>Source of opportunity identification</p> <p>Approach to deciding whether to respond</p> <p>Satisfaction of information requirements</p>

Appendix 4 – Park Manager Interview Outline

5. Agreement Structure and Period

Agreement	General perception of the legal agreement
Agreement structure	Type of agreement structure used <ul style="list-style-type: none"> – lease, – licence – alien tenure – concession etc Key features of the agreement
Agreement period	Time period of initial agreement Extension options Termination options

6. Incentive Arrangements

Incentive structures	Approach to encouraging/enforcing environmental and commercial objectives; <ul style="list-style-type: none"> - voluntary - price based - regulatory - property right based Incentive structures other than financial View of effectiveness of alternative approaches
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INCENTIVE STRUCTURES USED AND THEIR EFFECTIVENESS

Incentive Structure	Specific Arrangements
Price based	Charges, levies and fees
	Performance bonds
	Performance penalties
	Performance incentives
	Pricing controls
	Conditional grants and payments
Voluntary	Accreditation processes
	Voluntary code of performance
Regulatory	Land use restrictions
	Performance requirements
	Regulatory framework
Property right based	Exclusive access rights
	Service/right transferability
	Ownership covenants
	Asset ownership rights

Appendix 4 – Park Manager Interview Outline

7. Operator Ownership and Structure

Ownership	<p>Structure of commercial operator ownership</p> <p>Large versus small organisations</p> <p>Private versus not-for-profit organisation</p> <p>Financial commitment of owners</p> <ul style="list-style-type: none"> - initial - on-going
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8. Management Structure and Arrangements

Management structure	<p>Approach to management of the organisation</p> <p>Integration with management of the total park.</p> <p>Specification of minimum governance requirements</p> <p>Preferred management approach</p>
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9. Stakeholder Management and Social Responsibility

Stakeholder relationships	<p>Identification of key stakeholders</p> <p>Nature of relationship with other stakeholders</p> <p>Scope of influence</p>
Social responsibility	<p>Role of organisation in the community</p> <p>Acceptance (and reporting) of social responsibility</p>
Environmental affinity	<p>Previous record of environmental management</p> <p>Attitude of management to natural values</p> <p>Role of service provider in environmental management in the park</p>
External environment	<p>Identification of external environmental factors</p> <p>Relevance of external environment factors</p> <p>Activities outside the park boundaries</p>

Appendix 4 – Park Manager Interview Outline

10. Performance Reporting and Control

Control and reporting mechanisms	Reporting requirements included in contractual relationship covering: <ul style="list-style-type: none">- financial reporting- social reporting- environmental reporting Informal reporting requirements Feedback processes Identification of KPIs Reporting processes and frequency
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11. Lessons from Past Experiences

12. Future Trends/Requirements of Service Provision

Appendix 5 – Review of Concession Agreement Files



Review of Concession Agreement Files Summary of Review Results

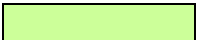



Information Sources

The files were all reviewed at the premises of Parks Victoria over three separate days, with all accessible information being made available.

For some of the concessions, the files did not contain all the necessary information. Therefore, the information used for the completion of the concession review was supplemented by discussions with the Concession Manager along with a search and review of secondary information sources (such as newspaper and journal articles).

Overall Success Rating of Concessions

To facilitate the analysis of the results, an assessment of the relative success of each of the concessions has been completed, with the concession being classified based on the following:

Successful	
Satisfactory	
Unsuccessful	
Financial Failure	

The classification has been based on a review of a number of key factors, being;

- Perceived satisfactory service delivery
- Length of time of establishment process
- Satisfaction of financial obligations
- Perceived satisfaction of environmental requirements
- Extent of disputation evident between the park manager and the commercial operator
- Perceived cooperative nature of the relationship between the commercial operator and other stakeholders.

Recording of Information on Summary Schedules

- Summary schedules have been prepared based on the key groupings of themes used in the conduct of the Park manager interviews (refer Appendix 4), updated for the outcomes of the park manager interview process.
- Where the information was not available, there has been no entry recorded in the summary schedule.
- If a particular area was not applicable for the specific concession, N/A is recorded.

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Activity Area: Areas of Service Provision

		Accommodation	Camping	Meals	Refreshments / Souvenirs	Equipment Hire	Weather Observation	Tourism Booking	Visitor Information Services	Education / Interpretive Services	Self-guided Tours	Guided Tours	Bushwalking / Canoeing	Sundry Services	Maintenance / Cleaning
A	Lease	Y		Y	Y	Y		Y	Y						Y
B	Lease			Y	Y				Y						Y
C	Lease			Y	Y										Y
D	Lease	Y	Y		Y				Y	Y		Y			Y
E	Lease			Y	Y			Y	Y						
F	Lease	Y	Y	Y	Y	Y	Y	Y	Y		Y				
G	Lease	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y				
H	Lease			Y							Y	Y			
I	Lease	Y		Y	Y			Y			Y	Y			
J	Lease				Y						Y				
K	Contract														Y
L	Permit			Y	Y										
M	Permit	Y	Y					Y	Y						
N	Permit												Y		
O	Permit													Y	
P	Permit		Y	Y	Y	Y			Y						Y

Summary Comments/Identified Trends

The review completed covered a wide range of service offerings in different environments, from the individual offering to a combination of services.

Each concession was providing the services detailed within one national park, as the park manager does not issue concession agreements covering more than one park.



Appendix 5 – Review of Concession Agreement Files Summary of Review Results

Activity Area: Needs Identification and Specification

Key Attribute		Approach for determining services to be provided by the private sector	Extent of integration of services with other activities in the park and the surrounding region	No of commercial operators – monopolistic, multiple service providers etc
A	Lease	Developed by Central Unit	None identified	Monopoly - and option of further extension to other areas
B	Lease	Redevelopment opportunity	Partial integration	Monopoly
C	Lease	Redevelopment opportunity	Facility is beside the NP so main need is protection	Monopoly
D	Lease	Developed by Central Unit	Lease is for a wide range of services	Monopoly
E	Lease	Opportunity identified by commercial operator	Not integrated	Monopoly
F	Lease	Developed by Central Unit	Not integrated	Monopoly
G	Lease	Developed by Central Unit	Not integrated	Monopoly
H	Lease	Developed by Central Unit	Represents the primary asset in the site, but not integrated with the surrounding national park	Monopoly
I	Lease	Developed by Central Unit, with further expansion by ultimate commercial operator	Needed to be fully integrated. Operator is primary service provider. (1)	Monopoly
J	Lease	Developed by Central Unit	Represents the primary asset in the site, but not integrated with the surrounding national park	Monopoly
K	Contract	Re-tender of existing service	Not integrated	Monopoly
L	Permit	Developed using external advisor service by local park manager	No integration included in requirements	Monopoly
M	Permit	Developed by local park manager	No integration included in requirements	Monopoly
N	Permit	Initiated by operator	No integration included in	Monopoly for part, in competition

Summary Comments/Identified Trends

Key trends evident are:

- There is minimal extensive consideration given to the identification and development of the opportunity, with this being either at the instigation of the regional manager, the Central Unit or the potential commercial operator.
- Minimal consideration is given to the approach to integration of the concession into the total operations of the national park.
- For leases, all concessions represent monopoly business opportunities.
- For the sample of licenses selected the majority are monopoly opportunities, but this is in part a reflection of the services provided. Provision of licenses in other single service areas (e.g. guided bushwalking) would result in increased competitive concession operators.

Development of viable concession opportunities appears to be inhibited by the inherent process (e.g. difficulty in combining services within or across national parks).

Also, while a process for product development is established, this process does not appear to be extensively used (although the process has only recently been put in place).

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Key Attribute		Approach for determining services to be provided by the private sector	Extent of integration of services with other activities in the park and the surrounding region	No of commercial operators – monopolistic, multiple service providers etc
			requirements	with other service providers for other services
O	Permit	Developed by local park manager	No integration included in requirements	Monopoly
P	Permit	Permit for existing operations	No integration included in requirements	Monopoly
<p>(1) When tendered, operator also wanted to manage an adjacent campground (also under the control of the park manager). However, this was excluded from this tender, and needed to be considered separately.</p> <p>(2) In considering product offering noted that the region business manager had completed a specific form for the proposed concession, which required a consideration of strategic fit, stakeholder management, relevant site information, a financial and economic analysis, environmental considerations, project risk analysis, product design and an options analysis. This reinforces that a number of the necessary processes may be in place but that they are not adequately used and that there does not exist the necessary skills to adequately complete these considerations.</p>				

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Activity Area: Park Manager Concession Selection Process and Criteria

Key Attribute		Approach to development of project brief		Advertising process/approach		Selection/tender process used		Evaluation Criteria used						Approach to contract negotiation	
Specific Approach		Role of park manager	Extend of centralisation	Individual approaches	Advertising medium used	EOI/RFT	Independent evaluation panel	Vision	Management	Financial	Environment	Social	Experience	Risk exposure	
A	Lease		Highly centralised			Full EOI									
B	Lease	Assisted with specification	Centralised		Advertising done by park manager	Full EOI (similar to RFT)		Y	Y	Y	Y (1)	N	Y	N	Normal negotiation process - appears adversarial. Took over 12 months to do
C	Lease	Assisted	Highly centralised due to past problems	Yes - appointed agent	Yes - extensive advertising	Full EOI (similar to RFT)	Yes - one independent. Some from Central Unit and chief ranger	Y	Y	Y	Y	Y	Y	Y	Had a property based valuation done to ensure get adequate return. Negotiation was hard but realistic with park manager giving away some important areas. Took a year to finalise
D	Lease														
E	Lease	Minimal role	Highly centralised			RFT									Had a property based valuation done. Negotiation process took over 2 years
F	Lease		Centralised		Advertised	RFT									Extended negotiation process
G	Lease					RFT									
H	Lease	Developed by region	Region with help of central			RFT									

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Key Attribute		Approach to development of project brief		Advertising process/approach		Selection/tender process used		Evaluation Criteria used							Approach to contract negotiation
Specific Approach		Role of park manager	Extend of centralisation	Individual approaches	Advertising medium used	EOI/ RFT	Independent evaluation panel	Vision	Management	Financial	Environment	Social	Experience	Risk exposure	
I	Lease	Board sub-committee formed	Highly centralised			RFT									
J	Lease				Advertised	Full EOI process									
K	Contract	Mainly park manager developed	Assistance of Central Unit		Advertised in papers	RFT	Yes - park mgr and two from Central Unit	N	Y	Y	Y (1)	N	Y	N	Fixed arrangement – minimal negotiation
L	Permit	Used advise of external	Controlled from Central Unit		Advertised in papers	RFT	Panel formed with Central Unit and external	Y	Y	Y	N	N	Y	Y	
M	Permit	Issue of permit	Minimal					Clear focus on ecotourism and environmental values in park manager supplied documentation and response of operator Business Plan							
N	Permit	Initiated by operator with park manager assistance	Minimal			RFT									Standard permit with specific requirements for provision of defined service
O	Permit	park manager	Minimal												Continuation of existing contract, with renegotiated terms
P	Permit	Predominantly park manager	Predominantly park manager												
(1) Environmental aspects included, but very general in nature.															

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Key Attribute	Approach to development of project brief		Advertising process/approach		Selection/tender process used		Evaluation Criteria used						Approach to contract negotiation
	Role of park manager	Extend of centralisation	Individual approaches	Advertising medium used	EOI/RFT	Independent evaluation panel	Vision	Management	Financial	Environment	Social	Experience	

Summary Comments/Identified Trends

- The general lack of information suggests that a formal evaluation criterion has not always been used. When an evaluation criterion was identified during the file review, the identified criteria did not cover all possible areas of consideration.
- The basis for assessing the adequacy of lease payments was predominantly a property based valuation approach.
- Central concession unit was responsible for all leases (with minimal park manager involvement) while permit processes were normally managed by the individual park manager.
- The lease process tendered to require a significant period of time (over 12 months) to establish with this including a significant negotiation period.

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Activity Area: Legal Relationship and Agreement

Key Attribute		Performance/service specification	Agreement features	Agreement period			
Specific Approach				Year established	Initial period	Extension options	Termination options
A	Lease	Has a number of standard performance requirements. If turnover below \$5million park manager may terminate	Has a number of special conditions to reflect area - no clearing of vegetation, litter control, reporting of environmental incidents etc	1993	21 years	None	Yes – for non-performance
B	Lease	Requirements in regard to property, business operations, maintenance etc	Includes specification of precluded activities e.g. gambling	1999	20 years	None	None noted
C	Lease	Various requirements including maintenance and service specifications		2004	5years	5+5+6	None noted
D	Lease	Requirement to spend specified amounts on marketing (3.5%) and improvements (8%)		2002	7 years	None	None noted
E	Lease	details permitted use and normal performance info - hrs of operation, cleaning, food standards etc		1995	20 years	None	Normal non-performance requirements
F	Lease	Very prescriptive approach - no of tours, minimum product offer etc	Includes specific capital expenditure requirements over 6 years based on operator submission	1997	21 years	None	None noted
G	Lease		Includes specific capital expenditure requirements over 5 years (based on operator submission)	1997	21 years	None	None noted
H	Lease			1994	5 years	Yes – up to 20 years	None noted
I	Lease			1997	25 years, with	None	None noted

Summary Comments/Identified Trends

- The period of the lease varied from 7 to 50 years (with periods in excess of 20 years being permitted for leases outside of a national park or based on Ministerial approval).
- Permits were for periods from 1 to 3 years.
- Extension period options were infrequently used.
- There was minimal consideration of the basis for termination or the requirements upon termination.
- While some leases included specific performance requirements, these were minimal. Performance reporting requirements were generally poorly addressed.
- Special requirements (to meet the specific needs of a concession) were not extensively used.
- The agreements included minimal environmental requirements.

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Key Attribute		Performance/service specification	Agreement features	Agreement period			
Specific Approach	Year established			Initial period	Extension options	Termination options	
				intent to go to 50 years			
J	Lease			1999	21 years	None	None noted
K	Contract	Specific service requirements for specific service		1998	2 years	1 year options	Non-performance
L	Permit	Very prescriptive covering service standards but little on environmental responsibilities		2004	2 years	None	None noted
M	Permit	Very prescriptive covered the service standards but little on environmental responsibilities		2001	3 years	None	None noted
N	Permit	Some specifications and restrictions (on numbers etc). Some standard environment restrictions		1997	1 year	None	None noted
O	Permit	Specific service offering requirements. No environmental responsibilities	Restricts advertising, no vending machines etc	2001	3 years	None	None noted
P	Permit	Specific reporting requirements as a mgt fee approach/role	Has specific addendum to cover a number of areas	2004	1 year	None	None noted

Appendix 5 – Review of Concession Agreement Files Summary of Review Results

Activity Area: Ownership and Legal Structure

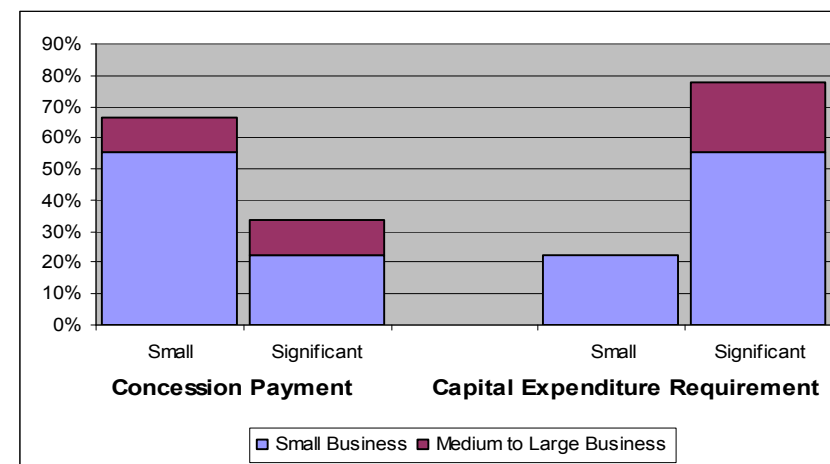
Key Attribute		Commercial operator ownership and structure	Type of business – large v small	Financial commitment of owners required	
				Initial	On-going
A	Lease	Private company – one shareholder	Small – but experienced and financially strong	Has large capital works - \$1 mill in first 7 yrs	As required, including capital
B	Lease	Private individuals - family involved	Small business Local business people	Capital works of \$140,000 required	As required
C	Lease	Private company	Mid-size with experience and financial strength	Substantial capital works required	Continuous funding
D	Lease	Private individuals – four people	Small business	Operator capital requirements	Operator with park manager support
E	Lease	Private partnership – family operators	Small business Local business people	Some internal capital works required - in consultation with Govt. architect	Operator responsibility
F	Lease	Private trust – three families	Small business Local business people	Some initial capital requirements	Substantial capital, but not met
G	Lease	Private company – sole operator	Small business Local business people	Capital requirements	Operator responsibility
H	Lease	Private company – sole operator	Small business	Operator responsibility	Operator responsibility
I	Lease	Private company – with substantive shareholders	Large business	Substantial operator capital - over \$10m	Operator responsibility
J	Lease	Private company	Small business	Some initial	Operator

Summary Comments/Identified Trends

There appears to be a clear connection between the financial commitment required, the type of business and the financial success or failure of the concession.

Concessions which require significant financial commitment, either initially or on an on-going basis are more likely to be successful when the concession operator is a medium to large private company.

Small private companies or individual businesses which enter into a concession with significant financial obligations are more likely to be financial failures, or to be an unsuccessful business venture.



**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Key Attribute	Commercial operator ownership and structure	Type of business – large v small	Financial commitment of owners required	
			Initial	On-going
	– sole operator		capital requirements	responsibility
K	Contract Private company – sole operator	Small business Local business people	N/A – service provision	N/A – service provision
L	Permit Private company – sole operator	Small business Local business people	N/A – service provision	N/A – service provision
M	Permit Private individual traders – two people	Small business	N/A – service provision	N/A – service provision
N	Permit Private company – sole operator	Small business	None noted	Operator responsibility
O	Permit Private company – sole operator	Small business	N/A – service provision	N/A – service provision
P	Permit Private company – family operator	Small business	N/A – service provision	N/A – service provision

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Activity Area: Management Structure and Relationships

Key Attribute		Integration with total park management		Participation in park strategy development	Specification of governance requirements
Specific Approach		Park manager meetings	Other stakeholder meetings		
A	Lease	None specified, but financial status has forced regular meetings	None specified	None noted	None noted
B	Lease	None specified	None specified	None noted	None noted
C	Lease	None specified	None specified	None noted	None noted
D	Lease	None specified, but discussions do occur	Not noted	Not noted	Not noted
E	Lease	None specified,	None specified	None noted	None noted
F	Lease	None specified, but discussions did initially occur	None specified	None noted	None noted
G	Lease	None specified	None specified	None noted	None noted
H	Lease	None specified	None specified	None noted	None noted
I	Lease	Regular meetings	Regular meetings – very co-operative relationship	Operator is a driver of park strategy.	Operator is a driver of park strategy
J	Lease	None specified	None specified	None noted	None noted
K	Contract	Monthly meeting to review performance	None specified	None noted	None noted
L	Permit	Monthly meeting to review performance	None specified	None noted	None noted
M	Permit	Required every 6 months	Required under permit	None noted	None noted
N	Permit	None specified	None specified	None noted	None noted
O	Permit	Irregular meeting (at park manager instigation) to review performance	None specified	None noted	None noted
P	Permit	None specified	None specified	None noted (1)	None noted
(1) This is one of the few agreements to refer to the need to comply with the individual park Management Plan.					

Summary Comments/Identified Trends

The relationship between the park manager, the commercial operator and other stakeholders was not addressed in the majority of the lease and licence legal agreements examined. Meetings which did occur were predominantly adversarial in nature, being a performance review based meeting.

Commercial operators also had no identified role in development of the national park strategy or the on-going development of the park.

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Activity Area: Financial Relationship

Key Attribute		Allocation of financial responsibility		Basis for operator concession payments		Frequency of payment	Flexibility of financial requirements
Specific Approach		Capital funding	Operating requirements	Fixed fee	Incentive		
A	Lease	Operator responsibility	Operator responsibility	Yes – fixed for term of lease	% of revenue	Quarterly	None (1)
B	Lease	Operator responsibility	Operator responsibility	Yes – submit to 3 yearly CPI review	None – but fee reduces if provide additional specific services	Yearly	None
C	Lease	Operator responsibility	Operator responsibility, also collects entrance fees	Yes – submit to 3 yearly CPI review	None	Yearly	None
D	Lease	Some requirements	Predominantly operator responsibility	None	% of revenue	Not specified	None (2)
E	Lease	Internal fit out only	Operator responsibility	Yes – with regular reviews	None	Yearly	None
F	Lease	Predominantly operator responsibility	Operator responsibility	Yes – but minor	% of revenue	Yearly	None (3)
G	Lease	Predominantly operator responsibility	Operator responsibility	Yes – fixed for term of lease	% of revenue	Yearly	Subject to review after 3 years
H	Lease	Operator responsibility	Operator responsibility	Yes – fixed for term of lease	None	Yearly	None (4)
I	Lease	Operator responsibility	Operator responsibility	Yes – fixed for term of lease	% of revenue	Not specified	None
J	Lease	Operator responsibility	Operator responsibility	Yes – with regular reviews	None	Not specified	None
K	Contract	Not relevant – service provision	Shared responsibility	None	Payment to operator based on units of work	Monthly	None – fixed price

Summary Comments/Identified Trends

It was previously identified that there was a correlation between the level of the financial commitment required from the operator, the type of entity and the financial success of the concession.

The following does not establish a connection between the basis of the concession payment and financial success.

The clear trend from this information is a lack of consistency in some areas and universal consistency in others, in that:

- concession fees may be based on a flat fee or a flat fee with % of revenue
- payment frequency various from fortnightly to yearly
- operator is normally responsible for operating expenditure
- capital responsibility under

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Key Attribute		Allocation of financial responsibility		Basis for operator concession payments		Frequency of payment	Flexibility of financial requirements
Specific Approach		Capital funding	Operating requirements	Fixed fee	Incentive		
L	Permit	Park manager responsibility	Park manager responsibility	Fixed management fee to operator	Bonus based on performance		None (5)
M	Permit	Park manager responsibility	Operator and park manager share responsibility	None	% of revenue	Monthly	None
N	Permit	Park manager responsibility	Operator responsibility	Yes – fixed for term of permit	\$ rate per person	Monthly	None
O	Permit	Park manager responsibility	Operator responsibility	Yes – fixed for term of permit	\$ rate per person	Yearly	None
P	Permit	Park manager responsibility	Operator and park manager share responsibility	Fixed management fee to Operator	None	Yearly	None

leases resides with the commercial operator and with the park manager for licenses - there is minimal allowance for financial flexibility

One point to note is that, where financial failure is evident, the time taken to address the issue to the satisfaction of all parties appears to be excessive, with no clear approach to resolution being evident.

- (1) Park manager has experienced significant difficulty with operator. Has had to financially support, operator has not performed, committed necessary funding or met lease payment obligations etc
- (2) Operator wanted to increase prices, and park manager was in agreement, but the change needed ministerial approval (as part of lease). It took over 6 months to obtain approval due to Govt process and need to go through regional to H/O to minister etc
- (3) Operator has failed to meet capital obligations and has been late in meeting lease payments. Has resulted in a re-negotiation, with capital obligations reverting to the park manager (but re-negotiation took a number of years to achieve).
- (4) Operator has been in continuous dispute with park manager. The initial lease rental has been halved to meet the needs of the operator - but the operator is still not paying. Operator is not performing obligations or paying rent - but has been negotiating settlement for over 9 years.
- (5) This agreement (with a new operator) was established to replace a previous disaster. The previous operator did not meet any standards, was subject of regular complaint and was uncooperative, but took 15 years to achieve resolution. The current operator was appointed despite complaints from users and demonstration of past poor environmental practices.

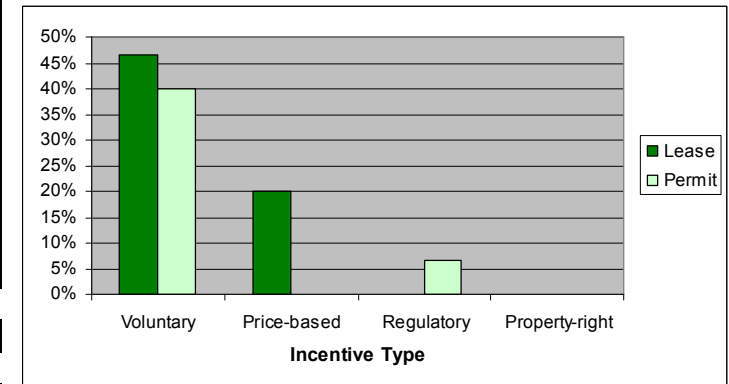
**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Activity Area: Performance/Incentive Structures

Key Attribute		Approach to encouraging/enforcing environmental and commercial outcomes				Incentive structures included	Effectiveness of alternative approaches
		Voluntary	Price based	Regulatory	Property right based		
A	Lease		Yes			Rental decrease if complete capital works	Questionable – did not meet targets
B	Lease	Yes				Reduced rental for completion of specific services	Unknown, but additional services were supplied
C	Lease	Yes				N/A	N/A
D	Lease	Yes				N/A	N/A
E	Lease	Yes				N/A	N/A
F	Lease	Yes				N/A	N/A
G	Lease		Yes			Rental reduction for achieved of service standard	Unknown
H	Lease	Yes				N/A	N/A
I	Lease		Yes			Use of change in % of revenue for some activities	Unknown
J	Lease	Yes				N/A	N/A
K	Contract	Yes				N/A	N/A
L	Permit	Yes				N/A	N/A
M	Permit			Yes		N/A	N/A
N	Permit	Yes				N/A	N/A
O	Permit	Yes				N/A	N/A
P	Permit	Yes				N/A	N/A

Summary Comments/Identified Trends

There is minimal use of incentives to drive activity, with compliance with the majority of non-financial requirements being voluntary.



**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Activity Area: Environmental Affinity

Key Attribute		Previous record of environmental management	Established attitude of management to natural values protection	Role of service provider in environmental management in national park
A	Lease	Not considered	Not considered	Have specific requirements based on individual park environment. These are stronger than most including involvement of park ranger
B	Lease	Not considered	Not considered	Have specific requirements placed re bird feeding. Also has a general requirement to understand and operate within conservation requirements
C	Lease	Not directly – but compliance is part of selection process	Not considered	Given specific requirements which need to be satisfied
D	Lease	Not considered	Not considered	None noted
E	Lease	Not considered	Not considered	Agreement includes general section on environmental matters with restrictions e.g. minimise damage to land, control noxious weeds, no cutting of trees, no burning - places duty of care on tenant but no actual performance targets etc
F	Lease	Not considered – focus is tourism	Not considered	Minimal – meets some requirements in relation to heritage assets
G	Lease	Not considered	Not considered	Minimal – none clearly defined
H	Lease	Not considered	Not considered	None noted
I	Lease	Not considered	N/A – already disturbed land	None noted
J	Lease			No role as is already disturbed. However, is a heritage site so have these issues
K	Contract	Not specifically considered, but information could be provided. Not used in final decision	Not considered	Contract has specific requirements re disposing of waste, use of biodegradable detergents, low phosphate chemicals etc

Summary Comments/Identified Trends

The main trend evident is the lack of significant focus being placed on the past environmental record of the commercial operators along with the lack of ‘individual’ consideration to environmental requirements.

While some of the leases included specific environmental targets that had been developed as a result of the specific concession being considered, this was not the dominant approach.

For the majority of both leases and licenses the environmental requirements detailed either the general requirements (current at the time the agreement was entered into), or minimal requirements.

Other issues noted were:

- where included, the agreements provided environmental requirements but did not place specific performance targets, and
- the agreements did not include a specific ability to subsequently alter the environmental requirements.

This later point is important where new approaches to problem resolution are being developed, or where research changes society views on issues. (For example, the approach to bird feeding has changed as has the community acceptance of the use of recycled materials, but the agreements restrict the ability of the park manager to implement these changes.)

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Key Attribute		Previous record of environmental management	Established attitude of management to natural values protection	Role of service provider in environmental management in national park
L	Permit	Not considered	Not considered – but anecdotal history of poor performance	None noted
M	Permit	Business Plan demonstrated concern for environment	Demonstrated high values	Has specific performance parameters in agreement
N	Permit	Not considered	Not considered	Have standard environment agreement constraints of no pets or firearm, camp sites left tidy, no fires unless fireplace, garbage to be taken out and specific conditions for licensed activity.
O	Permit	Not considered	Not considered	Nil - other than basis specifications (eg rubbish, using recyclable containers)
P	Permit	Not considered	Not considered	Has standard requirements re tree removal, pest eradication etc Also notes must comply with management principles in regard to conservation and wilderness objectives as in Management Plan

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Activity Area: Performance Reporting and Control

Key Attribute		Reporting requirements specified		Identification of KPI's				Feedback Processes	Reporting processes and frequency
Specific Approach		Financial	Social or environmental	Service delivery	Financial	Environment	Community		
A	Lease	Quarterly statement of revenue	None	No	Yes	No	No	None noted	Quarterly statement of revenue
B	Lease	Property report and any other landlord requirements	None	Some	Some	No	No	None noted	Annual report
C	Lease	Restricted financials	None	Yes	Some	Some	No	None noted	Monthly and annual financials
D	Lease	Base performance info re occupancy, tours, gross receipts - done annually	None	No	No	No	No	None noted	Annual report, with audit requirement
E	Lease	None	None	Some	No	No	No	None noted	None noted
F	Lease	Some	None	Some	Some	Some	Some	Has to have visitor satisfaction rating	Annual, but minimal information
G	Lease	Revenue only	None	Have restrictions - not KPIs e.g. tour numbers, pricing, operating hours, product offering				Has to have visitor satisfaction rating	Annual, revenue only
H	Lease	Some	None	No	No	No	No	None noted	Annual
I	Lease	Annual report only	None	No	No	No	No	None noted	Annual

Summary Comments/Identified Trends

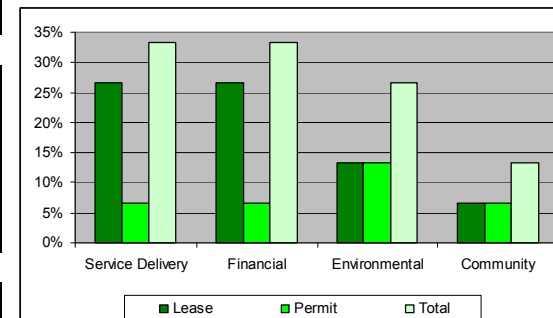
Reporting requirements placed on commercial operators would generally appear to be both inconsistent and inadequate.

Frequency of required reports (where reports are required) is highly inconsistent. (The files reviewed also did not contain all the submitted reports, suggesting that follow up procedures are possibly inadequate.)

Similarly, reporting requirements included in the agreements are minimal, with required KPI reporting being predominantly financially based. As is demonstrated by the graphic below, KPI's for other key areas (and particularly environmental) are small or virtually non-existent.

**Appendix 5 – Review of Concession Agreement Files
Summary of Review Results**

Key Attribute		Reporting requirements specified		Identification of KPI's				Feedback Processes	Reporting processes and frequency
Specific Approach		Financial	Social or environmental	Service delivery	Financial	Environment	Community		
		J	Lease	None	None	No	No	No	No
K	Contract	Fortnightly re quantities. Maintenance services as requested by park manager	None	No	No	No	No	Normal park feedback process	Fortnightly
L	Permit							Normal park feedback process	None noted
M	Permit	Yes - monthly	None	Yes	Yes	Yes	Yes	None noted	Monthly to regional manager
N	Permit	None	None	Have restrictions – not KPIs				None noted	None noted
O	Permit	Basic financial	None	Some	No	No	No	Normal park feedback process	Annual
P	Permit	At end of permit info re occupancy, receipts, turnover and complaints	None	Yes	No	Some	No	None noted	At end of permit only



**Appendix 6 – Commercial Business Model provided to
Commercial Operators and Park Managers for Comment**



Doctor of Business Administration

**Maintaining Environmental Values
in a Commercial Environment – a Framework for Commercial
Development in Australia’s National Parks**

**Outline Business Model
For Commercial Operator/Park Manager Comment**

**David A Cochrane
Student No 3025999**

Academic Supervisor: Prof. Miles Nichols
RMIT University

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment



Dear

INVITATION TO PARTICIPATE IN A RESEARCH PROJECT - PROJECT INFORMATION STATEMENT

Project Title:

- Maintaining Environmental Values in a Commercial Environment – a Framework for Commercial Development in Australia's National Parks

Investigators:

- Mr David Cochrane (Doctor of Business Administration student)
- Prof Miles Nicholls (Project Supervisor, RMIT University, miles.nicholls@rmit.edu.au, 9925-1574)

You are invited to participate in a research project being conducted by RMIT University. This information sheet describes the project in straightforward language, or 'plain English'. Please read this sheet carefully and be confident that you understand its contents before deciding whether to participate. If you have any questions about the project, please ask one of the investigators.

Who is involved in this research project? Why is it being conducted?

This research is being completed by David Cochrane, a part-time DBA student in the Graduate School of RMIT Business (who also works for PricewaterhouseCoopers) as the thesis required to complete the degree. The thesis topic is "Maintaining Environmental Values in a Commercial Environment – a Framework for Commercial Development in Australia's National Parks" with Prof. Miles Nicholls being the academic supervisor.

The project has been approved by the RMIT Human Research Ethics Committee.

The research has not been funded by any outside body.

Why have you been approached?

I am inviting you to participate in my research specifically due to your experience in operating commercial facilities on or near National Parks in Victoria.

What are the risks or disadvantages associated with participation?

In completing this research project a suggested Commercial Business Model has been developed and your participation will involve reviewing this model and providing comments on its validity and appropriateness. The interview will be completed by myself at your premises.

Therefore, there are not expected to be any risks or disadvantages associated with your involvement. However, if you are unduly concerned about your responses during the interview or if you find participation in the project distressing, you should contact *Professor Miles Nicholls* as soon as convenient. Professor Nicholls will discuss your concerns with you confidentially and suggest appropriate follow-up, if necessary.

What are the benefits associated with participation?

It is not expected that there will be any direct benefit to you as a result of your participation, other than contributing to the development of this important Commercial Business Model.

What will happen to the information I provide?

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

The comments collected during the interview will be analysed for my thesis and the results may appear in publications. The results will be reported in a manner which does not enable you to be identified. Thus the reporting will protect your anonymity.

All data and subsequent records will be retained for a period of at least 5 years from the date of completion of the research report in a secure location at the RMIT premises. When no longer required, relevant confidential information will be shredded by me. All data collected will be under my direct control. No other person will have access to this information. The data will only be available to me for the completion of this project. The data will not be available for any other purpose.

What are my rights as a participant?

Participation in this research is voluntary and you may withdraw at anytime without prejudice. You also have the right:

- to have any unprocessed data withdrawn and destroyed, provided it can be reliably identified, and provided that so doing does not increase the risk for the participant.
- to have any questions answered at any time.

Whom should I contact if I have any questions?

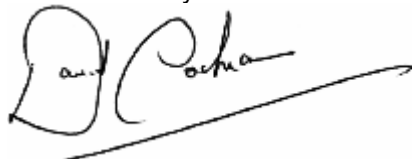
If you have any queries regarding this project please contact:

- myself on 03 8603 6570, or
- my supervisors, Prof. Miles Nicholls on 9925 1574, or
- the Chair of the Business Portfolio Human Research Ethics Sub-committee, phone (03) 9925 5594, fax (03) 9925 5595, email: rdm@rmit.edu.au

What other issues should I be aware of before deciding whether to participate?

There are no other ethical issues that you should be aware of before deciding whether they want to participate.

Yours Sincerely



David A Cochrane
B Ec, MBA, ACA

Any complaints about your participation in this project may be directed to the Secretary, Portfolio Human Research Ethics Sub Committee, Business Portfolio, RMIT, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 5594 or email address rdm@rmit.edu.au. Details of the complaints procedure are available from the above address or <http://www.rmit.edu.au/council/hrec>

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Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

RMIT HUMAN RESEARCH ETHICS COMMITTEE

Prescribed Consent Form for Persons Participating In Research Projects Involving Interviews, Questionnaires, Focus Groups or Disclosure of Personal Information

PORTFOLIO OF SCHOOL/CENTRE OF	Business
Name of Participant:	Management
Project Title:	Maintaining Environmental Values in a Commercial Environment – a Framework for Commercial Development in Australia’s National Parks
Name(s) of Investigators:	(1) David A Cochrane Phone: 03 8603 6570
	(2) Prof. Miles Nicholls Phone: 03 9925-1574

1. I have received a statement explaining the interview/questionnaire involved in this project.
2. I consent to participate in the above project, the particulars of which - including details of the interviews or questionnaires - have been explained to me.
3. I authorise the investigator or his or her assistant to interview me or administer a questionnaire.
4. I give my permission to be audio taped: Yes No
5. I give my permission for my name or identity to be used: Yes No
6. I acknowledge that:
 - (a) Having read the Plain Language Statement, I agree to the general purpose, methods and demands of the study.
 - (b) I have been informed that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied.
 - (c) The project is for the purpose of research and/or teaching. It may not be of direct benefit to me.
 - (d) The privacy of the information I provide will be safeguarded. However should information of a private nature need to be disclosed for moral, clinical or legal reasons, I will be given an opportunity to negotiate the terms of this disclosure.
If I participate in a focus group I understand that whilst all participants will be asked to keep the conversation confidential, the researcher cannot guarantee that other participants will do this.
 - (e) The security of the research data is assured during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be provided to _____ (researcher to specify). Any information which may be used to identify me will not be used unless I have given my permission (see point 5).

Participant’s Consent

Name: _____ Date: _____
(Participant)

Name: _____ Date: _____
(Witness to signature)

Participants should be given a photocopy of this consent form after it has been signed.

Any complaints about your participation in this project may be directed to the Chair, Portfolio Human Research Ethics Sub-Committee, Business Portfolio, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 5594 or email address rdu@rmit.edu.au . Details of the complaints procedure are available from: www.rmit.edu.au/council/hrec
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Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

The Commercial Business Model

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Table 2:	Concession Process Structure, Key Attributes and Issues

The Commercial Business Model

The Commercial Business Model consists of three key components:

- (h) *The Concession Conceptual Framework*
- (i) *The Concession Complexity Model*
- (j) *The Concession Selection and Management Process*

These three components and the interaction between each of the components represent the total commercial business model. This interaction, which is represented in Figure 1, is an important feature of the effective application of the total model.

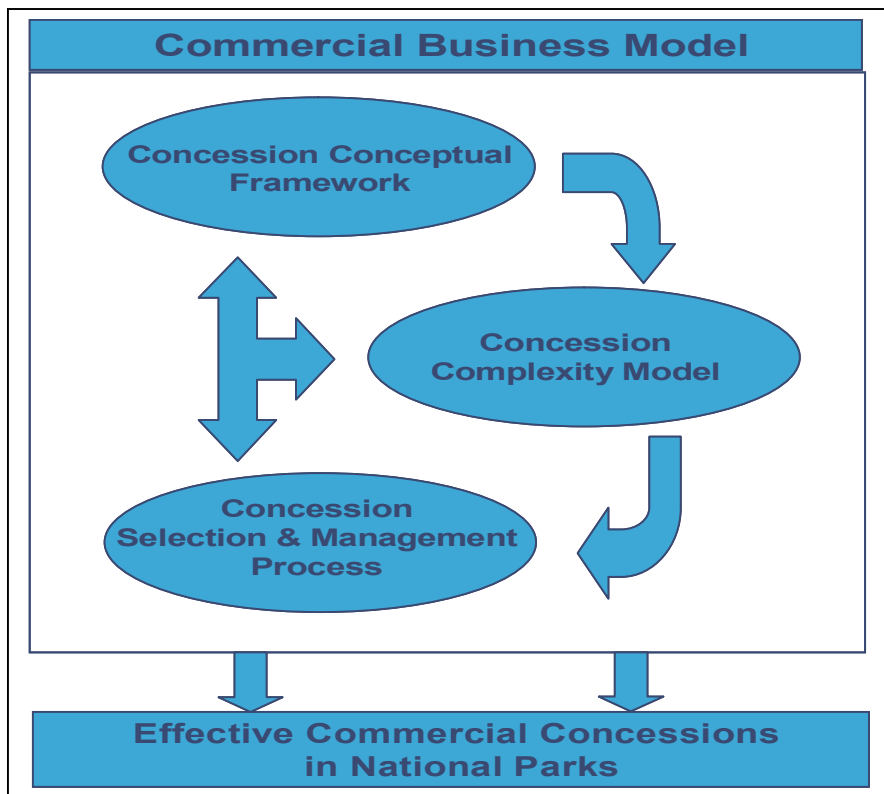


Figure 1: Components of the Commercial Business Model

The *Concession Conceptual Framework* (described in further detail in Section 1) provides the overarching park management environment over which concession management is to occur. This framework is predominantly dictated by the external environment and is not subject to variation in the short term (although long-term change may be feasible).

The *Concession Complexity Model* (refer Section 2) has been developed within the internal and external confines of this *Concession Conceptual Framework*. The application of the *Concession Complexity Model* assists in the determination of the appropriate approach to the initiation and management of individual concessions and, more importantly, identifies approaches which would not be appropriate.

The *Concession Selection and Management Process* (refer Section 3) outlines the important steps in the development, awarding and operation of concessions.

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

1. The Concession Conceptual Framework

The *Concession Conceptual Framework* along with the key functional relationships within the framework has been identified and is depicted in Figure 2.

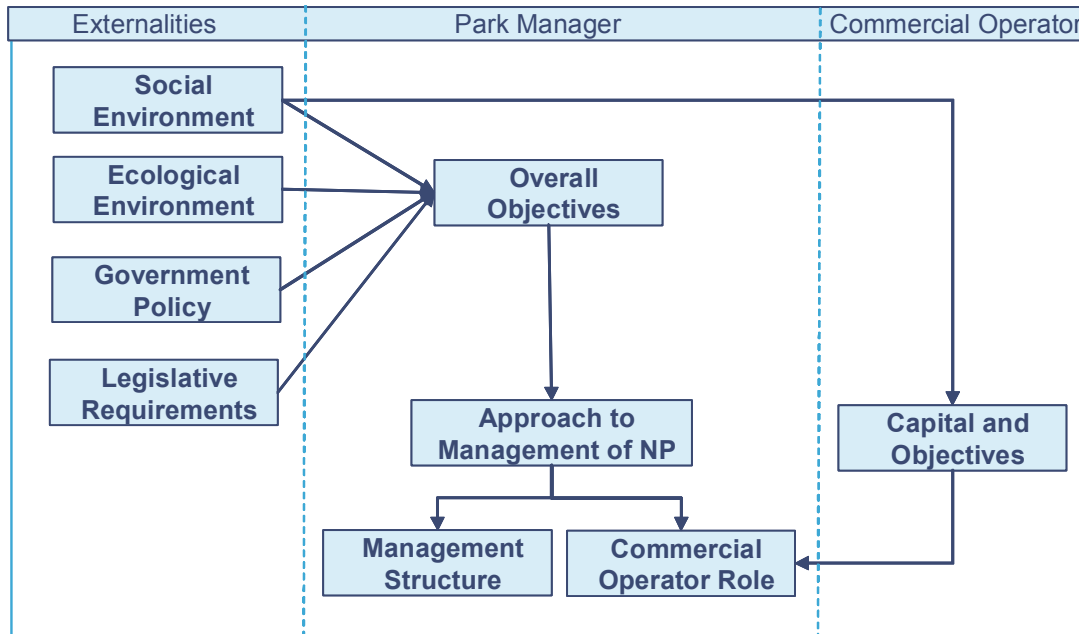


Figure 2: The *Concession Conceptual Framework* (including the functional relationships)

Under this *Concession Conceptual Framework*, the approach of the park manager to the completion of commercial activities is heavily influenced by externalities over which, at least in the short to medium term, the park manager has little influence. Similarly, the park manager approach also needs to give due consideration to the overall objectives of the commercial operator and park manager organisation (as opposed to the individual national park or service requirements). Each of these aspects of the *Concession Conceptual Framework* then influence the park manager approach to management of commercial services including the structuring of the management function and the role of the commercial operator in this service provision.

The following provides an outline of the approach to be adopted in structuring the concession framework for each of the key *Concession Conceptual Framework* areas.

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

Table 1: Concession Conceptual Framework Functional Relationships

Area	Specific Matters to be Addressed (where applicable)	Applicable to	
		Park Mgr	Oper
Key External Influences			
Social Environment	- Recognition of the increasing demands of visitors for nature-based tourism in an environment where appropriate facilities are provided.	+	+
Ecological Environment	- Recognition of the role of the parks in ecological protection and, in particular, in the protection of biodiversity.	+	+
	- Acknowledgement of the role of parks in provision of base community resources, particularly water.	+	+
Government Policy	- Segregation of policy development from implementation	+	+
	- Recognition of the role of the park manager free from political interference	+	+
	- Compliance with key government policy frameworks, including purchasing process requirements	+	+
Legislative Environment	- Acknowledgement of legislative constraints	+	+
	- Recognition of conservation emphasis included in legislative framework	+	+
Park Manager and Commercial Operator Objectives			
Differences in Objectives	- The differences in objectives (the majority of which are not negotiable) and their impact on the commercial relationship need to be clearly recognised.	+	+
	- The model needs to be structured to ensure (and assist) each of the players achieves their individual objectives.	+	+
Approach to Management of the National Park			
Concessions Management Function	- A centralised concession management unit exists in the organisation.	+	
	- This unit, among other roles, is responsible for the development and administration of concession management policy, with policy being consistent with higher policy.	+	
	- The purpose of specific concessions is clearly defined and understood.	+	
	- Identification of service need is to include involvement of the individual national park manager and central management.	+	
	- Complex concessions are managed by the centralised concession management unit.	+	
	- Simple concessions are managed at the individual park level, with the centralised concession management unit having an approval/guidance role.	+	
	- The relationship between the concession operator and the park manager is clearly understood and is based on the principles of a partnership.	+	+
	- The central concession management unit has adequate resources and skills in commercial and conservation areas.	+	
	Individual Park Level	- Park managers include a consideration of visitor requirements and commercial opportunities within park	+

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

Area	Specific Matters to be Addressed (where applicable)	Applicable to	
		Park Mgr	Oper
Management	management plans.		
	- Where relevant individual commercial tourism plans are prepared to support the over-arching park management plan.	+	+
	- Existing commercial operators are involved in the preparation of park management plans at an advisory level.	+	+
Role of the Concession Operator	- The concession operators are actively consulted and involved in the management of the park.	+	+
	- A number of specific park activities are completed jointly (rather than individually), including the marketing of the park.	+	+

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

2. The Concession Complexity Model

The *Concession Complexity Model* has been developed to provide the approach for determining the key features of a concession, around which the individual concession requirements can then be developed (using the *Concession Selection and Management Process* outlined in Section 3).

The *Concession Complexity Model* is represented diagrammatically in Figure 3 below.

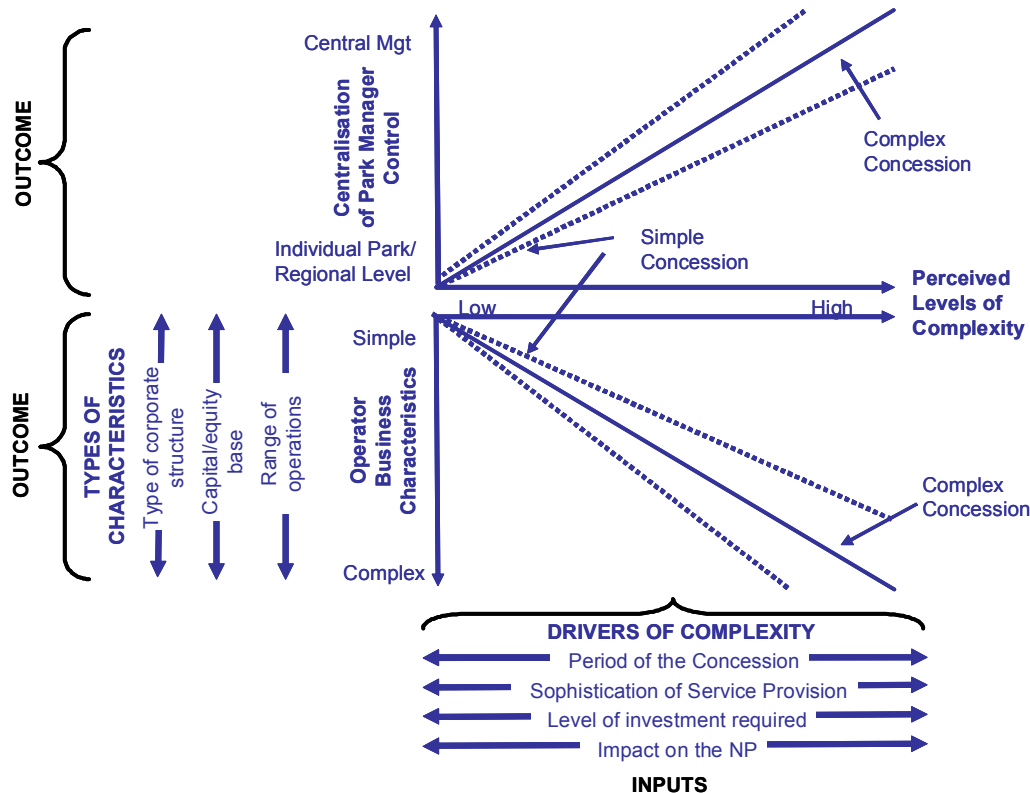


Figure 3: The Concession Complexity Model

Under this model, the key outcomes of the extent of centralised control which needs to be exerted by the park manager along with the degree of commercial sophistication required of the concession operator are both a function of the key input, being the level of complexity of the service to be provided, where the complexity of individual concessions is heavily influenced by a number of key factors (termed the drivers of complexity), these being:

- The sophistication of service provision required
- The level of operator and/or park manager investment required
- The period of the concession required
- The impact of the proposed activity on the park environment.

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

These drivers of complexity also influence the extent of business sophistication required from and by the commercial operator, as represented by the following key business characteristics:

- The type of corporate structure required
- The operator capital or equity base required
- The range of operations of the operator

The *Concession Complexity Model* should be used under a process where:

- the identified drivers of complexity are used to determine the degree of complexity associated with the identified concession, and this is then used
- by the park manager to determine the role of central versus regional management in the establishment and management of the concession, and
- by the potential concession operator to assess the viability of the entity as a potential service provider.

This model, based on the experiences in a number of countries, also indicates potential areas of inefficiency in park manager in that:

- It would be appropriate for a concession with low complexity (i.e. a simple concession) to be controlled and managed at the regional or individual national park management level.
- Conversely, complex concessions need to have a higher level of centralised management as regional management does not normally have the experience or management capacity to meet the needs of such concession arrangements.

▪ Variability of Outcomes

The *Concession Complexity Model* has been developed to outline the importance of the identified drivers of complexity in determining the role of the park manager in the concession process along with the preferred supplier business characteristics for specified types of concessions. The model is not definitive (as would occur within, say, a mathematical model) and the relationship is not necessarily linear. As a result, the outcomes based on a determined level of complexity have a degree of flexibility, and this is recognised within the model by the 'bands' to reflect potential ranges of outcomes.

This variability occurs as the Concession Complexity Model does not result in definitive outcomes, and because of the changes which occur during the life-cycle of a concession agreement.

General Variability in Outcomes

The determination of the level of complexity of a concession (which itself is an assessment based on judgement) does not result in a definitive specification of the centralised park manager control required or in the specific business characteristics required. Rather, the *Concession Complexity Model* provides a good indication of the outcome, with some variability being possible. Importantly, the

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

greater the level of complexity the greater the level of variability possible. This variability is reflected in the bands included in the model, as highlighted in Figure 4 below.

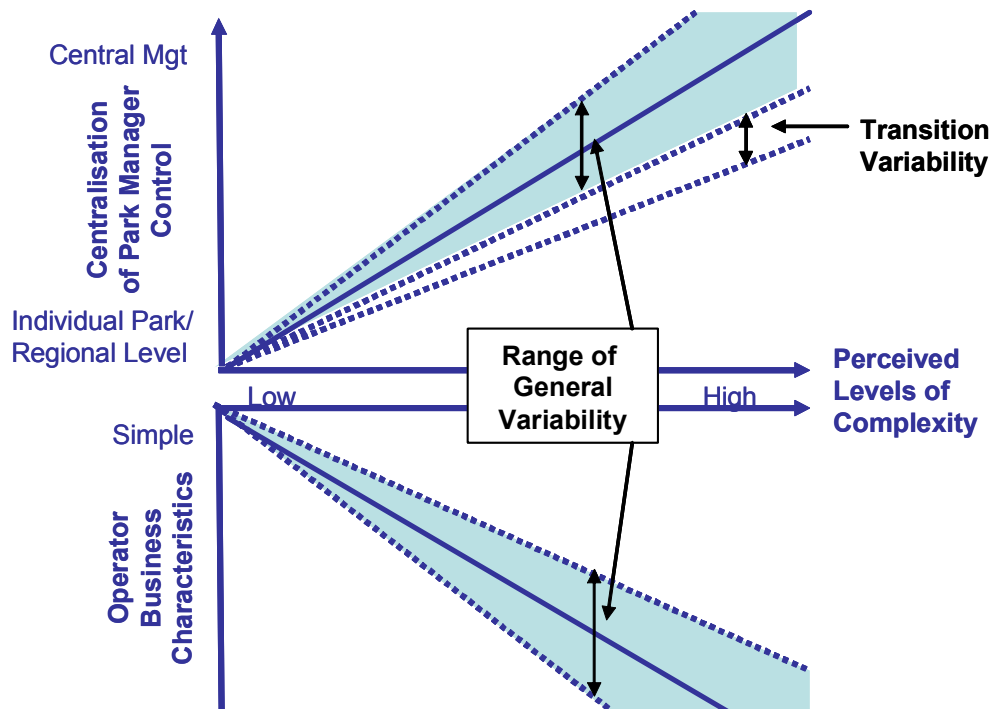


Figure 4: The Range of Variability

- **Transition from Concession Establishment to Concession Operation**

In developing the Commercial Business Model, it is relevant to consider the changes in requirements over the total life of a concession. Once established it is expected that, in the majority of situations, the model outcome (i.e. the specification of the role of central versus regional park managers in the process) will be similar. However, it is important that the park manager also recognise that for complex concessions the role of the regional manager will increase. It is important, during the operational phase, that the regional manager have regular contact with the concession operator to enable the maintenance of the on-going partnership relationship.

This potentially changing role of the various levels of park managers over the lifecycle of a concession is depicted in Figure 5.

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

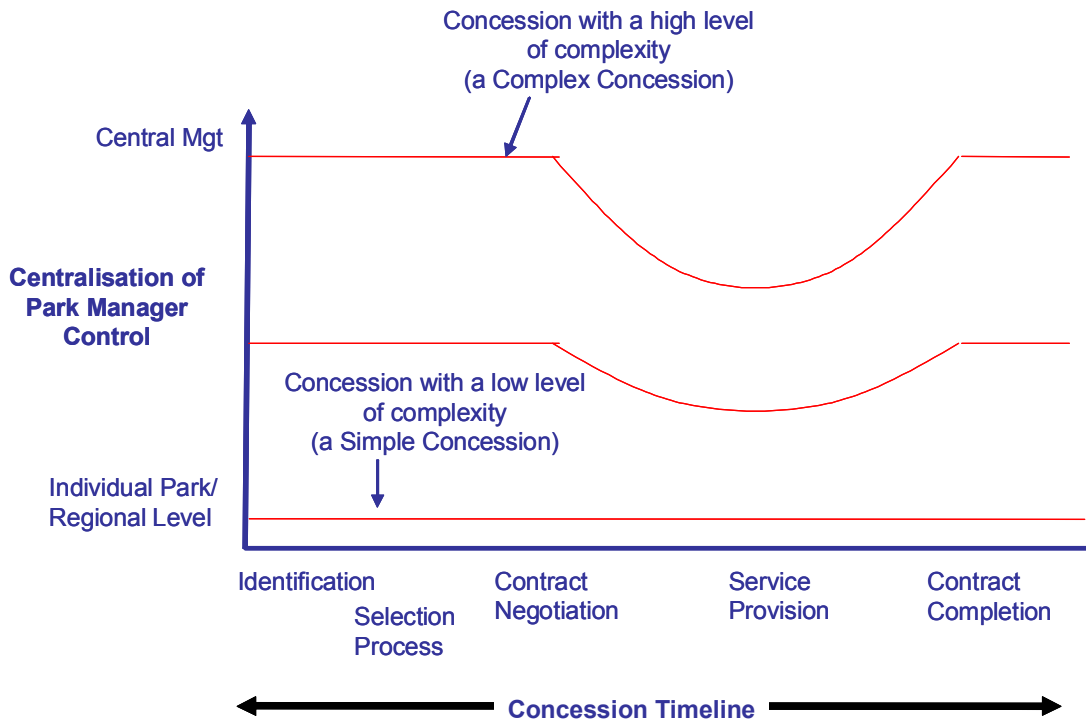


Figure 5: The Changing Role of Park Management over the Concession Timeline

Simple concessions which, by definition, have low levels of complexity will predominantly be managed by the individual or regional park manager throughout the period of the concession agreement. However, the greater the level of complexity, the more important the role of the central Concession Unit of park management during the initial establishment of the concession agreement and during the concession completion phase. During the operational phase, the role of the central Concession unit will decline with the individual or regional park manager taking a greater role in park management.

This additional level of variability is reflected in the *Concession Complexity Model* by the inclusion of a second expanded band of variability around the level of centralisation of park manager control area of output and, in particular, with an potential for greater individual park manager control (during the operational phase of the concession). This is highlighted in Figure 6 below.

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

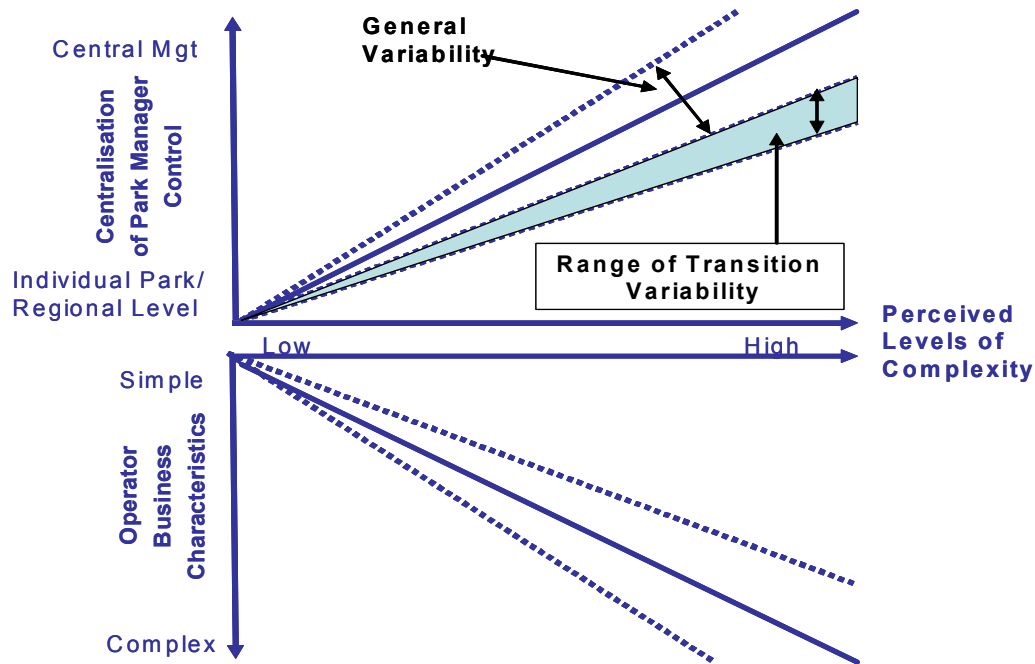


Figure 6: The Second Band of Variability (Transition Variability)

▪ Identified Areas of Inefficiency

This *Concession Complexity Model* also indicates potential areas of inefficiency in park management. Under this model:

- It would be appropriate for a concession with low complexity (i.e. a simple concession for guided walking tours) to be controlled and managed at the regional or individual national park management level.
- Conversely, complex concessions need to have a higher level of centralised management as regional management does not normally have the experience or management capacity to meet the needs of such concession arrangements.

These areas of inefficiency are depicted in Figure 7 below.

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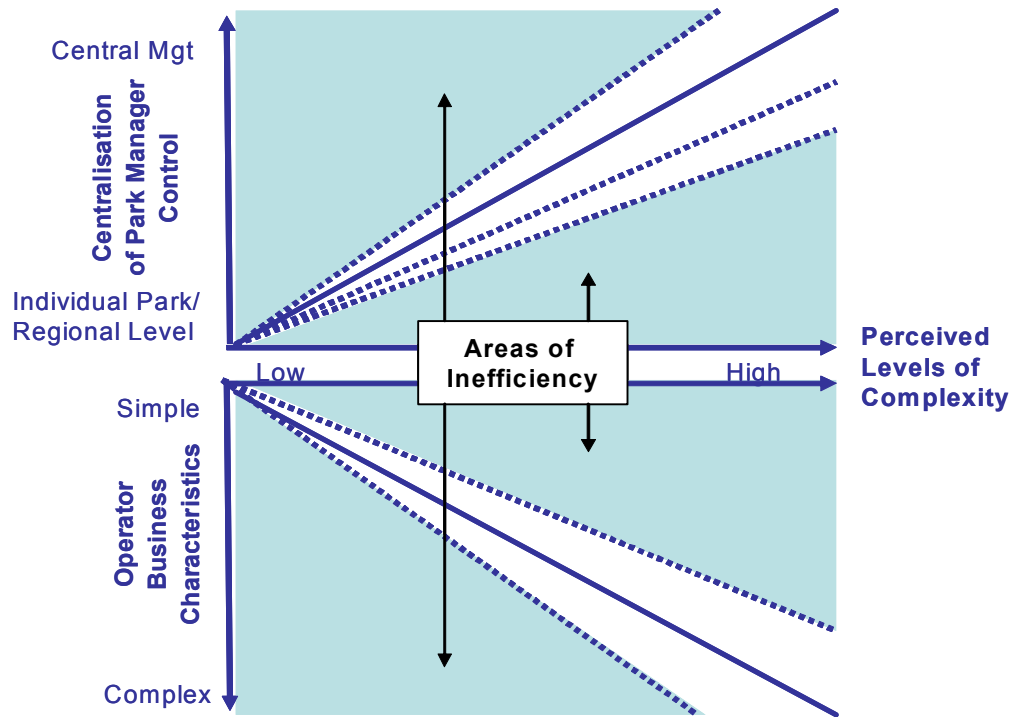


Figure 7: Identified Areas of Inefficiency

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

3. The Concession Selection and Management Process

The previous section has outlined the *Concession Complexity Model* which is to be used to determine the type of concession to be used, based on the complexity of the service to be provided, along with the expected business characteristics of the commercial operator. While the *Concession Complexity Model* assists in this important determination, it is also critical to understand the impact of the features of the appropriate concession on the process for awarding and operating concessions.

The fourth key component of the total Commercial Business Model – the *Concession Selection and Management Process* – has been developed to meet this need with it identifying:

- the major areas of activity within the overall concession process;
- the plotting of these activities against a ‘whole-of-life’ concession process timeline; and
- the key drivers of activity in service provision which impact on the structure of the concession agreement.

The *Concession Selection and Management Process* is outlined in Figure 8 following.

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

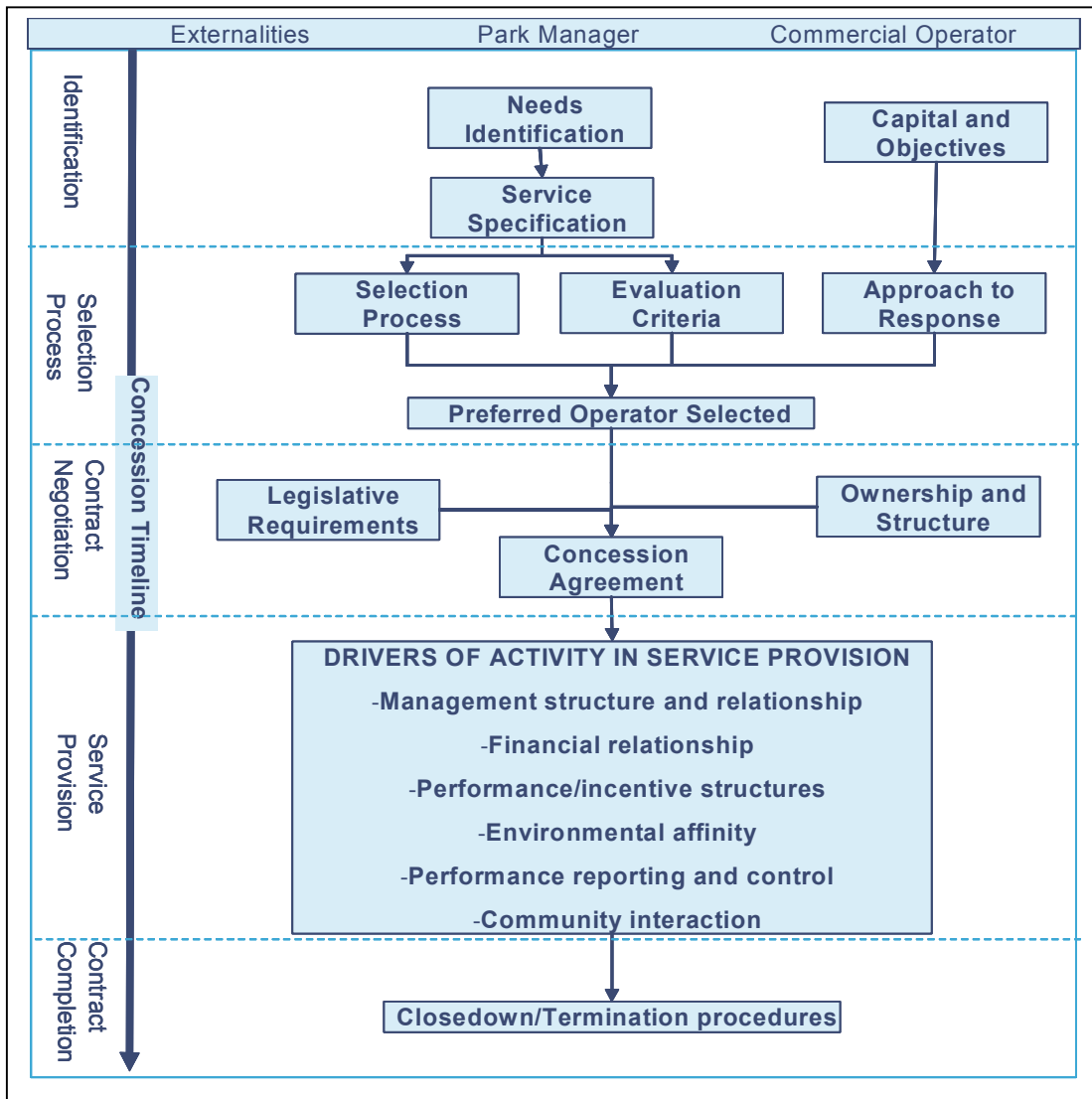


Figure 8: Concession Selection and Management Process

For each of these key activities identified in the *Concession Selection and Management Process* it is also appropriate to identify:

- the key attributes which need to be considered in developing the concession requirements,
- along with, where relevant, specific issues on which guidance is required, and
- guidance on the potential areas of applicability of these activities, attributes and areas (in that some of the matters may only be relevant for the park manager or the operator whereas others may be equally important for both).

These factors have been individually considered for each identified area of activity to provide a summary of the approach to be adopted in completing each activity area.

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

Table 2: Concession Process Structure, Key Attributes and Issues

Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
Overall process requirements		- Clarification of the role of the regional park manager and Central Concession Unit in the establishment of the concession along with the ongoing operations	+	
		- Identification and sourcing of the skills required for the total process (including potential external sourcing)	+	
		- Ensuring the required resources are available to complete the concession implementation	+	
Needs identification and specification	Determining services to be provided by the private sector	- Clear specification of service to be provided	+	
		- Potential of existing service providers to meet the requirement	+	
		- Confirmation that the service is best provided by a concession	+	
		- Determine the expected commercial operator expenditure requirements along with the expected concession fee (using appropriate valuation techniques for the concession)	+	
		- Potential to expand the service to make it more attractive for the private sector	+	
		- Potential for service provision across a number of national parks	+	
		- Potential for provision of integrated service	+	
Integration of services with other activities in the park and the surrounding region		- Need for interaction with other stakeholders	+	
		- Implications for service providers on park boundaries	+	
		- Confirmation of need for monopolistic approach	+	
No of commercial operators – monopolistic, multiple service providers etc		- Consideration of implications of monopoly on service provision and need for regulatory type control	+	
		- Role of regional park manager	+	
Park manager concession selection and management process and criteria	Development of project brief	- Extent of centralisation required	+	
		- Clear specification of comprehensive financial, service delivery, environmental and social requirements	+	
		- Sourcing of required skills to complete the concession process	+	
		- Identification of most appropriate method to approach the market for responses	+	
		- Individual approaches	+	
Advertising process/approach		- Advertising medium to be used and frequency	+	+

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
	Selection/tender process	<ul style="list-style-type: none"> - Requirement for an EOI - Requirement for an RFT - Establishment of independent evaluation panel 	+	
	Evaluation criteria	<ul style="list-style-type: none"> - Development of an evaluation criteria which gives appropriate recognition to and specification of: <ul style="list-style-type: none"> - Vision - Management - Financial - Environment - Social - Experience - Risk exposure 	+	
			+	
			+	
			+	
			+	
+				
Conduct of contract negotiation	<ul style="list-style-type: none"> - Incorporation of draft concession agreement in tender documentation - Request for clarification of contractual terms for discussion - Adoption of a commercial approach to contract negotiation 	+		
		+		
		+		
Commercial operator approach to responding	Source of opportunity identification			+
	Approach to deciding whether to respond	<ul style="list-style-type: none"> - Concession services is in appropriate business area for commercial operator - Ability to provide an adequate commercial return - Acceptance of concession agreement terms 		+
			+	
			+	
	Satisfaction of information requirements	<ul style="list-style-type: none"> - Ability to meet the information needs of the tender - Identification of areas which require clarification - Approach to potential interview requirements 		+
			+	
+				
Legal relationship and agreement	Type of agreement	<ul style="list-style-type: none"> - Lease - Licence - Service delivery contract 	+	+
	Agreement features	<ul style="list-style-type: none"> - Development of specific agreement features required - Specification of environmental obligations - Outline of cooperative/partnership arrangements - Ability to amend agreement during initial negotiation and flexibility during concession period 	+	+
+			+	
+			+	
+			+	

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
	Agreement period	- Time period of initial agreement (including consideration of legal restrictions)	+	+
		- Extension options appropriate	+	+
		- Termination options required	+	+
	Structure of commercial operator ownership	- Type of legal structure appropriate	+	+
	Large versus small organisations	- Private versus not-for-profit	+	+
		- Based on the expected lease commitment and capital requirement, determine the most appropriate type of business to meet the need	+	+
Ownership and structure	Ownership	- Family		
		- Private company		
		- Public company	+	+
	Financial commitment of owners	- Investment fund		
		- Extent of protection against future ownership changes		
		- Ability to satisfy initial capital commitment	+	+
	Approach to management of the organisation	- Ability to meet operational expenditure requirements	+	+
		- Satisfaction that the entity ownership and structure is consistent with the financial obligations	+	+
		- Extent to which the management will be located on site	+	+
Management structure and arrangements	Integration with management of the total park	- Role and influence of ownership on management	+	+
		- Need for and frequency of meetings with on site park managers	+	+
		- Need for and frequency of meeting with other operators/stakeholders	+	+
	Specification of minimum governance requirements	- Extent of participation in park strategy development/facility expansion etc	+	+
			+	+
			+	+
Financial relationship	Allocation of financial responsibility	- Capital funding needs (including security requirements)	+	+
		- Operating requirements	+	+
		- Clear segregation between responsibilities of operator and park manager	+	+
		- Clear specification of product offering and role of participants in establishing/controlling demand	+	+
		- Specification of approach for allocation of joint costs (including marketing expenditure)	+	+
		- Establishment of procedures for funding of future capital works	+	+

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
		which benefit both parties		
	Basis for operator commercial payment to park manager	<ul style="list-style-type: none"> - Development of basis for payment including: <ul style="list-style-type: none"> - Minimum base fee - Incentive based fee (e.g. % of revenue) - Allowance for increases for inflation - Allowance for regular reviews to market - Provision of potential discounts based on achievement of specific objectives (e.g. specified level of capital expenditure, level of customer satisfaction etc) - Review of overall potential payments to ensure they are financially realistic (including use of an independent business valuation where appropriate) 	+	+
	Frequency of payment	<ul style="list-style-type: none"> - Establishment of approach for concession fee payment including frequency - Preferable to have a monthly or quarterly concession fee payment regime with annual adjustments (if required) - Integration of payment frequency with reporting requirements 	+	+
	Flexibility of financial requirements	<ul style="list-style-type: none"> - Possible inclusion of facility to renegotiate concession arrangements after a specified period, particularly for long-term concessions 	+	+
Performance/incentive structures	Approach to encouraging/enforcing environmental and commercial objectives	<ul style="list-style-type: none"> - voluntary - price based - regulatory - property right based 	+	+
	Incentive structures other than financial		+	+
Environmental affinity	Previous record of environmental management	<ul style="list-style-type: none"> - Consideration of previous environmental record of the commercial operator 	+	+
	Environmental management requirements	<ul style="list-style-type: none"> - Establishment of environmental management requirements of the commercial operator covering: <ul style="list-style-type: none"> - Compliance with the conservation objectives of the park manager - Specification of specific environmental requirements, including performance targets, related to the service being delivered - Specification of specific environmental requirements related to the operations of the national park 	+	+

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
		- Inclusion of (prompt) procedures for amending environmental requirements	+	+
		- Integration of commercial operator into environmental outcomes of the national park	+	+
		- Inclusion of reporting requirements covering: <ul style="list-style-type: none"> - financial reporting - social reporting - environmental reporting 	+	+
	Reporting requirements included in contractual relationship	- Specification of frequency of reporting including possible two tiered approach with regular restricted reports monthly or quarterly and comprehensive reports annually	+	+
		- Need for financial information provided to enable assessment of financial viability of operator	+	+
Performance reporting and control		- Specification of requirements of park manager reporting to commercial operator	+	+
		- Need for formal performance review meetings including frequency	+	+
	Feedback processes	- Approach for obtaining independent rating of operator performance	+	+
		- Specification of reporting governance requirements	+	+
		- Development of an appropriate set of KPIs (including where appropriate specific targets) covering <ul style="list-style-type: none"> - Service delivery - Financial outcomes - Environmental outcomes - Community interaction 	+	+
	Role of organisation in the community	- Participation in relevant stakeholder groups	+	+
Community interaction	Acceptance (and reporting) of social responsibility	- Connection with community	+	+
		- Clear specification of requirements near the conclusion of the concession including: <ul style="list-style-type: none"> - Allocation of responsibilities - Continuation of maintenance standards - Responsibility for rectification works - Approach to valuation of assets and inventory - Handover procedures 	+	+
Closedown/termination procedures	Allocation of responsibilities			
	Termination procedures	- Clear specification of:	+	+

Appendix 6 – Commercial Business Model provided to Commercial Operators and Park Managers for Comment

Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
		<ul style="list-style-type: none"> - Actions which will result in termination - Procedures for termination - Allocation of financial responsibilities - Dispute resolution procedures - Inclusion of timetable where termination is required 	+	+

**Appendix 7 – Commercial Operator and Park Manager
Feedback on CBM**



Appendix 7 – Commercial Operator and Park Manager Feedback on CBM

Major Comment Provided	Commercial Operator	Park Manager	Additional (Researcher) Comment
Validity of the Commercial Business Model			
Confirmation of the validity of the Commercial Business Model – overall comments from the commercial operators and the park managers interviewed were supportive of the model and particularly in regard to a number of the important features.	✓✓✓	✓✓✓	No refinement required – matter is adequately addressed in the developed Commercial Business Model.
Approach to determining lease payment arrangements – strong confirmation by the commercial operators of the inadequacy of the current (property based) arrangement to determining adequacy of lease payments with agreement to a more business based approach. Park managers acknowledged the issue and confirmed the validity of the suggested approach.	✓✓✓	✓✓	No refinement required – matter is adequately addressed in the developed Commercial Business Model.
Importance of Central Concession Unit involvement – reinforcement by both the commercial operator and the park manager of the need for the extensive involvement of the Central Concession Unit in the establishment of more complex concessions, with the central unit maintaining an involvement throughout the life of the concession. Commercial operators noted that the regional/individual park manager did not have (and should not be expected to have) the commercial skills, knowledge or experience required for the more complex concessions.	✓✓✓	✓✓✓	No refinement required for the role of the Central Concession Unit– matter is adequately addressed in the developed Commercial Business Model.
Environmental controls – confirmed by both the park managers and	✓✓	✓✓✓	No refinement required – matter is adequately

Major Comment Provided	Commercial Operator	Park Manager	Additional (Researcher) Comment
the commercial operators that the extent of environmental controls placed on commercial operators in existing concession agreements is minimal and that further controls are required. Also confirmed that these controls need to be developed on an individual concession basis, with the final performance requirements being developed between all participants.			addressed in the developed Commercial Business Model.
Importance of product development – the park managers particularly identified the need, as detailed in the CBM, to commit greater thought to the development and specification of the concession product offering before it is presented to the market. (Also refer comment below re ‘Enhancement of commercial opportunities’.)	X	✓✓✓	No refinement required – matter is fully addressed in the developed Commercial Business Model.
Perceived Concerns with the Commercial Business Model			
Number of involved stakeholders - a major area of frustration experienced by commercial operators is with the number of different Government agencies which the operator needs to communicate with, and the additional cost incurred.	✓✓✓	X	While acknowledging the concern, it is an area outside the current research project. This represents a potential area for subsequent research.
Commercial acumen of participants – while the model notes the need for the main participants to have valid commercial acumen, the importance of this need was emphasised as a key requirement for a successful commercial relationship. The park managers interviewed	✓✓✓	✓✓✓	The vital importance of commercial skills needs to be given greater emphasis in the Commercial Business Model. The current lack of skills within the park manager

Major Comment Provided	Commercial Operator	Park Manager	Additional (Researcher) Comment
strongly emphasised this lack of appropriate commercial skills at all levels of the park manager organisation.			organisation represents an internal structural issue which is outside the scope of this research.
Cooperative partnership – concern expressed by the commercial operators that the model did not give adequate emphasise to the need for the concession to be operated as a cooperative partnership rather than being based on an adversarial purchaser-provider model.	✓✓✓	X	Importance of partnership needs to be given greater emphasis in the Commercial Business Model.
Possible Omissions from the Commercial Business Model			
Development of a position of trust - need for the model to include the requirement for there to be a relationship of trust between the participants was emphasised by the commercial operators.	✓✓✓	X	Importance of trust needs to be given greater emphasis in the Commercial Business Model.
Lack of transparency – concern was expressed by the commercial operators interviewed that the model did not ensure the transparency of the concession process. In particular, the importance of ensuring that all parties are aware of the necessary processes and procedures which need to be adhered to, including the provision of information and required approvals.	✓✓✓	X	Importance of transparency needs to be given greater emphasis in the Commercial Business Model.
Enhancement of commercial opportunities – commercial operators, once commencing a concession agreement, identify additional commercial opportunities within a national park but are unable to give effect to these opportunities due to the inflexibility of the lease agreements.	✓✓✓	X	The constraint is not the lease agreement (which can be amended based on normal commercial negotiations). Rather, the issue is the ability of the participants to develop and negotiate these variations (which is addressed by other aspects of

Major Comment Provided	Commercial Operator	Park Manager	Additional (Researcher) Comment
			the model). However, issue needs to be given greater emphasis in the Commercial Business Model.
Drivers of Complexity – both the commercial operators and the park managers interviewed endorsed the identified ‘drivers of complexity’ and ‘business characteristics’. One of the park managers suggested that the drivers of complexity needed to consider the impact on the national park (as currently detailed) along with the impact on the immediate surrounds of the national park from an environmental, social and economic perspective.	X	✓	The comment of the park manager reflects the intent of the identified driver but indicates that the current form of presentation may not adequately convey the intent. Therefore, the descriptor of this ‘driver of complexity’ in the CBM will be expanded to ensure the intent is clearly conveyed.
Agency operated entity – noted by a park manager that the CBM did not include consideration of the provision of services by an AOE.	X	✓	The scope of the CBM is restricted to public-private sector based service provisions and, therefore, excludes AOE service provision. This exclusion may need to be further clarified in the model.
Possible Refinements to the Commercial Business Model			
Participant objectives and values - in considering their objectives commercial operators noted that it is important to recognise the operator provides the services for more altruistic purposes than financial return. They suggested that the contribution to the community (via environmental protection or the restoration of a heritage asset) is the primary objective of the commercial operator.	✓✓		The commercial operator comment needs to be carefully evaluated. Commercial operators require an adequate financial return to enable the business to remain viable (even though they maintain the return is inadequate for the investment). However, the importance of recognising differences is relevant

Major Comment Provided	Commercial Operator	Park Manager	Additional (Researcher) Comment
<p>The park managers interviewed expressed a different view – that a primary concern is the lack of consistency between the park manager and the commercial operator objectives and values which leads to conflict. The park managers noted that the completion of a commercial activity was against the inherent values of the park manager.</p>		<p>✓✓✓</p>	<p>and may need to be emphasised further in the CBM.</p> <p>The park manager comment also raises the issue of whether the control of these concession activities should be completed in a separate entity to enable the establishment of consistent value drivers. The current legislative framework would not permit this alternative and, therefore, the matter is outside the present research scope. However, it is a matter suitable for future research.</p>
<p>Identified areas of inefficiency – the park managers generally endorsed the identification of the ‘No Go Zones’ in the <i>Concession Complexity Model</i> with these zones representing areas of inefficiency. However, one of the park managers interviewed noted that the agency may knowingly enter into these zones for social or political reasons. For example, the agency may award a concession to an entity which has business characteristics outside the identified preferred characteristics (i.e. the No Go Zone area) for purposes of training or political need (e.g. to a NFP or indigenous entity which did not have the requisite skills). This was acceptable provided the agency recognised that this decision came at a cost to the agency.</p>	<p>X</p>	<p>✓</p>	<p>Comment does not detract from the validity of the CBM. However, it does provide a valid example of an acceptable exception. Therefore, the discussion in the CBM will be updated to reflect this option.</p>

Major Comment Provided	Commercial Operator	Park Manager	Additional (Researcher) Comment
Approach to marketing – confirmed that a more co-operative approach to marketing would be beneficial. Suggested that this cooperative approach be expanded to extend beyond individual park boundaries.	✓	X	Suggestion to be incorporated into refined Commercial Business Model.
<p>Regular meeting between participants – commercial operators confirmed the desirability of the conduct of regular meetings with these meetings including expected plans and future developments within the individual parks and the region. These are required to rectify a perceived lack of communication.</p> <p>Recommended that the meetings include relevant personnel from the Central Concession Unit with the meetings being held on site, thereby ensuring the central person responsible for a concession is aware of and has seen issues being faced.</p>	✓✓✓	X	Suggestion to be incorporated into refined Commercial Business Model.
	✓	X	
Additional Comments Considered Relevant (by interviewee)			
Distribution of concession payments – commercial operators noted that the concession payments should be used to improve facilities within the individual parks.	✓✓	X	While outside the scope of the developed Commercial Business Model, represents an inherent environmental constraint which requires further consideration.
Lack of park management commitment – park managers noted that there may be a lack of commitment by the park manager agency to the use of external organisations for the provision of commercial	X	✓✓	The comment represents a park management agency cultural matter which, while vital, is outside the scope of this research. It does represent an area for

Major Comment Provided	Commercial Operator	Park Manager	Additional (Researcher) Comment
services and the associated generation of revenue. While commercial operators did not directly comment on this, the concern was inferred by some of their other comments.			future research.
Legislative constraint – park managers expressed concern over the legislative constraints and, particularly, the tenure constraint included in the legislation (which can result in some complex concessions having a maximum tenure of 7 years). Commercial operators similarly expressed concern over the tenure limitations.	✓✓	✓✓	This represents an environmental constraint identified for future consideration, but the current model recognises that a short to medium term change to the constraint will not occur. No change required to the CBM as developed.
Extended period of appointment process – commercial operators and park managers noted that the time period required for completion of concession appointment is excessive resulting in significant additional cost (to all participants) and frustration.	✓✓✓	✓	While the comment related predominantly came from commercial operators, the park managers had similar views. Much of the causes of these time delays result from inherent requirements in the process which is outside the immediate control of the participants (e.g. the need for ministerial approval of leases, the need for approvals from other government agencies, the need to follow Government purchasing guidelines).
X	Not commented on by participant group		
✓	Commented on by some of participant group		
✓✓	Commented on by all of participant group		
✓✓✓	Commented on with emphasis by all of participant group		

Appendix 8 – Final Commercial Business Model



The Commercial Business Model

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Table 1: *Concession Conceptual Framework* Functional Relationships

Table 2: Concession Process Structure, Key Attributes and Issues

The Commercial Business Model

The Commercial Business Model consists of four key components:

- (k) *Commercial Concession Agreement Values Statement*
- (l) *The Concession Conceptual Framework*
- (m) *The Concession Complexity Model*
- (n) *The Concession Selection and Management Process*

These four components and the interaction between each of the components represent the total commercial business model. This interaction, which is represented in Figure 1, is an important feature of the effective application of the total model.

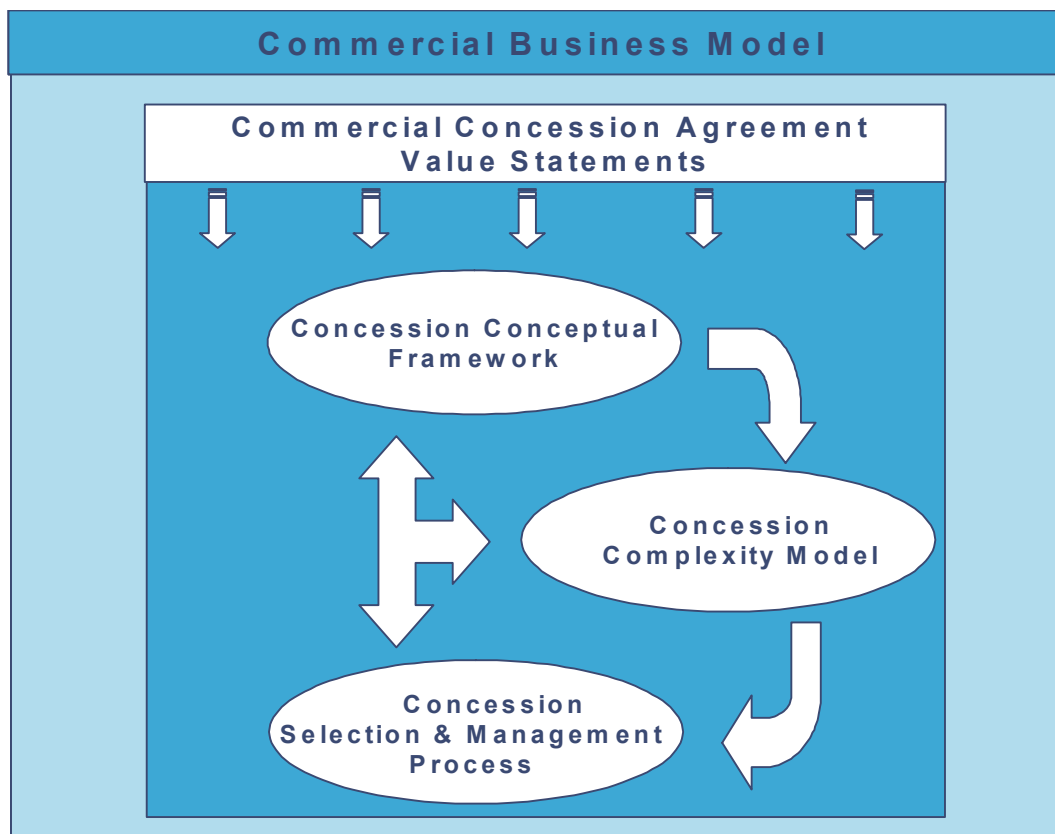


Figure 1: Commercial Business Model

The *Commercial Concession Agreement Values Statement* (described in further detail in Section 1) represents import values which are to be embedded within all interaction between the park manager and the commercial operator in the establishment and conduct of commercial concession arrangements.

The *Concession Conceptual Framework* (refer Section 2) provides the overarching park management environment over which concession management is to occur. This framework is predominantly

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dictated by the external environment and is not subject to variation in the short term (although long-term change may be feasible).

The *Concession Complexity Model* (refer Section 3) has been developed within the internal and external confines of this *Concession Conceptual Framework*. The application of the *Concession Complexity Model* assists in the determination of the appropriate approach to the initiation and management of individual concessions and, more importantly, identifies approaches which would not be appropriate.

The *Concession Selection and Management Process* (refer Section 4) outlines the important steps in the development, awarding and operation of concessions.

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1. The Concession Conceptual Agreement Values Statement

In developing a Commercial Business Model it is important to clearly establish the philosophical position from which the commercial arrangements are to be developed. These represent 'state of mind' type matters rather than specific process and requirement issues. Such concepts, while important to the application of a Commercial Business Model, cannot be incorporated into the specifics of the model. Rather they represent overarching principles which need to be reflected in the application of the model – and these can be referred to as 'Value Statements'.

The Values Statement for the Commercial Business Model incorporates the following requirements:

Values Statements
<ul style="list-style-type: none">▪ Concession agreements will be structured to reflect the commercial requirements of the operators while ensuring the conservation needs are fully protected.▪ Concession agreements will be established based on the principles of a full co-operative partnership between the commercial operator and the park manager exhibiting the features of a trusting commercial relationship.▪ The park manager and the commercial operator will ensure, during all stages of the lifecycle of the concession agreement, that appropriate commercial and environmental skills are utilised.▪ The establishment and operation of concession agreements will be completed under an agreement for full transparency in the processes, approvals and obligations required of all parties.▪ Both parties will use their best endeavours to minimise the concession establishment period, including assisting with the obtaining of approvals from other external parties.

2. The Concession Conceptual Framework

The *Concession Conceptual Framework* along with the key functional relationships within the framework has been identified and is depicted in Figure 6.2.

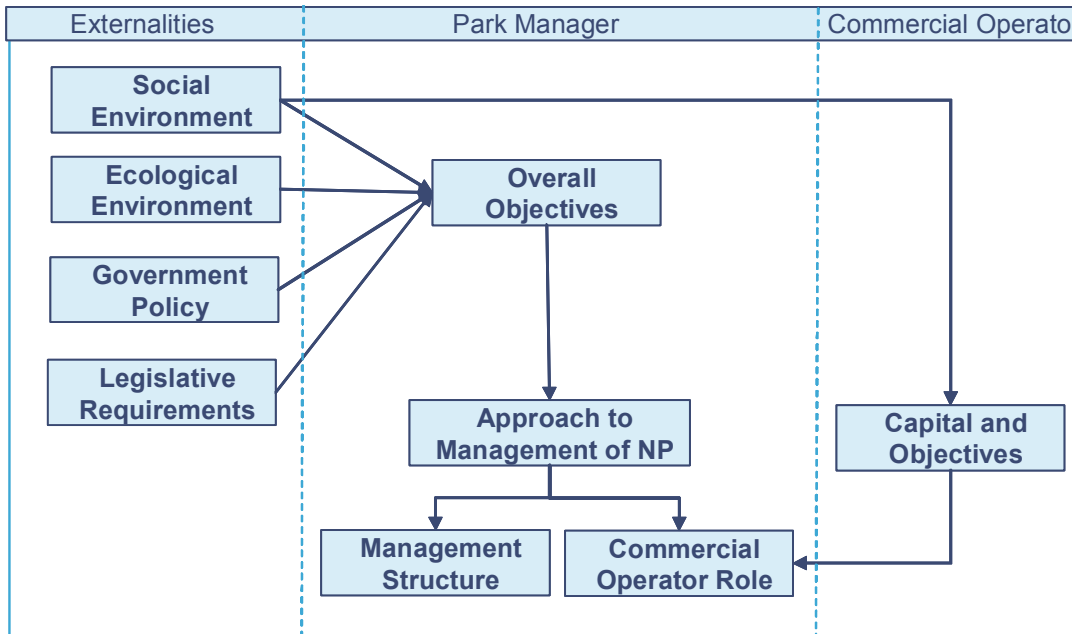


Figure 2: The *Concession Conceptual Framework* (including the functional relationships)

Under this *Concession Conceptual Framework*, the approach of the park manager to the completion of commercial activities is heavily influenced by externalities over which, at least in the short to medium term, the park manager has little influence. Similarly, the park manager approach also needs to give due consideration to the overall objectives of the commercial operator and park manager organisation (as opposed to the individual national park or service requirements). Each of these aspects of the *Concession Conceptual Framework* then influence the park manager approach to management of commercial services including the structuring of the management function and the role of the commercial operator in this service provision.

The following provides an outline of the approach to be adopted in structuring the concession framework for each of the key *Concession Conceptual Framework* areas.

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Table 1: Concession Conceptual Framework Functional Relationships

Area	Specific Matters to be Addressed (where applicable)	Applicable to	
		Park Mgr	Oper
Key External Influences			
Social Environment	- Recognition of the increasing demands of visitors for nature-based tourism in an environment where appropriate facilities are provided.	+	+
Ecological Environment	- Recognition of the role of the parks in ecological protection and, in particular, in the protection of biodiversity.	+	+
	- Acknowledgement of the role of parks in provision of base community resources, particularly water.	+	+
Government Policy	- Segregation of policy development from implementation	+	+
	- Recognition of the role of the park manager free from political interference	+	+
	- Compliance with key government policy frameworks, including purchasing process requirements	+	+
Legislative Environment	- Acknowledgement of legislative constraints	+	+
	- Recognition of conservation emphasis included in legislative framework	+	+
Park Manager and Commercial Operator Objectives			
Differences in Objectives	- The differences in objectives (the majority of which are not negotiable) and their impact on the commercial relationship need to be clearly recognised.	+	+
	- The model needs to be structured to ensure (and assist) each of the players achieves their individual objectives.	+	+
Approach to Management of the National Park			
Concessions Management Function	- A centralised concession management unit exists in the organisation.	+	
	- This unit, among other roles, is responsible for the development and administration of concession management policy, with policy being consistent with higher policy.	+	
	- The purpose of specific concessions is clearly defined and understood.	+	
	- Identification of service need is to include involvement of the individual national park manager and central management.	+	
	- Complex concessions are managed by the centralised concession management unit.	+	
	- Simple concessions are managed at the individual park level, with the centralised concession management unit having an approval/guidance role.	+	
	- The relationship between the concession operator and the park manager is clearly understood and is based on the principles of a partnership.	+	+
	- The central concession management unit has adequate resources and skills in commercial and conservation areas.	+	
Individual Park Level Management	- Park managers include a consideration of visitor requirements and commercial opportunities within park management plans.	+	

Appendix 8 – Final Commercial Business Model

Area	Specific Matters to be Addressed (where applicable)	Applicable to	
		Park Mgr	Oper
	- Where relevant individual commercial tourism plans are prepared to support the over-arching park management plan.	+	+
	- Existing commercial operators are involved in the preparation of park management plans at an advisory level.	+	+
Role of the Concession Operator	- The concession operators are actively consulted and involved in the management of the park.	+	+
	- A number of specific park activities are completed jointly (rather than individually), including the marketing of the park.	+	+

3. The Concession Complexity Model

The *Concession Complexity Model* has been developed to provide the approach for determining the key features of a concession, around which the individual concession requirements can then be developed (using the *Concession Selection and Management Process* outlined in Section 4).

The *Concession Complexity Model* is represented diagrammatically in Figure 3 below.

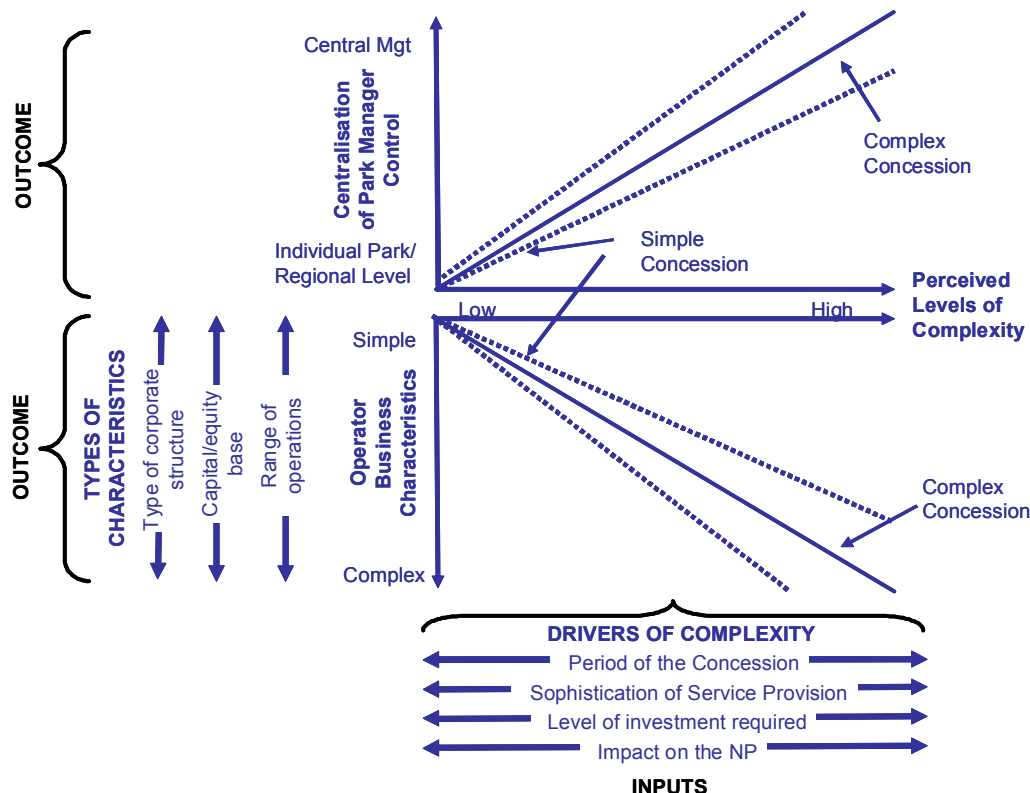


Figure 3: The Concession Complexity Model

Under this model, the key outcomes of the extent of centralised control which needs to be exerted by the park manager along with the degree of commercial sophistication required of the concession operator are both a function of the key input, being the level of complexity of the service to be provided, where the complexity of individual concessions is heavily influenced by a number of key factors (termed the drivers of complexity), these being:

- The sophistication of service provision required
- The level of operator and/or park manager investment required
- The period of the concession required
- The impact of the proposed activity on the national park environment (including areas surrounding the national park).

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These drivers of complexity also influence the extent of business sophistication required from and by the commercial operator, as represented by the following key business characteristics:

- The type of corporate structure required
- The operator capital or equity base required
- The range of operations of the operator

The *Concession Complexity Model* should be used under a process where:

- the identified drivers of complexity are used to determine the degree of complexity associated with the identified concession, and this is then used
- by the park manager to determine the role of central versus regional management in the establishment and management of the concession, and
- by the potential concession operator to assess the viability of the entity as a potential service provider.

This model, based on the experiences in a number of countries, also indicates potential areas of inefficiency in park manager in that:

- It would be appropriate for a concession with low complexity (i.e. a simple concession) to be controlled and managed at the regional or individual national park management level.
- Conversely, complex concessions need to have a higher level of centralised management as regional management does not normally have the experience or management capacity to meet the needs of such concession arrangements.

▪ **Variability of Outcomes**

The *Concession Complexity Model* has been developed to outline the importance of the identified drivers of complexity in determining the role of the park manager in the concession process along with the preferred supplier business characteristics for specified types of concessions. The model is not definitive (as would occur within, say, a mathematical model) and the relationship is not necessarily linear. As a result, the outcomes based on a determined level of complexity have a degree of flexibility, and this is recognised within the model by the 'bands' to reflect potential ranges of outcomes.

This variability occurs as the Concession Complexity Model does not result in definitive outcomes, and because of the changes which occur during the life-cycle of a concession agreement.

General Variability in Outcomes

The determination of the level of complexity of a concession (which itself is an assessment based on judgement) does not result in a definitive specification of the centralised park manager control required or in the specific business characteristics required. Rather, the *Concession Complexity Model* provides a good indication of the outcome, with some variability being possible. Importantly, the

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greater the level of complexity the greater the level of variability possible. This variability is reflected in the bands included in the model, as highlighted in Figure 4 below.

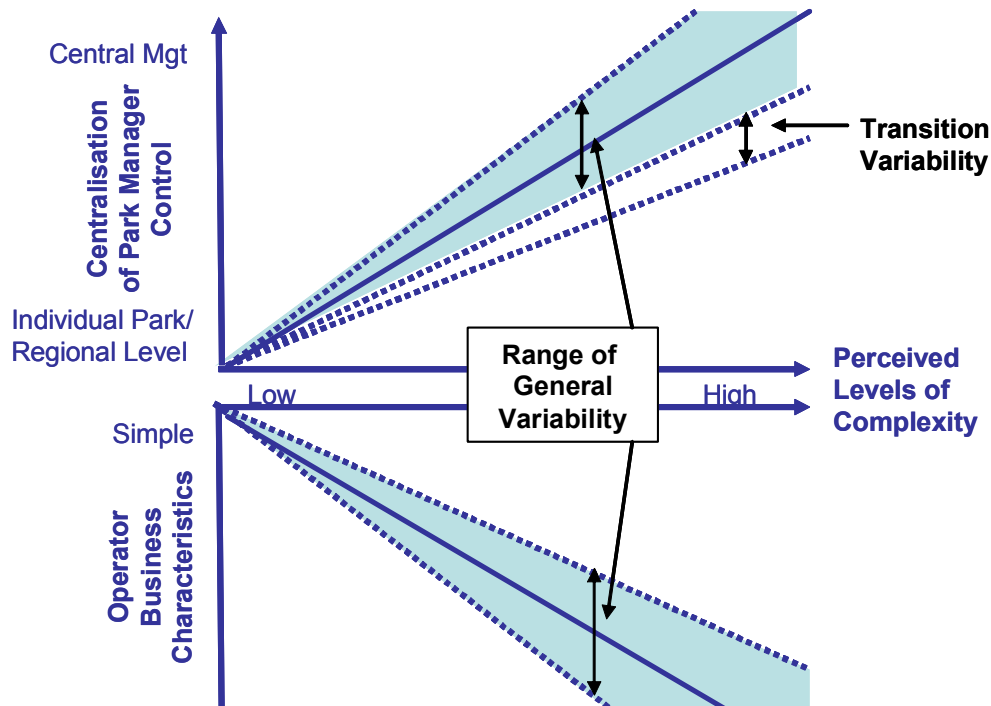


Figure 4: The Range of Variability

- **Transition from Concession Establishment to Concession Operation**

In developing the Commercial Business Model, it is relevant to consider the changes in requirements over the total life of a concession. Once established it is expected that, in the majority of situations, the model outcome (i.e. the specification of the role of central versus regional park managers in the process) will be similar. However, it is important that the park manager also recognise that for complex concessions the role of the regional manager will increase. It is important, during the operational phase, that the regional manager have regular contact with the concession operator to enable the maintenance of the on-going partnership relationship.

This potentially changing role of the various levels of park managers over the lifecycle of a concession is depicted in Figure 5.

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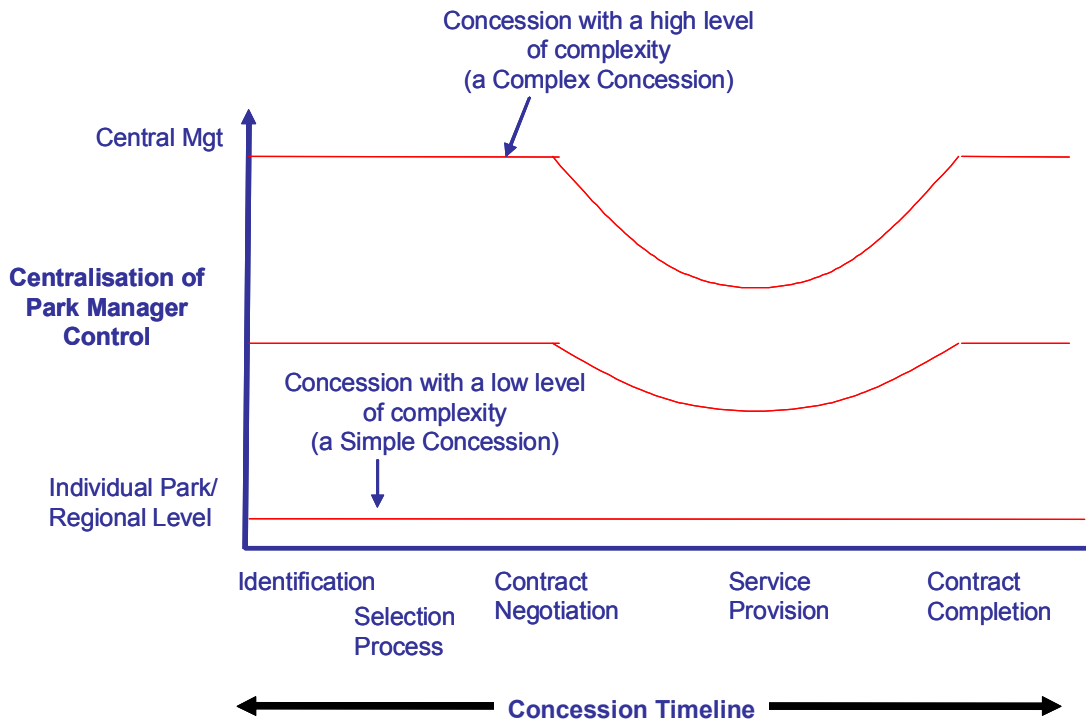


Figure 5: The Changing Role of Park Management over the Concession Timeline

Simple concessions which, by definition, have low levels of complexity will predominantly be managed by the individual or regional park manager throughout the period of the concession agreement. However, the greater the level of complexity, the more important the role of the central Concession Unit of park management during the initial establishment of the concession agreement and during the concession completion phase. During the operational phase, the role of the central Concession unit will decline with the individual or regional park manager taking a greater role in park management.

This additional level of variability is reflected in the *Concession Complexity Model* by the inclusion of a second expanded band of variability around the level of centralisation of park manager control area of output and, in particular, with an potential for greater individual park manager control (during the operational phase of the concession). This is highlighted in Figure 6 below.

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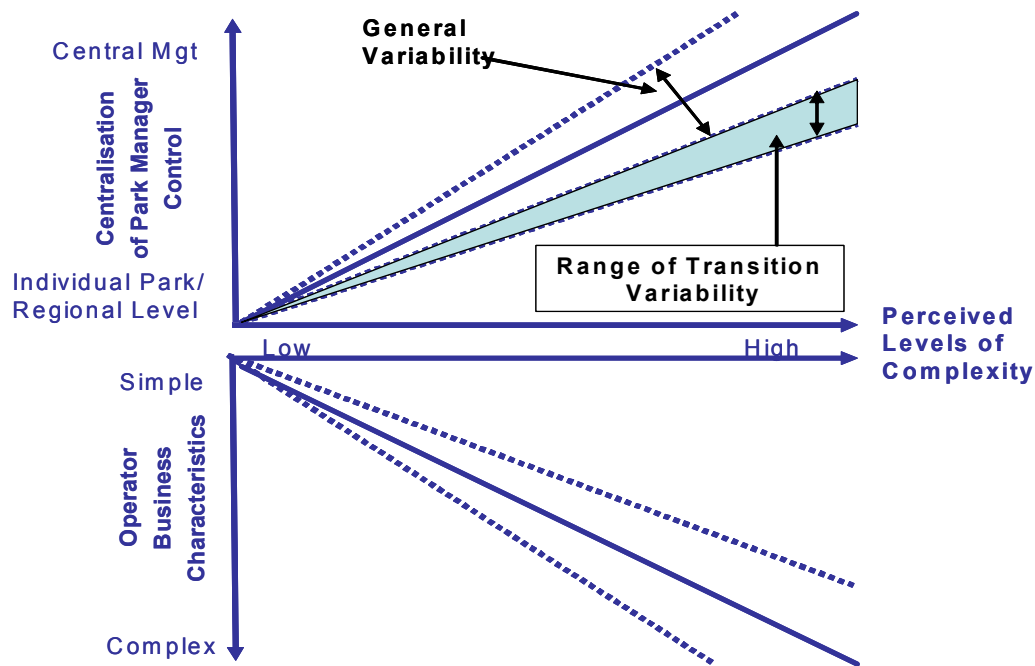


Figure 6: The Second Band of Variability (Transition Variability)

▪ Identified Areas of Inefficiency

This *Concession Complexity Model* also indicates potential areas of inefficiency in park management. Under this model:

- It would be appropriate for a concession with low complexity (i.e. a simple concession for guided walking tours) to be controlled and managed at the regional or individual national park management level.
- Conversely, complex concessions need to have a higher level of centralised management as regional management does not normally have the experience or management capacity to meet the needs of such concession arrangements.

These areas of inefficiency are depicted in Figure 7 below.

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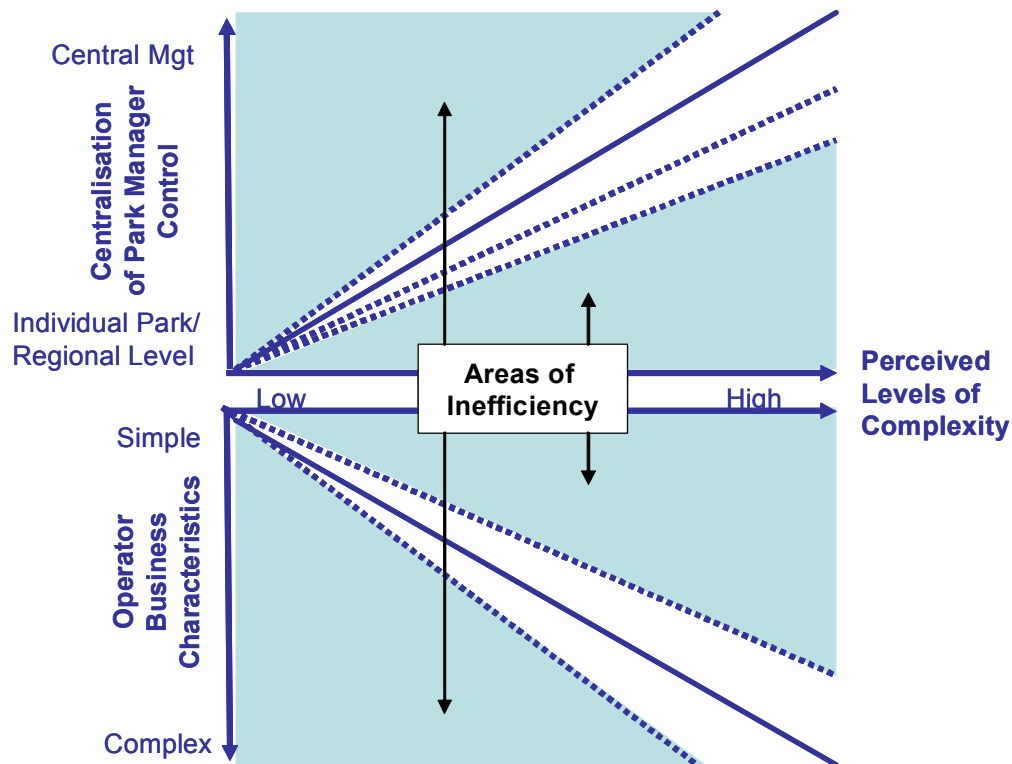


Figure 7: Identified Areas of Inefficiency

It should be recognised that there may be concessions where the park manager enters into a concession within these 'areas of inefficiency' recognising that the outcome may result in additional cost to the park manager. For example, a park manager may award a concession to a NFP organisation or an indigenous organisation recognising that the management of the concession may require more input from the Central Concession Unit, or additional financial support, than would generally be expected. These exceptions will occur when the decision is driven by social needs rather than environmental or financial outcomes. This situation would not occur frequently.

4. The Concession Selection and Management Process

The previous section has outlined the *Concession Complexity Model* which is to be used to determine the type of concession to be used, based on the complexity of the service to be provided, along with the expected business characteristics of the commercial operator. While the *Concession Complexity Model* assists in this important determination, it is also critical to understand the impact of the features of the appropriate concession on the process for awarding and operating concessions.

The fourth key component of the total Commercial Business Model – the *Concession Selection and Management Process* – has been developed to meet this need with it identifying:

- the major areas of activity within the overall concession process;
- the plotting of these activities against a ‘whole-of-life’ concession process timeline; and
- the key drivers of activity in service provision which impact on the structure of the concession agreement.

The *Concession Selection and Management Process* is outlined in Figure 8 following.

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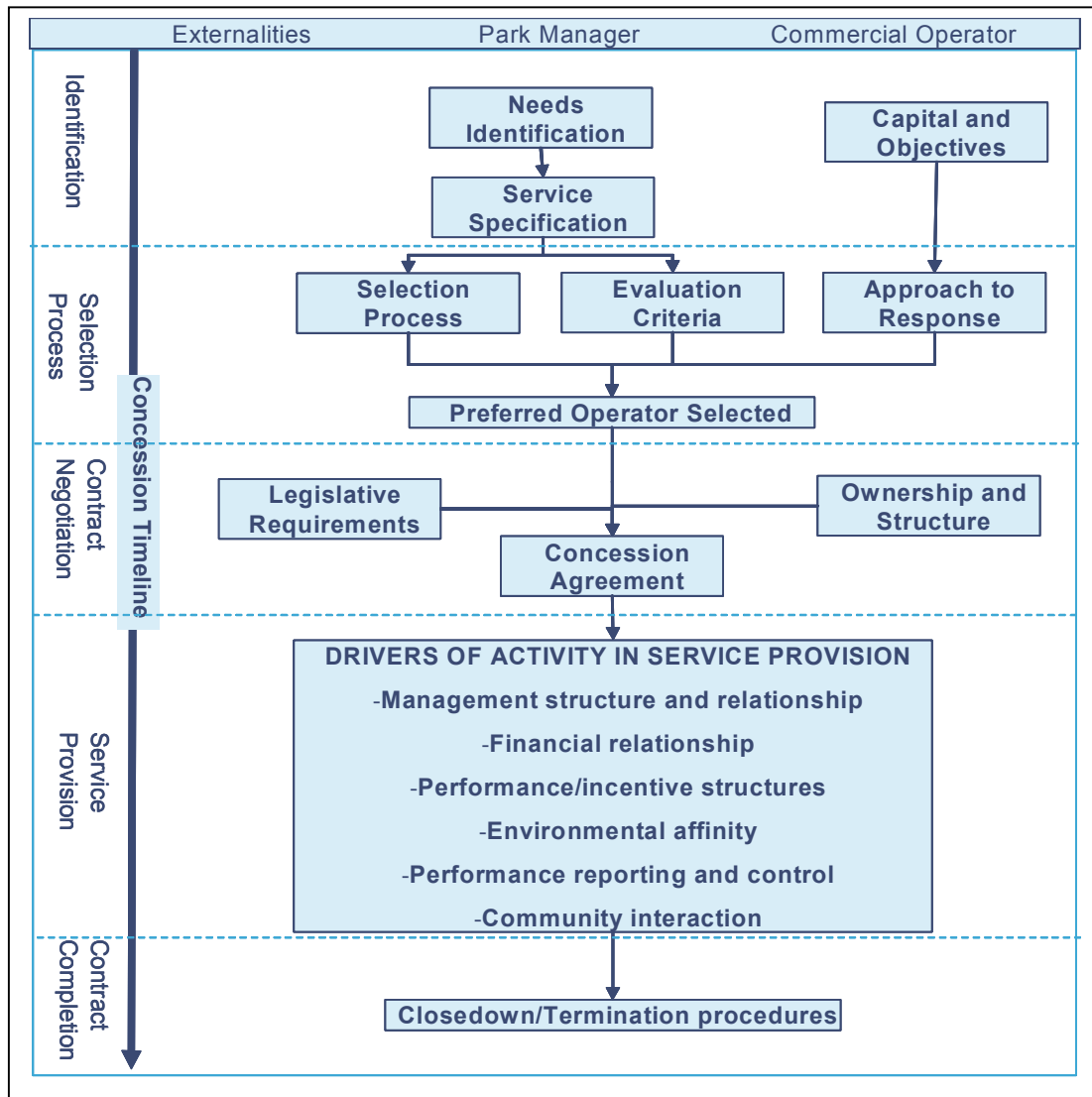


Figure 8: Concession Selection and Management Process

For each of these key activities identified in the *Concession Selection and Management Process* it is also appropriate to identify:

- the key attributes which need to be considered in developing the concession requirements,
- along with, where relevant, specific issues on which guidance is required, and
- guidance on the potential areas of applicability of these activities, attributes and areas (in that some of the matters may only be relevant for the park manager or the operator whereas others may be equally important for both).

These factors have been individually considered for each identified area of activity to provide a summary of the approach to be adopted in completing each activity area.

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Table 2: Concession Process Structure, Key Attributes and Issues

Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
Overall process requirements		- Clarification of the role of the regional park manager and Central Concession Unit in the establishment of the concession along with the ongoing operations	+	
		- Identification and sourcing of the skills required for the total process (including potential external sourcing)	+	
		- Ensuring the required resources are available to complete the concession implementation	+	
Needs identification and specification	Determining services to be provided by the private sector	- Clear specification of service to be provided	+	
		- Potential of existing service providers to meet the requirement	+	
		- Confirmation that the service is best provided by a concession	+	
		- Determine the expected commercial operator expenditure requirements along with the expected concession fee (using appropriate valuation techniques for the concession)	+	
		- Potential to expand the service to make it more attractive for the private sector	+	
	Integration of services with other activities in the park and the surrounding region	- Potential for service provision across a number of national parks	+	
		- Potential for provision of integrated service	+	
		- Need for interaction with other stakeholders	+	
		- Implications for service providers on park boundaries	+	
		- Confirmation of need for monopolistic approach	+	
No of commercial operators – monopolistic, multiple service providers etc	- Consideration of implications of monopoly on service provision and need for regulatory type control	+		
	- Role of regional park manager	+		
Park manager concession selection and management process and criteria	Development of project brief	- Extent of centralisation required	+	
		- Clear specification of comprehensive financial, service delivery, environmental and social requirements	+	
		- Sourcing of required skills to complete the concession process	+	
	Advertising process/approach	- Identification of most appropriate method to approach the market for responses	+	
		- Individual approaches	+	

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:		
			Park Mgr	Oper.	
Commercial operator approach to responding	Selection/tender process	- Advertising medium to be used and frequency	+	+	
		- Requirement for an EOI	+		
		- Requirement for an RFT	+		
		- Establishment of independent evaluation panel	+		
	Evaluation criteria	- Development of an evaluation criteria which gives appropriate recognition to and specification of:			
		- Vision	+		
		- Management	+		
		- Financial	+		
		- Environment	+		
		- Social	+		
Conduct of contract negotiation	- Experience	+			
	- Risk exposure	+			
	- Incorporation of draft concession agreement in tender documentation	+			
Commercial operator approach to responding	Source of opportunity identification	- Request for clarification of contractual terms for discussion	+		
		- Adoption of a commercial approach to contract negotiation	+		
				+	
	Approach to deciding whether to respond	- Concession services is in appropriate business area for commercial operator			+
		- Ability to provide an adequate commercial return			+
		- Acceptance of concession agreement terms			+
		- Ability to meet the information needs of the tender			+
Satisfaction of information requirements	- Identification of areas which require clarification			+	
	- Approach to potential interview requirements			+	
				+	
Legal relationship and agreement	Type of agreement	- Lease			
		- Licence	+	+	
	Agreement features	- Service delivery contract			
	- Development of specific agreement features required	+	+		
	- Specification of environmental obligations	+	+		

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
Ownership and structure	Agreement period	- Outline of cooperative/partnership arrangements	+	+
		- Ability to amend agreement during initial negotiation and flexibility during concession period	+	+
		- Time period of initial agreement (including consideration of legal restrictions)	+	+
		- Extension options appropriate	+	+
	Structure of commercial operator ownership	- Termination options required	+	+
		- Type of legal structure appropriate	+	+
	Large versus small organisations	- Private versus not-for-profit	+	+
		- Based on the expected lease commitment and capital requirement, determine the most appropriate type of business to meet the need	+	+
	Ownership	- Family		
		- Private company		
- Public company		+	+	
Financial commitment of owners	- Investment fund			
	- Extent of protection against future ownership changes	+	+	
	- Ability to satisfy initial capital commitment	+	+	
	- Ability to meet operational expenditure requirements	+	+	
Management structure and arrangements	Approach to management of the organisation	- Satisfaction that the entity ownership and structure is consistent with the financial obligations	+	+
		- Extent to which the management will be located on site	+	+
	Integration with management of the total park	- Role and influence of ownership on management	+	+
		- Need for and frequency of meetings with on site park managers	+	+
		- Need for Central Concession Unit to be involved in regular meetings with the commercial operator	+	+
		- Need for and frequency of meeting with other operators/stakeholders	+	+
Marketing arrangements	- Extent of participation in park strategy development/facility expansion etc	+	+	
	- Role of park manager in approving commercial operator marketing activities	+	+	
Specification of minimum governance requirements	- Completion of joint marketing initiatives	+	+	
		+	+	

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:		
			Park Mgr	Oper.	
Financial relationship	Allocation of financial responsibility	- Capital funding needs (including security requirements)	+	+	
		- Operating requirements	+	+	
		- Clear segregation between responsibilities of operator and park manager	+	+	
		- Clear specification of product offering and role of participants in establishing/controlling demand	+	+	
		- Specification of approach for allocation of joint costs (including marketing expenditure)	+	+	
		- Establishment of procedures for funding of future capital works which benefit both parties	+	+	
	Basis for operator commercial payment to park manager	- Development of basis for payment including:			
		- Minimum base fee			
		- Incentive based fee (e.g. % of revenue)	+	+	
		- Allowance for increases for inflation			
Frequency of payment	- Allowance for regular reviews to market				
	- Provision of potential discounts based on achievement of specific objectives (e.g. specified level of capital expenditure, level of customer satisfaction etc)	+	+		
	- Review of overall potential payments to ensure they are financially realistic (including use of an independent business valuation where appropriate)	+	+		
Flexibility of financial requirements	- Establishment of approach for concession fee payment including frequency	+	+		
	- Preferable to have a monthly or quarterly concession fee payment regime with annual adjustments (if required)	+	+		
	- Integration of payment frequency with reporting requirements	+	+		
Performance/incentive structures	- Possible inclusion of facility to renegotiate concession arrangements after a specified period, particularly for long-term concessions	+	+		
	- voluntary				
	- price based	+	+		
	- regulatory				
Incentive structures other than financial	- property right based				
		+	+		

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
Environmental affinity	Previous record of environmental management	- Consideration of previous environmental record of the commercial operator	+	+
	Environmental management requirements	- Establishment of environmental management requirements of the commercial operator covering: <ul style="list-style-type: none"> - Compliance with the conservation objectives of the park manager - Specification of specific environmental requirements, including performance targets, related to the service being delivered - Specification of specific environmental requirements related to the operations of the national park 	+	+
		- Inclusion of (prompt) procedures for amending environmental requirements	+	+
		- Integration of commercial operator into environmental outcomes of the national park	+	+
Performance reporting and control	Reporting requirements included in contractual relationship	- Inclusion of reporting requirements covering: <ul style="list-style-type: none"> - financial reporting - social reporting - environmental reporting 	+	+
		- Specification of frequency of reporting including possible two tiered approach with regular restricted reports monthly or quarterly and comprehensive reports annually	+	+
		- Need for financial information provided to enable assessment of financial viability of operator	+	+
	Feedback processes	- Specification of requirements of park manager reporting to commercial operator	+	+
		- Need for formal performance review meetings including frequency	+	+
		- Approach for obtaining independent rating of operator performance	+	+
Identification of KPIs	- Specification of reporting governance requirements	+	+	
	- Development of an appropriate set of KPIs (including where appropriate specific targets) covering <ul style="list-style-type: none"> - Service delivery - Financial outcomes - Environmental outcomes - Community interaction 	+	+	

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Activities	Key Attribute	Specific Matters to be Addressed (where applicable)	Applicable to:	
			Park Mgr	Oper.
Community interaction	Role of organisation in the community	- Participation in relevant stakeholder groups	+	+
	Acceptance (and reporting) of social responsibility	- Connection with community	+	+
Closedown/termination procedures	Allocation of responsibilities	- Clear specification of requirements near the conclusion of the concession including:		
		- Allocation or responsibilities	+	+
	- Continuation of maintenance standards			
	- Responsibility for rectification works			
Termination procedures		- Approach to valuation of assets and inventory		
		- Handover procedures		
		- Clear specification of:		
		- Actions which will result in termination	+	+
		- Procedures for termination		
		- Allocation of financial responsibilities		
		- Dispute resolution procedures		
		- Inclusion of timetable where termination is required	+	+