

The logo for AUT (Auckland University of Technology) is displayed in white, bold, sans-serif capital letters on a black rectangular background.

Tourism Planning & Development

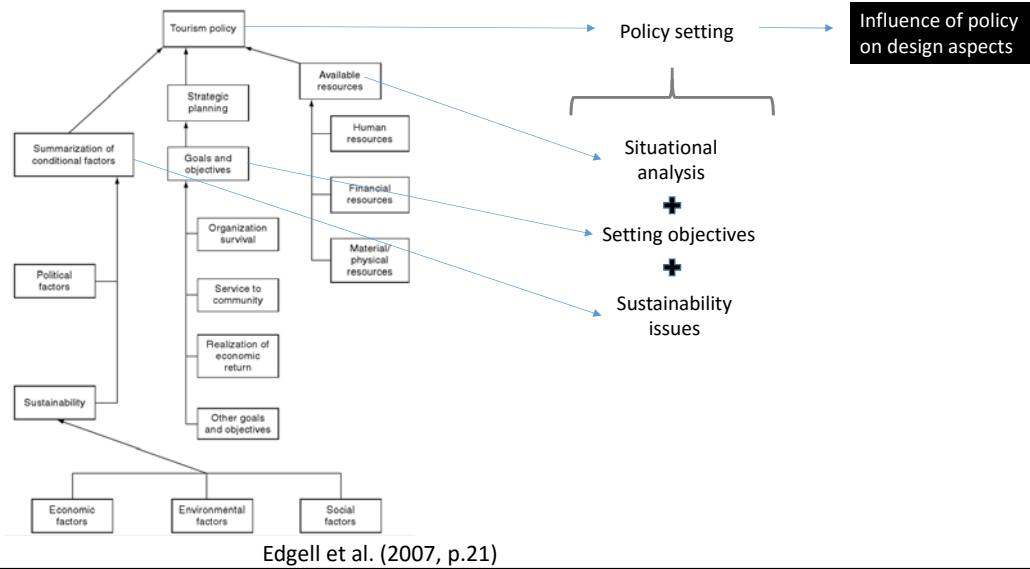
Wk 7
Lecture 07-1

Development and design standards

Content

- Today's class looks at some general ideas about site design, mainly on a higher level (i.e. not site-specific architectural level)
- Design standards provide guidelines for functional criteria, as well as site integration with the wider environment

1. Where are we now?



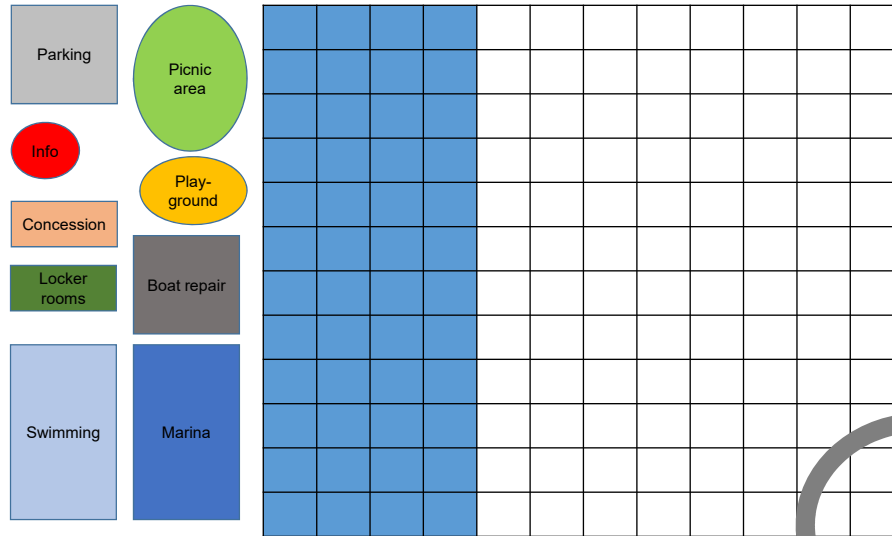
• Exercise:

- Imagine Auckland Council wants to invest in some water-based infrastructure around Westhaven Marina and as an extension to Point Erin Park



- The area is meant to become a recreational area with park facilities, swimming zones and a smaller marina for sailing boats
- Which design principles would you take into account if you were drawing up a plan?

- Below is a rough diagram of the area and of possible facilities to include. How would you place them on the plan? (You can build multiple facilities of similar kind)



2. Linking policy with design

The rational mind-set of public planners



Baycrest



The creative mind-set of urban designers and architects



Max Pixel



Knowledge of tourism market by marketers



Beyond silence

- Some considerations:
 - Architecture, landscaping, site planning, and engineering are highly specialized fields
 - Development and design standards vary appreciably from place to place
- Therefore effect of tourism policy on design standards is limited to:
 - Setting a number of functional criteria, such as energy standards, building setbacks, etc.
 - Aspects of site continuity and zoning
 - Aspects of inclusivity

3. Main functional criteria

a. Unit density

- Number of accommodation units per hectare (10,000 m²)

Low density:
- 12 to 25 units per ha
- Either individual cottages or attached units with much open space

Medium density:
- 25 to 75 units per ha
- Usually requires buildings of at least 2 storeys

Higher density:
- 75 to 150 units per ha
- Usually requires buildings of at least 4 storeys

Hotel densities:
- 750 units per ha

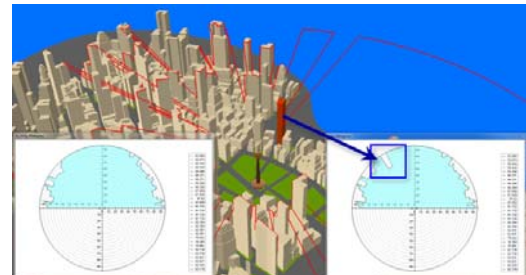
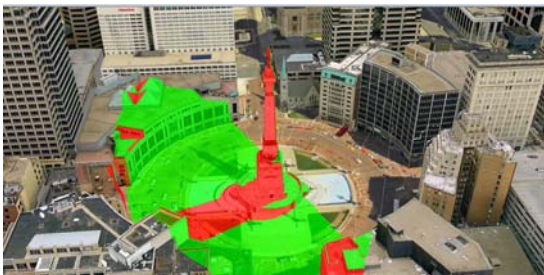
b. Building heights

- If natural appearance desired: 2 storeys;
if natural environment dominant but higher density development wanted: 4 storeys



- Inskeep (1991)

- An important consideration in building height and spatial layout, is maintenance of views (known as: view plane analysis, visual impact assessment, viewshed analysis)
- Analysis can be performed in GIS

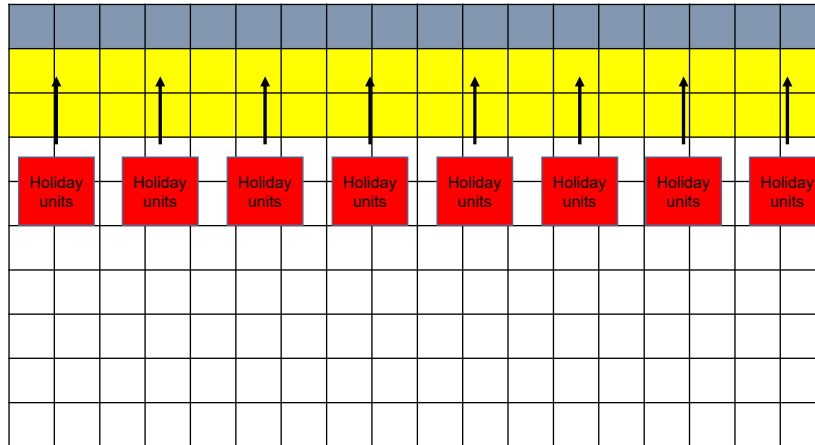


Hexagonspatial © <http://blog.hexagongeospatial.com/using-geomedia-3d-to-identify-best-security-camera-placement/>

- Controlling building height works both ways: protecting views from vantage points up high and protecting views on cityscape from further out

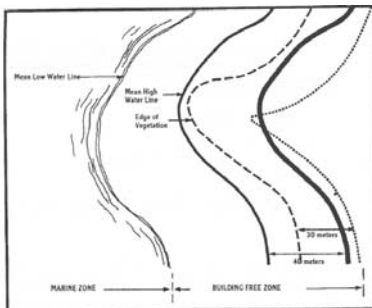
• **Exercise:**

- Below is a standard configuration of seafront cottages. How can you reconfigure the space used in order to increase accommodation units with sea view?

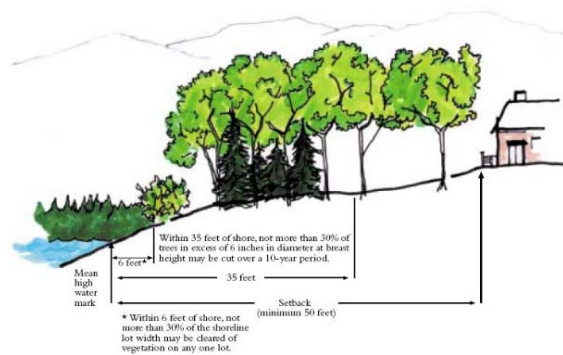


c. **Setback from amenity features:**

- Distance to shorelines, roads, site boundaries, and other buildings
- Needs to also take into account potential environmental hazards: e.g. steep hillsides with unstable soil, erosion, places subject to flooding



Inskeep (1991, p.314)



- Inskeep (1991)

- Why setting standards matters:



<https://www.youtube.com/watch?v=2ON1ZgEuugY>

Copyright: Fox 4 News (2014)

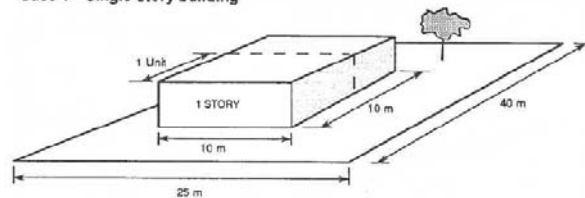
d. Floor area ratio:

- A measurement of the intensity of development
- Calculated by dividing gross floor area by the area of the site

e. Site coverage:

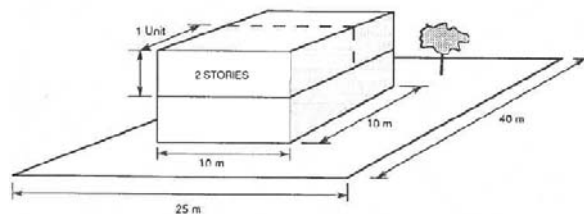
- Controls the amount of landscaped area and open space in the development
- In low to medium density resort: site coverage limited to 25%

Case 1—Single-story building



Lot area	1000 meters ²
Building area	100 meters ²
Site coverage	100/1000 = 10%
Floor area ratio	100/1000 = 10%
Number of units	2
Unit density	20 units/hectare

Case 2—Two-story building



Lot area	1000 meters ²
Building area	200 meters ²
Site coverage	100/1000 = 10%
Floor area ratio	200/1000 = 20%
Number of units	4
Unit density	40 units/hectare

Inskeep (1991, p.316)

Exhibit 23.84A.012 A
Floor Area Ratio

Seattle.gov

Vask

- **Example:**
 - SkyCity 12-storey hotel development of 300 beds, adjacent to new conference venue
 - Look for information regarding allowed building height and floor area ratio on: <http://www.aucklandcity.govt.nz/council/documents/central/pdfs/part1410.pdf>

f. Other site-related criteria:

- Provisions for off-street parking → also needs to consider residential use of tourist facilities (e.g. hotel restaurants)
- Minimum landscaping requirements
- Public access corridors to amenity features and public facilities
- Control on signage: often outdoor advertisement signs in tourism areas are not allowed, apart from identification and directional signs

• **Example:**

- Reading: WTO (1994). *National and Regional Planning. Methodologies and Case Studies*. London, United Kingdom: Routledge. **Chapter 13**
- Can you recognize various of these site design elements in the development plan of the Philippines?

Water Cycle

Urban

Streetscape

Natural

Natural

Streetscape

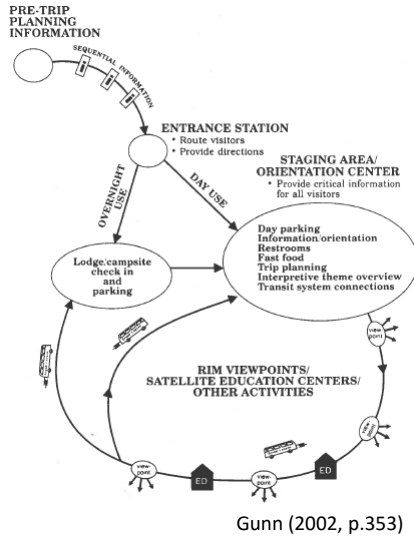
BLUE-

GREEN

EmilyBlueGreen

- Inskeep (1991)

- Placement of orientation centres, commercial functions, etc.



Eirian Evans



Joseph Mischyshyn

4. Site integration and the idea of place making

- Functional criteria focus on individual sites/buildings, but to create a homogeneous, pleasurable environment, the connection between sites needs to be accounted for as well.
- A key concept here is place making, which incorporates two opposite ideas:

An organic approach in which a cultural group gives meaning to geographic space and imprints values, perceptions, memories, and traditions on a landscape



A planned and often top-down professional design effort to influence people's behaviour and shape their perceptions of place

- Bottom-up, local initiatives. Often not intentionally tourist-oriented
- Can give it a sense of unpredictability and risk, but also novelty and back-region experiences and discovery

- Top-down, master planned. Professional design and marketing influences
- Usually safe and predictable, although experience can become contrived and staged

- Lew (2017)

- From a tourism perspective, there needs to be more to placemaking than good physical design and appearance
- The image and experience of a place often has more to do with how place images and identities are created through storytelling and image creation

Table 2. Tangibility scale and tools of place making.

Tangible Physical design (landscapes and builtscapes)	Mixed People practices (ethnoscapes and peoplescapes)	Intangible Mental image (mindsapes and storyscapes)
Street furniture	Festivals and special events	Branding, marketing, advertising and public relations
Sidewalk, street width and pavement	Street life and local dress	History and heritage: famous people and events
Building architecture, height and facades	Food and drinks	Myths: fairy tales, legends, fiction novels
Plants and greenery	Aural (sound) and olfactory sensations (smell)	Social media
Building color, art and signage themes	Shop advertisements	Word of mouth reputation
Bikeways and parking	Formal and informal entertainment	Movie and entertainment tourism
Open space: parks and plazas		News stories
Public art and monuments		

Source: Appadurai (1990) on mindsapes; Berleant (2003) on ethnoscapes; Rickly-Boyd (2010) on storyscapes; Williams and Lew (2014) on peoplescapes and builtscapes; and author.

Lew (2017, p.456)

- Dredge & Jenkins (2003)

- From a tangible perspective, there are a few aspects we can specifically focus on: building relationships, integration with environment, architectural design standards, landscaping, and transportation options

a. Building relationships:

- Central to the idea of zoning
- Grouping of buildings and functions, as well as their relationships to amenity and recreational facilities

NC2
Neighborhood Commercial 2
A moderately-sized pedestrian-oriented shopping area that provides a full range of retail sales and services to the surrounding neighborhood

Typical Land Uses
Medium-sized grocery store, drug store, coffee shop, customer service office, or medical/dental facility, and apartments.

Building Types
Single purpose commercial structures, multi-story mixed use and residential structures. Non-residential uses typically occupy the street front.

Street-level Uses
No limit on mix of residential and non-residential uses, except where P zones or other mapped areas limit residential presence at street level.



Street-level Non-residential Design
Same as NC1 zone.

Street-level Residential Design
Same as NC1 zone.

Maximum Size of Commercial Use
25,000 square feet for most uses; 50,000 square feet for multipurpose retail sales facilities.

Parking Location and Quantity
Same as NC1 zone.

Parking Access
Same as NC1 zone.



P
Pedestrian-Designated Zones
P designations are applied to NC and zones along pedestrian-oriented commercial streets



The P designation preserves and encourages an intensely pedestrian-oriented, retail shopping district where non-auto modes of transportation, both to and within the district, are strongly favored.

Street-level Uses
Limited to pedestrian-oriented non-residential uses that have the potential to animate the sidewalk environment, such as retail, entertainment, restaurants, and personal services. Drive-in or drive-thru businesses are prohibited.

Parking Quantity
Depends on land use and location. No minimum parking is required in Urban Centers, and portions of Urban Villages with frequent transit service within 1/4 mile.

Parking Location
In addition to NC zone standards, surface parking is prohibited adjacent to principal pedestrian streets.

Parking Access
Must be from alley or side-street if feasible, otherwise a two-way curbside on the principal pedestrian street is allowed.

Seattle.gov © https://www.seattle.gov/dpd/cs/groups/pan/@pan/documents/web_informational/dpds021568.pdf

b. Building integration and environmental relationships:

- In natural setting, important to integrate buildings into the environment, as well as provide views
- In tropical and subtropical areas, buildings should incorporate indoor-outdoor relationships (e.g. open-sided lobbies, courtyard gardens). In colder climates, orientation should maximize sun exposure to reduce heating requirements
- In more historical settings, important to think of wider streetscapes

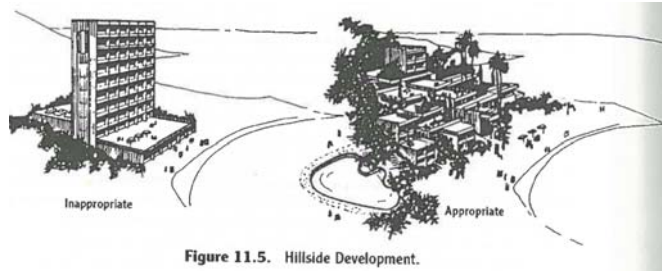


Figure 11.5. Hillside Development.

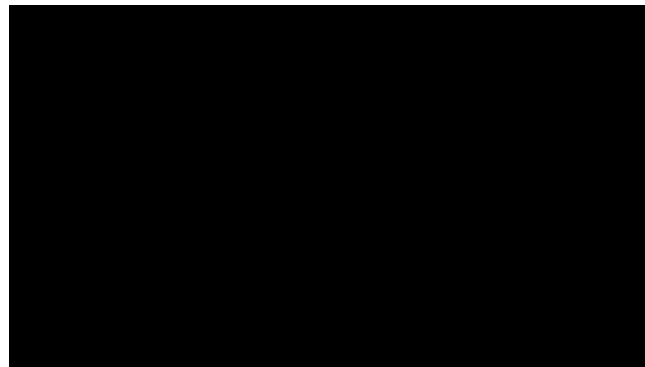
Inskeep (1991, p.310)



Ulrich Lange

c. Architectural design:

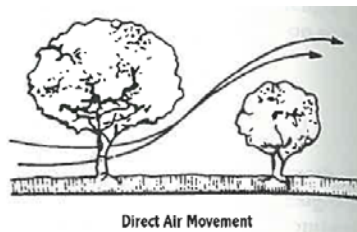
- Standards should be flexible to allow for creativity of the architect
- Guideline considerations for projects could relate to:
 - Incorporating local styles and motifs
 - Roof lines (e.g. flat, pitched, overhang)
 - Use of local building materials
 - Sustainable building practices



<https://www.youtube.com/watch?v=sjZUPa0aHRI>
Copyright: Olympic Channel (2012)

d. Landscaping design:

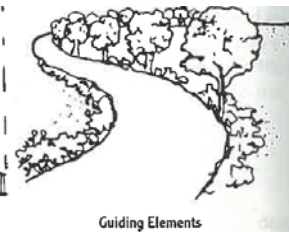
- Concerned with relationship and appearance of total environment, with particular reference to plants, water bodies, outdoor furniture, lighting, etc.
- Provide unity and cohesion in local environment and balance man-made and natural features
- Specifically:
 - Create an attractive setting for relaxation and recreation
 - Screen objectionable views and provide privacy
 - Vegetation buffers to absorb sounds, dust, intense sun glare, high winds
 - Arranging and massing trees and shrubs for colour and texture variation



Direct Air Movement



Provide Rain Shelter



Guiding Elements

Inskeep (1991, p.322)

e. Transportation options:

- Aim for 'good' mobility: enabling development of mobility while taking into account principles of sustainable development
- Strategic objectives for transportation often related to:
 1. Accessibility
 2. Access for all/equity (see lecture)
 3. Safety
 4. Liveability
 5. Care for nature and environment
- Part of this entails influencing modal choice: increasing supply and attractiveness of alternative, sustainable means of transport. This can involve improving ease of access to public transport, and rent-a-bike stations



GeorgLouis



Stephen McKay



Jan Polák

- Improved infrastructure design (e.g. harmonizing form and function of the network, cycle and pedestrian facilities) is also important. Specifically a separation of functions (slow versus fast traffic) and modal connections



Auckland Transport © <https://at.govt.nz/media/1973249/auckland-central-city-cycle-map-a4.pdf>



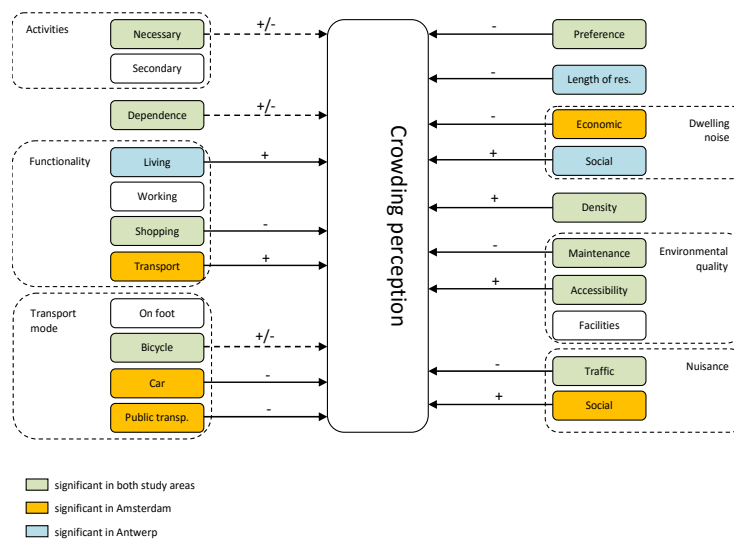
Schwede66



AnnaOurLittleAlice

- Immers & Stada (2004)

- Example: Landscaping and street layout to reduce crowding perception



- Neuts & Vanneste (2017)

- From results we could conclude that green spaces improve relaxation effect and lower crowding perception:



- Street layout affects perceived crowdedness and environmental stress:



- Neuts & Vanneste (2017)

Conclusion

- Planning and design are the area for specialist architects and engineers, still planners and developers have a job here in setting out some general guidelines
- The most important aspects revolve around place integration and 'placemaking'
→ planners and designers have a bigger picture that might be lacking in individual design cases

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Multimedia

- Fox 4 News (2014). *Hill County house falling off cliff*. Retrieved September 8, 2017, from <https://www.youtube.com/watch?v=2ON1ZgEuugY>
- Olympic Channel (2012). *Lillehammer 1994 / Olympic legacy*. Retrieved September 8, 2017, from <https://www.youtube.com/watch?v=sjZUPa0aHRI>

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Tourism Planning & Development

Wk 7
Tutorial 07-2

Development and design standards

Content

- Continuing with general guidelines in design standards, the design should be functional with regards to the operational goals and market segment that is chosen
- Of particular importance in contemporary society is increasing accessibility for people with disabilities, as part of universal design principles

1. Design for market segments

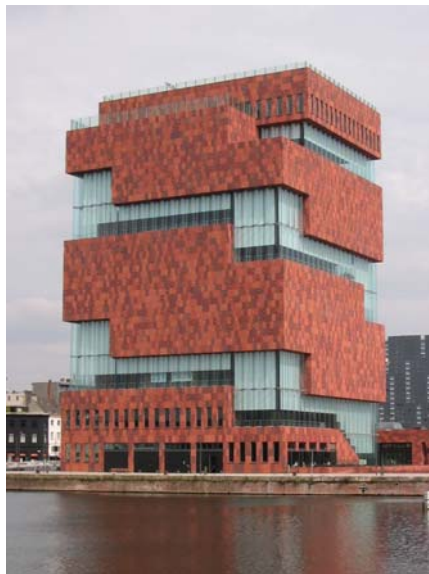
- Idea of Universal Design (or design for all):
 - Design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation = targets all ages, sizes and abilities
 - 7 principles:
 1. Equitable use
 2. Flexibility in use
 3. Simple and intuitive use
 4. Perceptible information
 5. Tolerance for error
 6. Low physical effort
 7. Size and space for approach and use



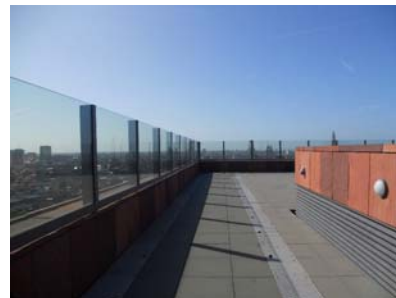
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- Yildiz & Polatoğlu (2013)

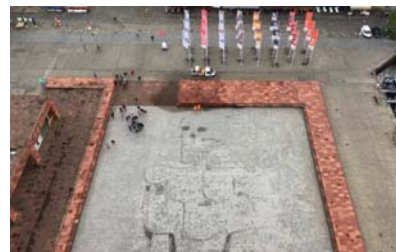
- Good design enables, bad design disables: MAS, Antwerp



Stagehand



Supercarwaar



Sandra Fauconnier

- Calatrava's bridge in Venice, Italy



Christoph Radtke



Maxx1972



Mariordo

- Example: universal design for hotels

Spacious entrance without stairs; sliding doors

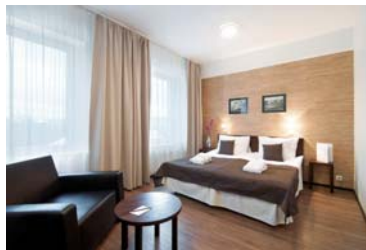


Kirakirameister



WING

Free passageway without obstacles,
well-lit level access



Unique Hotels

Spacious bedrooms, furniture
arrangement that allows for easy
access

Wardrobe with adjustable/low hanging clothes rail



Clube Atlético Mineiro



Portable, vibrating alarm for deaf or hard of hearing guests

Everyday Hearing

Level access shower with support handrails and fold-down seat (can fold in wall to make invisible)



Iha holiday ads

Lower (buffet) counter, suitable for wheelchair users, guests of short height, children



Prayitno



Brisbane City Council

Design of swimming pool area to allow for the provision of a lift or ramp access to get in and out of water

- Catering design to market segments:

- Designing for accessibility is still rather straightforward, designing for specific segments requires understanding of taste and preferences → much more subjective

- Need to know the public you will cater to

- Example:

- Back to the proposed SkyCity hotel development: who are the prospective customers? How to find out what they want?
- Possible methods to survey the market: Benchmarking other hotels, stated preferences through traditional surveys, use of choice experiment vignettes (e.g. Masiero et al., 2015; Wind et al., 1989)



Mandarin Oriental Hotel Group



Pietervandenabeele

- Chun (2011)

- Useful tool for online surveying: <https://www.limesurvey.org/en/>
- Can be used to set up these choice experiments
- Gives an idea of preferences and values of each preference

Imagine that for your future 2-night stay in this hotel you would have the following room offers

	Room A	Room B
View	City	Harbour
Floor	10 th	26 th
Access to hotel club*	No	Yes
Free mini bar	Soft drinks, snacks, wine & beer	Soft drinks, snacks, wine & beer
Guest smartphone (free local and IDD calls and data)	No	Yes
Cancellation policy	Refundable (up to 24hr before)	Non-refundable
Price per room per night	HK\$1,600	HK\$2,400
Which room would you choose?	<input type="radio"/>	<input type="radio"/>

*Access to hotel club: Exclusive privilege of free breakfast and evening cocktail with snacks at Club Lounge with private concierge service.

Masiero et al. (2015, p.120)

- Statistical analysis can be done via: <https://cran.r-project.org/>

2. Case: Tales of San Francisco



Paul.h

- San Francisco known for striking urban setting on hills and waterfronts
- Adopted regulations based on urban design studies to control heights and bulks of buildings to maintain view planes and corridors:

http://generalplan.sfplanning.org/15_Urban_Design.htm



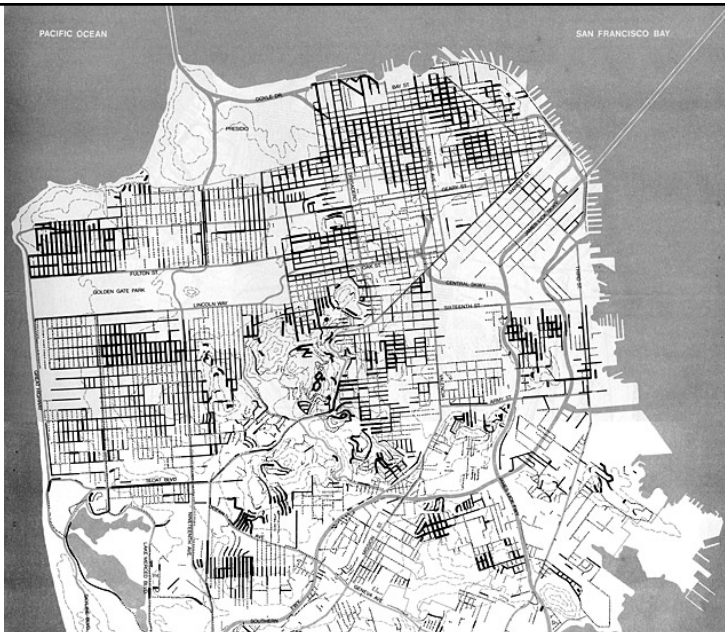
pixabay



lha holiday ads



Fred Hsu

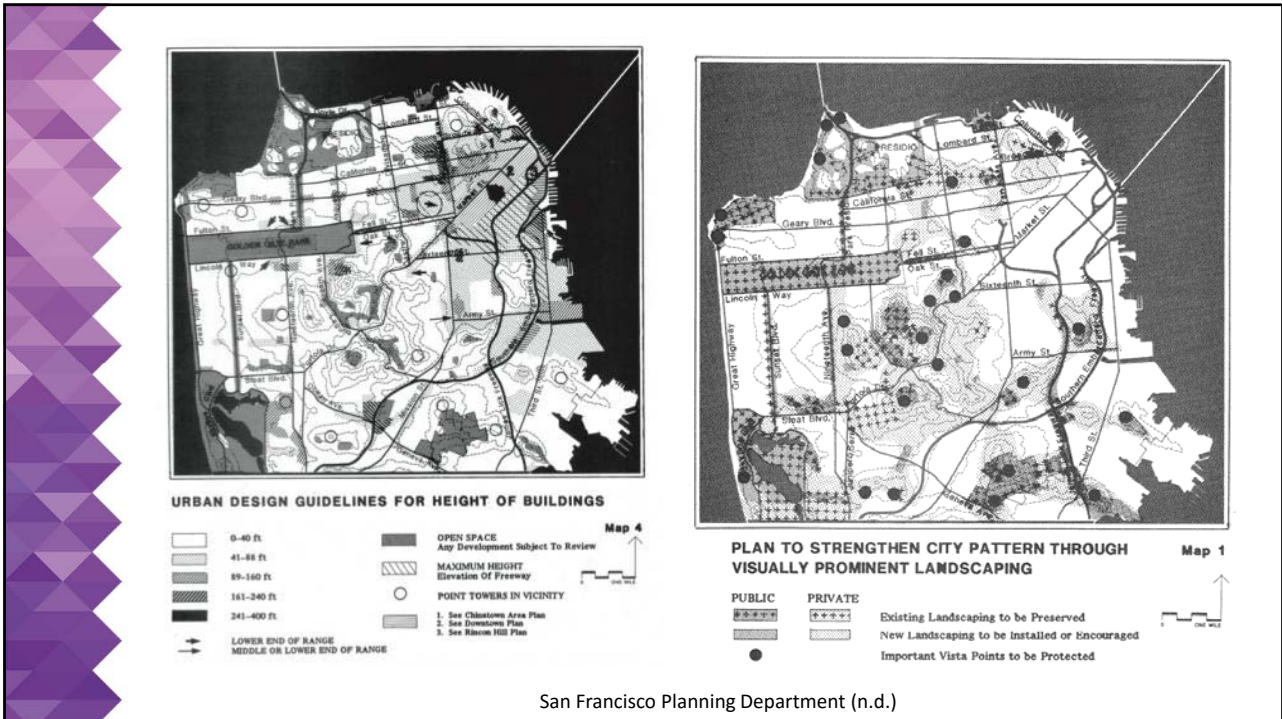


——— EXCELLENT
 ——— GOOD
 ——— AVERAGE

QUALITY OF STREET VIEWS



San Francisco Planning Department (n.d.)



San Francisco Planning Department (n.d.)

- Also using modern tools to plan for the future:



<https://www.youtube.com/watch?v=H5mdVtTKTsA>
Copyright: autodesk ReCap (2015)

Conclusion

- Design should always refer back to the targeted segment and specifically take into account the needs of the disabled
- Understanding market segment needs can be done via benchmarking or surveying existing customers

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Multimedia

autodesk ReCap (2015). *Neil Hrushowy, Planning Dept. City & County of San Francisco – REAL2015 interviews*. Retrieved September 13, 2017, from <https://www.youtube.com/watch?v=H5mdVtTkTsA>

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Tourism Planning & Development

Wk 8
Lecture 08-1

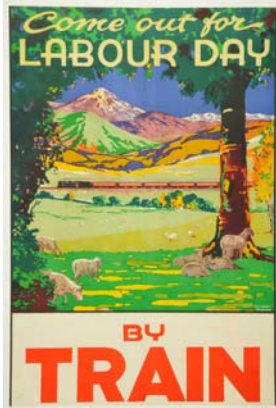
The planning environment in New Zealand:
The Resource Management Act and Health & Safety

Content

- Tourism policy can apply multiple strategies in order to steer development. Besides direct investment and subsidies, hard and soft regulations are important ingredients
- NZ Resource Management Act is a regulatory policy instrument that is meant to guide a sustainable resource use. Due to application as a zoning instrument, it can also serve to advance a specific tourism development strategy
- Another legislative tool is found on regulations around Health and Safety, among others offering tourists a safe and qualitative experience
- Finally, certification programmes are soft means of legislation that can steer organisations

1. The legislative environment in NZ

- In this lecture we focus on specific NZ instrument that can be used within a wider tourism policy




A general tourism strategy can be reached via different combinations of tourism policy instruments:

- Direct investments or PPPs
- Financial incentives to private partners, subsidies
- Legislation: e.g. the RMA, Health and Safety at Work, Certifications

2. The Resource Management Act

- One way in which to achieve tourism objectives (particularly sustainable development) is through the RMA
- The RMA is the main law for managing NZ's environment, including:
 - Natural and physical resources (air, soils, rivers, minerals, mountains, coasts, plants and animals – including people)
 - Man-made resources (buildings and other structures)
 - Intangible matters of concern to people, such as visual, privacy, cultural and environmental values
- Provides a guide to what's important in the environment, but decision on how to manage the environment lies with the local community (idea of subsidiarity)

• Ministry of the Environment (2015a)



Resource Management Act 1991

Part 2

Purpose and principles

5 Purpose

(1) The purpose of this Act is to promote the sustainable management of natural and physical resources.

(2) In this Act, **sustainable management** means managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well-being and for their health and safety while—

- (a) sustaining the potential of natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations; and
- (b) safeguarding the life-supporting capacity of air, water, soil, and ecosystems; and
- (c) avoiding, remedying, or mitigating any adverse effects of activities on the environment.

New Zealand Government © <http://www.legislation.govt.nz/act/public/1991/0069/192.0/DLM230265.html>

- While achieving social or economic outcomes is not explicit in RMA, in some cases cultural and/or economic benefits can still be found to outweigh ecological effects
- The RMA can impact on tourism via:
 - Development of resources: establishment of tourism businesses such as design, location, and scale of development
 - Use of resources: to guide the operational aspects of tourism businesses such as noise, water use, parking, and hours of opening
 - Protection of resources: to restrict where or how resources may be used, such as historic buildings or areas of scenic value


- Example:

Sonya and Malcolm want to build a home for themselves and a three-storey bed and breakfast in a bay surrounded by native bush, which includes a row of pōhutukawa trees along the beach. The only access to the bay is by a private gravel driveway. The district plan says the land they want to build on has 'high conservation values'.

The plan also says that while a one-storey building is okay, a three-storey B&B is not. This is because it will affect the visual amenity of the landscape. Sonya and Malcolm talk to the district council and find out they'll need resource consent to build the B&B. The council says they'll need to fill out an application form and explains that the information they need to provide is set out in Schedule 4 of the RMA. This includes an assessment of environmental effects to support their application. The assessment they give the council includes detailed plans of the development and shows how the buildings will be designed.

The district council publicly notifies the resource consent application and gets 20 submissions from a range of people worried about how the building will affect the landscape.

The district council holds a pre-hearing meeting. Sonya, Malcolm, their architect and the submitters all turn up. The submitters say they'd be happy if Sonya, Malcolm and the council guarantee that the B&B wouldn't be visible from the other side of the bay and that the plans include landscaping to hide the buildings from view. The meeting goes well and everybody agrees that a formal hearing won't be necessary.



International holiday ads

Ministry of the Environment (2015a, p.12)



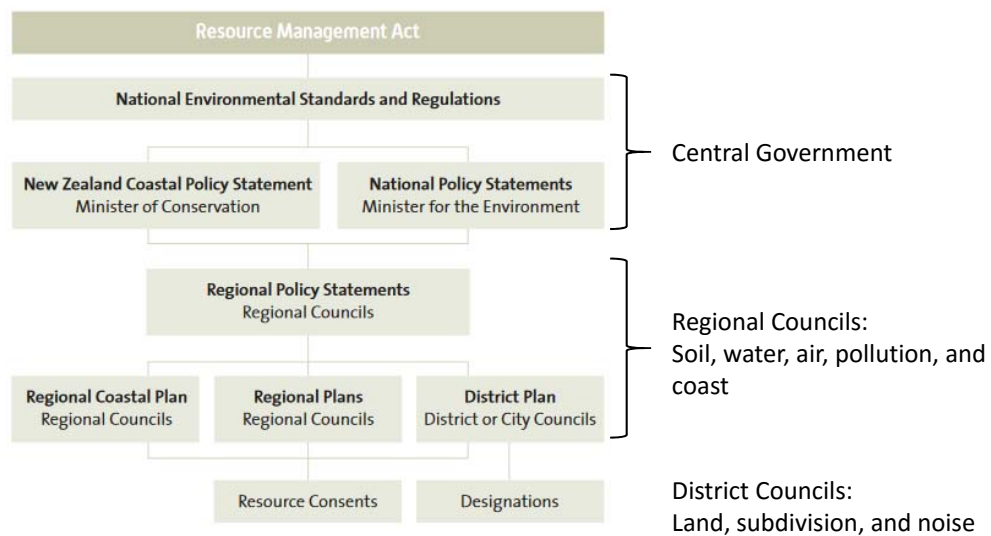
The council grants consent, but adds a few conditions to it:

1. Sonya and Malcolm need to make sure the buildings are designed, located and painted in accordance with the design plans.
2. Some extra planting and landscaping must be carried out and the pōhutukawa trees must not be harmed in any way.

So while Sonya and Malcolm had to go back to the drawing board to change things a little, everyone is happy that their concerns have been addressed and Sonya and Malcolm still get their house and bed and breakfast.

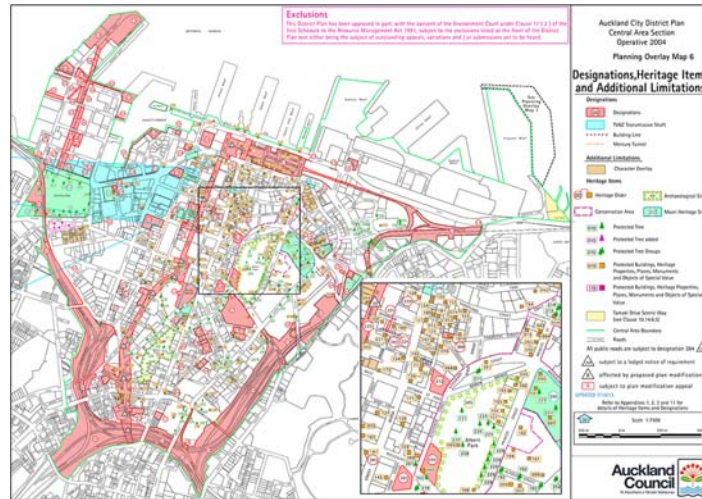
Ministry of the Environment (2015a, p.13)

- The policy-making system:

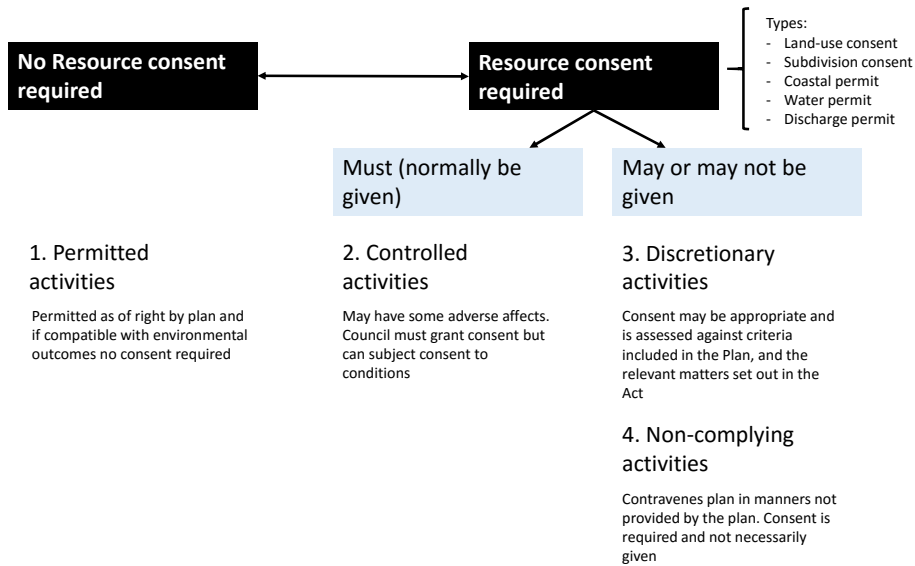


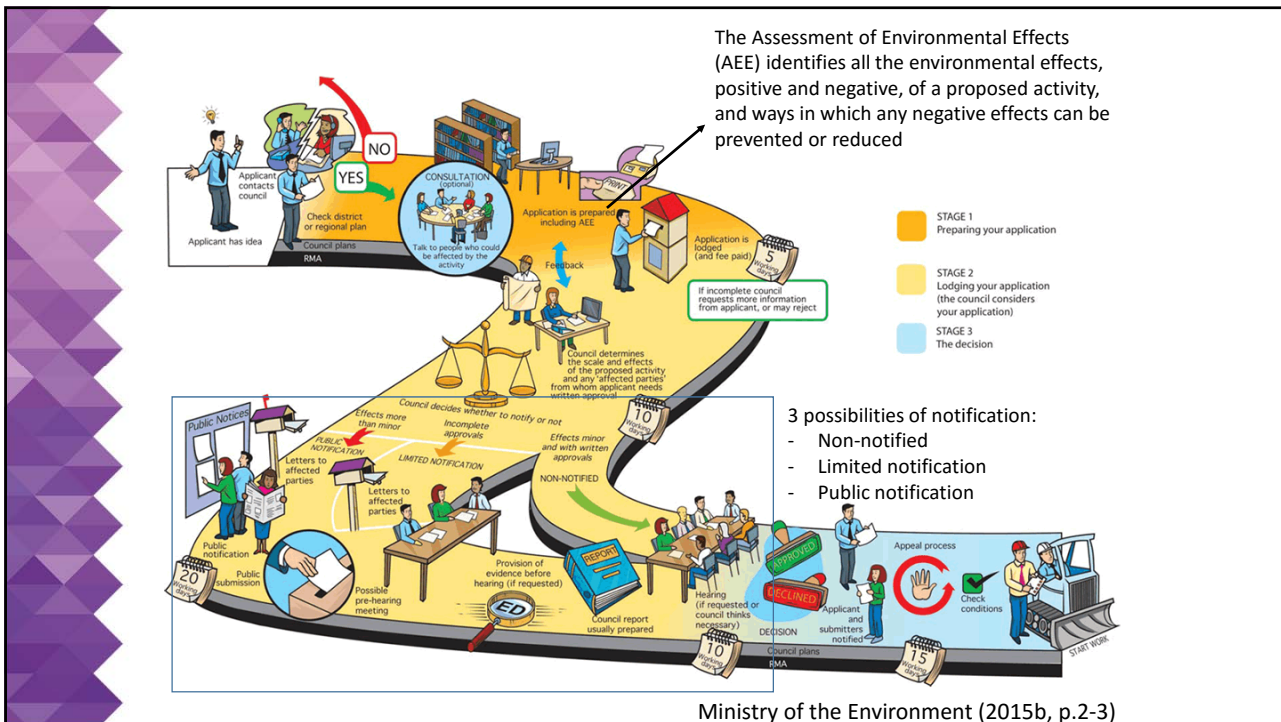
Ministry of the Environment (2015a, p.5)

- Resource consents are required for activities not permitted as a right within local plans → councils must prepare district plan identifying development zones (e.g. <http://www.aucklandcity.govt.nz/council/documents/central/maps/cbdmap01.asp>)

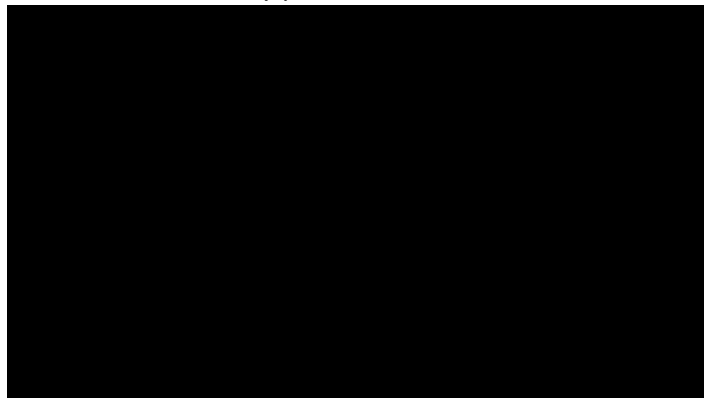


- Categories of activities:





- Influence of RMA on planning and development?
 - From private POV: RMA consent procedure might mean that all steps of the planning process are completed and final implementation phase runs into permit issues
 - From public POV: RMA can work together with a tourism plan in order to enhance location and ensure a qualitative and homogeneous (placemaking) area
- Example: Christchurch recovery plan



<https://www.youtube.com/watch?v=893n--sFilg>
 Copyright: Rebuild Christchurch (2012)

- Example: Plan of Viaduct Harbour

- Plan objectives:

A. To reflect in the Viaduct Harbour area the Council's vision that the central area should be a people place, exciting, appealing and distinctive offering a wide variety of attractions reflecting its unique mix of peoples.

B. To encourage the development and use of the Viaduct Harbour in a manner which will:

- *establish a clear identity for Viaduct Harbour as a special place of character in the central area*
- *continue to meet needs of the marine related activities*
- *make the harbour edge a better and more attractive place to be*
- *maintain and enhance the overall environmental conditions within the basin area.*
- *provide permanent public open space, including public open space owned by the Council and privately owned open space over which there are conservation covenants, and other facilities in conjunction with international and special maritime events such as yachting regattas.*
- *provide a stimulus for the redevelopment of adjacent waterfront areas in accordance with the planning objectives and proposals for the central area.*



Ingolfson



Andy king50

City of Auckland (2011, p.5)

- Policy:

- By providing for building scale and location within the Precinct which allows views of the harbour and adjacent landscape features from the city through viewshafts and height controls.
- By encouraging a scale of development which maintains height controls from the core of the Central Area to the harbour edge and which in combination with view corridors within the Precinct achieves a

sense of intimacy along street and other public space frontages.

- By allowing for a range of activities including events which will reinforce the area's vitality, excitement and interest for the public.
- By providing the opportunity for the Viaduct Harbour area to support an increased, more diverse range of activities, including major international and special maritime events.
- By ensuring that significant portions of ground floor frontages adjacent to primary pedestrian areas are made available for activities such as retailing, food, beverage and customer services.
- By ensuring that environmental qualities and amenities are maintained and where practicable enhanced.
- By ensuring that port and other marine-related activities can operate adjacent to both the Council owned public open spaces and privately owned open space over which there are conservation covenants, without unduly impeding pedestrian accessibility to the water's edge.



Elnicko

City of Auckland (2011, p.5)

- Permission for activities:

Activities	Precinct Area 1	Precinct Area 2
Accommodation/non permanent accommodation, except on those sites bounded by the Viaduct Harbour, Halsey Street, Fanshawe Street and Bouzaid Way and which are within the shaded area defined on Precinct Plan F.*	P	NC
Accommodation/non permanent accommodation, on those sites bounded by the Viaduct Harbour, Halsey Street, Fanshawe Street and Bouzaid Way and which are within the shaded area defined on Precinct Plan F	RC	NC
Ancillary car parking in accordance with the maximum permitted standards under 9.7.1 or which is ancillary to activities in the Coastal Marine Area #	P	P

Activities	Precinct Area 1	Precinct Area 2
Artworks, open air markets, kiosks, stalls, displays, tables and seating, including those used in association with food and beverage activities located on adjacent sites, with the exception of tables and seating used in association with food and beverage activities located on adjacent sites in Waitemata Plaza. See clause 14.7.7.6 for coverage control in Waitemata Plaza, Market Square and the promenade area of Precinct Area 2 (excluding Te Wero and the Eastern Viaduct).	P	P
Auctioning, of fish, shellfish, fish by-products, fruit, vegetables and flowers	P	NC
Bridges and associated buildings and machinery#	NC	P
Buildings and additions or alterations to buildings that comply with the development controls for the precinct in which they are located.	RC	RC
Charter boat and ferry and marina operations*#	P	P

City of Auckland (2011, p.8-9)

- Some final concerns with the RMA:

- High costs to obtain resource consent
- 'Blurred edges' of policy making → judge, jury and executioner too
- Reluctance by foreign investors
- Questionable ethics and decision making skills by local councillors
- Very few refusals (8 out of 395 in the study of Connell et al., 2009) → is RMA rigorous in controlling negative impacts of tourism?
- RMA works purely on a case-by-case nature, cumulative effects of tourism development are not taken into account → does this really lead to a sustainable destination?

• Connell et al. (2009), Gillespie (2011)

3. Health and safety regulations

- While not directly related to development goals in terms of growth, health and safety regulations are important for creating a safe visitor environment
- The relevant legislation is covered in the Health and Safety at Work Act 2015 which came into effect 4 April 2016
 - This act covers all NZ enterprises, including tourist establishments
 - While the primary focus is on employee safety, visitor safety is an intrinsic aspect here
 - One segment of the tourism industry is specifically singled out within a separate regulatory framework: Health and Safety at Work (Adventure Activities) Regulations 2016



chee.hong

- Adventure tourism is big business, about NZ\$5 billion of tourism revenue is in some way attributable to adventure tourism
- While numbers on injuries and deaths are hard to come by, at least 63 overseas tourists died in adventure activities over the past decade
- Part of the problem of getting reliable data: adventure tourism falls under different jurisdictions (aviation, maritime, transport, labour)
- In 2009, John Key ordered a safety audit on adventure tourism providers

- **Important aspects in the act:**
 - **Part 1, §4: Meaning of adventure activity**
 - Provided in return for payment
 - Land-based or water-based
 - Recreational or educational experience as main purpose
 - Designed to deliberately expose the participant to a serious risk to health and safety
 - Exceptions are made for activities provided by a sports club, recreation club, registered school or tertiary education provider. In such cases, activities do not fall under the adventure activities act

Examples of activities referred to:

- | | |
|---------------------------------------|---|
| -Abseiling (if done outdoors) | -Off-road vehicle driving |
| -Bridge swinging | -Quad biking or trail biking |
| -Bungy jumping | -River boarding |
| -Canoeing | -Rock climbing (if done outdoors) |
| -Canyong swinging | -Scuba diving |
| -Canyoning | -Skiing and snowboarding (if done outdoors and outside of patrolled ski area) |
| -Caving | |
| -Glacier walking | |
| -High ropes course crossing, zip wire | |
| -Kayaking | |
| -Mountaineering | |



Chris_Parfitt

- **Part 2, §6: Passing a safety audit**
 - An adventure activity operator must obtain a safety audit prior to providing the activity
 - A safety auditor audits the operator for compliance with the safety standards that apply to the activities as set by WorkSafe
 - A safety audit certificate is valid for a maximum of 3 years only
- **Part 2, §7: Being registered**
 - A registrar, receiving a copy of the safety audit certificate and other organisational information, will register the person/organisation as an adventure activity operator
 - The information of the register must be available on an internet site maintained by or on behalf of WorkSafe
- **Part 2, §8: Providing adventure activities without registration**
 - A person who is not registered or holds an exemption from the requirements and still provides adventure activities can be fined for up to NZ\$10,000 for an individual, and NZ\$50,000 for an organisation
- **Part 2, §18: Cancellation or suspension**
 - The registrar may cancel or suspend a registration of the person has provided adventure activities in an improper way or has not complied with the conditions of the safety audit certificate

- Some concerns with health and safety regulations:
 - Getting certified for adventure activities is an expensive cost as well as a long process
 - On top of that, on-going safety audits are costly and recurring
 - Can rules or regulations really provide a 100% safe environment for what ultimately are adrenaline-seeking, risky activities?



<https://www.youtube.com/watch?v=qki5fAOyufQ>

Copyright: Fox (1990)

4. Certification programmes

- A third strategy within general tourism policy relates to soft approaches through voluntary Certification programmes

STAR RATED CATEGORIES	ENDORSED CATEGORIES	ENVIRO AWARDS
<p>Apartment complexes, motels, and hotels</p> <p>Includes budget, mid-range, and high-end properties</p> <p>Includes budget, mid-range, and high-end properties</p> <p>Includes budget, mid-range, and high-end properties</p> <p>Includes budget, mid-range, and high-end properties</p> <p>Includes budget, mid-range, and high-end properties</p>	<p>Active Activity</p> <p>Includes active living, sports, and recreation</p> <p>Includes active living, sports, and recreation</p> <p>Includes active living, sports, and recreation</p> <p>Includes active living, sports, and recreation</p> <p>Includes active living, sports, and recreation</p>	<p>All Qualmark accredited businesses must meet environmental and social criteria</p> <p>Businesses wanting to be specifically highlighted for their sustainable business practices may be further assessed through the Qualmark Green Award.</p> <p>Includes budget, mid-range, and high-end properties</p> <p>Includes budget, mid-range, and high-end properties</p> <p>Includes budget, mid-range, and high-end properties</p> <p>Includes budget, mid-range, and high-end properties</p> <p>Includes budget, mid-range, and high-end properties</p>

Steps to take:

1. Enquire with Qualmark → standards used for evaluation are given to provider
 2. Payment of (annual) licence fee: <http://www.qualmark.co.nz/pricing.html>
 3. On site evaluation of over 160 industry-developed, sector-specific criteria (on e.g. customer service, standard of facilities, overall business operations, responsible tourism, environmental practices, general safety)
- In 2010 there were 2,296 Qualmark-licensed tourism businesses (95 Enviro-gold, 209 Enviro-silver, 106 Enviro-bronze)

Conclusion

- As one important tool for tourism policy, legislation is adopted
- Legislation can take the form of rules and regulations (RMA, Health & Safety) or be voluntary (certification)
- The RMA is an important part of NZ legislation which offers opportunities for public bodies to overlay areal tourism plans over potential resource consent
- While the RMA and Health & Safety regulations help to set certain standards and offer levels of control, they also invariably rise the price for tourism development

References

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- Gillespie, A. (2011). The Distant Sound of Alarm Bells in the Wonder Country. *New Zealand Journal of Environmental Law*, 15, 51-87.
- Ministry for the Environment (2015a). *Getting in on the Act. An everyday guide to the RMA, Series 1.1*. Wellington, New Zealand: New Zealand Government.
- Ministry for the Environment (2015b). *An everyday guide to the RMA: Applying for a resource consent*. Wellington, New Zealand: New Zealand Government.

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Fox (1990). *The Simpsons – Bart the Daredevil. Season 2, episode 8*. Retrieved September 17, 2017, from <https://www.youtube.com/watch?v=qkj5fAOyufQ>

Rebuild Christchurch (2012). *Christchurch CBD Recovery Plan*. Retrieved September 17, 2017, from <https://www.youtube.com/watch?v=893n--sFilg>

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Tourism Planning & Development

Wk 8

Tutorial 08-2

Introduction to the gamification exercise

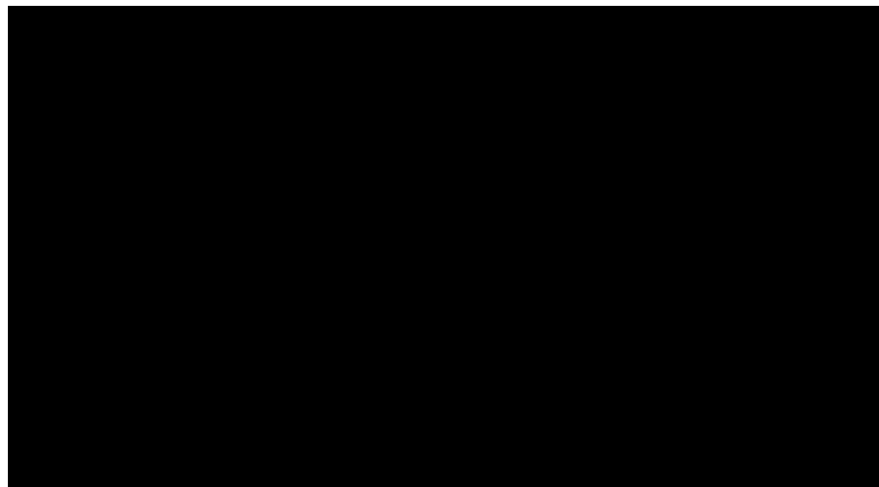
Content

- Today's tutorial introduces you to next week's assessment 2
- A short introduction to the use of games is given
- The main stages of the game are discussed and the rules are laid out. Similarly, a brief overview is given of the game pieces and the main characters in the game
- After the tutorial, students will be assigned different characters and character profiles as preparation to the assessment

1. Assessment 2 within the learning outcomes

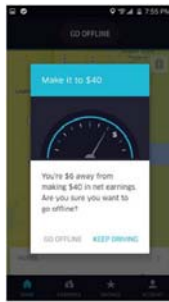
- One of the stated learning outcomes for Tourism Planning & Development is to apply major theories, concepts and principles and utilise specific techniques and tools in the planning process
- Assessment 2 is specifically designed as an introduction to techniques and tools that can be used in a planning process, particularly aimed at wider community involvement

2. A brief introduction to games



<https://www.youtube.com/watch?v=SyuFLxQZf78>
Copyright: Channel 4 (2010)

- Gamification relates to the use of game elements and game design techniques in a non-game context
 - Game elements are the toolbox that serve a purpose which itself lies outside of the game
 - Success in the game is not the final, ultimate objective (e.g. business, school, social impact, personal improvement)
- It builds strongly on psychological motivation theories: leveraging our natural desires for socializing, learning, mastery, competition, achievement, status, and self-expression



One of the messages Uber has sent its drivers to encourage them to stay on the road.

How Uber Uses Psychological Tricks to Push Its Drivers' Buttons

The company has undertaken an extraordinary experiment in behavioral science to subtly entice an independent work force to maximize its growth.

By NOAM SCHEIBER and graphics by JON HUANG | APRIL 2, 2017

The New York Times © <https://www.nytimes.com/interactive/2017/04/02/technology/uber-drivers-psychological-tricks.html?mcubz=0>

- Werbach (2017)

- Example: City of Stockholm and Volkswagen



Keith Evans

- Traffic cameras with licence plate recognition monitored drivers that were speeding and drivers that stayed beneath the speed limit
 - Drivers who were speeding received a fine while all drivers staying under the speed limit were entered into a lottery. At certain intervals, a winner was picked among non-speeding drivers, receiving the cumulative sum of all collected fines
 - Results: during trial, speed decreased from 32 to 25 km/h
- Furthermore, it can be used as a way to frame responses to a complex situation by introduced reality via a game or play

- Werbach (2017)

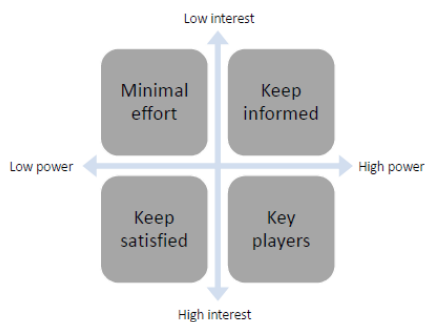
3. The Wynyard Quarter Development game

- The basic game board & the game stages



1. You & I:

- At the start of the game, players identify the different characters and try to map these in terms of stakeholder influence and potential alliances. Try to apply the power-interest matrix of Mendelow:



Pitt & Koufopoulos (2012)

- After identifying the stakeholders, the players need to identify which parties hold which land






2. Run this town:






- i. **Hit the lights:** Using the layout of Wynyard Quarter, players cooperate together to identify the buildings that were already there at the start of 2015
- ii. **I feel a change comin' on:** The first real stage of the game, consisting of 5 steps
 - a. **Delivering the council vision:** The players who play the role of Auckland council start with a small presentation/talk on how they see the development of Wynyard Quarter over the next decades. Inspiration is taken from 'The Waterfront Plan 2012'. Where will the priorities be, what will the functions be, and what about transportation?
 - b. **Potential project developer:** The potential project developers come forward with a development idea, set their requirements (for instance, how much would it cost) and the potential of the attraction
 - c. **Public consultation:** The opposition critiques the plan. The public also gets time to have their opinions heard
 - d. **Money well spent:** Council and project developers can add buildings (residential/offices/commercial) and parks to the map. Residents have the option to start a protest against certain developments if at least 4 residents agree to this
 - e. **Vote of trust:** At the end of the round, the public has to vote for the current council or the opposition, as well as vote in favour or against the stadium proposal put forth under b





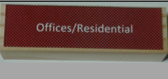
iii. **My way:** The final stage of the game, consisting of 5 steps




- a. **Potential project developers** can talk to each other and the council players in order to get their ideas in line. In the meantime, they can also decide whether it would be good to work together on a shared stadium project and if a PPP can be set up with the council
- b. **hearing the opinions** in the previous round, the council (or opposition, if chosen) proposes an altered vision. In this vision, a choice is made of preferred development on Headland Park. The project developers promote the new idea to the public
- c. **Public consultation:** The opposition critiques the plan. The public also gets time to have their opinions heard
- d. **Money well spent:** Council and project developers can add buildings (residential/offices/commercial) and parks to the map. Residents have the option to start a protest against certain developments if at least 4 residents agree to this
- e. **Vote of trust:** At the end of the round, the public has to vote for the current council or the opposition, as well as vote in favour or against the final development of Headland Park

- The game pieces:

Pieces	Description	Can be used by...	Value
	The protest group. If at least 4 residents agree, a protest can be staged against some developments to bring construction to a stop for that round.	- Wynyard Quarter residents - Residents of greater Auckland - Ngāti Whātua Ōrākei - Commercial operators	0
	Demolition works. This can be used to clear existing structures (Industrial, Commercial, Offices, and Residential) in order to make room for future developments.	- Auckland Council - Project developers	100,000 per structure
	Money. This coin has a value of 100,000 NZ\$.	- Auckland Council - Project developers	100,000
	Money. This note has a value of 5 million NZ\$.	- Auckland Council - Project developers	5,000,000
	Money. This note has a value of 10 million NZ\$.	- Auckland Council - Project developers	10,000,000

Pieces	Description	Can be used by...	Value
	Empty land. Land that hasn't been built on, can be used for construction. If land is under ownership of the player (specifically for the council), the land can be used for free. Otherwise it needs to be bought.	- Auckland Council - Project developers	10,000,000 per plot of land
	Urban park. Every park tile is approximately 1.5 acres in size (about 6,000 m ²). Multiple tiles can be combined to create larger park.	- Auckland Council - Project developers	5,000,000 per tile
	Above-ground carpark. This tile offers a single-deck above-ground parking of 1.5 acres and fitting 200 cars. Multiple tiles can be combined to create bigger parking.	- Auckland Council - Project developers	500,000 per tile
	Underground carpark. This tile offers a single-level, fully underground carpark of 1.5 acres and fitting 200 cars. Multiple tiles can be placed on top of each other to create extra underground levels. Building can be constructed on top of these tiles.	- Auckland Council - Project developers	10,000,000 per tile
	Multistorey carpark. This tile offers a multistorey carpark of 2 levels below surface and 3 levels above surface. It occupies 1.5 acres of land and can fit 1,000 cars.	- Auckland Council - Project developers	30,000,000 per tile

Pieces	Description	Can be used by...	Value
	Office block. This block offers a 2-storey office building, occupying 1 acre (approximately 4,000m ²). Multiple blocks can be placed on top of each other to create extra storeys.	- Auckland Council - Project developers	60,000,000 per block
	Commercial block. This block offers a 2-storey commercial building, occupying 1 acre (approximately 4,000m ²). Multiple blocks can be placed on top of each other to create extra storeys.	- Auckland Council - Project developers	60,000,000 per block
	Residential block. This block offers a 2-storey residential building, occupying 1 acre (approximately 4,000m ²). Multiple blocks can be placed on top of each other to create extra storeys.	- Auckland Council - Project developers	60,000,000 per block
	Industrial block. This block offers a 2-storey industrial building, occupying 1 acre (approximately 4,000m ²). Cannot be combined with other blocks.	- Auckland Council - Project developers	40,000,000 per block
	Shared Offices/Residential block. This block offers a 2-storey building, occupying 1 acre (approximately 4,000m ²). The first floor consists of offices while the second floor consists of residential apartments. Multiple blocks can be placed on top of each other to create extra storeys.	- Auckland Council - Project developers	60,000,000 per block

Pieces	Description	Can be used by...	Value
	Shared Commercial/Residential block. This block offers a 2-storey building, occupying 1 acre (approximately 4,000m ²). The first floor consists of commercial establishments while the second floor consists of residential apartments. Multiple blocks can be placed on top of each other to create extra storeys.	- Auckland Council - Project developers	60,000,000 per block
	Sports stadium. This block offers a state-of-the-art new rugby venue, including underground carpark with room for 2400 cars.	- Auckland Council - Project developers	1,000,000,000
	Major tourist attraction. This blocks offers a new flagship tourism attraction in the vein of the Guggenheim museum, combining experience with design.	- Auckland Council - Project developers	300,000,000

- The characters:

- Students will be randomly assigned to one of the first 7 groups, with approximately 3-4 students performing the same roles. The lecturer will play the role of gamemaster and planning commission to ensure that prospective building layers stay within height and zoning requirements



- So what now?

- Prior to the assessment, you will receive a specific 1 to 2 page character card. This will be the role that you play. The card contains information on the main goals for the character, the strategies available to reach the goals and the ultimate winning requirements
- You will also receive a text bundle outlining the rules (as covered in this ppt)
- The players who are assigned the job of Auckland council or project developers will also receive a few short slides to help them outline the vision
- And then you bring along your best acting skills on the day:



<http://www.dailymotion.com/video/x2yrp6>
Copyright: BBC One (2006)

References

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Multimedia

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The logo for AUT (Auckland University of Technology) is displayed in white, bold, sans-serif capital letters on a black rectangular background.

Tourism Planning & Development

Wk 9
Tutorial 09-2

Discussion on results of assessment 2 and
introduction to the final assessment

Content

- Today we reflect back on assessment 2 but primarily look forward to assessment 3
- The structure of the written report is discussed
- Per heading, potential sources and conceptual models are introduced that might be useful in your analysis

1. Assessment 2: observations



- Could you draw any relevant lessons from assessment 2 that will help you in thinking about the final report?

3. A brief introduction to assessment 3

- Due on Friday 20 October (Week 12) at 5pm. No soft copy needed, just an uploaded document on Turnitin
- Research topic: Analysing the feasibility of a new waterfront stadium on the location of the tank farm in Wynyard Quarter



<https://www.tvnz.co.nz/one-news/new-zealand/first-look-architects-stunning-idea-new-auckland-stadium-deserves-landmark>
Copyright: TVNZ (2017)

1. Introduction:

- The part where you set the scene of the area under investigation
- You start the introduction with a historical background of Wynyard Quarter, this will culminate into the situation as is (or at the start of the redevelopment), which ought to indicate a need for the redevelopment plan
- You also offer an overview of the main vision established within the development plan and the goals to be achieved
- Some useful resources for this part:
 - The Waterfront plan 2012: <https://www.panuku.co.nz/www/uploads/moduleresourceitems/the-waterfront-plan-2012-9e08935901.pdf>
 - Panuku Development Auckland – WQ: <https://www.wynyard-quarter.co.nz/>

2. Stakeholder mapping:

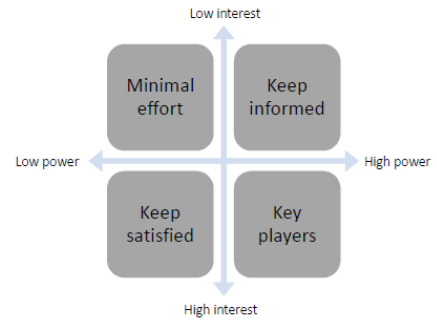
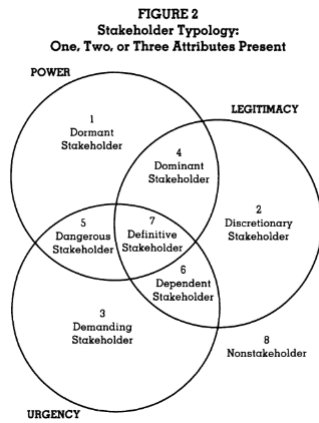
- After giving an overview of the history and the development goals, you now try to analyse which people/groups/organizations would have a vested interest in the proposed changes
- This requires not only identification of stakeholder groups, but also a discussion on their expected interests (i.e. what would they like to achieve?), and the power relations between stakeholders
- Common characteristics of stakeholder mapping:

Presentation	Commonly used dimensions	Helps to identify
Often uses a matrix representation with two dimensions of interest. Sometimes a third dimension included by colour or symbol	<ul style="list-style-type: none"> • Power (high, medium, low) • Support (positive, neutral, negative) • Influence (high, low) • Need (strong, medium, weak) 	<ul style="list-style-type: none"> • Stakeholders' interests • Mechanisms to influence stakeholders • Potential risks • Key people to be informed about project during execution phase • Negative stakeholders and their adverse effects

- Link this part with some stakeholder theories and models. Examples include (but are not limited to):

a. Mitchell, Agle, & Wood (1991): classifies stakeholder based on urgency, legitimacy, and power

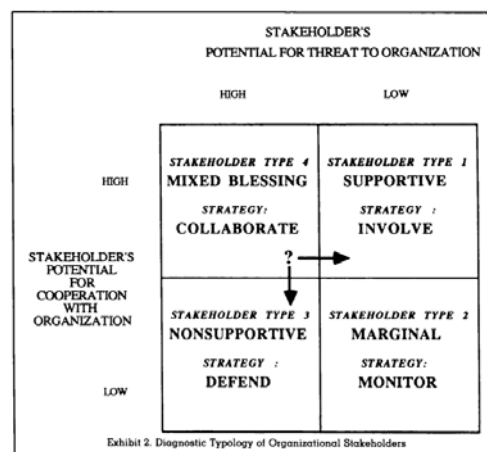
b. Mendelow (1991, Cited in Pitt & Koufopoulos, 2012): analyses stakeholder based on their level of interest and power to influence the organisation



c. Savage, Nix, Whitehead, & Blair (1991): analyses stakeholders based on potential for cooperation to achieve common goals and the level of threat they pose to achieving the final outcome

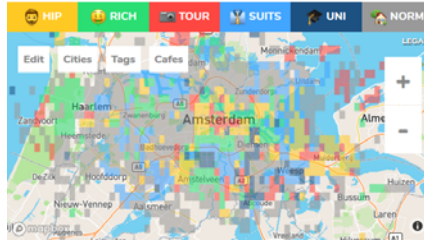
	Increase or Decrease Stakeholder's Potential for Threat?	Increase or Decrease Stakeholder's Potential for Cooperation?
Stakeholder controls key resources (needed by organization)	Increases	Increases
Stakeholder does not control key resources	Decreases	Either
Stakeholder more powerful than organization	Increases	Either
Stakeholder as powerful as organization	Either	Either
Stakeholder less powerful than organization	Decreases	Increases
Stakeholder likely to take action (supportive of the organization)	Decreases	Increases
Stakeholder likely to take nonsupportive action	Increases	Decreases
Stakeholder unlikely to take any action	Decreases	Decreases
Stakeholder likely to form coalition with other stakeholders	Increases	Either
Stakeholder holder likely to form coalition with organization	Decreases	Increases
Stakeholder unlikely to form any coalition	Decreases	Decreases

Exhibit 1. Factors Affecting Stakeholder's Potentials for Threat and Cooperation



3. Inventory of current facilities:

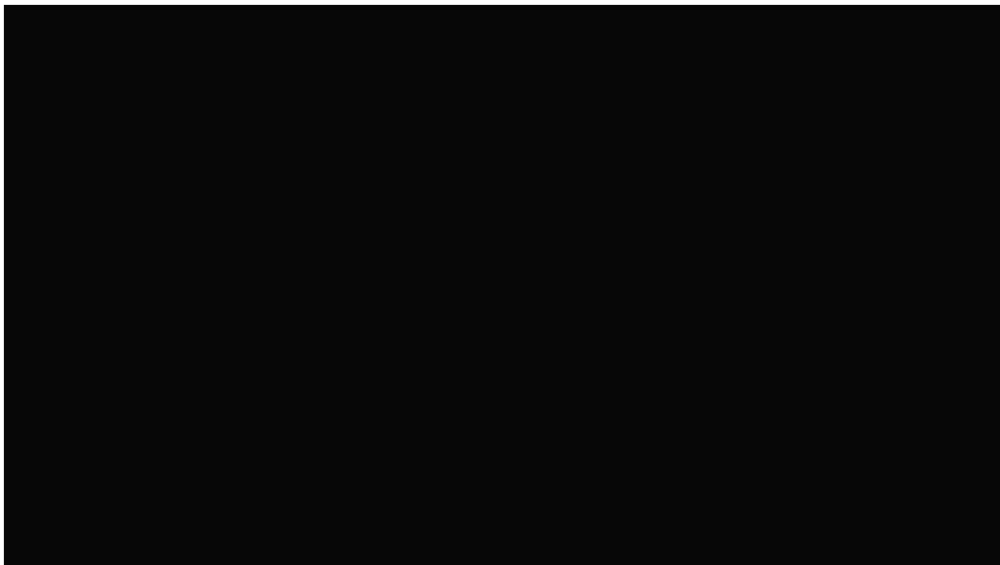
- Having identified the project development goals and the key stakeholders, the next part will develop an inventory analysis of recreational and tourist facilities (e.g. bars, restaurants, parks, playgrounds, theatres, hotels)
- The analysis should be more than a listing of companies. Try to identify clusters of similar activities within the area and develop a discussion around both quantity and quality
- A graphical analysis can contribute to your discussion, e.g. Hoodmaps:



Citylabs © <https://www.citylab.com/life/2017/08/hoodmap-stereotype-your-city-hipsters/538218/>

- Some useful resources for this part:
 - Panuku Development Auckland – WQ: <https://www.wynyard-quarter.co.nz/>
 - Tripadvisor: <https://www.tripadvisor.co.nz/>

- A side note on why clusters of activities/organisations arise:



https://www.youtube.com/watch?v=iLgxeNBK_8
Copyright: TED-Ed (2012)

4. Analysis of current transportation characteristics:

- In this part, the analysis needs to shed a light on how Wynyard Quarter is connected within the area and with other areas
- Develop the discussion around the various means of transportation: car, public transport, bicycle, pedestrian traffic. What are primary and secondary traffic streams around the area?
- Some useful resources for this part:
 - The Waterfront plan 2012: <https://www.panuku.co.nz/www/uploads/moduleresourceitems/the-waterfront-plan-2012-9e08935901.pdf>
 - Panuku Development Auckland – WQ: <https://www.panuku.co.nz/wynyard-quarter>



5. Potential for a waterfront stadium:

- From the idea that the tank farm area could offer space for a flagship attraction/public building, you critically discuss the possibility for a new sports stadium at this site. Analyse the idea from both a practical and a theoretical point of view
- From the practical point of view: does the stadium breach general ideas incorporated within the district plan for WQ? Which considerations would need to be made in terms of RMA?
- From the theoretical point of view: considering the previous analysis of development goals, stakeholders, facilities and transport, what would potential impacts be? Focus on economy, transport, social crowding, destination image
- Some useful resources for this part:
 - Wynyard Quarter District Plan: <http://www.aucklandcity.govt.nz/council/documents/central/pdfs/part1409.pdf>

6. Conclusion:

- Summarize the main elements of the report and establish a general conclusion on the feasibility of the stadium project within the general development plan for WQ

References

Mitchell, R., Agle, B., & Wood, D. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. *The Academy of Management Review*, 22(4), 853-886. Retrieved from <http://www.jstor.org/stable/259247>

Pitt, M. R., & Koufopoulos, D. (2012). *Essentials of Strategic Management*. London, United Kingdom: Sage.

Savage, G. T., Nix, T. W., Whitehead, J. C., & Blair, J. D. (1991). Strategies for assessing and managing organizational stakeholders. *The Executive*, 5(2), 61-75. Retrieved from <http://www.jstor.org/stable/4165008>

Multimedia

TED-Ed (2012). *Why do competitors open their stores next to one another? – Jac de Haan*. Retrieved September 27, 2017, from https://www.youtube.com/watch?v=jlLgxeNBK_8

TVNZ (2017). *1 news now. First look at architect's stunning idea for new Auckland stadium*. Retrieved September 27, 2017, from <https://www.tvnz.co.nz/one-news/new-zealand/first-look-architects-stunning-idea-new-auckland-stadium-deserves-landmark>

The logo for AUT (Auckland University of Technology) is displayed in white, bold, sans-serif capital letters on a black rectangular background.

Tourism Planning & Development

Wk 10
Lecture 10-1

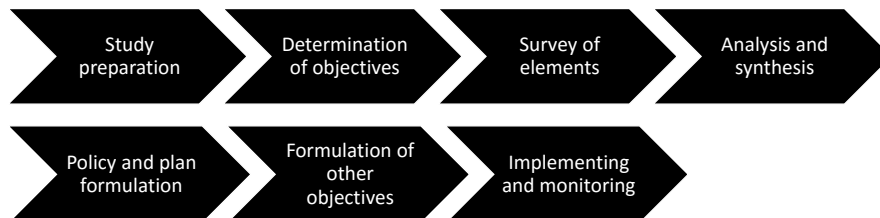
Financial project analysis and decision-making from a
public and private point of view

Content

- Explains the concepts of profit, cashflow, and time value
- Looks at some of the main tools for financial appraisal of projects: payback period, net present value, and internal rate of return
- Discusses the main difference in critical revenue between public and private projects via a discussion on multiplier calculation

1. The costs of development

- A quick reminder of the planning and development roadmap:



- Having formulated goals based on existing elements and future forecasts, set a policy accordingly, the implementation phase is where the planning and development cycle becomes tangible

- Implementation of the plan can involve the public sector, the private sector, or public-private partnerships
- No matter whether the plan focuses on marketing strategies or hard design strategies, financial considerations will always be a main guiding principle in this stage, and will take different forms depending on the project driver
- For implementation decisions on costly development projects, an answer needs to be formulated on questions such as:
 - What is the aim of the project?
 - Are the aims desirable?
 - Is this the best alternative to achieve the goals?
 - Is there urgency to the project?
 - Who benefits and who loses? How much?



ireitinvestors

- Important to try to avoid 'white elephants':



<https://www.youtube.com/watch?v=UBI5YxHR89w>
Copyright: Business Insider (2014)

2. Introduction to capital investment appraisal

- Capital investment has a few key characteristics:
 - Is a medium or long-term strategic decision
 - Often involves a multimillion dollar investment
 - Investment in one project necessarily means rejection of alternative applications (i.e. opportunity cost)
 - Is difficult to change significantly once decision is being made and work has started
- Because of these characteristics, making wrong decisions can be very costly and a thorough appraisal of potential investment projects is essential

• Jones et al. (2012)

- The basic idea is very simple: we want to know whether benefits outweigh costs, via:
 1. Identification of all factors related to project
 2. Financial valuation of costs and benefits
 3. Choice of the best alternative

Benefits can relate to direct and indirect effects and do not always appear as obvious cashflows (e.g. job creation, travel time savings, scenic benefits)



Costs include both fixed and starting investment costs as variable operating costs, but can also include negative externalities (e.g. fixed assets, maintenance costs, noise pollution)

- Especially for public sector projects with intangible social benefits, it can be difficult to identify and quantify all benefits and costs

3. General methods of investment appraisal

- For capital investment appraisal methods two aspects need to be defined:

Profit vs Cashflow

- Profits are financial benefit realized when the revenue from a business exceeds the expenses, costs and taxes needed to run the business
- Profits can be open to variation and manipulation via accounting practices (e.g. choice of depreciation rate)
- Cashflows are less open to accounting manipulation. They are calculated by adding non-cash expenses (e.g. depreciation) to the profits

Time value of money

- Time value of money relates to the fact that money now is more valuable than money later
- Reasons for time value are: risk, inflation, time before money can be reinvested
- Factoring in the time value means using a discount factor to bring future cashflows back to today's value of money

- Jones et al. (2012)

a. Payback period:

- Is easy to calculate and therefore has a high usage rate in industry
- The method considers how long it takes to get back in future cashflow what was initially invested
- Example:

	Project A – Event venue	Cumulative cashflow	Project B – Spa facility	Cumulative cashflow
Investment cost (Y0)	-1,500,000		-1,500,000	
Cashflow (Y1)	280,000	-1,220,000	295,000	-1,205,000
Cashflow (Y2)	285,000	-935,000	300,000	-905,000
Cashflow (Y3)	295,000	-640,000	305,000	-600,000
Cashflow (Y4)	310,000	-330,000	310,000	-290,000
Cashflow (Y5)	330,000	0	315,000	25,000
Cashflow (Y6)	340,000	340,000	315,000	340,000
Net Cashflow	340,000		340,000	

- For Project A: payback period is 5 years
- For Project B: payback period is between 4 and 5 years, or exactly: $4y + 290,000/315,000 = 4.92$ years
- Problems with the payback period: time value of money is not taken into account. Furthermore, no attention is paid to everything that happens after payback period

• Jones et al. (2012)

b. Net present value:

- Takes into account full time value of money (by a set discount factor) and takes into account cashflows over entire project lifetime
- If NPV > 0, the project is acceptable
- Formula:

$$NPV = \sum_{t=1}^T \frac{C_t}{(1+r)^t} - C_0$$

with T, t = time, C_t = cashflow in year t, C_0 = original investment, r = discount factor

- Example (with 4% discount rate):

	Y0	Y1	Y2	Y3	Y4	Y5	Y6
Project A	-1,500,000	$\frac{280,000}{(1+0.04)}$	$\frac{285,000}{(1+0.04)^2}$	$\frac{295,000}{(1+0.04)^3}$	$\frac{310,000}{(1+0.04)^4}$	$\frac{330,000}{(1+0.04)^5}$	$\frac{340,000}{(1+0.04)^6}$
Project B	-1,500,000	$\frac{295,000}{(1+0.04)}$	$\frac{300,000}{(1+0.04)^2}$	$\frac{305,000}{(1+0.04)^3}$	$\frac{310,000}{(1+0.04)^4}$	$\frac{315,000}{(1+0.04)^5}$	$\frac{315,000}{(1+0.04)^6}$

- NPV for Project A: +99,903
- NPV for Project B: +104,999

• Jones et al. (2012)

c. Internal rate of return:

- Works similar, but opposite to NPV. While NPV sets a discount factor based on cost of capital, IRR considers what discount rate leads to a NPV of 0
- IRR cannot be calculated analytically and is instead calculated through trial-and-error
- Example (Project A):

	Y0	Y1	Y2	Y3	Y4	Y5	Y6	NPV
4% discount rate	-1,500,000	$\frac{280,000}{(1+0.04)}$	$\frac{285,000}{(1+0.04)^2}$	$\frac{295,000}{(1+0.04)^3}$	$\frac{310,000}{(1+0.04)^4}$	$\frac{330,000}{(1+0.04)^5}$	$\frac{340,000}{(1+0.04)^6}$	99,903
7% discount rate	-1,500,000	$\frac{280,000}{(1+0.07)}$	$\frac{285,000}{(1+0.07)^2}$	$\frac{295,000}{(1+0.07)^3}$	$\frac{310,000}{(1+0.07)^4}$	$\frac{330,000}{(1+0.07)^5}$	$\frac{340,000}{(1+0.07)^6}$	-50,254

4% ← → 7%
 99,903 Range = 99,903 + 50,254 = 150,157 -50,254

In this case, the IRR is $4\% + [99,903/150,157 * (7-4)\%] = 4\% + 1.996\% = 6.0\%$

- Jones et al. (2012)

• Exercise:

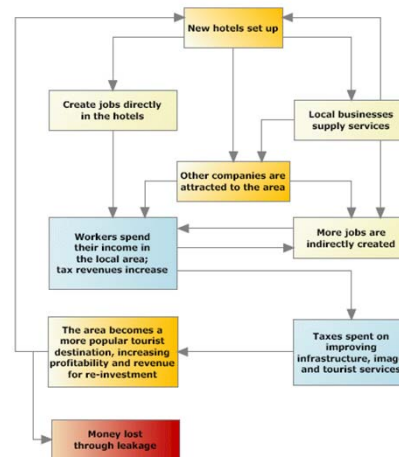
Cash flows/year	1	2	3
0	-6,000	-3,000	-3,000
1	500	1,700	0
2	600	1,850	0
3	3,500	500	0
4	3,500	650	4,800
Total	2,100	1,700	1,800

Jones et al. (2012, p.242)

- Your hotel can only fund one of three projects. Calculate the payback period and the net present value (with a discount factor of 5%) for each of these proposals. From a financial perspective, which project should be funded?

4. Investment appraisal for public bodies: the tourism multiplier

- In essence, there is little difference between public and private-style decision making. In both cases, cashflows should offset initial investment
- The critical difference is the size of cashflow to take into account: a government invests to stimulate the wider economy → essence of the multiplier effect
- Height of multiplier depends on leakages: import, savings, tax



Barcelona Field Studies Centre S.L. © <http://geographyfieldwork.com/TouristMultiplier.htm>

- Three different effects at play within the multiplier

1. Direct = first round effect within the industry where initial demand occurs
2. Indirect = purchases made within other industries as a result of first round change in demand
3. Induced = rising demand increases income (increase in salary) which in term is partly re-spent in the economy

Type I
Type II

- Different kinds of multipliers can be calculated, but the most useful ones are:
 - Income multiplier: shows the relationship between an additional unit of tourist spending and the changes that result in the level of income in the economy
 - Employment multiplier: describes the amount of employment generated by a given amount of tourism spending
- Multipliers can be estimated via simple marginal propensities to consume or via more complicated input-output analysis

• Vanhove (2005)

a. Multiplier calculation via marginal propensity to consume (MPC):

- Calculated taking into account:
 - c = marginal propensity to consume when additional income is earned
 - t = marginal tax rate
 - m = marginal propensity to import; the proportion of an increase in income spent on imported goods and services (signifying leakages outside of the economy)
- The formula is simply written as:

$$Multiplier = \frac{1}{1 - c(1-t) + m}$$

E.g. if an extra \$1,000 is earned from tourism, with t = 0.2, c = 0.79 and m = 0.15, then:

\$1000	
→ + 0.48 * 1000 = 480	
→ + 0.48 * 480 = 230.4	
→ + 0.48 * 230.4 = 110.59	
→ + 0.48 * 110.59 = 53.08	
→ + 0.48 * 53.08 = 25.48	
→ + 0.48 * 25.48 = 12.23	
→ + 0.48 * 12.23 = 5.87	
→	
= \$1923 (approximately)	

= 1000 * 1 / (1 - 0.79 * (1 - 0.2) + 0.15)
= 1000 * 1 / 0.52
= 1000 * 1.93
= 1930

• Lundberg et al. (1995), Vanhove (2005)

b. Multiplier analysis via input-output (I-O) tables:

	Industries										Categories of final demand							
	1	2	48	49	50	51	52	53	54	55	56	57	58	59				
	Horticulture and fruit growing	Livestock and cropping farming	...	Cultural and recreational services	Personal and other community services	Total Industry (columns 1 to 49)	Households	Private non-profit institutions serving households	Central Government	Local Government	Gross fixed capital formation	Change in inventories	Exports	Final Demand (columns 51 to 57)	Total economy (columns 50 + 58)			
1 Horticulture and fruit growing															1,469			
2 Livestock and cropping farming															3,621			
48 Cultural and recreational services															3,505			
49 Personal and other community services															1,919			
50 Imports	78	242		419	110	15,468	5,841		211		4,503	116	503	14	26,441			
51 Taxes on products	17	37		32	19	2,346	5,867		298		768		348		9,626			
52 Compensation of employees	321	315		761	650	39,450									39,450			
53 Operating surplus	210	402		494	250	29,621									29,621			
54 Consumption of fixed capital	132	494		212	93	12,407									12,407			
55 Other taxes on production	30	152		72	21	2,957									2,957			
56 Subsidies	-7	-6		-93	-1	-315									-315			
57 Total use in basic prices (rows 1 to 49 + 50)	766	2,228		2,027	888	101,054	48,953	1,122	13,754	2,371	19,122	1,182	27,002	113,107	214,161			
58 Total use in purchasers' prices (rows 57 + 51)	783	2,265		2,059	907	103,400	54,420	1,122	14,052	2,371	19,891	1,182	27,350	120,388	223,788			
59 Total value added (rows 52 to 56)	687	1,356		1,447	1,012	84,120									84,120			
60 Total supply in basic prices (rows 1 to 56)	1,459	3,621		3,505	1,919	187,520									187,520			

How much each industry sells to other industries and to final demand

• Hara (2008)

b. Multiplier analysis via input-output (I-O) tables:

	Industries				Categories of final demand													
	1	2	48	49	50	51	52	53	54	55	56	57	58	59				
	Horticulture and fruit growing	Livestock and cropping farming	Cultural and recreational services	Personal and other community services	Total Industry (columns 1 to 49)	Households	Private non-profit institutions serving households	Central Government	Local Government	Gross fixed capital formation	Change in inventories	Exports	Final Demand (columns 51 to 57)	Total economy (columns 50 + 58)				
1 Horticulture and fruit growing	21	43			573	198				3	11	685	897	1,469				
2 Livestock and cropping farming	29	432			3,408	41				7	-150	315	213	3,621				
48 Cultural and recreational services	17	33			17	1,458	1,068	404	143	6	1	425	2,048	3,505				
49 Personal and other community services	1	2			104	761	772	251	35	13		87	1,158	1,919				
50 Imports	78	242			110	15,468	5,841			4,503	116	503	11,174	26,641				
51 Taxes on products	17	37			19	2,346	5,867		298	768		348	7,280	9,626				
52 Compensation of employees	321	315			650	39,450							0	39,450				
53 Operating surplus	210					29,621							0	29,621				
54 Consumption of fixed capital	132					12,407							0	12,407				
55 Other taxes on production	30					2,957							0	2,957				
56 Subsidies	-7	-6			-1	-315							0	-315				
57 Total use in basic prices (rows 1 to 49 + 50)	766	2,228			888	101,054	48,553	1,122	13,754	2,371	19,122	1,182	27,002	113,107	214,161			
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59 Total value added (rows 52 to 56)	687	1,356			1,012	84,120							0	84,120				
60 Total supply in basic prices (rows 1 to 56)	1,469	3,621			3,505	1,919	187,520						0	187,520				

How much each industry purchases from other industries and other production inputs

• Hara (2008)

b. Multiplier analysis via input-output (I-O) tables:

Inter-Industry matrix: shows the composition of supply and use by industries. By dividing each cell value by the column total, we can calculate the A-matrix or technical coefficients matrix

	Industries				Categories of final demand													
	1	2	48	49	50	51	52	53	54	55	56	57	58	59				
	Horticulture and fruit growing	Livestock and cropping farming	Cultural and recreational services	Personal and other community services	Total Industry (columns 1 to 49)	Households	Private non-profit institutions serving households	Central Government	Local Government	Gross fixed capital formation	Change in inventories	Exports	Final Demand (columns 51 to 57)	Total economy (columns 50 + 58)				
1 Horticulture and fruit growing	21	43	1		573	198				3	11	685	897	1,469				
2 Livestock and cropping farming	29	432	2		3,408	41				7	-150	315	213	3,621				
48 Cultural and recreational services	17	33	314	17	1,458	1,068	404	143		6	1	425	2,048	3,505				
49 Personal and other community services	1	2	20	104	761	772	251	35		13		87	1,158	1,919				
50 Imports	78	242			110	15,468	5,841			4,503	116	503	11,174	26,641				
51 Taxes on products	17	37			19	2,346	5,867		298	768		348	7,280	9,626				
52 Compensation of employees	321	315			650	39,450							0	39,450				
53 Operating surplus	210					29,621							0	29,621				
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59 Total value added (rows 52 to 56)	687	1,356	1,447	1,012	84,120								0	84,120				
60 Total supply in basic prices (rows 1 to 56)	1,469	3,621	3,505	1,919	187,520								0	187,520				

Final demands Y Total output X

• The main industry analysis can now be simplified as: $AX + Y = X$

• Hara (2008)

- By solving this basic equation, we can then find industry multipliers as:

$$AX + Y = X$$

$$\rightarrow Y = X - AX$$

$$\rightarrow Y = (I - A)X$$

$$\rightarrow \frac{Y}{(I - A)} = \frac{(I - A)X}{(I - A)}$$

$$\rightarrow \frac{Y}{(I - A)} = X$$

$$\rightarrow (I - A)^{-1}Y = X$$

$$\rightarrow (I - A)^{-1}\Delta Y = \Delta X$$

- Hara (2008)

- This can now be used to understand how a change in final demand (ΔY) influences total output (ΔX), exactly what the multiplier is supposed to do, e.g.

	$(I - A)^{-1}$			Multiplied by	ΔY	Equals	ΔX
	Ind1	Ind2	Ind3		1		?
Ind1	1.18	0.37	0.12		0		?
Ind2	0.22	1.55	0.21		0		?
Ind3	0.35	0.48	1.33				

$$\rightarrow \Delta X = \begin{array}{|l} 1.18*1 + 0.37*0 + 0.12*0 = 1.18 \\ 0.22*1 + 1.55*0 + 0.21*0 = 0.22 \\ 0.35*1 + 0.48*0 + 1.33*0 = 0.35 \end{array} \quad \left. \vphantom{\begin{array}{|l} 1.18*1 + 0.37*0 + 0.12*0 = 1.18 \\ 0.22*1 + 1.55*0 + 0.21*0 = 0.22 \\ 0.35*1 + 0.48*0 + 1.33*0 = 0.35 \end{array}} \right\} \Sigma = 1.75$$

Per 1 unit change in demand for industry 1, total economic revenue increases by 1.75

- Hara (2008)

- Some complications and weaknesses of multiplier analyses in tourism:
 - Tourism is not a traditional sector within I-O tables. It is therefore necessary to segment tourist expenditure based on industry sectors within which these occur

Output Multiplier and Income Created per Dollar of Sale to Visitors

	Output Multiplier		Income Coefficient	
	Type I	Type II	Type I	Type II
Agriculture	1.31	2.21	.62	.98
Textile and Apparel	1.21	1.77	.39	.61
Other Manufacturing	1.48	1.96	.33	.52
Air Transportation	1.24	1.76	.36	.57
Other Transportation	1.34	2.06	.50	.79
Wholesale Trade	1.28	2.11	.57	.91
Eating & Drinking Places	1.41	1.95	.37	.59
Other Retail Trade	1.24	2.15	.63	1.00
Hotels	1.45	2.23	.54	.85
Other Services	1.31	2.06	.52	.83

Type I: direct and indirect effects

Type II: direct, indirect, and induced effects

Source: The State of Hawaii Data Book, 1992

Lundberg et al. (1995, p.147)

- Procedure is very data-intensive and I-O tables not available on regional levels
- I-O tables consider a stable and unconstrained economy in which additional demands of one sector (e.g. in terms of inputs, employment) do not affect availability of these inputs for other sectors. This assumption is often unrealistic

Conclusion

- Because of the magnitude of capital investment projects associated with large scale development, financial appraisal is necessary
- Ideally, methods need to take the time cost of money into account
- However, the final results will ultimately depend on the reliability of our demand estimates
- Two things that have yet to be accounted for is the inclusion of risk in our assessment and the extension of the scope towards internalising non-economic benefits

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Multimedia

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Tourism Planning & Development

Wk 10
Tutorial 10-2

Financial project analysis and decision-making from a
public and private point of view: cases

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Content

- Today's tutorial focuses on two general scenarios and exercises on NPV and multiplier analysis

1. Government support for new airline routes (see case handout)

- Oceanic Airlines proposes 9 new services to a regional airport in your destination and asks a total contribution of EUR 20 million over the first 3 years (covering part of the cost per seat)
- If you were the government official, would you agree to this EUR 20 million subsidy?



Martin Swart



2. Public investment in Gallo-Roman museum (see case handout)

- Investment in the Gallo-Roman Museum was part of the regional SALK-project, meant to combat unemployment as a result of car manufacturing plant closure → heritage tourism as one of the opportunities
- Considering the information on historical visitor numbers, the division between day/overnight visitors, and a forecasted modest growth, is a EUR 2.5 million investment warranted from public perspective? And from the perspective of the museum?



Carole Raddato



Carole Raddato



Carole Raddato

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Tourism Planning & Development

Wk 11

Lecture 11-1

Partnership models in development projects

Content

- This lecture starts with a broad introduction to stakeholder theory and the need to identify parties with a vested interest
- Identification of stakeholders can lead to uncover potential for both resistance and cooperation. Critical in the identification are the parties that can invest in tourism resources, following the development plan
- Three general sources of financing and development are the public sector, the private sector, and public-private partnerships, these will be discussed in terms of their role and advantages and disadvantages

1. A reminder on stakeholder analysis

- Large-scale development projects can have potentially large impacts, financially, socially, and environmentally. From the outset, it is important to take into account the different stakeholders
- Stakeholders (or interested parties) are actors (persons or organizations) with a vested interest in the policy being promoted
- Stakeholders can be analysed on a number of characteristics, including: knowledge of the policy, interests related to the policy, position for or against the policy, potential alliances with other stakeholders, and ability to affect the policy process (through power and/or leadership)
- Allows policymakers to interact more effectively with key stakeholders and can help to detect misunderstandings and opposition and act on it to decrease misunderstandings

• Schmeer (1999)

- Main steps in analysis:
 - a. Selecting and defining plan/proposal/project/policy
 - b. Identifying key stakeholders, and collecting information, e.g.

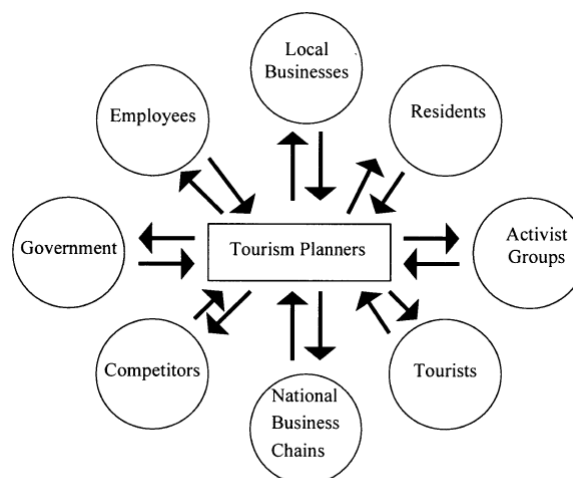


Figure 1. Tourism Stakeholder Map. Adapted from Freeman (1984:55).

Sautter & Leisen (1999, p.315)

- Example of stakeholder identification and primary analysis: Golf tourism development on Malta

<u>Stakeholder/ Interest Groups</u>	<u>Perceived Predominant Benefits/ Rewards</u>	<u>Perceived Predominant Costs/Disbenefits</u>
Developers/shareholders	Capital growth/ dividends	
Hoteliers	Capital growth	
Potential employees (construction/ tourism)	Employment opportunities, wages, job satisfaction	
Consumers (tourists)	Desirable product/experiences	
Government	Tax/ rate increases, enabling public works	Increased pressure on facilities/ resources
Society at large	Visually acceptable form of development	Loss of accessibility/ open land
Farmers		Loss of livelihood/ land/ water supply
Environmentalists/ conservationists		Environmental pollution/ degradation/ loss of flora/ fauna/ habitat

Markwick (2000, p.517)

c. Filling in stakeholder table and analysing results, e.g.

D		E			F	G	H		I	J
Knowledge		Position			Interests	Alliances	Resources		Power	Leader
1	2	1 Self	2 Others	3 Final	Advant/ disadvant.	Organizations mentioned	1	2	Resources average	Yes No
Level 3,2,1	Definition	S, MS, N, MO, O	S, MS, N, MO, O	I.D. # S, MS, N, MO, O			Quantity 3,2,1	Ability to mobilize 3, 2, 1	3, 2, 1	

Schmeer (1999, p.2-9)

d. Acting on this information, e.g.

Power/Leadership (P/L) 1= low 2= medium 3= high	Level of Support		
	Supporter	Neutral	Opponent
	Supporter P/L 3	Neutral P/L 3	Opponent P/L 3
	Supporter P/L 2	Neutral P/L 2	Opponent P/L 2
Supporter P/L 1	Neutral P/L 1	Opponent P/L 1	

■ Stakeholders targeted for initial strategy implementation

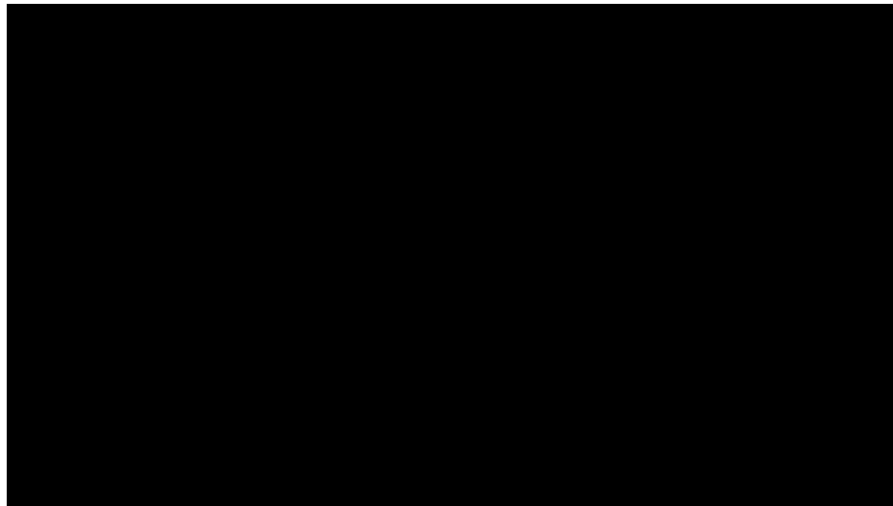
Schmeer (1999, p.2-32)

POWER	LEVEL OF INTEREST	
	LOW	HIGH
LOW	A Minimal Effort	B Keep Informed
HIGH	C Keep Satisfied	D Key Players

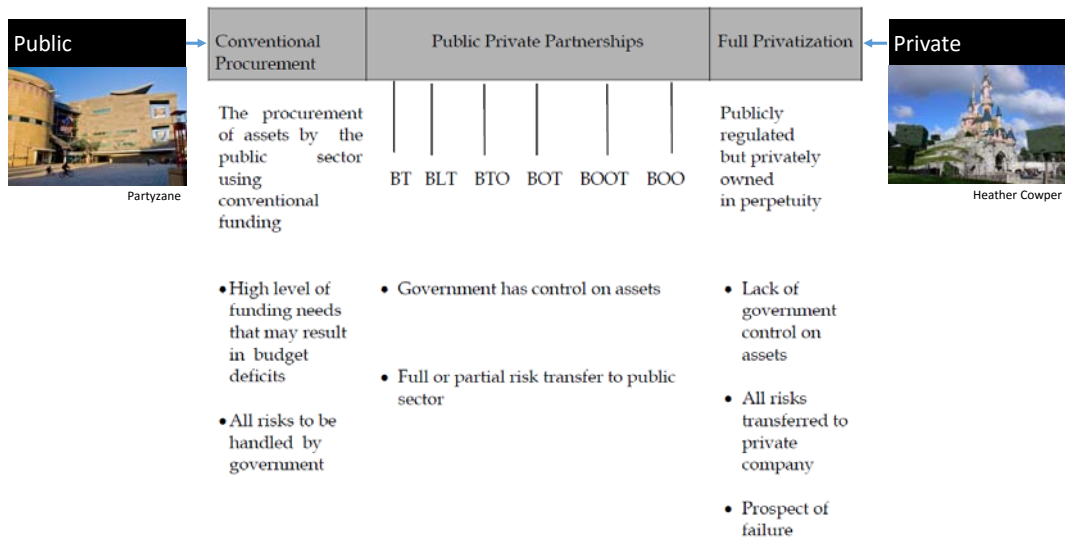
Fig. 3. Stakeholder mapping: The power/interest matrix (after Mendelow, 1991).

Markwick (2000, p.522)

2. Who invests in tourism resources?



<https://www.youtube.com/watch?v=uuvxup8wQww>
 Copyright: P&O Cruises Australia (2012)



(Teker & Teker, 2012, p.6)

- The two biggest sources of investment on both poles of the continuum are: 100% public investment and 100% privatization
- The grey area of Public-Private Partnerships (PPP) can take several forms:
 - Build-Transfer (BT)
 - Build-Lease-Transfer (BLT)
 - Build-Transfer-Operate (BTO)
 - Build-Operate-Transfer (BOT)
 - Build-Own-Operate (BOO)
- Finally, an additional source of investment can come from philanthropists/sponsorships → i.e. donations not leading to any transfer of ownership

• Teker & Teker (2012)

a. Direct government investment:

- In a free market system, markets generally allocate scarce resources; role of government limited to protecting property rights, upholding law, and maintaining value of currency
- Government intervention in markets only in cases where:
 - As a result of market failures free market would not provide adequate supply of certain goods
 - There is a social need for a more equitable distribution of income and wealth
 - The performance of the economy needs to be improved
- So do governments have a business in investing in tourism?

Attractions

→ Need for provision, public access, preservation



Emin Bashirov

- Attractions are primary causes for travel, but economic impact primarily through services (i.e. hotels, restaurants, shops) → attractions might be underprovided if left to market
- Added interest of government to invest in cultural heritage → preservation for public interest, allowing visitation for locals
- Especially 'open access' attractions (e.g. streetscapes) need to be provided through public means

Transportation



Pixabay

→ Growth need, natural monopoly, cost absorption

- Airlines sometimes used as 'loss leaders' (i.e. sold below market price to attract tourists) → liberalization limited this possibility
- Government primarily responsible for infrastructure due to high investment needs
- Government can also subsidize public transport to incentivize people
- Trend to leave public transport more and more to the free market

Accommodation



HombreDHOjalata

→ Growth need, cost absorption

- Governments can choose to invest in certain infrastructure that is lacking, especially if private investments would take too long
- Governments can financially intervene in accommodation that is aimed at financially disadvantaged groups (e.g. Youth hostels)
- In most cases, accommodation provision outside of scope of government

Natural resources



Superchilum

→ Need for provision, protection, public access

- Natural resources similar to attractions: might be underprovided via free market
- Protection of biodiversity might not be essential if left to free market → government steps in to attain sustainable outcome
- Also important is idea of openness: keeping nature enjoyable for all, not the happy few

e.g. Marine Reserves Act

Subject to the provisions of this Act and to the imposition of such conditions and restrictions as may be necessary for the preservation of the marine life or for the welfare in general of the reserves, the public shall have freedom of access and entry to the reserves, so that they may enjoy in full measure the opportunity to study, observe, and record marine life in its natural habitat.

e.g. Conservation Act 1987

[t]o the extent that any use of any natural or historic resource for recreation or tourism is not inconsistent with its conservation, to foster the use of natural and historic resources for recreation and to allow their use for tourism.

b. The private sector:

- The private sector has always contributed to the total tourism product, especially in accommodation, food, and purpose-built attractions
- Via tourism policy instruments (tax benefits, subsidies, regulations, zoning), governments can attempt to indirectly steer private investment
- Public budget cuts have further led to encroachment of the private sector in previously publicly-led development. Privatization might however lead to unwanted effects of exclusion → serving the 'rich and famous'
- E.g. privatization of Mexico's Pacific coastline



Léia Figueiredo de Oliveira

- Focus on Mexico's Pacific coast: Costa Alegre, Jalisco
- Rise of neoliberal economic model since the 1980s opened opportunities for privatization and foreign investment
- Has led to sometimes forceful expulsion of peasant populations and conversion of common property rights into private property
- Discourse has taken two forms: environmentalism of the rich (limiting access for conservation purposes), and development for high-end tourism (eco-colonialism)

• Ávila-García & Sánchez (2012)

• E.g. Privatization of Italian Cultural Heritage

- Italy is the country with most inscriptions on Word Heritage List, with estimates of total Italian heritage e.g. +3,000 museums, +2,000 archaeological sites, +20,000 historical centres, +30,000 palaces, villas, churches and monasteries
- "Italy is like a person with many houses, but also with many debts. So we have to look at which houses are dispensable." (G. Urbani)
- In 2002, additions to the Financial Act (later Law 112/2002) opened the door to privatization of public heritage:
 - 'State Patrimony plc' was founded, including all monuments, museums and cultural objects (around 400,000)
 - 'Infrastructures plc' was created to sell objects belonging to 'State Patrimony plc' → objects to sell were listed (around 300, among which historical monuments, art treasures, islands, beaches, forests)
 - Only criteria so far are the requirement to buy groups of objects, not separate objects

Supporters	Opponents
<ul style="list-style-type: none"> • Plentitude of Italian heritage • State lacks means to preserve and restore all of them → privatization helps preservation • Privatization helps in debt settlement (annual savings between €80 and €130 million) 	<ul style="list-style-type: none"> • Italy only spends between 0.17-0.20% of GDP on preservation of heritage, lower than the EU average of 0.5-1% • Current procedure leads to below average market prices and favours big consortia and investors • Cultural historic assets belong to the public at large

• Benedikter (2004)

- Let's play 'The price is right'; what does it cost?

Villa Manzoni, Rome (est. 1928). Building 3,000 m² and park 90,000 m²

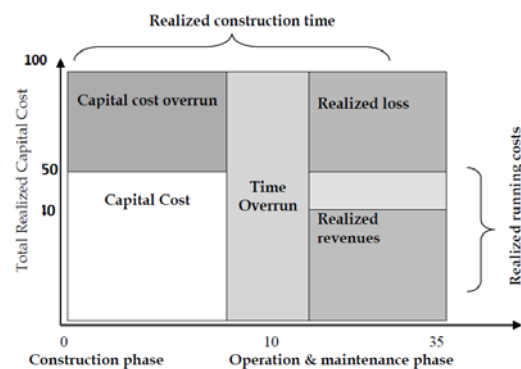
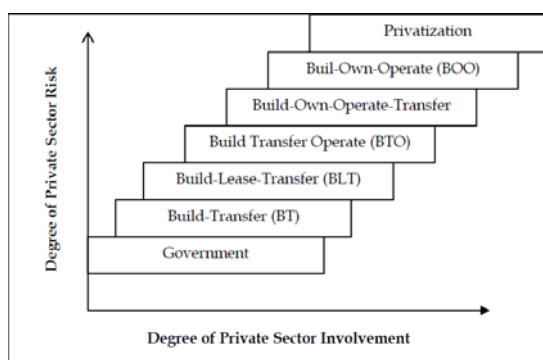


Alba Fucens archaeological site (est. 4th century BC). With an amphitheatre, thermal baths, a forum, a basilica, a sanctuary, mosaics, columns, and cobbled roads

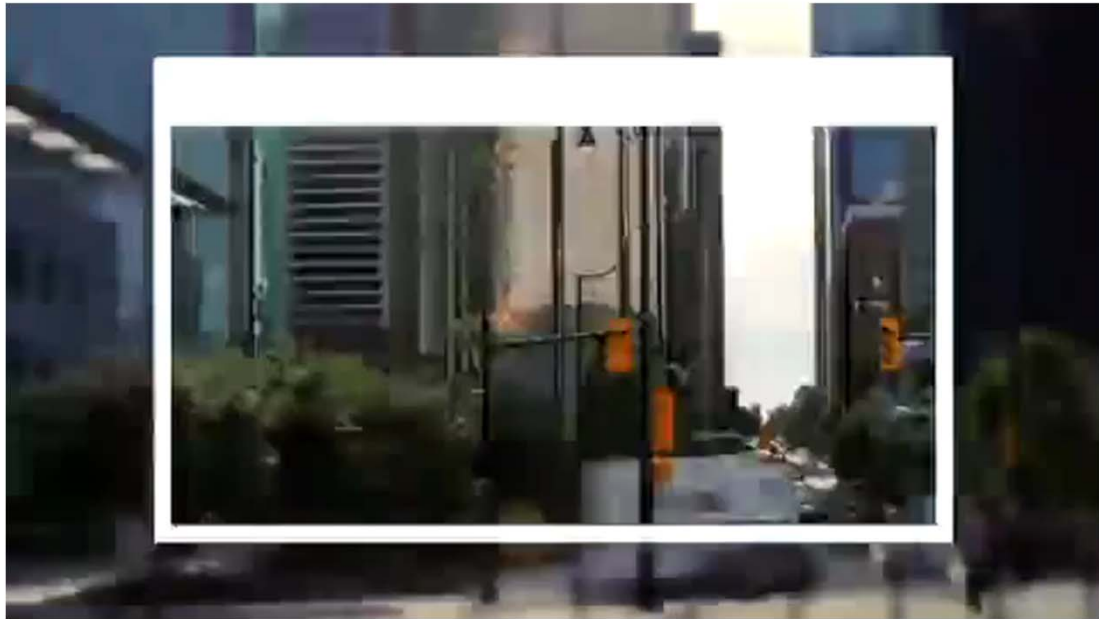


c. Public-private partnerships:

- As a middle road, PPP are arrangements between public and private sector for jointly investing in tourism projects, characterized by sharing investment amount, risk, responsibility and revenues
- Aim is to leverage both unique strengths of government and private sector
- Role and responsibilities vary from project to project and result in differences in risk-sharing, lowering the risk of a black hole project:



(Tekler & Tekler, 2012, p.7, 10)



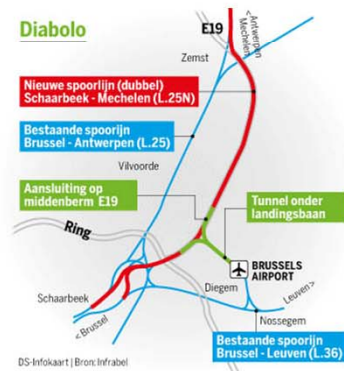
<https://www.youtube.com/watch?v=ELooTemPdKc>

Copyright: DW English (2013)

PPP Type	Characteristics
Build-Transfer	<ul style="list-style-type: none"> Public sector orders a project and the private sector delivers it on site Financing, ownership, and operation public Key driver is transfer of design and construction risk
Build-Lease-Transfer	<ul style="list-style-type: none"> A private entity builds and finances a complete project on a space provided by the public sector The project is then leased to the public sector for a predefined period and leasing fee Public sector only owns asset after end of contract period
Build-Transfer-Operate	<ul style="list-style-type: none"> Private sector designs, builds and finances facility Ownership is immediately transferred to public sector upon completion, after which facility is leased back under a long-term (10-30 years) concession Private operator charges service fees to users/consumers
Build-Operate-Transfer	<ul style="list-style-type: none"> Government gives concession to private sector to finance, construct, and operate a facility for a specified length of time At the end of the contract period, ownership is transferred to public
Build-Own-Operate	<ul style="list-style-type: none"> Public sector either transfers ownership and responsibility for an existing facility to a private partner or contracts a private partner to finance, build, own and operate a new facility Contract is given in perpetuity

• Teker & Teker (2012)

- E.g. Diabolo-Railroad Brussels Airport



- Total cost estimated at 678 million EUR (388 million EUR coming from public partner)
- Private partner takes building risk and remains owner for next 35 years
- A concession is given to public sector to use trajectory for train services, for a fee of 9 million EUR a year (indexed)
- Furthermore, travellers pay a premium of 4.44 EUR for the trajectory, also going to the private partner, as well as 0.5% of tariffs of national rail transport
- Crucially, 2 components minimize private partner's risk: (a) 'Trigger point': if expected number of travellers stays below 85% of forecasts for 2 semesters running, traveller premium has to be increased; (b) 'Deficient train service': if expected numbers stay below 75% of forecasts for 2 semesters running, concession can be cancelled, and public partner is forced to pay entire investment cost as well as projected 35 year revenues

Conclusion

- Especially for large-scale development projects, a proper stakeholder analysis is needed in order to adequately deal with potential future issues and identify potential for collaboration between partners
- The most formal method of collaboration takes place within public-private partnerships. These can take various forms and all follow the basic idea of risk sharing between the public and the private sector
- However, in reality, often mechanisms are put in place by private entities that serve to mitigate their risk, which leads to questions about the true benefits of public-private partnerships above and beyond keeping investment projects off the government budget

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Multimedia

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Tourism Planning & Development

Wk 11

Tutorial 11-2

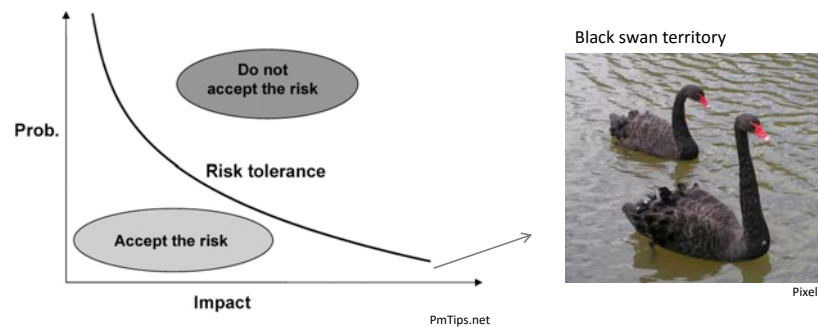
Risks and benefits of Public-Private Partnerships

Content

- In this tutorial, we identify the need to account for uncertainty and risks when setting outcomes and making planning and development decisions
- In terms of this risk assessment, we focus a bit more on PPPs, specifically using the business case of SkyPath

1. A guide to living dangerously

- The process of planning involves the need to sensibly deal with uncertainty
- Risk assessment deals with the potential severity of impact and the probability of occurrence, one common approach: impact-probability assessment



- Pitt & Koufopoulos (2012)

- This can also be operationalized in terms of expected return:

$$E[R] = \sum_{i=1}^n R_i P_i$$

- E.g. We expect some new investment to have 50% chance of a \$1,000,000 profit, 20% chance of a \$150,000 profit, and 30% chance of an \$800,000 loss. The expected return is then:
 $E[R] = 0.5 * 1,000,000 + 0.2 * 150,000 + 0.3 * 800,000 = 770,000$



Silly Deity

- Another common way to approach risk in the planning stage: performing a sensitivity analysis
 - Also known as a what-if analysis, this involves tweaking a key input or driver in a model in order to see how sensitive the model is to changes in that variable
 - An easy way is to incorporate sensitivity in the forecast and analyse the results under different assumptions, e.g. a pessimistic view (1% growth), a neutral view (3% growth), an optimistic view (5% growth)
 - E.g. Case: supporting new airline routes (see wk10). What happens if the assumptions on occupancy rate and new incoming tourists were too optimistic?

Assumption	Total seats per year	Occupancy *New incoming	Net Cashflows (total expenditure*multiplier-expenses)			NPV (discount factor 5%)
			2017	2018	2019	
Positive	179,712	$0.8*0.4 = 0.32$	5,694,749	8,523,840	15,285,878	27,677,434
Neutral	179,712	$0.6*0.3 = 0.18$	-1,098,365	1,353,332	7,737,974	7,209,093
Negative	179,712	$0.5*0.2 = 0.1$	-4,980,144	-2,744,102	3,424,886	-4,487,102

- Vanhove (2005)

2. Cognitive bias and risk assessment

Cognitive bias	What's it about?	Questions for bringing bias into consciousness
Confirmation bias	Seeking information that confirms an existing perspective and ignoring evidence that supports alternative views	Playing the Devil's advocate: what information can you find that does not support the current way of thinking?
Champion bias	Evaluating options on the basis of the track record of the individual who suggests it rather than on the facts	If this option were being proposed by an unknown person from outside the team, how would you assess it?
Overconfidence bias	Overestimating one's ability to affect future outcomes, taking credit for past outcomes and minimizing the role of chance. Also overestimating our skill level relative to others	Assuming you have little ability to control all future outcomes, what role would you say chance could play in future success?
Unfounded optimism bias	Being excessively optimistic about the future and unrealistic about the likelihood of positive/negative events	If you were to look at the situation from a pessimistic viewpoint, what might you see go wrong?
Sunk costs bias	Making choices that justify past flawed decisions, thereby avoiding acknowledging past errors	If you were an external expert, and knew nothing about the history of this issue, what would you recommend?

3. Case: Auckland's Skypath as a PPP

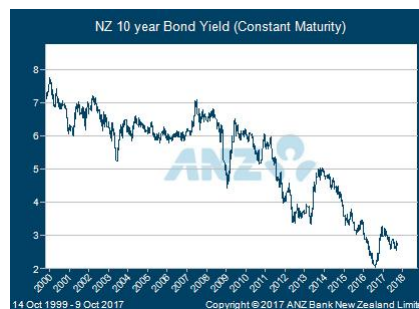
- In the lecture we discussed PPP structures. Skypath (<http://www.skypath.org.nz/>) is an example of such a cooperation. Have a look at the business case and identify:
 - The type of PPP in this project
 - Risk mitigation between public and private
 - Net present value of this project for the private consortium, taking into account risk in user forecasts, under a few simplifying assumptions:

	Official estimate	Low estimate
Users in Y1	781,384	500,000
Yearly growth rate	5%	2%
Revenue per user	\$4	\$4
Discount rate	4%	4%

- A final point of discussion:
 - Given an investment cost of approximately 3.8 million (initial investment + contingency cost), under the official estimate, the internal rate of return of this investment would be:

$$4\% + \frac{30,688,353}{35,299,434} * (12 - 4)\% = 10.95\%$$

- This is significantly higher than New Zealand's 10 year bond rate, while most of the income risk is still borne by the public sector



ANZ © <https://www.anz.co.nz/about-us/economic-markets-research/interest-rate-graphs/10-year-bond/>

Conclusion

- PPPs are characterised by risk sharing, transfer in ownership, and responsibilities. While offering an immediate effect for the public sector in terms of keeping projects 'off the books', benefits need to carefully be compared to costs
- Good planning takes into account uncertainty and risk

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Tourism Planning & Development

Wk 12
Lecture 12-1

Monitoring progress and evaluating success

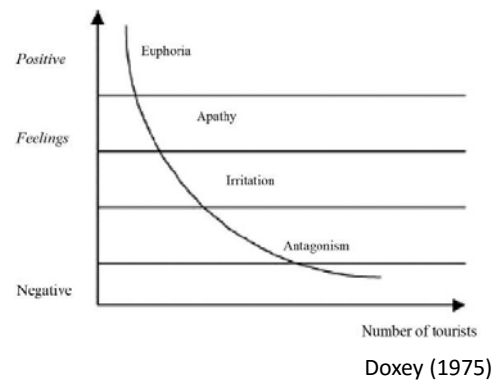
Content

- Earlier we already paid attention to the identification of indicators (for sustainable development goals). Monitoring of these indicators is a continuous process that should both inform the need for a change in strategy and provide an ultimate measure of accountability
- Chosen indicators should link to aspects of sustainability and set goals of the specific development project and usually cover at least some parts of the social, economic, and environmental dimension

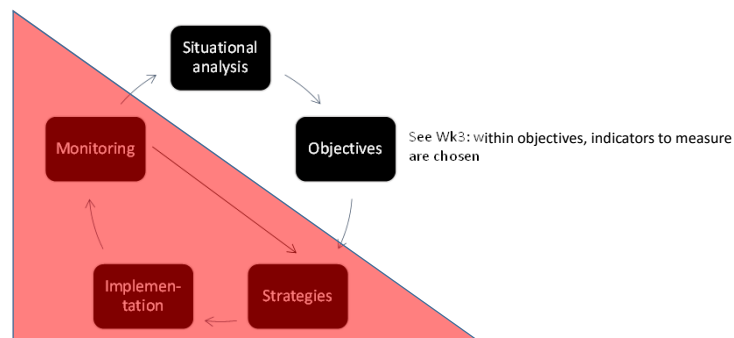
1. Planning, development, and feedback loops

- In the past, planning and management of tourism has often occurred with insufficient information, particularly with regard to the impacts of tourism on destinations, and the longer term maintenance of key assets. This has led to incidences of:

- Contaminated landscapes
 - Damaged cultural and ecological assets
 - Hostile reactions to tourists
- Scale matters!



- Therefore, integral to the planning and development process, is the monitor phase. This should not be seen as an end-phase but an ongoing (quarterly, annual) reporting that could serve to make small changes to the ongoing development (→ fits idea of incremental planning)



- indicators are an early warning system for destination managers and a signal for possible action. They serve as a key tool, providing specific measures of changes in factors most important to the objectives of the plan

- Benefits from good indicators include:
 - Identification of emerging issues, allowing prevention
 - Identification of impacts, allowing corrective action
 - Performance measurement of the implementation of plans and management activities
 - Reduced risk of planning mistakes
 - Greater accountability



Horselips5



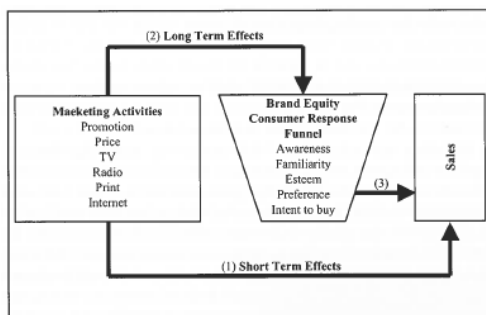
Dick Glasgow



Greenpeace NI

2. 'Soft' indicators: measuring marketing strategies

- Marketing is an important part within the tourism development cycle and some destination development strategies might focus almost solely on branding
- Measuring marketing outcomes needs to take into account objectives according to the customer response funnel



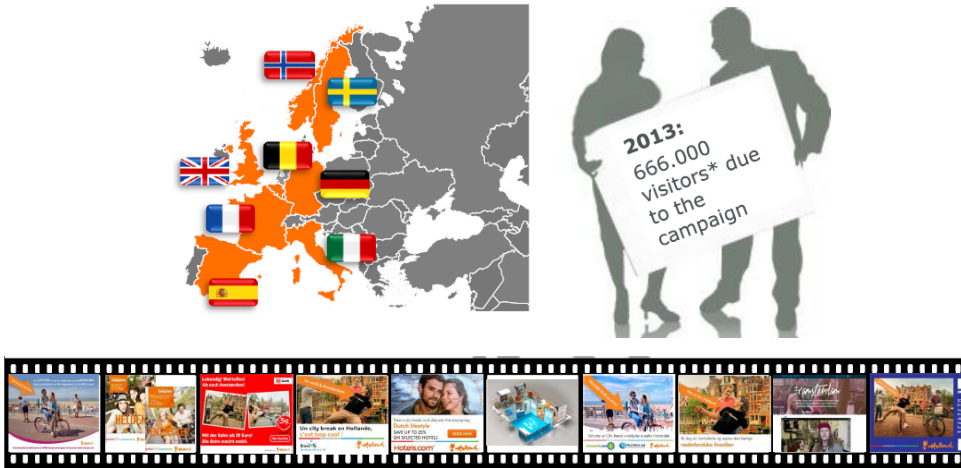
Lambin (2008, p.161)

Metrics	Customer Engagement Cycle		
	Cognitive Stage	Affective Stage	Behavioural Stage
Marketing activities	Brand awareness advertising campaign	Brand image advertising campaign	Direct mail or in store promotion
Customer impact	Awareness, recall, familiarity...	Esteem, affinity, consideration...	Repeat purchase, referrals...
Market Impact	Improved competitiveness	Lower price sensitivity	Increased sales or market share...
Financial Impact	Reduced selling costs	Longer customer life cycle	Incremental revenue, better profitability

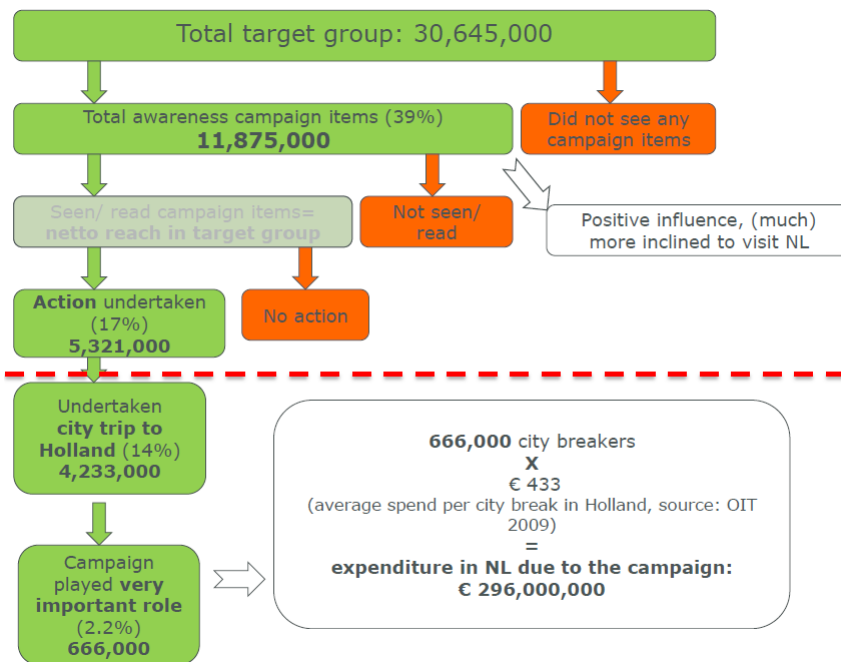
Lambin (2008, p.157)

- Example: NBTC's conversion research for the city break campaign

City Break Campaign 2013: 8 markets



• NBTC (2013)



• NBTC (2013)

- **Example: Flanders is a Festival**

FLANDERS IS A FESTIVAL: BLOGGER CAMPAIGN

Every year, Flanders is hosting around 260 festivals with more than 1,000 bands are playing. Tourism Flanders took to this as a great opportunity to engage the music blogging community and create the ultimate Festival Destination by working through influential bloggers coming from all over the world who descended on Flanders to blog about the great variety of festivals on offer.

Main goals of #fiaf12:

- Increase awareness
- Brand activation
- Stimulate conversation
- Inspire people

The biggest blogtrip in the world was organised selecting key influencers based on online reach and audience, the networks used and other criteria.

The Flanders Festival Express Competition was launched in order to heighten the interest level around festivals in Flanders and increase engagement on Facebook by creating awareness in target markets through "Ambassadors of Flanders".



Visit Flanders © <http://www.toerismevlaanderen.be/flanders-festival>

Some numbers

- Number of written blogposts: 275 (so far)
- Number of pictures: > 2.450
- Total reach of blogposts: > 11.500.000
- Number of Facebook fans of all bloggers: > 300.000
- Number of Twitter fans of all bloggers: > 550.000



Visit Flanders © <http://www.toerismevlaanderen.be/flanders-festival>

3. 'Hard' indicators: measuring social, economic, environmental effects



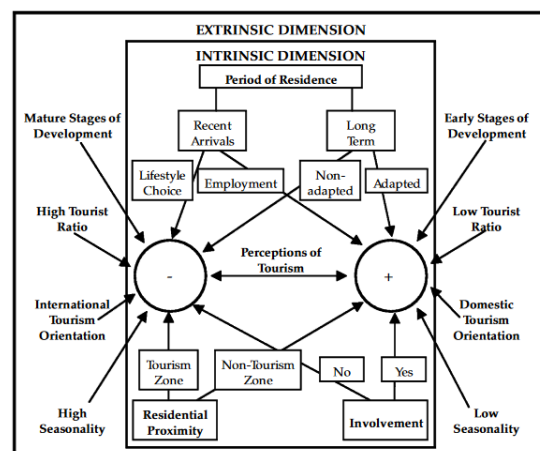
https://www.youtube.com/watch?v=-81c4q9_9LQ&feature=youtu.be&list=PL2qCiiUVTc18HfFBHCphg70Yc6YWPxeu
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a. Social effects:

- Are among the most difficult to measure, because many elements depend on perceptions (= subjective)
- A main source of information comes from resident attitude (survey) research



Wilson Dias/Abr



Faulkner & Tideswell (1997, p.10)

Table 1. Summary of research using cluster analysis (of attitudes) on resident populations

Authors (date)	Cluster names						
	1	2	3	4	5	6	7
Davis <i>et al.</i> (1988)	Lovers (20%)	Haters (16%)	In-betweeners (18%)	Cautious romantics (21%)		Love 'em for a reason (26%)	
Evans (1993)	Lovers (20%)	Haters (11%)		Controlled (32%)		Selfish (37%)	
Ryan and Montgomery (1994)	Enthusiasts (22%)	Somewhat irritated (24%)	Middle of the roaders (54%)				
Madrigal (1995)	Lovers (13%)	Haters (31%)			Realists (56%)		
Fredline and Faulkner (2000)	Lovers (23%)	Haters (15%)		Ambivalent supporters (29%)	Realists (24%)	Concerned for a reason (9%)	
Weaver and Lawton (2001)	Supporters (27%)	Opponents (22%)	Neutrals (51%)				
Williams and Lawson (2001)	Lovers (23%)	Cynics (10%)	Taxpayers (25%)				Innocents (20%)
Positive attitude	Strong	Nil	Nil	Moderate	Strong	Moderate	Nil
Negative attitude	Nil	Strong	Nil	Moderate	Strong	Nil	Nil
Tourism development	Strong support	Strong opposition	Neutral	Support current, not new	Strong support	Support/oppose for reason	Disagreed

Jackson & Inbakaran (2006, p.359)

b. Economic effects:

- Often easiest to measure and partly because of that, receiving most attention in development strategies
- Data is often readily available in national statistics bureaus (input-output tables, TSA's) and destination management organizations (tourist spending and behaviour) and can be combined with targeted visitor surveys

Table 3. Estimated expenditures associated with Formula One Grand Prix (in CNY).

	Local	Rest of China	International	Total
Number of attendees (%)	64,079 (55.42)	44,874 (38.81)	6672 (5.77)	115,625 (100)
Spending per attendee				
F1 Ticket	138.86	158.75	416.30	
Hotel	13.34	83.17	316.58	
Food	27.29	67.14	171.94	
Transportation	15.95	81.78	442.33	
Night life	20.64	42.44	231.82	
Cultural	8.63	18.18	315.33	
Total spending				
F1 Ticket	8,898,087	7,123,851	2,777,574	18,799,511
Hotel	855,057	3,732,224	2,112,194	6,699,476
Food	1,748,934	3,013,024	1,147,180	5,909,138
Transportation	1,021,829	3,669,764	2,951,248	7,642,841
Night life	1,322,616	1,904,313	1,546,691	4,773,621
Cultural	553,059	815,616	2,103,904	3,472,580
Total (%)	14,399,583 (30.45)	20,258,794 (42.83)	12,638,790 (26.72)	47,297,167 (100)

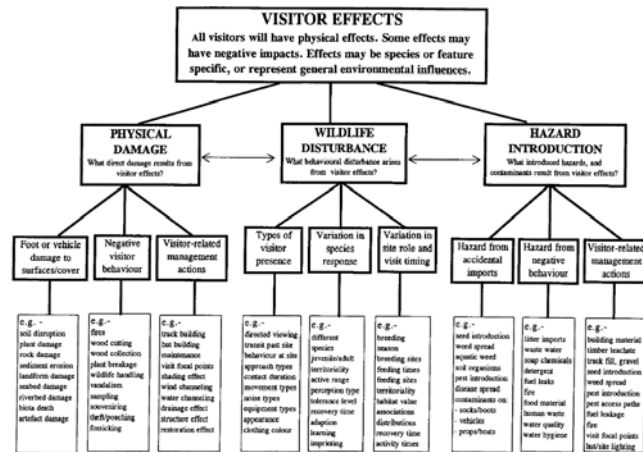
Note: 1 USD = Approximately 6.23 CNY.

Accounting for multiplier effects, the authors found an estimated economic impact of 205.85 million CNY, and an employment generation of 1409 jobs

Kim et al. (2016, p.69)

c. Environmental effects:

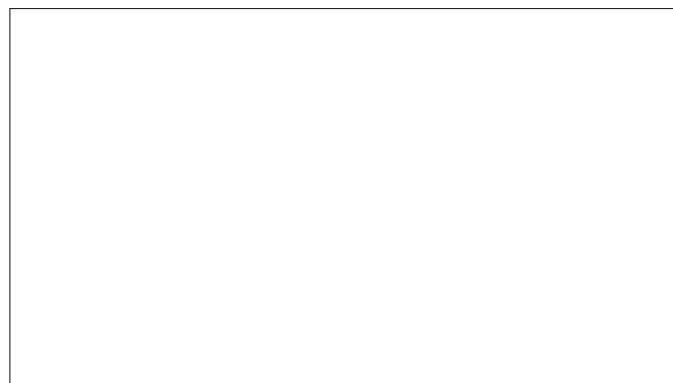
- Like economic effects, environmental effects are strongly connected to tourism development and indicator sets are well-established
- On macro-level, data is often available from national statistics bureau, but on lower levels, indicators might need to be collected manually



Cessford & Dingwall (1998, p.9)

4. Combining everything into a single dashboard: TIMM

- As was already discussed in prior classes (Wk3), indicators should cover all sustainability dimensions and link with strategic goals as well



https://www.youtube.com/watch?t=0h0m1s&v=fUBQor_8LQ4&app=desktop

Copyright: TUI Group Corporate (2015)

Figure 13: Using TIMM to weigh up the options

Option 1: Import barley



Option 2: Grow and source locally



Source: PwC

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PwC (2013, p.28)

5. Management actions based on indicators

- If indicators show signs of impact above what is agreeable or below set goals, management action needs to be taken!
- E.g.

Negative impact	Management action
Loss of economic benefit through leakages	- Provide financial incentives and trainings for local ownership
Ecological disruption; Damage to archaeological and historic sites	- Management of visitor flows/use control - Linear site hardening - Control on collection of artefacts, plants, species
Social problems of drugs, alcoholism, crime, and prostitution	- Educate residents and tourists about customs, dress, and behaviour codes - Choose market segments that are more likely to appreciate and respect local cultural traditions - Apply strict controls on drugs, crime, and prostitution

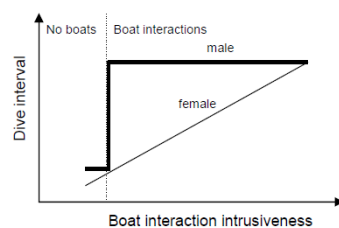
- Example: Dolphin watching in Fiordland



- In 2002, 450,000 people visited Milford Sound and 41,000 visited Doubtful Sound
- Doubtful Sound is home to population of bottle nose dolphins. Research has shown that this population has decreased by at least a third since 1994, with the latest estimate in 2008 at 56 dolphins
- In the period 1999-2002, more than 8,500 boat tours per year were offered in Milford Sound, and 1,700 a year in Doubtful Sound. During those years, dolphins spent between 11% to 13% of their time interacting with boats
- In Milford Sound, a large proportion (8-10%) of dolphins were bearing marks of physical injuries caused by boat strikes with one calf being killed by a tour boat in 2002 (reducing the reproductive success of the population that year by 50%)

• Lusseau et al. (2006)

- In both fiords the behavioural budget of dolphins changed significantly during boat interactions. Interactions disrupted significantly the dolphins' resting behaviour and increased the amount of time they spent travelling, to horizontally avoid boats



Lusseau et al. (2006, p.174)

- long-term area avoidance strategy resulted in the displacement of dolphins from their habitat. Dolphins avoiding altogether the fiord when boating intensity was high
- Department of Conservation, Doubtful Sound tourism operators and other stakeholders have been working together to implement new protection measures aimed at reducing potential impacts of boats on the dolphins. They include Dolphin Protection Zones and recommend dolphin encounters being left to chance

• Lusseau et al. (2006)



Department of Conservation © <http://www.doc.govt.nz/pagefiles/36434/doubtful-sound-dolphin-protection-map-a4.jpg>

- Dolphin Protection Zones are areas which extend 200m from the shore where motorized vessels are not permitted
- If dolphins are not visible within this zone, entry is permitted by the most direct route for reasons such as viewing of shore features, access to anchorages or diving/fishing spots, or for agency management work

Conclusion

- Monitoring is sometimes seen as an end-state, used for after-development accountability. While valuable in that respect (for future learning), monitoring should happen on a continuous basis in order to steer development and take preventive actions
- While tourism development can never be considered impactless, we need to take into account that alternative developments might be worse → always better to choose the lesser of evils

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