

MEETING:	NATIONAL PARK AUTHORITY – NPA/02/2013
REPORT:	NPA/02/2013/03
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TITLE:	NATIONAL PARK AUTHORITY COMMERCIAL STRATEGY

PAPER FOR APPROVAL

1. SUMMARY

- 1.1 Members may recall that at the November Board Workshop the Executive were tasked with developing a commercial strategy which would support the delivery of the Corporate Plan, through increasing future income opportunities and achieving savings for the National Park Authority (“NPA”), whilst consistently delivering high quality services.
- 1.2 The NPA has actively and successfully reduced running costs and increased income, implemented efficiencies and contributions from some of our existing assets and resources over the last few years. There are opportunities to extend and expand on these existing activities as well as developing new initiatives that align with NPA strategies for Conservation, Rural Development and Visitor Experience.
- 1.3 The Executive presented the May Strategy Group meeting with an outline of the activities that were proposed to form the basis of driving forward a commercial strategy. This paper further develops each of the potential commercial opportunities including establishing criteria to prioritise activities based on a range of factors.
- 1.4 For each of the proposed priorities a business case will be developed.

2. RECOMMENDATION

- 2.1 Members are asked to approve the report and support the vision, commercial pillars of the strategy, assessment criteria and proposed timescales for priorities for development, which are detailed at **Appendices 1 and 3**.

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Vision:

This world class destination requires excellent visitor infrastructure, facilities, sites and services which generate contributions that can be reinvested into the sustainability of National Park services, to mitigate the ongoing burden to the public purse and create a catalyst to support Conservation, Visitor Experience and Rural Development.

Pillars:

- Scottish Government Funding
- Asset Commercialisation
- Charging Facilities & Services
- Retail & On-line
- Sponsorship & Business/Community Engagement
- Infrastructure Development/Partnership Opportunities

Assessment Criteria:

- Strategic Alignment
- Volume of Potential Business
- Risks/Opportunities
- Timescales
- Extent of Initial Investment
- Simplicity/Complexity
- Attractiveness of Partnership Opportunity

Timescales:

- Ongoing
- Short Term (>6 months)
- Medium Term (6 months – 2 years)
- Long Term (2 – 15 years)

3. CONSIDERATION

3.1 National Park Partnership Plan Context

The ministerial foreword to the NPPP states:

“Success for our National Parks relies on close and effective partnership working - by Government, national agencies, local authorities, private businesses, charities, land managers and community organisations. I am confident that everyone will play their part, working together to make the most of the tremendous opportunities that the National Parks offer and to ensure that these special areas of Scotland achieve their full potential. We aspire to them being ‘must visit’ destinations – renowned for their landscapes, welcoming visitor experience and thriving communities.”

To achieve this success we need to continue to maximise the use of our existing resources and funds for investment, and seek alternative sources to enable us to achieve these aspirations.

3.2 Financial Context

- a) Currently approximately 95% of our funding comes from Scottish Government.
- b) It is highly likely that there will be a year on year decline in Scottish Government revenue funding levels.
- c) The cost of delivering our services will increase year on year.
- d) As Board members will already be aware we have actively and successfully reduced running costs and increased income, as well as implemented efficiencies and contributions from some of our existing assets and resources over the last few years. Implementation of the Phase 1 Asset Review has already realised significant running-cost benefits and income from properties previously maintained by the NPA (as the table in **Appendix 4** illustrates).
- e) All Scottish Government funding is required to be spent within the year it is allocated.

3.3 Reputational Context

- a) We have a core duty to support and enable the economic sustainability of the Park’s businesses and communities. There is an inherent risk/challenge that must be assessed, that any commercial activities commissioned by the NPA may be perceived as undermining or directly competing with local businesses.
- b) As well as having effective and mutually supportive relationships with many of our strategic partners and stakeholders we also experience challenges or concerns from stakeholders when projects, initiatives, charges or changes are proposed.

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- c) There is a risk in working with external partners/businesses, when implementing commercial initiatives, that services and quality can be variable and inconsistent. The visitors' perception of the NPA brand may be adversely affected as a result.

4. Journey So Far

4.1 In recent years, the NPA has successfully introduced a number of changes and commercial initiatives which have contributed both to reduced running costs in some areas and increased income streams. These initiatives have included:

- Leasing a number of our properties (including the Gateway and Luss Visitor Centres), transferring running costs to the third party tenant as well as generating rental income.
- Introducing more commercial charging scheme for boat users on Loch Lomond.
- Charging for boat operators using piers on Loch Lomond
- Toilet charging at Balmaha.
- Charging for use of our meeting facilities at Carrochan and Callander.
- Small scale on-line retail.

5. Commercial Strategy

Appendix 1 presents the proposed vision and supporting pillars for a National Park Authority Commercial Strategy.

Appendix 2 outlines the broad objectives, risks and opportunities within each pillar

Appendix 3 outlines the broad initial criteria for assessment against each pillar/activity

Appendix 4 summarises income generation/cost reduction/contribution projects 2009-2013

6. Conclusion

- 6.1 The NPA will implement the vision, under the pillars identified within the proposed timescales. On a case by case basis: -
- Risk will be assessed and managed
 - Projects and initiatives will be assessed against the agreed criteria
 - Each project will have defined financial contribution/profitability targets.
- 6.2 For high risk and reputationally significant projects the Strategy Group and the Board, as required, will be fully involved in the approval of each venture.
- 6.3 The Executive will review progress and outcomes on a monthly basis and report to the Delivery Group quarterly.

Appendix 1

VISION: This world class destination requires excellent visitor infrastructure, facilities, sites and services which generate contributions that can be reinvested into the sustainability of National Park services, to mitigate the ongoing burden to the public purse and create a catalyst to support conservation, visitor experience and rural development.

PILLARS:					
Scottish Government Funding	Asset Commercialisation	Charging Facilities & Services	Retail & On-line	Sponsorship & Business/Community Engagement	Infrastructure Development/Partnership Opportunities
Maximise opportunities to utilise:- <ul style="list-style-type: none"> • Grant- in-Aid • ‘Shovel Ready’ Capital • Project match Funding (SNH/ FCS etc) • Autumn/Spring Budget Reviews 	Reduce running costs and maximise income from: - <ul style="list-style-type: none"> • Countryside Sites • Built Facilities • Asset Disposal 	Charging for: - <p><u>Facilities:</u></p> <ul style="list-style-type: none"> • Car Parking • Toilets • Piers • Showers • Camping • Fishing Permits • Waste Disposal • Electric vehicle re-charging • Filming Fees <p><u>Public Services:</u></p> <ul style="list-style-type: none"> • Boat Launching • Boat Towing • Rescues <p><u>Professional Services</u></p> <ul style="list-style-type: none"> • Ranger led walks • Education • Support/advice • Training • Guided Cycling • Spend a day with..... • CPD 	Selling products and services: - <ul style="list-style-type: none"> • On-Line • Third party • Franchise • Branded products • WHW Passport • Downloadable Apps • Sales Commission (i.e. Hotel /experience bookings/ Amazon) • Local products 	Seeking opportunities for: - <ul style="list-style-type: none"> • Big Business/ Corporate Sponsorship • Take advantage of businesses’ CSR/ philanthropic giving • Species Sponsorship (animal of the season) • Text to protect/ donate (scenic views/conservation priorities) • Partnerships (aligned with NP Brand& Values) • Vehicles • Ranger Uniforms • Lay-By s & Roundabouts • Loyalty Discount/ Payback Schemes 	Development of: - <ul style="list-style-type: none"> • Hydro Schemes • Tourism Developments • Land/Asset Acquisition • Camping/Motor Home Sites • Joint Ventures • Outdoor family adventure schemes

Appendix 2

	Pillar	Objectives and Success Factors	Opportunities	Risks & Mitigations
1	Scottish Government Funding	<ul style="list-style-type: none"> • Reduce reliance on Scottish Government core funding. • Minimise revenue reduction. • Able to respond effectively, flexibly and quickly to capital/shovel-ready opportunities with projects which further NPA priorities. • Continue to meet/exceed annual expenditure targets. • Ongoing levels of Scottish Government confidence in the NPA as an organisation which delivers. 	<ul style="list-style-type: none"> • Shovel-ready funding – NPA demonstrates ability to deliver. • Strong relationships with Scottish Government and key decision makers. • Confidence of Ministers in the NPA • Responsive, adaptable and agile organisation which can respond to funding opportunities. 	<ul style="list-style-type: none"> • Reducing revenue. • Short term and last minute provision of additional capital funding • Impact of changes to political landscape • Political/structural change –ENFOR
2	Asset Commercialisation	<ul style="list-style-type: none"> • High level and quality of visitor service at each site/built facility. • Consistency of brand and alignment with NPA values. • Robust and effective contractual arrangements in place. • Sustainable maintenance/operational model. • ‘Harmonious’ outcome for local businesses/communities – no perceived significant competitive threat. 	<ul style="list-style-type: none"> • Existing infrastructure. • Scottish Government capital available at present to invest. • Strong relationships with influencers and stakeholders – Destination Group. • NPA can lead in development best practises in its role as the planning authority. 	<ul style="list-style-type: none"> • Perceived competition with local businesses – NPA undermining its communities/ businesses. • Poor quality of service provided by 3rd parties. • Limited number of ‘excellent’ Park businesses/entrepreneurs. • Resource costs/burden of servicing contracts. • Unreliable/difficult tenants. • Health and Safety and other legislative liabilities for NPA.
3	Charging Facilities & Services	<ul style="list-style-type: none"> • Increase in range and levels of income. • Income exceeds resource/operating costs. • Awareness/understanding and 	<ul style="list-style-type: none"> • Wide range of services offered by the NPA. • High quality staff. • Wide reach and ‘iconic’ and ‘desirable’ brand. 	<ul style="list-style-type: none"> • Opposition/negative reputation impact of charging for services initially delivered for free. • Perceived competition or reduction in revenue for National Park businesses.

	Pillar	Objectives and Success Factors	Opportunities	Risks & Mitigations
		acceptance of charges from visitors/customers	<ul style="list-style-type: none"> Loch Lomond & Trossachs National Park at top of 'Google' searches. Numbers of visitors (size of market and footfall). 	<ul style="list-style-type: none"> Quality control of services provided.
4	Retail & On-line	<ul style="list-style-type: none"> Increase in range and levels of retail income. High quality products/services which align with/promote NPA brand/values. Income exceeds support costs. Retail mechanisms sympathetic with (or 'work for') specific sites. 	<ul style="list-style-type: none"> 'Iconic' and 'desirable' brand. Reach and size of market (actual and virtual/on-line customers). Facebook, Twitter etc. Quality products. Strong relationships with existing local businesses/retailers. Destination Group. 	<ul style="list-style-type: none"> Poor quality of service/product – impact on NPA reputation. Costs to service/support retail systems exceed income.
5	Sponsorship & Business/Community Engagement	<ul style="list-style-type: none"> Good alignment of sponsoring body with NP/NPA values. Increase in 'positive' NPA Brand awareness. Widen reach of NPA Brand across sponsoring bodies customer base. 	<ul style="list-style-type: none"> 'Iconic' and 'desirable' brand. Wide range of infrastructure, facilities, vehicles and staff to promote sponsorship brand and messages. Scottish Government's Sustainability objectives – provide impetus to businesses to engage in environmental investments. 	<ul style="list-style-type: none"> Behaviours/activities of sponsor bodies/companies negatively impact NPA's reputation.
6	Infrastructure Development/Partnership Opportunities	<ul style="list-style-type: none"> Close alignment of venture with National Park brand, values and PPP objectives. High quality standard of developments. High levels of re-investment in Park. 	<ul style="list-style-type: none"> NPA can lead in development of best practises in its role as the planning authority. Wide awareness of opportunities. Strong relationships with stakeholders. 	<ul style="list-style-type: none"> Perception of competition with local businesses

Assessment Criteria

The following criteria will be used to consider the priorities for progressing the various pillars/activities within the commercial agenda.

- Strategic Alignment

Every initiative or project will be expected to align with the National Park Partnership Plan and Corporate Plan.

- Risks/Opportunities

Within each business case there will be an analysis of a range of risks and opportunities including reputational, market, financial, systems, environmental, political, customers/stakeholder and staff.

It will also be important to recognise the NPA's risk/opportunity appetite and to reach agreement on the balance of risk/opportunity that is acceptable for each of the various initiatives as well as the collective in the short/medium/long term.

- Volume of Potential Business

Any business case will be expected to balance the volume of sales that are realistically potentially available against the cost of the initial investment and the "costs of sale". There is a wide range of potential opportunities and it will be important to initially assess and prioritise our investments in terms of effort/resources into those that are singularly highly profitable or where they offer low margins, they are high volume.

- Initial Investment

Although any business case/plan will consider all costs associated with an initiative/project, for some projects there may be significant upfront costs, the generation of income from which may not be quickly realised.

In the case of the majority of the current building/site infrastructure business plan developments, the capital investments are part of the core strategy for the NPA to continue to support Conservation, Rural Development and improve the Visitor Experience. These developments offer the additional advantage of generating an income stream or a reduction of the associated ongoing costs.

For some of the proposed new initiatives there will be development costs associated with designing, sourcing/buying products, materials, developing staff, marketing and advertising.

- Timescales

The length of time it will take to develop a project from the initial concept through to the development of a full brief and business plan/case, to approval of a business case to implementation and generation of income or reduction in costs.

- Attractiveness of Partnership Opportunity

Consideration will be given to the commercial attractiveness of ventures and initiatives to the private sector for a project's development, investment or long term operation. Certain projects may also be attractive and strategically align to our Individual Partnership Agreements (IPAs) or other Non Government Organisations (NGOs) priorities and attract external resource/funding.

- Simplicity/Complexity

A number of the activities as part of the commercial strategy have already been tried and tested and therefore the benefits/returns are known and ongoing development and roll-out may be more straightforward than starting new initiatives. However, there may also be some new initiatives where other organisations (within and outwith the sector) have already tried and tested them and would be prepared to share their good practice and lessons learned.

Timescales for Development

The initial priorities for development of business cases or roll-out of existing initiatives are proposed as being: -

- On-going

The NPA has over the last few years successfully secured additional "Shovel Ready" and "Scottish Government Budget Reviews" capital funding. Continuing to deliver on Scottish Government priorities and being able to respond promptly and effectively to new opportunities will remain as a priority.

- Short-term (< 6 months)

- Implement car parking charges.
- Continue to extend charging of existing toilet facilities.
- Introduce charging for facilities (toilets/showers/parking/piers/camping/boat launching) for the sites that are currently being developed. This may be achieved in conjunction with partners/commercial operators or delivered internally.
- Introduce retail sales of NPA products within NPA-operated facilities.

- Medium-term (6 months – 2 years)

- Introduce NPA accommodation/events booking system where commissions would be receivable.
- Identify corporate sponsorship/donations opportunities (i.e. sponsor a scenic view/"Airwick" NP sponsorship)
- Introduce private individuals' sponsorship/donations schemes (i.e. text to protect)
- Introduce charging for facilities (toilets/showers/parking/piers/motor homes/ waste disposal/camping/boat launching) for the sites that are currently being developed. This may be achieved in conjunction with partners/commercial operators or delivered internally.
- Review existing on-line sales strategy and identify potential opportunities for branded products, franchising, third party partnerships and maximising local goods, products and services.

- Encourage engagement with businesses for CSR activities/initiatives.
- Identify opportunities for charging for filming fees, issuing fishing permits, boat towing, boat/passenger rescues and electric vehicle re-charging.
- Continue to identify and develop camping/motor home/serviced sites opportunities.
- Long-term (2 years – 15 years)
 - Hydro/alternative energy schemes
 - Significant outdoor family adventure schemes
 - Large tourism development initiatives
 - Land/Asset Acquisition and development
- Not a priority (for commercial development)
 - Ranger led walks
 - Chargeable Education services
 - Guided cycling
 - Spend a day with....
 - CPD training programmes
 - Room/facilities hire

Leasing Visitor Facilities

The strategy over the last 4 years has been to transfer/reduce the costs associated with running the visitor centres to private providers/partners.

The following identifies the net (cost)/income associated with each facility that has transferred to a private business over the last 4 years.

Visitor Facilities

£000s	2009/10	2010/11	2011/12	2012/13	Comments
Luss Visitor Centre/ Toilet	(42)	(42)	(9)	(8)	NPA's main costs, not covered by the Luss rental income, relate to cleaning
Tarbet Pier/Toilet	(52)	(31)	7	6	
Inveruglas Pier/Cafe	(48)	(22)	6	28	
Gateway Visitor Centre	(198)	(71)	77	78	
Total (Cost)/ Contribution	(340)	(166)	81	104	

Other Income

A number of commercial opportunities were initiated in 2012 which offer significant scope to maximise the systems infrastructure and learn the lessons from the initial phases to maximise profitability/contribution for reinvestment.

£000s	2011/12	2012/13
<u>Fees</u>		
Planning Fees Income	113	195
<u>Charging</u>		
Inchcailloch Camping	2	2
Loch Lomond Boat Registration Fees	5	5
Loch Lomond Slipway Launch Fees	49	41
Loch Lomond Piers	5	12
Site hire for filming	1	0.4
Hire of HQ/Callander Meeting rooms	3	3
Showers at Slipway	0.4	0.4
Toilet Charging, Balmaha	<i>new in 2012</i>	2
Mainsheet advertising fees	<i>new in 2012</i>	2
<u>Sponsorship & Donations</u>		
Donations at Slipway	12	9
Donation button on web site	<i>new in 2012</i>	0.1
<u>Sale of Goods</u>		
On line shop – net income	0.1	0.2
Slipway retail – net income	4	3
Cruise Ticket sales - commission	<i>new in 2012</i>	0.2
<u>Other income</u>		
West Highland Way Income – net income	8	6
Total	202	281