

Old Bega Hospital

Proposed Regional Community and Cultural Centre

Business Case

Draft 28 July 2015

**Based on a report and recommendations prepared for the Old Bega Hospital
Reserve Trust by Thexton Armstrong Whitaker, 8 June 2015**

CONTENTS

Introduction	3
Executive summary	3
Commercial activities	4
Market analysis	9
Management summary	10
Projected profit and loss	11

In Confidence

INTRODUCTION

The aim of this document is to explore the potential of commercial operations that could be undertaken at the Old Bega Hospital once it has been fully restored.

Projected profit and loss estimates of the identified activities demonstrate the extent to which they can support employment as well as the sustainable operations of the Old Bega Hospital as a Cultural and Community Centre for the Bega Valley region.

Assumptions have been made in preparing these estimates. This overview is an indication of the potential of commercial operations. It does not cover in detail the planning, management and infrastructure that will be required to implement and maintain these activities. A comprehensive and ongoing business plan based specifically on the commercial operations is planned for a more appropriate time in the future.

EXECUTIVE SUMMARY

The identified commercial activities are well suited to the operations of the Old Bega Hospital as a regional cultural and community centre. The unique character, location and easy access will attract regular visitors and the activities will generate a substantial income.

A projected profit and loss estimates a turnover of \$960,000 with earnings before tax of \$100,000. The commercial activities could create 5 full time positions and 6 casual positions as well as providing a sustainable income for the ongoing maintenance and upkeep of the Old Bega Hospital.

The estimated wages to sales ratio of 33% is slightly higher than the industry benchmark and will need to be carefully managed to ensure the viability of the operations at the centre. Commercial activities will be controlled and managed by an experienced general manager under the guidance of a comprehensive business plan that is regularly updated.

COMMERCIAL ACTIVITIES

A range of commercial activities that will be suitable for the site has been identified. It is expected that further activities will be identified as the project develops. These will be carefully evaluated as to their suitability as well as their potential to generate a profit.

The activities covered in this document include:

- Café and restaurant
- Sales of local produce
- Sales of arts and crafts
- Sales of souvenirs
- Book exchange
- Special events
- Community rental
- Commercial rental

Café and restaurant

The establishment of a café and restaurant is an important part of the overall strategy and it will generate the bulk of the income. It will attract visitors and locals in its own right and it will help develop the other commercial activities planned.

The café will run 7 days a week and the expected opening hours will be 7:00 AM to 7:00 PM. These hours will need to be adjusted for seasonal variations in visitations. The café could offer breakfast, morning tea, lunch, afternoon tea and evening meals.

The restaurant will have specific opening times for evening meals and also for catering to special events. It is envisaged that the restaurant could open Friday and Saturday nights on a regular basis and also on specific times to cater for special events such as business conferences, presentations, weddings, celebrations etc.

The reputation of the Old Bega Hospital as a tourist attraction as well as a community centre will predominantly depend on the quality of food and the level of service provided by its staff. It is therefore important that the management and quality controls for its operation be of a high standard that is applied systematically on a regular and ongoing basis.

Sales of local produce

As a centre that represents our region it is well suited to showcase our local produce from around the region. The produce will be of two types:

- *Commercial produce* – Bega Cheese, Eden Smoked Seafood, Disaster Bay Chillies, Wild Rye Bakery, Towamba Olives and many more.
- *Backyard produce* – jams, pickles, sauces and preserves

Having this local produce on display will appeal to visitors and locals alike. As well as being on display and for sale, the produce can be used extensively in the café and restaurant giving visitors every opportunity to explore the taste of the great local produce that is available in our region. The local produce shop will provide extensive exposure to a large audience for the commercial products of the region; it will be an excellent vehicle for their promotion.

Sales of arts and crafts

Sales of arts and crafts will complement the function of the community centre as a regional cultural hub. It will showcase the varied works from local artists and craftspeople. Visitors will not only see the works being produced by the local residential community groups but they will also have a chance of purchasing those works. Types of arts and crafts on display will include pottery, textiles, paintings, sculpture, glassworks, leather and prints.

Arts and crafts can be divided into two groups:

- *Arts and craft from the Old Bega Hospital tenants*

The groups producing arts and crafts on site will be able to sell them through the onsite gallery and shop which will be run by the staff of the café. A commission will be collected from each sale and it is expected that this will be 20% of the sale value exclusive of GST. The income generated from the sales will help the arts and craft groups to be financially sustainable and attract more members.

- *Arts and craft from the community*

Community produced arts and crafts will also be accepted as long as it does not conflict with the resident arts and crafts groups' work. Again a commission of 20% will be charged on the sale.

The arts and crafts gallery and shop will provide an ongoing income to the Old Bega Hospital in line with its function as a regional cultural hub as well as providing an income for local artists. A policy on the type and quality of works will be developed to provide a consistent quality of works on display for sale.

Sales of Souvenirs

Commercially and locally produced souvenirs will be available for visitors and tourists. Emphasis will be placed on goods that provide an identity or link to the region.

Locally produced goods especially from community and not for profit groups will be encouraged. The income from the sale of souvenirs will benefit not only the Old Bega Hospital but will provide revenue for local community groups and also promote the region for tourism.

Book Exchange

A book exchange will be a viable attraction for local and visitors to the region. It will stock music CDs and DVDs as well. The exchange shop will allow visitors to purchase any item for the marked sale price. A credit off that purchase can be claimed by exchanging books, CDs and DVDs. The book exchange will be a good area where community volunteers will help out with the stocking, sorting and display of the items.

Special Events

Special events will be organised and run to take advantage of this unique and accessible area. Both the external grounds and the buildings will make an impressive and inviting venue for a range of events including:

- Weddings
- Family celebrations
- Music events
- Business conferences
- Community days
- Special presentations

The café and restaurant will benefit from the events by providing catering. Having onsite catering allows the Old Bega Hospital to package events which will make it a unique venue for both locals and visitors to enjoy.

The marketing of the Old Bega Hospital as an event venue will be important in attracting regular patronage. It will also require good onsite management to help plan, organise and run the events. Not only will the events generate income for the Old Bega Hospital, they will showcase the region to visitors from out of the area who attend events here.

Community Rental

The Old Bega Hospital has had a long history as a place where local community groups can hire subsidised accommodation at an affordable price. Although availability has been limited since the fire to the main building, the site has continued to provide community groups with subsidised rent in several out buildings.

Subsidised rental is important for the Old Bega Hospital to fulfil its role as a regional community centre. The additional accommodation once the main building is restored will be widely promoted. It is envisaged that there will be a strong demand for this type of accommodation. A conservative estimate of 6 long term residents and 3 short term rentals per month has been used in the projected profit and loss.

The community groups who use the subsidised rental will have a symbiotic relationship with the Old Bega Hospital: they will benefit from subsidised rent and from onsite sales of their works; OBH will benefit by having the groups operating on site to attract visitors. The community centre will be a 'working' community hub where visitors will openly explore the operations of the groups. The resident groups will be able to increase their membership through this exposure.

Short term rental of meeting rooms and conference facilities will be also available to non-commercial not for profit community groups at a subsidised rate.

Commercial Rental

Groups or individuals that wish to carry out commercial activities on site for their profit will be welcome to rent or hire specialised accommodation. This accommodation will not be subsidised and be priced accordingly to cover the type and size of the accommodation as well as the services offered. A combination of short term hire and longer term rental will be offered.

Short term hire will consist of single serviced offices, meeting rooms and conference facilities. These will be suitable for travelling professionals as well as local businesses looking for a unique location to hold their meetings or conferences.

Long term rental will have a limited appeal yet can offer easy access, full catering on site and parking in a quiet rural setting. This will be suitable for a local professional or sole practitioner looking for an alternative accommodation to run their business.

In Confidence

MARKET ANALYSIS

The market for the identified commercial activities can be broken down into:

Residents of the Bega Valley - 32,956 (2010 census)

Tourists visiting the region - 820,000 per annum (RDA Far South Coast Area Profile)

Travellers passing on the Princes Highway – 1,200 a day (RTA Survey 2003).

The potential commercial activities have attractions that will appeal to all of this large market. Marketing activities will be focussed around these markets in an effort to establish a regular daily visitation.

Engagement with the local community is important to establish OBH as a cultural and community centre. The regional community of the Bega Valley will have a sense of ownership of the centre and develop a feeling of pride and association with a place that expresses the identity of their region.

Marketing the OBH through the normal tourist channels will be undertaken. It would be advantageous if a local tourist information centre was located on site, as this would be a drawcard for many visitors and tourists.

One of the biggest advantages of the OBH for travellers is it has close proximity and easy access from the Princes Highway and the Bega bypass. Highway signage will be a key factor in increasing the visitations from travellers. The site will be suitable for visiting tourist buses and activities will be developed to cater for this market.

The estimation of the number of people visiting OBH would depend on both internal and external opportunities. Visitors include local people who are existing tenants, commercial renters, function and event attendees as well as tourists and visitors to our region. A best case assumption for daily visitations is:

Low – 70

Medium – 120

High – 150

The low visitations will occur in the winter months and the high during the summer holidays. Efforts to increase visitations during the winter months will have a positive effect on the annual income.

MANAGEMENT SUMMARY

The success of the commercial activities at OBH will depend on the quality and experience of the management and staff involved. Commercial activities will be treated as a separate business unit. A general manager will be appointed and be responsible for running the business unit and meeting its objectives.

The wages identified in the estimated profit and loss are 74% of the total expenses and represent 33% of total sales. The success of the commercial activities will be mainly determined by the ability to effectively maintain the wages to sales ratio to 30% or less. Not only will it be important to keep payroll costs in check: it will be equally important to provide a consistently high level of quality customer service.

A comprehensive business plan will be developed with the assistance of a third party experienced business consultant who can not only help develop an effective plan but also play a part in the ongoing implementation of the plan. The consultant will also provide independent advice and information to the Reserve Trust Members. In this way there will be checks and balances in place that will allow the Reserve Trust to manage the commercial activities at arm's length and be accurately informed on the performance of the business unit.

The key areas to be factors in the management of the business unit will be:

- Clear and united vision of direction and goals
- Planning and operational control through a comprehensive ongoing business plan
- Motivated and trained staff delivering a high level of customer service
- Community engagement to develop a sense of ownership
- Effective marketing campaign to attract visitors.

The restored Old Bega Hospital will offer unique and desirable attractions and facilities to attract a high number of visitors both local and from around the world. If these key areas are managed well, the success of the business unit will be assured.

PROJECTED PROFIT AND LOSS

The projected profit and loss has been estimated as a typical business model for 12 months of trading after an initial setup period. The P&L does not represent the initial 12 months trading or ongoing annual result. A 3 - 4 year trading and cash flow projection will be part of a business plan once the timeline for commencement of commercial activities is determined.

The following assumptions have been used in calculating the estimates for the P&L:

Average daily seats:

	Low	Med	High
Breakfast	12	18	20
Lunch	17	23	30
Dinner	8	15	20
Catering	5	8	10
Morning & afternoon tea	10	15	10
Total	52	79	90

Average meals per seat:

Breakfast	\$15
Lunch	\$25
Dinner	\$30
Catering	\$25
Morning & afternoon tea	\$7

Tenants average per month:

	Number	\$ per Tenant
Community long term	6	\$120
Community short term	3	\$60
Commercial long term	1	\$600
Commercial short term	4	\$200

Gross profit on café and restaurant trading: 65%

Gross profit on local produce sales: 40%

Gross profit on arts and craft (commission): 20%

Gross profit on souvenirs: 50%

Expenses are based on existing where known and typical of similar type businesses.

Wages: fulltime general manager, fulltime café manager, 3 fulltime shift leaders, 6 casual positions.

Sales		
Cafe and restaurant	\$571,550	59.1%
Local produce	\$81,066	8.4%
Arts and crafts	\$189,154	19.6%
Souvenirs	\$81,066	8.4%
Book exchange	\$2,702	0.3%
Events	\$14,400	1.5%
Community rental	\$10,800	1.1%
Commercial rental	\$16,800	1.7%
Total turnover	\$967,538	100%
Gross profit		
Cafe and restaurant	\$371,508	70.5%
Local produce	\$32,426	6.2%
Arts and crafts	\$37,831	7.2%
Souvenirs	\$40,533	7.7%
Others	\$44,702	8.5%
Total gross profit	\$527,000	100%
Expenses		
Accounting fees	\$3,000	0.7%
Advertising/marketing	\$8,400	2.0%
Bank fees	\$600	0.1%
Cleaning	\$14,400	3.4%
Web site maintenance	\$3,600	0.8%
Sponsorships	\$6,000	1.4%
Equipment <\$1000	\$2,400	0.6%
Fees, permits & licences	\$600	0.1%
Freight & cartage	\$600	0.1%
Insurance	\$2,000	0.5%
Internet	\$840	0.2%
Kitchen tools & utensils	\$1,240	0.3%
Administration	\$2,400	0.6%
Payroll	\$315,750	74.0%
Postage	\$260	0.1%
Professional services	\$26,400	6.2%
Repairs and maintenance	\$8,400	2.0%
Staff training & amenities	\$1,440	0.3%
Telephone	\$1,080	0.3%
Uniforms	\$1,000	0.2%
Gas	\$10,200	2.4%
Light & power	\$14,400	3.4%
Water	\$1,680	0.4%
Total expenses	\$426,690	100%
Income before tax	\$100,310	