

ACHIEVING SUSTAINABILITY FOR INDEPENDENT MUSEUMS

A W BOND

COTMA, November 2006

1. INTRODUCTION

2. SUSTAINABILITY OVERVIEW

- 2.1. Different opportunities and pressures
- 2.2. Need for a shared culture
- 2.3. Questions

3. IDENTIFYING THE CHALLENGES

- 3.1. Parallel universes
- 3.2. Gravity does not exist
- 3.3. The Management Deficit
- 3.4. If we are all growing older, then what?
- 3.5. Policies; the essential framework
- 3.6. Keeping out of the hands of the banks
- 3.7. Reserves; an ideal goal
- 3.8. Do you need a 'land bank'?
- 3.9. Avoid the dangers of the 'closed community effect'
- 3.10. Volunteer burnout
- 3.11. Understanding the visitor; a view from Tussauds

4. THE BREAK EVEN ROLLER COASTER and (possibly) DEMONSTRATING A GOOD TRACK RECORD

5. WHERE DO WE GO FROM HERE? – NEAR TERM

- 5.1. Limiting future activities
- 5.2. Downsizing
- 5.3. Developing partnerships
- 5.4. Complementary trading
- 5.5. Education
- 5.6. Reaching new markets - web sales
- 5.7. Revenue grants
- 5.8. Raising the public perception of what we offer

6. WHERE DO WE GO FROM HERE? - AND IN 30 YEARS

- 6.1. End of a Golden Era
- 6.2. The future of leisure
 - 6.2.1. Existing leisure attractions facing change / financial pressures
 - 6.2.2. Evolution of new types of experience
 - 6.2.3. Will life styles in the developed world change?
- 6.3. The importance of enduring values

7. A REALISTIC STRATEGY FOR FACING THE FUTURE

8. CHECK LIST OF ESSENTIAL ATTITUDES

if collections in independent museums are to be preserved for future generations

9. APPENDIX SUSTAINABILITY; WHO PAYS?

1. INTRODUCTION

Over the past 50 years, many people have dedicated their lives to preserving tramcars and support material, and in the process created museums we all respect, envy and enjoy.

But, although we have grown up with the preservation movement and take it as an established fact, how confident are we that our museums will exist in 30 years, by which time I could be 100 years old!

My qualifications for putting some thoughts before you are as a Chartered Accountant with 36 years service as Hon. Treasurer of the Tramway Museum Society, and Chairman of its Development Committee. The TMS is one of 60 museums in England whose collections are Designated as being of national importance. I have coupled this with stints as Hon. Treasurer of London Transport Museum, and of the Association of Independent Museums.

I apologise for raising more questions than I answer. I hope what I say will ring true here at COTMA – with our American cousins perhaps less so. I equally hope that you will give me some lessons to carry back to Crich. In mainland Europe, many tramways keep historic fleets as part of their undertakings. These are frequently administered by volunteer bodies. Otherwise, I have no useful insight into mainland Europe.

This is a serious subject. Many of us have devoted our lives to it in the belief that what has been, and is being, created will survive for the inspiration and enjoyment of generations to come.

Winstan Bond

November 2006

2. SUSTAINABILITY OVERVIEW

For museums such as ours, sustainability cannot be guaranteed – it must be continually fought for. There is a wide range of physical, legal, financial and emotional factors which both aid and hinder success.

2.1. Different opportunities and pressures come from the following:

How do you see yourselves

- a tramCAR museum (static or operating)?
- a tramWAY museum?
- is the concept of being a museum accepted or resented by members?

Location are you:

- | | |
|--|--------------------------------|
| • a stand alone activity? | Adelaide, Heaton Park |
| • a multi-themed attraction, or part of one?
stand alone? | Beamish, Christchurch
Crich |
| • associated with a heritage line? | Christchurch |

Legally are you:

- unincorporated?
- a limited company?

- a charity? – (note, contrary to popular belief, tramcars and other items in the collection are not ring-fenced if a museum becomes insolvent. They can, and will, be sold to pay the debts.)
- do your members perceive the method of appointing your trustees as being fair?
- subject to the jurisdiction of regulatory bodies? – e.g. Health & Safety, Railway Inspectorate.

Financially do you:

- receive core funding?
- restrict your expenditure to what you earn or do you borrow and pay bank interest?
- is your financial independence subject to the desires of wealthy individuals? – e.g. a tramway museum starting to collect underground railway trains to the detriment of the tramcars.
- have a specific restoration stop when its benefactor dies with the partly restored tram being pushed outside?
- have contingent liabilities for grants which must be repaid if the grantor's conditions are not complied with? Currently, Crich has a £1.7M liability.

2.2. The need for a shared culture

Success is unlikely to come unless the vast majority of members support a shared culture, a culture which also properly accommodates the aspirations of the visitor.

In my view, the overriding objective should be to pass our collection/museum onto future generations. This involves a genuine consultative process with a view to producing a Mission Statement, followed by a regular updated strategy to support the Mission Statement by doing the necessary activities - physical, marketing, etc

2.3. Questions at this stage

Are the Mission Statement and supporting strategy:

- realistic?
- within your legal powers (e.g. charity law)?
- relevant to your stakeholders (members, staff, visitors, government)?

Can stakeholders' expectations be managed?

TWO CASE STUDIES

Two years ago the National Lottery Heritage Fund supported the Weardale Railway. It was set up on a high cost basis and went bust after five months, leaving debts of nearly £1 million. Creditors have accepted 20p in the pound. The railway has just reopened but with a skeleton staff.

In Wales, the reopening of the Welsh Highland Railway and its rejoining to the Festiniog, anticipated in late 2008, will be a major cause for celebration. Now six eminent vice-presidents have written a letter expressing very serious concerns as to the future. 'Above all, they want to see a credible business plan for the extended WHR that takes account of the increasingly difficult trading environment in which the two railways find themselves'. . . . 'We have seen the FR come through at least two financial crises; we don't want to see a third to be terminal'. In his reply, the Chairman wrote 'We need the aspirations to agree direction . . . in settling core values'. The jury is out.

3. IDENTIFYING THE CHALLENGES

3.1. Parallel universes

- (a) The bad pushes out the good. Nobody wants to keep putting effort into a badly run organisation, but we are all attracted to those striving for excellence.

Sadly, in some organisations there is a fundamental and constant clash of cultures; the professional versus the parallel universe of ‘I will do what I want, when I want’.

Too often management will postpone, shrug off, or fudge unpalatable decisions particularly if personalities who are their friends or working companions are likely to be affected. This corrosive culture soon affects both staff and volunteers and the good falls to the level of the mediocre.

Subjective though it is, ask yourself where the balance lies between the two cultures in your own museum. If the balance is wrong, forget the future!

Stupidity, failure, and in particular Health & Safety transgressions, should not be met with a blind eye. Fair consequences should follow transgressions. If leaders are not respected, they should be replaced.

Equally, leaders doing unpopular but correct actions must be supported and not undermined by timid colleagues sitting on the fence to court popularity. Being ‘all things to all men’ is not management.

- (b) Conversely, the best pushes out the good. It would be easy enough to have the best maintained, insolvent tramway museum in the world. We cannot afford all we would like and with the growing H&S pressures, it is necessary to seek appropriate standards not financially unattainable ones.

3.2. Gravity does not exist

Another manifestation of parallel universes comes from members who consider that the laws of gravity and economics are suspended at the entrance to the museum. It is their museum and they are focused on what they want to do, no matter if it is to the detriment of the work of others. In short, they are not team players, they have an unrealistic appreciation of what is, and what is not possible and do not support the Mission Statement.

Web blogs criticising aspects of their museum which annoy them are a new divisive innovation.

Equally disruptive are those who seek the power denied to them in their working lives, and those who gain power and then attempt UDI to run their empire as they see fit irrespective of, say, the financial consequences or the needs of visitors.

3.3. The Management Deficit

One of, if not the most common causes of business failure is weakness in management structures and skills.

An advantage most independent museums have is the ability to take quick decisions. To be effective this needs to be supported by clearly defined roles and responsibilities of individuals or committees.

How do you recruit people with the skills you need, but who are unknown to your members?

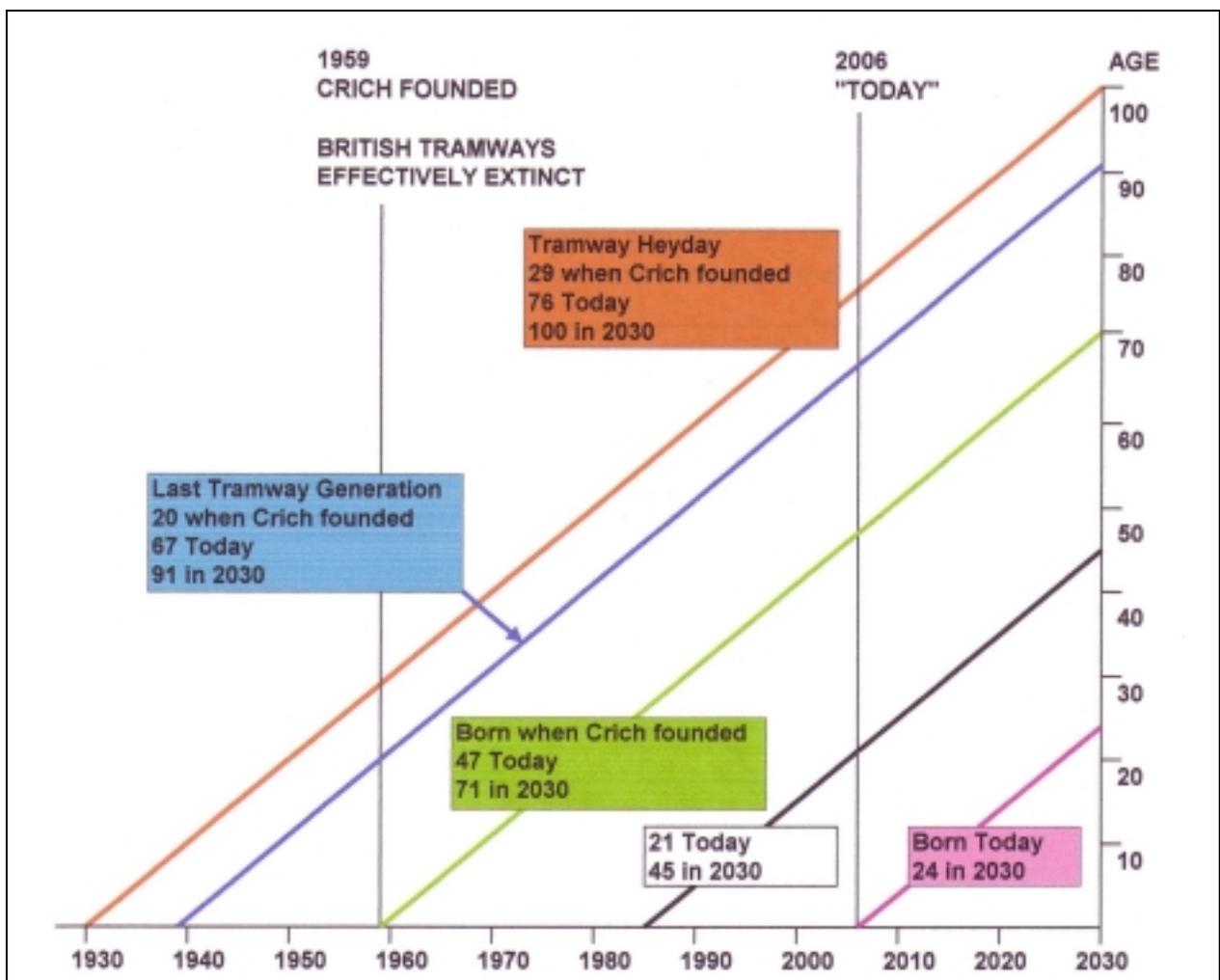
Have you people prepared to stand up and take tough decisions? About 30 years ago at Crich, we had to make two people redundant rather than take an overdraft. As Treasurer, hearing their views face to face was difficult. One said 'We thought you would sell the trams first'.

With the growing complexity of regulation affecting museums and the probability that the age of Board members and membership as a whole is rising, how successful and willing is your Board at creating the structures to enable them to delegate, accepting that there could be legal limits as to what can be delegated?

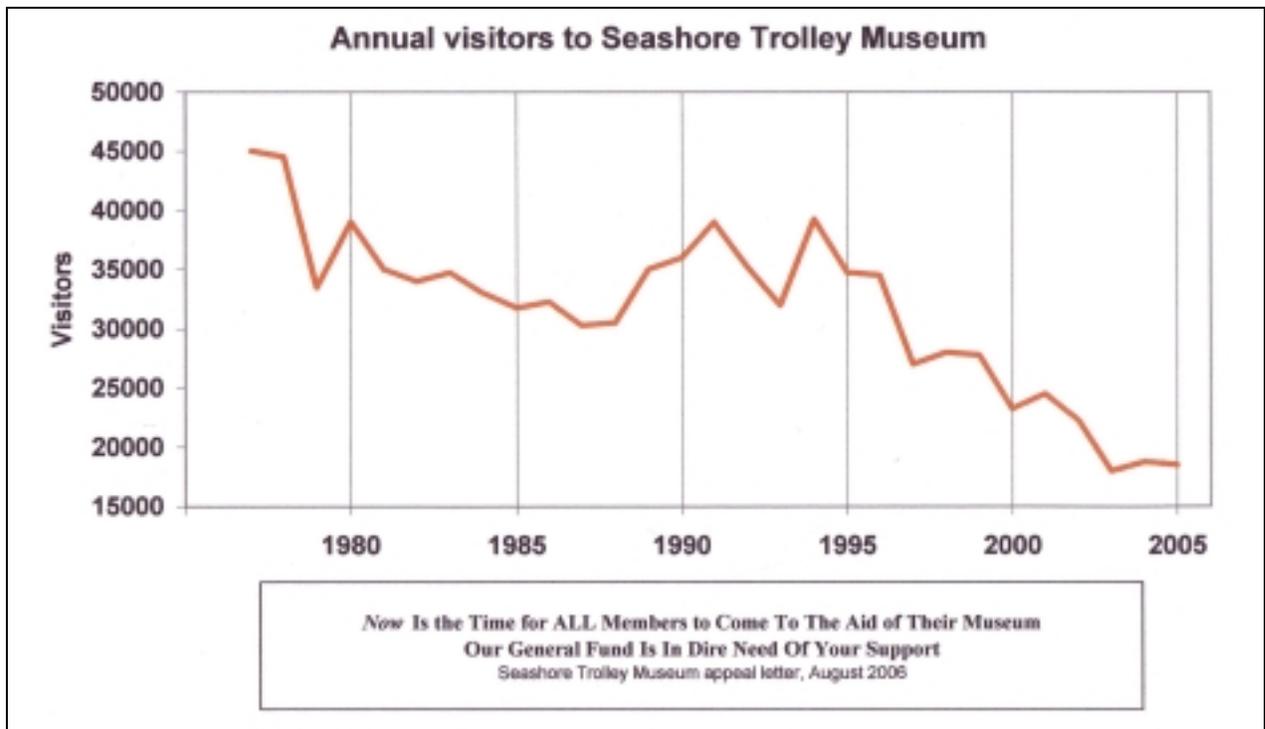
3.4. If we are all growing older, then what?

How is the average age of your members changing?

If the excitement of the pioneer days cannot be recreated, how can new members be attracted?



If we have a negative view, then looking at Seashore's visitor graph, how can such a museum survive?



Will some museums end up being 'asset stripped' by members yet to be born?

For UK steam railways, many of which issue shares and are not charities, takeover moves by possible asset strippers have just become a threat.

3.5. Policies; the essential framework

When we started, the only policy we had was to save tramcars.

Now a thick wad of H&S and Personnel policies are common place.

For reasons I shall come back to, we need acquisition, disposal, display and other museum specific policies.

And we should follow them.

3.6. Keeping out of the hands of the banks

If we value our future and independence, we will do this.

A robust system of financial control is essential. Finance must have the ability to 'turn off the tap' before an adverse financial situation can take hold.

As a minimum, there needs to be an agreed budget, leading to accurate and timely monthly financial statements.

'Financial concurrence' should be embedded in the museum's culture.

3.7. Reserves – an ideal goal

Factors such as a petrol crisis, avian flu or an accident could close a museum for months. Rest assured that government help for small businesses will consist of warm words and advice after you have gone broke,

Board members in particular who have legal and moral responsibility for the collection and employees will sleep easier at night if the museum has sufficient cash reserves to get over a six month crisis.

In practice, this may be an illusory hope, but if like Crich, you have had the good luck to earn some money via Garden Festivals and a prior year's sales tax reclaim following a change in legislation, put it to reserves (after paying off any bank loan).

3.8. Do you need a 'land bank'?

You may have been at your premises for 50 years, but can the owners of nearby newly built properties get the area rezoned or otherwise jeopardise your future? In the USA, this is a real problem.

3.9. Avoid the dangers of the 'closed community effect'

Organisations such as ours can become very inward looking, resulting in frequent, petty bickering. At the same time, we attract talented but unbalanced people. To a certain level this is unavoidable and the foibles of the latter are a price we pay for their contribution. But there are limits!

On another level, holding self-congratulatory, internal meetings should be avoided. There is nothing more dangerous than falling for your own propaganda. It is sensible to introduce peer review by inviting officers from other museums to attend appropriate key meetings.

Being part of the museum (not just tramway) world and local community are also valuable 'networking' activities, bringing new ideas and encouragement.

3.10. Volunteer burnout

Will volunteers come forward and assume the hard, legally onerous, boring and thankless work of administration?

Solving this challenge, even with a shared culture, is hard enough; without one, most unlikely.

3.11. Understanding the visitor – a view from Tussauds.

At a seminar in September at 'Leisure Industry Week' Andy Edge, the Park Sales and Marketing Director of the Tussauds Group, said that it was essential that attractions understood their customers as well as their competitors did – and the competition could be a cinema or a supermarket. The market is tough and he wondered if leisure attractions were being slow to evolve

The use of visitor surveys and post code analysis was taken as basic – we had to go to a greater depth. The theme park market has not experienced much growth in the last five years. Edge

thought that growth could only come from attracting new people into the market. To get a greater level of understanding, Tussauds were using 'Personix' software which gave access to 52 customer typologies at a good level of detailed understanding of the market by segments. For instance, as a result of their work, Chessington Zoo is being marketed to grandparents who have the time to bring grandchildren on midweek days. At the same time, they were recruiting staff who liked children. The expectations of this group also influenced the nature of the retail and catering sales, the type and dates of events and the ticket price. For the high adrenalin atmosphere at Alton Towers, the staff recruited and merchandising policies are tailored to the thrill seekers.

It was also necessary to address negatives head on; which is why Tesco goes to the expense of opening more tills as soon as check-out queues build up or why successful video rental companies give a free film if your choice is not in stock.

Some of Tussauds' solutions are for problems which are much greater than ours and out of our reach financially anyway. But, as examples;

- customers to reserve their place in queues by downloading it at home from the web to their mobiles
- paying for entrance and meals by an 'oyster card'.

Two actions which should be possible;

- e-mailing a 'thank you' message to visitors for having come and offering a discount for friends
- focus group – one per month is the recommendation

From this information, Tussauds arrive at the balance of what the customers want and what they can offer. Tussauds have five-year improvement plans and insist on a satisfactory return on capital for each element.

They intend to remain focused on the customer.

Having considered all of the above, how long do you believe you can remain independent?

4. THE BREAK EVEN ROLLER COASTER and (possibly) DEMONSTRATING A GOOD TRACK RECORD

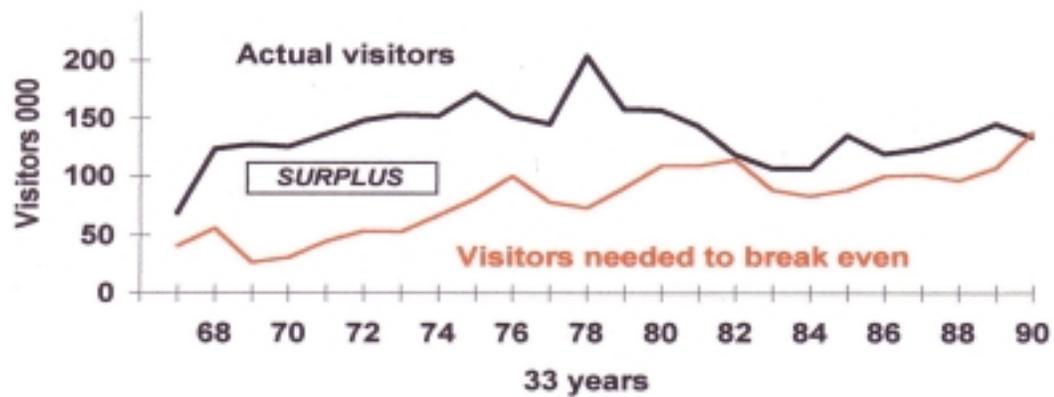
The graph is intended to show –

To management, that visitor income covers all revenue expenditure (museum operating costs) excluding restoration and library expenditure (collections management costs).

To donors and grant making bodies that their funds are going into a viable enterprise (although they will also need to consider the Balance Sheet).

Grant making bodies wish to know that their support is not being drained away in keeping the doors open, but is being spent in a stable organisation to produce outputs consistent with their objectives.

The Break Even Roller Coaster



Note:

Break even based on visitor income from gate and fiscal factors and contribution, before depreciation, from trading outlets needed to cover unrestricted expenditure. Exceptional income and prior year tax claims not included.

As the graph shows, Crich can demonstrate that despite difficulties, taking one year with another, the Board has kept museum operating costs within recurring visitor income. The continued fall in visitors in the 1990s was turned around by acting on marketing information coming from professionally run focus groups leading to targeted television advertising and re-branding the Museum as *Crich Tramway Village*.

If you do not have significant favourable fiscal factors or restricted income, this type of graph can be a valuable and simple management tool. However, at Crich the situation becomes more complicated. The introduction in the United Kingdom of gift aid on admission income in 2002 along with the elimination of VAT (sales tax), also on admission income in 2004, has increased earned income at Crich by 20%. As this is at the discretion of the Chancellor of the Exchequer – the next one may think differently – our graph may need further consideration.

Restricted revenue receipts, mainly for collections management costs, also produce significant sums and coupled with grants for capital expenditure plural funding is a permanent feature in funding the museum.

The unanswered question is, if grants dry up, or fiscal factors turn against us, can the Board cut back activities quickly enough, probably meeting redundancy costs, at the same time avoiding damage to core activities? Long may this question remain unanswered.

For a more detailed discussion, see the appendix.

5. WHERE DO WE GO FROM HERE – NEAR TERM

In the United Kingdom, the work done by the Association of Independent Museums (AIM) has indicated that museums the size of Crich are the most vulnerable to closure through economic circumstances.

Currently, there is no indication that Crich can consistently hold its visitors above the 100,000 level. The Mintel survey of the UK theme parks shows that visitor growth since 2000 has been only 4% and significant capital investment is now needed in 'new rides and concept innovation'. This is not an option at Crich and probably not for any of us.

Alternative options are:

5.1. Limiting future activities

Limiting future activities and expansion to that which will attract more visitors, or at least help sustain the existing visitor level. Increasing the length of the tramway and the number of buildings will inevitably raise the running costs.

5.2. Downsizing

Everybody wants more tramcars – it keeps members' interest up. But do we accept its logic?

More tramcars means more depots. Existing depots are probably too full already with the result that individual trams cannot be seen or photographed properly and are frequently scratched by visitors squeezing between them. At Crich we are looking at a scheme but it must cost at least £1.5 million, and assuming a grant from the National Lottery Heritage Fund of 80%, it would still need £300,000 in matching funds. The end result is unlikely to attract a significant number of additional visitors.

Keeping members' interest up also means a continuous programme of tramcar restoration. Assuming just 20 awaiting major work, then in Crich terms this is 60 years' work at a cost of £6.7 million. And some of us still collect yet more tramcars!

There is an illusion held by some members that it is possible to downsize by closing to the public and just running trams for their own enjoyment. Even a cursory glance at the resulting insurance and health & safety costs show this to be incorrect.

This year, Seashore says it is considering selling excess land. Trolleyville, now the Lake Shore Electric Railway Museum at Cleveland, declared some of its collection surplus when it had to relocate; but there were no takers and two PCCs and a rapid transit car have been scrapped. Rio Vista has 'removed three pieces of equipment from the collection'.

If they do not have them already, museums should have a rigorous collecting policy valuing the tramcar collection, curatorially and operationally, defining gaps and duplications. The

production of such a policy will be emotional, but it will reduce the inevitable arguments when changes are made to the collection.

This year in the UK the taboo on seriously discussing downsizing in the steam preservation scene has been broken by the two leading magazines. *Steam Railway* in October editorialised 'Is it time to take a step back, look at what locomotives are still unrestored, take a deep breath and admit they probably won't ever steam again?' And what about the carriage stock? September's *Heritage Railway* editorialised 'It will be a sad day . . . but the hard fact of life is that in years to come, if the paying public doesn't want (the steam railway), it will go.'

Downsizing is not painless.

5.3. Developing partnerships

Developing partnerships and working associates are strategies which could provide a means of reducing costs and increasing resources. For instance, accounting and some other administrative functions could be shared with other organisations, which would not necessarily have to be museums.

One reason museums such as ours were formed 40 or more years ago is that the 'professional museum' did not consider tramcars worthy enough. Those days are gone and it could be possible to loan relevant tramcars to local authorities for static display. Crich has a Hull tram on long-term loan to the City Museum where it is incorporated in a street scene.

5.4. Complementary trading

Examples from the Ironbridge Gorge Museum are the sale of metal, ceramic, glass or wood products, the manufacture of which are demonstrated to visitors by tenant craftsmen; an archaeology team operating nationally as specialists in post-mediaeval archaeology.

At Crich, we have a woodcarver who pays his rent by means of sculptures which are added to our Woodland Walk and Sculpture Trail.

Unfortunately, the manufacture and sale of sweets, cakes etc. is probably prohibited by H&S regulations.

Use of museum facilities for a corporate entertainment and conference business.

Our neighbour at Butterley, the Midland Railway, will sell you the plot for a grave next to the railway line!

The National Railway Museum has entered into partnership with the operator of a big wheel which has been located in the museum grounds and gives excellent views of York and the surrounding countryside. Beside being innovative in its own right, the use of available museum land for a big wheel is another example of a museum thinking laterally.

Complementary trading can easily absorb a lot of management time and the end result may be a marginal contribution, but the Board has a duty to give ideas serious consideration.

5.5. Education

This is a large market but not necessarily a profitable one. Ironbridge Gorge gets 54,000 school children per year. Crich is in the market to meet government agendas and just about breaks even on 6,000 school children. However, meeting the government's agenda counts in our favour when we apply for grants. In the UK grants can be awarded for the provision of education services.

5.6. Reaching new markets - web sales

The web enables museums such as ours to reach specialist audiences economically for our publications, photographs and souvenirs. In the UK, for legal and tax reasons if we sell a significant volume it is necessary to use a non-charitable trading company.

Some traditional museums in the UK (the posh ones) do joint marketing with a shop in London. Could groups of tramway museums create, and agree, a viable web-based business plan? But bear in mind products still need to be ordered from suppliers, invoices paid and goods shipped. The web is only a route to market; it does not do the physical work.

5.7. Revenue grants

These are available to accredited museums in the UK; a very good reason for being part of the official museum world.

5.8. Raising the public perception of what we offer

Why do static transport museums – serried ranks of cars, motor cycles, buses, railway locomotives – get so many visitors compared with operating transport museums?

Why do so many lay people in the UK feel it necessary to go to visually uninteresting Neolithic or bronze-age stone circles and similar desolate sites? What do they get out of it other than a feeling that they ought to see it?

These questions will be considered later.

6. WHERE DO WE GO FROM HERE? AND IN 30 YEARS

6.1. End of a Golden Era

For the developed economies, the 40 years up to 2000 have been a golden era:

- an increase in leisure time and disposable income
- an increase in personal mobility at home and abroad
- an increase in the number and type of leisure attractions

resulting in a peaceful environment for the vast majority of the population and a welcoming one for developing tramway museums.

There were more possibilities than any of us could take up.

At Crich:

- we ignored developing a garden centre in the 1970s
- we never considered using our woodland or rough terrain for skate-boarding, paint-balling, quad-trekking.

- we tried very hard with *Thomas the Tank Engine*, but although the product was excellent, the result was not worth the considerable effort. This was surprising as *Thomas* events are very successful in the UK and abroad. In 1995 Orange Empire attracted 34,500 visitors to *Thomas*.
- farmers' markets

But now, the leisure market is saturated with a wide range of attractions. In the UK, making it more difficult, we have Sunday shopping and free admission to state-funded museums, such as the National Railway Museum.

Tussauds believe that the market used to be 'cash rich, time poor' but now it is 'cash poor, time poor'. Attractions must now start delivering the experience their customers are expecting.

6.2. The future of leisure

What are the indicators for the future? How will leisure experiences evolve?

These are very hazardous questions for what to expect a reliable answer. There are many caveats – in particular, timing is almost impossible to judge. However, those responsible for the ongoing future of tramway museums should try.

6.2.1. Existing leisure attractions facing change / financial pressures

Youth magazines: four closed down in the UK during the year, due to computer-based alternatives.

Theme parks: UK visitors are almost static, so can already high admission charges continue increasing to fund new rides?

THEME PARK CLOSES AFTER £10m INVESTMENT ...

Southport Pleasureland closed on 5 September 2006 after 93 years, as it has now proved to be 'unsustainable' as a ride park.

A spokesperson said 'The UK theme park industry is facing increased competition from public and lottery-funded schemes which have significantly distorted the visitor attractions market. This situation has been compounded by our weekend trading now competing with extended Sunday shopping rules and Sunday sporting events.'

Pleasureland saw £8m worth of investment in 1999 – which included installing the £5m TRAUMAtizer rollercoaster, the tallest, fastest, suspended looping coaster in the UK at the time – and a further £2m in 2004.

...AND A RIDE MANUFACTURER IS INSOLVENT

Huss Rides, German manufacturer of Toppie Tower, Giant Topspin and Delerium rides was unable to agree future financing with its lenders and filed for insolvency in August.

SO WHAT DO THE PUBLIC WANT?

If animals are not exciting (see County Fairs below), and investment in theme parks could be unsustainable (see above), will the West Midlands Safari Park's £500,000 purchase of a new ride, Venom, prove a good decision?

County fairs (USA) changing to attract the young, who have ample alternative entertainment options.

NEW KINDS OF FUN AT COUNTY FAIRS

Melanie Baxter, 15, 'It's not very exciting. They need some rock music and stuff for kids like me who aren't into animals.'

Fairs are trying

- contests for decorated skateboards and text messaging
- wine bars featuring jazz and blues music
- 'Cellfest' of videos and photos created by fairgoers on cell phones
- championship bull riding in place of rodeos
- Harry Potter inspired exhibit with a 20-foot rotating cavern
- Mexican and Middle Eastern food in place of sausage and french fries.

An alternative view:

Bill Weaver, 71, feels 'The animals have changed – the hogs are leaner – but the fair itself really hasn't changed. When you're here, its kind of like time stands still.'

6.2.2. Evolution of new types of experience

Virtual worlds, evolving as fast as the internet in its early years

On line gambling

Super casinos

6.2.3. Will life styles in the developed countries change?

Cost / acceptability of travel - cost of petrol, introduction of carbon tax
financial penalties for air travel

Recognition of dangers of obesity leading to shift to more healthy life style, away from sitting in front of computers.

Growth of developing economies controlling raw materials, possibly causing a lower standard of living in the developed countries, although I understand that Australia is better placed being itself a huge provider of raw materials.

Demographic change, resulting in fewer people and workers supporting more pensioners, reducing standards of living.

Climate change, will the UK become hotter? Will coastal areas flood? Will there be a need for air conditioning to become the norm? Will the UK become much colder, resulting from the Gulf Stream switching off? Will there be a shift of holiday destinations? Here in Melbourne, you will know what I mean as, by mid-October, of 65mm of rainfall expected in October, you have had only 1.2mm

6.3. The importance of enduring values

Tramways shaped cities and changed social habits. Today, they can be a major factor in urban regeneration. They remain significant and relevant but need presenting and interpreting with imagination.

Offering visitors rides in tramcars 80 or more years old is not unusual, but does the visitor fully appreciate the privilege?

Compare with Stonehenge – a not very exciting pile of stones in a field, but it remains an enduring attraction, offering nothing to do or much to see. Why? Is it because it is very distant from our lives?

Or consider *Mallard* or *Flying Scotsman*; they are consistent icons. Why? They represent nothing that is not already preserved, but they pose an intangible power to attract crowds.

At Crich, it is not just the tramcars which are real; so are the surroundings. In Disneyland, the railings are plastic, the bricks on the buildings are smaller as the building grows to give the illusion of greater height.

We offer reality, not illusion; movement and action, the ultimate interactive not artificial reality. These are values that I believe visitors will always appreciate, but we need to find ways of communicating these.

When they leave, the vast majority of visitors to Crich say they have had a good or excellent time, but many admit that they did not expect it. How do we get this over to those who have not yet come?

Answering this question could be a significant contribution to all our futures.

7. A REALISTIC STRATEGY FOR FACING THE FUTURE

Nobody knows what challenges and opportunities our museums will be presented with in the next 30 years. But, I suggest, the best strategy is to maintain or seek status as a professionally recognised museum. In England, this is to be ‘Accredited’. Accreditation produces proof that acceptable standards are being maintained. Accreditation adds credibility in applying for grants and attracting donations and future Trustees / Board Members

In the USA, the Association of Railway Museums has joined with the Institute of Museum and Library Services to pilot an incremental standards programme for small- to medium-sized history museums.

To my mind, the key consideration is that we are the custodians of the efforts and hopes of current and past generations in creating our museums. Our obligation is to pass them on to future generations. Unsustainable development should be secondary to the fundamental objective.

And independence? Eventually, the preservation of the collection may have to take priority if in the distant future being legally absorbed by the state is the only financial option. But our successors will get the best terms if their museums are accredited.

Perhaps the late Bruce Gambell showed the way by achieving the impossible in getting rating powers for MOTAT.

8. CHECK LIST OF ESSENTIAL ATTITUDES if collections in independent museums are to be preserved for future generations

8.1. Protect the Collection

- Take protection of charitable status and limited liability, if not already in place.
- Operate the Museum with safety of people and the collection paramount, entailing keeping appropriate audit trails.
- House all the tramcars in secure accommodation, protected with intruder and fire alarms.
- Insure, selectively.

8.2. Continually promote a Shared Culture

- Realistic expectations, in all likelihood involving hard decisions on the number of tramcars.
- Live within income, as a general rule, avoiding debt, with everybody sticking to budget.
- Operate with clearly defined roles and responsibilities.
- Do not accept that the bad can push out the good.

8.3. Seek and develop Plural Funding

- Members' voluntary labour and donations.
- Visitor income; keep focused on the visitor.
- Grants.
- Partnerships) but must realistically
- Short- and long-term business possibilities) assess risk/reward ratio

8.4. Work towards Professional Museum Status

8.5. Continually Look Outwards

- Encourage regular peer reviews of all aspects of the museum.
- Engage professionally run focus groups of potential and actual visitors – this could well be an IMMEDIATE action.

But, how do we attract YOUNGER MEMBERS?

And a warning – avoid Civil War

The American NRHS¹, in presenting the options for its development includes “Civil War”, which it describes as “a messier form of Retrenchment, but with more energy devoted to blame, recriminations, secession and purges”. Their President, Greg Molloy, admits that “management is currently dealing with more and more frequent low-level disturbances”.

The lesson I suggest is that in times of uncertainty and painful choices, there must be strong, professional and respected leadership with good communication.

¹ National Railway Historical Society

9. APPENDIX

SUSTAINABILITY – WHO PAYS?

The National Tramway Museum - A Case Study

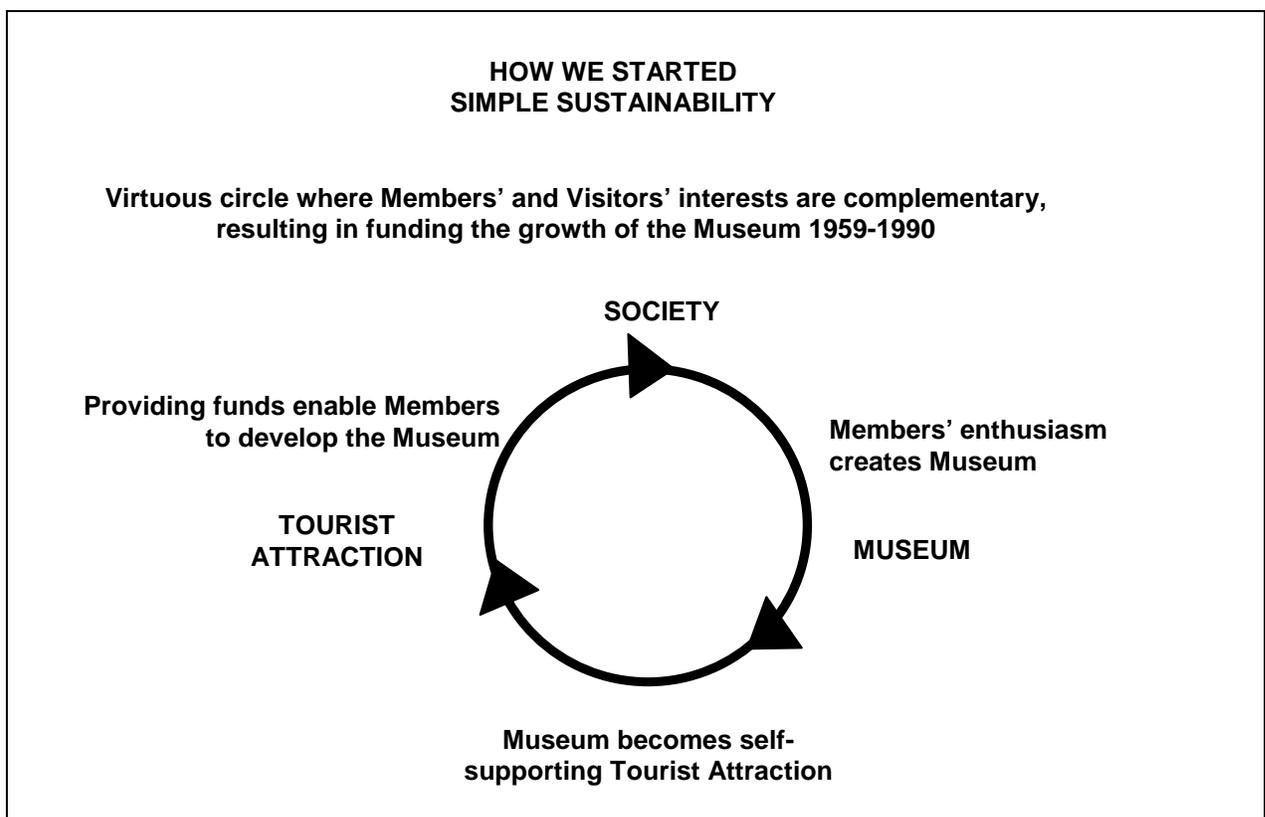
1. THE VIRTUOUS CIRCLE

1.1. Our self financing hobby

The world our Museum came into in 1959 was soon to be ready for new tourist attractions – leisure time, car ownership, wages and salaries – were all increasing, but the provision of leisure attractions away from the seaside remained patchy and primitive.

The Museum provided what the newly-liberated public were seeking – parking, toilets, refreshments, souvenirs and something (anything!) to do. For us it was an excellent situation and for one giddy moment in 1978, paying visitors topped 200,000.

It really seemed that providing what the public wanted, a tourist attraction, our hobby was now self-supporting as part of a virtuous circle.

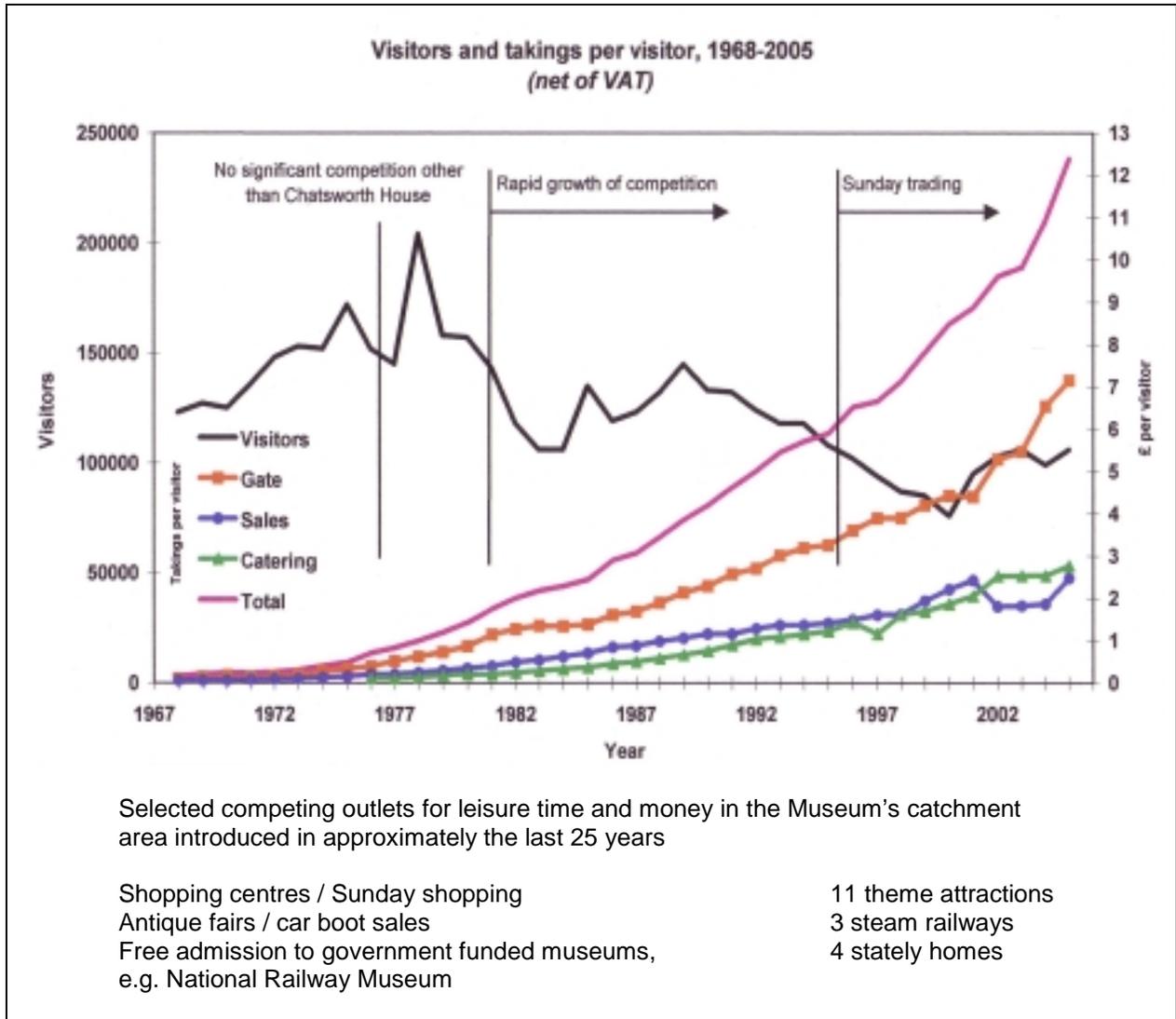


1.2. Competition breaks the Virtuous Circle

Summarised underneath the graph are the large number and diversity of competing outlets for leisure time and money which appeared in our catchment area since 1980. Although obvious now, when they came, some of the categories were unexpected, particularly shopping centres, which offer a very high standard in the facilities the public expect as the norm. Free entertainment for children is now common, also for adults – for instance, on a recent Sunday, Derby's Eagle Centre featured a 'Spanish' theme.

Rather un-gentlemanly, three heritage railways also appeared!

So, given what many would now see as an over-provision of leisure facilities, a fall in the Museum’s visitors was to be expected. Whether it should have fallen as far as it did is another question, but the fact was that the Virtuous Circle was broken.



1.3. Secondary spend; an essential factor

There was one ray of hope paralleling the visitor decline – a steady and significant rise in takings per visitor, and until 1996 it worked. The ongoing situation then appeared unsustainable as visitors continued to fall. A re-branding of the Museum to Crich Tramway Village in 2001 reversed the decline in visitor numbers whilst unexpected favourable fiscal factors saved the day.

Retail

During the last ten years, the contribution to general funds has been about 28% of turnover, excluding VAT. In 2005, it was £70,000 on a turnover of £262,000 or £2.47 spend per visitor.

Catering

Good catering is an essential service to keep visitors satisfied. It is, however, very expensive. In 2005, catering produced a contribution of £11,000 on a turnover of £293,000 or £2.76 spend per visitor.

1.4. How much will the visitor spend? – Not enough

On average in 2005, a visitor spent £7.15 on admission and £5.23 plus VAT in the trading outlets, giving a VAT inclusive total of £13.30. Although we are cheaper than a theme park, we are not a cheap attraction to visit. When considering new attractions and retail outlets, it is vital to remember this. Visitors tend to have a budget figure in mind which they are prepared to spend for their outing. Consequently, estimating this figure is not easy but seeing if you are in line with other local attractions is a start.

1.5. Recent unexpected fiscal benefits save the day

The element of the admission price attributable to tramcar rides, 50%, was free from VAT up to 1995. But with practically no warning all the admission income became liable for VAT from the start of the 1995 season, costing the Museum about £30,000 per year.

Paradoxically the situation is now reversed, resulting in admissions income now all being VAT free. A prior year claim of £337,000 was received and put to reserves. The yearly benefit of approximately £70,000 per annum was added to visitor income from 2004.

In 2002, gift aid was extended to admission income. Gift Aid enables the Museum to reclaim income tax if the purchaser is a United Kingdom taxpayer. This is producing around £100,000 per year.

For 2005, the effect of this is for fiscal factors to produce 20% of the Museum's disposable unrestricted income.

The table below shows the changing pattern leading to the finely-balanced position from the 1990s, during which time the Museum had great difficulty breaking even until the introduction of gift aid in 2002.

	VISITORS (000s)		
	ACTUAL	NUMBER TO BREAK EVEN	NUMBER AS % OF ACTUAL
1970	125	31	25%
1980	157	109	69%
1990	133	138	104%
2000	76	88	116%
2005	106	88	83%

It is important to differentiate government support received through these changes, from which all similar charitable organisations can benefit, from requests for support for specific projects such as education or Library which would need to be Lottery or Designation Challenge Fund applications.

1.6. But tomorrow?

Probably as a result of the re-branding as Crich Tramway Village and the television advertising at the start of 2001, visitors for the year rose from 76,000 to 95,000 producing a positive cash flow.

However, having kept in line with inflation, the museum-funded cost base rose by 37% in 2002, and in 2005 was 63% higher than in 2001.

Consequently, as the best that seems obtainable is for the Museum to attract around 100,000 visitors per year, without the benefit of the favourable fiscal factors, the Museum would be unsustainable. Indeed, even with the fiscal factors, it will soon be so if the cost base continues to increase above inflation.

1.7. One certainty; costs will continue to rise

About half the cost base is salaries. These will continue to rise due to:

- continued decline in volunteers prepared to undertake and commit to unexciting administrative tasks
- more demanding legislative requirements
- more demanding visitor expectations
- the visitor pattern having been spread out over the week, instead of being concentrated on weekends

Operating costs will also rise if there is a change in culture by the paid staff away from accepting a 'museum' rate of pay, with the consequent more relaxed satisfactory work environment, to a unionised structure.

Several preserved railways have told me that they would have to close if they employed people who just came for the money – indeed, they look to paid staff to put in volunteer hours.

Other cost areas will continue to rise with inflation:

- insurance
- maintenance due to ageing and more extensive infrastructure

Another certainty is that cost control cannot be achieved by cutting all budget headings by, say, 10%. This has failed on every occasion I have seen it tried. Who is going to see that all equipment and lighting saves 10%; that 10% of the post is not sent; that 10% of stationery is not bought?

Cost control of a serious nature has to encompass:

- rigorous justification for existing and new expenditure
- no significant overspend

1.8. Recent significant investment in developing the Museum and improving its marketing

The continued decline in visitors from 1995 to below the break even level was not a reflection of an attraction which had stagnated, as is demonstrated by the examples of the very positive development during, and just prior, to that period.

The eight newly restored tramcars and the three not-wholly rehabilitated ones represent an investment of £2½m, the vast majority of which has come from members, the Lottery, or the Gateshead Garden festival.

17 YEARS OF DEVELOPMENT			
	INFRASTRUCTURE	TRAMS	MARKETING
1990		Leeds 399	
1991		MET 331	
1992	Exhibition Hall opens	Derby 1	
1993		Liverpool 869	
1994	Outdoor children's play area		
1995	Art Deco PCC exhibition opens	Sheffield 74	
1996		Chesterfield 7 LPTB 1622	
1997		Berlin 3006 (disability access)	
1998	Indoor children's play area		
1999			
2000			Professional marketing and focus groups
2001		Oporto 273	Re-branding, TV advertising <i>Thomas the Tank Engine</i> days (until 2004)
2002	Red Lion hotel Workshop viewing gallery and exhibition		Visitors' post codes analysis
2003	Library building complex		
2004	Woodland Walk & Sculpture Trail		
2005	Cast iron gent's urinal	Tatra - Halle 902	
2006	New public entrance building	Leeds 345	

Of the new building work, the Red Lion cost the Museum £1½m and the balance, which was nearly all grant funded, cost about £2½m.

The salient points are, since 1990 visitors are presented with:

- 11 new trams
 - 3 new exhibitions
 - a late Victorian public house
 - 2 children's play areas
 - a Woodland Walk and Sculpture Trail
 - a greatly improved period street scene
- at a total cost of about £5½m.

To put this in perspective – to recoup an investment of £5½m over 17 years at 100,000 visitors per year would require another £3.44 per visitor, or about a 50% increase in the average admission price.

This is most unlikely to be reached if you agree that we are currently getting about as much as we can per visitor.

However, did we give the visitors what they wanted?

With the tramcars it probably does not matter if there are 40 or 50 or 60– the majority of our visitors will not notice. Ironically, it is our objective to restore the collection but have we been sufficiently rigorous in our selection? It's probably a lot too late for that now!

With the buildings visitors do say that they want a more complete period street and more buildings to go into. Without further major grants, this will be difficult to achieve.

Financing development is a problem. First, there is no certainty that even with fiscal factors, the Museum will generate the funds to sustain a building programme and if we do, there is the ongoing obligation for maintenance. Secondly, what do the visitors want and will it be compatible with our objectives?

2. SOMEBODY HAS TO PAY – OR WE CLOSE!

2.1. Who might pay voluntarily to keep the Museum going?

Although the Virtuous Circle is broken, I expect paying visitors to continue coming to the Museum but not in sufficient numbers to ensure its future. Members are committed to the Museum and can also be relied on to provide financial support, but only in a meaningful way for projects dear to their hearts. Again, potential support from government, both central and local, is also there, but only for approved projects.

How then to approach members and government?

Note: for simplicity in these illustrations, 'government' is taken to embrace all grant making bodies.

2.2. What might they pay for?

Support from members and government will, of course, only come for projects that fit their agendas.

Therefore, it is a useful exercise to divide the costs of operating the Museum between those which the public will support and those which would appeal to members, sponsors and government.

It can help in developing a funding strategy to divide costs into:

Museum costs

- the things we must do, e.g.

Admission expenses

Maintenance

Publicity

trams and tramway

Office and accounting

Museum infrastructure

Insurance

Not very interesting to members or government to fund, so left for the public to fund

Collections management costs

- the things we want to do,
also what the government wants, e.g.

Tramcar restoration

Exhibitions

Library

Education

May attract financial support from members and government

I believe members and government will expect income from visitors to cover what I have defined as 'museum costs'. These are listed in the table. As well as the obvious candidates, such as

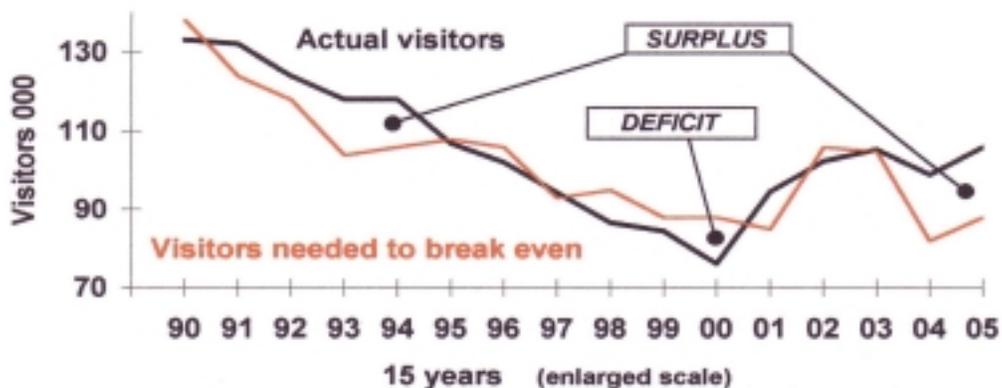
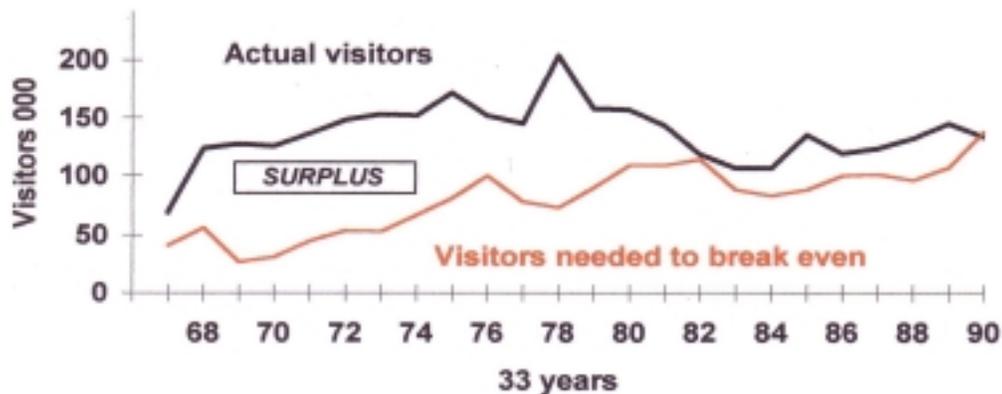
publicity and insurance, ‘museum costs’ covers maintaining the tramcars and tramway. For example, some support will come from members for tramcar maintenance, but they only get seriously interested when we offer the prospect of restoring a new tramcar.

The second category of cost I have called ‘collections management costs’. Of these, tramcar restoration is very obviously dear to the hearts of members, and we get some very significant support. At Crich, one member is assisting by supporting most of the salary cost of the Library. The Library and other headings fit well into government agendas.

2.3. Demonstrating a good track record and the Breakeven Rollercoaster

The graph compares the earned income – ticket sales, net profit in the shops and refreshment room – and the previously described ‘museum costs’.

The Break Even Roller Coaster



Note:
 Break even based on visitor income from gate and fiscal factors and contribution, before depreciation, from trading outlets needed to cover unrestricted expenditure. Exceptional income and prior year tax claims not included.

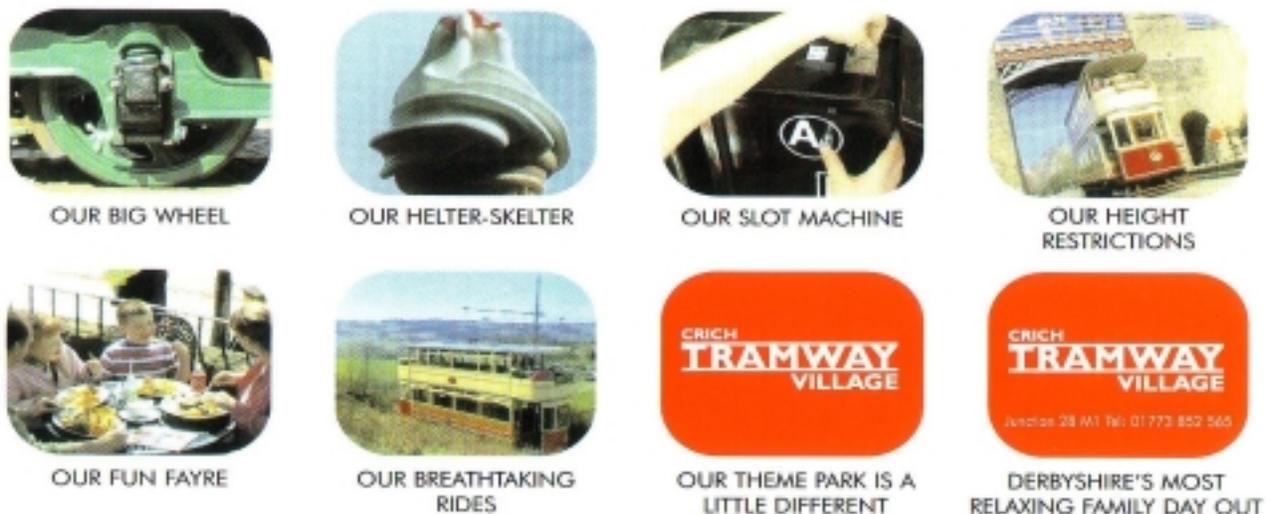
From a donor’s point of view, the important job this graph should do is to show him that his money is unlikely to be soaked up by a failing organisation, which could happen even if his support is ‘ring fenced’. I suggest that not being able to demonstrate this will not make the question go away. Also, even if the situation is not as good as you would like, there will be more prospect of gaining

support if you can demonstrate that, yes you do know the position, and yes you and your colleagues have a believable strategy to remedy it. Donors are usually astute and even if very little is presented will draw their own conclusions. These will probably be much more pessimistic than if the position is clearly and honestly set out.

For Crich, the graph shows a surplus for ‘collections management costs’ and investment up to 1995, after when the falling visitors and the imposition of VAT on tram rides created a deficit.

The fall in visitors was reversed in 2000 following the adoption of Crich Tramway Village as a marketing name. The decision was made on the results coming out of professionally run focus groups when the words ‘National’ and ‘Museum’ were considered turnoffs. ‘Village’ evokes a safe welcoming feel with a broader range of activities than ‘Museum’.

The message was reinforced by a return to television advertising.



The introduction of gift aid has resulted in the use of ticket machines which, as part of the process, collect visitors’ post codes which are a help in marketing.

3. Hobson’s Choice; plural funding – essential, but a double-edged sword

Grants and donations for specific purposes have to be spent for those purposes; they are ‘restricted funds’. As can be expected, such funds are usually raised to finance capital expenditure. However, the Museum has received a constant stream of restricted funds, mainly from members, for revenue expenditure, particularly tramcar restoration, but also Library and education. This is currently running at about £150,000 per annum. So, if we had to meet all the costs ourselves, the cost base would rise by around another 15 - 20%.

To complete a realistic assessment of our position, we are aware that the government could eliminate the favourable fiscal factor – they did this in 1995. Yet another reason for maintaining adequate reserves to give the Board time to organise an orderly re-adjustment of the cost base.

With all these significant variables, I strongly recommend that all your Board understands the trend and current relationship between visitor income and the cost of keeping the doors open. A graph drawn up in the way I suggest is not perfect – it is drawn for donors and deliberately leaves out core costs that donors may fund, so it could be adjusted for the irreducible element of these costs.