

JOINT STANDING COMMITTEE ON THE NATIONAL CAPITAL AND EXTERNAL TERRITORIES
SUBMISSION BY ALAN WHITLEY FOR THE
INQUIRY INTO THE GOVERNANCE OF THE INDIAN OCEAN TERRITORIES

**MASTER PLANNING THE ECONOMY OF
THE COCOS (KEELING) ISLANDS;
A DISCUSSION PAPER ON A
CLOSED SYSTEM MICRO ECONOMY**

The origin of this submission was a discussion paper that was made available for public distribution in February 2014, and provided to the Indian Ocean Territories Administrator, the President of the Shire of Cocos Islands and both the Chairman and General Manager of the Cocos Island Cooperative Society at that time. A copy was subsequently provided to the Member for Bonner.

The views contained within this submission were originally formed whilst undertaking a feasibility study of the redevelopment of the Cocos Beach Motel in 2013/14.

With the subject matter of the current inquiry it seemed timely to review and revise this document and put these views on the public record.

This revision also includes commentary on the document “Cocos (Keeling) Islands Tourism Strategy 2014 – 2017” which was published subsequent to the Motel Redevelopment engagement and the original discussion paper’s publication.

The purpose of the document now is to share the findings, perspectives and suggested strategies on the Cocos Islands’ economy with the Committee so that;

- a) A permanent record on these matters and my views, be they accurate or otherwise, are available to the region,
- b) To provide a catalyst for further exploration and discussion if the perspectives and positions that have been put forward are considered to have some merit, and
- c) To ultimately affect an accelerated rate of economic growth on the Cocos Islands.

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EXECUTIVE SUMMARY

In the latter half of 2013, John Alwyn-Jones of Celtica Solutions, Alan Whitley of Lumenal and Ron de Witt of AHS, completed a feasibility study that provided recommendations on the redevelopment of the Cocos Beach Motel.

On commencement of the engagement our discussions with stakeholders highlighted that multiple issues would need to be understood as part of the process, and consideration had to be given to the socio-economic dimensions of the Cocos Islands so that a complete picture of the forces that may impact on the success of the redevelopment could be developed and integrated into our thinking and modelling.

Two threshold questions presented themselves early in the process and became the focus of our review of the information available within the public domain;

1. Why Aren't The Cocos Islands On The International Tourism Map?

2. Why Has The Cocos Island's Economy Been Intractably Resistant To Growth?

A full review of the library of socio-economic reports available in the public domain on the Cocos Islands was undertaken. This body of work included reports, studies, research papers, references, strategic plans, assessments and submissions, on topics such as the island's economy, social structures, tourism industry, infrastructure, belief systems, governance, human and organisational capacities and history. We accessed data and information of a historical nature, assessments of the current situation, and planning and vision documents that spoke to the future of the Cocos Islands.

More recently, the Cocos (Keeling) Islands Tourism Strategy 2014 – 2017 has been reviewed.

This comprehensive review of the published information on the socio-economic systems of the Cocos Islands provided the consultants with a unique perspective on the collective wisdom on the tourism industry and the Island's economy.

However, the body of work reviewed failed to fully answer the two critical questions the consultants had posed, until we identified and revealed a number of patterns in these same documents. These patterns and observations were made across the suite of documents but did not specifically feature within the material. It was through analysing what lay below and across the published data that ultimately has led to different conclusions and recommendations than those previously published on the tourism and economic situation on the Cocos Islands.

The patterns we identified that we felt had a bearing on these two seemingly intractable challenges included;

- The various "issues" cited for the lack of tourism and economic growth on the Cocos Islands feature consistently across time, and across different research, studies, reports and plans. Whilst new strategies and initiatives have been proposed and adopted over the years, they are designed to address the same or similar issues or challenges.

- The strategies, initiatives and actions stemming from these various reports and plans over time have not delivered the anticipated results on the tourism and economic performance of the islands.
- The research or planning documents reviewed did not provide a whole of community, economy or systems description of the current tourism and economic situation, with the issues that dominate the conversation appearing to be symptoms rather than the underlying structural root causes that needed to be addressed.
- There is negligible discussion on how the cited issues and causes of the tourism and economic condition impact on each other and all reports failed to show the complex interactions and forces between the various elements that we felt were inevitably present.
- No primary research or data could be found to support the issues that feature throughout the literature and that drive the strategic responses. We observed that consultative public processes appear to be the main methodology used to determine the issues for the underperforming tourism industry and economic performance, and it would appear that the issues become accepted fact when there is adequate public consensus or when another author has published on that issue.
- We could not find evidence of the issues being weighted, ranked and prioritised.
- We could find only limited dialogue on the tourism industry's supply chain and its impact on the island's tourism industry, this appearing for the first time in the recent tourism strategy developed for Cocos.
- We could not find any macro or micro economic research, data or reporting on the islands.
- We found evidence of strategies and solutions that appeased the community being given preference over their impact on the economy or tourism.
- In the main, we could only make tenuous links between issues, causes, effect and actions.

We concluded that much of the strategy to drive growth in tourism and the broader economy over many years has been based on incorrect, incomplete and unconnected assumptions, and was not supported by robust research, data and process, and for this reason the fixes that have been put in place to address these issues have failed to deliver the expected results.

In asking why this has happened and how it has occurred, we observe that in commissioning the various work that has been undertaken that;

- The wrong questions have been asked.
- No primary research or inappropriate research has been conducted
- Poor strategic or planning processes have been followed
- The focus has been to resolve the often cited symptoms, rather than taking a structural and whole of system approach to understanding the situation in the first instance.

Our research and analysis allowed us to form alternative views on the structures and systems affecting the tourism industry and the economy of the Cocos Islands and provided us with initial evidence to identify the central issues we believe are the key drivers of the current performance observed. We have also developed an outline for strategic processes that directly address the root causes and pay attention to the complex interactions that are in play.

We propose that the island's tourism industry is underdeveloped due to minimal representation of the Cocos Islands amongst the estimated 164,000 travel booking and reservation services in the tourism supply chain worldwide. There are only a handful of reservation services or travel agents worldwide that actively promote, feature or even mention the Cocos Islands.

Additionally, there is evidence that the only air service provider to the Islands provides minimal support for the destination and demonstrates practices that would discourage potential tourists.

We have suggested a strategy that redeploys the combined marketing budgets of the tourism associations, Shire, IOT Administration and Regional Development Committee; on the basis that this current expenditure and activity will not influence the reservation services, nor make the location and products available to the consumer. We also assert that direct marketing to the end consumer is folly.

Instead we have proposed that these budgets be allocated to the resources required to directly sell the location and products to the 20% of organisations representing 80% of reservation services such as the Global Distribution Systems (GDS), Travel Wholesalers, Aggregators, Travel Agent Chains and Online Travel Agents (OLTAs) so that the world's tourism consumers have the choice of the location available to them.

We also propose that catalyst businesses, and in particular those that strategically address the deficiencies of the Cocos Island as perceived by the tourism industry and that would be assessed as a high economic multiplier be provided with extraordinary support.

Finally on tourism, pressure should be placed on the air services provider to actively and effectively promote the location to their markets and meet their contractual obligations.

In respect of the Cocos Islands broader economic situation, we found a lack of analysis using economic principles and models in the published works, and it was only through viewing the Cocos Islands' economy through the lens of economic systems and behaviours that we began to understand why the efforts to date had failed to stimulate the economic activity expected.

We assert that the current initiatives to stimulate businesses and investments on the Islands take for granted that the Islands' economy behaves largely as a conventional open market economy and that the conventional mechanisms and forces are in effect.

Whilst many aspects of the Cocos Islands' economy does look and behave like a market economy, we believe that consideration should be given to the other economic systems and behaviours that are present, and we noted some specific economic characteristics that have an impact on the strategies that have been executed or planned. These economic characteristics do not feature in the dialogue on this topic and do not appear to be considered when designing strategic responses. These economic systems include;

- *Planned or Command Economy*, as evidenced by high levels of Government economic intervention, economic planning and contribution to the Islands' Gross Product.

We believe this is the preferred model to adopt and where efforts should be increased, as other economic forces are preventing the conventional signals in a market economy being received and acted upon (e.g. the disconnect between the capital market and the Islands' business opportunities) and the normal market mechanisms from being activated. We assert that to prosper, the islands' economy should be Master Planned.

- *Welfare Dependency* is the dominant "economic" influence on the majority of households on the Cocos Islands and we noted that the literature fails to recognize the rational choice made by a large proportion of the population to protect and maintain this condition.
- *Traditional/Barter/Gift Economy* represents an economic system that has played a part in the community for many generations and is a considerable non-cash component of the Cocos Island's economy.
- *Closed Micro Economy*. Market economies behave as open systems, but we see many factors that constrain the free flow of trade, with examples such as human capital, investment and businesses, as a result of geographic, historical and economic management factors.

We have penned the term Micro Economy (not to be confused with Microeconomics) to highlight that the Cocos Islands does not behave as a subset of the broader Australian economy in a macroeconomic sense, and, as well as being closed, it should be treated as a small economic microcosm, with many unique characteristics that make it atypical.

We believe this is the dominant economic system for consideration in managing the Islands' economy, and the failure to identify this in the strategic economic planning processes is a crucial reason for their lack of traction.

- *The "Co-op" Economy*. Outside of government expenditure, the Islands' Gross Product and therefore its economy is dominated by a single enterprise; The Cocos Islands Cooperative Society. This is a crucial and unique economic and social factor that does not appear to inform the economic and strategic plans. This must shape the strategies as it creates extremely imperfect competition (e.g. monopolies and absolute power in a range of markets), interrupts the conventional flows of resources, cash and wealth, and allows the enterprise to be impervious to the normal forces that shape firms.

Each of these economic systems and characteristics contribute to a unique economic environment with a range of nuances and subtleties that do not conform to our conventional mental models on how trade is undertaken. The literature for the Islands fails to acknowledge and adjust for these factors and we believe that this is at the core of the Islands economic malaise.

The final section of this discussion paper outlines a strategic process to attract the investment and businesses required to stimulate growth within the Cocos Islands' economy that has considered the various economic characteristics observed and removes or mitigates the specific barriers they create to economic growth.

BACKGROUND

Through the latter half of 2013, John Alwyn-Jones of CelticaConsult (now trading as Celtica Solutions), in partnership with Alan Whitley of Lumenal and Ron de Witt of AHS, completed a feasibility study that provided recommendations on the redevelopment of the Cocos Beach Motel.

This project was undertaken on behalf of the motel's owners, the Cocos Islands Cooperative Society, and was funded through the Indian Ocean Territories' Economic Development Funding Program (EDFP). This discussion paper explores the insights we developed on the Cocos Island's tourism and economic situation during the feasibility study process. It does not detail the motel's redevelopment feasibility study outcomes, which is work of a commercial-in-confidence nature.

Whilst it is common practice to review and consider the political, social and economic landscape that relates to any project during feasibility studies, the bulk of the data collection, research and analysis typical of this type of feasibility study is largely focused internally on the business itself, and externally on the industry, the specific marketplace, its competitors and its customers.

Inevitably there are only a small number of socioeconomic factors that have to be considered or integrated into the projects design and modelling, and these are generally of lesser consequence and significance than the marketplace, internal business and financial issues considered.

Our background research at the commencement of the engagement, based on initial conversations and research, highlighted to us that there were a range of social and economic factors and forces at play that would need to be understood and considered, and that our feasibility study brief would have to be extended more deeply and broadly if we were to provide the level of robustness and assurance that a project of this nature demanded.

This engagement, unlike any other appointment the consultants had previously been involved in, required the team to complete a detailed review of the island's economy, social structures, infrastructure, belief systems, governance, human and organisational capacities, history and a range of other non-enterprise or industry related factors to ensure that the unique "tapestry" that is the Cocos Keeling Islands was given full consideration and integration in the feasibility modelling.

Whilst our scope of works prevented us from undertaking any significant primary research on the social or economic dimensions of the project, there is an extensive library of socio-economic information on the Cocos Islands in the public domain. It is quite possible that this small community and economy, when measured on a per capita or Gross Product basis, is the most extensively researched and studied shire in Australia.

Answering these questions was not just an interesting or theoretical exercise for us. The motivation driving us to broaden our scope was the threat that any socio-economic factor that we did not fully understand was an unidentified risk and had the potential to impact on the commercial or financial viability of the project. As we were potentially putting forward a recommendation to the Cooperative to spend many millions of dollars, this unidentified risk did not sit well.

Therefore, until such time as we were satisfied that we understood each of these subjects, the factors at play, and the likely impact they would have on the motel's redevelopment, we continued to seek data and answers.

However, with each specific socio-economic question that was raised, researched and resolved another question or issue was uncovered that required further investigation.

Ultimately, these lead us to review dozens of reports, studies, research papers, references, strategic plans, assessments and submissions, and we believe that we reviewed every relevant document in the public domain that has currency in respect of the island's current state of affairs.

Despite developing an understanding on the balance of the issues and topics pursued, two crucial and threshold questions remained unresolved throughout this process;

1. Why aren't the Cocos Islands on the international tourism map?

There are very few places in the world that have the natural and undeveloped beauty of the Cocos Keeling Islands, and they exemplify the notion of a tropical paradise. The islands should be attracting a far greater number of tourists to this location, as other destinations with this calibre of natural amenity experience.

2. Why has the Cocos Island's economy been intractably resistant to growth?

Why do the Cocos Islands fail to attract the investment and see the establishment of the businesses that would satisfy or stimulate demand, create jobs, create wealth and grow the local economy that would occur in any other Australian community?

FIXES THAT FAIL

A range of theories and assumptions on these two questions were put to us during our discussions with the Cooperative, its Management Committee and members, local and federal government representatives, tourism industry representatives, Cocos Island business owners and with other community members, which were by and large reflected in the findings, assumptions or inferences contained within the studies, reports and planning documents we reviewed.

However, we were left unconvinced that these theories and assumptions answered our two threshold questions either. In all cases they made sense, and there is little argument that the theories and reasons put forward contribute to the underwhelming tourism industry and economy of the Cocos Islands, but in and of themselves, and even when considered in terms of their multifactorial impact, they failed to adequately explain the current situation.

The conclusion that something(s) was still missing was at first an intuitive position, as we were not able to seamlessly link together a causal chain to explain what was being observed. There were 1 or more pieces of the puzzle that we could not see, and instinctively we felt that these missing pieces were of greater significance than those that had been previously articulated.

The conclusion that something critical was missing from the debate was reinforced when looking at this abundance of published research, plans and policy in their totality and observing that;

- a) There has been considerable resources and investments made over time in addressing the causes of the islands economy and tourism as featured in strategic plans managed by the Cooperative, the Shire, the IOT Administration, tourism bodies and associations, the Regional Development group and Federal Government departments.
- b) Despite this, there has been very little progress made on either the tourism industry or the island's economy over this time.

By looking at this body of work, its theories, assumptions, actions and results in a collective way a pattern emerged for us.

Aside from a number of nuances and subtleties, the same issues and causes in answer to our questions had been proposed and discussed for a decade and perhaps longer, and whilst we saw some new and innovative ways of tackling these issues in the reports and plans, little traction or improved performance had occurred, and the same issues, but with new responses and actions, seem to be recycled.

In Systems Thinking, this suggests that that we are seeing an economy wide case of the Systems Archetype “Fixes That Fail” i.e. actions that are put in place, and often executed well, that do not achieve the anticipated outcome or result.

In this archetype, Fixes That Fail can often lead to a range of undesirable outcomes that far outweigh any benefit derived, and whilst history is full of these examples, in this instance we see the consequences more as lost opportunity and inefficient use of limited resources.

The investment made in trying to stimulate tourism and the broader economy on the Islands by all levels of government and by the community themselves has been significant, as evidenced by the number of studies, the amount of research and the level of strategic planning undertaken over the years in respect to a population of just 600 people.

The results would suggest that this investment has been ineffective in growing the economy and bringing greater wealth and prosperity to the island's population and whilst in theory, Fixes That Fail can occur for a number of reasons, in this case we assert that we see this Archetype as a result of;

- a) A lack of depth and detail in understanding the dimensions of the current situation in a whole of community, economy and systems wide approach.
- b) Focusing on the issues, which in many cases are just symptoms, independently and in isolation of each other, rather than understanding the interrelationships and interdependencies at a deeper systems and structural level.
- c) Executing actions that are independent of each other and operate at a tactical level rather than a cohesive strategic, systems and structural level.

At this point we concluded that much of the work, resources, investment and time to drive tourism and economic growth on the Cocos Islands had been based on incorrect, incomplete and unconnected assumptions on the causes of the inadequate performance.

In fairness to many of the people, groups, institutions and companies engaged to work in this area, it is a consequence of having narrowly focused briefs and terms of engagement, which by default more than design place boundaries around their thinking, their research, their findings and their recommendations.

Whilst the next section of this discussion paper contrasts the conclusions we have arrived at against some of the current views, we have not attempted to debate, dismiss or discredit the previous work undertaken to encourage tourism and the economy on the Cocos Islands.

This is considered futile as it a complex landscape and none of the previous theories, assumptions, recommendations or actions are intrinsically wrong, as they form part of the puzzle. There are many examples of excellent work being completed on behalf of the Cocos Islands based on the specific scopes of work with which they were undertaken.

It is our proposition that they simply reflect the wrong questions being asked, the work being done at event or symptom level rather than structure and system level, and the issues identified being considered independently and not as part of the total system.

This paper separately discusses our views on the two questions raised, though the reader will see that they are inextricably linked and interdependent, which is the thinking that has been applied to both the problems and the proposed solutions

COCOS ISLANDS TOURISM; A SYSTEMS THINKING SOLUTION

This section outlines the critical finding we made in answering the question on why the islands are underwhelmed with tourists despite its world class natural amenity.

It should be noted that to some degree the solution to this issue can be found within the design of the amenities and services proposed for the Cocos Beach Motel Redevelopment. However, due to the commercially sensitive nature of this work, we will refrain from outlining our specific findings and any details of the redevelopment that may benefit other commercial parties to the detriment of our client.

It is also worth noting that the inability to build a tourism sector of scale is a subset of the broader economic stubbornness that we will expand on in the next section.

Our research threw up a plethora of commonly held beliefs on why the Cocos Islands failed to attract more tourists. Some of these beliefs were clearly articulated in discussions and interviews, or cited in the literature that was reviewed, whilst other tourism constraints were arrived at by inference and reading between the lines of some discussions or documents. The reasons commonly cited for the island's lack of a tourism industry included;

- geographic remoteness and access
- flight availability and frequency
- cost of airfares
- standards of accommodation
- lack of tourism products
- lack of tourism infrastructure
- cost of goods and services on the island, driven by remoteness and freight costs
- the low standards of existing tourism products and services
- lack of motivation within the community to establish and run businesses in the tourism industry
- lack of skills/capability within the community to undertake roles required in the tourism industry
- lack of motivation within the community to take up employment in the tourism industry
- inadequate local leadership capacity
- prohibitive building costs
- no whole of community response to removing tourism obstacles

- inadequate telecommunications infrastructure
- availability and cost of housing
- lack of capacity of utilities infrastructure
- inadequate marketing of the destination
- web site and branding is not effective

Whilst some of the factors cited seemed uninformed, trivial or inconsequential, many of these conditions made some sense and resonated with us to a degree, but we were still unconvinced that this explained the state of the industry, and we were far from comfortable in adopting these as fact to drive our redevelopment design, modelling and recommendations.

No where within any of the documents could we find any supporting evidence or data to show that any of the cited reasons were actually why people did not consider the Cocos Islands as a holiday destination. This lack of research suggested we were dealing with opinions not facts.

We could not find any discussion that at least attempted to put weightings on these factors and rank them according to their impact. It seemed improbable (Pareto's Law would suggest impossible) that all of these factors were equally important in respect of their contribution.

Nor was there any discussion on how these conditions related to each other, and most tellingly, there was no discussion on what the underlying causes were for these conditions occurring.

All of these observations led us to consider that the commonly held views on the barriers to increased tourism were unsubstantiated, unranked and incomplete views which failed to describe the behaviour of the system. Not wrong as such and perhaps some of them contributed to the problem that was yet to be fully defined, but they did not answer the question we posed ourselves in respect of the motel redevelopment.

Our scope of work did not enable us to undertake any primary research towards resolving the question, but we were fortunate that our research into the motel and its competitors on-line marketing presence revealed what we now believe to be the critical systems gap that creates the disappointing tourism trade, and why the efforts to date have made little difference to this situation.

What we established, that previously did not appear to feature anywhere in the dialogue on tourism on the Cocos Islands, was that the broader tourism industry, both domestically and internationally, in the main choose not to promote and feature the destination or to actively enable bookings to the Cocos Islands, in stark contrast to recognised tourist destinations.

There is only a handful of on-line booking and reservation services who actively promote, feature or even mention the Cocos Islands amongst the estimated 164,000 travel booking services worldwide (Source; IBISWorld 2013).

By definition, if an on-line booking service, travel agent, airline or any other reservation service does not promote a location, that location will not see any trade from that market channel or partner.

Directly, or via any of their marketing mediums, the traveller will not be informed about the location, given the choice to consider it, or given the option of booking it.

We also found it extremely difficult to plan flights to the Cocos Islands from any departure point in the world with the exception of a select few Australian capital cities through a very select number of providers. Assuming an individual knew enough about the Cocos Islands to explore an itinerary, we suggest that they would very quickly become frustrated with the barriers they faced on-line to secure information, pricing or make a booking.

The current Cocos tourism strategic plan is the only document outside of this discussion paper to highlight this issue. However, the strategic plan also states “An added bonus that Virgin Australia Airlines added to Cocos Keeling was an inclusion into Virgin Holidays the wholesale arm of Virgin Australia Airlines. This gave packages holidays to Cocos a wider audience with people being able to book from anywhere in the world.”

Unfortunately, this premise seemed to inform the strategic actions in the plan and was not tested by the authors, and has shown to not be the case, with fresh attempts to book Cocos Island holidays on-line from various international destinations proving equally impossible. Recent attempts to book a holiday to the Cocos Islands from London, New York and Frankfurt as departure points, through the major GDS groups (Global Distribution Systems) including Amadeus, Galileo and Sabre (Virgin Australia’s GDS Partner), in all cases provided zero results and no booking choices.

We assert that the negligible booking and reservation options for consumers is the answer to the critical question we sought to understand, that it is at this level of thinking and at this part of the supply chain that concerted efforts should be focused, and that the premise for our position is a simple one; tourists go to those destinations that the tourism industry supports and promotes.

At a level above this, it may be argued (and has in fact based on articulated strategies in the IOT Marketing Plan and Cocos Tourism Plan) that the islands could promote themselves to the world, drive location and brand awareness directly with the end consumers, and create the demand, thus forcing the hand of booking agencies to feature and support the destination. This is a naïve view on the mechanics of this supply chain, and would be folly. Even if the entire \$16m Annual Gross Product of the Cocos Islands was redirected to an international promotional campaign it would still be lost amongst the news and noise generated by the industry as a whole, and would be unsustainable, leaving only a fleeting impression on the world’s tourists.

At a level below this, it raises the further question of why there is little support for the location amongst the world’s booking services. Here again our scope prevented us from undertaking the detailed primary research to answer this question, but discussions did take place with some selected industry partners that provided an insight into their views on the Cocos Islands as a tourism destination.

The answer to the question (why is there minimal support from the tourism industry for the Cocos Islands?) can be found in the fact that the industry will support and promote a destination that provides the location, amenities, services, standards and tourism products that tourists seek.

In turn, these industry partners will not promote a destination that does not meet their customer’s expectations and fulfil their needs, as this ultimately damages the booking agency’s reputation and

credibility, and there is a perception within the industry that the Cocos Islands destination fails to provide the required products, services and standards to meet the majority of the market's expectations.

PUTTING THE COCOS ISLANDS ON THE INTERNATIONAL TOURISM MAP

With these findings in mind, we offer the following strategies to address the current situation;

1. Research, Validation and Expansion

In the first instance, a minor research exercise should be undertaken to validate these findings. Whilst we are confident that this is the principle and priority cause of the Cocos Islands' underdeveloped tourism trade, this should be confirmed with primary research and survey techniques before investing in the following strategies.

If the research confirms this is the case, it will reveal additional insights, subtleties and detail that can then be considered and integrated into the strategic responses that follow.

2. Provide Direct Support for the Island's Catalyst Business(es)

The Cocos Beach Motel redevelopment, as modelled in the feasibility study, is at least one of the game changers that the Islands have been seeking that will positively change the travel industry's perception of the Cocos Islands, will lead to an increase in support and representation from them, which in turn will drive an increase in the level of tourism to the destination, and will provide the spark and demand for other complimentary businesses to be formed, creating a virtuous tourism development cycle.

Whilst the motel redevelopment would act as a catalyst to drive tourism by providing many of the services, amenities, facilities and standards that the industry considers is lacking on the Cocos Islands, it would be unwise to rely on the motel's redevelopment to single handily change the perception of the tourism industry, to be the only catalyst for growth and development in this marketplace, or to assume the redevelopment as modelled will be undertaken at all.

An alternative plan should be developed that adopts the findings from the motel feasibility study and strategically integrates them within other tourism related businesses, products, services and infrastructure that should be pursued in the event that the redevelopment does not proceed, or that, if pursued in parallel, will accelerate the level of growth in the sector.

A process to determine those ventures or enterprises that will have a high tourism and economic multiplying affect is outlined further in this paper. It is proposed that Federal, State and Local Government provide unprecedented support towards the establishment of these businesses.

3. Sell Destination to the Few High Leverage Organisations.

We would advise the region to target the majority of the island's tourism efforts, budgets and resources towards selling to a select number of high leverage industry partners;

- a) The wholesalers, aggregators, tour wholesalers and larger booking agency corporates worldwide that feature products and destinations similar to the Cocos Islands.

- b) There should also be a disproportionate focus on the single air services provider to actively and effectively promote the destination, as they are contractually obliged to do.
- c) A concerted and coordinated effort must be made to ensure the island's tourism products and services are available in full in the primary computerized GDS (global distribution systems) that are used by the world's on-line and traditional travel agencies.

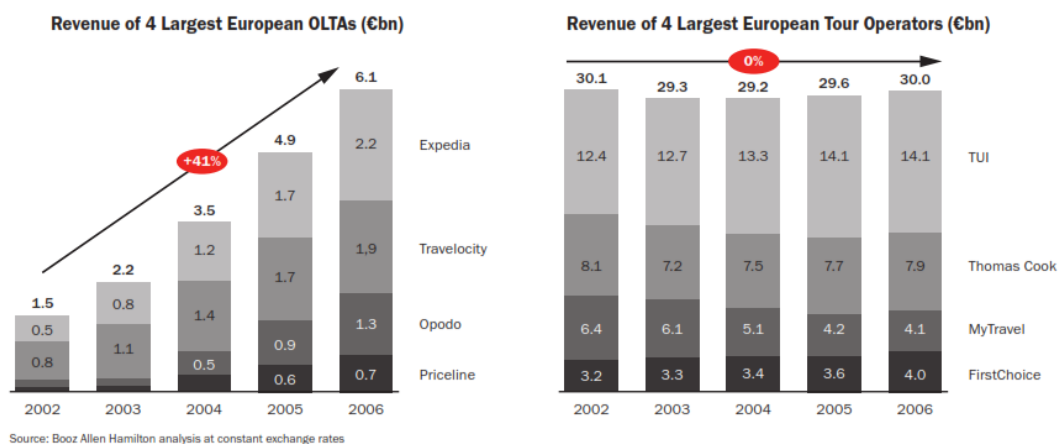
The logic is to identify and target those 20% of supply chain partners that represent 80% of the marketplace to achieve maximum benefit for minimum effort.

The word "selling", not marketing, has been used intentionally here. These are different functions and activities, requiring dissimilar approaches and skills sets. These target organisations will respond earlier and more effectively to direct selling (or in the case of air services, "telling") than they would marketing activities or campaigns. In this case the costs of selling versus marketing will be significantly lower to the IOT.

The common objective across all of these strategies is to drive a step change in the number of providers offering the destination to their clients despite the currently held views on the islands, and to position the destination for when these views can be changed and influenced with the establishment of the new and improved tourism products.

In Booz Allen Hamilton's 2007 research on the travel distribution market titled "Take a Trip into the Future, Technology-based Business Innovation in a Changing Global Travel Distribution Market" they noted the growth, consolidation, structural change and market domination being enjoyed by the online travel agencies (OLTAs), as noted in the following charts of the travel agency industry in Europe;

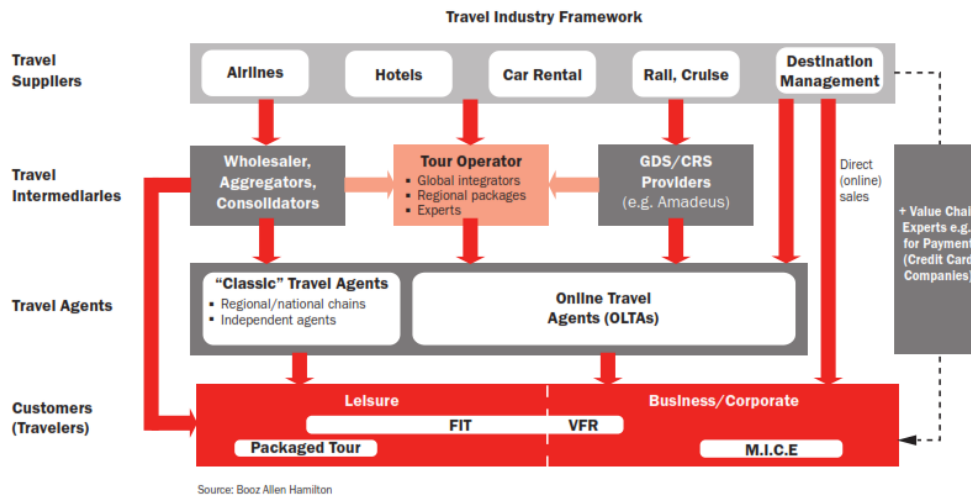
Growth Trends for Different Players in the Travel Industry
(TC and TUI Pre-merger)



This data indicates that there are fewer, larger agencies who have adopted a strong on-line presence that are the dominant players in the marketplace, and it is these types of large corporate service providers, along with the select wholesalers, tour operators and GDS providers that should be the

focus of the island's selling and marketing efforts. The following chart shows the structure of the industry and where these supply chain partners are placed within that structure.

Exhibit 2
Travel Industry Value Chain



In closing on this topic, it would be remiss of us to not comment on where these findings and strategies sit in relation to the IOT Marketing Strategy 2012-2015, and its integration into the Cocos Shire's 2011-2015 Strategic Plan, and the broader IOT Regional Plan 2012-2017.

In summary, for many of the reasons outlined so far, we believe that the tourism strategies that have or will be implemented from these pieces of strategic planning work will continue to fail to deliver the required results. Both the Shire's and the IOT have transcribed the strategies from the Marketing Strategy into their strategic plans and it is here that we will focus our attention. It is our view that the marketing strategy engagement was flawed because this project;

- Failed to robustly research, analyse, understand and describe the structures and systems associated with tourism on the Cocos Islands.
- Has not invested any time or effort in understanding the global tourism supply chain, and how that feeds back and interacts with the island's tourism performance.
- As will be discussed further in the next section, has misinformed the Strategic Plans on the mechanisms to attract businesses, entrepreneurs and investors by offering a marketing solution.
- Has used dubious methodology, such as the public workshops (which is discussed in more detail in the next section), to determine the current drivers and shortfalls of Cocos Island's tourism industry, has then presented these as facts, and finally, has built solutions (strategies) against them.

- Has recommended increasing the focus on initiatives and strategies that have been proven not to work and will perpetuate the Fixes That Fail. Two examples of this are the strategies of nurturing existing businesses to grow, and marketing business opportunities to visitors.
 - Whilst we were not able to verify this with hard data, we question the nurturing strategy based on the financial capacity of the community to invest in economic growth initiatives. We suspect that the capital, cash, equity or debt capacity to shift the economy does not reside within the community, and the euphemisms of “blood from a stone” and “fish where the fish are” spring to mind in respect of this approach.
 - The strategy to market business opportunities to travellers to the Islands fails to recognise that many of the current business owners (outside of the Cooperative and a few others) came to the Cocos Islands and established businesses after being visitors to the location, and their motivation to do so was based on lifestyle decisions. They did not establish these businesses to get rich, build a business empire or contribute to a growing economy. They sought a business opportunity that would support their lifestyle and dream of living in paradise. If the Cocos Island’s tourism trade and broader economy is to prosper, these are exactly the type of business owners and investors that they do not want, as history shows us they are not motivated to take the large risks or make the substantial investments needed to grow the economy.
- Has conveniently applied the same solutions to both the Christmas Island and Cocos Island destinations, which suggests either both destinations are identical in structure, or that each strategy can address multiple issues, problems or challenges, both of which are unlikely propositions.
- Has placed a priority on those strategies that appease the community, rather than those that will drive the optimal results.

All of this has come about from asking the wrong question on the tourism issue, which has lead to the wrong scope of works for the engagement. In turn, this scope lead to the appointment of a marketing firm that specialises in the production of creative and technical marketing collateral, rather than technical strategic specialists, which, unsurprisingly, resulted in the majority of the project’s funding being allocated to the creation of new marketing collateral. This is a case of “when your toolkit only contains a hammer every problem looks like a nail”.

We would advise the Tourism Associations, the Shire and the IOT to redirect their budget funds allocated in these areas (e.g. internal marketing to the community, further collateral development, trade show and conference representation to attract investors, marketing business opportunities to tourists, marketing targeted at the narrow category of experience seeker tourists, public relations activity and events and marketing missions, etc) as these indirect activities will have no or negligible impact on the reservation service providers.

THE COCOS ISLANDS ECONOMY; AN ECONOMIC PERSPECTIVE

It is our proposition that the reason for why the various efforts to stimulate and grow the Cocos Island's tourism industry and economy has failed to gain traction is due to inappropriate processes being used to evaluate and define the current state of the Cocos Islands and it's economy.

These processes have failed to develop a deep understanding of the constituent parts that shape the economy of the Cocos Islands, and do not consider the complex interaction and connection of these elements. As a consequence of this the strategies, actions and initiatives are built on flawed or incomplete assumptions and conclusions and fail to deliver the anticipated results when executed and implemented.

In reviewing the body of work available to us, and in particular the Strategic (read "Economic") Plans at Shire, Regional Development and IOT Administration levels, we could not identify an instance where the authors had articulated the nature and reasons of the economic malaise at a structural level, showed how the constituent parts of the system interconnect, defined their relative contribution to the current situation or provided data based evidence for the issues identified.

Whilst many of these documents contained a wealth of data and facts relating to the Island's demographics, history, industry, gross product, and many more fascinating pieces of information, it was rare to see this interpreted in any way to draw insights and conclusions, to provide more definition to the current situation, or to demonstrate the validity of the strategies and initiatives that were chosen.

The majority of information and data in the introductions, backgrounds, research and "analysis" sections of these documents left us querying the relevance of its inclusion and asking "so what?" In turn, there is an absence of supporting data, information or analysis linking back to the defined root causes to support the strategies and their initiatives.

As we saw with the marketing strategy, the introductory sections of the IOT Regional Plan V4 would suggest that the community consultation process represented the most significant input into the Territory's Strategic Plan.

With due respect to the public, this approach tends to lead to long lists of issues with varying degrees of importance or relevance, that are disconnected, that can often represent personal agendas or pet issues, and often portray the symptoms observed by the community rather than the deeper structural and system wide issues. Whilst the consultative process is honorable, it leads to inefficient use of limited resources, and popular solutions rarely resolve the root causes.

As was the case in exploring the earlier tourism question, the motel redevelopment consultants arrived at a conclusion that there was something missing from the conversation, and we felt we needed to develop a more complete understanding to ensure we met our due diligence obligations.

Again, we did not have the scope or resources to undertake the primary research that would be required to complete the economic picture. Instead, a number of hypotheses were explored and tested against the information that was available to us, before arriving at our final position.

It was by looking at economic theory and systems that we started to fill in the gaps in the current thinking, which in hindsight shouldn't have surprised us as it was an economic question that we were trying to answer.

We believe the Cocos Islands would be a theoretical or academic economist's dream, as we were unable to characterize it using any of the conventional economic systems. There are many models and different ways of describing any economy, some of which have been closely studied and observed, others being purely theoretical, and whilst academics may be compelled to find the closest pigeonhole for convenience sake, it is our assertion that the Cocos Islands, in more than just their location, beauty and culture, must be considered a unique economic system. Consequently, the economic strategies adopted must recognize and be shaped by this.

In identifying the economic system that characterized the Cocos Islands, we noted that no one system closely described it and that quite different forces were at play depending on the perspective taken, the economic dimensions being considered or the reference point used. We identified the following economic characteristics;

- **Market Economy.** This is the system type we believe is the focus of the Island's economic strategies and initiatives to develop further and there is significant evidence of a Market Economy featuring in the Island's trade currently.
- **Open Economy.** A market economy almost by definition assumes that it is an open economy, and with some notable exceptions, the literature on the Cocos Islands assumes this to be the case, with the Cocos Islands representing an open economic subset of the Australian economy. Exceptions aside, all trade (goods, services, human capital, technology, investments, intellectual property etc.) is free to move between the Cocos Islands, Australia and beyond its borders to international markets.

It is these conventional, western, democratic, free market models that would appear to be assumed and adopted, whether intentionally or unwittingly, when considering the economic issues, causes, solutions and strategies that feature in the regions Strategic Plans, which in the main describes the economic environment we experience and are familiar with in Australia.

When tested from different perspectives though, other economic systems would appear to also be in play, such as;

- **Planned or Command Economy.** The level of intervention by all levels of government into the development of the Cocos Islands economy, as evidenced by these same Strategic Plans and their economic focus, points to a centralized planning function being undertaken by government agencies. This is reinforced when recognizing the significant proportion of the Island's Gross Product that comes from government expenditure. Command systems are often associated with Socialist states, but as we will go on to argue in a later section, a planned economy is entirely appropriate in the case of the Cocos Islands. In fact, we propose that this intention should be articulated more clearly and that the planning be far more targeted and direct action orientated than it is at present, in effect leading to a Master Plan that will deliver the economic environment and results that are being sought.

- **Welfare Dependency.** Whilst not a textbook economic system, welfare dependency is the dominant “economic” influence on the majority of households on the Cocos Islands, and there has been much discussion about the need to break this cycle, and repair or replace the economic structures that are created as a consequence of the “welfare state”.

We are not clear about the causal links in respect of this situation as this will be steeped in history and was outside of our scope to explore. However, we have noted that the assumptions and assertions we have reviewed in the literature and been privy to in discussions are simplistic and naïve, and fail to consider that this condition is embraced, protected and maintained by a large proportion of the population, as it the most beneficial, rational and logical economic, family and lifestyle choice that they could make.

If structural changes are to be successful, due consideration to this infinitely rational choice by a large proportion of the community must dominate the thinking, dialogue and strategies.

- **Traditional/Barter/Gift Economy.** To add another level or two of complexity to this debate, the Cocos Malay population in many ways behaves economically as they have for endless generations. They are generous people who put family and community first, and a high proportion (though clearly not all) of the transactions that occur within their community occur without monetary exchange.

Goods and services are commonly bartered, even if this is not the title given to the exchange. The mutual transaction is not necessarily completed at a single point in time either, making this label less obvious, with the “favour” being returned at some future point. Gifting is also common, with the most obvious example being housing and providing for the needs of the extended family, often with no or only token compensation provided. We believe these represent a considerable non-cash component of the Cocos Island’s economy.

- **Closed Micro Economy.** Unintentionally, and in many ways by default of its geographic location, its history, and to a lesser degree, historical economic management, the Cocos Islands economy behaves as a Closed Economic System showing in parts those characteristics that prevent or constrain the free flow of trade seen in an Open System. This is most noticeable with the free trade of human capital, investment and businesses. Closed Systems are often created by isolationist governments or develop as a result of a balanced, self sufficient system that does not need to trade with other markets. Neither of these applies to the Cocos Islands and there are multiple factors that create this situation.

The term “Micro Economy” here should not be read in the context of Microeconomics, which is the discipline of using economic principles at the level of a market, industry or sector.

We have adopted this term to highlight that the Cocos Islands does not behave as a subset of the broader Australian economy in a macroeconomic sense, and, as well as being closed, it should be treated as a small economic microcosm, with many unique characteristics that make it atypical.

- **The “Co-op” Economy.** In subscribing to the idea that the Cocos Islands should be viewed as a semi closed system that is a unique economic microcosm, the conversation on the Island’s economy should not overlook the exceptional situation with revenue, employment and

wealth creation within the economy (when isolated from government inputs) being dominated by the Cocos Cooperative Society and its operations.

This is a unique situation that none of the established economic models or systems describe, so we have penned the term The Co-op Economy. This feature of the economy has many implications, and whilst these implications are not necessarily good, bad or indifferent, they must be considered and factored in. As with much of this discussion, our world views, and specifically what we believe should happen when we execute any given strategy, is shaped by our experience and environment, which is unlikely to include a highly dominant enterprise that contributes the majority of non-government GDP.

Examples of these implications include;

- Due to the type of entity it is, combined with its scale relative to all other organisations within this economy, the Cooperative is not subjected to the same market forces and therefore does not adhere to the traditional organisational structures and economics that shape most firms.
- Extreme imperfect competition. The Cooperative has a number of monopolistic markets, has the ability to exercise ultimate market power, can single handedly and independently impact on both the supply and demand sides of the island's economy, has a disproportionate amount of the economy's human capital at its disposal and can set prices irrespective of market forces.
- Whilst just over a third of the Island's population are shareholders of the Cooperative, due to the Traditional Economy characteristics listed earlier, approximately 75% of the population are the direct beneficiaries through the distribution of the wealth created, which is unique.
- The majority of the Cooperative's employees are also shareholders or secondary beneficiaries, which whilst not unheard of within organisations of this scale, is uncommon.
- The flow of resources through the economy does not follow the usual patterns, and in particular the flow of money, if mapped out, would bear no resemblance to the textbook's circular flow model.

To our past clients, The Cocos Cooperative Society. The Co-op is what it is and you should make no apology for that. There is no judgment in this assessment, or any compelling reason for the Co-op to change. We simply seek to illustrate what we believe are the important considerations in designing the future economy and prosperity for your community.

Economics is an inexact social science and it would have been easy for us to dismiss these discordant economic characteristics as irrelevancies, but it was by looking at the current situation on the Cocos Islands through this lens that we started to form an insight into why the collective efforts of the region had failed to grow the Island's economy.

Following this insight we reviewed the current strategies to stimulate the island's economy, and noted that in the main there was an underlying premise that the usual mechanisms that are in play in an open market economy applied to the Cocos Islands, and the strategies and initiatives that had or would be deployed relied on this to be the case.

We believe that by viewing the Cocos Islands through the prism of the economic systems in force there, a better understanding of the situation can be arrived at, and more effective responses to stimulating economic growth will be achieved.

It should be noted that, unlike the tourism findings, we did not feel that these insights were a barrier to the success of the motel's redevelopment, and we weren't compelled to integrate these findings into the physical or organisational design of the redevelopment. However, we have noted that the likelihood and magnitude of success for the redevelopment would be enhanced with every percentage point of additional economic growth.

Our process explained and illustrated many of the reasons why we saw economic Fixes That Fail. The following explores this by focusing on one example; the strategic theme of attracting investment capital to the island.

It is universally accepted that the Cocos Islands must attract new businesses, business owners, and investment to the islands for the economy to grow. In reviewing the strategies to attract businesses and investment to the Islands, and putting aside the naïve and misinformed ideas on how investment reserves find investment opportunities shown in the marketing plan we touched on earlier, we noted that the strategies omitted to identify the economic barriers to the flow of investment to the Cocos Islands.

In an open market economy the supply and demand forces will see businesses form, close, relocate, diversify, consolidate, evolve and adapt, to reflect the demand of the marketplace and consumers and the availability of resources. Business owners, entrepreneurs, investors, and some would argue "the market" itself, will move resources and capital to maintain market equilibrium.

This natural mechanism does not occur on Cocos, as the signals are not visible and the flow of information between the supply and demand forces and the sources of capital (which are not within the community) and resources are disconnected. Recognition of this fact is inferred through the strategic plans reviewed, but as the strategic responses suggest, the mechanisms of information flow were not identified, and instead propose information flows that would not reach the capital markets and would be ineffective.

The sources of capital are all of the usual suspects; banks, private business investors/owners, high wealth sophisticated investors, angel investors, institutional investors, select investment funds and perhaps publicly listed companies. There are established methods and processes by which all of these sources of capital receive information on the markets and the opportunities within them, and we suggest that the Region's strategies should seek to integrate and adopt these existing mechanisms.

Another constraint due to the lack of signals and information flow that does not feature in the strategic plans is perceived risk. An investor who can achieve a 20% p.a. return in an established market in downtown Melbourne will always take this opportunity over the same return on Cocos, as

they can access extensive marketplace data to support their decision, thus reducing their risk and exposure, versus no information at all with which to base a decision on the Cocos Islands.

The impact of this in attracting investment should not be ignored. We assert that this is the underlying reason why the Islands find it difficult to secure insurance at anything that resembles reasonable premium rates. Whilst various reasons for this are given by brokers and insurance companies, we suggest that the real issue is that insurance underwriters do not have the historical information available to them to input into their risk models. We suspect that in some instances this will result in them simply declining to offer cover, and in other cases will see their models manually manipulated to provide the required input data. Due to their inherent conservativeness, these manual inputs will always lead to grossly inflated premiums.

This same lack of information will definitely influence banks, and some of the larger institutional investors, which utilise formal risk management processes that are in principal similar to insurance underwriters, to determine when and under what commercial lending or investment terms they will engage. Conceptually at least, other investors will apply similar thinking in their due diligence processes. To attract investment to the Cocos Islands, these increased risks must be addressed and at least partially mitigated as part of the strategic response.

With this example, we conclude the research and analysis process that was undertaken with the motel redevelopment, and the insights and views that we developed on the topics of the Cocos Island's tourism industry and broader economy.

We appreciate that we have been privy to only a select cross-section of information, research, data and dialogue on these topics and that we have only an incomplete picture of the collective knowledge and wisdom on these matters.

We also appreciate that many of the views, assumptions, conclusions and findings we have put forward will not be universally supported.

In some cases this will be due to alternate perspectives on process and the interpretation of data, and in other cases there will be resistance to these ideas based on the resource, intellectual and emotional investment made in the current strategies.

This latter point is especially relevant given that there is little commonality between proposed strategies, and in putting forward our proposal it assumes that a large part of the current plan's strategies would be abandoned.

We seek to provide an alternative way of viewing the current situation with the desire to positively influence the outcomes of the considerable effort and investment being made in this incredible community and location, and to assist our clients in achieving their commercial objectives. We hope that this discussion paper is viewed in this light.

To assist the conversation on how to apply this thinking and these findings if they were to have currency with the people of the Cocos Islands, the following offers our thoughts on how to translate this into an effective strategy to enable the economic growth being sought.

As suggested earlier, our analysis has concluded that a higher level of planning and intervention is required by government to overcome the economic barriers that are present in the current economic system, and that a Master Plan for the Cocos Islands' Economy, similar to that outlined below, is needed to break the cycle of Fixes That Fail and overcome the barriers inherent in the current structures and systems.

MASTER PLANNING THE COCOS ISLAND'S CLOSED MICRO ECONOMY

Whilst considerable and detailed process design work will be required to execute against the suggested strategic process outlined below, if the research, analysis and thinking leading up to this point have been robust and comprehensive, this next stage represents the easy part.

Sound and effective strategy does not require any special creative, commercial or intellectual skills. It should literally fall out of the work that has been completed prior to the strategies being developed. By clearly articulating the problems that need to be solved, and developing a deep understanding of the structures, systems and interrelationships that contribute to that problem, the solutions or strategies in response to the problems will almost always appear obvious.

Whilst there are gaps in the research (that have been identified in this report) that for completeness should be resolved, and a number of observations and assumptions that should be tested, the solutions to the economic issues of the Cocos Islands are now clear to us.

We offer the following process outline as an alternative economic strategy to replace those currently published and at various stages of execution or deployment.

Economic Master Plan

1. Complete the **Tourism Supply Chain Research** to validate the industry's perception of the Cocos Islands, and articulate the reasons for why this is the case. This information would feedback into the strategy for tourism outlined earlier.
2. **Test A Range Of Other Assumptions** that have insufficient data associated with them to ensure that the mental models used in this discussion paper accurately describe the Cocos Island's tourism and economic situation and are supported by evidence.

The balance of this process may change subtly or substantially, based on the outcome of these two minor pieces of research and analysis. Assuming that the research validates the positions outlined, the recommended process follows;

3. **Develop An Analytical Ranking Process**, such as the Six Sigma Forced Ranking technique, to rank and stratify the (yet to be) identified business opportunities. Possible ranking criteria examples include;
 - Economic (or tourism industry) multiplier effect of the business. This represents the potential this type of business has to spur additional economic or tourism activity, or the formation of complementary businesses, and should constitute the highest weighting of all ranking criteria. High scores against this criterion represent those businesses described earlier as economic catalysts.
 - Pre-feasibility assessment, representing an informed but intuitive view of the commercial and financial feasibility of the business.

- Viability trigger point. Businesses that have sufficient demand now would be ranked higher than businesses that would only be formed after significant increases in demand, or were dependant on the formation of other supporting businesses first.
 - Ease of business establishment.
 - Cost of establishment.
 - Attractiveness to investors. This would adopt one or more of the standard tests used by lenders and investors to quantify investment opportunities.
 - Community capacity to own and/or operate the business.
4. **Prepare An Inventory Of Cocos Islands Business Opportunities.** This should include both current opportunities based on existing demand levels, as well as those that could be established based on a calculated demand that represents the unrestrained theoretical tourism and population capacity of the Islands. At this stage the proposed demand trigger points should be discussed i.e. if the business opportunity is unlikely to be viable now, at what point would it be viable. The ranking analysis should also be applied to the identified opportunities with the relevant stakeholders during this stage. Suggested methods to collate this inventory include;
- Discussion with economic development staff at Shire, Administration and Regional Development levels
 - Discussion with local and regional tourism authorities
 - Review of all economic and business research and study papers, on file with the above authorities or in the public domain.
 - Discussion with identified stakeholders and community members that have a strategic contribution to make.

Note 1– this does not suggest a consultative process, but a tightly managed and targeted approach to extract the community’s collective wisdom, involving people who have more than just an opinion and can make a strategic contribution.

Note 2–a range of business concepts and opportunities were also identified by the redevelopment consultants during the feasibility engagement.

5. **Apply The Ranking Tool** to the identified opportunities, cull ideas that were generated that do not meet a predetermined minimum criteria, and stratify the opportunities into those worthy of further analysis now, in effect those businesses that should be supported towards establishment, and those that would enter the process at some future point.

Any tendency to set a target number of businesses, or place limits on the number of businesses should be avoided. If the process is valid the right number of businesses may be zero, or it may be 100, but this should remain unconstrained as long as possible.

6. **Stage Gate 1** - Review the ranked list of businesses with the IOT Administration and key Cocos Island stakeholders and gain consensus on the businesses to progress in the process.
7. **Undertake Feasibility Studies** on each of the businesses selected concurrently. This parallel process will provide significant economies of scale, as much of the marketplace, industry, competitor and customer research may be the same, be available within the same data sets or be in adjacent sources, greatly reducing the secondary research man hours.

This stage of work will clearly identify those businesses that are commercially and financially viable and should progress further. Importantly, the feasibility studies will also serve the purpose of providing a “prospectus” for potential business owners, operators and lenders or investors, and mitigate many of the unique risks identified earlier in this document.

8. On completion of the feasibility studies, **Re-run The Business Rankings**, removing unviable businesses, deferring those that are dependent on future trigger points, adding financial returns to the ranking criteria and reassessing previous rankings to reprioritize the list of businesses.
9. **Stage Gate 2** – Reconvene as per Stage Gate 1 and sign off on the businesses that will progress to formation.

Note - Stages 10, 11, and some components of 12 would be progressed in parallel.

10. **Approach Both The Debt And Equity Sectors Of The Capital Market**, on behalf of the potential business owners, until such time as adequate interest and in principle commitment has been received.

This should be a strategic process targeting the most commercially attractive capital options and partners first, and should be designed to minimise the number of parties as much as is practicable.

11. **Identify Potential Business Owners And Solicit Interest**. The detail and activity in this stage of the process will be informed by, and vary by, the types of businesses to be formed.

In all instances, expressions of interest from community members will be sought first as the greatest economic value will be achieved if a current resident has the passion, capability and potential to own and operate the business.

Where local ownership is not achievable, alternative approaches will be used, that may include;

- Online or in person group pitches to Private Investor Networks and similar investor and business groups
- Direct approaches to similar or aligned established mainland business
- Strategically target business brokerage publications with a campaign style approach

12. **Complete The Business Planning Stage**, in conjunction with the selected business owners. The level of involvement in this stage will be dependent on the level of support required by each owner, based on their experience and skills.

In this stage the feasibility work is extended to provide a detailed roadmap itemising the tasks and activities and the timeline required to bring the business into operation. The Business Plan will also include at least a high level operational plan that will apply to the business once trading.

It is early in this stage that the pre-committed funding, if required, is secured.

13. **Execution**. The amount of work and the duration of this phase will be entirely dependent on the nature of the business and the capacity and resourcing of the owner.

In some case it may require lengthy lead times to complete construction, to secure licensing, undertake recruitment, establish supply chains, and negotiate alliances or any number of other longer lead time activities.

By contrast, there may be some home based businesses that can commence trading within weeks after establishing only a website and other on-line presences.

14. Once trading, **Ongoing Technical, Commercial And Personal Support** and coaching should continue to ensure the business is sustainable and does not become another small business statistic. This should be in the form of business advisory and management consulting services that are tailored and flexibly delivered according to the specific business and owner/manager's needs.

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