

III. THE DEVELOPMENT SCHEME

The preceding section outlined the many reasons militating in favor of locating the Visitor Center on the downtown shopping mall of Reykjavik. Not only would a visitor center in this area be near all the shopping and other attractions of the capital city, but it would give the center good access to both foreign and local tourists markets in Iceland. In only one respect was there some initial hesitation in recommending the downtown location. It was felt that the location of a Visitor Center on the pedestrian mall might require some restructuring of existing plans for mall use; however, it was subsequently learned that not only would there be no conflict, but that plans have been drawn up for use of the area as a tourist information area independent of our recommendations. Thus, both native planners and our own specialists have arrived separately at the identical conclusion that this part of Reykjavik is ideally suited to welcoming visitors, answering their questions and helping them use their time most profitably.

A. The Design Concept

A number of fortuitous circumstances have combined to simplify the designer's task in conceptualizing the Visitor Center. Most helpful has been the completion, during the course of this study, of the mall area along the Austurstraeti, Reykjavik's principal strolling and shopping street. Located along, or adjacent to, the mall are souvenir shops, shops for Icelandic products, restaurants, travel bureaus, banks, the post office, cable facilities, airline offices, and other services that foreign tourists and Icelandic visitors from outside Reykjavik all seek. The area is already quite well served by buses and taxis. In fact, there is now a small enclosed bus stop (shown in the aerial view on the next page) on the Laekjargata end of the Austurstraeti mall, which also functions as visitor information area for the City of Reykjavik.

With such a complex of existing amenities and facilities, there are really a number of design alternatives foreseeable; taken together, the various alternatives also comprise a phased building program. The aerial view of the downtown area in Figure II-1 on the next page illustrates one option, or what could be Phase I of a building program over several years. At the eastern end of the mall (which runs from the bus stop one block past the bank, shops and super market in the northeast quadrant

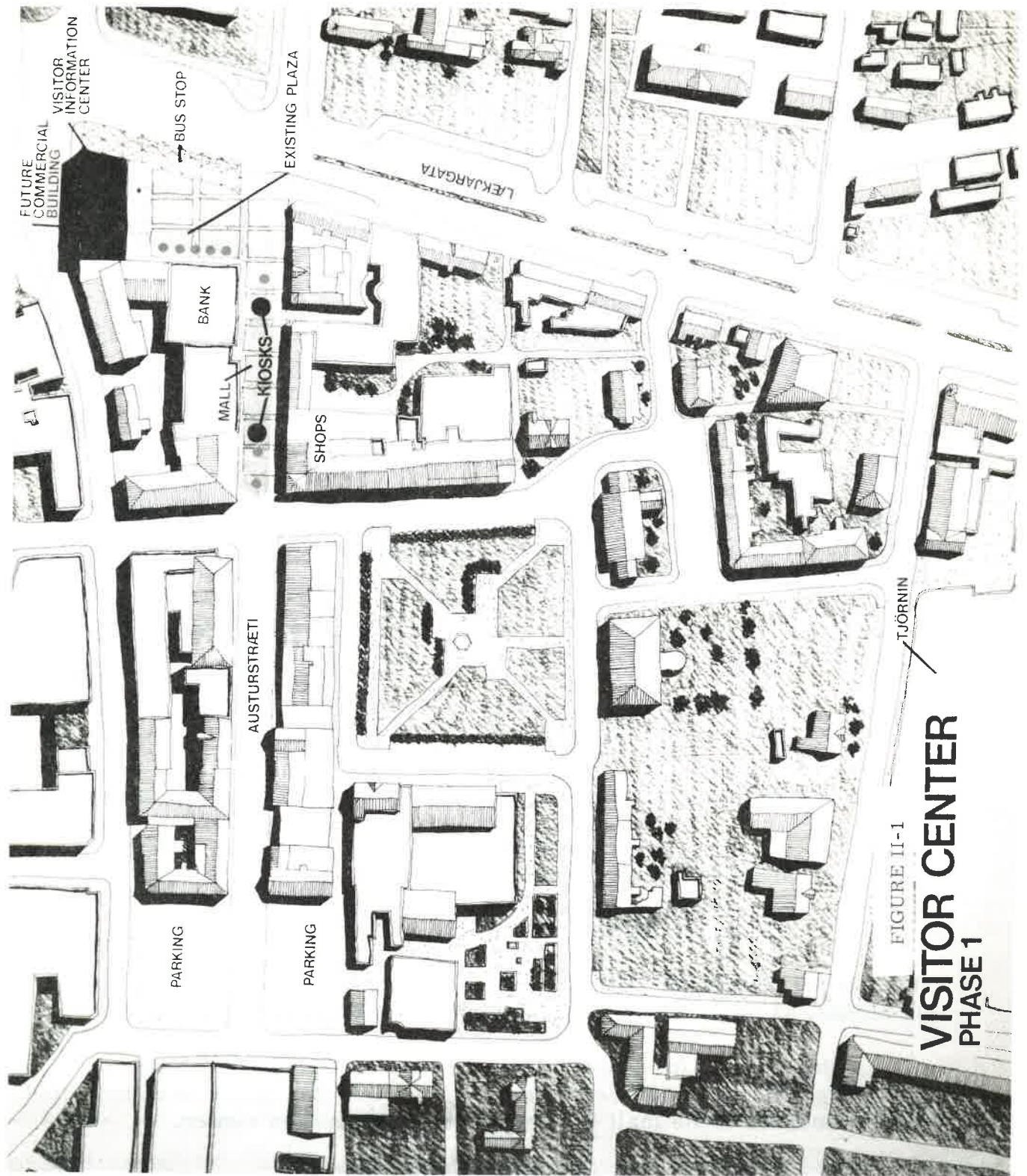


FIGURE II-1

**VISITOR CENTER
PHASE 1**

of the aerial shot), a fairly large commercial building is currently planned. This could complete the L-shaped mall and lend itself ideally to a Visitor Center with the following components:

- an information center using rented space on the ground floor of the new commercial building;
- a series of two, or perhaps three, information kiosks in the center of the existing Austurstraeti pedestrian mall. These would be small light structures which could be used for commercial purposes (books, gifts, etc.) during periods of low tourist traffic; and
- short-term parking for tour buses and automobiles, convenient to the Laekjargata end of the mall.

As a second option, or as Phase II in a gradual plan, it might prove most suitable to envision the entire two-block stretch of Austurstraeti as available for use by the Visitor Center. This possibility arises because the second block, up to the newspaper (Morgunbladid) building, may in the future be converted to a pedestrian mall like the first. If this second block were added to the mall, the Visitor Center could be extended to include the following components:

- the continued use of rented space for the information center at the eastern end of the Austurstraeti;
- additional kiosks along the second block of the mall; and
- the same space for short-term parking for tour buses and automobiles, although this need not be so close to the Laekjargata end of the mall as would have to be the case if the mall were only one block long.

This second possibility, with a large information center and a total of six kiosks, is the one shown in the aerial view in Figure II-2.

A third option (or Phase III) would call for the use of the line of six kiosks, but instead of rented space a new building could be constructed at the other end of the mall to serve as the information center.

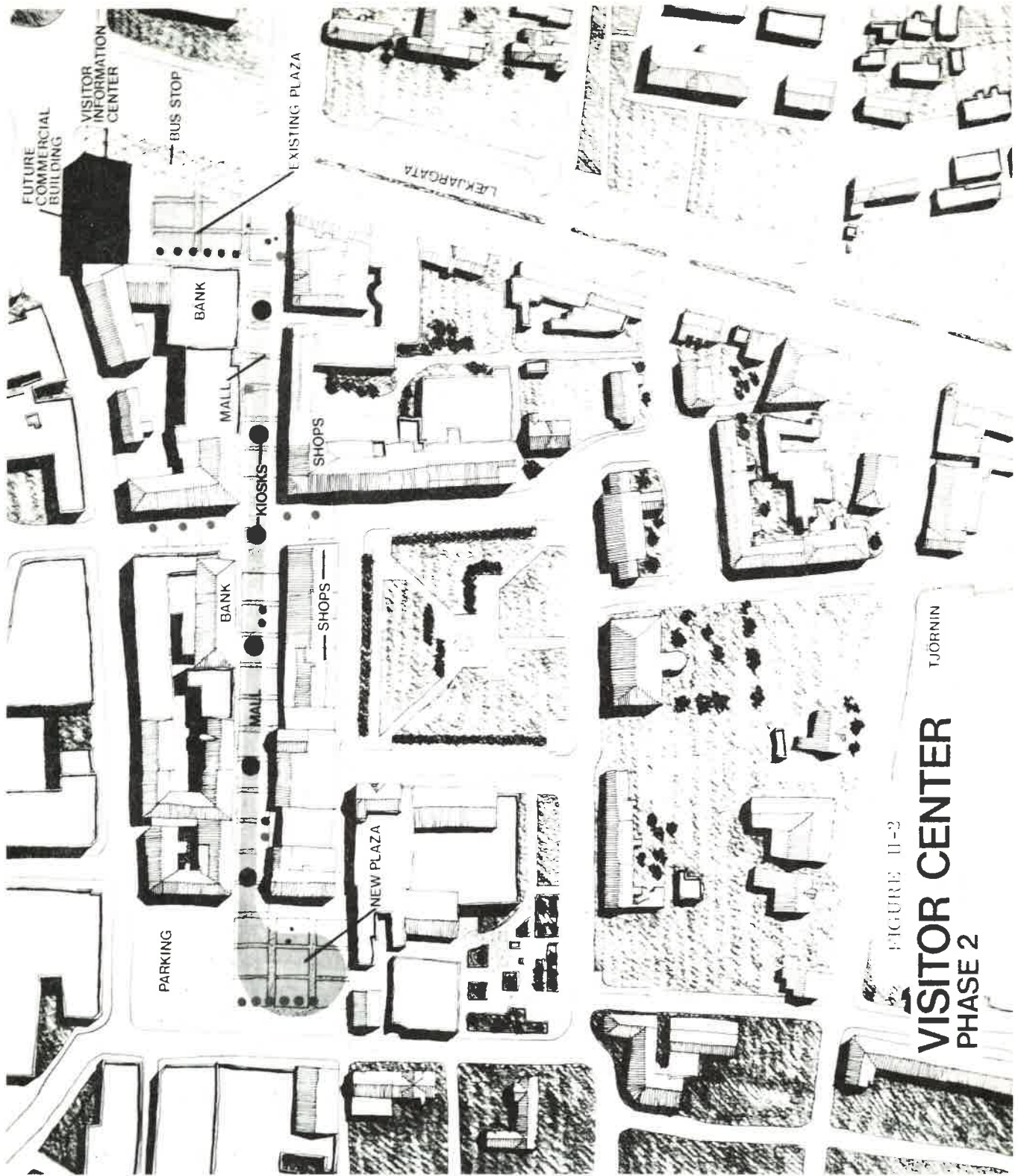


FIGURE II-2

**VISITOR CENTER
PHASE 2**

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The desirability of housing the main information center in a structure at the Morgunbladid end of the mall can be seen by reference to the aerial view of downtown Reykjavik incorporating this scheme as a third option or Phase III, as shown in Figure II-3 . If the mall is extended a second block, the extension will include the creation of a plaza and mall in front of the Morgunbladid building. Not only should this space be utilized, but it will be necessary to devise a counter-weight to the commercial building on the Laekjargata end of the mall in order to keep traffic moving toward both ends of the mall. Thus, either a commercial building could be constructed, the first floor of which would serve as a visitor information center, or a larger kiosk could be built to serve the same purpose.

Which of these three options is finally selected will be the prerogative of Icelanders, and will depend on whether they decide to go ahead and close off the second block of Austurstraeti to auto traffic, on how much money can be invested in the conversion of the downtown areas, and so forth.

It will be noticed however that the three options could actually be three phases of a long-term development for the Visitor Center. The first phase would call for construction and leasing of kiosk space to outside interests and the rental of space for the information center, the second phase requires leased space for the information center while three more kiosks are built and rented out. In Phase III, construction of a new information center is undertaken. The section on financial feasibility goes into greater detail on the phasing of development for the Visitor Center, concentrating mainly on the short- and intermediate-range objectives of the first two phases.

One additional phase in the development of the Visitor Center should be considered. The Reykjavik planning authorities have also studied the possibility of development of a transparent roof for the entire length of the pedestrian mall, as illustrated in Figure II-4. Although this would be an undertaking of some magnitude, the benefits could be enormous. Such a roof could turn the entire length of Austurstraeti into an all-year, all-weather pedestrian street, sheltered from the rain and snow, and heated by the extension of the existing radiant coils under the surface of the paving. This could be looked at as bringing the benefits of a heated, all-weather enclosure to the visitors and citizens of Iceland, a benefit which many hectares of plants in Iceland already enjoy. Although this analogy to the extensive greenhouse development in Iceland may seem humorous, the picture of the cities of Iceland living through the discomforts of months of damp and cold while large areas of greenhouse

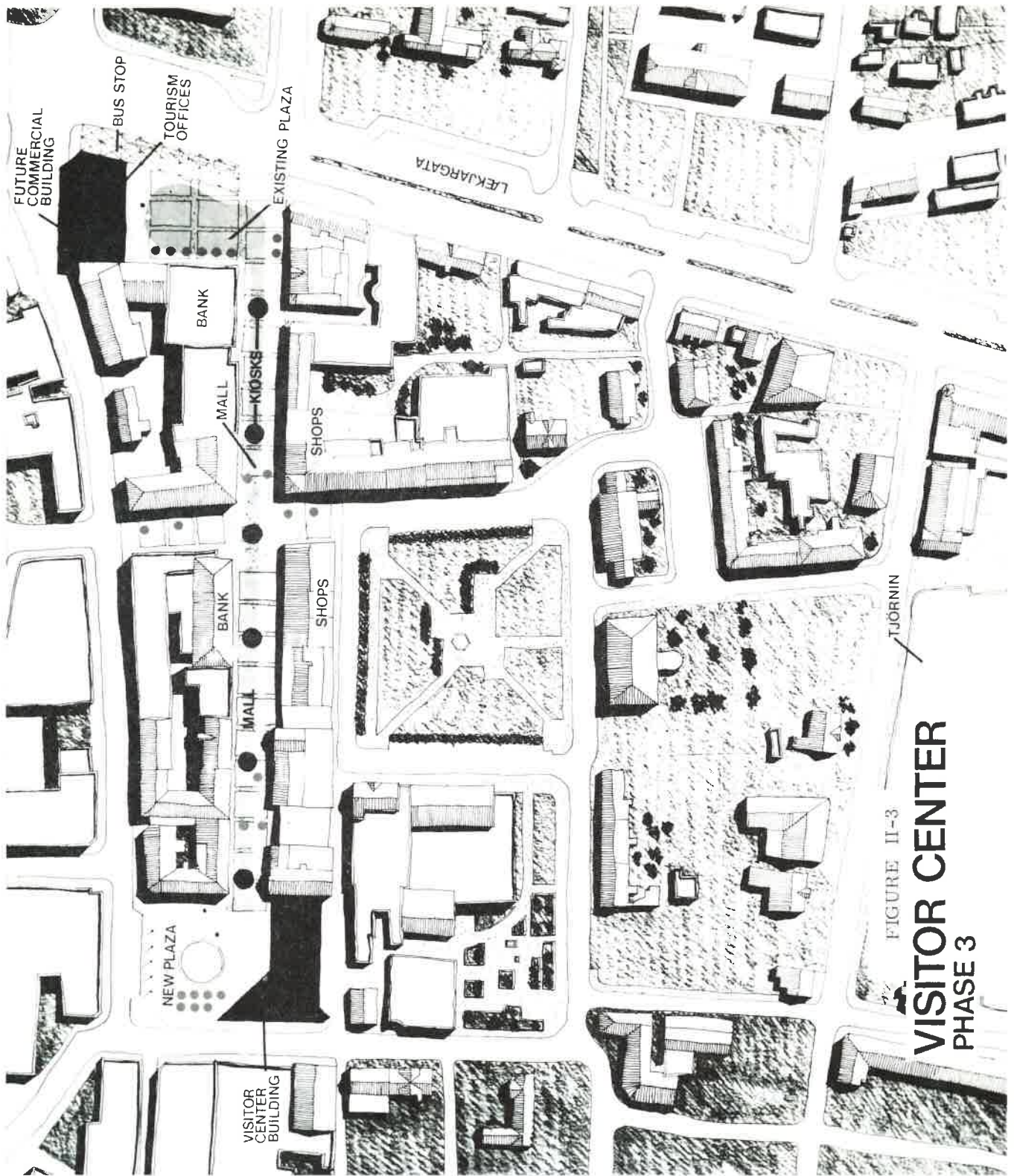


FIGURE II-3
VISITOR CENTER
 PHASE 3

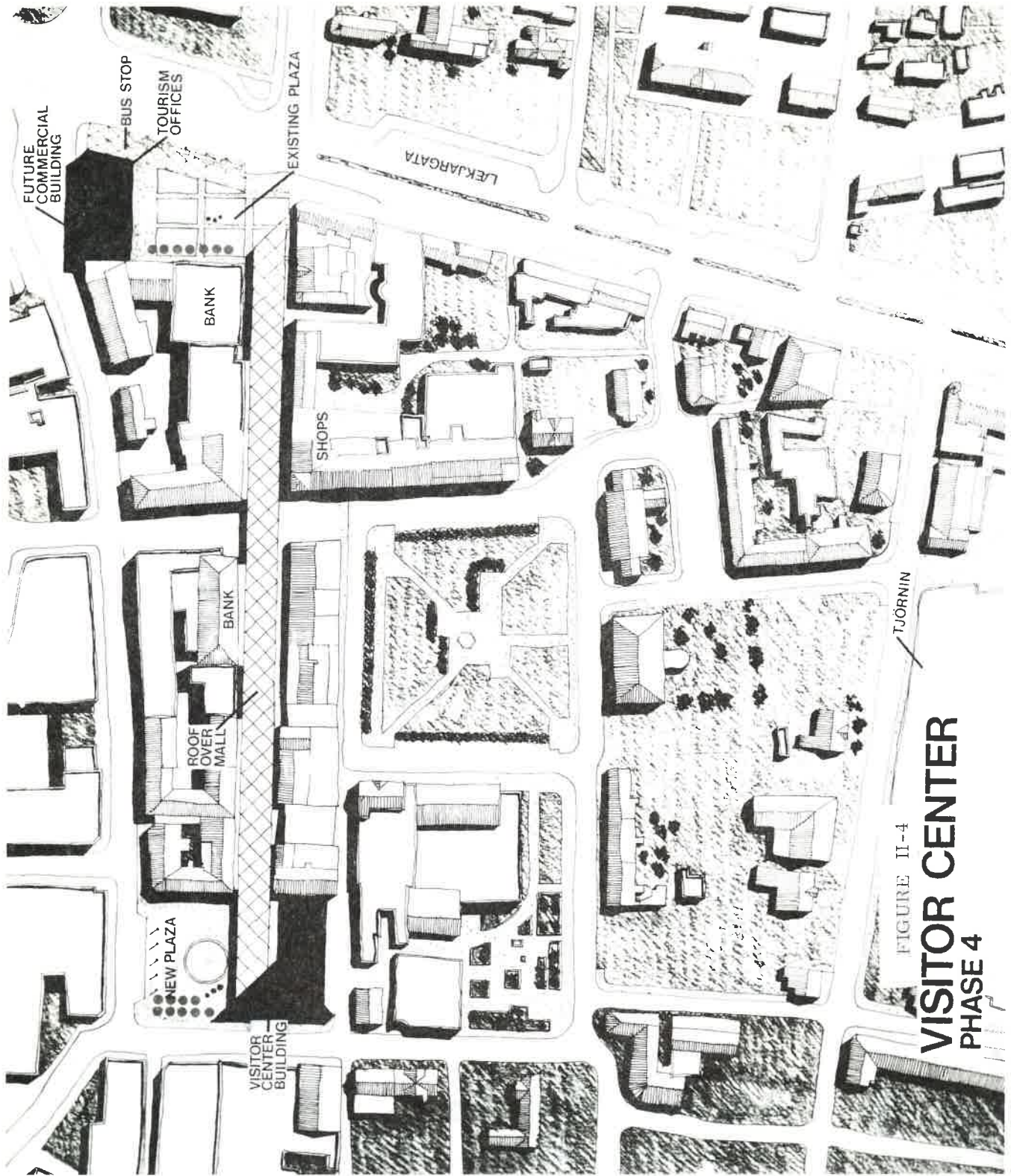


FIGURE II-4
**VISITOR CENTER
 PHASE 4**

plants live protected in carefully controlled light and warmth could give an outside observer with a sense of irony to wonder that the Icelanders give more care to their cucumbers and cut flowers than they do to themselves.

Of course, people are not plants, and building in the center of Reykjavik is an entirely different matter than building on open land in Hveragerdi. Nonetheless, this idea is deserving of some consideration as a final step in the development of Austurstraeti.

There also are dangers in this idea which could only be resolved by a very detailed study. We believe that the problems enumerated below are capable of solution in such a detailed study.

1. The variation in height of the buildings along Austurstraeti must be carefully considered. The buildings vary from low, one-story buildings to multi-story office blocks. The fronts of the buildings are also varied. Buildings such as the banks and the post office could be ruined by careless planning of the roof structure. The most promising means of dealing with these problems is to build the supporting structure for the roof so that it would not actually touch the buildings except at their entrances. The transparent roof could then be of a relatively uniform height and width with portions of the roof cantilevered out to provide sheltered access to the entries of the various buildings. An even simpler approach would be to consider the covered portion of the mall as a transparent "tube" in the street which never touched the buildings in any way, but simply provided access to the doors of the buildings along its length. In order to enter the buildings along Austurstraeti, it would then be necessary to walk along the enclosed portion of the street, through a door in the enclosure, across a couple of meters of unheated outdoor space, and into the door of the existing building. It would also be possible to walk along the narrow strip of unheated space between the buildings and the heated enclosure.
2. Natural light into the street is very valuable. The structure must be of the lightest possible construction, to prevent it from cramping the street or excluding light from it. Slender steel columns and beams would help in this regard.
3. Access for emergency vehicles would have to be resolved. This is a small but important aspect of the whole development.

The benefits of the covered mall seem apparent. The people of the Reykjavik area would gain a truly remarkable resource. The merchants of the entire city center could benefit enormously. Visitors would be able to enjoy the Visitor Center not only in good weather, but also the "shoulder months" and even the winter. It should be noted that the concept of the large, enclosed, heated space with a transparent roof will be done in Iceland. Such a development is actively being planned at Kringlumiri, and more developments such as this will surely follow. The concept is too obviously advantageous to Icelanders to be delayed for much longer. These more suburban developments will not help the center of Reykjavik at all and will do little for tourism. From the standpoint of tourism, it is time to consider this concept for the Austurstraeti mall.

One final option for the Visitor Center is possible. It has been noted above that the downtown mall location is predicated on the acquisition of space on the existing plaza, which faces Laekjargata. This plaza and its relationship to the Austurstraeti pedestrian mall form the best urban space in Reykjavik, and a natural focus for the Visitor Center. It is possible, however, that space on this plaza may not be available for years to come.

If the appropriate space on the plaza cannot be developed by its owner, a new beginning for the Visitor Center may be sought in the older buildings across Laekjargata.

These four old buildings, beginning with the corner of Bankastraeti, form the oldest contiguous series of buildings in Iceland. These buildings, with the exception of the fortress-like building that once housed the Iceland Tourist Bureau, are of wood construction. All of the buildings are in a serious state of disrepair.

There appears to be lively interest in the future of these buildings, with thoughts which range from razing them and rebuilding for commercial purposes, to an exact historical restoration.

It is possible to keep these buildings as a valuable piece of Icelandic history by restoring the exterior of the building, while providing completely new interiors which would not necessarily relate in any way to their original uses. In the case of the low, black wooden buildings, this would almost amount to constructing a new building and applying the existing wooden exterior to the new building as a facade. The old stable buildings along Skolastraeti seem to be beyond repair, and could be replaced by new buildings of similar proportions and materials.

The Reykjavik planning authorities have received interesting proposals from Icelandic architects for restoration of these buildings which could be adapted to accommodate the functions of the Visitor Center. The new functions considered for these buildings include retail shops, a theatre, a coffee shop, an art gallery, a bookstore, and the offices of the Icelandic Tourist Bureau.

The only current use of these buildings seems to be the housing of a travel office. The walkway and embankment along Laekjargata are used for lounging, and the green space near the street is used as parking spaces for displaying cars which are being raffled off. The difficulty of access and the lifelessness of this area make it seem somehow remote from the more active Austurstraeti area across the street, and this is a problem of some seriousness. It is compounded by the Laekjargata itself, which seems to cut off the northern side of the street from the mall.

With new functions such as those above, however, this area could be given a sense of life which could make the use of part of the space as a Visitor Center possible. The creation of courtyards between the larger buildings facing Laekjargata and the lower buildings along Skolastraeti could help create the kind of ambiance desirable for a tourist information area. The ground floor of the lower buildings could be devoted partly to shops and partly to display spaces and information areas such as those described in detail as related to the Austurstraeti development. This easily accessible space which opens directly onto the courtyards would be preferable to simply limiting the tourist center to the old building which housed the Iceland Tourist Bureau. Although the return of the Iceland Tourist Bureau to new quarters within their old buildings seems desirable, additional space should be acquired which would be a part of the traffic which will naturally be generated by the new functions mentioned above. This space will no doubt be more modest in size, but could still provide adequate area for information desks, audio-visual and graphic displays, directories, craft displays, and regional information booths.

The most attractive aspect of development in this area is that it is a realistic scheme which could fit the Visitor Center into existing plans for development rather than wait for private development of property along the Austurstraeti plaza. The saving of these old buildings and the open space in front of them is in itself advisable, without reference to tourism. If at the same time tourism could benefit, it is certainly advisable to begin in this location rather than wait an indefinite period for a more nearly ideal location for the Visitor Center.

The difficulties involved with this site and possible solutions are enumerated below.

1. The main problem with this alternate location is its sense of a "backwater," removed from the busier areas on Austurstraeti and Bankastraeti. It may be argued, however, that the reason the area around these old buildings seems so lifeless is exactly because the buildings are empty and disused. With the introduction of shops, a theatre, and tourist facilities, the area would come to life as part of the city center. As it is, the broad green bank and the disused buildings seem to separate the more active areas along Bankastraeti and Austurstraeti from each other. It is our recommendation that if the Visitor Center functions are to be integrated into these older buildings, the strongest possible visual tie should be established across Laekjargata to visually connect this area with the Austurstraeti plaza. This will be particularly important if Bankastraeti is dead-ended before it reaches Laekjargata. This closing of Bankastraeti is discussed further below.

The visual tie across Laekjargata would best be accomplished by the suggestion of an extension of the Austurstraeti plaza across Laekjargata. The actual paving materials could be extended to create another paved plaza at the corner of Bankastraeti and Laekjargata, across Bankastraeti from Government House. This new paved area would not have to disrupt the sweep of the open space along this side of Laekjargata. This tie between the existing plaza and these older buildings could be accentuated by shared elements such as low planting, kiosks, flagpoles, or other elements which would help tie the two sides of the street together. If the Visitor Center is to be integrated into the development of these older buildings, it is important that there be easy access, and equally important that tourists (and local shoppers and strollers) be attracted to the area, rather than force visitors to specifically seek out the tourist facilities. It would also be important to make the paths along the front of these buildings more ample, creating a sense of a "promenade" on the higher part of the embankment overlooking Laekjargata.

2. The Reykjavik planning authorities have proposed that Bankastraeti be turned into a dead-end street, so that it will

no longer intersect Laekjargata. This gives the opportunity of using the space where this street intersection once occurred as a further development of the new plaza mentioned above, combined with ample steps leading up from the Laekjargata street level to the level of the termination of Bankastraeti. Thus Bankastraeti would terminate in a plaza which would tie both to the Austurstraeti plaza across the street and to the new development of the renovated structures along Laekjargata. The relationship between the existing Austurstraeti plaza, the termination of Bankastraeti, and the development along Laekjargata deserves detailed study to resolve the issues raised here.

3. The possibility of a pedestrian bridge across Laekjargata at this place has been proposed. We have significant reservations about the effectiveness of this as a real pedestrian link across this street. More often than not, bridges such as this become a visual barrier, and in addition, are not often used by people afoot, it being easier simply to run across the street as usual. Placing barriers along the street to force people to use the bridge of course ends up defeating the purpose stated above, which is to encourage a pedestrian connection across Laekjargata. This bridge may be necessary for other reasons, but we doubt that it will help pedestrians, especially visitors, to see this area across Laekjargata as an important and viable part of the city center.

Our recommendations regarding this alternate location for the Visitor Center may be summarized as follows:

1. Although the Austurstraeti mall location remains the ideal location for the Visitor Center, this alternate location is a viable option, particularly since development here would not have to wait an indefinite period for private owners to develop land.
2. The most critical issues in the use of this space will be to establish here a sense of life and vitality, to tie it visually to the Austurstraeti plaza, and to establish easy pedestrian access from both Laekjargata and Bankastraeti.

3. The integration of the functions of the Visitor Center into the courtyards and other easily accessible spaces is to be preferred to limiting the tourist facilities to one separate building.

B. Program

Regardless of which concept of the Visitor Center is selected, the working space of the center will be divided between a number of small kiosks on the pedestrian mall and an information center located at one end of the mall or the other.

Activities at the information center will be of a general sort, relating to tourism in Iceland in its broadest terms. Thus, it will be the logical starting point for those with little familiarity about the country, the best ways of getting around and what to see in each area. Aside from the more traditional materials like maps, brochures and the like, the information center would present, throughout the day a short film on all the variety of sights and experiences that await the visitor in Iceland. Experienced personnel will, of course, be available to answer visitors' questions; in this respect, it is expected that the visitor information activities now undertaken by the Iceland Tourist Bureau can be assumed by the new information center, leaving ITB staff free to concentrate on its true purpose -- the promotion of travel to Iceland. Book Five discusses the organization of tourism in greater detail.

If the information center is the place to learn about Iceland and decide what to do and see, the individual kiosks on the mall are the places to make specific arrangements for doing both. It is anticipated that these spaces will be reserved for use by the several "special interest" groups that stand to gain from travel in Iceland. Thus, for example, the hotels in Reykjavik might staff a kiosk that would provide information on that city's accommodations, rates and so forth. Another kiosk might be for Iceland's private travel bureaus, a third manned by a representative of a particular geographical region of Iceland that is actively seeking to increase its tourist visitation (e. g., Akureyri and the Eastern fjords). It is well-known that many districts outside of Reykjavik are interested in increasing their share of tourism; it is equally clear that unless they can first reach visitors in Reykjavik they cannot hope to attract them to their home districts. Taking space at one of the kiosks will be an inexpensive, effective way to do so.

In general, then, the Visitor Center -- information center, plus kiosks on the mall -- will contain displays that give the visitor an overall introduction to the attractions awaiting him in Iceland. Equal emphasis will be given to regional attractions, not just those features near Reykjavik.

The character of the information center should be lively, with material presented as dramatically as possible. A room with racks of folders and brochures will not serve to tempt visitors to explore the country. The material in the center should be presented in several ways:

- Personnel at information booths who would be available to discuss tour possibilities and to suggest itineraries and accommodations for any region in Iceland.
- Audio-visual and graphic displays, designed to dramatize the unique aspects of the Icelandic landscape.
- Examples of Icelandic products, arts and crafts.
- Maps and directories to explain the shops, services, and attractions available nearby in Reykjavik.
- Maps and directories to explain the regional attractions of Iceland to tourists who wish to explore areas beyond the southwest of Iceland.
- Orientation film(s).

1. Mixed Commercial Use Vs. Exclusive Public Service

Discussions with managers of current and proposed visitor centers in the United States (Colonial Williamsburg; Washington, D. C.) have revealed one strongly-held opinion: that the Visitor Center be devoted to service and not overloaded with commercial facilities. Accordingly, the Visitor Center should be operated as a non-profit, educational public service. There is little possibility that it could be self-supporting, even though concessions might contribute substantial revenues. Pressure to provide revenues should not be allowed to distort the purpose of the Center, which is to assist and inform the visitor.

Moreover, it is unrealistic to expect the Center to cater to more than a few prescribed needs of visitors. To broaden its mission much beyond orientation would involve duplication of services already available and make commitments to staff and facilities impractically large. The objective of the Center should be to orient the visitor; to minister to his basic needs for comfort, safety, and convenience; and to assist him to move expeditiously to other areas, or to make contact with other institutions, where his requirements and interests can be satisfied in greater depth. Therefore, the Center should not unnecessarily duplicate services otherwise available and should not contain many facilities which visitors will need but which can conveniently and readily be found nearby (e. g., eating facilities, banks, and other diverse commercial activities).

Based upon the scarcity of public capital funds for construction of an elaborate, commercial-based facility (with its concomitant requirement for substantial parking area to encourage the required level of Icelander consumer spending) and the desire to achieve government participation only insofar as necessary to complement already existent private investment potential, the decision was made to focus attention upon a visitor's facility of limited, but essential, services. An attempt to design a facility and select a location that would be an acceptable compromise between the diverse interests of shopping and public service to visitors would result in a less than optimum facility vis-a-vis each of the specific purposes. Concentration of government effort should be exclusively sought. Private support facilities (restaurants, newsstands, etc.) as well as transportation and the main post office are all nearby.

Operating hours are also critical to the success of the Center. Although the off-season hours can be determined by experimentation and operating experience, the Visitor Center should be open and available to tourists during the peak seasons for approximately 14 hours: 0800 - 2200 or 0900 - 2300. Evening hours will be necessary because many visitors will be unable or unwilling to devote the necessary time during the day to the orienting process. They will, in all probability, prefer to spend evening hours, when many of the visitor attractions are closed, to enrich their knowledge and understanding of the subject matter involved. The Visitor Center should be prepared to cope with this situation and expect that visitors will come to the Center more than once during their stay in Iceland. The various orienting devices should be programmed accordingly. For example, variety and program enrichment might be obtained from illustrated lectures during the evening, when heavier attendance may be expected because of the limited competition for the visitors' time.

IV. FINANCIAL FEASIBILITY

This Section continues the discussion of actual operations begun in Section III by filling in the cost information on construction and operation of the Visitor Center. The following section will discuss financing sources for the capital requirements of the project.

During Phase One, an information center would be established in rented premises on the ground floor of the new commercial building that is planned for the eastern end of the Austurstraeti. In addition, three small kiosk structures would be installed along the existing block-long pedestrian mall, and this space made available for lease to various groups whose interests in promoting specific tourist facilities, attractions, and services would complement the activities of the information center. Such groups might include special interest (e.g., hotels and restaurants) or representatives of outlying areas of Iceland interested in attracting more tourists to their part of the country. These groups would lease the kiosks on an annual basis, although they might in turn sublet their space to local entrepreneurs for use as sales outlets during periods of low tourist traffic but high commercial activity, such as the Christmas season.

Phase Two presupposes the extension of the Austurstraeti mall further, the plans for which are already in existence. In this case, the information center would continue to be housed in rental space, but the number of kiosks available for lease on the mall would be doubled to a total of six, spaced along the entire two-block stretch.

As mentioned above, the analysis here is limited to the short- and intermediate-term goals of the first two phases. It is felt that Phase Three, during which new facilities would be constructed for the information center, should not be costed out at this point. The extremely rapid rate of change in prices in Iceland, and of construction costs in particular, make any long-range costing a most hazardous business. The additional fact that the timing of construction cannot be specified makes it almost impossible to determine future costs of construction and operation. Rather than mislead, this section concentrates on Phases One and Two.

It should also be noted that the construction and operations figures presented here are based on prices prevailing in autumn, 1974, and to some extent these are dependent on the exchange rate obtaining during that time. This means of course that adjustments must be made to bring

the figures up to current values, but this is unavoidable in any planning effort under the kind of rapid price changes and devaluation experienced in Iceland of late.

The following comparison of capital requirements and projected operating results for Phases One and Two is based on the assumption that land and any necessary site improvements, including facilities for parking and the installation of underground utilities, could be provided by the City of Reykjavik at no cost to the Icelandic Government. The City has, through its Tourism Advisory Committee, tentatively planned on a Reykjavik tourist office anyway, which could be incorporated in the proposed Visitor Center at little or no additional cost. It is also assumed that orientation films shown at the information center^{1/} will be selected from Icelandic Airlines or other current inventories^{1/} on a free-loan basis. The production of special films, or any additional site work requirements, would, of course, augment the amount of capital required for both options.

A. Capital Requirements

Exhibit II-2 shows the estimated costs of progressively creating the Visitor Center complex by phasing in each of the developments outlined above. Phase One would require \$90,000 in capital investment. \$50,000 of this total would be used to build the three kiosk structures, and another \$25,000 has been allocated for office furniture and the preparation and installation of display cases and materials in the information center, and other start-up costs.^{2/} The balance has been reserved for

^{1/} Currently available travel films produced for tourist promotion include "Iceland Welcomes You" and "Glacier Adventure" (Icelandic Airlines), "Iceland--The New Land" (Modern Talking Picture Service), and "Viking Odyssey" (Swedish American Line).

^{2/} It is expected that these permanent displays will be supplemented by materials produced by various local groups, including native artists, craftsmen and, school children, and exhibited on a rotating basis. The Government might, in fact, sponsor an annual contest to foster the development of attractive and original exhibit materials focussed on Iceland's natural, man-made, and human resources.

EXHIBIT II-2

REYKJAVIK VISITOR CENTER
CAPITAL REQUIREMENTS

<u>PHASE ONE</u>	
CONSTRUCTION	\$ 50,000
EQUIPMENT	<u>25,000</u>
TOTAL CONSTRUCTION AND FURNISHING COST	\$ 75,000
DESIGN AND SUPERVISION @ 10 percent	7,500
CONTINGENCY @ 10 percent	<u>7,500</u>
TOTAL CAPITAL REQUIRED: PHASE ONE	\$ 90,000
<u>PHASE TWO</u>	
NEW CONSTRUCTION	\$ 50,000
DESIGN AND SUPERVISION @ 10 percent	5,000
CONTINGENCY @ 10 percent	5,000
TOTAL CAPITAL REQUIRED: PHASE TWO	<u>\$ 60,000</u>

Source: The Architects Collaborative and Checchi and Company estimates, 1975.

design and supervision fees (\$7,500) and contingencies (\$7,500), both calculated at ten percent of construction and furnishing cost. Since this first stage envisions the location of general visitor information activities in leased space, no capital outlay will be necessary for that segment of the design program.

Phase Two would require an additional \$60,000 for the construction of three more kiosks, to be installed on the planned second block of the mall. Thus there is only a very small cost involved in moving into the second phase of development, though the decision to do so will be made on the basis of demand by others for space in the Visitor Center Complex.

B. Operating Results

Expected operating results for the Visitor Center Phases One and Two in a typical year are presented in Exhibit II-3. The sole source of revenues under either design alternative is derived from the rental of kiosk space at a monthly rate of \$150 per kiosk. Phase Two, with six kiosks, is expected to generate twice the rental revenue as Phase One.

Both phases would have identical payroll costs of \$46,600. Payroll covers wages and fringe benefits for five year-round personnel of the information center, including a manager at \$9,600 a year, a secretary-bookkeeper at \$7,800, two information clerks at \$7,200, and a maintenance man at \$6,000. It also allows \$8,800 to employ four additional clerks during the four-month summer season (mid-May through mid-September) when the Center would remain open 12 hours a day. Each of these seasonal personnel would receive wages and benefits averaging \$550 per month, and would work a shift of between 40 and 45 hours per week. Personnel costs for the kiosks will be borne by the lessees.

Payroll costs are based on standards prevailing in 1974 in Iceland's hospitality industry. We would like to point out, however, that substantial savings in payroll might be realized by transferring certain employees now working on visitor information activities at the Iceland Tourist Bureau to the new Center.

Other operating expenses for both phases are distributed among utilities, repairs and maintenance, insurance, and supplies. Supply costs include the preparation and printing of special promotional materials, brochures, and maps which are not currently available through other

EXHIBIT II-3

REYKJAVIK VISITOR CENTER
OPERATING STATEMENT

<u>PHASE ONE</u>		
REVENUES		\$ 5,400
EXPENSES		
Payroll	\$46,600	
Utilities	800	
Repairs and Maintenance	1,000	
Supplies	5,000	
Rent	18,000	
Insurance	900	
		<u>72,300</u>
OPERATING PROFIT (LOSS)		(\$ 66,900)
Less Depreciation ^{1/} :		
Construction		
(\$55,000 over 10 years)	5,500	
Equipment		
(\$27,500 over 5 years)	<u>5,500</u>	<u>11,000</u>
PROFIT (LOSS) AFTER DEPRECIATION		(\$ 77,900)
<u>PHASE TWO</u>		
REVENUES		\$ 10,800
EXPENSES		
Payroll	\$46,600	
Utilities	1,200	
Repairs and Maintenance	1,500	
Supplies	5,000	
Rent	18,000	
Insurance	<u>1,800</u>	
OPERATING PROFIT (LOSS)		(\$ 74,100)
Less Depreciation ^{2/} :		
Construction		
(\$60,000 over 10 years)	\$ 6,000	
Plus depreciation carried over from Phase One	<u>11,000</u>	<u>(\$ 17,000)</u>
PROFIT (LOSS) AFTER DEPRECIATION		(\$ 80,300)

^{1/} The base value of each class of assets includes a pro rata share of the design and supervision fees.

^{2/} The base value of new construction includes the design and supervision fees.

Source: Checchi and Company estimates, 1975.

sources. It should be noted that utility, repair, and insurance costs would be somewhat higher under Phase Two. Exhibit IV-2 shows losses after depreciation of \$77,900 and \$80,300 for Phases One and Two respectively, with depreciation charges calculated using the straight-line method over average periods of useful life. These amounts do not include debt service costs, which will vary under alternate financing assumptions.

The design program that is ultimately selected for the Visitor Center complex will probably not depend on operating cost criteria, however. The decision may instead be based on certain physical factors, such as the conversion of the Austurstraeti to a two-block mall and the actual availability of rental space in commercial buildings which are still in the planning stage. It may also be contingent on how much money the Icelandic Government and the City of Reykjavik are willing to invest in the complex.

Although both the capital requirements and the operating losses are modest under both phases, the statements probably overstate the amount of additional expenses the Government of Iceland must undertake. As mentioned above, visitor information personnel currently stationed at the Iceland Tourist Bureau could serve as staff at the new Visitor Center, in fact, this transfer is to be recommended. A government tourist bureau should be, first and foremost, a marketing agent for tourism abroad, leaving to others the job of internal tourist information. In that three full-time information clerks are currently on the Government payroll, the transfer of two of these to the new Visitor Center cuts the amount of new expenses the Government stands to incur by almost \$15,000 and thus trims the operating losses by 33 (under Phase Two) or 25 (Phase One) percent.

It is also arguable that the \$8,800 expenses of hiring summer clerks for the high tourist season (who would probably be students) is one which the Government will incur anyway, since it normally hires large numbers of students for summer jobs. While this saving is not the same as that involved in the transfer of existing personnel, it nevertheless cuts the cash outlay required to operate the Center.

In short, both the capital outlay and funds for operations of the Visitor Center are extremely modest in view of the essential functions it is to perform. Its design conforms perfectly with existing plans for the city, and its location makes it accessible to foreign and local tourists alike. But above all, the management of tourist information in Iceland will for the first time in history have a plan and a program.