

**Phase One Report re:
Redevelopment of the World Trade and Convention Centre Halifax
A Review of Business Prospects and Implications**

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Final

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Phase One Report: Redevelopment of the World Trade and Convention Centre (WTCC)

Report Objectives and Structure:

Objectives:

The primary objective of this review as set out in the terms of reference is to provide a preliminary assessment of the current need and future potential for redevelopment of the WTCC Halifax, specifically;

- To provide an overview of the meetings and convention industry, the roles played by a convention centre and current industry trends;
- To identify potential new business opportunities for Halifax in key meetings markets;
- To assess current limitations and outline the type of facilities that would best respond to this potential, and
- To provide an overview of the range of funding, ownership, management, and supplier models in national and international use today in order to provide a framework for future decision making in this regard.

It is important to note that as a preliminary review, this report has been prepared without the benefit of any primary research and is therefore based entirely on the application of generally available industry information. Estimations contained in the report are solely the judgement of the author, given the available data, and should not be relied on for any detailed business or financial assessments. It is expected that the more detailed research required will be carried out as part of the development of a formal feasibility study and business plan that will comprise the second phase of this process should there appear to be sufficient potential to move forward. It is intended that this preliminary report be largely educational, and designed to create a context for the more detailed assessments that are to follow.

Structure of the report:

In order to respond to the identified objectives the report will be organized into five primary sections:

1. **Industry Overview**, which is intended to provide industry background and a context for a specific assessment of the Halifax opportunity;

2. **Halifax Product Assessment**, which is an analysis of key factors relating to Halifax' competitiveness in the meetings industry;
3. **The Business Opportunity**, which will address the growth potential for Halifax in key market segments;
4. **Implications for Redevelopment**, which addresses the question of how the centre expansion could best address the available business opportunity, and
5. **Alternative Funding, Ownership, Management, and Supplier Models**, which will identify the range of funding and operating models that can be considered by Halifax.

Executive Summary:

Industry Overview:

Industry background has been provided as context for decisions related to redevelopment of the World Trade and Convention Centre Halifax. Elements of this overview include the overall operating environment, the unique business dynamics of the industry, and economic factors.

Convention centres address three primary roles; an economic role, a business development role and a community enhancement role. While only the first of these has been actively measured, all need to be taken into consideration in order to develop a clear picture of what can and should be achieved through their development and operation and how performance should be measured.

Identification of the criteria clients use to select their event locations, along with an assessment of current market conditions, identify a number of areas where centre design, operations and marketing must respond to rapidly evolving client expectations. These expectations involve not only the centre itself but other elements of the overall convention product as well, including hotels, air access, destination amenities and the location of facilities. There is a range of business opportunity that must be prioritized on the basis of performance expectations in a number of areas, including both revenue generation and the creation of overall economic benefits to the broader community.

Halifax Assessment

An assessment of Halifax's strengths and weaknesses relative to market expectations and other Canadian centres indicates there a number of areas that both strengthen and inhibit its market potential:

- **Strengths** include destination appeal and recognition, its position relative to the typical rotation of national events, good air access and proximities to markets, the existence of a compact "precinct" containing many elements of the delegate activity package and the existence of educational and research institutions that may be expected to attract related meetings and conventions activity.
- **Weaknesses** relate largely to the fact that after 25 years of operation, convention facilities at the WTCC are now incompatible with current market expectations, and limit not only current business but also operating efficiencies and the potential to address new market opportunities. These deficiencies cannot be dealt with in the existing centre due to structural constraints. Other factors include seasonality and the availability of convention quality hotel accommodation during key event periods.

- Redevelopment of the WTCC would create **opportunities** to both increase competitiveness and expand business potential by responding to the most current market expectations. At the same time, it would create the ability to redress deficiencies in current facilities which are limiting use and creating operating inefficiencies that reduce utilization and profitability and complement other aspirations for the Municipality and Province in terms of advancing Halifax as a commercial centre, promoting overall economic development, further developing the hospitality industry and enhancing community development.
- **Threats** include a reduced ability to compete for convention business, with related impacts on hotel development, the broader economic aspirations of the community and destination profile.

The Business Opportunity:

An assessment of current WTCC business demonstrates that maintaining and enhancing convention centre performance requires a balance between various markets in order to achieve both revenue generation and the creation of overall economic benefits. An evaluation of each of the primary market segments – local/regional, Canadian, U.S. and international – indicates that there is reason to believe that there is significant growth potential for Halifax in most of the key meetings and conventions markets in which they are engaged for very specific and identifiable reasons. In summary, a redeveloped WTCC could expect good business growth potential from three of their four major markets (local / regional, Canadian and international) segments for clearly defined reasons, with less immediate potential from the fourth (U.S. market). However, this is a qualitative assessment which would need to be confirmed and quantified in a more detail business analysis as part of business plan development.

This conclusion is supported by Lost Business Reports that document 61 events representing almost 46,000 delegates, 87,000 room nights of accommodation and some \$6.5 million in direct revenue which were lost due to insufficient space and availability over the course of a 20 month period ending February 28, 2009. It can be assumed that these numbers underestimate total business potential as WTCC capacities are already well known in much of the market, which means many pieces of potential business would not have initiated contact in the first place.

Implications for Redevelopment:

There is sufficient understanding of the trends underway in today's market, particularly as these affect Canadian centres, to provide a good framework for how a new facility should be configured to maximize business potential. This would create a basis for the assessment of any specific proposals that may arise with respect to centre development.

A number of key industry trends are identified which have implications for the design of the redevelopment in such a way as to generate a highly competitive facility. These

include space flexibility and divisibility, increased numbers of breakout rooms, quality and volume of spaces, the inclusion of distinctive and “iconic” features, sustainability, the incorporation of expansion potential and a number of site factors. The required combination of function spaces is identified to provide a basis for size calculation. Of particular importance is the ability to accommodate multiple, simultaneous events in order to address a broader range of the available market and increase overall availability in the prime seasons for conventions.

A preliminary estimate based on the apparent business opportunity and comparisons with other Canadian centres suggests that a facility designed to accommodate 1800-2,000 delegates and configured to be able to efficiently manage multiple, simultaneous events would be justified. In general terms this would roughly equate to a facility of between 150,000 and 170,000 square feet of rentable function space comprising a combination of exhibition / multi-purpose space and meeting, ballroom and pre-function spaces. This would in turn suggest a minimum overall building size of some 300-340,000 gross sf, assuming a 50/50 net/gross space ratio which is again typical.

Because convention centre construction costs are highly variable, depending on factors which include not only site conditions and development constraints but also the relationship with adjacent buildings and city infrastructure and the local construction cost environment, cost estimates should only be undertaken in the context of a specific design program and location. However, recent costs in North America have been in the range of \$400 - \$500 CDN per square foot for a typical combination of spaces, which suggests a very rough estimate between \$120 and \$170 million CDN for construction of a 300,000 – 340,000 sf facility, exclusive of design, furnishings and equipment costs.

Alternative Funding, Management, Governance and Supplier Models:

While the full spectrum of ownership, management and governance models is outlined for both Canadian and international convention facilities, by far the most common model is public ownership with management and operation via a single-purpose corporation reporting directly to the government owner. Operating funding arrangements, while somewhat more varied, are again typically a combination of operating revenues and ongoing government investment on the basis that they are the primary recipients of the incremental economic benefits through related tax revenues. Incorporation of other revenue generators (i.e., parking, retail facilities) into the program is a good and regularly used mechanism for enhancing the operating equation and minimizing ongoing operational deficits.

Overall, these conclusions strongly indicate that there is good reason to expect that there is sufficient business potential to justify a more detailed and rigorous assessment in the form of a formal business plan. This plan would create and quantify realistic business projections, which would in turn lead to specific facility specifications, performance targets and financial projections. A parallel process should address the optimal management and funding arrangements for such a redevelopment in order to ensure its ongoing success in the market.

Responding to Two Key Questions:

In order to provide a rationale for redevelopment of the WTCC it is important to address two key questions as part of the introduction to this report. These are: first, why is redevelopment required and secondly, if now is an appropriate time to consider redevelopment given current economic conditions. While both are complex questions that must be addressed in greater detail through development of a formal business plan, the following are preliminary responses;

Why Redevelopment?

Because of the major economic and community benefits that are at stake, today's convention market is a highly competitive one, where only those who can effectively address the demands of event organizers can compete effectively. The majority of convention centres in Canada have responded to this challenge with expansions and/or extensive renovations that better align their facilities with growing and changing client expectations.

As a facility that has remained essentially unchanged in the 25 years since it was built, the WTCC has now fallen below the level that is required to meet these expectations. Redevelopment of the Centre is therefore required for two reasons;

- First, it would redress deficiencies in the current facility which have made it less marketable, and which could not be addressed in the existing building due to structural constraints;
- Secondly, it would create an opportunity to pursue a much broader business opportunity by delivering the size and configuration of facilities required to respond to today's market expectations.

Why Now?

Given current economic concerns, and the impacts that all sectors will feel until recession leads to recovery, the question may arise as to why this is an appropriate time for such a project. There are three factors that respond to this question;

- First, most conventions have a lengthy business cycle, meaning that they are typically booked far ahead of when they actually take place. At the same time, they are generally core functions of the organizations that hold them, and highly unlikely to cancel. For these reasons, they comprise a stable, long term form of business that often "bridges" recessionary periods by virtue of their lead time.
- Secondly, the kinds of activities which take place in a centre actually support economic recovery by addressing such areas as professional development, business and investment promotion, research and product development.

- At the same time, a reduction in construction costs associated with the current economy can make it a much more attractive time to build,

Taken together, these factors suggest that such a project could take advantage of lower construction costs while at the same time creating facilities which would be ready in time to both support and take advantage of a future economic recovery.

Industry Overview:

The Operating Environment:

The global Meetings Industry – which incorporates a wide range of events including such activities as conventions, exhibitions, corporate meetings, consumer shows and special events – is a multi-billion dollar worldwide enterprise. As a source of not only direct economic benefits arising from the spending of delegates and event organizers but additional community benefits such as destination profile, trade and investment, product showcasing and professional development opportunities, this business is highly sought after and communities throughout the world compete aggressively for it.

As noted above, due to the mobility of meetings, conventions and exhibitions, convention centres operate within a demanding, competitive environment with globally recognized expectations. To succeed, centres need to meet the expectations of their clients, who are indifferent to whatever government policies or procedures may be in effect in a particular location.

However, the overwhelming majority of convention centres are publicly owned. The reason for this is that event organizers expect major concessions in recognition of the significant economic benefits they generate, and as a result the rate structure in the industry is based on the assumption that centres operate essentially as “loss leaders” for the broader economic benefits they generate in the host community. Because governments are in the best position to capture a portion of these via incremental tax revenues, they are typically the investors who build and operate centres.

For this reason, centres often find themselves having to address industry standards and expectations while simultaneously responding to unrelated government agendas and policies. The result can be a loss of competitiveness in the Meetings market which in turn reduces the resulting economic and community benefits.

The key to developing the most effective governance and operating framework for a convention centre is therefore in recognizing that the success of a centre – and its resulting ability to maximize economic benefit - is a product of meeting industry standards rather than government policy.

Roles of a Convention Centre:

A Convention Centre is a primary mechanism for a destination to address and promote its economic development role. It is important to clarify community and owner expectations in this regard in order to develop not only performance measures for the centre but also the physical design of the building and even marketing priorities.

The roles served by a convention centre may be divided into three areas:

1. An **economic role** which relates to the generation of revenues and consequent economic impacts in the community via event organizer and delegate spending. This area is addressed by:

- Generating revenue from the provision of space, and services to event organizers
 - Attracting incremental spending by delegates and exhibitors who participate in these events
 - Supporting local jobs, not just directly in the centre, but amongst the many different suppliers who provide a wide variety of services and supplies to both the delegates and event organizers utilizing the centre
 - Promoting incremental visits beyond those associated with tourism, sporting events and business activity thereby effecting better utilization of hospitality infrastructure
 - Extending the seasonality of visits beyond what is typically associated with leisure tourism
 - Enhancing local tourism overall by attracting attendees who would be unlikely to visit at all for other (i.e., leisure) purposes, and who may engage in pre and post conference activities, bring accompanying persons, and engage in return visits based on the experience they have as a delegate;
 - Attracting new infrastructure investment such as hotels that need a well rounded visitor season to justify their investment in new facilities and products.
2. A **business development role**, which is the part that centres play in advancing the business, economic development and investment objectives of government owners. This role is addressed by:
- Attracting business audiences that are typically incremental to other types of visitors and more likely to be decision-makers with potential for future business and investment ;
 - Exposing delegates to the destination; its lifestyle and the investment opportunities it offers;
 - Encouraging related private investment in both products (i.e., accommodation) and services (i.e., event related services, restaurants, entertainment, off-site venues) stimulated by business growth at the centre
 - Providing a vehicle for local businesses to attract national and international business-related events

- Create a showcase for local products and services by virtue of a local programming component that usually accompanies an event, and
 - Generally building the profile of the community through promotions associated with the event as well as the on-site exposure created.
3. A **community enhancement role** in which specific community benefits arise from the existence of the centre and the activities it attracts to the community. Factors in this regard include;
- Creating facilities that support the activities of local business, professional and academic communities by enabling them to host national and international events related to their areas of activity and attract attention to their own accomplishments;
 - Providing access for local professionals to the global knowledge and expertise that accompanies these events ((for example, in the health and medical areas) which can contribute to the well being of the overall community;
 - Providing a high quality venue, whose operations are funded largely by out-of-province revenues but is which is then available for community events and celebrations and to enable the growth of local trade and consumer shows;
 - Creating a major source of non-resident based tax revenues which can be used to enhance local and community services over what would otherwise be possible.

Business Dynamics:

Convention centres operate in a business area that has its own distinct dynamics, sales processes, decision factors and economics. Among the features that distinguish this sector are:

- It is a business-to-business enterprise which targets very specific client groups whose needs and event characteristics are well known. It is not a consumer driven sector as compared with tourism.
- Revenues from convention delegates are generally much higher than those associated with visitor spending averages.
- The sales process focuses on overall events rather than individual delegates: a single sale can therefore generate thousands of visits.

- Much of this business has a lengthy lead time. Larger events may be booked as far as eight years in advance, and require numerous steps in the sales process from initial decision to final contract and servicing agreement.
- The business is highly competitive, based on the desire of so many destinations to access the wide variety of economic and community benefits that arise from conventions.
- Many conventions are highly mobile and rotate through a wide geographic area. Decisions on where to hold a convention are based largely on business factors that are fundamentally different from other visitor groups.
- Many meetings and conventions are attracted into the community via local residents who have affiliations with national and international organizations. Community relations are thus an important element of the marketing process.

Industry Economics:

These unique business characteristics are reflected in the economics of the industry. Because event planners are well aware of the major economic benefits their events bring to a city, pricing levels for centres are extremely competitive with convention centres typically operated as “loss leaders” for attracting these benefits rather than maximizing facility revenues. If a centre is overpriced it will not be competitive and the result will be the loss of events with economic generation potential.

As a result, owners typically develop mechanisms to “capture” a portion of the overall economic benefit generated by events taking place in convention centres as a way of subsidizing concessions required to attract business. The most frequently used mechanisms are:

- Direct government subsidies, based on the incremental tax revenues generated by events hosted at the centre;
- A dedicated tax stream generated from business sectors (i.e., hotels) that benefit directly from convention centre activities, or
- Applying ancillary revenue generation streams to the centre which allows it to become self-financing. The most typical of these are parking revenues, retail-lease revenues, food and beverage revenues and, in some cases, casino generated revenues.

Today's Market Environment:

More than ever, decisions relating to the development, redevelopment and/or marketing of a convention centre must take into account the rapidly evolving demands and expectations of the market. To ignore these is to risk creating facilities which are less functional and competitive than is required to address today's highly competitive market.

How planners make their decisions:

Any specific product which is being offered in the market must respond to the priorities clients apply to a destination and venue in making their selection. A particular destination can then simply rate itself against these criteria in order to establish how competitive it will be in attracting such business.

The factors which have consistently emerged in numerous studies (most recently the Metropoll survey of North American convention planners) are, in order of priority, as follows:

- Food and lodging costs in the destination
- Access and cost, particularly where air access is the key factor
- The supply, quality, availability and proximity of hotel accommodation
- The attractiveness to delegates of the city itself, key factors being cleanliness, overall attractiveness, perceived popularity and availability of amenities such as restaurants, entertainment and visitor attractions
- The perceived security of the city and venue and associated perceptions of public safety and crime levels
- The perception of a supportive destination where delegates will feel welcomed
- An attractive convention centre with the combination of spaces required to meet program requirements
- Interesting and attractive local venues for off-site program activities, and
- The local climate and the extent to which this may constrain event activities

This list assumes the availability of other elements of the meetings "package" which must also be available, either through the centre itself or via local suppliers. These services typically include such elements as local transportation, meeting planner services, equipment and technology supply (particularly audio visual, lighting and sound).

In terms of facility spaces, the availability of dedicated exhibition spaces is a critical factor for both corporate and association clients; in the case of the former, as a way to deliver the product component of their events and of the latter, because exhibitor revenue is typically one of the most important revenue sources for the organization as a whole.

Current market trends relevant to Canadian centres:

As a framework for reviewing these changes, it is worth noting that any convention centre which is pursuing business which rotates through a number of centres (i.e., regional, national or international business) must address market expectations that are increasingly becoming international in scope. These expectations are defined by how well a facility can deliver the combination and quality of services and facilities that collectively make up the package required for the conduct of an event. Understanding them is the basis for assessing how well a particular destination or facility can compete in the market.

- Meetings, conventions and exhibitions have continued to be seen as a **primary mechanism for professional development and business exchanges**. It is also very resilient, as indicated in the results of industry surveys in 2003/2004 which showed that meetings and convention-related travel led the recovery from the economic downturn following 9/11.
- There has been a **significant increase in supply**, with both new and expanded facilities entering the market. This in turn has resulted in increased competition for available business. Given the choices now available, only facilities and destinations with a fully competitive product can prevail in the market.
- As in many other sectors, there has been a **rapid growth in the importance of technology and connectivity**. However, this appears to be enhancing rather than challenging face to face meetings, which are seen as increasingly important vehicles for building networks and validating relationships and information obtained through other means (i.e., the Internet).
- As noted above, there has been a **growing importance of international standards for facilities and services**, partly due to event rotation but also due to the fact that increasingly busy event planners don't have the time to independently confirm the quality and availability of program requirements. For this reason, industry standards like the Quality Standards program of the International Association of Convention Centres (AIPC) have become an important way for centres to distinguish themselves.
- There has been an increasing emphasis on the professional / educational **qualities of a destination** due to a new importance being placed on the "serious" nature of business events like conventions. This originated largely with

the implementation of “pharma codes”, which were regulations relating to interactions between medical associations (and their meetings) and the pharmaceutical industry, and which effectively disqualified “leisure or luxury” destinations as medical convention locations, but has now permeated the thinking of many other professional and business organizations concerned about their image.

- **Increasing attraction of smaller destinations:** In the face of increasingly experienced delegates and growing budget issues, many organizations are increasingly looking to smaller cities as their meeting destinations. There are a number of reasons for this, including:
 - Cost structures are generally lower in smaller destinations for both planners and delegates
 - There are often fewer traffic issues and greater ease of moving delegates about
 - Many delegates have visited major cities numerous times and are looking for a “new” experience
 - There is often a friendlier atmosphere than would be the case in a larger destination where the benefits of increased visitor spending are less obvious.
- **Shorter decision times:** Budgetary uncertainties, combined with increased outsourcing and growing competition amongst destinations has created a situation where many organizations have significantly reduced their contracting times over what was typically the case even five years ago. The result has been a “compression” of booking periods typically associated with booking policies which generally distinguish different business priorities on the basis of how far into the future they are allowed to confirm. While there is a tendency to want to wait as long as possible for higher priority business, this is becoming increasingly difficult while still providing a reasonable booking window for lower priority (but often valuable revenue generating) business
- **Growing hotel issues:** In many destinations, the traditional “room block” and the measurements associated with it are increasingly challenged as a mechanism for confirming and documenting meetings and convention related accommodation, for several reasons;
 - Many hotels are reluctant to offer attractive rates far in advance of an event when market conditions at that time are still unknown
 - Delegates are often booking “outside the block” as they are able to postpone decisions and often take advantage of better rates available through online brokers or even hotel web sites themselves

- Given these conditions, planners are increasingly reluctant to take on responsibility for the costs associated with attrition in the room block
 - Measurement of event-related accommodation are becoming increasingly difficult given that many delegates are “outside the block” and thus not immediately identifiable as delegates
- The outsourcing of the meeting planner function which accelerated in the economic downturn of 2001 has resulted in a new **concentration of buying power in a small number of companies** who perform this function under contract to an association or corporation. The result is in some ways a more efficient selling process but has changed the role of the ongoing personal relationships that used to play a much greater role in selling a convention venue, and added to the responsibilities of sales staff.
- There is an **increasing reluctance by many (particularly larger and more mobile) event organizers to pay for convention space** on the basis that they make a major contribution to the local economy by way of delegate and exhibitor spending and expect recognition for this in the form of rent relief and other considerations. This situation has been exacerbated by high level of competition but is really a factor only for events that have broader rotations and is not as much of a factor with local or regionally based events.
- **International travel has become more challenging and expensive** in the face of increasing fare costs, heightened security measures and growing concerns about the “carbon footprint” associated with long distance air travel. This factor will become more important as growing economic pressures combine with existing concerns, and is already resulting in a re-examination of the role of smaller regional meetings in place of larger international gatherings.
- **Changing client expectations driving new space requirements:** Changes in meeting formats have influenced client expectations for required spaces. While this is outlined in more detail below, key trends include;
 - An expectation of better quality finishes for banquet and other social areas, in order to create a more luxurious environment rather than the “utilitarian” feel that was characteristic of centres a decade ago;
 - A higher proportion of breakout rooms to accommodate specialized sessions, particularly in the medical and scientific fields;
 - The incorporation of multi-purpose spaces that can be used to accommodate a wider range of program requirements, many of which vary from event to event and are difficult to anticipate;
 - An increase in the proportion of breakout space
 - A greater need for space flexibility to accommodate more varied programs
- **Convergence of convention and exhibition functions:** As facilities of all types seek new revenue sources, many specialized facilities are incorporating spaces

which allow them to broaden their market appeal. As noted in a recent UFI (the Global Association of the Exhibition Industry) study, the result is that many convention centres are adding exhibition space at the same time as formerly dedicated exhibition centres are adding meeting rooms. The result is a convergence such that in many areas what were formerly complementary facilities are becoming competitors.

Challenges and Opportunities:

Current overall **challenges** for Canadian centres include:

- A relatively low profile for Canadian centres generally as a result of little investment in the meetings market awareness;
- Continuing disincentives for US meeting planners, including US passport requirements, confusion re: Canadian GST rebate policies for planners and delegates;
- Intense competition from US centres, many of which are offering space for free and / or other incentives
- Proximity to the US in a time when few Americans are engaging in international travel

Current overall market **advantages** for Canadian centres include:

- Perception of Canada as a “safe” alternative to many other parts of the world
- Continuing difficulties experienced by international delegates in accessing the US due to visa restrictions driving business on an international rotation into Canada
- A shift of exchange rates to a more favourable position for US planners and delegates
- Perception of Canada as a “green” destination in a time of increased concerns re: sustainability

All of these factors have important implications for the design, development and marketing of convention centres in Canada.

What Types of Business are Available?

The typical business mix for a convention centre is a combination of

- Conventions, which are typically association based and require a full complement of event spaces, including meeting, plenary and exhibition spaces as well as provision for food and beverage functions;
- Corporate meetings / events, which can be as simple as a regional sales meeting but can also require a similar combination as do conventions (i.e., for a product launch or incentive event);

- Trade / consumer shows, which primarily utilize exhibition space but are increasingly demanding adjacent meeting space in order to support an educational / seminar component;
- Training / educational seminars, which may be either corporate (i.e., product training), professional (i.e., medical seminars); commercial (i.e., motivational seminars) and typically require only meeting space and
- Special events, which is a broad category that can include community meetings, banquet functions, political gatherings etc. and typically require only meeting space.

Setting business priorities:

Centre management generally establishes business priorities based on a number of variables and use a booking policy to manage this. The booking policy gives priority to different event types, generally by assigning booking “windows” that are available to high priority business before committing to lower priority events. The variables most often used to develop the booking policy are based on a balance amongst a number of factors including;

- Achieving bottom line revenue for the owner (favours local and trade / consumer show business)
- Generating overnight stays (favours non-resident based events such as conventions)
- Supporting an economic / business development agenda (favours corporate or association events that align with community aspirations)
- Accommodating community uses (recognizes members of the community as “shareholders” in the facility)

Halifax Product Assessment

Canadian Context:

While the World Trade and Convention Centre Halifax operates within a number of distinct markets, a comparison with other Canadian centres is useful in creating some context. Key features of the current Canadian convention centre product are as follows;

- There is a broad spectrum of meeting product in Canada ranging from conference spaces attached to hotels, universities and private institutions to large facilities combining meeting and exhibition space. WTCC Halifax would most appropriately belong to the category of major convention centres, which are characterized by the following features;
 - Stand-alone, purpose built facility
 - Designed to accommodate a wide range of meetings, conventions, exhibitions and special events;
 - Most typically owned by a level of government with the primary purpose of generating economic benefits based on incremental spending by event organizers and delegates.
- There are currently some 20 Canadian centres which meet this definition located in British Columbia (Victoria, Vancouver, Penticton, Prince George, Nanaimo and Whistler); Alberta (Calgary and Edmonton); Saskatchewan (Saskatoon); Manitoba (Winnipeg); Ontario (Toronto, London, Ottawa, Hamilton); Quebec (Montreal and Quebec City) and Nova Scotia (Halifax). The vast majority (17) of these are operated by an agency of the government owner.
- Major expansions and / or renovations are either currently underway or have recently taken place in 13 of these centres. In addition, there is now a new centre underdevelopment in Niagara Falls and a feasibility study underway for a centre in Saint John New Brunswick.

Competitive Set:

Beyond the overall context created by other centres in Canada, WTCC has benchmarked itself against three Canadian centres / destinations as those with who it is typically competing for business and who represent a reasonable comparison for with respect to business capabilities. These are the Ottawa Congress Centre, the Victoria Conference Centre and the Centre des Congrès de Québec.

The Victoria Congress Centre offers:

- 73,000 sf function space
- Largest non-exhibit space: 25,000 sf
- 16 breakout rooms
- 400 seat theatre
- 3,000 adjacent hotel rooms
- Recent / planned enhancements: VCC recently added 33,000 sf of function space in an expansion that incorporated a restored heritage building (the Crystal Gardens)

The Ottawa Congress Centre offers:

- 85,000 sf function space (becoming 192,000 sf)
- Largest non-exhibit space: 43,000 sf (becoming 56,000 sf)
- 17 breakout rooms (becoming 30)
- 6,000 adjacent hotel rooms
- Recent / planned enhancements: The Ottawa Congress Centre is now in transition with a major new redevelopment that will increase space to 192,000 sf with a 56,000 sf multipurpose space, a 14,500 sf ballroom and 30 breakout rooms.

Centre des Congrès de Québec offers:

- 228,000 sf function space
- Largest meeting space: 34,500 sf
- 36 break out rooms
- 2,000 adjacent hotel rooms
- Recent / planned enhancements: The Centre is currently exploring the incorporation of a new level of space formerly occupied by a retail area below existing conference facilities.

By way of comparison, the **World Trade and Convention Centre offers:**

- 55,000 sf function space, of which 18,244 is considered marginal use
- Largest meeting space: 20,000 sf
- 23 break out rooms
- 2570 adjacent hotel rooms
- No significant expansion since 1984

These comparisons provide some clear indications in two areas; both where Halifax needs to improve its facilities in order to increase its competitiveness and how it can distinguish itself by moving ahead of the competition. Points in this regard include;

- All centres in the competitive set either have or are in the process of carrying out major facility enhancements which will increase their competitiveness;

- All are larger in size than the WTCC, particularly in terms of space that is fully functional, and will end up significantly larger once expansions are complete.
- All have a major multi-function space in accordance with this developing expectation by clients
- All but the VCC have dedicated exhibition space
- While “adjacent” hotel numbers are interpreted inconsistently, it would still appear that WTCC is in a similar but low area of the range for all but Ottawa.

These characteristics can be compared with the WTCC situation as outlined below.

Halifax as a Meetings Destination: SWOT analysis:

Any estimates of potential incremental business growth must be based on a realistic assessment of the challenges and advantages Halifax and the WTCC face as a meetings destination and facility. Amongst these are;

Strengths:

Appeal as a meetings destination:

Halifax has an established appeal as a meetings destination amongst many key client and potential client groups. In a series of focus groups conducted in 2005 with meeting planners representing a variety of (largely Canadian) organizations, 3/4 of which had held meetings in Halifax, Decima Research Inc. identified a considerable list of strengths as against a relatively small list of weaknesses (see below). The weaknesses were primarily associated with factors which are addressed in this report (need for expanded and upgraded meeting facilities and accommodation).

Destination recognition:

Halifax has greater name recognition than might have been expected due to both historic events and more recent events (i.e. 9/11) that have brought its name forward around the world. This recognition has distinct value, particularly in the absence of any high level of meetings-related profile at a national level, as it helps build confidence amongst meeting organizers that the destination will be recognized by potential delegates.

Local attractions and off-site venues:

Given that at least part of most convention programs provide for an off-site element that utilizes local attractions and facilities, the availability of such facilities is an important attribute for a destination. Halifax offers a good range of these, including Pier 21, the Citadel Fortress, the Maritime Museum of the Atlantic and the Cunard Centre, all of which can be utilized for events that could accommodate convention delegates.

Compact “precinct”:

Halifax offers a “precinct” in terms of an assembly of a wide variety of amenities and attractions of interest to delegates within a compact area surrounding both existing and proposed centre locations, and its adjacency to the waterfront area which delivers a further range of delegate attractions.

Rotational Position:

Many Canadian associations and corporations engaged in regional activities manage meetings on a rotational basis that enables members / affiliates in various parts of the country to easily access at least some of the events and includes country-wide representation in their program. As one of Canada’s easternmost major cities, Halifax has a natural position for an Atlantic rotation which would very likely be taken up to a greater extent by planners should the available facilities become more appropriate to their needs.

Proximity to Europe:

At the same time, Halifax is one of the most proximate destinations for inbound European traffic, and in fact there are direct flights from various European cities. This creates direct and convenient access for either international events or Canadian events which have a component of interest to European delegates by offering a relatively short travel time and direct connections.

Air access:

Overall, Halifax is well served in terms of air access, which is a critical factor for event planners. By the summer of 2009, it is currently projected that the city will be served with direct flights from 21 Canadian cities, 8 U.S. cities and 8 international destinations via some 15 different airlines. While the majority of the international service is summer schedule, this nonetheless corresponds to one of the strongest seasons for meetings and conventions.

A significant proportion of the airports served, including those such as London Heathrow, Frankfurt, Chicago, Atlanta and Toronto are major hubs with connecting flights to many other Canadian, U.S. and International destinations.

As it has been estimated that Halifax Stanfield International Airport can handle approximately 5 million passengers annually as against 3.5 million currently using these facilities, there is also clearly room for further traffic expansion.

Higher education / research institutions:

The presence of numerous universities and research institutions in Nova Scotia is a major and reciprocal benefit for convention business. Academics in a variety of fields have connections with numerous groups that represent both professions and a wide variety of research areas, and this can be utilized to advantage by those marketing the city as a meetings destination. On the other hand, the availability of good meeting facilities and related services provides an opportunity for various departments to avail themselves of the opportunity to attract and host events that will enable them to interact with other in their discipline, showcase their own work and build global profile for the institution. However, this synergy depends on having the kinds and configuration of spaces that meet current standards, given the ability of groups to select destinations on a global basis.

Weaknesses:

Convention facilities: As indicated in other sections of this report, the development of new and expanded convention centre products, not only in Canada but even more extensively in the US and internationally, has resulted in a highly competitive market situation where only those centres with attractive, functional space can compete for the full market opportunity. As also mentioned, this situation has also served to “raise the bar” in terms of client and delegate expectations. Against this kind of market, the current state of WTCC facilities is a major limiting factor to increased business development, and influences the prospects for all other elements of the product equation such as hotels and the destination overall. While the WTCC has compensated to some extent for deficiencies with high service levels and creative uses of space, the inherent limitations can only go so far toward addressing the needs of the market.

Amongst the key issues are:

- The centre was built in 1984 and has not been extensively renovated since. Against a backdrop of competing centres, it is dated and does not address many of the new expectations associated with changes in meetings programs as outlined above.
- The configuration of many areas, including the location of pillars which disrupt sight lines and low ceilings, which limit audio visual potential and present a less attractive aspect to participants, create major sales challenges when compared with alternative products offered by competitors. In particular, the

entire lower level has very limited capabilities in this regard which significantly reduces the market potential of what the total facility size would otherwise suggest by effectively removing 13,000 SF of function space from use in a typical convention program.

- There is no dedicated exhibition space, which is a major limitation in a market where the exhibition component is a key financial and program component of a convention. The choices available under these conditions are to either use finished spaces (i.e., ballroom) as exhibit space or utilize the adjacent arena (Halifax Metro Centre) when it is available, neither of which presents an attractive option for either the operator or the client;
 - In the case of the client, it means that using meeting spaces for exhibition space may either reduce other availability of that space for other program requirements or require the use of the arena, which is below industry standards, may not be available and is removed from the normal flow of delegate traffic (reducing its value to exhibitors).
 - In the case of the operator, it adds potentially insurmountable scheduling conflicts (with consequent loss of potential business); results in heavy wear in space not intended for exhibit use (i.e., carpeted areas) or requires costly conversions for different uses.
- Breakout rooms, which are an increasingly critical component of today's convention programs, are again limited in a number of respects;
 - They are limited in number compared with what is typically required to meet the needs of most national and international events
 - They are almost entirely configured with air walls, which makes them less attractive and prone to sound "leakage" compared with fixed structures
 - They have low ceiling heights (7.5 feet), which impacts both their attractiveness and their utility (low ceilings impact sight lines for presentations)
 - They are arranged in a "linear" configuration around the ballroom area which limits the ways in which they can be assembled for larger groups. Specifically, most can only be arranged as extensions in length, which creates long, narrow spaces which are again less than ideal for meeting purposes, particularly when combined with low ceilings.
- Along with the shortcomings of individual spaces, the proportions of spaces and their relationship to each other create an additional set of problems;

- The only space with good ceiling heights and a potential for creating proportionally attractive spaces is the ballroom. However, multiple uses can only be accommodated by subdividing this space (which creates sound issues and reduces overall event capacity) and/or “flipping” spaces for different uses, adding to the cost and complexity of events.
- Exhibition space is typically located as close as possible to other program functions in order to maximize exposure and thus value. When the Halifax Metro Centre is required to serve this function, access is well removed from all but one block of meeting space, requiring most delegates to move up to a different level, through crash doors and down a corridor and bleachers to achieve this.
- The size and configuration of space presents another issue in the fact that once a relatively small proportion of the total space is occupied, the balance of the space is unusable for any other purpose. The effect of this is that the facility cannot handle multiple, simultaneous events of any real size, meaning that it is underutilized relative to what might be accomplished with better configured space.

The effect of all these issues, in the estimation of WTCC operators, effectively reduces the overall capacity of the centre for a full convention program to between 200 and 300 delegates, which is far below the requirements of many conventions currently on rotation and much less than would be expected from a centre of similar size but a more practical and flexible configuration.

Seasonality:

Most destinations in Canada (and the northern US) have a distinct seasonality that limits their business potential; however, many national, international and US organizations have scheduled their conferences accordingly. The result is a concentration of event activity in a few prime and shoulder periods. However, this also leaves Halifax with a weak season for national / international events which extends from November through April, and must be addressed with local and regional infill business.

Accommodation availability: In comparison with many other Canadian destinations with convention centres, Halifax has a volume of hotel rooms that could at least theoretically support a larger convention centre (19 sf of rentable function space per hotel room vs. a Canadian average of 29 sf of rentable function space per hotel room.). In addition, the ADR (average daily rate) of approximately \$124.00 appears competitive with what would typically be

expected in other Canadian cities for a room block rate. However, there are three issues that may present limiting factors in this regard;

- Hotel occupancies appear very high (averaging between 68 to 73.9% for the five year period 2003-2008). While seasonality was not examined in detail, it is likely that much of this occupancies would be concentrated in what are the peak and shoulder seasons for conventions (May through October).
- Assembly of a room block for a larger event can require the involvement of many different hotels, which is not a positive feature with meeting planners. WTCC staff advise that while a block of some 800 rooms can be assembled from “connected” hotels, assembling a block of 12-1400 rooms requires many more hotels, some well removed from the centre.
- Expectations regarding the quality of hotel accommodation are increasing and there is some question as to whether the entire supply is of a standard to meet these expectations. Any significant variability may reduce the group size that would otherwise be available, as there would be concerns about any significant inconsistencies that might exist between different delegate groups.
- Planners (particularly US planners) are very concerned about limiting the total number of hotels they have to engage to achieve the required room block for their event and typically want to reduce this to a minimum. A combination of relatively small hotel size as compared with many other destinations and high occupancy rates would have the effect of driving the number of hotels needing to be engaged in order to create a block of sufficient size to a level that may be inconsistent with planner requirements.
- Finally, organizers generally like to have at least a part of the total block actually connected to the convention facility itself (and, in fact, prefer to have the majority of the rooms attached). While a number of hotels are linked via underground walkways, the larger properties are well removed from the centre and may not as a result be seen as “connected”.

Limited marketing investment: Compared with the investments made in marketing by others in the WTCC competitive set, Halifax has a relatively low investment for this key area:

- The WTCC budget for event marketing in 2007/ 8 was \$ 538,000, which was significantly lower in absolute terms than the Victoria Conference Centre, the Ottawa Congress Centre and the Quebec City Convention Centre.
- However, while WTCC marketing is supported by the activities of Destination Halifax, it is essentially a “stand alone” facility in the province and does not benefit from any synergy with other facility marketing as is the case with

members of its competitive set, all of whom have other centres with related marketing initiatives in their respective provinces.

- In addition, it does not benefit in any substantial way from promotional investments by the Canadian Tourism Commission, whose activities are largely concentrated in the U.S., which is not a significant market for Halifax.

Opportunities:

- **Take advantage of redevelopment to address current deficiencies:** Renovation and / or expansion of a centre provides more than just an opportunity for growing space. It also provides an opportunity to respond to latest market trends, learning from the mistakes of others, and to compensate for other elements of the product equation which may be missing. The result can be state of the art which increases competitiveness and thus the overall business opportunity. As per above, there are a number of such deficiencies in the existing facility base on changes in the market over the 25 years since the WTCC was built, and most could be addressed in any kind of major redevelopment.
- **Grow and diversify business:** It is clear from the identified limitations associated with the existing centres than facility redevelopment would result in increased business potential. At the same time, the ability to reconfigure space would broaden the appeal of the facility and make it more attractive to a wider range of business. The areas in which this potential would exist are identified below.
- **Respond to industry trends:** The competitiveness of a convention centre in today's market is driven to a large extent by how well it responds to current and anticipated industry needs. By clearly identifying key trends and addressing these in the redevelopment design, the WTCC could create a much more competitive product.
- **Make existing business more profitable:** The current configuration of the WTCC not only limits the overall business opportunity but also its ability to operate efficiently. The need for frequent special "flips", the challenges in adapting spaces to unintended (i.e. exhibition) use and the challenges associated with accommodating the full spectrum of program needs all reduce profitability over what would be the case with a more functional facility.
- **Enhance tourism potential:** Increases in the number and quality of meetings and conventions attracted to Halifax by a redeveloped convention centre will inevitably result in corresponding increases in tourism-related activity, for a number of reasons;

- Delegates are often individuals who would otherwise have no particular reason (or urgency) to visit the city, and therefore represent in many respects a “new pool” of visitors in addition to those attracted for leisure reasons
- Meetings and conventions invariably extend the overall visitor season by adding activity when leisure tourists would be less likely to come
- Meetings and conventions usually attract pre and post conference tourism activity, whether this is formally organized or not. The likelihood of such activity tends to increase with the distance travelled by delegates as they are more likely to want to obtain some personal pleasure having made a longer travel commitment and / or if the destination is a new one for them.
- Many delegates bring accompanying persons who will engage in tourism activities even while the delegate is in event related meetings. This can be enhanced further by developing more formal “accompanying persons” programs that package the local experience. Halifax already has a strong record of performance in this area, with delegate surveys showing a significant complement of accompanying persons over the past several years.
- Meetings participation often generates repeat business when delegates are exposed to destination attributes which they want to experience in more depth and in the company of friends or family. Again, these visits are typically incremental in that they would not have taken place had the delegate not come for the meeting or convention.

Threats:

In many respects, the threats faced in the facility redevelopment issue are the reciprocal of the opportunities;

- **If facilities are not updated, business will pass Halifax by:** Given the intense competition in the market and the volume and quality of product available to meeting planners, a sub-standard product will have increasingly difficulty attracting business. Halifax has already clearly suffered from the lack of fully competitive facilities to date, and this will only increase in the face of renovations and expansions which have or are now taking place in most other Canadian centres.
- **The hotel product may suffer:** Without enhanced convention centre facilities (particularly in terms of its effect in extending the season beyond the tourism period), there may be insufficient rationale to support new hotel investment in Halifax. This would not only impact convention business prospects but also

other sectors such as leisure and business travel which also depend on hotel supply.

- **There could be impacts on other municipality/ provincial aspirations:** To the extent that meetings and conventions are an essential element of many different forms of business and professional activity, the loss of these activities to other cities with fully competitive facilities would inevitably have important impacts on other areas of government policy such as business, trade, investment and professional development. This, in turn, has implications for both the business and professional communities in Halifax as well as institutions such as universities and colleges which regularly engage in activities to promote exchange and research activity as an essential part of their programs.
- **Destination profile will be impacted:** Major events “lend” profile to the host destination by virtue of the attention they attract and the media coverage they typically generate. While many destinations develop and stage such events for this purpose, the ability of a fully competitive centre to attract such events adds such a dimension as part of its ongoing business activity and can reduce the need for special initiatives aimed at enhancing destination profile.

The Business Opportunity:

The Role of the WTCC:

Trade Centre Limited has maintained a significant event load in the WTCC within the limitations of the existing facility, and generated an estimated \$55 million in annual event-related spending. At the same time, it created other important benefits which, while they may not lend themselves to direct measurement, are nevertheless of major significance to the community. As noted above (Roles of a Convention Centre) these include such areas as creating destination profile, enhancing professional development and knowledge transfer, supporting business and academic institutions, creating a showcase for local business and investment opportunities and accommodating events which address the larger economic interests of the city and province.

The ability to pursue events that relate to economic and community aspirations is one of the major benefits offered by a convention centre, and Halifax's opportunity in this regard is primarily limited by facilities which do not address the needs of a broad range of meeting planners. Facility enhancement will thus not only impact economic benefits but also broader community benefits as above by increasing Halifax's ability to attract a wider range of events.

It is important to also note that there is a strong intention at both levels of government to further develop Halifax's role as a commercial centre and to take actions which will attract more corporate activity to the city. This intent is inextricably linked to the redevelopment of the WTCC, in that new corporate activity will inevitably result in increased meetings activities; at the same time, the availability of functional meeting space will play an important role in attracting new corporate activity in the first place.

Financial vs. Economic Impact:

World wide, convention centres do not operate as profit centres but rather to attract delegate, exhibitor and organizer spending which in turn generates broad economic benefits within the community. **This distinguishes a centre as having a major public objective as opposed to a private business which must make a profit from its immediate operations.** By way of example, over the past five years the WTCC has typically posted an annual operating loss of between \$1.0 and \$1.3 million (2008 being an anomaly) while generating the above noted \$55 million in event-related spending.

In practice, this requires a balancing of business objectives to keep required operating losses within an acceptable range while optimizing overall economic impacts.

This balance is well illustrated by the following comparisons of business performance for the WTCC:

In the periods 2007/ 8 and 2006/7, business **measured as revenue** was derived from the following market segments:

2006/2007	2007/2008
Local / provincial: 58%	Local / provincial: 67%
National: 34%	National 29%
International: 8%	International: 4%

In this same period, business **measured as delegate days** represented the following distribution by market segment:

2006/2007	2007/2008
Local / provincial: 52%	Local / provincial: 60%
National: 40%	National 18%
International: 7%	International: 13%

However, when **measured by total delegate spending** by market segment the picture takes on a quite different appearance:

2006/2007	2007/2008
Local / provincial: 21%	Local / provincial: 31%
National: 68%	National 41%
International: 11%	International: 28%

These figures show that while national and international business contributed only 33% of centre revenues in 2007 / 2008), they accounted for almost 70% of the total economic benefit. This illustrates the relative importance of pursuing local and provincial business as revenue generators and of national and international business as economic benefit generators (particularly when this is “new” money arising from out-of-province delegates.)

Growth opportunities by market segment:

As noted elsewhere in this review, a precise estimation of the incremental business opportunity arising from the enhancement of convention facilities will require more detailed investigation involving primary research and the quantification of business prospects in each area of activity. However, it is possible at this stage to indicate where opportunities are most likely to exist and what constraints need to be addressed in order to realize this potential. This kind of information can help create a framework for a more detailed assessment.

Local market potential:

Between 2003 and 2008 local and regional events have, on average, made up approximately 60% WTCC revenues, and while they do not deliver the same levels of economic impact as non-resident-based events, they are an important source of ongoing revenue and many play a part in delivering other non-economic and community benefits. In fact, these events may become even more important in the future, for a number of reasons:

- They represent a “captive” market in the sense that most of these are events that are not easily relocated
- Many are consistent (repeat) events that deliver their benefits year after year
- As travel becomes more challenging and costly, many organizations are considering substituting larger numbers of local and regional events in place of large, single events in a more distant location. This is particularly true for activities like training, professional development and product launches.

Historically, the number of local events that could be hosted by the WTCC has been restricted for a number of reasons;

- They have been a lower priority and thus not able to book except as “infill” relative to events generating more hotel room nights
- Many requiring significant exhibition space were restricted by scheduling conflicts with other users of the arena which served to provide such space
- The current building configuration was such that there were real problems with hosting multiple, simultaneous events, which further reduced space availability
- There is no “hard” exhibit space with good access and limited finish which is required to accommodate events such as stand-alone trade and consumer shows which might otherwise be a good source of business
- Some events suffered from the same space functionality problems faced by their national and international counterparts.

However, at the same time, there are few other alternatives available for local and regional events. In particular, there is no sizeable, functional and attractive space for special events and exhibitions that wish to operate in Halifax. It can thus be expected that this market would be able to experience growth given the realization of new space, both through improved access and the ability to stabilize and grow events that are now subject to a large number of restrictions.

A strong local business base can act as a “buffer” for overall business growth in two important ways:

- First, it provides a good source of operating revenue in the face of a non-resident market that is increasingly looking for rent concessions on the basis of their economic benefits;
- Secondly, it is typically more flexible in terms of seasonality and can thus be shifted in order to accommodate business with a higher priority should these arise.

Canadian market potential:

The Canadian market, which consists primarily of Canadian corporate and association events on rotation, has long been a part of the WTCC business mix. However, there is a great deal more potential to be realized from this market under the right conditions. It is estimated that there are currently 1100 Canadian associations alone with a national rotation, and WTCC has indicated that between 75 and 100 of these per year should be potentially available to Halifax. However, access to this market has been significantly restricted for a number of reasons;

- Many events are of a larger size than can currently be accommodated or have a significant trade show component or special event requirements beyond current facility capabilities
- Some events have simply outgrown WTCC facilities over time as their member base, exhibit component and attendance has grown
- Some cannot manage their full conference program in the WTCC, given the spatial limitations and lack of flexibility inherent in the current facility
- Many events have been displaced by the fact that there are typically a large number of conference and convention activities seeking to hold their programs within a limited conference “season”

There is good reason to believe that redevelopment of WTCC facilities would result in significant increases in the Canadian business opportunity;

- It would enable groups who have not previously been able to utilize Halifax as a destination to do so
- It would provide another logical location for an eastern rotation of both association and corporate events
- It would offer what for many events and delegates would be a new experience relative to the existing cities within the Canadian rotation

- It would enable national organizations to link up with local members who have been unable to host events due to size and configuration restrictions
- A new facility always has an attraction for both planners and delegates and enables a destination to showcase its products more effectively.
- Redevelopment would provide increased availability of event space during the booking “window” typically utilized by Canadian organizations

The latter factor is of considerable significance. Centre sales staff have indicated that the lack of available space in the existing centre during the prime convention season is the greatest limitation they face. There are two interrelated factors in this regard;

- First, as noted above, the configuration of existing space means that once there is an event of any size in the building it is not usually possible to schedule another, even though the first may utilize only a small proportion of the total area.
- Secondly, the demand for space is concentrated in a relatively narrow period so that while the full demand in this period cannot be accommodated; neither can events be easily relocated to another time of year.

U.S. market potential:

The US market, which again consists primarily of a mix of corporate and association activities, has not been a significant part of the WTCC business mix to date, and this is unlikely to change in any major way in the near future. There are a number of reasons for this;

- Many US groups cannot meet outside of the US for organizational / constitutional reasons
- Meeting in Canada adds new costs and logistical challenges to organizations who are used to organizing events primarily in the US
- Many Canadian destinations (including Halifax) do not offer the kind of concentration of members in US / North American associations that would attract such organizations on rotation
- According to industry surveys, US planners generally feel that Canadian centres are inferior to their US counterparts in terms of facilities and service. While this sentiment is primarily amongst planners who do not actually have experience with Canadian centres (those who have actually met here see them as superior) it is a significant factor in the absence of any significant effort to promote the quality story.

- There is a huge supply of often underutilized facilities in the US, many of which are attracting business with incentives which include deep cuts or elimination of rental charges and other measures which will be difficult to replicate in Canada
- There are many US-based alternatives for convention facilities on the east coast of North America.

For all of these reasons, it would not appear reasonable to expect any major growth in this segment in the immediate future. However, there are factors that could increase U.S. business over the longer term;

- A new facility would create more interest than currently exists and deliver space more appropriate to the needs of U.S. planners;
- Increased economic and academic activity, particularly in areas of interest to U.S. organizations would encourage planners to consider Halifax for a North American rotation;
- An increase in international events taking place in Halifax would attract U.S. delegates wishing to access such events without long distance travel;
- Members of North American organizations resident in Halifax could be mobilized to help pursue conferences on behalf of the city were suitable facilities available.

The fact remains that Halifax is one of the closest Canadian cities to the most heavily populated areas of the U.S and has good proximity to cities such as Boston and New York which have strong meetings and conventions activity. As more organizations adopt a rotational pattern that includes Canada, it will become a more appealing choice.

International market potential:

The international market consists largely of conventions and related activities by international associations, typically referred to as “congresses”. The defining features of this segment are as follows:

- Rotate through at least three countries
- Attract delegates from multiple countries
- Attract international exhibitors

According to global data supplied by the International Congresses and Conventions Association (ICCA), there are some 6,680 international meetings that take place each year. 48% of these, or some 3,083 events, rotate world wide, meaning that they are potentially available to Canada, and a further 147 rotate between Europe and North

America. Some 15% of these events have more than 1,000 delegates while the majority are between 250 and 500 delegates.

Events tracked by ICCA average just under 4 days in length and take place largely from May through October. The most frequent topics for these events are medical (18.5%), technology (14.1%), Science (12.7%) industry (7.4%) and education (5%). Collectively, they represent over 11 billion USD in registrations alone.

Canada currently ranks tenth in the world for hosting such international congress events, hosting 2.9% of international events as compared with the U.S., which at number one position hosts 7% of international meetings. In numeric terms, Canada's share in 2007 was 197 events with a total of 128,000 delegates.

Halifax has not historically had a large share of the international market, in spite of a number of very positive attributes relative to this segment (see below) largely because of the limitations associated with current facilities. Because international events rotate world wide, they often have very high expectations and a need to satisfy a variety of program requirements in an efficient manner, both of which have important implications for existing facilities in Halifax.

The majority of these international events are currently hosted by three Canadian cities: Vancouver (49 events), Montreal (48 events) and Toronto (36 events). Four other Canadian cities – Quebec City, Ottawa, Calgary and Victoria - host 10 or less, while Halifax currently hosts 5. The average size of these events was just over 650 delegates.

However, there is reason to believe that Canada should be able to increase its share of the international market and that Halifax, with the benefit of a more competitive facility, should be able at the same time to be able to increase its share of that business coming into Canada. There are a number of reasons for this;

For Canada:

- Canada has an extremely low profile in the international market. Any efforts to improve this profile, as could be achieved by a greater collective effort amongst Canadian centres with an interest in the international market, would likely increase business given the country's other attributes.
- There has been very little investment to date in developing the international market by the Canadian Tourism Commission, which is the only marketing entity with the resources to do so. While the CTC has invested the vast majority to date in developing the U.S. market, which is not of particular interest to Halifax, there is some suggestion that this may be changing with a greater emphasis to be placed internationally.

- Canada should benefit from current U.S. visa policy, which is so restrictive as to make it very difficult for many international delegates to attend meetings in the U.S and so make Canada more attractive to international events on their North American rotation. This is a huge concern for organizers who fear that their attendance will suffer as a result, and often enough for them to forgo the U.S. entirely.

For Halifax:

- Halifax is close to a concentration of U.S. population and institutions, which is of interest to U.S. delegates wanting to attend international meetings which are unable to meet in the U.S. because of the above restrictions. This could be a significant selling point to international organizers interested in U.S. delegates.
- Halifax is the closest of all Canadian cities with a convention centre to Europe, which is a source of many delegates attending international events. This reduces travel time significantly over many other North American destinations.
- Halifax also offers at least seasonally direct flights from key European destinations such as Frankfurt, Paris, London and Glasgow, which as major hubs have in turn connections to many other European and international cities.

For these reasons it is again reasonable to assume that there is potential for Halifax to further grow business in the international market provided that the required facilities are in place. Unlike some segments, attracting international congress events does not require very large facilities which means that with the proper configuration they could be incorporated into a mix of event activity in a redeveloped centre.

In summary, there are good reasons to expect that there would be significant incremental business potential from all but the U.S. association market, and that even the latter could be enhanced in the future. The limitation shared by all these segments is the lack of facilities of a quality, size and configuration required to meet their needs.

In summary, a redeveloped WTCC could expect good business growth potential from three of their four major markets (local / regional, Canadian and international) segments for clearly defined reasons, with less immediate potential from the fourth (U.S. market).

Estimating incremental business potential:

A calculation of incremental business volume available from each of the identified markets is beyond the scope of this phase one review, and will require further primary research. However, there are some useful indicators in this respect;

- First, the biggest current impediment to business growth is the limitation presented by the existing facility itself. Apart from size limitations (and the absence of ant dedicated exhibit space) it is dated, does not respond to many of current market expectations and has a combination and configuration of spaces that does not respond well to the requirements of many needs.
- Business growth is further inhibited by the fact that the current facility does not lend itself well to use for multiple, simultaneous events, which means less efficient use of the available space.
- As noted in greater detail above, there are specific reasons why most of the available markets would likely respond to a facility that was more responsive to their needs and available during the key seasons. In particular, there has been little real incentive to pursue new markets with higher expectations that could not be met by existing facilities.

Documented lost business:

A recently completed Lost Business Summary report from the WTCC, which cover the period June 1 2007 through February 28, 2009 identify **61 national and international events which were lost as a result of insufficient dates or availability (not enough capacity in peak periods), the two factors most directly related to current facility shortcomings. These events represented a loss of 45,855 delegates and 86,865 room nights as well as an estimated \$6,543,375 in potential direct revenues to the WTCC.**

However, the difficulty in assessing the full impact of this factor is that because Halifax's limitations are well known in the market, **there is no way to calculate how much additional business simply bypassed Halifax in the first place**, meaning they would not show up on these lost business reports. WTCC sales staff have estimated that this could account for a significant number of events from the Canadian market alone.

Preparing a detailed estimation of the business opportunity from each market should be a primary objective in the preparation of a business plan as anticipated for the second phase of the current process. However, it can be stated from the above that there is sufficient evidence of business growth opportunities to justify a more detailed assessment.

Estimating economic impacts:

Clearly the economic impact implications of increased business growth cannot be calculated without the benefit of more accurate data for that growth. However, it is possible to create an estimate based on delegate and planner spending which can be applied to estimates of incremental business once this has been clarified.

WTCC surveys have established daily spending estimates and length of stay for different categories of non-resident delegates (those most likely to require hotel accommodation) as follows:

Regional / provincial delegates: \$79.92 per day; 1 day
National delegates: \$239.44 per day; 2.23 days
International delegates: \$226.34 per day; 3.39 days

Finally, each delegate is associated with related spending, including spending by planners (for event production) and exhibitors, which contributes to the overall spending equation. In other Canadian jurisdictions (five convention centres in various locations in British Columbia), these additional components added between 34 and 40% to the total per-delegate spend. If a similar ratio is applied to each category as above, the value of spending associated with each delegate would be as follows:

Regional / provincial delegates: \$109.50
National delegates: \$731.50
International delegates: \$1051.20

Economic impact can be measured in a number of ways, but most typically via an input/output model that assesses the impacts of spending moving through the local economy and generates a measure typically referred to as Industry Output. This calculation is a product of many factors unique to the local economy and is therefore best carried out through a model maintained by the jurisdiction in which the calculation is taking place. However, for the sake of comparison, it can be noted that the ratio of delegate spending to Industry Output (what is commonly referred to as the “multiplier effect”) in the British Columbia calculation referenced above was 1.6.

If these same numbers were applied to the Halifax situation simply for the sake of comparison, they would suggest that an international event of 1,000 delegates could be expected to generate in the order of approximately \$1.68 million in overall economic impact. It is important to note that such a number does not take into account the spending associated with accompanying persons or pre / post event activities which seems from preliminary figures to be quite high for Halifax due to its attraction as a visitor destination.

While such calculations as the above must be treated with caution as they are largely a product of inference from other jurisdictions, they can provide a basis for order-of-magnitude numbers until more detailed calculation can be performed for this project.

Implications for Redevelopment:

Responding to industry trends:

Redevelopment of Halifax's convention centre facilities creates a unique opportunity to redress current shortcomings as well as take advantage of industry trends to maximize the competitiveness of the new facility. In order to do this it is worthwhile to review current industry trends that relate specifically to spatial configurations, particularly in Canada. Amongst these are:

- **Flexibility of function space:**

Regularly identified as the most important overall trend today, the creation of spaces with the ability to perform various functions and adapt to different uses in a variety of different program configurations has taken on major significance. This applies not only to the ability to shift sizes and layouts but also the ability to convert to entirely different functions, as when a meeting space can become pre-function space or portions of an exhibition space can convert for banquet or special event space. It involves not simply layout configurations, but the types of services provided, including lighting, sound, hanging points etc. This kind of consideration can be expected to be very important in a location like Halifax where a smaller overall size means that any given space can be expected to serve many different functions instead of having separate spaces for each.

- **Divisible space with capability for multiple simultaneous events:**

While much convention centre design has focused on the need to accommodate single large events, there has been increasing recognition that the ability to accommodate multiple events taking place at the same time is often even more important. This is because of the fact that there are many more small to mid sized meetings available in the market, a trend that is likely to continue as some of the largest events reach a size where specialization becomes more important. It may also be more advantageous from an operational and accommodation perspective as it means there can be overlapping move in and out cycles and hotel utilization. However, since each separate event wants to have a sense of "ownership" of their space with minimal to no interaction amongst delegates from different groups, this must be carefully designed in many respects including delegate access points, relationships between function spaces, internal traffic management, back of house access points and soundproofing.

This factor is of particular importance in Canada where average meeting sizes are smaller than in other (i.e., U.S.) markets and where seasonal limitations may "compress" the event such that availability is the key issue. In such cases, a lack of serious consideration to this factor can result in a situation where use of only part of the building can nevertheless alienate the remainder from alternate uses, resulting in lower overall utilization.

- **Increasing numbers of break-out rooms:**

There has been a steady increase in requirements for breakout rooms as a result of more specialized topic areas within events as well as an increasing emphasis on educational and training components, particularly in the medical area. These rooms typically require a full technical support capability (i.e., A/V, connectivity) and sound proofing, which means that it may be insufficient to simply use air walls to subdivide a larger space.

- **Quality of finish:**

As events have become more sophisticated, there has been an increasing interest in having a higher quality of finish in specific event areas rather than having to “dress” them at often significant added cost. In fact, a ballroom is often seen as a “signature” for a centre and a primary delivery mechanism for a statement about both quality and destination identity. This has been advanced even further as clients become familiar with the standard of finish in hotels, which may be competing for the same business. However, this does not apply to more utilitarian spaces like exhibition halls or flex spaces where the client wants to shape the entire experience and existing finishes may simply “get in the way”.

- **Clear spans, high ceilings:**

To the extent that engineering enables it, the ability to deliver clear span, column free spaces and high ceilings in function spaces have become an added sales features, for a number of reasons;

- It improves sight lines for delegates and attendees
- It facilitates a wider variety of approaches to exhibit development
- It creates a less claustrophobic atmosphere for participants, and
- It allows any support rigging or other enhancements to be well removed from the floor space

However, this is a relative benefit that must be viewed in the context of added cost, and in some cases (exhibition areas) may not deliver sufficient benefit.

- **Iconic quality:**

Because a convention centre is often one of the largest and / or most prominent buildings in a city, there has been a growing desire to see it as offering some kind of defining statement. This is in contrast to the much lower profile image that was characteristic in the past when centres were seen as much more utilitarian and more a “black box” which served only to accommodate the basic needs of users. Such an “iconic” image both enhances civic pride and supports the sale of the facility into the meetings market.

- **“Distinctive” features:**

Planners and delegates alike are increasingly interested in features which help distinguish a centre in a way that reflects some aspect of the destination in order to help shape each meeting experience as somewhat unique. The need for uniformity in many aspects of facility design (i.e., for the sake of consistency and functionality) has resulted in a situation where many feel one centre cannot be distinguished from another and that this diminishes the overall meeting experience. As much of the event time takes place in the centre, reflecting elements of the destination experience in its design and / or finish helps diminish this.

- **Sustainability:**

Centres are under increasing pressure to make facilities more “sustainable” from three directions;

- First, because clients are increasingly looking for such features in response to their “green” member’s expectations or corporate policies;
- Secondly, because communities have similar expectations for what is generally a very prominent structure, and
- Third, because (typically government) owners have a sense of the need for leadership in this area.

However, sustainable design needs to be addressed carefully as it can not only add considerable cost but actually interfere with functionality and / or marketability if not developed in close association with program requirements.

- **Expansion potential:**

The history of the meetings, conventions and exhibitions industry has been one of steady expansion. While future business growth is difficult to predict, it is typically driven by factors which are not necessarily related to overall industry growth, such as:

- Growth in the size requirements of existing events
- Desire to be able to host multiple events in a constrained event “season”, and
- Increasing success of a destination in attracting new business

For these reasons, one factor that should be taken into account is the potential for future expansion, whether within the same building footprint or on an adjacent site. The lack of such an option can effectively “paint into a corner” the facility, leaving no alternative but to relocate the entire facility in the event of future expansion.

- **Gathering spaces:**

With much of the most valuable interaction in conventions and conferences taking place outside of formal sessions, there has been more attention paid of late to the development of casual gathering spaces which may be part of pre-function areas or as simple as seating alcoves. Increasingly these are being seen as integral to facility design instead of an afterthought used to fill available spaces.

- **Site Factors:**

In addition to factors influencing space allocation, there are a further set of factors relating to site. Amongst these are:

- **The centre “precinct”:**

Delegates typically do not stray far from the primary facility during the course of their actual event. For this reason, a major factor in the quality of experience a delegate has is dependent on surrounds the primary facility in terms of off-site amenities such as restaurants, clubs, entertainment and parks / recreation opportunities, and how readily available these are during what may be relatively short intervals. The ability to offer a “precinct” that contains an array of such amenities in relatively close proximity to the centre is therefore a major advantage, and one that has the effect of extending the season potential. Ideally, it would also contain the majority of related accommodation in order to reduce any required transportation while enabling organizers to keep delegates from becoming too dispersed.

- **Better integration with the city:**

There is a greater emphasis on the role a centre can create in both generating and benefiting from the vibrancy of a city center instead of being an “island” unto itself. This often extends to the centre being part of a mixed use complex, including retail and commercial components, which again integrates the delegate experience with the active ongoing life of the city and creates a healthier “downtown” environment.

- **Centre as redevelopment anchor:**

As per the above, convention centres were for some time seen as anchors for the redevelopment of less desirable areas as their development was generally under public control. This approach created some notable failures, for a number of reasons:

- Delegates simply don’t like being far removed from the city centre and in areas that are both isolated and potentially dangerous;

- Such areas are seldom adjacent to convention quality hotels as the hotels rely on other sources of business as well
- Surrounding development such as restaurants, retail areas and attractions may take some time to infill in such areas, leaving lengthy periods when the centre is much more difficult to sell.

Estimating space requirements;

Typical function spaces required:

A convention centre ideally offers a combination of spaces that will address a number of separate event functions. These are:

- Plenary space – where the group as a whole gathers for specific program components (i.e., opening and closing ceremonies; keynote speakers, general assembly programs etc.)
- Meeting (breakout) rooms
- Ballroom (banquet space)
- Exhibition space
- Pre function space
- Registration area

In practice, space restrictions mean that certain of these functions utilize the same space at different times, depending on the event program. Examples of typical overlapping of functions can include:

- Registration area (most required pre-event and in the early stages) with pre-function space (generally prior to the first major plenary or banquet function)
- Plenary space (typically used for opening functions) with banquet area (either lunch or dinner functions)
- Exhibit area with either pre-function or plenary space (depending on the timing and length of the exhibition component)
- Plenary to meeting space, as the largest “breakout: group takes over the plenary area once the plenary function has been completed.

An important practical consideration when determining space is that in the absence of dedicated space, a facility will have to be regularly “flipping” space from one use to another as the program progresses. This is both disruptive to clients and costly for the centre as it is typically a very labour-intensive process.

The role of multi-purpose space:

Many centres today are creating “multi-purpose” space that can be converted from one use to another over the course of the program. The conversion may be one from plenary to banquet as these uses tend to utilize the same type of space (i.e., finished and carpeted) and plenary sessions generally only take place at specific times which can be scheduled to allow the time required to “flip” the space. However, banquet space may sometimes be alternated with exhibit space, although this is more challenging as organizers (and exhibitors) tend to want exhibits available for viewing for as much of the program time as possible and exhibit space is generally of a lower quality finish than that required for banquet use.

While in practice managers will make an effort to accommodate a program in whatever way they can, good design can assist significantly in this process and enable various spaces to accommodate different functions in a way that will better satisfy (and attract) organizers.

Multiple / simultaneous event capability:

As noted above, the ability to accommodate multiple, simultaneous events efficiently and in a way that satisfies planner requirements will be a major consideration, a fact supported by the WTCC reporting that they are unable to attract far more business from being unable to deliver dates (estimated 75-100 per year) than because of event size.

The Halifax Calculation:

The exact determination of space requirements to address the Halifax opportunity will have to be made on the basis of a more detailed business plan which incorporates research into the actual sizes and space requirements associated with both existing and potential future events. However, it is possible to create a general estimate of space requirements based on a target for event size, an examination of existing facility requirements (and shortcomings) and a comparison with other Canadian facilities addressing a similar market mix.

Targeting an event size:

The existing WTCC is nominally able to accommodate a convention of approximately 6-700 delegates based on the maximum limit for a banquet function and related requirements for plenary functions and breakout meetings. However, this number typically drops to less than 500 when there is also a requirement for related exhibition space, which currently must be accommodated in what would otherwise be meeting space. While the number of delegates can be increased by overlapping functions (i.e., flipping spaces for sequential uses) this is costly in operational terms and creates concerns for event organizers.

While a more detailed business plan will be able to create a basis for a specific target for facility capacity based on documented business prospects, a comparison with other Canadian centres with similar markets combined with the overall growth prospects as outlined above suggest that Halifax will likely want to position itself in a size range of 1,800 - 2,000 delegates for a full program. **However, a critical element would be the ability to efficiently subdivide this space in such a way as to be able to handle the needs of multiple, simultaneous events of a smaller size which nevertheless make up the majority of available business.** This approach would enable Halifax to effectively host a larger number of events within the available size range while still having the capacity to combine spaces for the less frequent larger events that will represent an increasing proportion of its future business.

It should be noted that this type of capacity may initially stretch other related capacities, in particular that of the existing accommodation base, but at the same would result in an incentive for further development of that capacity which would benefit the city in other respects. In other words, the project should stimulate further private investment.

What does this equate to in spatial terms?

Again, this is a much more complex calculation which must be based on a rigorous assessment of specific event characteristics, but in general, the space requirement can be calculated in three ways: by comparison with the previous WTCC experience; by comparison with other Canadian centres serving essentially the same market and by using space ratios that reflect the typical practices in Canada today.

Space ratios approach:

The largest space typically required for a full function convention program in the banquet function. It is generally accepted that this type of function requires on average about 20 sf per person, depending on whether it is seated or buffet service, provisions for setup and staging etc. Accommodating 1800 – 2,000 delegates would thus require a contiguous space of between 36,000 and 40,000 sf. With respect to other functions, seating in a theatre style arrangement typically requires approximately 8-10 sf per person (greater if the arrangement is classroom) but circulation and dividing spaces for breakout means that the total figure for other meeting spaces is typically about the same as for the largest single space, or a further 36-40,000 sf.

The ratio of meeting to exhibition space again varies considerably amongst different Canadian and North American centres from 1:1 through 1:3, although this appears to have been trending downward in the face of an increasing proportional demand for breakout space. In Canada, all but the largest centres have a space ratio of close to 1:1, reflecting the lower expectations of planners for exhibition requirements in regional centers. This would indicate a net exhibition space requirement in the order of 70-80,000 sf.

With the addition of pre-function and registration areas, this would suggest a facility of some 150 – 170,000 sf of total rentable function space. Given that the typical ratio of gross / net sf is at best 1:1, this would imply a *minimum* gross space requirement of between 300 - 340,000 sf or more if there are space inefficiencies (i.e., in a “stacked” configuration where further space is lost to vertical circulation).

The WTCC experience:

The WTCC currently identifies some 50 - 60,000 sf of rentable space, but this is in practice limited by the functionality of the space in the context of a full convention program and the fact that this number does not include dedicated exhibition space. It is thus not unrealistic to suggest that overall capacity would be tripled from the existing 6-700 delegates with a facility of 150-170,000 sf, particularly assuming that the new space would be better configured to meet today’s market needs.

Comparisons with other Canadian centres:

Delegate capacity is not an exact science, as it is impacted by many different factors, including the nature of the program planned for the event and whether or not all functions will be carried out in the centre itself. However, a comparison with some other centres can create a context for the space / delegate estimate:

- Within the competitive set, the Victoria Conference Centre, with approximately 73,000 sf can accommodate 800 -1,000 delegates for a full program, which is not inconsistent with the Halifax experience.
- The existing Vancouver Convention & Exhibition Centre offered approximately 135,000 sf and claimed a capacity of between 2,000 and 2500 delegates, depending on the program.
- The Calgary TELUS Convention Centre offers a total of 132,000 sf of function space and again represents itself as having a capacity of 2,000-2500 delegates for a full program.
- While circumstances vary (for example, all the above centres have access to additional, directly connected hotel meeting space when required) it suggests the proposed program is consistent with the experiences of others.

These estimates should be qualified as follows;

- Spaces can and will still be used for different functions: In particular, very large special event or banquet functions could be accommodated in the exhibition space, particularly if it can be configured as multi-function space (i.e., floor finish, sound system etc.);

- Ideally, the exhibition space would be removed from meeting space such that it can be used for separate, non-compatible activities such as a stand-alone consumer show, during a period when meeting activities are underway.
- Centres will always find creative ways to stretch facilities in order to accommodate exceptional events, including overlapping of functions by “flipping” spaces, the annexation of adjacent spaces and the off-site location of the largest events. As examples, the WTCC has hosted events of up to 2500 delegates while the original Vancouver Convention & Exhibition Centre, with a nominal capacity of 2,000 delegates has accommodated events of over 10,000 delegates.

Summary: What kind of facility would best address the Halifax opportunity?

Overall, it would appear at this preliminary stage that a centre which best addressed the circumstances and market opportunity in Halifax would include the following:

1. It would be located in the downtown core to take best advantages of the concentration of accommodation and entertainment features such as restaurants, retail areas and attractions;
2. It would respond to the evolving Canadian industry trends as identified above in order to enhance Halifax’s competitiveness;
3. It would be designed with maximum flexibility, in order to address a wide range of program requirements and business opportunities;
4. It would incorporate measures to facilitate multiple, simultaneous events in order to enable Halifax to respond to the “compression” of business within a relatively narrow season;
5. It would have a total capacity equivalent to a full convention program for between 1800 and 2,000 delegates, either as a single group or multiple groups, each with their own discreet spaces;
6. Consistent with the latter target, it would offer a total of some 150-170,000 sf of rentable function space, of which half would be exhibition space and the balance a combination of meeting, ballroom and pre-function space;
7. It would incorporate a level of finish and technology appropriate to the needs of international meeting planners in order to be able to compete for business not only nationally but internationally.

The simultaneous development of additional adjacent hotel capacity would be an important element in the overall program in order to be able to supply the incremental accommodation that would be required to service the meetings business activity in the centre.

Recent construction cost experiences:

Convention centre development and construction costs vary widely depending on a variety of factors and circumstances. As a result, there are few direct comparisons available. Variables include such things as the cost of site preparation, sharing of costs with related and/ or connected facilities, development cost charges and fees, different construction costs in various parts of the country and the degree of finish in various elements of the building. As a result, **cost estimates should only be undertaken in the context of a specific design program and location.**

Recent experiences in North America suggest a construction cost for a centre incorporating a mix of exhibit, meeting and ballroom spaces in the range of \$400 to \$500 CDN per sf., depending on the proportion of various spaces with different degrees of finishing. For a 300,000 - 340,000 sf centre this would correspond very roughly to a construction cost in the range of between \$120 and \$170 million CDN, exclusive of design, furnishings and equipment costs. However, more challenging building sites and construction circumstances have resulted in significantly higher costs, as for example in the recent expansion of the Vancouver Convention & Exhibition Centre. which cost some \$880 million for a facility of approximately 1.2 million sf. Again, there is a need for a much more detailed assessment of the specific circumstances of a project in order to develop a defensible cost estimate.

Costs will also vary depending on the extent to which the facility pursues design standards such as LEED certification for sustainability, although these may well be recovered through more efficient operation and energy efficiency over time.

Operating cost implications:

While the principle of making economic impact generation the highest priority is well established, it is also necessary to ensure that there is reason to believe operating losses which must be sustained in order to achieve those benefits are within an acceptable range. In order to assess this factor, Trade Centre Limited commissioned HLT Advisory to assess the incremental event load that would be required to maintain operating losses in the same range as at present with an expanded facility.

The HLT Advisory report is appended, and essentially indicates that redevelopment of the WTCC would result in an operating cost increase of \$870,000 post expansion, which corresponds to an additional 20 events similar to recent WTCC events which have generated operating margins of \$40,000 to \$45,000 or a proportional smaller number of larger events with greater margins. While subject to the more rigorous assessment of the business plan, it would appear that this incremental business could be both attracted and readily accommodated with a redeveloped facility which will be more competitive and offer increased space and availability.

Alternate Funding, Ownership, Management and Supplier Models:

Funding models:

Given that centres in most parts of the world operate as “loss leaders”, there are very few that can survive without significant government investment in either development (capital) costs, ongoing operational costs or both. Such investment is justified on the basis that beyond supporting government policy objectives in areas as diverse as education, economic development, professional development, investment generation and resource management, centres also return significant incremental tax revenues based on related spending by meeting organizers, delegates, exhibitors and accompanying persons. This incremental tax revenue is generally far in excess of the original investment in facilities.

There are a number of ways in which government investment in convention centre development and operation is managed:

Capital cost funding:

Capital cost funding is handled in a variety of ways including:

- **Direct government investment:** Given the lack of any real potential for return on investment in many market situations, governments are typically the primary source of capital funding for the development of convention centres. This may be via direct investment (the most frequent Canadian model) or the issuance of financial instruments such as municipal bonds (more common in the US). In Canada, there is generally participation by two or more levels of government based on a number of factors;
 - Special funding programs (i.e., infrastructure funding) by senior governments
 - Anticipation of incremental revenue from taxes on increased business activity
 - Investment of revenue streams from special taxes levied on user / beneficiary groups (see hotel tax below), and
 - Ability to pay, given how tax benefits arising from centres are allocated amongst different levels of government.

This latter factor is based on the fact that tax allocations may mean (as is generally the case in Canada) that senior governments are more likely to be the primary recipient of incremental revenues due to the fact that they receive the tax revenues such as income tax, sales taxes and GST that are the most direct beneficiaries of delegate spending while municipal taxes are property tax based.

- **Relief from property and development taxes:** While a municipality may not be in as good a position to provide direct funding based on anticipated revenue due

to the taxation areas noted above, they can nevertheless contribute by providing relief from what would otherwise be incremental costs associated with development fees, ongoing property taxes etc.

- **Zoning and density enhancements:** Municipal governments can also generate incremental value which can be applied to capitol costs by enhancing the density or other allowances associated with property within their jurisdiction. As an example, a municipality can grant additional development rights either on the site of the centre or other property under their control in return for investment by a developer in the convention centre.
- **P3's:** While public / private partnerships have been successfully applied to various areas of public facility development, there are challenges associated with their use for the development of convention centres. The major issue is the lack of any inherent mechanism for payment of the private partner other than direct payment by government itself (as direct user fees do not figure in the economics of today's convention market). Other factors include the fact that governments in Canada typically have access to a lower cost of money than do private companies and there is little opportunity for risk transfer as few developers are interested in the ongoing operation of a convention centre.

Operating cost funding:

There are five primary mechanisms employed by government owners to manage operating costs;

- **Direct facility and service revenues:** It is important to note that while convention centres are not necessarily profitable in themselves, unlike most other public facilities the vast majority of their operating cost is still paid for through self-generated revenues for the rental of space and the provision of related services. This means that any revenue subsidy is typically for a very small proportion of turnover, even when other economic benefits (i.e., incremental tax revenue generation) are not taken into account.
- **Operating subsidies:** The government owner may elect to simply pay an operating subsidy to the centre administration in acknowledgement of the incremental revenue that is achieved elsewhere (i.e., tax revenues).
- **Endowment with revenue generating facilities:** The government owner may elect to "endow" the centre with ancillary facilities that can generate additional revenue on an ongoing basis and offset operating losses that may arise in the performance of core (event related) business functions. The most common of these is parking facilities which can add significant revenue, often independently of other business activity, but can also include revenues from related retail / commercial space.

- **Cross subsidy amongst various operating units:** Where the management entity is responsible for a number of different facilities and / or business operations, there may be cross subsidies amongst these units within the management entity. For example, a corporation responsible for a range of different facilities (arena, theatre, conference centre, convention centre) may find that they are able to manage a profit amongst the portfolio as a whole because of different revenue characteristics even if the profitability of a particular unit is sacrificed to achieve a different objective (i.e., maximizing economic impact).
- **Dedicated tax revenue stream:** In many areas (particularly in the US and to a lesser degree in Canada) centres are the beneficiary of a dedicated tax revenue stream that is related to expenditures in related areas. The most typical of these is a hotel room tax, which is at least in part a reflection of the incremental accommodation generated by a centre. In most jurisdictions, the use of such a tax is related to the various components of the user equation, i.e., convention centre, convention bureau, business development fund) but a portion may also be dedicated to general city use. There are many different allocation models in use, with centres often considered from the perspectives of operations, marketing and capitol funding in the equation.

Centre ownership models:

Convention centre ownership world wide is overwhelmingly by some level of government. In fact, all major centres in Canada are owned by governments with the exception of two facilities in Toronto where market conditions make private ownership possible. Internationally, ownership is more varied but still over 65% of centres are wholly government owned with a further 12% at least partly government owned via a P3 or similar arrangement for a total of 77% governmental ownership. Government ownership is divided between city, regional / provincial governments and national governments, although senior levels of government are more typically the owners in situations where there is only one major centre in the jurisdiction (i.e., either country or state / region).

There are a number of reasons why government is typically the owner:

- **Few centres are profitable in a commercial sense:** As noted above, the economics of today's industry are heavily weighted toward the generation of broad economic benefits associated with maximizing events that generate large numbers of non-resident delegates, and as there is strong competition for this business, few centres can generate the intrinsic profit potential to make the of interest to a private investor. This leaves government as the only entity which can operate to the larger public benefit.
- **Centres support many government policy objectives,** including economic development, education, resource and technology development through the

types of events they host, and this provides government with an additional incentive and rationale to support the development and operation of a centre.

- **Government can play the role of “patient investor”:** Convention business development is a long term undertaking, with many events making booking decisions up to five or more years in advance of their actual dates. This type of time frame is incompatible with that of many private investors who increasingly need to see a much more immediate return.
- **Benefits are dispersed:** The nature of the economic benefits generated by events taking place in convention centres is that they are diverse and widespread, making it difficult to capture any significant portion for investment in the facilities that make this possible. However, through taxation, governments are uniquely positioned to accomplish this and to effect the kind of financial “feedback” loop that can complete the investment cycle.

While the typical ownership model is heavily governmental, few centres are actually administered directly by government, with this function instead usually assigned to a third party that is most often a special purpose crown corporation or authority that creates an “arms length” relationship. Of the sixteen major publicly owned centres in Canada, only three are actually administered directly by a government department, while 13 are administered by a separate corporation or authority, usually established under Provincial legislation. Internationally, 61% of centres are again administered by a special purpose corporation acting on behalf of government.

Centre Management Models:

In terms of actual facility management, it is a similar situation. In Canada, all but one of the publicly owned convention centres are managed by the administrative entity itself, with only one centre managed by a private management company. Internationally, this proportion is 78% government managed (generally via a government owned corporation or authority) and 22% private management.

The one exception is in the US, where 37% of centres are managed by private management companies and the balance by government owners, either directly or via a special purpose entity. However, there are typically specific reasons why this is the case in most facilities so managed, and many of these do not relate to the Canadian situation.

Supplier Models:

With space rental revenues under downward pressure, the provision of event services such as food and beverage, setup, audio visual services, customs clearance, technology / connectivity support and similar resources has become an even more important part of the financial equation for convention centres. There are

essentially four alternatives in terms of how centres can supply these services, with varying degrees of profitability and efficiency;

1. **In-house staff:** Services are delivered by centre staff who are employed on an ongoing basis.
2. **Outsourced resources:** Services are provided by contracted private companies who act as staff and report to centre managers.
3. **Exclusive suppliers:** The centre identifies private suppliers who are given the exclusive right to deliver services to clients of the centre in return for a commission to the centre.
4. **Preferred suppliers:** A list of suppliers who meet centre standards is developed and clients are able to decide which of these they will use for their event.

Few centres are exclusively one or the other of these, with most operating with a mix of in and outsourced resources, depending on what is the most logical and cost-effective model for each. Factors which are taken into account in assessing the most appropriate model for each area include the following;

- **Availability:** A centre must be able to deliver a range of event services, and if these do not exist in the local community, it may be necessary to perform these using in-house staff simply to ensure they are available to clients.
- **Managing overhead:** Outsourced services can often be arranged on a demand basis such that they are provided only when required. This can relieve the need for centres to have to maintain full time staff for functions that are only required periodically.
- **Flexibility:** Outsourcing can also help assist in increasing the flexibility of a centre's service offering, as a broader range of service can be available than if these were all reliant on in-house staff.
- **Profitability:** Depending on circumstances, it may be more economically advantageous to outsource. Some services lend themselves to "order of magnitude" benefits as with those that are equipment or labour intensive, where the requirements associated with the convention centre represents only a part of the overall demand in the area and the centres can share these.
- **Competition with local business:** As centres are generally about generating economic impact, they may not wish to create additional competition for existing businesses which can instead act as a supplier.
- **Quality control:** The quality of service products offered by a centre is a critical element in its image and market reputation, and a centre may have to

base the sourcing decision on where it feels it can best manage quality control. If a service is outsourced, special measures may have to be taken to ensure that results meet the standards set for the centre's own services.

- **Addressing the “Tied Supplier” issue:** Many clients are increasingly demanding that they be given greater flexibility in choosing which suppliers are retained to provide services for their events. Under these conditions, any services which are “tied” to a centre (either as in-house staff or exclusive suppliers) may present a source of concern in this regard, and often needs to be addressed in a centre's supplier policy.
- **Start-up capital contributions:** Some suppliers will participate in the start up or expansion phases of a centre by contributing to the capital costs in return for a service contract (i.e., technology, food and beverage). However, this is typically just another method of financing which will cost owners over the long term in the form of increased operating overhead or lost commission.

In general, these decisions have to be made on the basis of individual circumstances and expectations, and there are many examples of where any of the models have been made to work effectively. In fact, comparisons of results from one area which is the subject of greatest debate – the food and beverage area – has demonstrated that there is no clear “winner” from either a revenue or quality perspective. **As with many aspects of convention centre management and operation, the best course must be determined on the basis of rigorous assessment of both local conditions and owner expectations in their particular set of circumstances.**

In Conclusion:

Over the past 25 years, the WTCC has served Halifax well in terms of attracting corporate and association events which have generated significant economic benefits, helped build destination profile and supported many other business and community priorities. At the same time, Halifax has demonstrated a strong ability to attract convention business, built a very positive reputation amongst event planners and delegates and positioned itself for further business growth.

The WTCC can no longer compete effectively in what has become an increasingly competitive market with much higher facility expectations, and will likely continue to lose business to other cities. Redevelopment of the WTCC would both help address significant deficiencies in the existing convention product and open up new market opportunities which cannot currently be pursued. The results would be increased economic benefits as well as a much better ability to address other Provincial / Municipal economic and community development priorities and a greater prospect of attracting new investment for related development such as new hotel construction. Given the long term nature of the industry booking process, action now would be required to take advantage of business growth opportunities which would emerge over the course of the next 4-5 years.

The assessment contained in this Phase 1 Report is a preliminary one based on the interpretation and extrapolation of available industry data. A much more detailed analysis, including research into the specific factors at play in Halifax, is required in order to develop reliable estimates of business potential, facility size and construction costs upon which decisions can be made.

However, at this stage there is reason to believe that the available market could be effectively addressed with a facility offering in the order of 150-170,000 square feet of rentable function space and the ability to accommodate 1800-2,000 delegates for a full program or the equivalent in multiple, simultaneous events. The typical management model for such a facility in both Canada and most other parts of the world is a single-purpose corporation reporting to a government owner, which secures the interests of the owner while providing the operating flexibility required for success in today's market.