

Economic Impact Assessment of the Proposed Redevelopment of a World Trade and Convention Centre in Halifax

FINAL REPORT

Prepared for:

Department of Transportation and Infrastructure Renewal

Prepared by:

Gardner Pinfold

December, 2009

**Gardner
Pinfold**
Consulting
Economists Ltd.
www.gardnerpinfold.ca

East Coast
1331 Brenton St.
Halifax, NS
Canada, B3J 2K5
Ph: 902-421-1720
Fax: 902-422-5343
mgardner@gardnerpinfold.ca

West Coast
6150 Baillie Rd.
Sechelt, BC
Canada, V0N 3A7
Ph/Fax: 604-885-0105
tpinfold@gardnerpinfold.ca

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INTRODUCTION

1. WTCC II PROJECT DESCRIPTION

The physical limitations of the current WTCC have restricted the potential economic benefits to HRM and the province of Nova Scotia associated with a facility of its capacity. This has led the province and HRM to examine alternatives for an expanded facility, including putting forward an EOI request for qualified entities to identify a suitable location and gauge interest from the development community. The process required a new convention centre to be a core component of the design.

The EOI resulted in one viable proponent from a total of six respondents. Rank Inc. is a Halifax-based developer owned by the Ramia family. Rank has been operating since 1966 in a variety of ventures related to property in the commercial, residential, and industrial sectors in downtown Halifax and throughout HRM. The economic impact analysis is based on their core convention facility proposal and extends to their proposed extended features related to associated mixed use.

This economic impact is specific to the Rank proposal and is transferable should an alternate convention development of similar scale in the downtown proceed.

The Rank proposal, named the Nova Centre, includes a convention hotel, class A financial Centre, food and entertainment outlets, parking facilities, cultural elements, public space, and parking, all encompassing an area of over 1 million sq. ft. of prime real estate near the heart of the central business district. The proposed site is at the former premises of the Chronicle Herald Building on Argyle Street, extended to include the adjacent parking to the west of Grafton Street. The Herald Site and parking lot are the property of Argyle Developments Ltd., a wholly owned subsidiary of Rank. Figure 3 (Figures referenced in this section will be included in the Final Report) is a map of the proposed location for the WTCC II.

The proposed convention centre will be built below ground adjoining the proposed financial tower and hotel tower. The area above the convention centre will consist of the Grafton Galleria and commercial and retail enterprises. The parking facility will consist of two levels and be situated directly below the convention centre. The parking facility will be shared between all the components of the integrated facility. Figure 4 shows the street boundaries and proposed Grafton Galleria while Figure 5 is a depiction of the proposed WTCC II building section.

It is proposed that the larger facility housing the WTCC II will connect to the existing pedway system and be within walking distance to the entertainment district, the waterfront, art galleries, Citadel Hill, and various other retail and cultural attractions.

The architectural drawing of the proposed facility housing the WTCC II is shown in Figure 6.

Rank's response to EO 08-055 envisages the following design principles:

- ❑ Creation of a mixed use development that extends the supporting hospitality infrastructure into new hotels, restaurants, entertainment and retail opportunities, and integration of this development into the urban fabric of the city avoiding the “big box” syndrome and activating the streetscape surrounding the facilities;
- ❑ Optimization of the assembly spaces in the convention centre to handle multiple groups either concurrently or sequentially, providing flexibility of sizing to accommodate the needs of a variety of event types;
- ❑ Provide an efficient back-of-house configuration to allow for seamless food/beverages, service and support activities without disrupting ongoing events; and
- ❑ Deliver a high-performance, energy-efficient building design and functional layout to meet or exceed current sustainability criteria for both new construction and ongoing operations.

2. FEATURES OF THE CONVENTION CENTRE

The WTCC II will be a world-class facility that contributes to the sustainable future of downtown Halifax and creates a contemporary public space unique to the region. The detail set out below is illustrative. The final configuration will be set through the formal request for proposal process. The impact analysis in this report flows from this illustrated information. Actual impacts associated with the facility will correspond to what is actually built.

- ❑ The convention facility portion of the building shell will be approximately 200,000 – 250,000 sq. ft located on 2-3 floors.
- ❑ Both floors would be open plan column free spaces able to accommodate multiple groups either concurrently or sequentially, providing flexibility of sizing to accommodate the needs of a variety of event types.
- ❑ The net usage space would be about 150,000 sq. ft. consisting of one large exhibit room with 30 ft. ceilings, one columnless boardroom and one columnless ballroom with 25 ft ceilings, and 25 – 30 breakout rooms with 15 – 20 ft. ceilings.
- ❑ The lower lever of the WTCC II will consist of the exhibition concourse, large exhibition hall, several breakout rooms, and storage facilities while the upper level would consist of a boardroom, ballroom and additional breakout rooms.

Associated with the Convention Centre will be:

- ❑ A convention hotel assumed to be 5-star, 12 stories, consisting of 300 – 500 rooms.
- ❑ A Class A office tower comprised of 12 stories.
- ❑ Grafton Galleria will feature high-end retail/commercial space.

3. STUDY OBJECTIVE

In order to assess the economic benefit of the WTCC II, this project is designed to conduct an Economic Impact Assessment of the proposed development.

The Economic Impact assessment will specifically analyze the economic benefits of the proposed WTCC II to both the Province of Nova Scotia and the Halifax Regional Municipality. The Province of Nova Scotia impacts are assessed as a result of impact simulations by the Nova Scotia Input/Output model. The impact simulations will provide results in terms of employment (person years), household income, and provincial government revenue associated with households/personal spending. The economic impact analysis speaks in general terms to the economic impact of the proposed development put forward by Rank. This study expands the economic impacts attributable to WTCC II through both the input/output approach as well as addressing potential impacts that might not be reflected in the input/output analysis. Included in these impacts is an analysis on:

- ❑ Hotel industry in HRM.
- ❑ Commercial tax revenue attributable to the project.
- ❑ The WTCC II as a catalyst for other development.
- ❑ Financial industry development.

The methodology for addressing the study objective included:

- ❑ Assembling expenditure data on construction of the proposed development.
- ❑ Estimating expenditures attributable to convention visitors.
- ❑ Conducting impact simulation through the Input/Output Model.
- ❑ Conducting interviews with key informants to address other types of impacts that could be attributable to the project.
- ❑ Reviewing experience elsewhere.

4. MAIN FINDINGS

In interpreting the findings associated with the impact analysis it is important for the reader to understand the nature of economic impact assessments. Economic impacts demonstrate overall impacts on the economy associated with a major investment. The analysis is not intended to assess the Business Case for the project from the perspective of ensuring viability as measured by project revenues being sufficient to cover costs of development and operations. Economic Impact analysis is a tool used by public sector officials to measure positive impacts for society as a whole.

4.1 Economic Impacts

The formal economic impacts as derived from the economic model clearly show that a new convention centre in HRM will make a significant impact on the local economy from both its construction and operation. The scale of these impacts can be used by decision makers to assess the value for money of the various government level contributions to the project.

Overall construction impacts will result in almost 4,900 person years of employment in the province, including all direct and spin-off positions. Over 90% of jobs will occur in the Halifax Regional Municipality. Total GDP (direct and spin-off) attributable to construction will be in the order of \$170 million with a little over 80% occurring in HRM. Impacts associated with operations and maintenance will result in a total of 132 person years of employment on an annual basis with almost 93% occurring in HRM.

The other significant area of impact related to expenditures over a ten-year operating cycle are those associated with delegate spending for businesses outside of the WTCC; total employment impacts will be in the order of 730 person years of employment with 80% occurring in HRM. On GDP basis, total for the province is \$24 million with 88% in HRM.

It is important to note that we have not been able to develop a quantifiable estimate of tourism sector impacts attributable to convention delegates who make return trips to the province due to their experience attending a convention in the province. Anecdotal information suggests these impacts are real and make an important contribution to both the HRM and the provincial tourism industry. We do have access to information that allows us to estimate impacts associated with convention participants who stay in the province after the convention is over.

4.2 Impacts on HRM Hotel Industry

It is assumed that a new five star hotel will either be a part of the new convention centre or will be established as a result of the new facility. The new hotel is assumed to add about 6% more rooms to the overall stock in HRM. Occupancy rates are strong in HRM, although some dip did occur related to the economic slow down. The incremental convention business will result in an incremental demand for hotel rooms in HRM and we believe overall occupancy rates will increase. We estimate that the new facilities will generate an incremental demand for about 75,000 room nights per year in HRM. At the current average room rate, total revenue would be in the order of \$9.8 million. We believe this level of activity will actually lead to an overall increase in hotel room rates.

We also estimate that the hotel industry will collect \$150,000 new dollars per year due to the hotel marketing levy. We do note that the marketing levy does support marketing initiatives that will generate additional room night sales. We do not estimate this impact.

4.3 Property Tax Revenue to HRM

Estimating property tax potential from this new facility is difficult to do in a theoretical way. To illustrate the scale of taxes, we have compared hotel properties and office buildings in the Central Business District. The Prince George Hotel generates almost \$600,000 in annual property taxes. The convention hotel will be about double the size in terms of rooms with an estimated 400 rooms that will generate a higher average rate. This suggests the hotel portion could generate HRM in the order of \$1.2 million in tax revenue.

The office tower component will also generate tax revenue. The larger office facilities in the Central Business District currently, such as Purdy's Wharf and Maritime Centre, generate between \$1.2 and \$1.5 million in taxes. The new office complex will have similar square footage and could be expected to generate at least this level of tax.

We estimate the convention facility itself will generate more than double the current Trade Centre, which pays about \$600,000 in municipal taxes.

4.4 Impact of Convention Centre on Other Commercial Property Tax Rates

The new convention facility will generate additional business for downtown establishments. In turn, we expect this incremental commercial activity to improve the real estate value of properties in the vicinity of the new convention centre. Based on a review of assessment data in the area, bounded by Brunswick Barrington Blowers and Duke tax rate increases attributable to assessed values increasing by 10% and 25% respectively, would be in the order of \$150,000 to \$350,000.

4.5 Impacts for HRM Business Participation in Trade Shows and Conventions

The new convention centre will attract larger and higher status conventions to HRM. Local participation by businesses, the academic community and even the non-profit sector will be beneficial to these groups. Based on research on the benefits of business travel attending conferences and trade shows can generate a \$4-\$6 return for every dollar spent on travel. In this case, participants will have even lower cost of participation related to the trade show or convention.

4.6 Connection to HRM as a Regional Financial Hub

If the proposed facility goes ahead with a committed group of office building tenants, there is potential for the facility to contribute to the establishment of HRM as a regional financial hub, although we cannot quantify all the impacts that would accrue to the recruitment of workers in the industry they can be expected to create incremental housing demand. Opportunities would also present for higher paying jobs for existing residents who could possibly purchase higher valued homes.

4.7 As a Catalyst for Development in HRM

Commercial development in the Central Business District seems to have stalled. Observers of development in downtown suggests this project, along with the new library, could, in turn, stimulate additional development activity, especially as it relates to residential / condominium and mixed use properties. We cannot document the specific impact this could have but we are confident it will play a role in taking the Central Business District to a higher level simply by locating productive economic activity in an area encompassed by two city blocks that currently contribute next to nothing to the HRM economy.

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II.

DEMAND ANALYSIS FOR CONVENTION CENTRE

It is not the purpose of this study to advise on the feasibility of the new proposed convention facility in HRM. Work has been on this through other studies. The following summarizes key findings.

We understand that the suggested rationale for a new WTCC is due to the major economic 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.

1. PROJECTION OF CONVENTION DEMAND

HLT Advisory has undertaken a projection of demand for the new facility. Their draft findings include the following:

Given the current usage pattern at the WTCC, convention demand at the WTCC will be generated from:

- ❑ Maintenance of existing convention activity and, in some cases, expansion of existing events.
- ❑ New, larger convention events that may result in the rescheduling of existing events.
- ❑ Some degree of contiguous event activity (i.e., multiple convention events occurring at the same time).

The degree to which an expanded WTCC enters the locally-based social and catering market (i.e., banquets special, events) will be a function of policy decisions of TCL respecting the impact on privately-operated facilities (e.g., Cunard Centre) and hotels.

Policies with respect to competing for these pieces of business vary widely across Canadian Convention Centres with no “norm” in place.

Also, a working assumption for this study is that the existing WTCC will not compete for business with the new WTCC II. The existing WTCC will transform to an alternate use.

2. CONVENTION MARKET SEGMENTS

HLT Advisory notes that the North American convention industry is highly competitive. The success experienced by major convention and trade show destinations has prompted development of facilities in a host of second, third and even fourth-tier cities. In many cases, expectations of market demand have not been met, resulting in excess capacity and a growing tendency to compete on price and price-related factors across North America. Many third and fourth-tier cities have far less appeal as a convention destination than Halifax, suggesting market potential for larger expanded facilities. Nevertheless, to achieve the demand levels necessary to justify expansion, target markets must be carefully chosen together with corresponding facility parameters. Simply building a larger exhibit hall(s) will not guarantee success.

The Canadian and regional convention and trade show markets should be the immediate market focus for an expanded WTCC together with continued examination, on a targeted basis, of the United States and international convention and congress market. Consideration of several factors has lead HLT Advisory to this conclusion, including:

- ❑ **Market opportunity (Canada):** Despite the Canadian association marketplace being relatively healthy, expansions of the Vancouver, Toronto and Montreal centres has caused these facilities to look outside Canada to U.S. and international targets clearing some opportunity for the WTCC II. Halifax is a reasonably accessible and cost-effective option in the Canadian marketplace.
- ❑ **Market opportunity (United States):** Post WTCC II expansion, Halifax will be in a stronger position to attract small North American conventions, most likely those with an attendance base centered along the eastern seaboard. A general awareness of the Maritimes and the connection to New England among this market segment, affords a more realistic opportunity upon opening and for subsequent years.
- ❑ **Market opportunity (international):** currently Montreal and Vancouver are the most successful Canadian cities in the international convention/congress marketplace. Halifax’s location on the east coast and proximity to Europe (distance and time zone) presents an interesting alternative to international associations and potentially incentive groups. The concentration of post-secondary educational institutions (and the preponderance of research-based conferences and congresses) in Nova Scotia reinforces the potential appeal on the international front. Air access for this segment is somewhat constrained; group sizes will be smaller than U.S. (and possibly Canadian) events and marketing efforts are best qualified to reflect medium-term market opportunity.

3. **SIZE OF PROJECTED EVENTS**

Estimates of utilization focus primarily on the exhibit hall needs of individual events, as these areas are less flexible with fewer (if any) alternatives. Space needs vary from event to event and from year to year. Event organizers adapt to specific exhibit halls and meeting spaces given sufficient “base” levels of space. For the purposes of projecting usage of the WTCC post expansion, we quantified all potential events as:

- ❑ **Current:** events that have been held at the WTCC (and similar events) that could realistically be expected to return to the WTCC without expanding the venue.
- ❑ **Future:** events that cannot be accommodated without expanding the WTCC.

While the HLT projections are based on exhibit hall size, a key assumption is that meeting space will be available within the expanded WTCC II so that total meeting space, as identified in the Phase I report in the order of 1 : 1; with an appropriate array of break out rooms.

4. **DEMAND BY SIZE AND GEOGRAPHIC SOURCE**

HLT estimated the number of current and future sized events based on past performance of the WTCC, turnaway business (and telephone interview validation), current event activity in other Canadian convention centre and consideration of Halifax’s destination attributes.

The projection in the table below reflects a stabilized operating year. Other Canadian convention centres have experienced a honeymoon period after opening as pent up demand and anticipation of a new facility combines to create greater interest. Therefore for modeling purposes, the stabilized year for convention activity should be viewed “Year 4”, with Years 1, 2 and 3 generating 85%, 115% and 110% of Year 4 event activity. The economic impact analysis includes all years leading up to the stabilized year. Trade and consumer show event load projections for a stabilized year are applicable for Years 1 through 3.

A summary of demand is set out in the table below.

Demand by Size and Geographic Source Redeveloped World Trade and Convention Centre Event Load Projections						
	2005-2009 Average			Projected Stabilized Year Average		
	Events	Delegates	Length*	Events	Delegates	Length*
Conventions						
Local/Regional						
Current Size	15	358	3.3	19	350	3.0
Future Size	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>5</u>	<u>1,000</u>	<u>3.5</u>
Local/Regional Sub-Total	15	358	3.3	24	485	3.1
National						
Current Size	14	529	5.2	12	500	5.0
Future Size	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>9</u>	<u>1,200</u>	<u>5.0</u>
National Sub-Total	14	529	5.2	21	800	5.0
International/United States						
Current Size	2	887	5.5	3	700	5.5
Future Size	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>3</u>	<u>1,000</u>	<u>5.5</u>
International/US Sub-Total	2	887	5.5	6	850	5.5
Total Conventions						
Current Size	31	465	4.2	34	434	3.9
Future Size	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>17</u>	<u>1,106</u>	<u>4.6</u>
Total Conventions	31	465	4.2	51	658	4.2
Trade Shows						
Current Size	9	1,573	2.1	7	1,500	2.0
Future Size	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>4</u>	<u>2,500</u>	<u>4.5</u>
Trade Shows Total	9	1,573	2.1	11	1,864	2.9
Consumer Shows						
Current Size	4	1,406	2.8	4	1,400	3.0
Future Size	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>4</u>	<u>5,000</u>	<u>6.0</u>
Consumer Shows Total	4	1,406	2.8	8	3,200	4.5

Source: HLT Advisory Inc.

Note: Event length includes move-in and move-out days, 2005-2009 average number of events has been rounded.

III.

INPUT/OUTPUT ECONOMIC IMPACTS

1. CONSTRUCTION AND OPERATION

1.1. Background

Estimating the economic impacts is an essential part of assessing the potential value for money from combined public and private investments in the proposed WTCC. The following economic impacts are to be compared with the projected costs of construction, operation, and maintenance.

The construction impacts are the first to flow from the WTCC redevelopment, then the economic impacts of operations and maintenance flow subsequently. The impacts from delegate expenditures are presented separately in the next section.

The analysis is based on the assumptions and detailed presentation of costs by Deloitte, and HLT Advisory. The following will add to these reports by presenting:

- ❑ Economic impacts of WTCC construction and operation (not just delegate impacts),
- ❑ Breakdowns of impacts to Halifax and the province, and
- ❑ Cost scenarios.

1.2 Construction and Operation Costs

The following are assumed to be included in the **construction costs** as outlined by Deloitte:

- ❑ **Soft construction costs** – professional, legal, insurance, permits and appraisals, and design fees,
- ❑ **Demolition costs** – removal and alteration of existing structures,
- ❑ **Excavation costs** – bulk excavation, bulk concrete foundation, utility tunnels,
- ❑ **Site servicing costs** – storm, sewer, hydro, earthworks, and other site changes,
- ❑ **Hard construction costs** – WTCC dining and conference services, lounges,
- ❑ **Furniture, finishing, and equipment** – Completed in final phase of construction, and
- ❑ **Contingency and other factors** – This is assumed to be 15% of hard construction costs.

The land procurement costs identified by Deloitte are removed from the economic impact analysis since these are treated as a transfer of funds in the economy rather than a claim on economic resources. The funds for land purchase would have been spent by one party or the other and, without specific knowledge of how it would be used, the economic outcomes are assumed to be equivalent. The land purchase costs were estimated at \$XXXX per acre for XXXX acres based on land sales in downtown Halifax during 2007. The total costs of construction for the WTCC facility are estimated at \$XXXX. These costs are expected to occur evenly over a 36-month construction period.

The **WTCC direct expenses and allocated expenses** are estimated according to HLT Advisory and include the following direct expenses:

- ❑ Food and beverage,
- ❑ Salaries and benefits,
- ❑ Event expenses,
- ❑ Marketing services,
- ❑ Event contract services,
- ❑ Administration,
- ❑ Operations,
- ❑ Maintenance – building, and
- ❑ Maintenance – equipment.

The total estimated WTCC direct expenses for the stabilized year are \$5.8 million. The allocated expenses for operations are additional and include:

- ❑ Salaries and benefits,
- ❑ Administration,
- ❑ Sales and promotion,
- ❑ Contract services,
- ❑ Maintenance,
- ❑ Energy,
- ❑ Insurance, and
- ❑ Taxes.

The total estimate for allocated operational expenses is \$4.2 million for the stabilized year post-expansion. In general, expenditures made by the WTCC have economic impacts and the items above suggest the kinds of impacts they will have for employees, local businesses, and different levels of government (tax revenues). However not all of these direct and allocated expenditures will be included in the economic impacts since these are not all considered incremental to the economy. Some expenditures will be covered with public funds (when shortfalls arise), and some expenditures will be based on revenues from local events and participants not all of which provide net benefits to the HRM or provincial economy.

1.3 Incrementality

Incremental impacts are those that are additional to the existing economy. These impacts would not have occurred without the redevelopment taking place. It is important to specifically address this topic since incremental impacts are what we are really striving to determine yet it is often unclear what must be included or excluded from the analysis to achieve this. The following briefly describes how incrementality issues are handled in this report.

Where certain costs or portions are financed through public sources, this is omitted because it is simply directed to the WTCC when it would have otherwise been spent on another development. In this case no net impacts can be determined from allocating to this purpose compared to another. One example is in the public funds that may be required to cover operating shortfalls for the WTCC II.

The use of economic input-output models also helps to address incrementality since the models remove any expenditures that "leak" out of the economy. Most if not all products and services involve some level of imports from other provinces and countries, therefore money spent in Nova Scotia flows to these other places rather than staying within the local economy. Accounting for this leaves only impacts that are expected to add to the HRM and provincial economy. It is important to understand that other provinces in Canada that supply inputs to this proposed construction project also benefit from the economic impacts attributable. For example, if the windows used are manufactured in Ontario, that province will incur positive economic activity as a result of the project moving ahead.

2. DELEGATE IMPACTS

2.1 Background

It is important to assess the economic impact of WTCC delegate spending as part of the value for money analysis. The basis for projected delegate attendance levels in the first ten years of operation will be the Deloitte estimates. These are divided according to four broad delegate origins as follows:

- ❑ **Local** – Nova Scotia residents,
- ❑ **Regional** – Other Atlantic provinces,
- ❑ **National** – Other Canadian provinces or territories, and
- ❑ **International** – All other countries,

The following economic impact analysis will add to the Deloitte report by:

- ❑ Refining the expenditure profiles for delegates of different origins,
- ❑ Identifying what portion of local delegate spending may be incremental,

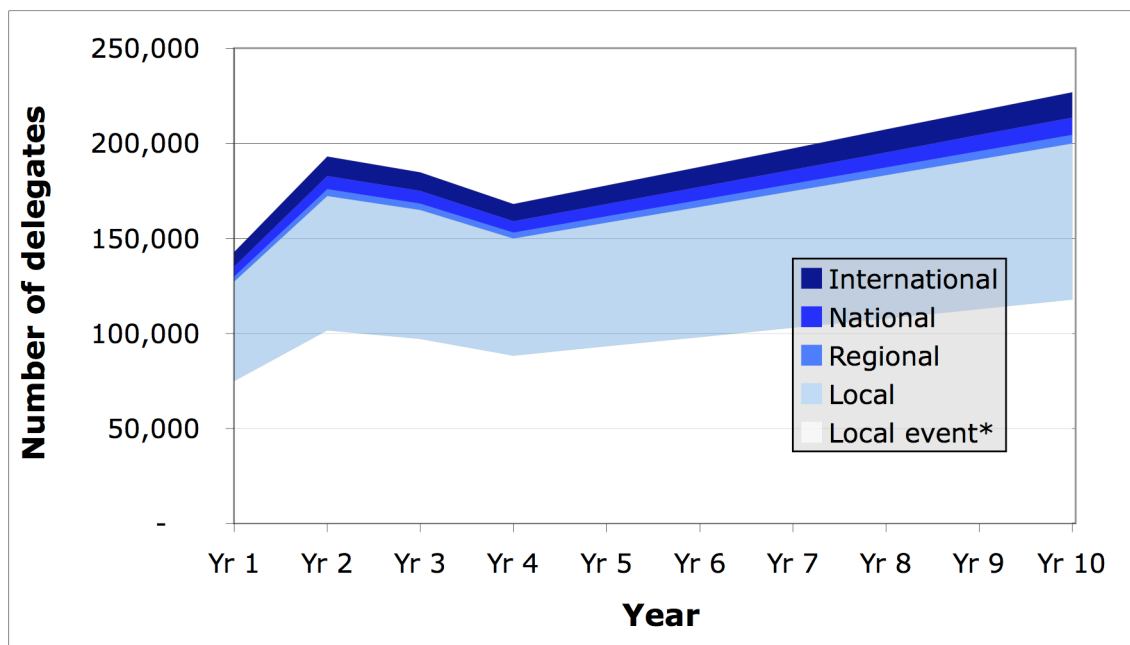
- ❑ Separating the portions of delegate spending that are inside and outside the WTCC,
- ❑ Providing breakdowns of impacts to Halifax and the province, and
- ❑ Projecting different scenarios (conservative and optimistic).

This section will describe delegate spending according to their various origins and spending patterns, and later these will be separated according to the portions that will flow through WTCC operations versus businesses around the WTCC and elsewhere in the province.

2.2 Delegate Attendance

The **projections for attendance** presented by Deloitte are the foundation for delegate impact analysis. Deloitte indicated that other Canadian convention centres were reporting delegate attendance in the first three years that was 85%, 115%, and 110% of the stabilized year levels. They provided stabilized year four estimates for the proposed WTCC in Halifax as well as year ten estimates. Based on this information, the following figure shows the combined delegate attendance for each of the origins that is expected over the first ten years after opening. The estimates for years 5 to 9 assume straight-line trends between the stabilizing year and year ten of operations.

Ten year projection for delegate attendance by origin for conventions, trade shows, consumer shows, and local events*



*Local events and associated delegates will be excluded from the economic impact analysis since these are not considered incremental to the provincial economy.

2.3 Delegate Spending

The delegate attendance estimates must be combined with spending profiles for delegates of each origin in order to determine economic impacts. These profiles will differ from the Deloitte report since the following draws from current work to update the Nova Scotia Tourism Economic Impact Model (TEIM) with the most recent tourism data. The following profiles are the most comprehensive and current available at this time, and the approach is described briefly according to each delegate origin.

These estimates do not include potential for delegates to be accompanied by family or friends that would generate further spending. This also does not capture the spending by delegates that plan a return trip for pleasure or other purposes based on their exposure to Nova Scotia through WTCC events.

The **spending estimate for local delegates** is based on Nova Scotia resident conference and convention travel statistics from the Travel Survey of Residents of Canada (TSRC, 2007). These statistics are specific to Halifax as a destination and account for the weighted combination of same day and overnight travelers (about 33% and 66% respectively). These travelers spend on average **\$205 per trip** for a total of \$7.2 million in Halifax conferences and conventions each year. This is not a complete picture of local delegate spending since not all would be considered tourists (Halifax residents), and would not qualify for inclusion in the TSRC statistics. However the HLT estimated typical fees of \$89 paid to the WTCC for attendance will be applied to non-tourist local delegates.

The **spending estimate for regional delegates** is based on the Visitor Exit Survey (VES) for Nova Scotia. For Canadian visitors to Nova Scotia, the VES is considered more reliable, given its greater sampling and respondent expenditure recall compared to the TSRC. Some adjustments must be made to VES data in order to provide a year-round average spending profile that is in current dollars. These travelers spend on average **\$673 per trip** for a total of \$18.8 million in Halifax conferences and conventions throughout the year.

The **spending estimate for other Canadian delegates** is also based on the Visitor Exit Survey for Nova Scotia. These travelers spend on average **\$1,630 per trip** for a total of \$22.8 million in Halifax conferences and conventions throughout the year.

The **spending estimate for international delegates** is based on the Visitor Exit Survey for delegates of U.S. origin, and the International Travel Survey (ITS) by Statistics Canada provides the largest sample size in support of overseas spending profiles for visitors to Nova Scotia. The combined information from the two sources indicates that these travelers spend on average **\$1,041 per trip** for a total of \$22.6 million in Halifax conferences and conventions throughout the year. **Note:** unlike the other spending estimates, this total includes business travel to Nova Scotia other than just travel to conferences and conventions in Halifax.

2.4 Incrementality

It is important to distinguish expenditures that will be incremental to the provincial economy and would not have occurred without the redevelopment of the WTCC. The question here is what would happen to spending associated with the new WTCC if it is not developed? This is discussed according to delegate origins below.

A portion of **local spending** might occur in Halifax without changing the existing site or by redeveloping the site for another purpose. A portion of local spending might also occur elsewhere in the province if the WTCC is not redeveloped, and this would represent a loss for Halifax but no net effect for the province. The approach taken here is to remove the delegate spending for "local events" at the WTCC (according to Deloitte and HLT) from the estimates for the redeveloped WTCC, since this might occur without any redevelopment.

However, the largest portion of the spending is likely to leave the province altogether in the form of spending on conferences and conventions that are not accessible in Halifax without the redevelopment. Given that many businesses, academics, and organizations have allocated budgets for professional development and conference attendance, the potential for spending to leave the province is substantial. In fact, most conference spending by Nova Scotians already leaves the province according to the Travel Survey of Residents of Canada, Nova Scotians spend at least \$74 million on conferences and conventions in the rest of Canada, the U.S., and overseas. Attracting just 10% of that figure would significantly increase the spending in Halifax. The ability of the new WTCC to retain and attract spending locally will therefore be considered to have a strong incremental effect with respect to local spending.

The local delegate component will be identified separately in the economic impact analysis so these factors can be considered.

The **regional, national, and international delegate spending** will be addressed together since the same issues cut across all three. A portion of their spending might also occur in Halifax without changing the existing site or by redeveloping the site for another purpose. However this is the only case where impacts might not be considered incremental. The approach taken here is to include the spending for these delegates but recognize that a portion would not necessarily be incremental.

3. ECONOMIC MODELLING

3.1 Modeling Approach

The EcoTec economic input-output model is used to determine the economic impacts of the construction and operation expenditures (see Appendix A for EcoTec model details). In brief, the EcoTec model has the following critical functions required in order to expand on the Nova Scotia Input-Output Model (NSIO) capabilities for this report:

- ❑ **Accounting** for the location of expenditures specifically in Halifax, as opposed to the province generally,
- ❑ **Removing** the portion of expenditures that leaves the province due to imports of products and services from other provinces and countries,
- ❑ **Capturing** the inter-county industry linkages within the province to more specifically portion the flows of economic activity between counties, and
- ❑ **Maintaining** total economic impact estimates consistent with the NSIO model as expected by the Nova Scotia Department of Finance.

Separating impacts for Halifax and the rest of the province was a requirement in conducting this work and deserves some explanation regarding the methodology. There were two methods used to divide the impacts: 1) the location of delegate spending was estimated by county according to tourism datasets, and 2) the EcoTech model assigned the expenditures to the specific counties in the province and used inter-county industry data to calculate where money would flow throughout the province.

Examples for construction and tourism visitor spending help to illustrate the methodology for dividing the spending between Halifax and the rest of the province. For construction in Halifax some building materials and labour would be supplied from other parts of the province, especially in the spinoffs to supporting industries (e.g. aggregate mining, lumber, and transportation). This is recognized by the EcoTech model and accounted for.

For WTCC delegate spending, the Visitor Exit Survey questions reveal where travelers stay overnight, visit, and pass through points in the province, so that expenditures can be allocated accordingly. The Travel Survey of Residents of Canada also indicates where travelers stay overnight. A traveler to Halifax for a conference will on average spend time and money in neighbouring counties and elsewhere across the province. We developed average profiles for conference and business travelers to Halifax that show the distribution of their expenditures by county. The specific county spending is then used by the EcoTech model to generate economic impacts that respect the inter-county industry linkages and produce county level results.

The total construction cost estimates are provided to the model according to the relevant North American Industry Classification System (NAICS) industries and commodities for Nova Scotia. The model produces the required results for Halifax and the rest of the province including direct and spinoff:

- ❑ GDP,
- ❑ Employment,
- ❑ Income, and
- ❑ Provincial and federal government revenue.

Note: Due to rounding, the totals for some economic impact table figures may not be exact.

3.2 Construction Impacts

The construction impacts are based on the Deloitte estimates and would be spread evenly over a 36 month period. The land purchase (\$XXXX) was omitted from the Deloitte total expenditure estimate (\$XXXX) since this was not considered an incremental impact to the province.

The impacts are divided according to HRM and the rest of the province, with totals provided for all Nova Scotia impacts. Just over half of the construction expenditures leak out of the province as reflected by the direct GDP values. Since many goods and services will be imported from other provinces or countries, this is expected.

The direct GDP then flows through the province to supporting industries affected by the development (indirect impacts), and to households that spend their earned income in Nova Scotia (induced impacts). These indirect and induced impacts are considered spinoffs and represent an even greater share of the impacts as evidenced by the larger total Nova Scotia spinoffs compared to direct impacts.

Economic impacts of construction expenditures for proposed WTCC

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 83,195,590	\$ -	\$ 83,195,590
Spinoff	\$ 54,056,942	\$ 32,959,580	\$ 87,016,522
Total	\$ 137,252,532	\$ 32,959,580	\$ 170,212,112
Employment (Jobs)			
Direct	3715	0	3715
Spinoff	848	342	1190
Total	4563	342	4905
Taxes			
Direct Federal	\$ 9,155,480	\$ -	\$ 9,155,480
Direct Provincial	\$ 9,205,155	\$ -	\$ 9,205,155
Total Direct	\$ 18,360,635	\$ -	\$ 18,360,635
Direct and Spinoff Federal	\$ 14,032,650	\$ 1,168,836	\$ 15,201,485
Direct and Spinoff Provincial	\$ 13,474,449	\$ 1,809,460	\$ 15,283,909
Total Direct and Spinoff	\$ 27,507,099	\$ 2,978,295	\$ 30,485,394

3.3 Operations and Maintenance Impacts

The operations and maintenance impacts are based on the estimates provided by HLT and are meant to represent a stabilized year of operations. The economic impact analysis excludes the portions of operations and maintenance that are supported through local event revenues and public funds to cover shortfalls. For the economic analysis, the operations and maintenance expenditures therefore relate to the revenues from conventions, trade shows, and consumer shows (\$4.6 million).

Economic impacts of operation and maintenance expenditures for proposed WTCC (stabilized year four)

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 2,235,398	\$ -	\$ 2,235,398
Spinoff	\$ 1,452,466	\$ 885,597	\$ 2,338,063
Total	\$ 3,687,864	\$ 885,597	\$ 4,573,461
Employment (Jobs)			
Direct	100	0	100
Spinoff	23	9	32
Total	123	9	132
Taxes			
Direct Federal	\$ 246,000	\$ -	\$ 246,000
Direct Provincial	\$ 247,335	\$ -	\$ 247,335
Total Direct	\$ 493,335	\$ -	\$ 493,335
Direct and Spinoff Federal	\$ 377,046	\$ 31,406	\$ 408,452
Direct and Spinoff Provincial	\$ 362,047	\$ 48,619	\$ 410,666
Total Direct and Spinoff	\$ 739,093	\$ 80,024	\$ 819,118

See Appendix for impacts in years 1-4 and 10.

3.4 Delegate Impacts Outside the WTCC

The economic impacts of delegate expenditures are based on spending profiles of delegates from different origins attending conferences and conventions in Halifax. The impacts are separated into the two tables below, according to spending of delegates from within the province versus spending of delegates originating outside the province. Together these are the full potential impacts without removing any amount to address incrementality issues, these will be discussed below the tables.

A portion of this spending will be on site at the WTCC and is already accounted for as a flow through the operations and maintenance of the WTCC. The remainder of this spending is for: accommodation, travel to/from and within the province, food and beverage, recreation and entertainment, shopping, and other purchases. These are benefits to other businesses adjacent to the WTCC, elsewhere in the city, and throughout the province.

Economic impacts of Nova Scotia delegate expenditures outside the WTCC (stabilized year four)

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 3,977,293	\$ -	\$ 3,977,293
Spinoff	\$ 3,318,089	\$ 1,466,467	\$ 4,821,309
Total	\$ 7,291,327	\$ 1,466,467	\$ 8,804,814
Employment (Jobs)			
Direct	174	0	174
Spinoff	7	49	56
Total	181	49	230
Taxes			
Direct Federal	\$ 431,683	\$ -	\$ 431,683
Direct Provincial	\$ 434,022	\$ -	\$ 434,022
Total Direct	\$ 865,705	\$ -	\$ 865,705
Direct and Spinoff Federal	\$ 600,294	\$ 117,103	\$ 717,397
Direct and Spinoff Provincial	\$ 600,441	\$ 120,833	\$ 721,274
Total Direct and Spinoff	\$ 1,200,735	\$ 237,936	\$ 1,438,671

See Appendix for impacts in years 1-4 and 10.

**Economic impacts of visiting delegate expenditures outside the WTCC
(stabilized year four)**

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 8,433,734	\$ -	\$ 8,433,734
Spinoff	\$ 5,762,980	\$ 1,445,781	\$ 7,172,008
Total	\$ 14,200,769	\$ 1,445,781	\$ 15,599,529
Employment (Jobs)			
Direct	376	0	376
Spinoff	15	106	121
Total	392	106	498
Taxes			
Direct Federal	\$ 927,414	\$ -	\$ 927,414
Direct Provincial	\$ 932,446	\$ -	\$ 932,446
Total Direct	\$ 1,859,860	\$ -	\$ 1,859,860
Direct and Spinoff Federal	\$ 1,288,560	\$ 251,366	\$ 1,539,926
Direct and Spinoff Provincial	\$ 1,288,886	\$ 259,388	\$ 1,548,274
Total Direct and Spinoff	\$ 2,577,446	\$ 510,754	\$ 3,088,200

See Appendix for impacts in years 1-4 and 10.

The following table is a synthesis of the stabilized year four estimates that combined the WTCC II operations and maintenance impacts, as well as the Nova Scotia delegate and visiting delegate spending impacts outside the WTCC II.

**Combined economic impacts of operations and maintenance, Nova Scotian and
visiting delegate spending outside the WTCC II (stabilized year four)**

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 14,646,424	\$ -	\$ 14,646,424
Spinoff	\$ 10,533,535	\$ 3,797,845	\$ 14,331,380
Total	\$ 25,179,959	\$ 3,797,845	\$ 28,977,804
Employment (Jobs)			
Direct	650	0	650
Spinoff	45	164	210
Total	696	164	860
Taxes			
Direct Federal	\$ 1,605,098	\$ -	\$ 1,605,098
Direct Provincial	\$ 1,613,803	\$ -	\$ 1,613,803
Total Direct	\$ 3,218,900	\$ -	\$ 3,218,900
Direct and Spinoff Federal	\$ 2,265,900	\$ 399,874	\$ 2,665,774
Direct and Spinoff Provincial	\$ 2,251,374	\$ 428,840	\$ 2,680,214
Total Direct and Spinoff	\$ 4,517,274	\$ 828,714	\$ 5,345,988

See Appendix for impacts in years 1-4 and 10.

The following table represents the total combined impacts for the first ten years of operations (after construction). This is not a ten-fold multiplication of the stabilized year four estimates from above, this reflects the projected annual number of events and delegates for each of the ten years. The impacts are not discounted to determine present values, they simply represent the combined impacts as estimated in each year (all in \$2009).

Ten year total economic impacts of operations and maintenance, Nova Scotian and visiting delegate spending outside the WTCC II (stabilized year four)

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 170,822,158	\$ -	\$ 170,822,158
Spinoff	\$ 122,577,259	\$ 43,888,886	\$ 166,466,145
Total	\$ 293,399,417	\$ 43,888,886	\$ 337,288,303
Employment (Jobs)			
Direct	7585	0	7585
Spinoff	529	1915	2444
Total	8114	1915	10029
Taxes			
Direct Federal	\$ 18,723,012	\$ -	\$ 18,723,012
Direct Provincial	\$ 18,824,554	\$ -	\$ 18,824,554
Total Direct	\$ 37,547,566	\$ -	\$ 37,547,566
Direct and Spinoff Federal	\$ 26,430,841	\$ 4,664,377	\$ 31,095,218
Direct and Spinoff Provincial	\$ 26,261,410	\$ 5,002,250	\$ 31,263,660
Total Direct and Spinoff	\$ 52,692,251	\$ 9,666,628	\$ 62,358,878

See Appendix for impacts in years 1-4 and 10.

It is worth noting that the ten-year economic benefits to Nova Scotians in terms of direct and spinoff GDP (\$337 million) is substantially more than the public funds that are required for construction and operations. Furthermore some impacts return to government in the form of taxes (e.g., provincial taxes of (\$31 million).

IV.

IMPACTS ON HRM HOTEL INDUSTRY

1. BACKGROUND

The proposed Nova Centre will include a Convention Centre, and a 5-star or four-diamond hotel within its proposed facility consisting of 300 – 500 rooms. It will be operated by a name hotel chain. Regardless of whether the Rank proposal proceeds, any new WTCC II will likely include a similar hotel. We do make note that the province would not be involved in the procurement of a new hotel. For the purposes of this work, it is assumed a new convention centre will result in a new hotel being established in HRM, as the private sector will respond to such an opportunity whether it is formally included in the proposed facility. The addition of the new convention centre and their rooms to the local market will have impacts on existing HRM hotel industry.

2. PROFILE OF EXISTING INDUSTRY

According to Nova Scotia Tourism and Culture data, there are about 6,200 hotel rooms available in HRM. Over the past three years, these hotels have on average experienced an occupancy rate of about 60%. There is a seasonality factor with occupancy being highest in August and September when 70 to 85% of rooms have been sold. The slowest season is winter between December and February when occupancy slips to between 40 and 55%.

The addition of 300 – 500 new high-end rooms will impact the existing supply and we would expect that customers of the new hotel will include those who previously would have stayed at one of the existing properties. However, this shifting of existing clients will be time sensitive and will depend on price point competition among the hotel industry participants.

We will address the following impacts related to the hotel industry:

- ❑ Peak convention market
- ❑ Peak non-convention market
- ❑ Non-peak non-convention market

It is plausible that the Convention Centre will lead to an increase in overall room night sales due to the increase in scale of convention activity. We do note that economic impacts attributable to delegate visitation are captured in the main economic impact analysis. Not well documented in this analysis is the impact on the hotel marketing levy.

3. HOTEL RATES

According to HLT Advisory, using data provided by PKF Consulting, the average hotel rate in HRM in 2008 was \$129.12 as compared to \$118.56 for Atlantic Canada as a whole and \$130.90 for Canada. Relative to competing National convention destinations, HRM has a lower average rate:

- ❑ Quebec City: \$158.31
- ❑ Montreal: \$151.63
- ❑ Ottawa: \$142.64
- ❑ Calgary: \$186.18
- ❑ Edmonton: \$131.68
- ❑ Vancouver: \$154.84
- ❑ Victoria: \$130.60

Peak Convention Season

During the peak convention season (Spring and Fall), the new Convention Centre has the potential to provide incremental demand on the existing hotel stock of rooms, which in turn will plausibly lead to higher room occupancy. This, in turn, could result in an increase in room rates and therefore generate additional revenue for the industry as a whole. We expect the convention hotel to enter the market place as a premium priced property. For most conventions it will be available to those who value its location in proximity to the convention activities. For large conventions, the room capacity will not be great enough for overall demand and other hotel properties will have the potential to make convention related sales. We believe that overall, the Convention Centre will lead to higher room rates during the Fall season in particular, with some upward pressure in the Spring.

Peak Non-convention Season

Although Summer is not a part of convention season, the hotels may test higher price thresholds during this time as well.

Evidence to support the overall higher room rates is found in other convention competitive cities where room rates are higher than in Halifax (see previous table).

Non-peak Non-convention Season

During the December to February season, we believe the convention hotel will have the potential to take business from the other hotels. Although it is likely to operate at a higher price point, it will be the accommodation of choice for those attending various Christmas season functions at the new Convention Centre facilities. We also anticipate that the hotel operator will aggressively market its facilities in January and February to improve its utilization.

4. *IMPACT ON HOTEL MARKETING LEVY*

As a consequence of the new major hotel entering the Halifax market place we estimate the revenue collected by the hotel levy to be about \$150,000 per year based on the incremental demand generated by the Convention Centre of 75,000 room nights.

This analysis captures impacts on the levy associated with incremental room nights sold in Halifax but does not reflect a higher room rate.

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V.

HRM PROPERTY TAX REVENUE IMPACTS

The economic impact model does not estimate total HRM tax revenue associated with the establishment and operation of the new convention facility and its associated mixed-use configuration. Estimating property tax potential from this new facility is difficult to do in a theoretical way. To illustrate the scale of taxes, we have compared hotel properties and office buildings in the Central Business District. The Prince George Hotel generates almost \$600,000 in annual property taxes. The convention hotel will be about double the size in terms of rooms with an estimated 400 rooms that will generate a higher average rate. This suggests the hotel portion could generate HRM in the order of \$1.2 million in tax revenue.

The office tower component will also generate tax revenue. The larger office facilities in the Central Business District currently, such as Purdy's Wharf and Maritime Centre, generate between \$1.2 and \$1.5 million in taxes. The new office complex will have similar square footage and could be expected to generate at least this level of tax.

We estimate the convention facility itself will generate more than double the current Trade Centre, which pays about \$600,000 in municipal taxes.

We understand the office component of the facility will be taxed on the basis of lease income, which at this time has some uncertainty as to its final lease rate on occupancy rate. The developer has indicated that the property will capture a Class A lease rate and that they will not commence development without assurance from the market place that they will be able to meet their minimum occupancy threshold. The tax attributable to the retail space will also be based on lease rates. Again, it is anticipated this property will command higher rental rates associated with desirable retail location. The hotel component will also be taxed in a manner consistent with other hotels in HRM. We assume that there will be no condominium component of the project although that is a possibility should the office space not be as in demand as initially thought. We do note that condominium developments are taxed on the residential rates which are considerably lower than the commercial rate and generate much less tax revenue for HRM. If an alternate WTCC II proceeds with condominiums as opposed to an office tower, HRM tax impacts will be lower.

We do note that HRM will incur some additional expenses due to the demand for incremental services. We understand the cost associated will be well below the incremental tax revenue attributable to the project.

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VI.

IMPACT OF CONVENTION CENTRE ON OTHER COMMERCIAL PROPERTY TAX RATES

A common adage related to property value notes that when properties in a neighborhood are improved, the value of other properties will also increase, thus tax revenue has potential to increase as well. Currently, the proposed site for the WTCC II is two empty city blocks that generate next to no commercial activity and is of no benefit to the neighborhood. With the construction of significant office space, a high-end hotel and convention centre, this project has the potential to radically change the business dynamic of the neighborhood. A great number of people will move through the facilities on a daily basis. This people traffic should improve the business prospects for other business operators and property owners in the vicinity.

We requested property assessment and tax data for all properties in the area bounded by Brunswick, Barrington, Blowers and Duke Streets. Many of the commercial properties in this area already operate dining and retail businesses. We suggest that these properties have the prospect for enhanced gross revenue based on higher lease rates. Tax rates are set on the basis of lease payments, we suggest that as businesses improves, landlords will increase rents, invest in their properties and generally improve the streetscapes and prospect for higher real estate values. HRM will benefit from any associated incremental commercial tax revenue.

We estimate the total assessed value of properties in this area to be in the order of \$45 million. We have excluded the hotels, office towers and the Trade Centre. A 10% increase in assessed value will generate \$150,000 in incremental tax revenue for the city and a 25% increase will equal approximately \$350,000.

We do note one caveat, that if property in this area is developed as condominiums, the city could receive less tax revenue.

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VII.

IMPACT OF CONVENTION CENTRE ON HRM BASED CONFERENCE ATTENDEES

The economic impact section has documented the impact on the HRM economy associated with the registration by delegates to conferences. WTCC II will have the capacity to host both larger and higher status conventions for national and international events. A potential spin off of hosting these events will be the greater opportunity for HRM based businesses, academics and even non-profit sector to attend and participate in these conventions at a significantly lower cost than traveling to other cities in North America or abroad.

The capacity of the new Convention Centre to host trade shows in association with conventions is a notable opportunity for local participants to benefit.

In September 2009, the United States Travel Association published a study on Return on Investment of U.S. Business Travel. Our review of this work shows it was based on surveys of corporate executives with an associated econometric analysis of corporate performance. The results of this work showed an irrefutable relationship between company's investment in travel and its profitability business. In the analysis, attendance and participation in both convention and trade shows are documented.

The underlying theme is that in-person contacts yield significant company return on investment. We believe the findings of this work generally supports the expected rebound in convention attendance that has suffered due to the significant slow down of the North American and global economies. It is not our task to verify future scale of convention business assumed in the developer's proposal.

Where we see the recent research results relating to the business/academic community in HRM is in the opportunity local business will have to participate in major convention and trade shows and this could be very beneficial to HRM.

Interesting results from the study show:

- ❑ For every dollar invested in business travel, their companies realized \$12.50 in incremental revenue.
- ❑ Roughly 40% of prospective customers are converted to new customers with in-person meetings compared to 16% without such as meeting.
- ❑ More than half of respondents stated that 5 – 20% of their company's new customers were the result of trade show participants.

- Main purpose for attending trade shows:
 - 58%: Industry education
 - 48% Vendor networking
 - 43%: Competition insights
 - 43% Networking with prospects

- Return on \$1 investment:
 - Customer meetings: \$15 - \$20
 - Conferences: \$4 - \$6
 - Trade shows: \$4 - \$6

VIII.

CONNECTION OF WTCC II TO HRM AS A REGIONAL FINANCIAL HUB

The Business Case has been made by the economic development agencies responsible for attracting investment to Nova Scotia and HRM that HRM has the potential to be a major regional financial hub. Building on long-standing and recent activity in new firms choosing to locate in HRM, promotion is being made based on many attributes of the region as a centre for office location. Strengths noted in a 2007 study done for the Greater Halifax Partnership by Shift Central are as follows:

- ❑ A survey of HRM financial companies noted the business climate in the city is improving with good to excellent affinity with HRM.
- ❑ Training infrastructure with access to universities and students was noted as good to excellent by 85% of participants.
- ❑ HRM can demonstrate that it is a growing urban centre with significant immigration and a strategy to attract immigrants that have potential to support a financial services sector.
- ❑ The KPMG Competition Alternatives reports shows HRM to have an operating cost structure for financial services companies that is below that of many competing cities.
- ❑ Air access to Halifax is good and the fact it is in the Atlantic time zone means that firms can work with European and North American markets on the same day.
- ❑ Class A office space is typically lower priced than in other jurisdictions.
- ❑ We understand that although the recent global economic recession severely affected this sector in many jurisdictions, it has had the impact of making financial services firms even more conscious of their cost of operations. This appears to put HRM in a positive position to compete with other jurisdictions. The Nova Centre developer indicates that he has had this confirmed by prospective tenants.

The Nova Centre proposal will see the first major Class A office space constructed in the downtown in almost 20 years. This space will be unlike any other currently available in the HRM market and will offer many amenities and features. In total there will be 12 floors of such space. The developer associated with the proposal indicates they will need a minimum amount of space available committed to lease prior to construction. They further indicate that they are in negotiation with potential occupants who are not currently large tenants in any other facility in HRM. Prospective tenants are mainly from the financial services sector.

We do note that HRM contracted Turner Drake in 2008 to assess the market situation for office space in HRM. Their conclusions would suggest that there is a surplus of office space in HRM and that circumstances at the time would not warrant significant investment in new space in the downtown. The Turner Drake work was based on actual market transactions that have been taking place with assumptions that new facilities would compete against old established and perhaps lower priced facilities. Often when new facilities are offered in a market place, the new address becomes the “must” place to be and will attract existing tenants of established properties to the new facility. In the event that this is what happens, the impacts associated with the new facilities are more modest than if they are successful in attracting new tenants to the city. For our analysis we will assume the up- take of the new space will be a combination of the two. The incremental impacts on the HRM will flow from the following:

- ❑ Incremental commercial tax base attributable to new HRM business.
- ❑ Incremental commercial tax contribution to the relocation of existing business to the new space, which will be taxed at the higher rate. We note that this impact could in part be offset by a failure of existing office providers to replace tenants.
- ❑ The new workforce attracted to the city will, we assume, be paid above average wages and will create incremental housing demand, which in turn will generate added residential tax revenue as well.
- ❑ The incremental tax revenue from purchasing, based on a range of assumptions.

IX.

WTCC II AS A CATALYST FOR DEVELOPMENT IN HRM

In recent years, there has been a number of commercial projects consisting of mixed-use plans proposed for the central business district. Approvals to proceed have been granted for some of these proposed developments. However, little development has actually occurred. This suggests that in the final analysis, developers and investors have not been ready to take on the risk of proceeding. We note that no new office space has been added to the central business district since 1989.

Some observers of development in HRM believe the Nova Centre project will be a strategic development that will provide a much-needed boost to downtown commercial activity. It is seen as being strategically located in a way that will tie in the Spring Garden Road commercial district more directly to the downtown and waterfront area. We will not attempt to conclude that the WTCC II project will trigger an immediate startup of all the proposed developments now on the table. However, the concentration of commercial activity and what we believe will be incremental commercial activity, we see the potential for this project to help firm up markets for downtown condominiums and as the financial service sector gains momentum, additional office space in the downtown area could also be in demand.

Many observers feel HRM is on the verge of a positive economic rebound and what is needed is a commitment from both the private sector and public sector to start a positive momentum in the downtown area. The tourism sector with the hotel infrastructure is already a strength with the waterfront a main destination for out of province visitors. The expanded convention capacity can only enhance this industry.

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X.

OVERALL CONCLUSION

We believe based on our analysis, there will be significant economic benefits to the economy associated with the establishment of a new convention centre in HRM. In this report, we have documented the scale of employment and GDP impacts attributable to the construction, operation and delegate spending associated with the centre. The complex will also have a positive impact on the hotel industry by both providing new upscale rooms and by improving the occupancy rates of existing properties. This, in turn, will generate incremental hotel levy revenue and possibly higher overall room rates.

In terms of incremental property tax revenue, a facility like the proposed Nova Centre has the potential to add in the order of \$3 - 4 million annually to the city. In addition, assessed values in the neighbourhood could also increase generating a modest increase in other property taxes.

We anticipate that local businesses, the academic community and not-for-profit sector will also benefit from the opportunity to participate in national and international conventions without incurring travel costs. Real economic benefits from this participation can be anticipated although they are difficult to quantify.

HRM as an economic development strategy has been attempting to establish itself as a regional financial hub that will generate and support higher paying positions in the local economy. We believe the proposed high-end office space in Nova Centre could play a critical role in supporting this strategy.

Finally, we note that development activity in the HRM Central Business District has been relatively dormant over the past number of years. Observers suggest this type of public/private mixed use facility could serve as a catalyst to stimulate the start-up of other mixed-use development proposals in the Central Business District.

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APPENDIX: DETAILED ECONOMIC IMPACT RESULTS

The economic impacts are provided on the following pages for years 1 through 4, and ten. The combined economic impacts for all ten years are also presented. Impacts are in \$2009 throughout and no discounting procedures have been applied. Note: Due to rounding, the totals for some figures may not be exact.

YEAR 1

Operations and maintenance impacts

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 1,900,088	\$ -	\$ 1,900,088
Spinoff	\$ 1,234,596	\$ 752,758	\$ 1,987,354
Total	\$ 3,134,684	\$ 752,758	\$ 3,887,442
Employment (Jobs)			
Direct	85	0	85
Spinoff	19	8	27
Total	104	8	112
Taxes			
Direct Federal	\$ 209,100	\$ -	\$ 209,100
Direct Provincial	\$ 210,235	\$ -	\$ 210,235
Total Direct	\$ 419,335	\$ -	\$ 419,335
Direct and Spinoff Federal	\$ 320,489	\$ 26,695	\$ 347,184
Direct and Spinoff Provincial	\$ 307,740	\$ 41,326	\$ 349,066
Total Direct and Spinoff	\$ 628,229	\$ 68,021	\$ 696,250

YEAR 2

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 2,570,707	\$ -	\$ 2,570,707
Spinoff	\$ 1,670,336	\$ 1,018,437	\$ 2,688,773
Total	\$ 4,241,043	\$ 1,018,437	\$ 5,259,480
Employment (Jobs)			
Direct	115	0	115
Spinoff	26	11	37
Total	141	11	152
Taxes			
Direct Federal	\$ 282,900	\$ -	\$ 282,900
Direct Provincial	\$ 284,435	\$ -	\$ 284,435
Total Direct	\$ 567,336	\$ -	\$ 567,336
Direct and Spinoff Federal	\$ 433,603	\$ 36,117	\$ 469,719
Direct and Spinoff Provincial	\$ 416,355	\$ 55,912	\$ 472,266
Total Direct and Spinoff	\$ 849,957	\$ 92,028	\$ 941,985

Nova Scotia delegate impacts outside WTCC II

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 3,380,699	\$ -	\$ 3,380,699
Spinoff	\$ 2,820,376	\$ 1,246,497	\$ 4,098,113
Total	\$ 6,197,628	\$ 1,246,497	\$ 7,484,092
Employment (Jobs)			
Direct	148	0	148
Spinoff	6	42	48
Total	154	42	196
Taxes			
Direct Federal	\$ 366,931	\$ -	\$ 366,931
Direct Provincial	\$ 368,919	\$ -	\$ 368,919
Total Direct	\$ 735,849	\$ -	\$ 735,849
Direct and Spinoff Federal	\$ 510,250	\$ 99,537	\$ 609,787
Direct and Spinoff Provincial	\$ 510,374	\$ 102,708	\$ 613,083
Total Direct and Spinoff	\$ 1,020,625	\$ 202,245	\$ 1,222,870

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 4,573,887	\$ -	\$ 4,573,887
Spinoff	\$ 3,815,803	\$ 1,686,437	\$ 5,544,505
Total	\$ 8,385,025	\$ 1,686,437	\$ 10,125,536
Employment (Jobs)			
Direct	200	0	200
Spinoff	8	56	65
Total	209	56	265
Taxes			
Direct Federal	\$ 496,436	\$ -	\$ 496,436
Direct Provincial	\$ 499,125	\$ -	\$ 499,125
Total Direct	\$ 995,561	\$ -	\$ 995,561
Direct and Spinoff Federal	\$ 690,338	\$ 134,668	\$ 825,006
Direct and Spinoff Provincial	\$ 690,507	\$ 138,958	\$ 829,465
Total Direct and Spinoff	\$ 1,380,845	\$ 273,626	\$ 1,654,471

Visiting delegate impacts outside WTCC II

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 7,168,674	\$ -	\$ 7,168,674
Spinoff	\$ 4,898,533	\$ 1,228,914	\$ 6,096,206
Total	\$ 12,070,654	\$ 1,228,914	\$ 13,259,599
Employment (Jobs)			
Direct	320	0	320
Spinoff	13	90	103
Total	333	90	423
Taxes			
Direct Federal	\$ 788,302	\$ -	\$ 788,302
Direct Provincial	\$ 792,579	\$ -	\$ 792,579
Total Direct	\$ 1,580,881	\$ -	\$ 1,580,881
Direct and Spinoff Federal	\$ 1,095,276	\$ 213,661	\$ 1,308,937
Direct and Spinoff Provincial	\$ 1,095,553	\$ 220,480	\$ 1,316,033
Total Direct and Spinoff	\$ 2,190,829	\$ 434,141	\$ 2,624,970

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 9,698,794	\$ -	\$ 9,698,794
Spinoff	\$ 6,627,427	\$ 1,662,648	\$ 8,247,809
Total	\$ 16,330,884	\$ 1,662,648	\$ 17,939,458
Employment (Jobs)			
Direct	433	0	433
Spinoff	18	122	139
Total	450	122	572
Taxes			
Direct Federal	\$ 1,066,526	\$ -	\$ 1,066,526
Direct Provincial	\$ 1,072,312	\$ -	\$ 1,072,312
Total Direct	\$ 2,138,839	\$ -	\$ 2,138,839
Direct and Spinoff Federal	\$ 1,481,844	\$ 289,071	\$ 1,770,915
Direct and Spinoff Provincial	\$ 1,482,219	\$ 298,296	\$ 1,780,515
Total Direct and Spinoff	\$ 2,964,063	\$ 587,367	\$ 3,551,430

YEAR 3**Operations and maintenance impacts**

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 2,458,938	\$ -	\$ 2,458,938
Spinoff	\$ 1,597,713	\$ 974,157	\$ 2,571,869
Total	\$ 4,056,650	\$ 974,157	\$ 5,030,807
Employment (Jobs)			
Direct	110	0	110
Spinoff	25	10	35
Total	135	10	145
Taxes			
Direct Federal	\$ 270,600	\$ -	\$ 270,600
Direct Provincial	\$ 272,069	\$ -	\$ 272,069
Total Direct	\$ 542,669	\$ -	\$ 542,669
Direct and Spinoff Federal	\$ 414,750	\$ 34,546	\$ 449,297
Direct and Spinoff Provincial	\$ 398,252	\$ 53,481	\$ 451,733
Total Direct and Spinoff	\$ 813,003	\$ 88,027	\$ 901,030

YEAR 4

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 2,235,398	\$ -	\$ 2,235,398
Spinoff	\$ 1,452,466	\$ 885,597	\$ 2,338,063
Total	\$ 3,687,864	\$ 885,597	\$ 4,573,461
Employment (Jobs)			
Direct	100	0	100
Spinoff	23	9	32
Total	123	9	132
Taxes			
Direct Federal	\$ 246,000	\$ -	\$ 246,000
Direct Provincial	\$ 247,335	\$ -	\$ 247,335
Total Direct	\$ 493,335	\$ -	\$ 493,335
Direct and Spinoff Federal	\$ 377,046	\$ 31,406	\$ 408,452
Direct and Spinoff Provincial	\$ 362,047	\$ 48,619	\$ 410,666
Total Direct and Spinoff	\$ 739,093	\$ 80,024	\$ 819,118

Nova Scotia delegate impacts outside WTCC II

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 4,375,022	\$ -	\$ 4,375,022
Spinoff	\$ 3,649,898	\$ 1,613,114	\$ 5,303,440
Total	\$ 8,020,459	\$ 1,613,114	\$ 9,685,296
Employment (Jobs)			
Direct	191	0	191
Spinoff	8	54	62
Total	199	54	253
Taxes			
Direct Federal	\$ 474,852	\$ -	\$ 474,852
Direct Provincial	\$ 477,424	\$ -	\$ 477,424
Total Direct	\$ 952,276	\$ -	\$ 952,276
Direct and Spinoff Federal	\$ 660,324	\$ 128,813	\$ 789,136
Direct and Spinoff Provincial	\$ 660,485	\$ 132,916	\$ 793,401
Total Direct and Spinoff	\$ 1,320,808	\$ 261,729	\$ 1,582,538

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 3,977,293	\$ -	\$ 3,977,293
Spinoff	\$ 3,318,089	\$ 1,466,467	\$ 4,821,309
Total	\$ 7,291,327	\$ 1,466,467	\$ 8,804,814
Employment (Jobs)			
Direct	174	0	174
Spinoff	7	49	56
Total	181	49	230
Taxes			
Direct Federal	\$ 431,683	\$ -	\$ 431,683
Direct Provincial	\$ 434,022	\$ -	\$ 434,022
Total Direct	\$ 865,705	\$ -	\$ 865,705
Direct and Spinoff Federal	\$ 600,294	\$ 117,103	\$ 717,397
Direct and Spinoff Provincial	\$ 600,441	\$ 120,833	\$ 721,274
Total Direct and Spinoff	\$ 1,200,735	\$ 237,936	\$ 1,438,671

Visiting delegate impacts outside WTCC II

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 9,277,107	\$ -	\$ 9,277,107
Spinoff	\$ 6,339,278	\$ 1,590,359	\$ 7,889,208
Total	\$ 15,620,846	\$ 1,590,359	\$ 17,159,482
Employment (Jobs)			
Direct	414	0	414
Spinoff	17	117	133
Total	431	117	547
Taxes			
Direct Federal	\$ 1,020,156	\$ -	\$ 1,020,156
Direct Provincial	\$ 1,025,690	\$ -	\$ 1,025,690
Total Direct	\$ 2,045,846	\$ -	\$ 2,045,846
Direct and Spinoff Federal	\$ 1,417,416	\$ 276,503	\$ 1,693,918
Direct and Spinoff Provincial	\$ 1,417,775	\$ 285,327	\$ 1,703,101
Total Direct and Spinoff	\$ 2,835,191	\$ 561,829	\$ 3,397,020

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 8,433,734	\$ -	\$ 8,433,734
Spinoff	\$ 5,762,980	\$ 1,445,781	\$ 7,172,008
Total	\$ 14,200,769	\$ 1,445,781	\$ 15,599,529
Employment (Jobs)			
Direct	376	0	376
Spinoff	15	106	121
Total	392	106	498
Taxes			
Direct Federal	\$ 927,414	\$ -	\$ 927,414
Direct Provincial	\$ 932,446	\$ -	\$ 932,446
Total Direct	\$ 1,859,860	\$ -	\$ 1,859,860
Direct and Spinoff Federal	\$ 1,288,560	\$ 251,366	\$ 1,539,926
Direct and Spinoff Provincial	\$ 1,288,886	\$ 259,388	\$ 1,548,274
Total Direct and Spinoff	\$ 2,577,446	\$ 510,754	\$ 3,088,200

YEAR 10					TEN YEAR COMBINED				
Operations and maintenance impacts									
Economic Impacts (\$2009)	HRM	Rest of NS		Total NS	Economic Impacts (\$2009)	HRM	Rest of NS		Total NS
Gross Domestic Product (GDP)					Gross Domestic Product (GDP)				
Direct	\$ 3,233,666	\$ -		\$ 3,233,666	Direct	\$ 26,071,458	\$ -		\$ 26,071,458
Spinoff	\$ 2,101,098	\$ 1,281,081		\$ 3,382,179	Spinoff	\$ 16,940,120	\$ 10,328,724		\$ 27,268,844
Total	\$ 5,334,765	\$ 1,281,081		\$ 6,615,846	Total	\$ 43,011,578	\$ 10,328,724		\$ 53,340,302
Employment (Jobs)					Employment (Jobs)				
Direct		144	0	144	Direct		1164	0	1164
Spinoff		33	13	46	Spinoff		266	107	373
Total		177	13	191	Total		1430	107	1537
Taxes					Taxes				
Direct Federal	\$ 355,857	\$ -		\$ 355,857	Direct Federal	\$ 2,869,103	\$ -		\$ 2,869,103
Direct Provincial	\$ 357,788	\$ -		\$ 357,788	Direct Provincial	\$ 2,884,670	\$ -		\$ 2,884,670
Total Direct	\$ 713,646	\$ -		\$ 713,646	Total Direct	\$ 5,753,773	\$ -		\$ 5,753,773
Direct and Spinoff Federal	\$ 545,424	\$ 45,431		\$ 590,855	Direct and Spinoff Federal	\$ 4,397,488	\$ 366,284		\$ 4,763,773
Direct and Spinoff Provincial	\$ 523,728	\$ 70,331		\$ 594,059	Direct and Spinoff Provincial	\$ 4,222,562	\$ 567,040		\$ 4,789,602
Total Direct and Spinoff	\$ 1,069,153	\$ 115,761		\$ 1,184,914	Total Direct and Spinoff	\$ 8,620,050	\$ 933,325		\$ 9,553,375

Nova Scotia delegate impacts outside WTCC II									
Economic Impacts (\$2009)	HRM	Rest of NS		Total NS	Economic Impacts (\$2009)	HRM	Rest of NS		Total NS
Gross Domestic Product (GDP)					Gross Domestic Product (GDP)				
Direct	\$ 5,303,068	\$ -		\$ 5,303,068	Direct	\$ 44,810,870	\$ -		\$ 44,810,870
Spinoff	\$ 4,420,446	\$ 1,942,483		\$ 6,416,542	Spinoff	\$ 37,370,370	\$ 16,475,785		\$ 54,276,773
Total	\$ 9,718,168	\$ 1,942,483		\$ 11,729,508	Total	\$ 82,135,753	\$ 16,475,785		\$ 99,163,428
Employment (Jobs)					Employment (Jobs)				
Direct		232	0	232	Direct		1961	0	1961
Spinoff		10	65	75	Spinoff		81	552	634
Total		242	65	307	Total		2043	552	2596
Taxes					Taxes				
Direct Federal	\$ 575,613	\$ -		\$ 575,613	Direct Federal	\$ 4,863,760	\$ -		\$ 4,863,760
Direct Provincial	\$ 578,731	\$ -		\$ 578,731	Direct Provincial	\$ 4,890,110	\$ -		\$ 4,890,110
Total Direct	\$ 1,154,344	\$ -		\$ 1,154,344	Total Direct	\$ 9,753,871	\$ -		\$ 9,753,871
Direct and Spinoff Federal	\$ 800,443	\$ 156,141		\$ 956,584	Direct and Spinoff Federal	\$ 6,763,500	\$ 1,319,371		\$ 8,082,871
Direct and Spinoff Provincial	\$ 800,636	\$ 161,117		\$ 961,754	Direct and Spinoff Provincial	\$ 6,765,142	\$ 1,361,411		\$ 8,126,555
Total Direct and Spinoff	\$ 1,601,079	\$ 317,258		\$ 1,918,338	Total Direct and Spinoff	\$ 13,528,643	\$ 2,680,781		\$ 16,209,426

Visiting delegate impacts outside WTCC II

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 12,650,626	\$ -	\$ 12,650,626
Spinoff	\$ 8,637,292	\$ 2,154,468	\$ 10,738,147
Total	\$ 21,293,264	\$ 2,154,468	\$ 23,378,874
Employment (Jobs)			
Direct	565	0	565
Spinoff	23	159	182
Total	587	159	746
Taxes			
Direct Federal	\$ 1,391,206	\$ -	\$ 1,391,206
Direct Provincial	\$ 1,398,754	\$ -	\$ 1,398,754
Total Direct	\$ 2,789,960	\$ -	\$ 2,789,960
Direct and Spinoff Federal	\$ 1,932,962	\$ 377,059	\$ 2,310,021
Direct and Spinoff Provincial	\$ 1,933,447	\$ 389,097	\$ 2,322,544
Total Direct and Spinoff	\$ 3,866,409	\$ 766,157	\$ 4,632,565

Economic Impacts (\$2009)	HRM	Rest of NS	Total NS
Gross Domestic Product (GDP)			
Direct	\$ 99,939,830	\$ -	\$ 99,939,830
Spinoff	\$ 68,266,769	\$ 17,084,377	\$ 84,920,528
Total	\$ 168,252,087	\$ 17,084,377	\$ 184,784,574
Employment (Jobs)			
Direct	4460	0	4460
Spinoff	182	1256	1437
Total	4641	1256	5897
Taxes			
Direct Federal	\$ 10,990,149	\$ -	\$ 10,990,149
Direct Provincial	\$ 11,049,774	\$ -	\$ 11,049,774
Total Direct	\$ 22,039,923	\$ -	\$ 22,039,923
Direct and Spinoff Federal	\$ 15,269,852	\$ 2,978,722	\$ 18,248,575
Direct and Spinoff Provincial	\$ 15,273,706	\$ 3,073,799	\$ 18,347,503
Total Direct and Spinoff	\$ 30,543,558	\$ 6,052,522	\$ 36,596,078