

Assessing the Potential for Expanded Convention/Trade Show Facilities in Halifax

**Prepared for the Halifax World Trade & Convention
Centre**

May 2009

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1. Introduction

1. Introduction

Background and Scope

Background

The World Trade and Convention Centre ("WTCC") opened in 1984 and offers almost 30,000 square feet of meeting space as well as a 20,000 square foot ballroom. At this size, the venue is smaller than convention venues in most other Canadian urban centres. Although the ballroom may be used for exhibitions, the facility lacks a true exhibit hall. A belief exists that the WTCC is insufficiently-sized to accommodate demand from large-scale, national and international, conventions and trade shows.

Trade Centre Limited ("TCL") and Transportation and Infrastructure Renewal ("TIR") issued an Expression of Interest in 2008 for expanded convention facilities in Halifax. The EOI process resulted in one successful proponent, Rank Inc. The next phase of the due diligence process is the development of a Business Case to determine if the project should proceed to the RFP phase.

Deloitte Canada has been engaged to prepare the Business Case. Included in the Business Case will be a value for money analysis (comparing the Rank bid against a shadow bid) and an evaluation of delivery options for the planned redevelopment of the WTCC. These steps are predicated on the estimated market support for expanded convention and trade facilities as well as recognition that expanded facilities may result in increased operating subsidies (and associated positive economic benefits to Halifax and Nova Scotia).

In March 2009, TCL engaged Criterion Communications Inc. ("Criterion") and HLT Advisory Inc. ("HLT") to prepare high-level commentary on the Halifax market opportunity, governance structures and financial implications associated with operating a larger convention centre. The consultants identified the potential for additional convention and trade show activity and recommended further analysis to confirm the nature of this demand, the associated space requirements and the financial implications.

1. Introduction

Background and Scope

Objective

TCL and TIR wish to move forward with a more detailed analysis and HLT has been retained to:

- Conduct an analysis of market potential for an expanded WTCC identifying projected event and delegate load by type.
- Prepare an order of magnitude revenue and expense estimate for expanded convention facilities based on the market analysis and the initial space program contemplated in the EOI.

Scope

The analysis focused on the following areas:

- A review of past market analyses on WTCC expansion.
- Preparation of an inventory of the current and proposed convention and exhibition facilities in Atlantic Canada and in other Canadian markets believed to be competitive with an expanded WTCC.
- A review of current demand levels at the WTCC including historical demand by event type, delegate/attendee source of origin, event profile, booking lead time, etc. as well as future event bookings.
- A review of lost business reported by the WTCC as a result of lack of space available at the facility or the facility being too small to physically accommodate the event.
- Validation interviews with past and potential users of the WTCC as well as others knowledgeable of the Halifax and Atlantic Canada convention marketplace to validate demand for an expanded convention venue.
- Analysis of the data collected and development of projections of event load (by event type) and estimates of associated attendees for conventions, trade shows and consumer shows.
- Preparation of an order-of-magnitude statement of projected operations for expanded operations based on the event load and delegate projections.

1. Introduction

Background and Scope

Subsequent phases, based on a positive assessment of market demand might include:

- Reviewing the EOI to identify proposed space parameters and to note potential flexibility in the space offering and configuration.
- Documenting the space program requirements and areas where TCL may permit relaxation of the initially identified space needs.
- Conducting further detailed telephone interviews with others knowledgeable of the Halifax and Atlantic Canada convention marketplace such as event planners, show producers, regional sales representatives at major hotel chains, Destination Halifax and major airlines.
- Preparing an economic impact analysis, using the event and delegate data produced through the initial analysis.

Limiting conditions

This Report has been prepared for the use of the TCL and TIR to assist in the assessment of the merits of proceeding with the redevelopment of the WTCC. To the extent third parties are provided with a copy of this letter report by the TCL or TIR, third parties are advised to complete their own due diligence on the merits of any other involvement with the project. HLT does not accept responsibility or liability for any liabilities, damages, costs or expenses suffered by any third party arising from any claims or actions by such third party relating to the use of or reliance upon this Report.

2. Halifax and the “Business” of Convention Centres

2. Halifax and the “Business” of Convention Centres

Why build a convention centre?

Most North American convention centres were built and are operated as a means of generating economic impact in a given city and/or region. Economic impact is maximized by giving priority to those events attracting the largest number of out-of-town visitors (i.e., delegates of regional, national and international conventions). Bottom-line orientation is often not a priority, as the “success” of many convention facilities is not measured by profitability for the convention venue itself but rather on the volume of spending at the community level. As a result, convention centres are often used as low-cost attractors with competition on a “price” basis becoming increasingly common. In fact, some destinations (generally second and third tier U.S. cities, but a growing number of Tier One and Two Canadian cities as well) not only have the ability to provide the convention centre rent-free but also are aggressively doing so, provided the economic impact of the event is significant enough. The focus on generating economic impact explains several characteristics of the industry, including:

- The tendency towards ownership, and often management, by local or regional governments (and their agents).
- Restrictions (sometimes express) on competing for events (e.g., banquets, smaller meetings) that could be accommodated within privately-owned facilities (i.e., large hotels, privately-owned trade show facilities).
- Exemptions from municipal property taxes.
- Recognition that success is dependent on the development and funding of a long-term marketing strategy given that lead times required to secure conventions are often a minimum of 3+ years long—and often many years longer for larger, international events.

Conventions however, are just one of several types of events suitable for convention facilities. Trade shows, consumer shows and smaller-scale conferences and meetings (i.e., the corporate market) may also be held in convention facilities. The extent to which these events are targeted by a convention facility, as opposed to a local hotel or trade/consumer show facility depends on the aggressiveness and mandate of the convention centre in a specific location—as well as the number/quality of and the relationships with these other space providers.

2. Halifax and the “Business” of Convention Centres

The mandate of the WTCC

The WTCC is owned by the Province of Nova Scotia and operated by TCL, a special purpose company created through an Order in Council. TCL reports through a Board of Directors and indirectly to the Nova Scotia Ministry of Economic Development. In addition to the WTCC, TCL also operates an office tower, Windows Restaurant, the Metro Centre and Exhibition Park as well as service companies. TCL’s mandate is “Creating economic and community benefits by bringing people together in Halifax and Nova Scotia”. These additional business units in TCL are relevant as the revenue and expense data is pooled and allocated between operating divisions.

As a means of maximizing the economic impact generated by the WTCC, WTCC management has implemented a booking priority policy designed to favour out-of-town delegates. National, United States and international events may book the venue at any time while local/regional events will not be confirmed more than 12 months in advance.

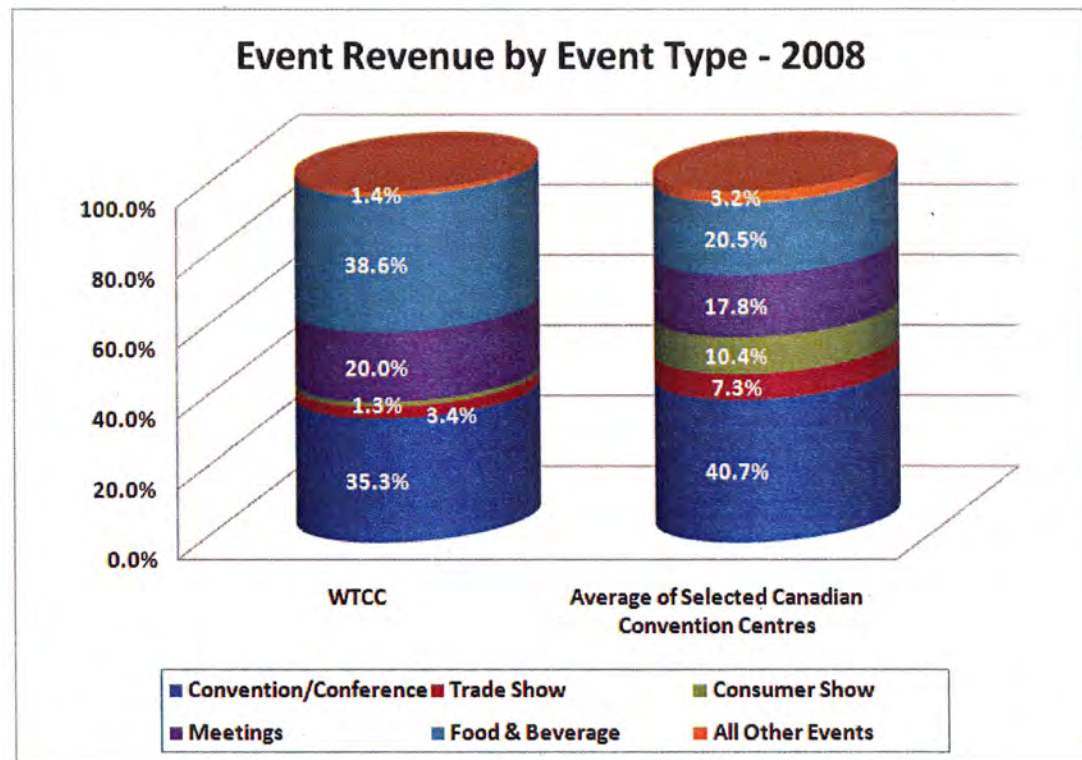
2. Halifax and the “Business” of Convention Centres

WTCC revenue mix compared to Canadian convention centre average

Comparing the WTCC’s revenue, by event type, to that of selected Canadian convention centres shows that:

- The percentage of revenue realized by the WTCC for trade and consumer shows is significantly lower than the Canadian average. A major reason for this is the lack of exhibit space at the venue. Exhibition Park has hosted an average of 19 consumer and trade shows over the past three years.
- The percentage of revenue realized from food & beverage/social events (e.g., banquets, dances, weddings) at the WTCC is about twice the Canadian average.

Revenues for Fiscal 2008 are shown in the illustration; the revenue proportions are representative of previous years.



Selected Canadian Convention Centre Average includes data from convention centres in Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa, Montreal and Quebec City.

3. Current Situation

3. Current Situation

WTCC capacities and dimensions

The WTCC consists of one large room, the 20,180 square foot Grand Ballroom, a 13,000 square foot room with columns throughout and low ceilings (Room 100) and various smaller meeting spaces. The single large room (and the challenges in Room 100 relating to ceiling height and columns) restricts the ability to:

- Host concurrent convention events;
- Accommodate convention events with a trade show component;
- Host large consumer or trade shows; and
- Host a convention event and a consumer/trade show concurrently.

	<u>Square Feet</u>	<u>Theatre</u>	<u>Classroom</u>	<u>Banquet</u>	<u>Reception</u>	<u>Exhibits*</u>
Grand Ballroom	20,180	1,580	703	1,000	2,000	89
Room 300	8,169			550	750	50
Suite 202-205	5,148	78	36	60	70	24
Other Meeting Space	<u>13,900</u>	various sizes and configurations up to 1,200 people				
Total	<u>47,397</u>					

Source: World Trade and Convention Centre

* Maximum number of 10' by 10' exhibit booths

3. Current Situation

Utilization rates

Comparing utilization levels between different convention/trade centre facilities is difficult as statistical methods used to determine utilization vary considerably. Utilization can be determined by dividing the amount of space rented by the amount of rentable space in a facility over a given period.

World Trade and Convention Centre Utilization Rates

	Years Ending March 31				
	2005	2006	2007	2008	2009
Grand Ballroom	42.5%	41.7%	57.6%	44.2%	59.0%
Other Meeting Space	<u>44.7%</u>	<u>47.5%</u>	<u>41.0%</u>	<u>37.6%</u>	<u>45.0%</u>
Total Ballroom/Meeting Space	43.8%	45.2%	47.6%	40.2%	49.0%

Source: World Trade and Convention Centre

Overall utilization at the WTCC has increased since Fiscal 2005, the exception being Fiscal 2008. Based on our knowledge of the industry, the WTCC's utilization levels are reasonably strong and, to a certain extent, constrained by the mix of space (i.e., one large ballroom and no true exhibit hall). However, a convention centre's success is determined by the type of events booked as opposed to the number of events booked. Ideally, a facility maximizes the types of events, such as conventions and trade shows, that attract significant out-of-town visitors to the city. While the WTCC has demonstrated an ability to attract larger events, it has also managed the "bottom line" by hosting a variety of local, revenue-generating events such as meetings and food & beverage/social events.

Note: 2009 utilization is estimated based on 2009 event load. Data forthcoming from WTCC.

3. Current Situation

WTCC Event Composition

The WTCC event mix has been relatively stable for the past five years, with 2008 and 2009 experiencing the greatest swings in convention demand. Trade and consumer show activity at the WTCC is among the lowest among all Canadian centres, a result of insufficient exhibit space (trade and consumer shows are held at Exhibition Park and other venues in Halifax).

The WTCC also realizes significant meeting and food & beverage event activity.

World Trade and Convention Centre Events						
	2005	2006	2007	2008	2009	Average
Conventions	30	31	31	28	36	31
Trade Shows	7	7	8	14	8	9
Consumer Shows	5	5	2	2	4	4
Meetings	347	358	341	365	373	357
Food & Beverage Events	217	218	212	198	190	207
Other	10	7	11	4	10	8
Total	616	626	605	611	621	616

Source: HLT Advisory Inc. analysis of data provided by the World Trade and Convention Centre

Note: Does not include Internal Bookings or Saint Mary's University Educational Bookings.

3. Current Situation

Revenue and economic impact by event type

The WTCC generated some \$6.3 million in operating revenue in 2009 with conventions and food & beverage/social events accounting for about 70% of total revenue.

Revenue* by Event Type - Year Ending March 31, 2009				
	Events	Revenue*	Revenue/Event	Economic Impact
Convention	36	\$ 2,659,629	\$ 73,879	Large
Trade Shows	8	\$ 99,026	\$ 12,378	Moderate
Consumer Shows	4	\$ 130,299	\$ 32,575	Little
Meetings	373	\$ 770,052	\$ 2,064	Limited
Food & Beverage/Social	190	\$ 1,757,167	\$ 9,248	Little
Other	10	\$ 690,631	\$ 69,063	Little
Subtotal	621	\$ 6,106,803	\$ 9,834	
Internal Bookings	375	\$ 71,212	\$ 190	n/a
Saint Mary's University	268	\$ 162,724	\$ 607	n/a
Total	1,264	\$ 6,340,738	\$ 5,016	

Source: HLT Advisory Inc. analysis of data provided by the World Trade and Convention Centre

* Revenue shown is based on projected revenue by event. Actual event revenues in 2009 totalled \$5,737,135, a variance of about \$600,000. The main reason for this variance is event revenue allocated to the Metro Centre (e.g., when the trade show component of an event is held at the Metro Centre).

The WTCC's priority booking system favours national, United States and international convention events, allowing management to ensure maximum usage from these generators of economic impact.

3. Current Situation

Attendees by event type

The average number of attendees/convention peaked in 2006. Since 2006, the average number of delegates per convention event has been relatively consistent at about 500.

The majority of convention events are generated from regional or national associations and corporate uses. The WTCC has also demonstrated the capability of hosting international events. National, United States and international conventions have consistently attracted more delegates on average than local/regional conventions.

Number of Events and Attendees/Event at the World Trade and Convention Centre (Years Ending March 31)

	2005		2006		2007		2008		2009	
Conventions										
Local/Regional	19	261	16	396	10	280	14	443	14	418
National	11	415	12	570	18	613	12	555	20	478
United States	0	n/a	0	n/a	2	400	1	800	1	1,200
International	<u>0</u>	<u>n/a</u>	<u>3</u>	<u>1,360</u>	<u>1</u>	<u>600</u>	<u>1</u>	<u>n/a</u>	<u>1</u>	<u>500</u>
Total Conventions	30	314	31	529	31	494	28	508	36	474
Trade Shows	7	816	7	317	8	315	14	332	8	531
Consumer Shows	5	1,942	5	2,238	2	3,350	2	3,350	4	2,600

Source: HLT Advisory Inc. analysis of data provided by the World Trade and Convention Centre

3. Current Situation

Convention and trade show activity by lead time

The booking lead time (i.e., the time elapsed between initial contact and the event actually occurring), varies substantially by type of event, geographic origin and size. Larger international conventions may book ten or more years in advance while smaller convention and trade shows are more likely to book close to the actual date. The relative shortness of the average WTCC convention and trade show event suggests a disproportionate weighting towards smaller, regional events. For example, WTTC lead time for:

- convention events occurring between fiscal years 2005 and 2009 ranged between 1 and 120 months.
- trade show events occurring between fiscal years 2005 and 2009 ranged between 1 and 81 months.
- consumer show events occurring between fiscal years 2005 and 2009 ranged between 1 and 72 months.

	Average Lead Time (months)				
	2005	2006	2007	2008	2009
Conventions					
Local/Regional Conventions	20	24	16	13	16
National Conventions	16	28	28	29	29
USA Conventions	n/a	n/a	37	58	65
International Conventions	<u>n/a</u>	<u>24</u>	<u>120</u>	<u>16</u>	<u>55</u>
Conventions Total	19	26	28	21	17
Trade Shows	13	9	7	13	18
Consumer Shows	38	17	35	9	16

Source: HLT Advisory Inc. analysis of data provided by the World Trade and Convention Centre

3. Current Situation

Future event bookings

The booking lead times illustrated on the previous page are consistent with the future event bookings in place at the WTCC. Given the definite, tentative and prospective events currently on the books, WTCC activity is expected to mirror past years, although the softness in definite convention bookings is likely reflective of the WTCC's space challenges.

World Trade & Convention Centre - Future Event Bookings (May 20, 2009)						
	2010	2011	2012	2013	2014	2015
Conventions						
Definite	22	8	3	3	0	0
Tentative	5	12	8	12	3	1
Prospect	<u>9</u>	<u>18</u>	<u>8</u>	<u>5</u>	<u>5</u>	<u>2</u>
Total	36	38	19	20	8	3
Trade Shows						
Definite	4	0	0	0	0	0
Tentative	0	1	1	2	1	1
Prospect	<u>3</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	7	5	1	2	1	1
Consumer Shows						
Definite	2	0	0	0	0	0
Tentative	2	1	2	2	1	0
Prospect	<u>2</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	6	2	2	2	1	0

Source: HLT Advisory Inc. analysis of data provided by the World Trade and Convention Centre

Note: Definite events have signed contracts, tentative events have been sent contracts

3. Current Situation

Implications for Expansion

The WTCC enjoys reasonably strong utilization rates, particularly given the relatively small size of the venue and the less than ideal spatial relationships between exhibit and meeting space. The WTCC has exploited the local market (primarily banquets) as a means of addressing bottom-line needs. Consumer and trade show activity at the WTCC is limited by lack of dedicated exhibit space as well as insufficient parking.

The primary focus for convention events has been local/regional and national corporate and association events, although some modest activity has been generated from United States and International users.

Based on current event activity the issues underlying an expansion of the WTCC include:

- Lack of exhibit space
- One usable large room – unable to “meet and feed” large groups
- An inadequate number of breakout rooms for many events
- No adjoining hotel

Supply and demand factors are discussed in the following two chapters.

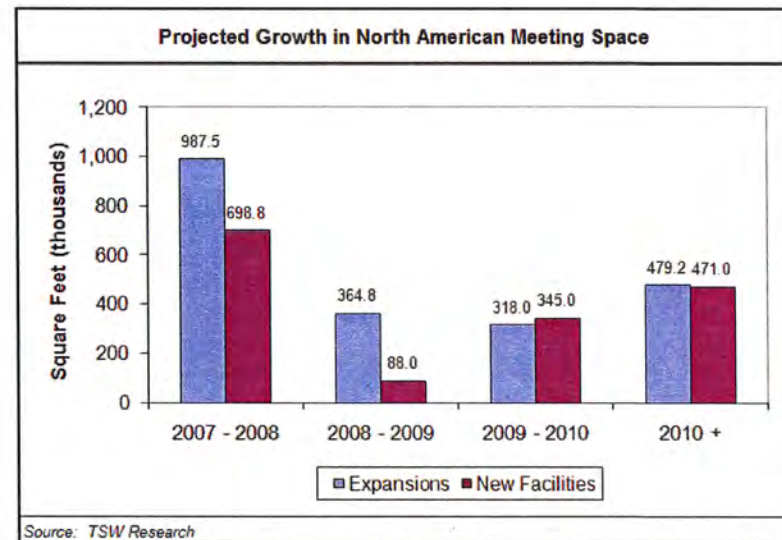
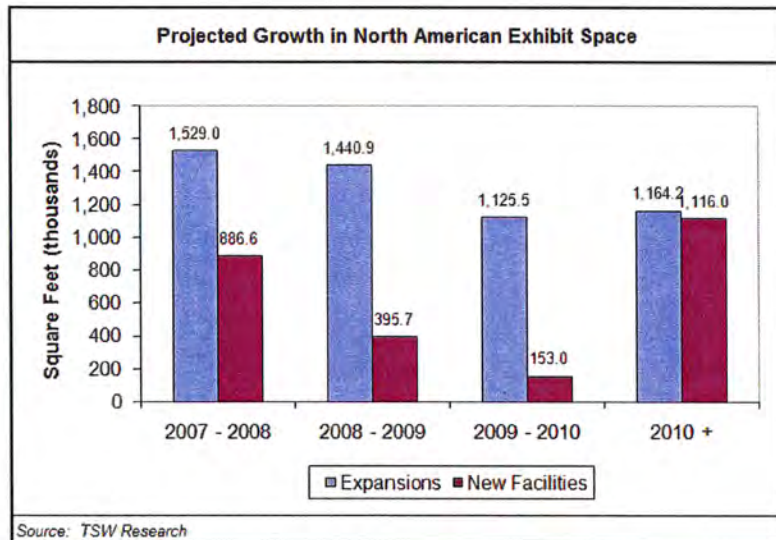
4. Competitive Landscape

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North American Convention centre expansions 2004 – 2007 and beyond

Since 1996, the amount of exhibit space in Canada and United States venues has increased 38.5% from 62.0 million square feet to 85.9 million square feet. This represents a compound average growth rate of 3.0%. Exhibit space is the “default” measure of venue growth across convention centres and exhibition/trade centres. Meeting, banquet and associated support spaces are not included in this total but will be accommodated in each venue based on the market focus (e.g., conventions, conferences, trade shows) of the venue.

Total Exhibit Space in Canada and the United States in all venue types (convention centres, trade centres and convention hotels) is projected to increase by 9.1% or 7.8 million square feet. Exhibit Space will increase by 5.5 million square feet or 6.4% by 2010. The majority of this growth will come from the expansion of existing venues.



4. Competitive Landscape

Canadian convention facilities

The WTCC is the smallest convention centre among all major, and some second tier, Canadian destinations.

Canadian Convention Centre Supply (square feet)						
	City	Exhibit Space	Ballroom	Meeting Space	Total	Meeting/Ballroom: Exhibit
Metro Toronto Convention Centre	Toronto	403,648	78,000	94,227	575,875	0.43
Vancouver Convention Centre	Vancouver	316,205	72,404	85,390	473,999	0.50
Palais des Congres de Montreal	Montreal	199,052	65,046	66,684	330,782	0.66
Quebec City Convention Centre	Quebec City	75,000	34,500	60,000	169,500	1.26
Shaw Conference Centre	Edmonton	80,000	25,000	37,700	142,700	0.78
Winnipeg Convention Centre	Winnipeg	78,000	42,200	17,018	137,218	0.76
Ottawa Convention Centre*	Ottawa					
Calgary Telus Convention Centre	Calgary	47,047	28,220	19,234	94,501	1.01
Hamilton Convention Centre	Hamilton	19,662	19,662	14,490	53,814	1.74
Victoria Conference Centre	Victoria	14,689	25,000	9,210	48,899	2.33
World Trade and Convention Centre	Halifax	-	20,180	27,217	47,397	n/a
St. John's Convention Centre	St. John's	-	17,826	3,068	20,894	n/a

Source: HLT Advisory Inc.

* The Ottawa Congress Centre is currently being redeveloped on its original footprint. The venue will be renamed the Ottawa Convention Centre post-expansion.

Note: The spaces identified include only rentable exhibit, ballroom and meeting spaces within identified rooms. Pre-function space, theatres and circulation are not included.

4. Competitive Landscape

Competing Canadian convention facilities—expansions

Recent additions to Canadian convention centre supply include the Vancouver Island Conference Centre (Nanaimo) that opened in 2008 and the expanded Vancouver Convention and Exhibition Centre that opened in April 2009. The original Ottawa Convention Centre has been demolished making way for an expanded facility on the original footprint in downtown Ottawa. New convention centres are being constructed in Niagara Falls and Fredericton, a 34,000 expansion is in the planning stages in St. John's and a 18,000 square foot expansion is being contemplated for the Saint John Trade & Convention Centre.

Additions to Canadian Convention Centre Supply

	Type	Status	Exhibit Halls	Total New Supply		Total
				Ballroom	Meeting Space	
Ottawa Convention Centre (current)	Original Building	Demolished	54,113	0	14,941	69,054
Ottawa Convention Centre* (expanded)	Expanded Building	Under Construction - Open April 2011	<u>56,342</u>	<u>14,500</u>	<u>43,617</u>	<u>114,459</u>
Ottawa Convention Centre (incremental)			2,229	14,500	28,676	45,405
Niagara Convention & Civic Centre	New-Build	Under Construction - Open Spring 2011	82,000	17,000	26,000	125,000
Fredericton Conference Centre	New-Build	Under Construction - Open Spring 2011	0	12,480	7,357	20,000
Saint John Trade & Convention Centre	Expansion	Planning		to be determined		26,000
St. John's Convention Centre	Expansion	Planning		to be determined		34,000

Source: HLT Advisory Inc. interviews

* The Ottawa Congress Centre is currently being redeveloped on its original footprint. The venue will be renamed the Ottawa Convention Centre post-expansion.

In addition to the above, consideration is being given to expanding the convention centres in Winnipeg, Calgary, Montreal, Charlottetown (Coast Guard Site) and Edmonton.

Casino New Brunswick in Moncton (opening 2010) will include a 25,000 square foot multi-purpose venue that can accommodate events of up to 1,500 people. Moncton is also considering the development of a downtown convention centre. In 2007, PKF Consulting recommended a convention centre in Moncton offering 24,000 square feet of rentable space including a 16,000 square foot ballroom.

4. Competitive Landscape

Market focus of leading Canadian convention centres

Essentially all North American convention centres are competitive in some respects to the WTCC. The size and scale of the WTCCC (current and expanded) dictates a competitive set predominantly comprised of other Canadian convention centres particularly Atlantic Canadian convention centres and convention hotels. The event mix in each of these buildings reflects location, local economic factors and, most of all, the market focus of individual sales staffs. The larger Canadian centres have a somewhat differing market focus:

- The Toronto, Montreal and Vancouver convention centres are Canada's largest, competing with each other for the largest Canadian events and (together with many United States convention centres) mid-sized U.S. events. Montreal and Vancouver have been more active than Toronto on the international scene.
- The Calgary, Winnipeg and Edmonton centres are aggressive competitors in the Canadian association market. Calgary is constrained due to size but is still a major competitor for Canadian corporate demand.

Of the buildings more directly competitive to the WTCC (based on current and most likely future size) , a wider range of market targeting has occurred:

- The *Ottawa Convention Centre* has focused on the Canadian association marketplace as well as corporate/institutional demand related to technology. The decision to rebuild the Centre on the same site in central Ottawa restricts the market focus to small- and medium-sized events.
- The *Quebec City Convention Centre* has been successful in attracting a few international (including U.S.) as well as Canadian national events, but difficult air access results in Quebec regional business comprising much of the Centre's demand.
- Like Quebec, the *Victoria Conference Centre* is somewhat restricted by air access but has been somewhat successful in attracting smaller international conferences (without an exhibit component) as well as smaller Canadian event.

4. Competitive Landscape

Nova Scotia meeting and exhibit space

In addition to the WTCC, several other Nova Scotia venues offer exhibit and meeting/ballroom spaces including dedicated exhibition centres, mixed-use projects and convention hotels.

Nova Scotia Public Assembly Facilities (at least 10,000 square feet of rentable space)

	City	Facility Type	Hotel Rooms	Maximum		Rentable Space		
				Break Out	Largest Room	Exhibit Space	Meeting/Ballroom	Total
Halifax Region								
Exhibition Park, Halifax*	Halifax	Exhibition Centre	n/a	4	61,000	102,557	-	102,557
Cunard Centre	Halifax	Exhibition Centre	n/a	1	53,000	53,000	-	53,000
World Trade and Convention Centre	Halifax	Convention Centre	n/a	21	20,180	-	47,397	47,397
Westin Nova Scotia, Halifax	Halifax	Hotel	296	14	8,400	-	23,000	23,000
Marriott Halifax Harbourview	Halifax	Hotel	352	15	7,620	-	17,000	17,000
Holiday Inn - Halifax Harbourview	Halifax	Hotel	196	14	4,477	-	14,000	14,000
Park Place Hotel & Conference Centre (Rama	Halifax	Hotel	178	14	2,920	-	10,950	10,950
Centre 200*	Sydney	Arena	n/a	7	6,612	-	14,562	14,562
Dartmouth Sportsplex*	Halifax	Arena	n/a	9	7,200	-	11,688	11,688
Other Nova Scotia								
Annapolis Basin Conference Centre, Digby	Digby	Mixed-Use	95	62	5,581	-	51,483	51,483
Membertou Trade & Convention Centre	Membertou	Mixed-Use	n/a	8	10,000	-	47,000	47,000
Keating Millennium Centre	Antigonish	Mixed-Use	n/a	8	23,100	40,000	6,095	46,095
Best Western Glengarry (Truro Trade & Conv	Truro	Hotel	92	13	8,000	-	12,010	12,010
White Point Beach Resort	White Point	Hotel	156	9	3,500	-	10,034	10,034

Source: Conventions and Meetings Canada, venue websites

* For facilities with arenas, ice surfaces have not been included in the total rentable space as such space is not consistently available for use as an exhibition facility.

4. Competitive Landscape

Other Atlantic Canada meeting and exhibit space

A similar range of venues offer exhibition and meeting space across Atlantic Canada.

Other Atlantic Canada Public Assembly Facilities (at least 10,000 square feet of rentable space)

	Rentable Space						Maximum Break Out	Total
	City	Facility Type	Hotel Rooms	Exhibit Space	Largest Room	Meeting/Ballroom		
<u>New Brunswick</u>								
Saint John Trade & Convention Centre **	Saint John	Convention Centre	197	-	15,136	25,054	9	25,054
Capital Exhibit Centre	Fredericton	Exhibition Centre	n/a	18,000	18,000	-	1	18,000
Moncton Coliseum Complex*	Moncton	Mixed-Use	n/a	75,000	75,000	-	3	75,000
Delta Beausejour, Moncton	Moncton	Hotel	310	-	8,540	22,454	14	22,454
Chateau Edmundston	Edmundston	Hotel	102	-	6,200	20,000	21	20,000
Fairmont Algonquin	St. Andrews by-the-Sea	Hotel	234	-	4,833	18,814	9	18,814
Delta Brunswick	Saint John	Hotel	255	-	9,000	15,792	14	15,792
Fort Howe Hotel and Convention Centre	Saint John	Hotel	133	-	7,410	13,650	5	13,650
Delta Fredericton	Fredericton	Hotel	222	-	7,500	13,000	10	13,000
Ramada Fredericton	Fredericton	Hotel	116	-	2,075	11,508	7	11,508
Crowne Plaza Lord Beaverbrook Hotel	Fredericton	Hotel	168	-	4,294	10,784	12	10,784
<u>Newfoundland & Labrador</u>								
St. John's Convention Centre	St. John's	Convention Centre	n/a	-	16,000	20,894	3	20,894
Pepsi Centre*	Corner Brook	Mixed-Use	n/a	18,525	18,525	9,695	10	28,220
Delta St. John's	St. John's	Hotel	285	-	11,760	20,265	16	20,265
Sheraton Newfoundland (formerly Fairmont)	St. John's	Hotel	301	-	7,319	15,718	17	15,718
Holiday Inn St. John's	St. John's	Hotel	252	-	5,625	12,211	8	12,211
<u>Prince Edward Island</u>								
Charlottetown Civic Centre*	Charlottetown	Exhibition Centre	n/a	42,000	42,000	-	11	42,000
Delta Prince Edward	Charlottetown	Hotel	211	-	12,075	25,649	14	25,649

Source: Conventions and Meetings Canada, venue websites

* For facilities with arenas, ice surfaces have not been included in the total rentable space as such space is not consistently available for use as an exhibition facility.

** Hilton Saint John is attached to and operates the Saint John Trade and Convention Centre. The hotel meeting space has been included in the total for the property.

5. Market Demand

5. Market Demand Overview

No single source tracks all events that use convention and trade show venues in Canada and internationally. However, a number of organizations track data that provide insight into the scope of the market potential, including:

- TSW Research's database of Canadian and United States Trade Shows includes 3,871 events, each of which use more than 5,000 square feet of exhibit space. Of these events, 416 or about 11% are held in Canada.
- The Destination Marketing Association International ("DMAI") has a database of over 18,000 organizations (associations, corporations and government groups) that hold about 37,000 meetings annually. In 2006, about 70 of these organizations held 75 meetings in Canada.
- The Meeting Database Institute logs 30,000 annual meetings ranging in size from two people to over 10,000. Approximately 60% of these meetings are held by corporate groups and 40% are held by associations. The database contains limited profiles of meetings held in Canada. However, the database includes 1,616 meetings that have met in Canada in the past.
- *Meetings & Convention Magazine* ("M&C") estimates the United States meetings market biennially. M&C estimates over 1.2 million meetings occur annually with an overall attendance of more than 130 million. A third of respondents to the biannual M&C surveys indicate interest in holding a meeting outside the United States. Europe is routinely the most popular international destination with more than a third of meeting planners booking international meetings holding meetings there. Europe was followed by the Caribbean (about another third) and Canada and Mexico (each with about 25%).
- The International Congress and Convention Association ("ICCA") tracks international associations that meet regularly and rotate between a minimum of three countries. ICCA's database of international association meetings exceeds 6,000 events.

While time has not permitted custom runs of these databases to validate demand, HLT's previous work for other Canadian and international convention and trade show venues has been taken into account in assessing market potential for the WTCC.

5. Market Demand

Event mix at Canadian convention centres

The range of business handled at other Canadian convention centres is useful in quantifying market potential for an expanded WTCC. The Convention Centres of Canada annual benchmarking study, (containing data from 13 of Canada's largest convention centres) provides an indication of the total volume of events from 2004 through 2007. Data for 2008 has not been compiled but is expected to be similar to 2007 data, although the economic situation will have caused some decline in the number "meetings" (as well as food and beverage events).

	2004	2005	2006	2007
Conventions/Conferences	447	447	501	501
Trade Shows	173	154	154	169
Consumer Shows	153	168	173	191
Meetings	2,991	3,235	3,636	4,260

Source: Convention Centres of Canada Benchmarking Study

The range of and median number of events, including food and beverage events, is also useful in assessing potential demand.

Major Canadian Cities Convention Centre* Events (2007)

	Range		Median
Conventions	28	- 57	39.5
Trade Shows	8	- 31	14.5
Consumer Shows	2	- 56	14.5
Meetings	54	- 942	286.0
Food & Beverage Events	29	- 441	130.5
Other	0	- 69	6.0

Source: Convention Centres of Canada Benchmarking Report 2008

* Victoria Vancouver, Calgary, Edmonton, Winnipeg, Toronto, Ottawa, Montreal, Quebec City, Halifax

5. Market Demand

Turnaways and expansion accounts

One of the most useful sources of information regarding potential convention and trade show business is the inventory of turnaways/lost business (i.e., those groups that have attempted to book the WTCC but have been unable to) and expansion accounts (i.e., groups known to be too large but that might consider the destination were space available). The WTCC has logged turnaway and expansion account information for several years, including the reason for lost business. This information is summarized below:

- Since June 1, 2007 the WTCC has lost about 60 events as a result of the facility being too small or unavailable (i.e., preferred dates not available) to accommodate the event. These events represent almost 46,000 delegates, 87,000 room nights and over \$6.5 million in estimated WTCC revenue.
- In 2005, WTCC identified 16 events totaling over 21,000 delegates and 63,000 room nights that could not be accommodated as a result of the size of the facility.
- Destination Halifax has a list of ten events lost as a result of insufficient space at the WTCC. This lost business is estimated to represent some 15,000 delegates and almost 50,000 room nights.
- A previous expansion market study conducted by ERA in 2006 indicated that 29 events were lost between 1998 and 2005 due to lack of availability. A further 11 events were lost over the same period as a result of insufficient space at the WTCC.

These lost business reports represent only those events of which the WTCC and Destination Halifax are aware. Events that did not initiate contact WTCC/Destination Halifax (e.g., determined in advance the event would not fit in the venue) are not included. As a result, the lost business reports underestimate total business potential.

A more detailed listing of turnaway and expansion account information is contained in the Appendix.

5. Market Demand

Analysis of turnaways

HLT interviewed eighteen convention organizers to provide a more focused (albeit not statistically valid) commentary on Halifax as a convention destination. Convention organizers were responsible for conventions of between 200 and 2,000 delegates with exhibit components up to 30,000 square feet. Interviewees included past users of the WTCC as well as Canadian groups that had never visited Halifax.

Key findings from these interviews included:

- Event planners were positive about Halifax as a destination. All respondents indicated a willingness to hold events in Halifax (in the case of events too large to fit in current WTCC, planners expressed a willingness to hold events in Halifax if a suitable venue was available) citing the lively downtown core, culture, range of accommodation, ease of air access and interest in the destination by potential attendees.
- Event planners were also generally positive about the WTCC as a venue. Specifically, service levels and quality of food were mentioned by many of those interviewed.
- A confirmation that Room 100's columns and low ceilings make the space difficult to use.
- Respondents with a large exhibit/trade show component indicated the logistics of moving materials into the building could be improved. Some respondents also indicated movement of people into and within the facility was also problematic.
- Many respondents indicated the WTCC was showing its age in design and upkeep.

These qualitative interviews are considered supportive to the concept of additional convention space in Halifax. The justifications for having not visited previously or not intending to return are principally inadequate venues (lack of size).

5. Market Demand

Halifax profile: head office base

The majority of the regional, national and international associations with head offices in Atlantic Canada are located in Nova Scotia (with a majority having head offices in Halifax). Head office location is a key determinant in selecting a destination for annual and other meetings/events. This makes Nova Scotia (and by extension, Halifax—the Province's largest and capital city) a more attractive destination for association events. The table below summarizes the number of provincial, regional (Maritimes), national and international associations with head offices in Nova Scotia.

	Associations with Head Offices in Atlantic Canada				
	Nova Scotia	New Brunswick	Newfoundland	PEI	Total
Provincial*	310	n/a	n/a	n/a	310
Regional (Maritimes)	55	24	1	4	84
National	27	13	7	7	54
International	<u>3</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>4</u>
Total	395	37	8	12	452

Source: Grey House Publishing Canada, "Associations Canada", 2007

* Local and provincial associations have only been included for Nova Scotia as those from other provinces likely would not meet in Halifax

5. Market Demand

Halifax profile: air access

One of the principal considerations of meeting planners is the ability to move attendees and exhibitors into and out of the convention destination. Halifax boasts the best air connectivity in Atlantic Canada. Daily flights are available to each major Canadian destination as well as major United States centres along the Eastern Seaboard. Daily flights to Heathrow and twice weekly to Gatwick connect Halifax to Europe.

Passenger Traffic Through Select Canadian Cities 2008

Toronto	32,334,831
Vancouver	17,852,459
Calgary	12,507,111
Montreal	12,400,000
Edmonton	6,437,334
Ottawa	4,339,225
Halifax	3,578,931
Winnipeg	3,570,033
St. John's (2007)	1,200,000
Quebec City	1,026,090
Moncton	573,688

Source: Airport websites

	Domestic																	Transborder						International												
	Calgary	Charlottetown	Deer Lake	Edmonton	Fort McMurray	Fredericton	Gander	Goose Bay	Halifax	Hamilton	Moncton	Montreal	Ottawa	Saint John	St. Anthony	St. John's	Stephenville	Sydney	Toronto	Wabush	Yarmouth	Atlanta	Boston	Chicago	Detroit	Newark	New York (JFK)	New York (LaGuardia)	Washington DC	Frankfurt	Glasgow	London (Gatwick)	London (Heathrow)	Paris	St. Pierre	
Saint John								✓			✓								✓																	
Fredericton								✓			✓	✓							✓														✓			
Moncton								✓	✓		✓	✓							✓							✓										
Charlottetown								✓			✓	✓							✓								✓									
Halifax	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
St. John's	✓		✓	✓	✓		✓	✓			✓	✓			✓				✓	✓						✓										

Source: Airport and airline web sites

Note: Fredericton flies seasonally (April 28th to Oct 20th) to London (Gatwick)

5. Market Demand

Halifax profile: hotel supply

Hotel accommodation (including a range of quality and price point) is also a key determinant in the destination selection process. Halifax has the greatest concentration of hotels and hotel rooms in Atlantic Canada with a broad range of branded and independent properties.

Hotels and Rooms - Selected Atlantic Canada Destinations

	Hotels	Rooms	Average Size (rooms)
Halifax/Dartmouth, NS	40	4,954	124
Halifax, NS	29	3,837	132
St. John's, NF	18	2,151	120
Moncton, NB	21	1,939	92
Fredericton, NB	17	1,588	93
Saint John, NB	14	1,461	104
Charlottetown, PE	15	1,326	88

Source: HLT Advisory Inc.'s database of hotels with 30 rooms or more

Hotel room rates are, to a certain extent, reflective of the overall cost of a destination. However, hotel rates are subject to the supply and demand for rooms in an area along with a variety of other factors (e.g., quality level of the hotel). The table compares 2008 average room rates in Halifax/Dartmouth to other Atlantic Canada destinations as well as the Canadian average.

For many association groups, the annual convention is a key source of funding. If a destination is too expensive (e.g., hotel rooms and transportation costs), attendance may be adversely affected with a negative impact on event revenues.

Average rates in Halifax/Dartmouth and St. John's were higher than other Atlantic Canada locations. However, rates in Halifax/Dartmouth are consistent with the overall Canadian average (and lower than competing Canadian convention destinations such as Quebec City (\$158.31), Montreal (\$151.63), Ottawa (\$142.64), Toronto (\$167.09), Calgary (\$186.18), Edmonton (\$131.68), Vancouver (\$154.84) and Victoria (\$130.60) according to *PKF Hotel Consulting – Trends in the Canadian Hotel Industry (downtown hotel average rate shown)*).

Average Hotel Rates
Selected Atlantic Canada Destinations 2008

St. John's, Newfoundland	\$	129.35
Halifax/Dartmouth	\$	129.12
Prince Edward Island	\$	119.54
Moncton	\$	117.94
Atlantic Canada	\$	118.56
Canada	\$	130.90

Source: PKF Consulting

5. Market Demand

Trade and consumer shows

Moncton has traditionally been the centre of trade and consumer show activity in Atlantic Canada given its central location and associated access to the greatest population concentrations in the region. The Moncton Coliseum Complex competes with Halifax's Exhibition Park as well as the WTCC for these events.

From a consumer show perspective however, greater opportunity exists for an expanded WTCC (with a true exhibit area) as the population base in the HRM is the most significant concentration of consumers in the region.

Total (Canadian) Population within a 3.5-hour drive*

	2008	2011	2013	2018
Moncton	987,250	1,002,409	1,012,318	1,035,003
Halifax	842,118	857,817	868,321	892,670
Fredericton	495,536	498,964	501,199	505,294
Saint John	434,460	442,225	447,354	458,981
Charlottetown	425,876	434,192	439,718	452,558
St. John's	274,386	276,989	278,721	282,112

Source: HLT Advisory Inc., Mapinfo

* 3.5-hour drive times are based on average speeds by type of road from the geographic city centre.

Exhibition Park Trade and Consumer Show Events

	Consumer Shows					Trade Shows				
	Recurring	One-Time	Total	Average Length (days)	Average Attendance	Recurring	One-Time	Total	Average Length (days)	Average Attendance
Year Ending March 31, 2007	12	2	14	6.1	7,950	3	3	6	2.8	1,125
Year Ending March 31, 2008	10	1	11	6.1	6,959	4	1	5	4.6	1,062
Year Ending March 31, 2009	11	3	14	5.4	5,457	3	1	4	4.3	1,949

Source: HLT Advisory Inc. analysis of data provided by the World Trade and Convention Centre

Note: Event length includes move-in and move-out days

5. Market Demand

Implications for Expansion

Halifax is well positioned in the Canadian, and to a lesser but still significant extent, North American and international convention marketplace. Competitive advantages for Halifax include a strong economic base, concentration of regional head office activity, well-developed hospitality infrastructure notably air and lodging as well as the track record of the WTCC.

The markets showing greatest promise for Halifax include the regional and Canadian association market as well as corporate interest. Halifax is also well-positioned to generate additional United States and international convention demand. While this market may be a longer-term development opportunity, United States and international groups are potential users given:

- Air lift to Halifax from Europe and the eastern United States is greater than all but four Canadian airports (Toronto, Vancouver, Calgary and Montreal). Further the distance between European and eastern United States seaboard destinations is shorter than all other major Canadian airports.
- Halifax is home to four universities. A quick review of the university websites found 13 international organizations based at these schools. Further, faculty and students who are members of international and United States-based associations are potential ambassadors for the WTCC providing an opportunity to host association conventions and conferences. An example of this occurred most recently in June 2008 when Saint Mary's University hosted the 2008 International Council of Small Business Conference at the WTCC.
- According to Associations Canada 2007, two international associations have head offices in Halifax while three international associations have chapter offices.

6. Projected Event Load

6. Projected Event Load

Introduction

The WTCC is operating at utilization levels nearing 60% versus functional capacity for a major convention centre of +/- 65%. Occupancy levels in excess of 65% are neither desirable—as some down time is required for maintenance, cleaning and refurbishment—nor practical given that certain times of the year are undesirable for holding major events. While client-specific requirements vary, generally organizers of conventions and trade shows avoid holiday periods and seasonal fluctuations (i.e., uncomfortably hot or cold weather). The WTCC is constrained from reaching greater utilization levels because the space mix (i.e., proportion of exhibit to meeting space) and quality of space is not efficient.

The primary focus of this analysis is the potential for additional convention activity at the WTCC. The saleable convention season at the WTCC, for Canadian events is 52 weeks less about nine weeks for major national and religious holidays (e.g., Christmas, Easter, Labour Day) or net, about 43 weeks. The operating season for United States and international groups has historically been from March to October (i.e., about 35 weeks). This seasonality pattern is typical for major Canadian destinations, with other Canadian convention centres experiencing similar event booking patterns. Allowing for major religious holidays (during the 35-week period) further reduces the saleable weeks from about 25 to 30. Exceptions to this pattern are possible (some groups actually seek these off-peak periods for pricing or other reasons) but often require more intensive marketing and sales efforts.

Saleable Season	Convention Saleable Weeks by Delegate Source of Origin		
	Geographic Origin of Group		
	Canadian	United States	International
Saleable Weeks	All Year	Mar. to Oct.	Mar. to Oct.
	52	35	35
Less: Weeks with Major Holidays			
First Week of January	1	n/a	n/a
Easter	2	2	2
Memorial Day/Mothers Day	1	1	1
Canada Day	1	n/a	n/a
July 4th	n/a	1	n/a
Civic Holiday (August)	1	n/a	n/a
Labour Day/Rosh Hashanah	1	1	1
Yom Kippur	n/a	1	n/a
Simhat Torah	n/a	1	n/a
Columbus Day	n/a	1	n/a
Thanksgiving (Canada)	1	n/a	n/a
Thanksgiving (United States)	n/a	1	n/a
Christmas/New Year	1	1	1
Subtotal	9	10	5
Total Saleable Weeks	43	25	30

Source: HLT Advisory Inc.

6. Projected Event Load

Introduction

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 (e.g., 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.

6. Projected Event Load

Convention market segments

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 led us 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. Halifax is a reasonably accessible and cost-effective option in the Canadian marketplace.
- Market opportunity (United States)— Post WTCC 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 many Canadian) events and marketing efforts are best qualified to reflect medium-term market opportunity.

6. Projected Event Load

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 projections are based on exhibit hall size, a key assumption is that meeting space will also be available within the expanded WTCC 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.

6. Projected Event Load

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 projections opposite reflect 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 combine 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.

Trade and consumer show event load projections for the stabilized year are applicable for Years 1 through 3.

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 Subtotal	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 Subtotal	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 Subtotal	2	887	5.5	6	850	5.5
Total Conventions						
Current Size		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.

6. Projected Event Load

Risk factors

In addition to the capital and operating risks associated with any large-scale development project, several risks are unique to or have a distinct impact on the convention centre industry, including:

- The “honeymoon” period—An almost universal finding among North American convention centres is the spike in convention-related market demand commensurate with the opening of a new or expanded facility. This spike typically results from pent up demand for larger facilities as well as an enlarged market due to greater capacity.
- Cyclicity—The convention centre business is subject to cyclical fluctuations particularly with respect to significant convention events, both in terms of general economic conditions, and due to rotation of events through various geographic locations (i.e., east, central, west). While forecasting the timing and severity of cyclical events is impossible, contingencies should be considered to address almost certain revenue shortfalls from time-to-time as a result of economic and other unforeseen (i.e., SARS) events.
- Impact of new technology – To date, technology (such as videoconferencing) has not significantly reduced the need for groups to convene “in person.” The increasing time pressures on prospective attendees, continued improvements in the technology and the cost savings provided may eventually result in reduced travel for conferences and trade shows. The newest members of the labour force are technology savvy and are used to communicating electronically.
- Relationship with the local convention and visitors bureau—To compete effectively in the convention marketplace, the relationship between the principal convention facility and the bureau must be effective and adequately resourced. Resourcing is a particular issue throughout the lead up to the expansion and post expansion phases.

Convention centres, like all businesses, are not immune from general economic trends such as inflation and economic retractions/expansions. While some elements of the convention business may be considered permanent (i.e. the need for an annual general meeting) conventions by definition involve travel and significant amounts of discretionary spending. Therefore, impacts from severe economic downturns could be more pronounced in this sector than others.

7. Statement of Projected Operations

7. Statement of Projected Operations

Methodology and Limitations to Approach

The methodology employed in estimating event load and the corresponding estimates of revenue and expense have been prepared based on our knowledge of the Canadian convention centre industry and available benchmark data, including actual operating data from TCL/WTCC. Unanticipated events and circumstances will occur; therefore, the actual results achieved will vary from the projections presented. We have no responsibility to update the projections for events and circumstances occurring after the date of the report.

WTCC is one part of a mixed-use development and controlled by an entity (i.e., TCL) with multiple business lines. As a result, cost allocations have been determined on a variety of bases that may not be applicable going forward. Additional analysis will be required once the final footprint of the building proposed by Rank, and the space allocated to a new WTCC, is determined. For the purposes of this report, HLT assumed:

- Revenues for “current” and “future” events based on revenue levels and associated delegate counts for events held at the WTCC over the past several years, and increased to reflect the relative size of events at an expanded WTCC.
- Other revenues (e.g., food and beverage) will increase proportionately to event revenues.
- Direct operating expenses of the WTCC reflect a percentage of revenue based on historical event activity or costs based on a per square foot of building area basis (e.g., maintenance).
- Costs allocated by TCL to WTCC reflect actual expenses adjusted for anticipated business volumes (e.g., payroll) or adjusted costs allocated on a per square foot basis (e.g., energy). HLT has not attempted to factor in savings that might occur on various expense items as a result of building technologies (e.g., energy) or more efficient use of spaces (e.g., the WTCC has considerable public space with operating costs allocated to different TCL divisions).

The assumptions are laid out on the following two pages.

7. Statement of Projected Operations

Revenue per event

The number of events reflects the event load projections outlined in section 6. Revenues per convention event reflect historical levels adjusted for event size and include all revenue components (e.g., space rental, food and beverage).

Stabilized revenues are shown in 2009 dollars.

	Estimated Revenue from Convention, Trade Show and Consumer Show Events			Projected Stabilized Year Average		
	Events	Revenue/Event	Revenue	Events	Revenue/Event	Revenue
Conventions						
Local Regional						
Current Size	15	\$ 37,007	\$ 555,107	19	\$ 35,000	\$ 665,000
Future Size	n/a	n/a	n/a	5	\$ 75,000	\$ 375,000
Local/Regional Subtotal	15	\$ 37,007	\$ 555,107	24	\$ 43,333	\$ 1,040,000
National						
Current Size	14	\$ 73,442	\$ 1,028,193	12	\$ 75,000	\$ 900,000
Future Size	n/a	n/a	n/a	9	\$ 150,000	\$ 1,350,000
Local/Regional Subtotal	14	\$ 73,442	\$ 1,028,193	21	\$ 107,143	\$ 2,250,000
United States/International						
Current Size	2	\$ 101,409	\$ 202,818	3	\$ 80,000	\$ 240,000
Future Size	n/a	n/a	n/a	3	\$ 160,000	\$ 480,000
Local/Regional Subtotal	2	\$ 101,409	\$ 202,818	6	\$ 120,000	\$ 720,000
Conventions Total						
Current Size	31	\$ 57,617	\$ 1,786,118	34	\$ 53,088	\$ 1,805,000
Future Size	n/a	n/a	n/a	17	\$ 129,706	\$ 2,205,000
Conventions Total	31	\$ 57,617	\$ 1,786,118	51	\$ 78,627	\$ 4,010,000
Trade Shows						
Current Size	9	\$ 22,486	\$ 202,375	7	\$ 22,500	\$ 157,500
Future Size	n/a	n/a	n/a	4	\$ 50,000	\$ 200,000
Trade Shows Total	9	\$ 22,486	\$ 202,375	11	\$ 32,500	\$ 357,500
Consumer Shows						
Current Size	4	\$ 13,484	\$ 53,935	4	\$ 13,500	\$ 54,000
Future Size	n/a	n/a	n/a	4	\$ 50,000	\$ 200,000
Consumer Shows Total	4	\$ 13,484	\$ 53,935	8	\$ 31,750	\$ 254,000

Source: HLT Advisory Inc.

Note: Revenue projections expressed in 2009 dollars. 2005 - 2009 average number of events has been rounded.

7. Statement of Projected Operations

Stabilized revenue and expense (2009\$)

	Statement of Projected Operations						Notes
	Year Ending March 31	Fiscal 2005 to 2009		Stabilized Year Projection			
	2009	Five-Year Average		Post-Expansion			
Event Revenue (Conventions, Trade Shows, Consumer Shows)	\$ 2,888,954	49.0%	\$ 2,338,912	47.1%	\$ 4,621,500	59.3%	From revenue projections
Event Revenue (Other Events)	\$ 2,757,371	46.8%	\$ 2,456,825	49.4%	\$ 2,948,190	37.9%	Assumed a 20% increase on five-year average revenue
Commissions	\$ 90,810	1.5%	\$ 95,357	1.9%	\$ 138,645	1.8%	Estimated at 3% of convention/trade show/consumer show revenue
Other Income	\$ 155,173	2.6%	\$ 79,531	1.6%	\$ 79,531	1.0%	Other income does not depend on volume, have left at historical levels.
Total Revenue	\$ 5,892,308	100.0%	\$ 4,970,624	100.0%	\$ 7,787,866	100.0%	
WTCC Direct Expenses							
Food & Beverage Costs	\$ 837,149	14.2%	\$ 821,156	16.5%	\$ 1,246,059	16.0%	Based on historical average of food & beverage cost as a percentage of catering revenue
Salaries & Benefits	\$ 2,059,208	34.9%	\$ 2,026,471	40.8%	\$ 3,115,146	40.0%	Estimated at 40% of total revenue
Event Expenses	\$ 60,000	1.0%	\$ 62,390	1.3%	\$ 77,879	1.0%	Estimated at 1% of total revenue
Marketing Services	\$ 65,000	1.1%	\$ 23,705	0.5%	\$ 38,939	0.5%	Estimated at 0.5% of total revenue
Event Contract Services	\$ 300,000	5.1%	\$ 297,517	6.0%	\$ 467,272	6.0%	Estimated at 6% of total revenue
Administration	\$ 117,000	2.0%	\$ 73,424	1.5%	\$ 116,818	1.5%	Estimated at 1.5% of total revenue
Operations	\$ 308,000	5.2%	\$ 263,447	5.3%	\$ 428,333	5.5%	Estimated at 5.5% of total revenue
Maintenance-Building	\$ 183,000	3.1%	\$ 169,725	3.4%	\$ 320,000	4.1%	5-year average \$1.05/sf building area, estimated at \$1.00/s.f.*
Maintenance-Equipment	\$ 34,000	0.6%	\$ 18,865	0.4%	\$ 48,000	0.6%	5-year average \$0.12/sf building area, estimated at \$0.15/s.f.*
Total Direct Expenses	\$ 3,963,356	67.3%	\$ 3,756,700	75.6%	\$ 5,858,445	75.2%	
Gross Operating Income	\$ 1,928,952	32.7%	\$ 1,213,924	24.4%	\$ 1,929,420	24.8%	
Allocated Expenses							
Salaries & Benefits	\$ 946,695	16.1%	\$ 915,365	18.4%	\$ 1,006,901	12.9%	Assumed to increase by 10% over five-year average post expansion
Administration	\$ 701,083	11.9%	\$ 537,968	10.8%	\$ 591,765	7.6%	Assumed to increase by 10% over five-year average post expansion
Sales & Promotion	\$ 440,985	7.5%	\$ 438,187	8.8%	\$ 547,734	7.0%	Assumed to increase by 25% over five-year average post expansion
Contract Services	\$ 160,833	2.7%	\$ 155,243	3.1%	\$ 480,000	6.2%	Five year average \$3.28/rentable s.f., estimated at \$3.00/rentable s.f.**
Maintenance	\$ 178,489	3.0%	\$ 151,522	3.0%	\$ 320,000	4.1%	5-year average \$0.94/sf building area, estimated at \$1.00/s.f.*
Energy	\$ 484,018	8.2%	\$ 457,542	9.2%	\$ 640,000	8.2%	5-year average \$2.84/sf building area, estimated at \$2.00/s.f.*
Insurance	\$ 48,668	0.8%	\$ 49,569	1.0%	\$ 96,000	1.2%	5-year average \$0.31/sf building area, estimated at \$0.30/s.f.*
Taxes	\$ 275,000	4.7%	\$ 414,142	8.3%	\$ 544,000	7.0%	2009 taxes \$1.70/s.f. building area, estimated at \$1.70/s.f.*
Total Allocated Expenses	\$ 3,235,770	54.9%	\$ 3,119,537	62.8%	\$ 4,226,400	54.3%	(2009 tax relief from HRM, used 2009 as a basis going forward)*
Operating Income	-\$ 1,306,819	-22.2%	-\$ 1,905,613	-38.3%	-\$ 2,296,980	-29.5%	

Source: HLT Advisory Inc.

Note: This statement of projected operations is based on event load and revenue projections. Trade Centre Limited financial statements and information from the Convention Centres of Canada Benchmarking Analysis. Trade Centre Limited allocates revenues and expenses amongst various components. HLT Advisory Inc. has not attempted to verify the accuracy or appropriateness of such allocations. All figures are expressed in 2009 dollars.

* Total current building area is 161,388 square feet. Proposed building area has been assumed to be 320,000 square feet (the mid-point of the recommended range in the Criterion Communications Inc. Phase I Report).

** Total current rentable area (exhibition space/meeting space/ballroom space) is 47,937 square feet. Proposed building area has been assumed to be 1600,000 square feet (the mid-point of the recommended range in the Criterion Communications Inc. Phase I Report).

Appendix A

Turnaways and expansion accounts – Lost due to facility size/facility availability

Group Name	# of delegates	Estimated Revenue	Room Nights
	10,000	\$150,000	15,000
	5,000	n/a	20,000
	3,500	n/a	n/a
	2,500	n/a	n/a
	2,500	\$250,000	5,250
	2,500	n/a	n/a
	2,000	n/a	n/a
	2,000	\$250,000	4,800
	2,000	\$115,000	1,950
	1,750	n/a	5,300
	1,500	n/a	n/a
	1,500	n/a	n/a
	1,500	n/a	4,350
	1,500	n/a	2,500
	1,200	\$295,000	3,455
	1,200	n/a	3,455
	1,200	\$309,350	2,400
	1,200	n/a	4,000

Appendix A

Turnaways and expansion accounts – Lost due to facility size/facility availability

Group Name	# of delegates	Estimated Revenue	Room Nights
	1,000	n/a	n/a
	1,000	\$26,000	800
	1,000	\$130,000	2,000
	1,000	\$70,000	750
	1,000	\$100,000	2,400
	1,000	\$174,725	1,950
	900	\$291,700	3,005
	850	\$90,880	1,200
	800	n/a	n/a
	800	\$112,000	1,650
	800	\$400,000	3,500
	800	\$136,210	2,600
	800	\$124,912	1,500
	750	\$196,000	975
	700	\$106,741	1,050
	700	\$97,600	975
	700	\$125,000	750
	600	\$130,045	2,055

Appendix A

Turnaways and expansion accounts – Lost due to facility size/facility availability

Group Name	# of delegates	Estimated Revenue	Room Nights
	600	\$102,000	1,350
	600	n/a	n/a
	600	\$85,000	1,200
	600	n/a	n/a
	600	n/a	1,290
	600	\$181,540	1,500
	600	\$86,000	1,800
	550	\$87,000	1,200
	500	\$25,000	800
	500	\$38,485	750
	500	n/a	n/a
	500	\$189,175	1,650
	500	\$90,000	1,050
	480	\$75,000	1,350
	450	\$55,000	900
	450	\$55,000	675
	425	\$28,965	225
	400	\$96,000	375

Appendix A

Turnaways and expansion accounts – Lost due to facility size/facility availability

Group Name	# of delegates	Estimated Revenue	Room Nights
	400	\$100,000	1,050
	400	\$150,000	1,350
	400	\$62,786	675
	375	\$73,084	450
	350	\$38,000	865
	350	\$379,242	450
	350	\$101,000	650
	350	\$21,000	300
	350	n/a	1,100
	300	\$42,000	525
	300	\$30,000	300
	300	\$36,000	375
	300	\$96,000	780
	300	\$32,000	375
	250	\$55,000	325
	250	\$85,000	450
	250	\$58,000	600
	250	\$23,000	300

Appendix A

Turnaways and expansion accounts – Lost due to facility size/facility availability

Group Name	# of delegates	Estimated Revenue	Room Nights
	250	\$98,000	435
	250	\$41,935	840
	225	\$96,000	480
	200	\$50,000	450
Total	75,955	\$6,543,375	128,860

Appendix B

HLT Advisory Qualifications

HLT Advisory Inc., located in Toronto, Canada provides specialized consulting and support services to the Canadian and international hospitality, leisure and tourism industries including public assembly venues, lodging, travel/tourism, recreation, sport, entertainment and gaming. The firm is owned and managed by Lyle Hall and Robert Scarpelli who, prior to forming HLT in 2005, lead the Canadian hospitality, leisure and tourism practices at KPMG and PricewaterhouseCoopers, respectively. The firm now employs ten full-time professionals and is regarded as one of the leading Canadian consultancy practices focused exclusively on the convention/venue, hospitality, gaming and entertainment sectors.

HLT has extensive qualifications in the meeting and exhibition industry both in Canada and internationally. HLT principals have been involved in completing market substantiation assignments for most of the major Canadian convention centre/tradeshow facilities (and corresponding economic impact assessments) that have opened over the last decade, are under construction or are far along in the planning stages, including:

Calgary Telus Convention Centre	Quebec City Convention Centre
Cleary International Centre (Windsor)	Shaw Conference Centre (Edmonton)
Direct Energy Centre/National Trade Centre (Toronto)	Saint John Trade and Convention Centre
Metro Toronto Convention Centre	Vancouver Convention and Exhibition Centre
Niagara Falls Convention Centre	Vancouver Island Convention Centre (Nanaimo)
Ottawa Convention Centre	Victoria Conference Centre
Palais des Congres de Montreal	Whistler Conference Centre

In addition to these Canadian facilities, HLT has been involved in convention centre expansion projects in London, Bangkok, Durban, Singapore and Casablanca. HLT has also completed several industry-wide analyses including an assessment of the potential for expanded convention and trade show venues in Ontario and British Columbia, for the respective Ministries of Tourism in these two provinces.

Principals of HLT were actively involved in the public-private partnership model initially employed to develop the expanded Vancouver Convention and Exhibition Centre.

HLT Advisory also completes the annual Convention Centres of Canada benchmarking survey, now in its fourth year.

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