



MAJOR CAPITAL PROJECT PLAN

July 2004

OBJECTIVES OF THE PROJECT:

The Project Objectives

Funded by the Province, the Government of Canada and Tourism Vancouver, the Vancouver Convention Centre Expansion Project (VCCEP) includes the construction of new convention and exhibition facilities on the Burrard Landing Site to the west of Canada Place (the Expansion Program); the renovation of existing leased facilities within Canada Place; and the linking of the two sites to form an integrated convention and exhibition centre (together comprising the Integration Program).

On completion in 2008, the expanded convention centre will feature 45,800 m² (491,000 sq ft) of delegate space, allowing for conventions of up to 5,000 delegates and welcoming close to a million delegates per year. In addition to providing the operational ability to integrate the two facilities, the enhanced connector will create a presence in its own right and demonstrate that the two facilities are part of one convention centre by providing an attractive transition. The upgrades will bring the current facility up to date and convey an appearance of a single facility expressed through continuity of fit and finish.

Background and Status

VCCEP is a provincially held limited company incorporated under the former *BC Company Act* on February 13, 2003. VCCEP's mandate is to design, construct and commission the Expansion and Integration facilities.

To date, VCCEP has undertaken the following work plan:

- Project funding from the Province of British Columbia, Government of Canada and Tourism Vancouver has been confirmed;
- The budget, scope and schedule have been finalized;
- 100% schematic design has been reached;
- The Environmental Assessment application has been submitted to the provincial Environmental Assessment Office for joint provincial/federal environmental assessment;
- Pre-construction testing of the site ground conditions has been completed;

- Consultation with the public and stakeholders, including Port of Vancouver, Canada Place Corporation, tourism and construction industry representatives, First Nations, and environmentalists have commenced; and
- A comprehensive value engineering exercise was undertaken and several peer reviews involving national and international experts have been completed.

COSTS AND BENEFITS OF THE PROJECT:

Costs

		<u>(\$ millions)</u>	<u>(\$ millions)</u>
Expansion Budget	<i>New facility</i>		525.0
Integration Budget	<i>Connector</i>	20.0	
	<i>Existing Facilities</i>	20.0	
			40.0
Total Budget			565.0

Confirmed contributions for the Project total \$535 million – the Province of British Columbia (\$222.5 million), Government of Canada (\$222.5 million) and Tourism Vancouver (\$90 million). The balance of \$30 million required will be funded by VCCEP through its generation of revenue from the site. This additional revenue will be re-invested to ensure the program is accommodated without increasing the public and industry contributions.

\$495 million of the \$525 million required for the Expansion Program will be funded by contributions from the Province of British Columbia, Government of Canada and Tourism Vancouver (\$202.5, \$202.5 and \$90 million respectively). VCCEP has identified several realizable sources of revenue for its \$30 million including a contribution from the wood industry to support structural and architectural show-casing of wood applications, capitalizing the facility's parking revenue and retail and supplier agreements. VCCEP also has the ability to reduce program should anticipated revenue not materialize.

Any capital cost for the Expansion Program beyond \$525 million would be the responsibility of the Province.

The \$40 million Integration Program to connect the new facility to Canada Place and to upgrade Canada Place will be co-funded equally by contributions from the Province of British Columbia and Government of Canada.

Future operating costs are the responsibility of the Province.

Benefits

The state-of-the-art convention centre and upgrades to the existing convention centre will generate positive, long-term impacts on tourism and contribute to future economic growth for British Columbia and Canada. The project benefits arise firstly from its construction, followed by the incremental convention attendance and onward visitations of non-resident delegates and finally by repeat tourist visits by previous delegates and their families. All of these events create or sustain employment, generate economic activity throughout British Columbia and result in incremental tax revenue. The Ministry of Small Business and Economic Development (MSBED) has previously estimated that the Net Present Value of the incremental tax benefits ranges between \$430 to 674 million over the ensuing 30 years of operations.

MSBED has also estimated the employment benefits to reach 6500 person-years of construction employment and to support 7500 person-years of annual employment in the hospitality sector.

RISKS ASSOCIATED WITH THE COSTS AND BENEFITS

3.1 Risks Associated with the Costs

To mitigate construction risks, VCCEP has undertaken extensive third-party reviews and value engineering and has received confirmation from its architects, cost consultants and its pre-construction services contractor that the approved scope of the expansion facility can be built within its approved budget. VCCEP has incorporated a contingency of \$51 million within this budget to provide for escalation, construction and project cost risks.

There is a risk that cost escalation during the 2005 to 2008 construction schedule will exceed VCCEP's budgeted allowance. A rigorous risk management plan built on industry best practices has been developed to facilitate proactive mitigation of this risk. This plan is included within VCCEP's comprehensive three volume Project Implementation Plan.

3.2 Risks Associated with the Benefits

The overall risk to projected construction benefits is considered low in that open tendering and international procurement of items such as steel pilings were built into the MSBED's model. The primary risk to construction benefits arises from higher than forecast out-of-province procurement of both materials and labor should British Columbia's markets become overheated from competing major capital projects leading up to the 2010 Winter Olympic Games.

There are two principle risks associated with forecast operating benefits: volume risk (i.e. projected delegate visitations are optimistic) and value risk (i.e. delegate per capita spending is less than projected). Both risks are considered low.

Volume risk is principally driven by two factors: Vancouver's relative attractiveness as a destination of choice and global trends in convention attendance. Vancouver is consistently voted one of the most livable cities in the world and, in the post 9/11 era, is internationally recognized as a safe destination. The existing convention centre did not experience any cancellations following the events of September 11, 2001.

Globally, the proof of Vancouver's attractiveness to convention organizers is reflected in VCEC's receipt of the International Association of Congress Centres' (AIPC) 2002 Apex Award for *World's Best Convention Centre* and in its annually turning away of conventions in the 2000 to 5000 delegate range due to capacity limitations. VCCEP's sustainable design of the expansion facility (e.g. living roof) will assure that it remains environmentally appealing vis-à-vis its competition. VCCEP is also incorporating expert advice on security and the latest audio and video technological trends into the facility's design and functionality. Important adjuncts to the attractiveness of the convention facilities themselves are Vancouver's International Airport, which is consistently voted as one of the best in the world and the forthcoming rapid transit link from the airport to the convention centre. The Province has provided Tourism Vancouver with the authority to initiate a voluntary members' levy mechanism by which it can raise substantial funds for continued marketing of Vancouver as a preferred destination.

There are more than 1000 organizations and associations in the United States alone that hold annual meetings or conventions at international locations on a scheduled basis. The memberships of many other internationally-based organizations in science, medicine, education and related knowledge-based sectors are expanding, rather than contracting, their interest in gathering face to face in large numbers to communicate with their peers. Delegates in these sectors have proven to be less recession prone and to have higher than average spending patterns.