



VANCOUVER
CONVENTION CENTRE EXPANSION
PROJECT

**2005/06 - 2007/08 Service Plan Update
September 2005**

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Message from the Board Chair to the Minister Responsible

To the Minister of Tourism, Sport, and the Arts

On behalf of the Vancouver Convention Centre Expansion Project Ltd. (VCCEP) Board of Directors, I am pleased to present an update to the Company's Service Plan for the fiscal years 2005/06 through 2007/08.

VCCEP was incorporated on February 13, 2003 to design, construct and commission an expansion to the existing Vancouver Convention and Exhibition Centre, including a connector between the new and existing facilities, and to undertake renovations within Canada Place.

This exciting Project will provide much needed expansion of convention facilities in the Lower Mainland. On completion in 2008, the expanded convention centre will feature 491,000 square feet of delegate space allowing for conventions of up to 10,000 delegates and operating at close to a million delegate days per year.

The VCCEP Project Team has completed much of the preliminary work including the completion of schematic design and securing the required environmental and development permits. The Project scope, budget and schedule were aligned and Treasury Board Approval to proceed with the Project was received in June 2004. Subsequently, the City of Vancouver's Urban Design Panel did not support the Project's design and attached a number of 'prior-to' conditions to be met as part of its issuance of its Preliminary Development Permit. Following significant redesign and further consultation with City of Vancouver staff, VCCEP has received approval of its design from the City. Approval for a revised scope was obtained from Treasury Board in June 2005, reflecting design adjustments to meet City requirements and evolving industry needs.

The Project Team has now progressed to the intensive planning, design, and implementation stages. Site preparation for foundation construction commenced in October 2004. An initial Project Implementation Plan, a comprehensive baseline document defining the Project and how it will be implemented, has been completed. A summary of this document is available on the VCCEP website (www.vccep.bc.ca). The Project Implementation Plan will guide the VCCEP Project Team as VCCEP moves forward with the mandate to effectively manage the Project to ensure its timely delivery within its established budget.

The Project Implementation Plan will now be revised to reflect the recent scope adjustment. Over the next year VCCEP will complete detailed construction drawings and documents and satisfy the 'prior-to' conditions associated with the City's Complete Development Permit .

VCCEP looks forward to constructing, commissioning and delivering this state-of-the-art convention facility expansion. The new Convention Centre will have positive long-lasting impacts on tourism and the local economy, will contribute to the long term economic growth of British Columbia, and be showcased to the world in 2010.

Accountability Statement

This update to the 2005/06 — 2007/08 Vancouver Convention Centre Expansion Project Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks as of August 24, 2005 have been considered in preparing the plan. I am accountable for ensuring the Vancouver Convention Centre Expansion Project achieves its specific objectives identified in the plan and for measuring and reporting actual performance.



Ken Dobell, Chair
VCCEP Board of Directors

Organizational Overview

The Vancouver Convention Centre Expansion Project Ltd. (VCCEP) is a Provincially held limited company incorporated under Provincial legislation. VCCEP was established to design, build, and commission the Vancouver Convention and Exhibition Centre Expansion Project.

VCCEP is led by a five person Board of Directors:

- Ken Dobell (Chair) — former Deputy to the Premier
- Terry Lyons — Chairman, Northgate Minerals Corporation
- Grant Ritchie, P.Eng. — Retired, former Senior Vice President, UMA Engineering Ltd.
- Paul Taylor (Chair, Audit Committee) — President & CEO, ICBC
- Andrew Wilkinson — Deputy Minister, Ministry of Economic Development

The Board has resolved to invite Virginia Greene, Deputy Minister of Tourism, Sport and the Arts to join the Board effective September 2005.

When completed, the operation of the new facility will be the responsibility of BC Pavilion Corporation ('PavCo'). VCCEP has undertaken frequent discussions with PavCo's convention centre management on all design matters potentially impacting future operation. To ensure communications between the two Provincial Companies are effective, VCCEP's Board has initiated joint Directors' meetings on a quarterly basis.

VCCEP has no employees. It utilizes the equivalent of fifteen (15) FTE contract and seconded project management and administrative staff.

Expansion Project Overview

The scope of the Project includes: the design, construction and commissioning of an expansion to the existing Vancouver Convention and Exhibition Centre, and a connector between the new and existing facilities, and renovations to facilities within Canada Place.

In June 2004, the Project budget was approved at \$565.0 million with the following confirmed contributions:

	<u>(\$ in millions)</u>
Province of BC	\$222.5
Government of Canada	222.5
Tourism Vancouver	90.0
VCCEP Revenue Generation	<u>30.0</u>
Total Contributions	\$565.0

In June 2005, VCCEP received its Complete Development Permit from the City of Vancouver after significant redesign and consultation with City staff. As a result of the redesign, and material and labour costs escalation, VCCEP returned to Treasury Board in July 2005 with a revised Scope, Schedule, and Budget. The Project's revised budget was approved at \$615 million with confirmed contributions as follows:

	<u>(\$ in millions)</u>
Province of BC	\$272.5 ⁽¹⁾
Government of Canada	222.5
Tourism Vancouver	90.0
VCCEP Revenue Generation	30.0 ⁽¹⁾
 Total Contributions	 \$615.0

⁽¹⁾ Provincial capital contributions may be reduced if VCCEP revenue generation exceeds \$30 million

VCCEP is planning for additional revenue generation through a number of related commercial programs. At the direction of the Province, this revenue will be applied either to the cost of construction, or to support the annual operating costs of the Convention Centre. The present value of this incremental revenue is estimated at \$30 million.

The Expansion Project is scheduled for completion by Fall 2008 and is on track for that date. The schedule recognizes that the existing facility will then undergo modifications and the entire facility will be made available as the international broadcast and media centre for the 2010 Olympics. The schedule will be regularly reviewed and updated throughout the life of the Project.

To recap, since our last report VCCEP has:

- Received City of Vancouver approval for the Project's Complete Development Permit.
- Received Treasury Board approval for a revised Project Scope, Schedule, and Budget of \$615 million.
- Nearly completed site preparation and ground densification activities and has proceeded with pile driving.
- Tendered 55% of its construction requirements and has closed RFP's for all of its currently contemplated activities.
- Implemented a governance and reporting regime of best practices as recommend by the Board Resourcing and Development Office.
- Concluded an air space lease with the Vancouver Port Authority for the Connector between the new and existing convention facilities.

VCCEP is currently:

- Completing detailed design drawings for construction.
- Exploring options to maximize the sustainable attributes of the new facility.
- Exploring options to leverage the return on the public investment in the facility through further revenue generation.
- Updating its Project Implementation Plan to incorporate the recently approved changes to the Project's Scope, Schedule, and Budget.

For the balance of fiscal 2005/06, the Company's role will further transition from design development and planning to construction and Project delivery.

Other Projects Overview

VCCEP has entered into the following third party Agreements with other funding agencies for the construction of facilities that are ancillary to the Expansion Project.

1. Earth Retaining Structure

The City of Vancouver contributed \$4.1 million to VCCEP for the construction of this structure which underlies the future Thurlow Plaza and the transition zone to the Vancouver Parks Board lands to the west of the Project. This structure houses 100 parking stalls that will be accessible from Lower Waterfront Road. This project is at the substantial completion stage and will be completed within budget.

2. Water Management Showcase Project

Western Economic Diversification Canada (WED) has agreed to contribute \$2.1 million for a water management showcase project that is incremental to the Expansion Project. This project, which includes a blackwater treatment plant and a desalinization plant, is scheduled to be completed in 2008. This project will be completed within WED's contribution. To date, WED has contributed \$946,238. The balance of funds will be received from WED as expenditures are incurred.

Strategic Context

Vision: To position Vancouver as a global destination in the convention centre market and create a unique waterfront experience for visitors and citizens alike.

Mission: To create a world class convention facility while simultaneously completing the vibrant urban experience for the people of Vancouver.

Planning Context

VCCEP was incorporated in February 2003 for the purpose of designing, building and commissioning the new conference and exhibition centre facilities, the renovation of existing leased facilities within Canada Place, and the linking of the two sites to form an integrated convention and exhibition centre. As such, a number of factors may influence the company; presenting challenges, opportunities, and risks.

Confirmed contributions for the Project total \$615.0 million — the Province of British Columbia (up to \$272.5 million); Government of Canada (\$222.5 million); and Tourism Vancouver (\$90 million). The balance of \$30.0 million required will be funded by VCCEP through its generation of revenue from the site. Several sources of revenue have been identified and a total of \$60 million in revenue is anticipated. The incremental revenue of \$30 million may be allocated to capital costs, or to ongoing annual costs of convention centre operations, at the discretion of the Province.

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. Project benefits arise firstly from its construction, followed by the incremental convention attendance and onward visitation of non-resident delegates, and finally by repeat tourist visits by previous delegates and their families. All of these events create or sustain employment, and generate economic activity throughout British Columbia.

VCCEP has undertaken extensive third-party reviews and value engineering to confirm that the approved scope of the Expansion Facility can be built within its approved budget. Stringent management processes have been put in place to mitigate the residual risk that cost escalation during the 2005 to 2008 construction schedule exceeds VCCEP's budgeted contingency.

VCCEP is exploring options to maximize the sustainable attributes of the new facility and to leverage the return on the public investment in the facility through further revenue generation.

Goals, Core Business, Objectives and Strategies

The Vancouver Convention Centre Expansion Project objectives are to create an expanded facility that would:

1. Allow Vancouver to remain competitive in convention markets by retaining existing events which are expanding beyond current capacity and securing new meeting, convention and event business.
2. Generate economic benefits through jobs and tax revenues from out-of-province visitors that will provide governments with the opportunity to enhance Provincial and Federal revenues.
3. Complement the role of Canada Place as an internationally recognized symbol welcoming visitors to Canada and as a signature feature of the Vancouver waterfront.
4. Maintain and enhance features that have given Vancouver its competitive edge in the market.
5. Meet the highest environmental and sustainability standards for convention centres, thereby enhancing Vancouver's position in the marketplace.
6. Provide significant public amenities and meet the requirements for a desirable city context.

VCCEP has developed a comprehensive Project Implementation Plan (PIP). The PIP is a critical component to the successful planning and delivery of the Expansion Project. It is currently being updated to reflect the revised Project budget and scope.

The PIP provides the Project Team with a common understanding of the fundamental goals and objectives of the Project, and its scope, budget, schedule, and procedures adopted to meet those goals. It is the baseline document that defines the Project and how it will be implemented.

VCCEP's Project Implementation Plan focuses on three distinct areas:

Volume 1: Project Definition specifies issues of scope, budget and schedule, identifies key issues, and introduces the corporate organization.

Volume 2: Implementation Strategies documents a series of implementation strategies for key components of the Project, including Project Team organization, design, and cost management strategies, financial considerations, value engineering, reporting, communications, and the approaches taken with respect to important aspects of Project implementation planning.

Volume 3: Project Controls and Procedures details controls, procedures, and processes that have been implemented by VCCEP for the proper analysis, control, reporting and management of key Project elements.

Performance Measures and Benchmarks

Goal #1: To design, build and commission an expansion to the existing Vancouver Convention and Exhibition Centre (the Expansion Program), to design and construct a connector between the new and existing facilities, and to undertake renovations within Canada Place (together the Integration Program).

Strategies:

- Meet schedule, budget and quality objectives. Milestones will be reported in the Company's monthly, quarterly and annual reporting.

Goal #2: To effectively manage the Project budget, schedule, and related activities to ensure timely delivery of the Project within its established budget.

Strategies:

- Follow the Province's Board Resourcing and Development Office (BRDO) newly established guidelines to ensure consistent corporate governance standards for BC's public sector organizations. Fulfill the disclosure requirements set out in the guidelines beginning with its 2004/05 Annual Report.

Goal #3: Implement and manage an effective revenue generation program to meet the Project's budget requirements.

Strategies:

- Identify potential sources of revenue and initiate agreements for the creation of business alliances.

Identified Targets

The following milestones have been identified:

Measure	Baseline/ Current Year	Year 1 2005/06	Year 2 2006/2007	Year 3 2007/2008
Foundation Construction	Commenced		100% Complete	
Pile Driving	Commenced	100% Complete		
Design Development	Commenced	100% Complete		
Structural Steel Erection		To Commence	100% Complete	
Construction Documents		To Commence	100% Complete	
Canada Way Viaduct	To Commence	100% Complete		
Expansion Facility & Connector Construction			To Commence	100% Complete
Canada Place Upgrades				To Commence
Revenue Generation	Commenced			To Complete in Subsequent Fiscal Years

The construction of the Expansion Facility and connector will be completed in 2008. The Canada Place upgrades will be completed in 2009.

Linkages to Government Strategic Priorities

VCCEP's Service Plan strategies are consistent with and support the government's February 2005 Throne Speech priorities. VCCEP is an integral part of the government's plan to promote economic growth and job creation in British Columbia's economy.

Summary Financial Outlook

Capital Contributions

	(\$ thousands)
Province of BC	\$272,500 ⁽¹⁾
Government of Canada	222,500
Tourism Vancouver	90,000
VCCEP Revenue Generation	30,000 ⁽¹⁾
Total Contributions	\$615,000

⁽¹⁾ Provincial contribution includes \$3.1 million of piling pipe in-kind and may be reduced in total if VCCEP revenue generation exceeds \$30 million

2004/05 Actuals

	2004/05 (\$ thousands)
Revenues ⁽¹⁾	\$ 495
Expenses ⁽²⁾	104
Net Income	391
Province of BC Capital Contribution ⁽³⁾	65,148
Government of Canada Capital Contribution ⁽⁴⁾	33,934
Tourism Vancouver Capital Contribution	9,300
Project Capital Expenditures	47,978
Debt	-
Staff (full-time equivalents) ⁽⁵⁾ :	
Management/Excluded	-
<u>Union</u>	-
Total	-

⁽¹⁾ Tenant revenues.

⁽²⁾ Property Tax and amortization expense on FF&E.

⁽³⁾ Provincial contribution included \$3.1 million of piling pipe in-kind

⁽⁴⁾ To July 31, 2005: Government of Canada contribution received as reimbursements against expended Project capital expenditures.

⁽⁵⁾ VCCEP has no employees. It utilizes the equivalent of fifteen (15) FTE contract and seconded Project management and administrative staff.

Updated Forecast as of July 31, 2005 (\$ thousands)

	Updated 2005/06 Service Plan	2006/07 Service Plan	2007/08 Service Plan ⁽¹⁾
Revenue ⁽²⁾	51	51	51
Expenses ⁽³⁾	96	30	5
Net Income	(45)	21	46
Province of BC Capital Contribution	69,500	70,900	-
Gov't of Canada Capital Contribution ⁽⁴⁾	60,945	96,574	25,431
Tourism Vancouver Capital Contribution	19,000	29,600	24,700
Project Capital Expenditures ⁽⁵⁾	118,889	187,373	146,918
Debt	-	-	-

⁽¹⁾ Project Extends beyond 2007/08

⁽²⁾ Tenant revenues

⁽³⁾ Property tax and amortization expense on FF&E.

⁽⁴⁾ Government of Canada contributions received as reimbursements against expended Project capital expenditures.

⁽⁵⁾ Other than expenses in Note 2 above, VCCEP incurs no operating costs. All expenditures are capitalized to the Project. Expenditures will continue into 2008/09 and 2009/10.

Risk Factors and Sensitivities

There are risks associated with the overall benefits of the Project and the associated costs. To mitigate construction risks, VCCEP continues to undertake extensive third-party reviews and value engineering and continues to receive confirmation from its architects, cost consultants and its pre construction services contractor that the enhanced scope of the Expansion Facility can be built within its newly approved budget. VCCEP has tendered 55% of its construction procurement and has retained a contingency and allowances within the expanded budget to provide for escalation, construction and Project cost risks.

A rigorous risk management plan built on industry best practices has been developed to manage the risk of cost escalation, including the potential for scope reductions. This plan is included within VCCEP's comprehensive three volume Project Implementation Plan.

The primary risk to construction costs arises from higher than forecast procurement of both materials and labour. The overall risk to projected construction costs is however considered low in that open tendering and international procurement of items such as steel pilings and structural elements were built into the Project model, and all construction costs have been estimated within the context of the current construction market. A comprehensive value engineering program is in place to ensure cost control and value for money.

