



SERVICE PLAN 2008/2009 to 2010/2011



Vancouver Convention & Exhibition Centre



BC Place



B.C. Pavilion Corporation (PavCo) Service Plan 2008/09 to 2010/11

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1 LETTER FROM BOARD CHAIR TO MINISTER RESPONSIBLE

I am pleased to present to the Minister of Tourism, Sport and the Arts, the B.C. Pavilion Corporation (PavCo) Service Plan for Fiscal years 2008/09 to 2010/11.

PavCo is a Provincial Crown corporation that operates public facilities in British Columbia. It is mandated to generate economic benefits for the Province, with its core business being the marketing, sales, and management of space in its facilities for conventions, trade and consumer shows, sporting, and other events.

In addition to ensuring the success of operations of its core business, PavCo's focus for Fiscal 2009 will be the planning of improvements to its facilities to bring them to industry expected standards, and to ready the Vancouver Convention & Exhibition Centre (VCEC) for the opening of its expansion, due for completion in March 2009. There will also be a review of the governance structures of PavCo and Vancouver Convention Centre Expansion Project (VCCEP), a review of PavCo's sales and marketing functions, and planning for long-term operations of BC Place.

The drop in value of the US currency against the Canadian dollar and Canada/US border security issues have created challenges for the booking of international conventions over the past two years, and are expected to do so for the foreseeable future. However, with the first class product that PavCo has to offer, bookings are strong and are tracking positively against projections. To meet the expectations of industry, further aggressive marketing of the available space is required. A new Board of Directors, and a recently appointed new Chief Executive Officer, each with significant international sales, marketing, and convention expertise, are in place to oversee this initiative.

Over the next fiscal year there will be a shift from construction of the VCEC Expansion to the operation of the combined facility. With the two areas of activity combining into a single program, there is a proposal to merge PavCo and VCCEP, which already have a common Board of Directors.

Since publication of the 2007 Service Plan, the sale of the Bridge Studios has finalized. The Studios were created to develop infrastructure for the film business in British Columbia. With sufficient infrastructure now in place, direct government ownership in studio properties is no longer necessary.

The 2008/09 - 2010/11 PavCo Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*, and the BC Reporting Principles. The plan is consistent with government's strategic priorities. I am accountable for the contents of the Plan, including the selection of performance measures and targets. All significant assumptions, policy decisions, and identified risks, as of January 24, 2008, have been considered in preparing the plan. The performance measures presented are consistent with PavCo's mandate and goals, and focus on

aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of PavCo's operating environment, forecast conditions, risk assessment, and past performance.

On behalf of the Board of Directors, I would like to thank management and staff for their ongoing commitment to PavCo and their contribution towards the success of the organization.



DAVID PODMORE

Board Chair

PavCo SERVICE PLAN
PLANNING PERIOD APRIL 2008 – MARCH 2011
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2 ORGANIZATIONAL OVERVIEW

Corporate Summary

PavCo has developed a reputation for excellence in the marketing and management of public facilities. Its facilities are operated to realize maximum economic benefit while optimizing financial performance. PavCo operates BC Place Stadium (BC Place) and Vancouver Convention & Exhibition Centre (VCEC). BC Place and VCEC are located in downtown Vancouver.

Through its activities, PavCo contributes to the growth of the tourism industry, as many out-of-town clients travel throughout British Columbia after attending events at its facilities. VCEC is the provincial flagship for conventions and leads initiatives to generate convention business throughout the Province. BC Place is the largest indoor gathering place in British Columbia and provides support to industry as a venue for trade and consumer shows, as well as being a major sports and entertainment centre.

PavCo's mandate is:

To generate economic and community benefit for the people of British Columbia through the prudent management of public facilities.

Enabling Legislation

B.C. Pavilion Corporation is a British Columbia corporation incorporated in 1984 under the *Company Act* of British Columbia, continued under the *Business Corporations Act*.

B.C. Pavilion Corporation registered PavCo as a business name under the *Partnership Act (British Columbia)* on September 23, 1999.

There are also a number of other statutes relevant to B.C. Pavilion Corporation – the most significant being the *British Columbia Enterprise Corporation Act*, which names it an agent of the government, binds it by the same laws as the government, and gives it the same immunities as the government.

Shareholder Direction

The most recent Shareholder's Letter of Expectations (an agreement between the Government of British Columbia and PavCo) has included several new Directives and Actions as follows:

Directive	Action Response
<p>Prepare an updated sales and marketing plan with performance measures for the expanded VCEC that supports tripling non-resident delegate days by 2015.</p>	<p>An enhanced sales plan will be prepared to support this measure. A new Chief Executive Officer has been engaged to oversee the VCEC as the expansion comes on-stream. The Board will determine whether a more efficient sales and marketing model can be implemented.</p>
<p>Implement the Shareholder's direction with respect to a new corporate and governance model for the expanded VCEC.</p>	<p>A preferred option for governance of PavCo's facilities and the expanded convention centre will be presented to the Shareholder, and once approved, implementation will take place during Fiscal 2008/09.</p>
<p>Implement the Shareholder's direction for the retention and refurbishment of BC Place.</p>	<p>Planning is underway for options for refurbishment of BC Place. Plans will be taken to the Shareholder for consideration.</p>
<p>Continue to explore options and maximize private sector revenue for the public facilities owned/managed by the Corporation and minimize reliance on government funding.</p>	<p>PavCo will:</p> <ul style="list-style-type: none"> •Aggressively market space in the VCEC and the expansion •Seek a long-term naming privileges contract at BC Place •Work with the Shareholder to determine the best returns on the development and refurbishment of BC Place

The complete version of Shareholder's Letter of Expectation can be found on our website at www.bcpavco.com/pdf/expect.pdf

Corporate Services

PavCo operates a Corporate Services division, which is led by the Chief Executive Officer. The CEO directs the management teams at VCEC and BC Place. Business loads vary during the year due to scheduling of events, so where practical, and in instances when delivery of services can be carried out more efficiently, services are contracted to third party suppliers.

Business Units

2.1.1 Vancouver Convention & Exhibition Centre

With 132,674 square feet of function space strategically located between a spectacular waterfront setting and all the major visitor amenities of Vancouver's downtown core, the VCEC is British Columbia's premier meeting and convention facility. Since opening in 1987, the VCEC has steadily enhanced its market profile and reputation, culminating in the 2002 International Apex Award for "World's Best Convention Centre" from the Brussels-based International Association of Congress Centres.

Currently, the facility can accommodate a wide range of events, with a focus on conventions that accommodate up to 3,000 delegates for a full convention program. The expansion that is underway will more than triple the size of current facilities and enable the VCEC to host multiple, simultaneous events as well as large single events with upwards of 10,000 delegates.

The expansion is scheduled for completion in March 2009, with The Vancouver Organizing Committee (VANOC) for the 2010 Olympic and Paralympic Winter Games taking occupancy in September of that year, in preparation for its role as the Main Media Centre for the 2010 Olympic and Paralympic Winter Games. In the intervening time it is intended that building commissioning, soft opening activities and formal opening events will take place.

VCEC has been engaged in an intensive marketing campaign for the expanded space for the past four years. As a result, future business is now confirming and on track for meeting targets set by KPMG as part of the overall business plan. Construction of the expansion is the responsibility of the Vancouver Convention Centre Expansion Project Ltd. (VCCEP). However, with a common Board now in place and a shift from the development into the operational phase well underway, it is proposed that the two areas of activity will merge into a single integrated program during the next fiscal year. As part of this process decisions will be made on related business areas such as the allocation of responsibility for sales and marketing.

PavCo will prepare an enhanced marketing plan, designed to optimize the facility's utilization and address the Premier's goal of doubling provincial tourism revenues to \$18 billion by 2015. One element of this strategy will be to ensure that promotional activities are coordinated with the British Columbia 2010 Olympic and Paralympic Winter Games Secretariat to optimize the benefits arising from 2010 related exposure. VCEC already has a specific business objective and a strong track record of maximizing non-resident delegate numbers as a means of attracting new money into the province.

VCEC is also implementing a series of lifestyle enhancement opportunities consistent with the Province's ActNow BC objectives. These address staff, through activity and nutritional measures, as well as client groups, via a unique approach to menu offerings

that focuses on fresh, local ingredients prepared from 'scratch' as opposed to commercially pre-prepared and processed food ingredients that characterize food and beverage offerings of other convention centres. This latter program has evolved over several years, combining both nutritional and sustainability objectives, and has become a key sales feature for the VCEC.

2.1.2 BC Place

Opened in 1983, BC Place is the world's largest air-supported domed stadium. With seating for 60,000 and 247,000 square feet of exhibition space, BC Place is British Columbia's largest public gathering and meeting space.

In addition to being the venue for many annual trade and consumer shows, professional sporting and special events, BC Place hosts a variety of banquets and community events.

In-house staff is responsible for marketing, administration and operations of the facility.

At 25-years old, the look and structure of BC Place has not been significantly upgraded since construction. Management is working with the Shareholder to begin improvements that will both extend the useful life of the building and bring it up to standards expected by users.

BC Place will be the host venue for the Opening and Closing Ceremonies, as well as the nightly medal awards and cultural activities for the 2010 Olympic Winter Games, and the Opening Ceremonies for the 2010 Paralympic Winter Games.

3 CORPORATE GOVERNANCE

PavCo is responsible to the Minister of Tourism, Sport and the Arts through a Board of Directors appointed by the Minister.

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives from the Provincial Government. Governance matters are communicated to the Board through the annual Shareholder's Letter of Expectations. This Letter is an agreement of the respective roles and responsibilities of each party and serves as the basis of agreement between the Shareholder and PavCo including the high-level performance expectations, public policy issues, and strategic priorities.

PavCo's Board members and committees served are:

	David Podmore (Board Chair)	
Mark Andrew		Derek Brindle
Peter Brown		Bob Bryant
Susan Gomez		John Horning
Daniel Jarvis		Miriam Kresivo
Terry Lyons		Grant Ritchie

The Board currently has six standing committees:

Committee	Members	Role
Audit	John Horning Dan Jarvis Terry Lyons	Oversee the financial reporting process. Review financial statements, audit plans, reports, and controls with Auditors.
Finance	Peter Brown Mark Andrew Miriam Kresivo	Monitor financial policies, reporting, conflicts of interest, financial budgets, forecasts, risk management, and other related matters.
Construction and BC Place Futures	David Podmore Derek Brindle Peter Brown Terry Lyons Grant Ritchie	Monitor the construction process, the transition to the operational phase, and integration of the VCEC and its expansion. Oversee the planning and implementation process for refurbishment and upgrades to BC Place.
Corporate Governance and Reorganization	Miriam Kresivo John Horning Terry Lyons	Monitor governance, Board effectiveness, staffing, compensation issues, and the implementation of all structural changes to the organization.

Committee	Members	Role
Marketing	Susan Gomez Mark Andrew Bob Bryant Daniel Jarvis	Advise on the overall direction and development of the sales and marketing process for the organization.
Communications	Bob Bryant Mark Andrew Susan Gomez Daniel Jarvis	Monitor and advise on effective external communications policies and protocol for the organization.

All Committees review and develop policy in their specified areas and make recommendations to the Board.

The Board of Directors has a monthly meeting schedule, prepared in advance of each year, and the Committees meet as needed.

The Board of Directors adhere to the governance principles of the Crown Agency Accountability System and the Board Resourcing and Development Office's *Best Practices Guidelines* for governance and disclosure requirements.

The Government's Best Practice Guidelines can be referenced at www.lcs.gov.bc.ca/brdo/governance

4 STRATEGIC CONTEXT

Key Strategic Issues

4.1.1 Optimizing Occupancy at the Vancouver Convention & Exhibition Centre

Situation

VCEC operates in a highly competitive, private sector driven business with international service standards. It must be competitive in terms of international expectations and be sensitive to the evolving dynamics of the industry.

Recent major growth in convention centre capacity, particularly in the US, has created a buyer's market where many centres are increasingly using financial incentives and subsidies in order to secure major conventions.

VCEC will be 21 years old in 2008 and has not been significantly upgraded since opening. As part of the modernization of the existing facility, its décor will need to complement that of the expansion.

Discussion

The VCEC has achieved a well-balanced mix of business from regional, national, US, and international markets, which has stabilized its operation through the economic and security-related disruptions of the past few years. VCEC has been operating at essentially full capacity for a number of years.

Opportunities for business growth in the current building have focused on developing new service products, improving the flexibility of space to maximize utilization, and concentrating on high-yield business to achieve the best economic return on assets.

VCEC management has participated in the design development process for its expansion. Management is also actively engaged in the development and expansion of staffing and operational systems appropriate to the demands of the expanded facility and the new business levels expected.

Renovation plans are being developed for the existing building to achieve an integrated facility with consistent quality of fit and finish.

Action

Staff are committed to maximizing the number of non-resident delegates and exhibitors booked at events, as they generate the highest economic returns for British Columbia.

VCEC is expanding its marketing efforts by partnering with a number of industry and facility organizations, including Conventions BC – a consortium of convention centres –

to enhance overall provincial business opportunities and share the anticipated business growth arising from expansion with the other regions in the province.

VCEC will maintain business levels in the existing centre, throughout the duration of construction of its expansion.

Décor and equipment in the existing facility will be renewed so as to be cohesive with the expansion. Prior to the opening of the expansion, existing lobby areas will be renovated and enlarged. Following the 2010 Olympic and Paralympic Winter Games, the existing facility will undergo a major retrofit.

4.1.2 The Future Viability of BC Place

Situation

In 2008, BC Place will be 25 years old and has not been significantly upgraded since it was built.

It was built as an economic engine to expand business opportunities for British Columbia. This goal has been fully met. Located on 13.5 acres in downtown Vancouver, it is ideally situated to attract its core business.

BC Place is British Columbia's largest trade and consumer show venue and remains the only one capable of hosting the province's largest and most successful shows.

It requires renovations to meet expectations of the marketplace. Due to rising land values, and extensive development of adjacent properties and neighbourhoods, there is also pressure to increase the utilization of the site.

Discussion

BC Place is booked for over 200 days a year, hosting a variety of trade and consumer shows, sporting, and entertainment events.

Major trade and consumer shows all require spring and fall dates, leaving limited availability for new shows or for existing shows to move dates. BC Place needs to attract new events in off-peak periods to diversify the mix of revenue sources, and maximize revenue opportunities from traditional and non-traditional sources.

While opportunities for the growth of North American team sports and trade show categories remain limited, other sports and live entertainment categories show potential for growth.

Most of the profitable business is from regional markets rather than from out-of-province attendees. As a result, net economic benefits generated by BC Place to British Columbia are lower than for VCEC.

At many other large sporting venues in North America, shifting game schedules prevent

the hosting of other more profitable events. No sporting events are scheduled during the spring consumer show season and BC Place is therefore, able to maximize its revenues from these shows.

Action

BC Place will undertake a major renovation plan, including a roof replacement, to keep it viable for at least the next 20 years. A comprehensive development plan for the facility and its lands will be presented to the Shareholder for consideration.

Anticipated improvements include roof replacement, upgrade of food service facilities and concessions, entrances, seating and other guest amenities, heat to the exhibition floor level, and facilities for the disabled on all levels. Power saving amenities are also being considered.

PavCo will consider the sale of naming rights on BC Place. A detailed program will be developed to consider the opportunities available.

BC Place will continue its 5-year booking cycle for annual events and enquiries will be accepted to 2020.

BC Place embraces the objectives of the ActNow BC program through initiatives that benefit the community and its staff. BC Place has added a variety of healthy items to its menus, actively supports community active-lifestyle events, and promotes a healthy workplace.

4.1.3 PavCo Facilities and the 2010 Olympic and Paralympic Winter Games

Situation

BC Place and VCEC are major venues for the 2010 Olympic and Paralympic Winter Games.

Discussion

BC Place will host the Opening and Closing Ceremonies, the medal awards ceremonies, and the nightly cultural and entertainment events at the 2010 Olympic Winter Games. It will also host the Opening Ceremonies for the 2010 Paralympic Winter Games. The occupancy period at BC Place is from November 2009 to March 2010.

VCEC will be the Main Media Centre for the Games, with the Main Press Centre in the existing facility, and International Broadcast Centre in the expansion. VANOC will occupy the expansion of VCEC from September 2009 to March 2010 and will occupy VCEC's existing facility, from late November 2009 to March 2010. Some events will be displaced by the Games.

There will be a quick turn-around time between move-out of the Games and the first events following the Games.

Action

Where possible, events that would have occurred during the Olympic rental period have been rescheduled.

VANOC will contribute towards improvements at BC Place for disabled access and other spectator amenities, as part of their legacy program.

BC Place and VCEC management will leverage new business opportunities arising as a result of the Games and work with the Sport Tourism Task Force, VANOC, and the British Columbia 2010 Olympic and Paralympic Winter Games Secretariat to identify events that may be presented as a part of the various sporting federations' pre-Olympic test events and post-Olympic championships.

It is critical that both facilities return to normal event operation schedules as quickly as possible after the conclusion of the Games. Staff are assigned to coordinate all aspects of the events.

4.1.4 The Effects of Business Cycles and Capacity on PavCo Operations

Situation

Changes in business cycles in local, national, and world economies can have a significant impact on operations and economic benefits generated by PavCo's operating facilities.

Many new convention centres have been built in North America over the past few years, resulting in over-supply of space in some areas.

US Border security issues, higher exchange rates for the Canadian currency, and a more competitive environment, have created booking challenges for VCEC.

Discussion

Attendance from non-resident delegates and exhibitors at conventions generates the majority of economic benefits and profitability for the VCEC. Most major conventions are booked several years in advance so changes in bookings resulting from global economic fluctuations can impact business for several years.

The VCEC also relies on regional and corporate events booked at shorter notice in the remaining available space to maximize occupancy. These infill events are profitable, but generate lower overall economic benefits than conventions and trade shows.

There is a strong positive synergy between the activities of the VCEC and the overall economic development objectives of the Province. Benefits arise not only from direct economic impact but also from enhanced business and professional development opportunities.

Most BC Place business is derived from the regional market, so attendance at trade and consumer shows can fluctuate based on local economic cycles. For sporting events, changes in attendance and revenues is impacted by the success of the sports teams as well as the discretionary spending of fans.

Action

VCEC manages these natural business cycles by attracting a diverse mix of markets and event types as well as by continually developing new markets.

An enhanced marketing program for the expanded VCEC will be developed with the objective of tripling non-resident attendance by 2015.

Improvements to BC Place will bring the facility up to clients' expectations and attract new business.

4.1.5 Shortages in the Labour Market

Situation

Workers at PavCo's facilities include full time exempt and union staff, part time union event staff, and outside supplier's event staff.

Unemployment rates in British Columbia remain at record lows and it is a challenge to fill vacant positions with qualified applicants.

Discussion

The average age of PavCo's exempt staff is 44, and many will be reaching an age where they may retire within the next 5 to 7 years.

Many staff have been with PavCo for over 15 years and replacement of their skill sets is difficult in the current market.

With a fluctuating event schedule at BC Place, there are periods of very high demand for staff followed by periods of inactivity. As a result, a large portion of employees recruited each year move to other new opportunities once they arise.

Suppliers are challenged to retain qualified staff due to competition from other employers and higher pay rates elsewhere.

Action

PavCo will develop an innovative recruitment plan to attract and retain full and part time workers to its facilities.

PavCo will increase its efforts to recruit qualified persons for vacant positions through more proactive recruiting for minority groups. This will be through colleges and institutions that offer hospitality and tourism programs, through recruiting at job fairs, and through targeted advertising programs.

Training programs for existing staff will be expanded to support their movement through the organization.

Mandatory retirement at 65 has now been discontinued, and some employees may be willing to work past that age. Also, recruitment of these people may be possible to fill vacant positions.

5 GOALS, OBJECTIVES, KEY STRATEGIES, PERFORMANCE MEASURES, AND TARGETS

Strategic Goals

PavCo has four strategic goals:

- Maximize revenues and economic growth and use funding in a manner that provides optimum return to the Shareholder
- Maintain and increase client services and satisfaction
- Maintain and improve the facilities under our management
- Increase innovation, learning and growth

Goal 1 - Maximize revenues and economic growth and use funding in a manner that provides optimum return to the Shareholder

We strive to achieve our mandate, which is to generate economic and community benefit for the people of British Columbia, through the prudent management of public facilities. The events held at our facilities support British Columbia's business and leisure tourism industry, as well as its trade development infrastructure. Our clients and guests from out-of-Province fill hotel rooms, patronize provincial businesses, and conduct pre-and post-event activities throughout the Province.

PavCo also strives to meet its financial targets each year to ensure financial sustainability and to minimize its reliance on Shareholder funding. Client expectations and competition from other venues is causing downward pressure on revenues, while our aging facilities and external challenges are creating an upward pressure on costs. It is important for PavCo to maximize private sector revenue and to use the funding provided in the areas most likely to generate long-term economic benefits to British Columbia and profitability to the organization.

Key Strategies

Improve the return to the Shareholder on its investment in PavCo's facilities, primarily through:

- Creating a compelling vision and model for marketing the expanded VCEC
- Seeking events from out-of-Province which will generate the maximum amount of economic benefits to our community
- Seeking and creating high-profile events that will promote growth and support for British Columbia's business base
- Pursuing global markets for long-term growth
- Diversifying markets to stabilize long term business
- Repositioning our facilities as being more flexible to users
- Increasing operational efficiencies

Performance Measures and Targets

Compare economic benefits generated - Economic impacts are calculated based on surveyed or estimated expenditures by organizers and visitors at events in our facilities, subsequent spending in the Province following the event, and the multiplier effect through the economy of such spending. Actual results for Fiscal 2006/07 and projections for Fiscal 2007/08 were calculated in reports prepared at the beginning of Fiscal 2008. Estimates for subsequent years have been prepared by PavCo management based on anticipated attendance and activity at the facilities.

	Actual 06/07	Forecast 07/08	08/09	Targets 09/10 ¹	10/11
Performance Measure – Compare economic benefits generated					
VCEC Economic output	\$242m	\$214m	\$259m	\$361m	\$611m
VCEC Gross domestic product²	\$83m	\$69m	\$84m	\$116m	\$183m
BC Place from all spending	\$58m	\$58m	\$51m	\$37m	\$63m
BC Place out of Province spending	\$22m ³	\$22m	\$19m	\$14m	\$24m
Bridge Studios⁴	\$240m	-	-	-	-
Offset by: PavCo net cost including capital expenditures, before contributions and depreciation	\$4.646m	-	\$19.448m	\$21.784m	\$27.282m

¹ Benefits generated from activity at BC Place and VCEC in 2009/10 do not include those related to activities at the 2010 Olympic and Paralympic Winter Games, as they will be accounted for elsewhere by Government.

² VCEC Economic Output and GDP in Fiscal 2006/07 were higher due to several very large events occurring with a high number of non-resident delegates in attendance.

³ Out-of-Province spending for BC Place was previously reported at \$28 million but has been restated to \$22 million for comparison purposes, as a result of using the BC Input/Output model commencing fiscal 2007/08.

⁴ The Bridge Studios were sold in early Fiscal 2007/08.

Operating subsidy for the facilities (before depreciation) - PavCo strives to retain the lowest subsidy levels possible at the VCEC and BC Place while investing adequate resources to maintain the highest possible economic impact. The subsidy level at VCEC will continue to rise as a result of marketing initiatives for the expansion and preparations for operating the expanded facility. At BC Place, there is close to full occupancy during the main show season, but limited demand for space in the quieter summer months, resulting in an operating deficit.

	Actual 06/07	Forecast 07/08	08/09	Targets 09/10	10/11
Performance Measure – Operating subsidy for the facilities (before depreciation)⁵					
VCEC	\$2.3m	\$3.7m	\$5.0m	\$2.6m	\$8.8m
BC Place⁶	\$4.1m	\$4.2m	\$4.3m	\$3.2m	\$4.0m

⁵ The forecast operating subsidies are calculated as follows:

- Revenues are for events that have been booked at the facilities plus business that is expected to be contracted up to the event date.
- Event expenses are based on those booked and expected to be contracted.
- Operating costs are based on those already contracted plus those that are expected to be incurred based on historical experience.
- Includes major repairs and renewal expenses based on estimates required to maintain the facilities in the condition expected by clients.

⁶ In addition to the provincially contributed operating subsidy, BC Place will also fund capital improvements through internal sources of \$10 million in Fiscal 2009, \$15 million in 2010, and \$13 million in 2011

Increased non-resident delegate days at VCEC - As the economic benefit generated by non-resident delegates represents 'new' money coming into the BC economy, this is the first priority and primary performance indicator for VCEC. Non-resident delegate days are the combination of non-resident delegate numbers and the days they spend at events hosted at the VCEC.

	Actual 06/07	Forecast 07/08	08/09	Targets 09/10 ⁷	10/11
Performance Measure – Number of non-resident delegate days at VCEC					
VCEC	173,547	142,000	168,000	230,000	381,000

⁷ Non-resident delegate attendance will increase in Fiscal 2010 with the opening of the expansion of VCEC. Attendance numbers do not include Media for the 2010 Olympic and Paralympic Winter Games, which are contracted to occupy the expansion portion of the VCEC from September 2009 to March 2010, and the existing facility from late November 2009 to March 2010.

Increased attendance at BC Place - Increased attendance levels at BC Place drives higher sales of stadium services, including food and beverage sales. As the number of patrons and events increase, the facility becomes more attractive to corporate sponsors to purchase interior signage and exclusive supply rights.

	Actual 06/07	Forecast 07/08	08/09	Targets 09/10	10/11
Performance Measure – Attendance at BC Place					
BC Place ^{8 9}	984,000	995,000	932,000	1,455,000	997,000

⁸ Following two years of high attendance levels, visits to BC Place are expected to return to historical levels for Fiscal 2008/09. Higher attendance occurred in Fiscal 2006/07 and 2007/08 with the occurrence of some significant spectator events. Playoff games for football are not budgeted due to inherent uncertainty.

⁹ During Fiscal 2009/10, some regularly scheduled events at BC Place will be displaced due to occupancy by VANOC in preparation for, and staging of events for the 2010 Olympic and Paralympic Winter Games. Some of these events will be rescheduled after conclusion of the Games, either later in March 2010, or at the beginning of Fiscal 2010/11. Some other events will not occur for that year. Spectators at the Games will offset the decrease in attendance from the events that do not take place in Fiscal 2009/10. Economic benefit generated through activity at the 2010 Olympic and Paralympic Winter Games is not included in PavCo's benefits calculations, as it will be recorded elsewhere by Government.

Goal 2 - Maintain and increase client services and satisfaction

By increasing satisfaction of our customers, PavCo's reputation as an organization capable of attracting and producing world-class events will drive future attendance levels. This will further enable us to achieve our primary goal of maximizing economic and community benefits in British Columbia. Many of our guests from out-of-province spend extra time in the province post-event, and often return with their families as tourists at a later date.

Key Strategies

- Continue to provide a high level of service to support retaining our customers
- Work with our industry partners to attract guests who will bring the greatest amount of benefits to local and Provincial economies
- Promote our facilities as the preferred venues for client target markets

Performance Measures and Targets

Service Quality Survey Scores - We conduct Quality Surveys with clients and guests at our facilities to determine their expectations and satisfaction levels. We will improve service levels where possible. The event business is very competitive and client satisfaction is critical. Negative experiences can lead to clients failing to return or not recommending our facilities to other potential clients.

	Actual 06/07	Forecast 07/08	08/09	Targets 09/10	10/11
Performance Measure – Service Quality Survey Scores					
VCEC ¹⁰	84%	80%	78%	75%	78%
BC Place	92%	85%	85%	85%	85%

¹⁰ Service quality scores at VCEC are expected to decline as a result of noise and disruption from construction related to the connector to the VCEC expansion, and planned renovations to the existing facility. In addition to the expansion, there is a major hotel construction project adjacent to the facility, and work on transportation infrastructure that will continue until Fiscal 2010. Also, the VCEC infrastructure is ageing and fit and finish is falling below clients' expectations. A retrofit will follow opening of the expansion. Staff are committed to providing the highest levels of service.

Percentage retention of existing business - At BC Place, most of our business is from repeat clients who return on a regular basis. We strive to retain our core business. It is very costly to attract new events and also disruptive to shows if event schedules are changed. We will improve our service levels wherever possible in order to retain our clients.

	Actual 06/07	Forecast 07/08	08/09	Targets 09/10 ¹¹	10/11
Performance Measure – Percentage retention of existing business					
BC Place	96%	95%	95%	75%	95%

¹¹ Some major events will be displaced in Fiscal 2009/10 as a result of BC Place being used for the 2010 Olympic and Paralympic Winter Games. They will be either rescheduled for a later date or cancelled for one year.

Goal 3 - Maintain and improve the facilities under our management

We will maintain our facilities to the best standard possible within our means in order to attract new clients. We are developing repair and improvement plans at our facilities, and also look for ways to enhance some of our services. Upgrades to our properties will make us more competitive with other facilities and should result in an increase in overall occupancy and profitability.

A retrofit of the existing VCEC is anticipated after the expansion has been opened and options for refurbishing BC Place are being developed to bring the facility to acceptable standards for clients and guests.

The VCEC and BC Place will both be used for high-profile activities during the 2010 Olympic and Paralympic Winter Games.

Key Strategy

- Implement repair and maintenance plans to improve the facilities under our Management

Performance Measure and Targets

Gross margin on events - Ongoing repairs and maintenance to our equipment and facilities at BC Place ensure clients hold their events with us and assist us in maximizing margins on those events.

	Actual 06/07	Forecast 07/08	08/09	Targets 09/10	10/11
Performance Measure – Gross margin on events¹²					
BC Place	35%	37%	37%	27% ¹³	37%

¹² Gross margin on BC Place events has been revised to include the margin from football events. The margin reported in the 2006/07 Annual Report of 49% did not include football.

¹³ The overall margin reduction for Fiscal 2009/10 is due to the 2010 Olympic and Paralympic Winter Games, where most revenues will be from foodservices. Foodservices produce lower margins than some other revenue sources at the facility.

Goal 4 - Increase innovation, learning, growth, and development in our workforce

We strive to keep our employees' skills at optimum levels so that they can participate in our operations in a professional and meaningful way. The new skills that they acquire through their learning activities will maintain PavCo as a leading organization for innovation and creativity in its industry sector. We will monitor training activity and measure the rate of staff retention.

Key Strategies

- Continue to support staff development in required skill areas, build capacity and motivation to achieve our strategic goals
- Implement a performance-contingent compensation system that attracts high performance staff

Performance Measure and Targets

Employee involvement - At BC Place, many of our staff hold technical qualifications. In the current employment market, there is high demand for trades staff and it is increasingly difficult to attract them to our facilities. Through continuous improvement programs we will strive to retain a high proportion of our employees on a long-term basis. Due to the cyclical nature of our events, it is also a challenge to retain our part-time employees, and the ongoing process of hiring new staff is costly.

	Actual 06/07	Forecast 07/08	08/09	Targets 09/10	10/11	
Performance Measure - Employee involvement						
BC Place	Employee involvement (retention)	80%	82%	82%	80%	75%

6 SUMMARY FINANCIAL OUTLOOK

Funding

Funding is received from the Ministry of Tourism, Sport and the Arts. It covers the shortfall between operating revenues, facility costs and repairs expenses, and also includes an allowance for asset depreciation.

Operating

PavCo's current operating facilities are the VCEC and BC Place and will include the expansion of VCEC upon completion in 2009. In advance of the opening of the expanded VCEC, costs will rise with the increase in marketing and staffing activity.

PavCo operated the Bridge Studios up to May 2007. Following the sale of this property, PavCo's deficit will increase as Bridge Studios annually contributed approximately \$2 million in net operating income to the Corporation.

In Fiscal 2008/09, PavCo's event activity and revenues will remain close to historical levels. In Fiscal 2009/10 with the opening of the expansion of VCEC revenues will increase significantly and include activity from the 2010 Olympic and Paralympic Winter Games. Management will seek infill business for the off-peak seasons, and other revenue generating opportunities in order to minimize funding from the Shareholder.

Capital

PavCo manages assets with carrying values of over \$120 million, which are serviced through regular maintenance and renewal programs. In recent years, approximately \$2 million per annum has been set aside for capital projects. Historically, most capital programs at the corporate facilities have been for repairs to the existing infrastructure.

Going forward, several significant improvement projects have been identified at BC Place to bring the facility to standards expected by its clients and guests and will be for the long-term benefit of the facility. Proposed improvements include security systems, facility access for those with disabilities, seating repairs, hospitality, and general upgrades. At 25 years old, the air-supported roof at BC Place is at the end of its useful life and plans are in progress for replacement.

A retrofit to the VCEC is projected following the 2010 Olympic and Paralympic Winter Games, to standardize the fit and finish of the combined facility. These improvements will be funded separately.

Financial Forecast

Five-Year Financial Comparison for Operations (in \$ millions) - PavCo Consolidated

	Fiscal 2006/07 Actual	Fiscal 2007/08 Forecast	Fiscal 2008/09 Budget	Fiscal 2009/10 Forecast	Fiscal 2010/11 Forecast
Revenues					
– Sales	32.447	30.844	30.157	51.019	46.624
– Contribution Bridge Studios	2.004	33.537	-	-	-
– Government Contribution ¹⁴	<u>3.876</u>	<u>3.461</u>	<u>13.141</u>	<u>13.000</u>	<u>13.000</u>
Total Revenues	38.327	67.842	43.298	64.019	59.624
Expenses					
– Operating costs ¹⁵	35.243	35.024	36.620	53.803	54.206
– Depreciation	<u>3.084</u>	<u>3.171</u>	<u>3.741</u>	<u>7.651</u>	<u>11.009</u>
Total Expenses	38.327	38.195	40.361	61.454	65.215
Net Income (deficit) after government subsidy	-	29.647	2.937	2.565	(5.591)
Debt	0.343	0.243	0.143	0.043	-
Retained earnings (operating deficiency)	(2.074)	27.573	30.510	33.075	27.484
FTEs¹⁶	153	152	156	159	163
Major capital expenditures -					
Ministry funded	(3.854)	(3.011)	(2.985)	(4.000)	(6.700)
Internally funded¹⁷	<u>-</u>	<u>-</u>	<u>(10.000)</u>	<u>(15.000)</u>	<u>(13.000)</u>
	<u>(3.854)</u>	<u>(3.011)</u>	<u>(12.985)</u>	<u>(19.000)</u>	<u>(19.700)</u>

¹⁴ The Government contribution is to cover operations shortfalls and renewal of capital assets. Funding is provided through the Ministry of Tourism, Sport and the Arts.

¹⁵ Fiscal 2009/10 will be the opening year for the expansion of VCEC, and includes a full year's costs for the combined facility.

¹⁶ FTE's (Full Time Equivalent staff) will increase due to preparation for and operation of the expansion of VCEC.

¹⁷ Capital plans will be prepared for the planned renovations to BC Place and VCEC.

Key Assumptions:

- The core business units are the VCEC and BC Place and will also include the expansion of VCEC effective Fiscal 2009/10.
- PavCo will work with the Shareholder to determine options for funding the forecast deficits to ensure financial stability.

Forecast Risks and Sensitivities:

- Revenue estimates are based on current bookings and expected pick-up business. These estimates could change if there are world events during the period that impact business travel and tourism. Estimates will be monitored and adapted as conditions change.
- Fluctuations in the value of the Canadian dollar against other currencies could affect the amount of out-of-country business attracted to PavCo's facilities.
- Fuel costs are a major component of facility operating costs. Rising fuel costs and cold winter weather can significantly add to costs during the winter months.

7 OPERATING SEGMENT SUMMARY INFORMATION

Vancouver Convention & Exhibition Centre

Five-Year Financial Comparison for Operations (in \$ millions) – Vancouver Convention & Exhibition Centre
(Including operations of the expanded VCEC commencing Fiscal 2009/10)

	Fiscal 2006/07 Actual ¹⁸	Fiscal 2007/08 Forecast	Fiscal 2008/09 Budget	Fiscal 2009/10 Forecast ¹⁹	Fiscal 2010/11 Forecast
Revenues					
– Sales	19.106	16.103	16.609	29.449	32.349
Expenses					
– Operating costs	20.355	18.930	19.782	29.440	35.723
– Depreciation	<u>0.600</u>	<u>0.351</u>	<u>0.546</u>	<u>2.931</u>	<u>4.389</u>
Total Expenses	20.955	19.281	20.328	32.371	40.112
Net Income (Deficit)	(1.849)	(3.178)	(3.719)	(2.922)	(7.763)
FTEs²⁰	51	54	56	59	63
Capital Projects	(1.079)	(0.867)	(1.805)	(2.670)	(5.470)

¹⁸ Revenues and event operating costs for fiscal 2006/07 were higher than previous years, following exceptional results from certain events. They will increase for 2009/10 onwards following the opening of the expansion of the facility.

¹⁹ The facility will be the Main Press Centre and International Broadcast Centre for the 2010 Olympic and Paralympic Winter Games.

²⁰ FTE's will increase due to preparation for and operation of the expansion of VCEC.

Goals, Strategies and Measures for VCEC

Goal 1- Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder

Strategy - Improve the return to the Shareholder on its investment in PavCo's facilities	
Measures	Compare economic benefits generated
	Operating subsidy (before depreciation)
	Sales activity – Non-resident delegate days booked for future years

Goal 2 - Maintain and increase client services and satisfaction

Strategy - Maintain a high level of service to support retaining our customers	
Measure	Service Quality survey scores

Goal 3 - Maintain and improve the facilities under our management

Strategy - Create and execute a multi-year business process upgrade for transition through to expansion
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Goal 4 - Increase innovation, learning, growth and development in our workforce

Strategy - Develop and maintain the necessary skills, capacity, and motivation to successfully execute our strategic plan
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BC Place

Five-Year Financial Comparison for Operations (in \$ millions) – BC Place

	Fiscal 2006/07 Actual	Fiscal 2007/08 Forecast	Fiscal 2008/09 Budget²¹	Fiscal 2009/10 Forecast²²	Fiscal 2010/11 Forecast
Revenues					
– Sales	13.054	13.141	12.248	21.070	14.200
Expenses					
– Operating costs	14.496	15.229	15.487	22.978	17.048
– Depreciation	<u>2.472</u>	<u>2.800</u>	<u>3.175</u>	<u>4.700</u>	<u>6.600</u>
Total Expenses	16.968	18.029	18.662	27.678	23.648
Net Income (Deficit)	(3.914)	(4.888)	(6.414)	(6.608)	(9.448)
FTEs	98	93	93	93	93
Capital Projects²³	(2.735)	(2.114)	(11.150)	(16.300)	(14.200)

²¹ Revenues for Fiscal 2008/09 will return to historical levels. Event activity in Fiscal 2006/07 and Fiscal 2007/08 were higher due to the occurrence of some high profile unbudgeted events.

²² Revenues and operating expenses will increase in Fiscal 2009/10 as a result of increased event activity. BC Place will host ceremonies for the 2010 Olympic and Paralympic Winter Games

²³ BC Place will be refurbished to bring it to standards expected by clients and guests. Plans for the refurbishment will be presented to the Shareholder, with work is expected to commence in Fiscal 2008/09.

Goals, Strategies and Measures for BC Place

Goal 1 - Maximize revenues and economic growth, and use funding in a manner that provides optimum return to the Shareholder

Strategy - Improve the return to the Shareholder on its investment in PavCo's facilities	
Measures	Compare economic benefits generated
	Operating subsidy (before depreciation)
	Facility attendance

Goal 2 - Maintain and increase client services and satisfaction

Strategy - Maintain a high level of service to support retaining our customers	
Measure	Service Quality survey scores
	Percentage retention of existing business

Goal 3 - Maintain and improve the facilities under our management

Strategy - Maximize opportunities for profitability	
Measure	Compare the gross margin received on events

Goal 4 - Increase innovation, learning, growth and development in our workforce

Strategy - Continue to support staff development and implement a performance- contingent compensation system	
Measure	Employee retention

Corporate Services

Five-Year Financial Comparison (in \$ millions) – Corporate Services

	Fiscal 2006/07 Actual	Fiscal 2007/08 Forecast	Fiscal 2008/09 Budget	Fiscal 2009/10 Forecast	Fiscal 2010/11 Forecast
Revenues ²⁴	0.287	1.600	1.300	0.500	0.075
Expenses					
– Operating costs ²⁵	0.392	0.865	1.351	1.385	1.435
– Depreciation	<u>0.012</u>	<u>0.020</u>	<u>0.020</u>	<u>0.020</u>	<u>0.020</u>
Total Expenses	0.404	0.885	1.371	1.405	1.455
Net Income (Deficit)	(0.117)	0.715	(0.071)	(0.905)	(1.380)
FTEs	4	5	7	7	7
Capital Projects	(0.04)	(0.03)	(0.03)	(0.03)	(0.03)

²⁴ Revenues will increase in Fiscal 2007/08, with PavCo retaining and investing the proceeds from asset sales. The revenues will decrease as the proceeds are drawn down to fund renovations at BC Place.

²⁵ Fiscal 2007/08 and future year operating costs will increase due to the appointment of a full-time Chief Executive Officer and key operational staff for the Corporation, and other initiatives to support the facilities.

8 HOW TO REACH US

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