11 YEARS OF RAISING DEBATE AND PROPOSING POLICY ALTERNATIVES

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Convention Centre in Nova Scotia: Economic Wellspring or Bottomless Pit?

Christopher G. Majka

Over the past several months, there has been a divisive public debate over a proposal to build a new convention centre in Halifax. Some contend the convention centre will bring substantial economic benefits to the city and province. Others contend it is destined to become an economic albatross hung round the neck of the hapless taxpayer.

In much of the public debate, proponents and opponents have selectively presented facts to bolster their respective positions, resulting in diametrically opposed scenarios. Furthermore, the information contained in the various consultants' reports that form the basis of the proposal is frequently dense, complicated, jargon-ridden, and difficult to compare.

This report attempts to clear up the confusion by examining the finances and assumptions underlying the proposal, providing a critical context in which to analyze its potential costs, benefits, and associated risks. Where applicable, the proposal is placed in a comparative context, examining issues such as private versus public ownership, the design of the proposed centre, and other convention centre development projects currently underway in Canada.

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A history of the convention centre proposal

In 2006, the Conservative government of Nova Scotia contracted WHW Architects to conduct a feasibility study[1] of a new World Trade and Convention Centre in Halifax. The impetus for this study was concerns by Trade Centre Limited that the limitations of the present World Trade and Convention Centre contributed to a loss of business. The WHW Architects (2007) study compared the convention centre with similar facilities in Québec City, Victoria, and Ottawa and evaluated possible expansion plans. The study looked at four possible expansion scenarios and recommended demolishing the Metro Centre, expanding the convention centre onto this site, and relocating the Metro Centre to the Cogswell Street interchange location. The study referred to this solution as "a bold and visionary urban strategy."

The Halifax Regional Municipality (HRM) and the Province of Nova Scotia jointly issued an Expression of Interest (EOI) in March 2008. Six developers responded. One of these was the Hardman Group, which actually proposed a new convention centre on the Cogswell Street interchange site[2]. However, in a decision announced in February 2009, the then Conservative government deemed the current Nova Centre proposal by Rank Inc. as the only one of the six that was suitable for further consideration and evaluation. It is not clear on what basis the government rejected the five other submissions. In December 2008, Halifax Regional Municipality council had disqualified the Hardman Group proposal[3], apparently because the city had not yet decided on the timing of the Cogswell interchange dismantlement[4]. "It may be years," said Mayor Peter Kelly.

In February 2009, Halifax Regional Municipality and the provincial government contracted Criterion Communications Ltd. to prepare a report[5] to provide a preliminary assessment of the convention centre proposal. This was intended as an overview of the convention industry, its current limitations in Halifax, its future potential, and applicable funding, ownership, and management models. A series of other studies (HLT Advisory 2009; Deloitte 2009; Gardener Pinfold 2009, 2010) followed the Criterion (2009) report. These studies progressively focused more specifically on the Rank Inc. Nova Centre project and the notion of a new convention centre.

Concurrently, Trade Centre Limited commissioned JDA Architects[6] to study whether the existing trade centre could be renovated to meet the business objectives identified by earlier studies. Surprisingly, the JDA (2010) study did not consider the possibility of expanding the convention centre onto the Metro Centre site, which the WHW Architects (2007) study recommended. Instead, it considered the possibility of demolishing the current convention centre and replacing it with a new structure. The JDA (2010) report concluded that such a building could only accommodate two thirds of the capacity that the current (NDP) provincial government was asking for in its design specifications.

On October 6, 2010, the Nova Scotia Department of Transportation and Infrastructure Renewal gave a "Technical Briefing" in which it presented the details of the design, its raison d'être, and its costs and benefits from the provincial government's perspective. The culmination of this process came on October 13, 2010 when the province announced that it would back the Rank Inc. proposal to incorporate a new convention centre into the design of this multipurpose development. The Nova Centre project would include a financial tower (marketed to financial services organizations), a hotel, residential space, commercial suites, retail space, a two-floor parking garage, and the Grafton Galleria – a glass-roofed pedestrian area that would occupy the block of Grafton Street between Sackville and Prince Streets. The provincial government has made it clear that support for the project is "… entirely contingent on funding from other levels of government."[7]

On November 9, 2010, the HRM council voted 22 to 2 to "support the development of a new convention centre, pending the conclusion of successful negotiations with the Province and the Federal Government."[8] The decision to negotiate with the province was based on conditions decided in an *in camera* session of the council, which also agreed not to release any of these conditions pending the conclusion of negotiations. In its initial offer, the province asked Halifax Regional Municipality to exempt the new World Trade and Convention Centre from paying property taxes, the major source of income from such a development for the city.[9]

Since the Fall of 2009, when it became clear that building a new convention centre was seriously being considered for public funds, public opposition to the project has grown. In October 2009, the Coalition to Save the View[10] began a public campaign criticizing various elements of the proposal. This Coalition consists of a number of groups including Friends of the Halifax Common, Heritage Trust of Nova Scotia, Peninsula South Community Association, Sierra Club of Canada – Atlantic Chapter, Ecology Action Centre, Nova Scotia Public Interest Research Group, The South Shore Chapter of the Council of Canadians, The Inverness Chapter of the Council of Canadians, The Mahone Bay Chapter of the Council of Canadians as well as individuals. Initially, Coalition to Save the View's opposition focused on how the proposed Nova Centre project would affect the view of Halifax Harbour from Citadel Hill[11]. Subsequently, their focus has increasingly shifted to questioning the assumptions of the proposal's business case.

Is a new convention centre required?

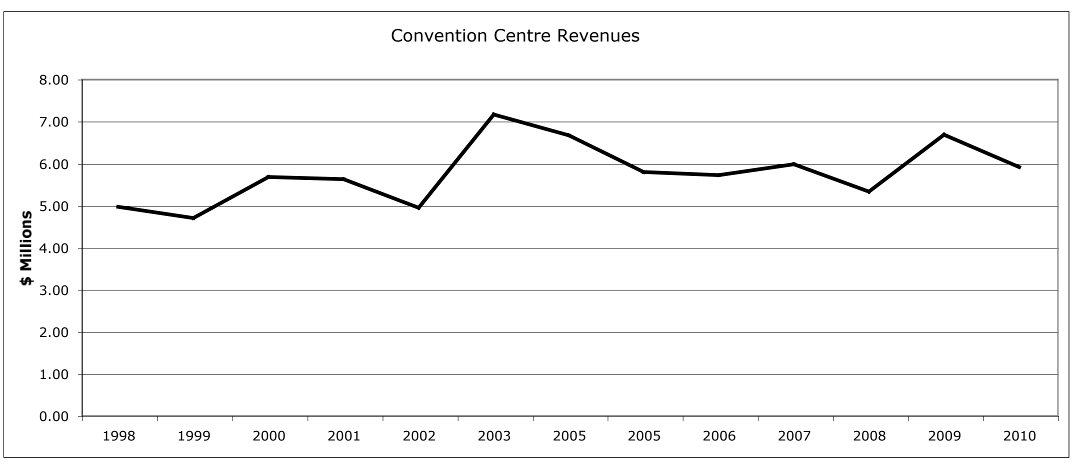
Information compiled over the last 12 years by Trade Centre Limited has drawn attention to the shortcomings of the current convention centre. The main concerns are:

- The present space is too small;
- Pillars and low ceilings obstruct sightlines;
- There are significant limitations on how the space can be reconfigured;
- There is no dedicated exhibition space (relying on the Metro Centre, if available, for this capacity).

Consequently, the facility cannot host certain events and it has a limited capacity to host more than one event simultaneously. A report prepared by HLT Advisory Inc. (2009)[12] estimated that between 1998 and 2009 the present convention centre lost approximately 75 events due to insufficient space or availability. This represented a loss of approximately 76,000 delegates, 128,000 room nights in area hotels, as well as an estimated $6.5 million in potential revenue to the World Trade and Convention Centre. Although ominous sounding, these numbers are for a 12-year period, breaking down to 6.25 lost events per year – or $541,000 per year in lost revenue.

Does the present level of economic and convention activity in Halifax warrant a new convention centre? The Deloitte (2009)[13] report points out that the present convention centre has been operating at only 42-49 percent capacity for the past several years. The level of convention centre revenues from fiscal 1997/98 to

Figure 1 **WTCC I revenues, 1998/99 to 2009/10.** Source: Trade Centre Limited, Annual Reports[14].



2009/10 have remained relatively constant over the past 13 years, declining somewhat from a peak in 2003[14] (**Figure 1**).

The profitability of the World Trade and Convention Centre is hidden within the overall finances of Trade Centre Limited, which administers several other endeavors besides the convention centre (an office tower, an exhibition park, Trade Centre Limited major events, and Ticket Atlantic). Trade Centre Limited finished 2009/10 with a $644,707 operating loss, despite a $507,758 operating subsidy from Halifax Regional Municipality[15].

Proponents of a new convention centre focus on lost revenue from conventions that the World Trade and Convention Centre was unable to host as a reason for an expanded or new facility. However, one could readily make the case that the present facility is underutilized, that its revenues are not indicative of there being a growth potential, and that Trade Centre Limited sustains an operating loss despite a sizeable subsidy from the municipality. Taken together these are not harbingers of growth or expansion. As previously noted, two studies have investigated the possibility of significant expansion or improvements to the current facility.

The WHW Architects (2007) report explored four possible expansion scenarios. Two of these involved building satellite facilities connected to the current centre via underground tunnels.

- One possibility was to add a 24,000 sq ft rooftop addition to the Scotia Square complex. This scenario was rejected as having poor functionality, poor image, questionable ownership, and would result in only a modest increase of space.
- Another scenario involved a 266,000 sq ft facility on the former Halifax Herald site (now amalgamated into the Nova Centre proposal), which would have effectively turned the World Trade and Convention Centre into an annex of the new facility. This scenario was rejected as leading to the eventual abandonment of the World Trade and Convention Centre.
- A third scenario involved an expansion within the shell of the present Metro Centre. This was rejected on structural, economic, and design grounds.
- The final scenario, which WHW Architects (2007) recommended, was to demolish the Metro Centre, expand the convention centre onto this location, and relocate the Metro Centre to the Cogswell Street interchange site.

The subsequent JDA (2010) study did not consider this final scenario, but only the demolition of the current convention centre building and its replacement with a larger structure, or the construction of a satellite facility on the neighbouring block. Both possibilities were rejected. The former was rejected on the grounds that such a building could only accommodate two thirds of the necessary capacity; the latter on considerations of traffic flow and view planes.

All these studies shed some light on the question of whether Halifax (and the province) requires a new convention centre. It is important to underscore that perceived opportunities to expand business is the basis of present calls for a new or expanded convention centre in Halifax. Tightly interwoven with the necessity and urgency of replacement or expansion – and the nature of a successor facility – is the magnitude of these perceptions. They are also constrained by a multiplicity of factors related to financing, view planes, urban planning considerations, concurrent development of other projects, and a large number of municipal and provincial considerations. There are no structural or other problems with the current convention centre, which would prohibit it from continuing to operate well into the future.

The convention centre landscape

In a comprehensive survey of the convention centre industry in the United States between 1990 to 2004, Professor Heywood Sanders documented its declining profitability, the oversupply of capacity and the fact that many convention centres (despite significant public subsidy) operate at a loss[16]. Published by the Brookings Institution in 2005, the study demonstrated "… that the dramatic, if not catastrophic, fall in convention activity and attendance has been both substantial and pervasive." Sanders (2005) noted, "… this decline began prior to the disruptions of 9-11 and is exacerbated by advances in communications technology. Currently, overall attendance at the 200 largest tradeshow events languishes at 1993 levels." All indications suggest that a turnaround of these trends is unlikely. The decline in demand, coupled with an oversupply of convention space, point to bleak prospects for the future.

Part of what is driving these downward trends, is what Sanders (2005) calls a type of "arms race" of cities competing with one another for the dwindling convention centre market. Across the United States, large, medium, and even small cities have made massive capital investments in the construction of new convention centres, expansion of existing facilities, and construction of ancillary facilities such as convention hotels. Spending on convention centre projects has doubled to $2.4 billion annually and convention centre space increased by 50 percent over the 15 years of the study. This situation has led to a fiercely competitive climate in which new, expanded, and renovated convention centres vie to lure a declining market share from existing facilities. The situation has become so dire that some convention centres, such as those in Hawaii, Charlotte, Seattle, and Denver, have all offered their facilities free to attract business. In other centres, deep discounts have become the norm. This competitive climate has had a significant impact on the profitability of convention centres, most of which now operate at a loss.

A further striking phenomenon documented by Sanders (2005) is that, despite evidence that the private investment and development that convention centreprojects have promised has not occurred, convention centre proponents remain undeterred. Indeed, they have been proposing even greater investment. Sanders (2005) writes that "… city and convention bureau officials now argue that cities need more space, and more convenience, to lure those promised conventions." This has led to a treadmill of "good money chasing after bad".

One case study examined by Sanders (2005) is that of St. Louis, where $150 million was invested in an expanded convention centre that opened in 1993. Five years later, attendance was only 25 percent of that forecast. This resulted in the public investment of $265 million in a convention hotel, which, its proponents argued, would spur unrealized convention centre activity. Opened in 2003, the hotel had no discernable effect on convention centre attendance, prompting Sanders (2005) to observe: "The likelihood is that St. Louis and the state of Missouri will continue to pour public capital investment and tax subsidies into the downtown area and convention competition, despite the limited returns. The city is thus regularly subsidizing the convention centre at the expense of other public services or other revitalization strategies."

Sanders (2005) is critical of studies that have repeatedly forecast the benefits of investing in convention centres, pointing out that in the United States "… the level of activity in the nation's convention centres remains inadequately measured and poorly described, often by trade publications with their own indices or consulting firms with proprietary data that is impossible to verify." Decisions on investment in convention centres have frequently been based on consultants' reports and feasibility studies that "… portray a growing, expanding industry and which ensure that the given locality is quite capable of successfully competing for convention events and out-of-town attendees – and in the process reaping large financial benefits. Where … there is clear evidence of a changed market environment, these studies have quite often shifted to a different source of data, promised an imminent market turnaround, or simply ignored the question of competition altogether."

This survey of the convention centre landscape over the past two decades in the United States provides a sobering backdrop against which to evaluate a convention centre proposal in Halifax.

The business case for a new convention centre

A useful starting point for an examination of the business case for the proposed Halifax convention centre is the Deloitte report of July 14, 2009. This is the second of the series of consultants' reports that specifically deals with the finances and economics of the Rank Inc. convention centre proposal. The first is the HLT (2009) Advisory report of May, 2009 which focused on projections of delegate demand and the financial performance of a larger centre. HLT's demand projections are for three types of delegate: local/regional delegates, national delegates, and international delegates (**Table 1**).

It is evident that the HLT (2009) projections represent substantial increases in the expected number of delegates. Local/regional delegates (from within the province) are expected to increase by 117% over the average visiting delegates over the five-year period 2005 to 2009. National delegates are expected to increase by 127%, and international delegates by 187% – significant increases.

HLT (2009) projected that these levels of delegate visitation would begin modestly at 85% of the projected levels in the first year of operation of a new centre, increase to 115% in the second year as pent-up demand was satisfied, decrease slightly to 110% in the third year, and stabilize at 100% in the fourth year. HLT (2009) made no forecasts beyond the fourth year.

The Deloitte (2009) report made explicit the problem of convention centres making money by saying "It is important to note that convention centres do not generally operate as profit centres." After surveying convention centres across the continent, Petersen (2001) wrote, "In North America, only two or three convention centres in major markets consistently generate enough operating income to pay operating expenses."

In his survey of convention centres in the United States, Sanders (2005) concluded: "With events and attendance sagging in even the hottest destination spots, few centres are even able to cover basic operating costs – and local economic impacts have fallen far short of expectations." Direct revenues of convention centres — and their potential profitability — contribute to only one part of their economic impact. Let's examine this

TABLE 1 **Delegate projections for the new convention centre**

Delegate type	2005-2009 average delegates per year	Year 4 projection
Local/regional	5,370	11,650
National	7,406	16,800
International	1,774	5,100

in detail in relation to the Rank Inc. convention centre proposal.

In its "Technical Briefing" on the new convention centre, the Nova Scotia Department of Transportation and Infrastructure Renewal indicated the province and Halifax Regional Municipality would each pay $127.5 million over 25 years (expressed as annual lease payments of $5.1 million each, amortized at 6.98%, for a total of $255 million), plus $1.2 million for annual facility upgrades and $1.7 million in annual operations and maintenance charges. Annual charges for the province and HRM would thus be $6.56 million each. The federal government would contribute $47 million to cover one third of the construction and design costs. Total taxpayer cost would be $375 million over 25 years.

At the technical briefing, Scott Ferguson, CEO of Trade Centre Limited, projected that revenues of the new convention centre would increase from $6 million to $12 million over the first decade and then continue at an annual rate of $12-14 million. These figures, however, do not account for the expected annual operating loss of the new centre. As noted above, convention centres typically lose money. They are expected to attract high-spending delegates whose subsequent spending makes up for their operating losses. Between 2005 and 2009, the WTCC average annual operating loss was $1,905,613 (HLT 2009, pg 47). HLT (2009) forecast that in year four of operations of a new convention centre (the so-called "stabilized year") total revenues would be $7,787,866, while direct expenses ($5,858,445) and allocated expenses ($4,226,400) would total $10,084,845 for an operating loss of $2,296,980. This expected operating loss would actually be somewhat less, as some cost items would be covered by the $1.7 million charge for annual operations and maintenance.

Direct expenses are those associated directly with the operations of the convention centre. Some (i.e., food and beverage costs, salaries and benefits, event expenses, marketing services, and event contract services) could be expected to increase proportionately as the volume of business increases. Others (i.e., operations, building maintenance, and building equipment – a total of $796,333) would be relatively fixed and would presumably be covered as part of the $1.7 million in annual operations and maintenance fees that TCL would pay Rank Inc.

Allocated expenses are proportions of TCL's administrative operating expenses that it allocates to the convention centre (one of several business components that TCL administers). Most of these (salaries and benefits, administration, sales and promotion, and insurance) would be relatively fixed. This category, however, includes property taxes which (pending negotiations; see below) may or may not be payable at all; and maintenance charges of $320,000 that might be included in the $1.7 million annual charge for operations and maintenance. The above $796,333 in direct operations and maintenance costs plus the $320,000 in allocated expenses totals $1,116,333, all of which would presumably be covered by the $1.7 million charged annually for operations and maintenance. This leaves $1,180,647 as the new centre's expected annual operating loss (the $2,296,980 projected loss, less the presumptive $1,116,333 covered by the proposed annual $1.7 million charge for operations and maintenance). This $1,180,647 operating loss becomes $29.5 million over the 25 years of the proposed agreement, raising the previously mentioned total taxpayer cost of $375 million to $404.5 million.

It is important to note that HLT's (2009) financial projections are themselves based on their projections of visiting delegates during the fourth "stabilized" year of operations of a new centre – substantial projections which range from 117% to 187% increases in the average number of delegate which visited during the five-year period 2005 to 2009. It is also important to note that HLT (2009) did not provide any projections beyond year four, the "stabilized year" of operations.

Deloitte (2009), however, apparently followed the lead of the province's Economics and Statistics Division, in assuming that business would continue to grow. The growth (interpolated from Figure 9 on page 21) is of 3.9% per year in number of events, and 5.2% per year in number of delegates. Assuming an average growth of 4.55% (intermediate between number of events and delegates), what would the operating income and expenses then be? The following calculations are based on Table 7 of the HLT (2009, pp. 47) report. Extrapolating to year ten, total annual revenues (increasing by 4.55% per annum) would be $10,170,977; total direct expenses would be $6,611,136 (again assuming a 4.55% increase); and total allocated expenses would be $3,906,400 (assuming no increase, but including property tax as being payable) for a total of $10,517,536, i.e., an operating loss of $346,588. Even under the very optimistic scenario that growth would steadfastly continue to increase at this annual rate of 4.55% for the next 15 years (i.e., maintaining the trend forecast for the first decade), the total accumulated operating profit over 25 years would be $10.3 million (**Appendix A)**. Even under such optimistic projections, taxpayers would still lose **$399.2 million** (the taxpayer cost of $404.5 million minus the $5.2 million 25 year accumulated operating profit of the convention centre itself).

However, the Deloitte (2009) report notes: "Convention centres provide a broader benefit to the community by attracting delegate, exhibitor, and organizer spending, which in turn generates economic benefits within the community." It could be highly lucrative for the province if it can attract convention delegates, entice them to stay longer while in the province, and convince them to return for future visits. The Deloitte (2009) report notes: It has been estimated that the average convention delegate spends approximately $251.80 per day in Nova Scotia or $526.27 per stay." However, the economic impact of the new convention centre is highly predicated on attracting more national and international delegates. Between 2004 and 2009, international delegates comprised 3% and national delegates comprised 13% of total delegates to the World Trade and Convention Centre. Regional delegates comprised 23%; local delegates comprised 61% (**Figure 2**).

By 2018, expenditures by international delegates are forecast by Deloitte (2009) to rise to 54% and those by national delegates are expected to rise to 38% of the direct (purchases of goods and services) and spinoff (defined as the indirect impacts due to inter-industry transactions and repercussive effects of household spending and re-spending) economic impact of the project (**Figure 3**).

The combination of international, national, and regional delegates is forecast to generate $1.9 million per year in provincial government revenue – 94% of the total economic impact. Local delegates, while representing 83% of attendees, are forecast to provide only $113,000 or 6% of the annual economic impact. How is this possible? The Deloitte (2009) report, drawing on data and analysis from a 2008 Economics and Statistics Division report,[19]says: "The large economic impact of few international delegates is explained by the fact that they spend more time in an event location to visit other

Figure 2 **Convention centre delegate composition, 2004-2009.** Source: Deloitte (2009)[13].

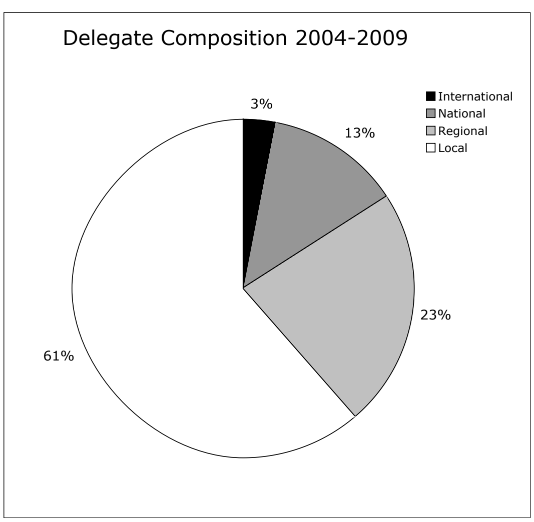
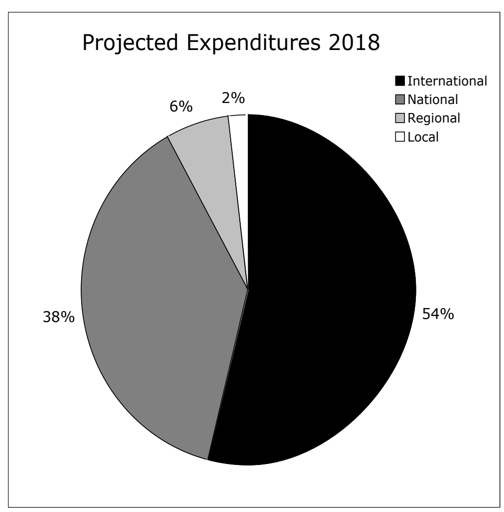


Figure 3 **Projected delegate expenditures in year 4 (2018) of operation of the new convention centre.** Source: Deloitte (2009)[13].



tourist or cultural attractions in the area."

The Gardner Pinfold economic impact assessment in 2009[20] and its supplement in 2010[21] are based on "current work to update the Nova Scotia Tourism Economic Impact Model (TEIM)" and assume somewhat different convention delegate spending profiles. These reports assume a $205 per stay expenditure for local delegates, $673 for regional ones, and $1,630 for national delegates, and $1,041 for international ones[22]. Gardner Pinfold (2009) also partition delegates differently, dividing Deloitte's (2009) "local" (Nova Scotia) category into another "local" (metro Halifax Regional Municipality) and "provincial" (the rest of Nova Scotia) categories. The latter is then grouped with the regional category. They also introduce a separate "consumer & trade shows" category. Consequently, the projections in the Deloitte (2009) and Gardner Pinfold (2009) reports are measuring apples and oranges – hard to compare. There are, however, several essential points to consider:

Dependence on national and international delegates

The heavy reliance on international delegates – forecast by Deloitte (2009) to increase from 3% to 9% of all attendees – and national delegates forecast by Deloitte (2009) to shrink from 13% to 7% (although absolute numbers will increase slightly) – to provide 92% of the economic impact of the project makes it highly sensitive to stochastically unpredictable conditions.

Can anyone predict what the global economy will be doing in 2018, 2024, or 2039? What energy and fuel costs will be (i.e., the costs of transportation)? What the global security situation will be and its impact on travel? What the technological landscape will be (i.e., costs and capabilities of video-conferencing and related technologies)? What about climate change and growing concerns about the environmental impact of air travel? In today's world, no one can know the answers to any of these questions.

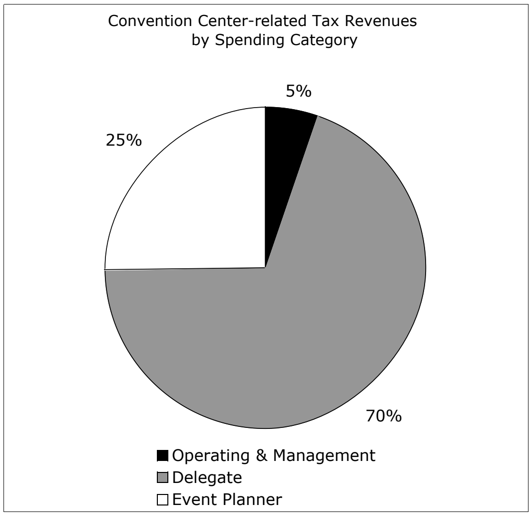
Economic impacts: provincial and federal

Assuming no major impediments to travel, by 2018 (year 4 of the convention centre), 94% of the economic impact of the project depends on attracting about 26,300 national and international delegates to Nova Scotia (Deloitte 2009, Fig. 9, pp. 21) to generate $1.903 million in annual provincial government revenue (Deloitte 2009, Table 3, pp. 22) . By 2024 (year 10 of the convention centre), the number of national and international delegates is forecast to increase to about 44,600 visitors (Deloitte 2009, Fig. 9, pp. 21), who would generate $2.653 million in provincial government revenue (Deloitte 2009, Table 3, pp. 22). Revenues from spending by local delegates are forecast to yield $113,000 in annual tax revenues in 2018 and $158,000 by 2024. Thus total provincial tax revenues equal $2.016 million in 2018 and $2.811 million in 2024 (Deloitte 2009, Table 3, pp. 22). This is an annual rate of growth of 5.7%

Extrapolating these amounts over a 25-year period indicates an expected revenues of $90.63 million for the province of Nova Scotia (**Appendix B**). The Deloitte (2009) report does not include data on projected revenues to the federal government, however, the Gardener Pinfold (2009, pp. 20-22) report does. It shows federal revenues as being equivalent to 99.46% of provincial ones. Therefore, $90.63 million in provincial revenues plus $90.14 million in federal revenues equal **$180.8 million in total tax revenues.** Since the deficit (taxpayer cost minus operating profit) of the new convention centre over that time frame would be **$399.2 million** (see above), this would yield a **net loss of $218.4 million** of the entire convention centre project over 25 years. Thus rather than being a "loss leader" the new convention facility would simply be a loss. Even factoring in all spending on goods and services cannot bring sufficient tax revenues to counterbalance the investment in the construction and operation of the convention centre.

A salient point, however, is that even what revenues do accrue do so to the province and federal government (through HST and income tax). None of this financial activity yields revenues to Halifax Regional Municipality, which nonetheless is expected to contribute $57 million to the project.

Figure 4 **Convention Centre-related tax revenues by spending category.**
Source: Gardner Pinfold (2010)[21].



The province's technical briefing gives a projected figure of $170,787,699 in direct and spinoff provincial and federal taxes ($85,624,730 in provincial taxes; $85,162,969 in federal taxes) over a 10-year period. This figure is drawn directly from the Gardner Pinfold (2010) report, which is derived from the data presented in the Trade Centre Limited (2010) market projections report[23 †].

However, these figures overstate the economic impact of the project. Why? Each is a cumulative sum of taxation on three categories of spending (**Figure 4**):

1. Taxation on spending by *delegates*;
2. Taxation on spending by "*event planners*" (i.e., taxation on the goods and services that convention centre staff and others purchase for the purposes of the convention events themselves); and
3. Taxation on the *operations and maintenance* expenses of the convention centre itself.

While the first of these represents a net economic impact, taxation on the other two categories is redistributive, balanced against the revenues of the new convention centre itself. If the new convention centre pays taxes to the provincial and federal governments, this money would be paid by a crown corporation of the provincial government. What the right hand giveth, the left hand taketh away. Therefore, only the projected 10-year taxation on delegate expenditures ($118,378,759) should be considered as a net economic impact. This number extrapolates to **$295.9 million** over 25 years. Compare this to the figure of **$180.8 million**, derived from the Deloitte (2009) report: a difference of over $155 million between the two reports. However, even under the elevated TCL (2010) projections the convention centre project would *still* lose money: **$295.9 million** in tax revenues minus the **$399.2 million** in convention centre losses would yield a net loss of **$103.3 million** over 25 years.

Trade Centre Limited: market projections or wishful thinking?

The higher projections of the Gardner Pinfold (2010) report derive directly from the elevated delegate projections contained in the Trade Centre Limited (2010) market projections report. Delegate numbers in the Deloitte (2009) and Gardener Pinfold (2009) reports are based on the Economics and Statistics Division (2008) report based on information supplied by Trade Centre Limited and the HLT Advisory (2009) report..

Evidence to support the validity of the significantly higher projections in the Trade Centre Limited (2010) report is conspicuously lacking. For example, the report states "The WTCC share of the Canadian international

† **Note:** tax revenues (indeed other financial determinants of a project) can be appraised in two ways. The present study attempts to determine, as comprehensively as possible, the projected economic performance of the proposal for a new convention center. It is also possible to approach this from an "incremental" perspective. In other words, to calculate investment, volume of business, revenues, profitability, rate of return on investment, etc. of the *old* convention center and compare it with the proposed *new* one. In such an analysis one can then compare all the economic and performance parameters (at every stage of the project) to determine how much better (or not) the new will be in comparison with the old. From this one can make a determination if it is worth proceeding with the new if its performance, rate of return, etc. is no better (or worse) than the old. This is a valid and useful approach, however, as the present analysis will show, there is more than enough evidence to question the wisdom of the present proposal on its own merits, without having to resort to such an additional step.

market is projected to grow from 3.5% in the base year to 6.5% in year 10 of operations." This may or may not be a reasonable supposition, but there is scant evidence adduced to support it. The Trade Centre Limited (2010) report says "This information is based on primary and secondary research, industry trends, and customer feedback" – a vague statement which provides little to support the significantly higher projections of the report. In some instances the information presented in the Trade Centre Limited (2010) report is demonstrably erroneous. In a public lecture on November 8, 2010 at St. Mary's University, Sanders pointed out that the Trade Centre Limited (2010) report claimed (purportedly based on the ICCA 2008 Statistics Report[24]) that the international convention market grew by 800 events between 2007 and 2008. In fact, it declined by 103 events. It also bears noting that Trade Centre Limited is not an impartial outside consultant, but a player with a clear stake in the project. Trade Centre Limited is the provincial crown corporation that operates the World Trade and Convention Centre.

Teasing out the differences between reports is a complicated matter, since they sometimes employ different categories and don't present all the data on which their forecasts are based. Nevertheless, it is possible to accomplish this. As an example, the accompanying figures compare delegate projections and delegate expenditures for year 10 of the operation of the convention centre between the Gardener Pinfold (2009) and the Trade Centre Limited (2010) reports. In the Trade Centre Limited report, these numbers are given directly. In the Gardener Pinfold report, the delegate numbers come from the Deloitte (2009) report, which in turn originate from the Economics and Statistics Division (2008) report and the HLT Advisory (2009) report. Delegate expenditures are calculated from the average per stay expenditures of the different categories of convention centre delegates. In **Figure 5**, which shows the Year 10 forecast of delegate numbers, the salient difference is between the numbers of national delegates (partitioned into association and corporate categories): 17,200 versus 38,650, forecast by the two reports. At $1,630 per visit, the category of national delegates is the highest spending of all convention centre attendees. Expenditures by national delegates balloon from $28 million to $63 million. More than tripling the number of regional delegates, from 6,250 to 19,890 at $673 per

Figure 5 **Convention centre delegates: year 10 forecast.**
Sources: Gardner Pinfold (2009)[20] and Trade Centre Limited (2010)[23].

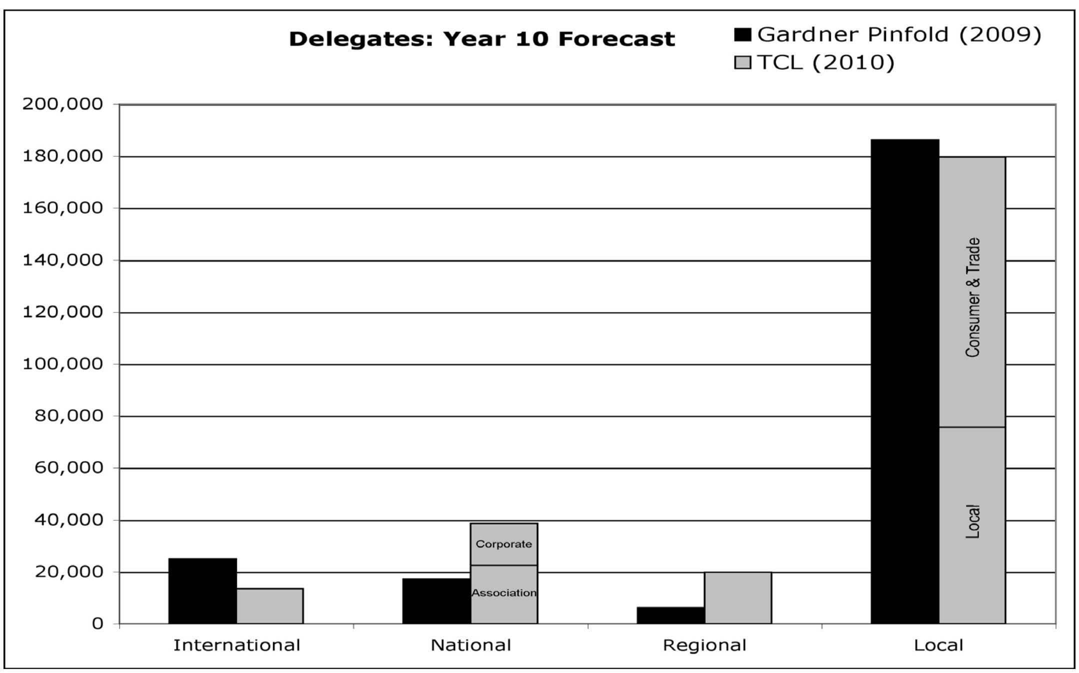
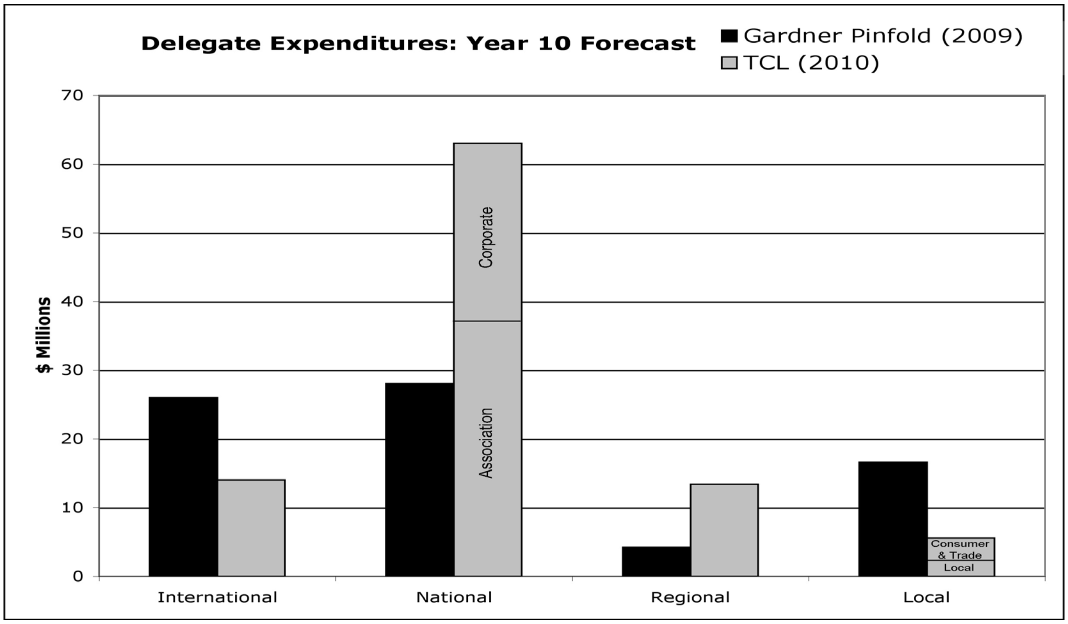


Figure 6 **Convention centre delegate expenditures: year 10 forecast.**
Sources: Gardner Pinfold (2009)[20] and Trade Centre Limited (2010)[23].



visit, also increases the forecast expenditures shown in **Figure 6**.

The Trade Centre Limited (2010) report forecast significantly less expenditures by international delegates than Deloitte (2009) did – $14 million versus $26 million – but this balances with higher regional expenditures in the Trade Centre Limited (2010) report, which estimated $13.4 million in regional expenditures compared to Deloitte's (2009) $4.2 million estimate. These large differences have a significant affect on financial projections.

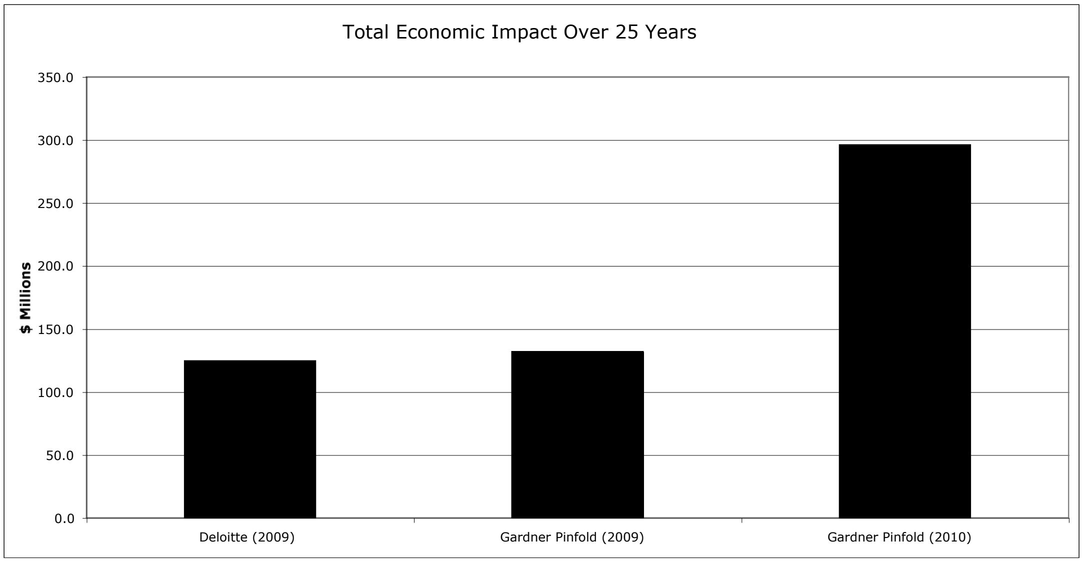
There is a similar discrepancy in the estimates of the 10-year taxation on delegate expenditures. The Gardner Pinfold (2009) report estimated this at $52,805,504. In the Gardner Pinfold (2010) report, which based estimates on the Trade Centre Limited (2010) market projections, the estimate is much higher at $118,378,759. These numbers extrapolate to $132,013,760 and $295,946,898 over a 25-year time frame – a large discrepancy. The Gardner Pinfold (2010) forecast is more than double that of Gardner Pinfold (2009). The total tax revenue impact over 25 years as forecast by the three reports is shown in **Figure 7**.

If the Deloitte (2009) forecast proves accurate, governments would reap $19.5 million in taxes over 25 years, averaging out to $780,000 per year. If the Gardner Pinfold (2009) forecast proves accurate, governments would reap $27 million in taxes, about $1.08 million per year. If the Gardner Pinfold (2010) forecast – based on Trade Centre Limited (2010) – proves accurate, governments would reap $190 million in taxes over 25 years, about $7.6 million per year. That's a seven-fold difference in revenue estimates. Given the lack of supporting evidence for the elevated delegate projections in the Trade Centre Limited (2010) report, its outright errors, and the clear partiality of its own forecasts, one could readily conclude its estimates are aspirational at best, unrealistic at worst. The differences between the four reports: Deloitte (2009), Gardener Pinfold (2009), Trade Centre Limited (2010), and Gardener Pinfold (2010) underscore the uncertainties of making impartial financial projections.

Economic impacts: municipal

The Deloitte (2009) report also forecast some economic benefits to Halifax Regional Municipality. It projected an increase in the hotel levy, a positive impact on "cottage industries", and increased employment, which would increase the property tax base. But, Deloitte (2009)

Figure 7 **Convention centre: total economic impact over 25 years.**
Sources: Deloitte (2009)[13]; Gardner Pinfold (2009)[20], and Gardner Pinfold (2010)[21].



admited that these projections are "unquantifiable at this stage." The Gardner Pinfold (2009) report is more specific. It predicted an additional $150,000 annual increase in the hotel levy and that the new centre might pay double the $600,000 in municipal property taxes that the current centre pays. The $600,000 property tax figure given by Gardner Pinfold (2009) is, however, incorrect. This is the property tax paid for the entire office building in which the WTCC is situated. Property taxes for the WTCC itself are only $275,000. The HLT Advisory (2009) report projected that property tax for the *new* convention centre would be $544,000. Increases in hotel levy – $3.75 million over 25 years – would be incremental new revenue.

As for municipal property tax, the situation with respect to this remains unclear. In its initial offer to Halifax Regional Municipality to participate in the project, the province asked for a property tax exemption[25]. If this request were to be granted, it would represent a revenue loss for the Halifax Regional Municipality. Depending on the disposition of the old convention centre, which the province has offered to the city via a property swap, the city would no longer collect the property taxes that it presently does. And, it would deprive the city of any substantive channel of revenue with which to recoup its $164 million (over 25 years) investment in the project. Furthermore, even if Halifax Regional Municipality does not agree to this request and municipal property tax is payable, if this property tax is paid by the province (as it does for the current centre), then it is simply redistributive revenue, channeled from a provincial crown corporation to the municipality. It does not represent net new revenue arising from the project.

Jobs, jobs, jobs

Scott Ferguson, CEO of Trade Centre Limited, was quoted in media reports as claiming that the new convention centre project would create 12,000 new jobs.[26] This figure appears to be drawn from the Gardner Pinfold (2010) report that projected a total (direct and spinoff) employment figure of 12,871 person-years over a 10-year period for both Halifax Regional Municipality and the rest of Nova Scotia. This, however, is not the same as 12,871 jobs. A "person-year" is one person employed for one year. This yields an average of 1,287 people working (directly and in spinoff employment) during a year. It includes some new full- and part-time jobs and some existing jobs augmented by additional hours.

The Gardner Pinfold (2010) report projected that 4,905 of these person-years of employment would be in the construction of the centre, which it is anticipated would take three years (on average 1,635 people employed per year). This leaves a balance 7,966 person-years, which over the 7 remaining years yields an annual figure of 1,138 person-years of employment once the centre opens. This is more than a degree of magnitude less than 12,000 new "jobs."

What proportion of these 1,138 person-years of employment might be new jobs (full or part-time), and what might represent additional hours for existing jobs, is at this stage undetermined. In the Deloitte (2009) report, the economic impacts of the project are calculated based on an average annual salary of approximately $18,000 per person – hardly an attractive salary. On this basis, the project would yield in the order of $20.5 million in annual wages.

Business Case: Summary

In summary, a realistic business case for a new World Trade and Convention Centre cannot be made. If the Deloitte (2009) and Gardner Pinfold (2009) forecasts prove correct the venture would lose in the order of **$218.4 million** over the 25 year term of the project. Even factoring in all spending on goods and services cannot bring in sufficient tax revenues to counterbalance the investment required to build and operate the convention centre given the slender profits that can be made, even with optimistic delegate and event growth projections. Even the poorly substantiated (indeed, sometimes demonstrably erroneous) projections of the TCL (2010) report fail to make the project profitable. It would still lose **$103.3 million** over 25 years.

Furthermore, even such revenues as are forecast in these scenarios, return funds almost exclusively to provincial and federal governments. Some revenues would have to be channeled back to Halifax Regional Municipality through property tax or other financial arrangements. Otherwise, the rather modest economic benefits, such as increases in the hotel levy, would not come close to matching the level of investment expected of the municipality. It would be hard to imagine the municipal council embracing such a deal. Furthermore, while the construction and financing costs of the new convention centre are fixed (Rank. Inc. is responsible for any cost overruns), the revenue projections are speculative and dependent on market and other conditions difficult to forecast. Significant revenues are dependent on attracting more high-spending national and international delegates and conventions. Attracting more conventions and enticing delegates to extend their stay and to return to Nova Scotia again, would have to become a top priority.

Situating a convention centre: the cultural context of success

As previously noted, 94% of the proposed project's economic impact is based on attracting 26,300 (year 4) to 44,600 (year 10) international, national, and regional visitors.

Delegates currently stay an average of 2.09 days in Nova Scotia [thus, 55,000 (year 4) to 93,200 (year 10) visitor nights]. One of the objectives of the new convention centre, articulated in the Criterion (2009) and Deloitte (2009) reports, is: "Enhancing local tourism overall by attracting attendees: who would be unlikely to visit Nova Scotia at all for other purposes; who may engage in pre and post conference activities; who may bring accompanying persons; and who may return for other visits based on the experience they have as delegates."

The economic success of the venture is highly predicated on converting these high-spending national and international delegates into equally high-spending tourists who will extend their stay and return in the future. This is an inherently risky proposition given our inability to forecast economic, environmental, political, and other circumstances over the next 25 years. Nonetheless, if such an initiative is to succeed it is clear that there need to be compelling attractions to entice delegates. A two-floor underground convention centre will certainly not be one. Quality accommodations and dining are important, but by themselves are of little competitive consequence since excellent hotels and fine dining exist throughout North America. Nor are consumer goods and "shopping" apt to be more than a partial attraction, since in today's globalized marketplace it is possible to purchase most goods anywhere, and larger North American centres have much greater selection those available than in Halifax. This is true for even for distinctively Nova Scotian products. Goods such as microbrews, crystal glass, maple syrup, etc. can be found in many centres.

A significant factor in an urban setting such as Halifax is culture – the broad swath of artistic and cultural activities, venues, events, and associated products that convey a sense of distinctiveness of place and people and impart an enriching experience.

Peninsular Halifax already possesses distinct advantages in this regard. Pier21, the Maritime Museum of the Atlantic, the Museum of Natural History, the Art Gallery of Nova Scotia, Neptune Theatre, Citadel Hill, the Public Gardens, and other facilities and sites offer visitors of a variety of opportunities to learn, enjoy, relax, and interact.

Events such as the Royal Nova Scotia International Tattoo, the Atlantic Film Festival, the Halifax Buskers International Festival, the Atlantic Jazz Festival, and the Atlantic Fringe Festival all offer a rich tableau of artistic experiences. The performing arts are one of the most accessible and engaging methods of imparting the satisfying and distinctive experiences[27] that can entice visiting delegates to extend their stay and return to the province.

Despite this, facilities for the performing arts in Halifax are meager, old, far below required capacity, technically inadequate, scattered, and mostly in private hands. There is no provincial or municipal centre for the performing arts; the province's symphony orchestra continues to look for a permanent home; the film festival is similarly bereft of a home base; the jazz festival has recently lost its main performing venue; and the fringe theatre festival has to rely on an ever-changing roster of ad-hoc spaces.

Concurrent investments in projects that synergistically work towards the goals of making an economically successful convention centre should be a top priority. Yet plans to invest in projects that could help develop these critical elements of the Halifax cultural landscape are conspicuously lacking. Such asymmetry only fuels criticism that all the investment eggs are being placed in a single risky basket.

Here is an illustration of what could be considered to bolster the business case for a new convention centre: Projects such as the Legacy Centre for the performing arts, a home venue for the Atlantic Film Festival, and proposals for a large symphony / ballet / music / performing arts venue could be combined under a single roof to create a full-featured provincial centre for the performing arts. Based on estimates and unpublished information, this would entail an investment of about $32 million, 20% of the price tag of the new convention centre.

Based on appropriate programming, what could such a venue yield in terms of annual visitor-nights of non-local attendance? Answers to such questions would be well worth investigating. In Fredericton, planners have sensed such an opportunity by situating the new convention centre in a complex with the associated Playhouse Theatre. For citizens and taxpayers it would be helpful to consider a more diverse economic strategy than the proposal currently before us. As Sanders (2005) notes, "… a large volume of related research suggest that the future of a city rests on its investment in education and human capital, as well as basic city services, rather than in the sole development of a tourist wonderland." Furthermore, in his lecture at Saint Mary's University, Heywood Sanders said, "If you want to build a city that's attractive to visitors, the first thing you should build is a city that's attractive to those who live there.[28]"

Public versus private: who owns the centre?

The Deloitte (2009) report contains a lengthy discussion about the ownership of convention centres. The report says:

"Convention centres are typically owned by some level of government. In Canada, all major convention centres are owned by various levels of government or crown corporations with the exception of two facilities in Toronto …. Internationally, over 65% of convention centres are wholly government owned with a further 10% at least partly government owned via a public private partnership or similar arrangement.

"There are a number of reasons why government is typically the owner of convention centres:

- **Convention centres are typically not commercially profitable**: Event organizers expect major concessions in recognition of the significant economic benefits they generate. As a result, the rate structure in the convention industry is based on the assumption that convention centres operate essentially as "loss leaders" for the broader economic benefits they generate in the host community. As governments are in the best position to capture a portion of these via incremental tax revenues, they are typically the investors who build and operate convention centres:
- **Centres support many government policy objectives**: These include economic development, education, resource and technology development – through the types of events they host. This provides government with an additional incentive and rationale to support the development and operation of convention centres;
- **Government can play the role of "patient investor"**: Convention business development is a long-term undertaking, with many events making booking decisions up to five or more years in advance of their actual dates. This type of time frame is incompatible with that of many private investors who increasingly need to see a more immediate financial return; and
- **Benefits are dispersed**: The nature of the economic benefits generated by events taking place in convention centres is that they are diverse and widespread, making it difficult to capture any significant portion for investment in the facilities that make this possible. However, through taxation, governments are uniquely positioned to accomplish this and to affect the kind of financial "feedback" loop that can complete the investment cycle."

The operative model being proposed by the Deloitte (2009) report is a Strategic Infrastructure Partnership, a particular approach to ownership and governance. The precise structure of a Strategic Infrastructure Partnership is determined in negotiation, however, various components of the project – design, financing, contracting, building, operating, maintaining, and owning – are shared between public and private partners.

In the case of the new convention centre, the model being proposed is for the three levels of government to pay for the capital costs of the centre, and for Rank Inc. to design, build, finance, (on an interim basis), and maintain the facility. Once built, Trade Centre Limited, which reports to the Department of Economic and Rural Development, would operate it. The ownership of the property is retained by Rank Inc., which recoups its interim financing (at 6.98% interest) and rents the facility back to Trade Centre Limited for $10.23 million in lease fees plus $2.9 million in annual fees. The three levels of government have no equity in the project despite the substantial taxpayers investment – a very surprising arrangement.

Unfortunately, it is impossible to tell to tell how competitive the costs associated with the Strategic Infrastructure Proposal are compared to a wholly publicly owned operation. Virtually all of this information has been intentionally removed in the Value For Money tables presented in the Deloitte (2009) report. This information is deemed "commercially sensitive" and hence has not been released to the public. The Value For Money tables in the Deloitte (2009) report theoretically include data that compares the value of the proposed Strategic Infrastructure Proposal to the traditional model of public ownership. This information would be relevant in evaluating the costs of a convention centre constructed by the province without the participation of Rank Inc. (the so-called "shadow bid").

In the absence of this financial information, the public must simply take Deloitte's (2009) word that the data supports its conclusion that a Strategic Infrastructure Proposal would reduce project costs by $15.9 million, or 10%, compared to public ownership. Even if one takes this conclusion on faith, this doesn't necessarily imply that private ownership of the project (with no equity for taxpayers) is either desirable or necessary. The risk analysis does not even consider the possibility of contracting out for services that are not within the core expertise of the public sector. In fact, excluding public ownership in this project appears to arise for two reasons:

1. The design and concept of this convention centre is being presented to all three levels of government as essentially a *fait accompli* package by Rank Inc. It allows almost no scope for governments to have substantive input on the design of the facility; and
2. The new convention centre is sandwiched underground between two floors of a parking garage below it, and a hotel, commercial, retail, and financial complex (the Nova Centre) above it. As the Deloitte (2009) report pointed out, if the hotel portion of the complex were to fail, the convention centre could scarcely operate in its absence. Hence, it makes little sense to own a two-floor underground slice of the cake.

While both of the above points may be true, this may seem a rather bitter pill for taxpayers to swallow for their $159 million investment. It's peculiar that neither the municipal or provincial governments appear to believe they can negotiate a better deal. Or, given that the convention centre will be wholly publicly financed, that they don't have greater leverage with respect the design and ownership of a project for the rather substantial public funds they will invest. Rank Inc.'s CEO, Joe Ramia, suggested in an interview that it was the province itself that asked to lease the facility rather than own it[29].

What's in a design?

The Rank Inc. design for the Nova Centre comple positions the new convention centre as sandwiched between a parking garage, below it, and the balance of the office-hotel complex above it. The architectural renderings show it as being underground on the Market Street side of the development, underneath the Grafton Galleria (the glass-roofed mall area that will cover that block of what was formerly Grafton Street), and, due to the slope of the land, one floor will be partially above ground on the Argyle Street side.

The new convention centre would be 166,000 sq ft in size, tripling the current floor area of the existing convention centre (55,000 sq ft), with 115,000 sq ft of rentable convention space (potentially accommodating 3,000 delegates) and 51,000 sq ft of reception space (potentially accommodating 2,000). It features a large column-free ballroom (35,000 sq ft, compared to the 20,000 sq ft ballroom in the existing convention centre) and large amounts of flexible space that can be configured into 24 "break out" rooms. Portions of the new centre could be utilized as dedicated exhibition space, which would represent a significant improvement over current conditions.

But, it is underground.

The Deloitte (2009) and Gardner Pinfold (2009) reports envisioned the new convention centre as "a world class facility that contributes to the sustainable future of downtown Halifax and creates a contemporary public space unique to the region." It's simply impossible to imagine that new centre will be any kind of signature structure and will be a "public space unique to the region."

Whether or not one likes the aesthetics of the Nova Centre, the convention centre will contribute next to nothing to it by virtue of being mostly invisible. Being positioned underground imposes severe constraints on any possibility of future expansion of the facility – precisely the problem that led for the call to replace the current facility. The comparisons with other convention centres are striking. The new Ottawa Convention Centre[30] (with a construction budget of $170 million, only modestly more than the current proposal facing Halifax) is a stunningly beautiful structure with a modern glass design, a bright naturally lit interior and magnificent views onto the Rideau Canal and Parliament Hill. It will most certainly be a "signature" building when it opens in the spring of 2011, an architectural structure that will attract both visitors and delegates for its beauty, as well as its features and functionality. It seems perplexing that in Halifax, the city and the province should pass up the opportunity to do something similar for an almost identical price tag.

As previously noted, the sandwiched, underground design of the new convention centre is what drives the decision that public ownership is not applicable. If a design for a new convention centre were to be for a stand-alone, above ground structure, sharing operations (cleaning, catering, accommodations, building maintenance, security, etc.) with a private hotel, public ownership might be entirely applicable, possible, and, indeed, desirable.

Other convention centres: how does Halifax proposal compare?

In order to assess the current proposal for a new convention centre, it is essential to compare it with other convention centres. Its design, financing, costs, features, ownership, and governance have to be seen in the context of what is currently being done elsewhere in Canada. The Deloitte (2009) report made this point and drew particular comparisons between the existing convention centre and the Victoria Congress Centre, the Ottawa Congress Centre, and Le Centre des congrès de Québec, with whom Halifax competes for business. These comparisons are detailed, examining design, facilities, capacity, and costs.

Table 2 displays comparisons of a few salient features with three other convention centres currently in the process of development in Canada. While centres in Victoria and Québec are in similar markets, and have recently undergone enhancements, these are additions to existing facilities, rather than new ones. Those in Charlottetown, Fredericton, and Ottawa are largely new facilities.

At $957 per sq ft, the proposal for a new convention centre in Halifax tops the list in terms of construction costs. Although Ottawa follows not far behind at $885 per sq ft, that facility, which will cost 7% more than the Halifax proposal, will have 15.7% more space and will potentially be able to accommodate twice as many delegates. Moreover, it features a stellar, signature design making the structure an architectural attraction in its own right. Finally, all three other convention centres currently in the process of development are publicly owned. In Fredericton, for example, even though the project is part of a complex that includes the Playhouse theatre, a $41 million office complex (leased, in part, by the province of New Brunswick), and an associated parking facility, all these facilities stay in the hands of the public.

TABLE 2 **Comparison of Convention Centres**

	Capital Cost	Total Space	Cost/sq ft	Capacity	Ownership
New Centre in Halifax[18]	$159.0	166,000	$957	3,000	leased
Fredericton Centre [31]	$24.2	70,000	$345	1,500	owned by city
Charlottetown Centre [32]	$17.5	36,000	$486	1,500	owned by city
Ottawa Centre [31]	$170.0	192,000	$885	6,000	owned by province

Future prospects

On Wednesday, October 13, 2010 the provincial government gave its approval to the new Halifax convention centre proposal (contingent on the participation of federal and municipal governments). Now the initiative has shifted to the Halifax Regional Municipality. Halifax Regional Municipality councilors have questioned a proposal that would involve the municipality contributing an investment equal to the province while retaining no control over the facility and giving it an exemption from municipal property tax. Mayor Peter Kelly called the request for a tax exemption a "red flag."

On November 9, 2010, however, HRM council voted 22-2 to support the development of a new convention centre, "pending the conclusion of successful negotiations with the Province and the Federal Government." The conditions of negotiation have not been released to the public. The project will also have go to the federal government to see if it will contribute a $47 million share, although Defence Minister Peter McKay, Nova Scotia's representative in the federal cabinet, has expressed skepticism on the city and province's ability to come to an agreement[33]. If it successfully leaps over all these hurdles, work could commence by the spring of 2011.

Conclusions

In the preceeding report it was not my intention to either espouse the proposed Halifax project or condemn it, but rather, to drill deep into its finances and the assumptions that underlie them, and thereby provide a critical analysis of its potential costs, benefits, and associated risks. The project will certainly not be an economic well-spring and has the distinct potential to become a bottomless pit. The immediate costs are relatively specific; the potential benefits are conjectural and dependent on uncontrollable variables such as social, environmental, technological, macroeconomic forces. Projections based on the number of events and delegates the development can attract are speculative, vary widely from report to report, and remain contentious. Reasonable and prudent financial scenarios indicates that a new convention centre project will lose money and could stay afloat only with a substantial infusion of public money [on the order of $8.7 million per year ($218.4 million/25 years)].

The proposal, as it moves forward through negotiations between the province and the Halifax Regional Municipality, as well as the federal government, contains several salient vulnerabilities:

1. There is compelling evidence that the convention centre business in North America has either reached a plateau over the past 15 years, or is in decline. Faced with a complex of economic and technological factors, many conventions and trade shows have seen a marked decline in attendance, and some have disappeared altogether. At the same time, the supply of convention centre space has increased dramatically. Competition for the remaining business has become cutthroat, leading to a market where deep discounts have become the norm, and most convention centres now operate at a loss. Forecasts that predict continuing growth of this market and are used as a basis for investment in a new or expanded convention centre, should be viewed with considerable skepticism and evaluated very closely to determine their accuracy.

2. The growth of event and delegate numbers forecast by the Trade Centre Limited (2010) market analysis report must be viewed with considerable skepticism. The forecasts contained in this report are significantly out of step with previous reports that have examined the convention centre business in Halifax. They predict an economic impact much greater than the Deloitte (2009) and Gardner Pinfold (2009) reports. Evidence to support the validity of these significantly higher projections is conspicuously lacking. Moreover, Trade Centre Limited itself, a participant in the project with a vested interest in its future, has provided this information.

3. The sandwiched-underground design of the new convention centre is entirely uninteresting and undistinguished. Under no stretch of the imagination will it make for a “signature” architectural project, and this design and situation imposes severe restrictions on other elements of the project, notably the possibility of public ownership and of future expansion of the facility. The die is not yet cast, however, and the provincial and municipal governments should realize that they have considerable unused leverage that they could employ in striking a significantly better deal.

4. As it is currently presented, the Strategic Infrastructure Partnership basis of this proposal is a public-private partnership, which does raise a red-flag given past experience with these projects in Nova Scotia and beyond. Rather than condemn or defend public-private partnerships in the abstract, it is important to look at the specific balance of costs and benefits associated with a particular proposed project. In this case, the proposal offers taxpayers, through their municipal, provincial, and federal governments, no equity stake in the project – a significant liability and out of step with almost every other convention centre in Canada and 75% of international ones.

5. The project cannot rely on the profitability of the convention centre itself, which will undoubtedly lose money. Even factoring in wider economic impacts and spinoffs that have the potential to generate tax revenues, there is no scenario under which the project as a whole can even break even. Under reasonable forecasts the convention centre project would lose $218.4 million over 25 years. Revenues of the project are highly predicated on attracting increasing numbers of high-spending national and international delegates and converting them while here into equally high-spending tourists, and enticing them to return in the future. Furthermore, the project as a whole is an inherently risky proposition given our inability to forecast economic, environmental, political, and other circumstances over the next quarter century.

6. A two-floor underground convention centre located in Halifax will not be a source of attraction in and of itself. Good quality accommodations and fine dining, while important to the delegate experience, will not result in a competitive advantage, since these are available in cities across the continent. While it is important and potentially remunerative to cultivate a wide range of distinctively Nova Scotian products, this also is unlikely to result in a substantive competitive advantage given the wide variety of goods available everywhere, particularly in larger urban centres. A significant factor in developing a competitive advantage is culture – the broad swath of artistic and cultural activities, venues, events, and associated products that convey a sense of distinctiveness of place and people. Concurrent plans to invest in projects (such as a performing arts centre) that could help develop Halifax as "signature" cultural destination are conspicuously lacking. Such asymmetry only fuels criticism that all the investment eggs are being placed in a single risky basket.

As this analysis illustrates, there are very significant problems associated with the present convention centre proposal. Neither opponents nor proponents desire a city mired in a stagnant *status quo*. However, the corollary is not that we must leap at any and every development proposal. There is no prudent financial analysis that indicates that the convention centre can make a profit or that the entire project (convention centre plus direct and spinoff tax revenues) can even come close to recovering the substantial public investment required to build and operate it. Prudent and conservative numbers derived from the various studies of the centre itself indicate that it will lose in excess of $200 million over 25 years. It will create some jobs, and there will be some benefit to private business (notably to the developers of the Nova Centre project) but these "benefits" can hardly justify such a large expenditure of public funds, particularly in a project in which there is no resulting public equity for the very sizeable public investment required. Furthermore, the project is not anchored in other concurrent development initiatives that could have public benefits.

Finally, complicated as the results of the analysis presented in this report may necessarily be, they are at least several orders of magnitude easier to understand than any attempt to comprehend the many dense, complicated, sometimes contradictory, and often incomplete reports that make up the convention centre "proposal" as it currently stands. It is hard to imagine any elected official who could, in any reasonable time and with any reasonable effort, digest and comprehend the information as presented in these reports and form a clear understanding with respect to what the proposal entails.

One could argue that it is a disservice to the public to present a case for a publicly-funded project such as this convention centre project, in such a fragmented, incomplete, and complicated way that there is next to no possibility that an elected decision maker, or journalist – or indeed average citizen – can actually understand it. Bad or good, the shape of public policy ought to at least be clearly and comprehensibly articulated so there exists the possibility of having a factual, rational, and informed discussion about it. To do otherwise is to set the stage for confusion, rumor, incomplete comprehension, misunderstanding, and a general context where any decision with respect to the proposal is based on an incomplete or erroneous understanding of the costs, benefits, and risks associated with it. This isn't a prescription for good public policy process. It needs to be better. My hope is that this report is a step in that direction.

Glossary and Acronyms

Criterion (2009)	*Phase One Report: Redevelopment of the World Trade and Convention Centre.* April 9, 2009.
CSV	The **C**oalition to **S**ave the **V**iew.
Deloitte (2009)	*Development of the new World Trade and Convention Centre: business case to determine the preferred delivery model.* July 14, 2009.
Direct impact	Direct purchases of goods and services.
EOI	**E**xpression **O**f **I**nterest, in essence a call to potential developers to submit a proposal.
Gardner Pinfold (2009)	*Economic impact assessment of the proposed redevelopment of a World Trade and Convention Centre in Halifax.* December, 2009.
Gardner Pinfold (2010)	*Economic impact assessment of updated delegate projections for proposed redevelopment of the Halifax World Trade and Convention Centre.* July 2010.
HLT Advisory (2009)	*Assessing the potential for expanded convention/trade show facilities in Halifax.* May, 2009.
HRM	Halifax Regional Municipality.
JDA (2010)	*Space analysis of the World Trade & Convention Centre.* May 18, 2010.
Nova Centre	The name of the development being proposed by Rank Inc.
Rank Inc.	The developers of the Nova Centre, one component of which is the new WTCC.
SIP	**S**trategic **I**nfrastructure **P**artnership, an approach to ownership and governance.
Spinoff impact	Indirect impacts due to inter-industry transactions and repercussive effects of household spending and re-spending.
TCL	Trade Centre Limited, operators of the WTCC, a provincial crown corporation which reports to the Nova Scotia Department of Economic and Rural Development.
TCL (2010)	*Market projections for a new convention centre: 10 year / by market segment.* June 2010.
Technical Briefing	*Proposed Convention Centre Technical Briefing* presented by the Nova Scotia Department of Transportation and Renewal. October 6, 2010.
WHW Architects (2007)	*WTCC Expansion and Metro Centre II Feasibility Study.* May 7, 2007.
WTCC	**W**orld **T**rade and **C**onvention **C**entre.
VFM	**V**alue **F**or **M**oney, an economic analysis to yield information on value for money of a proposal.

Endnotes

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APPENDIX A **Convention Centre: operating revenues and expenses over 25 years.**

	Revenues	Direct Expenses	Allocated Expenses	Net
Year 1	6,619,686	4,302,796	3,906,400	-1,589,510
Year 2	8,956,046	5,821,430	3,906,400	-771,784
Year 3	8,566,653	5,568,324	3,906,400	-908,072
Year 4	7,787,866	5,062,113	3,906,400	-1,180,647
Year 5	8,107,169	5,269,660	3,906,400	-1,068,891
Year 6	8,439,562	5,485,716	3,906,400	-952,553
Year 7	8,785,584	5,710,630	3,906,400	-831,446
Year 8	9,145,793	5,944,766	3,906,400	-705,372
Year 9	9,520,771	6,188,501	3,906,400	-574,130
Year 10	9,911,123	6,442,230	3,906,400	-437,507
Year 11	10,317,479	6,706,361	3,906,400	-295,283
Year 12	10,740,495	6,981,322	3,906,400	-147,227
Year 13	11,180,856	7,267,556	3,906,400	6,899
Year 14	11,639,271	7,565,526	3,906,400	167,345
Year 15	12,116,481	7,875,713	3,906,400	334,368
Year 16	12,613,256	8,198,617	3,906,400	508,240
Year 17	13,130,400	8,534,760	3,906,400	689,240
Year 18	13,668,746	8,884,685	3,906,400	877,661
Year 19	14,229,165	9,248,957	3,906,400	1,073,808
Year 20	14,812,561	9,628,165	3,906,400	1,277,996
Year 21	15,419,876	10,022,919	3,906,400	1,490,556
Year 22	16,052,091	10,433,859	3,906,400	1,711,831
Year 23	16,710,226	10,861,647	3,906,400	1,942,179
Year 24	17,395,346	11,306,975	3,906,400	2,181,971
Year 25	18,108,555	11,770,561	3,906,400	2,431,594
Total	293,975,055	191,083,789	97,660,000	5,231,265

Notes: Years 1 to 4 based on the HLT (2009), Table 7 (page 42, 47). Years 5 to 25 based on an annual rate of growth of 4.1% [derived from Deloitte (2009), Figure 9, pp. 21]. This extrapolation assumes that operations, building maintenance, and equipment maintenance are excluded from direct expenses (i.e., are covered in annual rental fee) and that these expenses also grow at an annual rate of 4.1%. This also assumes that maintenance is excluded from allocated expenses (i.e., that it is covered in annual rental fee), but that property tax is included, and that these expenses remain constant.

APPENDIX B **Provincial tax revenues over 25 years**

Year 1	1,713,600	Year 14	3,509,461
Year 2	2,318,400	Year 15	3,709,500
Year 3	2,217,600	Year 16	3,920,942
Year 4	2,016,000	Year 17	4,144,435
Year 5	2,130,912	Year 18	4,380,668
Year 6	2,252,374	Year 19	4,630,366
Year 7	2,380,759	Year 20	4,894,297
Year 8	2,516,463	Year 21	5,173,272
Year 9	2,659,901	Year 22	5,468,148
Year 10	2,811,515	Year 23	5,779,833
Year 11	2,971,772	Year 24	6,109,283
Year 12	3,141,163	Year 25	6,457,513
Year 13	3,320,209	Total	90,628,386

Notes: Years 1 to 4 based on HLT (2009), Table 7 (page 42, 47). Years 5 to 25 based on an annual rate of growth of 5.7% [derived from Deloitte (2009), Table 3, pp. 22].

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Convention Centre in Nova Scotia: Economic Wellspring or Bottomless Pit?

By Christopher G. Majka

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About the Author

Christopher G. Majka is an alumnus of Mount Alison and Dalhousie Universities, the Pushkin Institute (Moscow), and a former guest researcher at the Edward Gray Institute (Oxford University). He is a former Killam Fellow at Dalhousie University, a MacLean-Hunter fellow at the Banff Centre of the Arts, a research associate of the Nova Scotia Museum, a National Research Council Fellow, and the recipient of the Tom Brydges Award from the Ecological Monitoring and Assessment Network. He is an editor for the Acadian Entomological Society, the Coleopterists Bulletin, and the international journal, Zookeys. As a research scientist he has published over 130 scientific papers and is the co-editor of three books. As a freelance journalist he has written for The Globe and Mail, the National Post, the Straits Times, the Hill Times, and many other publications as well as contributing to many CBC Radio current affairs programs.