

CONVENTIONAL THINKING ABOUT THE ROLE OF CONVENTION CENTRES

The hotel industry has become accustomed to significant room night generation from major events held in the larger Canadian convention facilities even though the Canadian convention centre “industry” is relatively new. The first purpose-built, downtown convention facility in Canada was the Calgary Convention Centre (now the Calgary Telus Convention Centre) which opened in 1974 adjacent to the Four Seasons Hotel (now a Marriott). Since then, almost all major Canadian municipalities, and several resort areas, have developed convention centres. Several of the more successful Canadian convention centres have been expanded (in some cases in multiple stages). Today, these large, complex buildings are often taken for granted.

Canadian Convention Centres (selected publicly owned and operated)

| Convention Centre | Built/ Expanded (Year) | Main Exhibit Area (s.f.) | Attached Headquarters Hotel | Owned/ Controlled by |
|---|------------------------------|--------------------------------|-----------------------------------|----------------------------|
| Metro Toronto Convention Centre | 1984/1998 | 450,000 | Intercontinental | Province |
| Palais des Congres de Montreal | 1983/2002 | 199,000 | n/a | Province |
| Shaw Conference Centre (Edmonton) | 1983/2006 | 105,000 | n/a | Municipality |
| Vancouver Convention and Exhibition Centre* | 1986/(2009) | 91,000 | Pan Pacific | Province |
| Winnipeg Convention Centre | 1975 | 78,000 | n/a | Municipality |
| Quebec City Convention Centre | 1996 | 75,000 | Hilton | Province |
| Ottawa Congress Centre | 1983 | 54,000 | Westin | Province |
| Calgary Telus Convention Centre | 1974/2000 | 47,000 | Marriott | Municipality |
| World Trade and Convention Centre (Halifax) | 1985 | 20,000 | n/a | Province |
| Hamilton Convention Centre | 1981 | 20,000 | Sheraton | Municipal |
| Victoria Conference Centre | 1989 | 14,000 | The Empress | Municipal |
| Telus Whistler Conference Centre | 1985/2001 | 11,000 | n/a | Municipal |

Source: HLT Advisory and individual convention centres

Note: Does not include trade centres and privately-owned convention/trade/conference centres

*The expanded Vancouver Convention and Exhibition Centre (225,000 sq. ft. of exhibition space) opens in 2009.

The Role of a Convention Centre

Most Canadian (and North American) convention centres were built and are operated as a means of generating economic impact in a given city and/or region. As a result, most are owned (if not operated, at least in Canada) by the public sector. Economic impacts are maximized by giving priority to those events attracting the largest number of out-of-town visitors (i.e., delegates of regional, national and international conventions). Bottom-line orientation of the building is often not a priority, as the “success” of many convention centres is not measured by convention venue profitability itself, but rather the volume of spending at the community level. As a result, convention centres are often used as low-cost attractors with competition on a “price” basis becoming much more

common. In fact, some destinations not only have the ability to provide the convention centre for free but are also aggressively doing so, provided the economic impact of the event is significant enough. But what is “enough”?

Not all events are created equally and conventions are just one of several types of events suitable for convention facilities. Trade shows, consumer shows and smaller-scale conferences and meetings may also be held in convention facilities in addition to a range of social, entertainment and banquet events. The extent to which these events are targeted by a convention centre, as opposed to a local hotel or trade/consumer show facility depends on the aggressiveness and mandate of the convention centre in a specific location—as well as the number/quality of and the relationships with these other space providers.

| Event Characteristics | Event | | | |
|-----------------------|--|--|--|---|
| | Conventions | Tradeshows | Conferences & Meetings | Consumer Shows |
| Market Focus | Information exchange between professional groups and associations. | Forum to bring industry buyers and sellers together. Sometimes sponsored by trade or technical associations. Can be accompanied by conventions and meetings. | Smaller corporate or association meetings. More specific in purpose than a convention. | Public shows where suppliers display/sell goods directly to public. Typically charge admission. |
| Attendance Profile | Mostly out-of-town attendance. Visit often combined with vacation, spouse often comes along. | Some out-of-town attendees and exhibitors. Visit seldom combined with vacation, spouse rarely accompanies delegate. | Varies by event. | Local attendees. |
| Facility Needs | Quality meeting rooms, banquet facilities, moderate exhibition area, adjacent hotel rooms. | Exhibit/display sensitive, suitable loading facilities, some meeting rooms, nearby hotel rooms. | Quality meeting rooms, nearby hotel rooms. | Exhibit space intensive, extensive parking requirement. |
| Rotation | Rotation determined by association charter. Prefer tourist destinations. | Little rotation; meet in major markets to maximize number of buyers and sellers. | No rotation. | Locally produced. |
| Economic Impact | High | Moderate | Low | Low |

Source: HLT Advisory Inc.

Conventions remain the primary focus of convention centre managers and marketers as the economic impacts generated from this event type surpass all other events, most of the time.

Mixed Mandates

The trade off between convention centre profitability and economic impact is the subject of much debate across Canada currently as several convention centres look to expand and/or rejuvenate dated facilities. In those markets where economic impact is the primary mandate

of the convention centre and some degree of operating loss is tolerated (underwritten by one or more levels of government), the tension between convention centre and the private sector (i.e., owners and operators of large meeting-oriented hotels, trade show and conference venues) is manageable. However in several cases, Canadian convention centres have been mandated to produce break-even financials and have, as a result, targeted a variety of meetings, social events, banquets and small trade/consumer shows that might be more appropriately accommodated in other venues. In the most extreme cases, this has resulted in open friction between the centre, the convention and visitor bureau, local hoteliers and the hotel association. Selling conventions is a team approach. If the team doesn't get along, the potential clients will soon come to this realization and look elsewhere.

Delivering economic impacts and achieving a break-even financial position may not be mutually exclusive, but the mandate must be clearly set out and supported so that centre management understand their priorities.

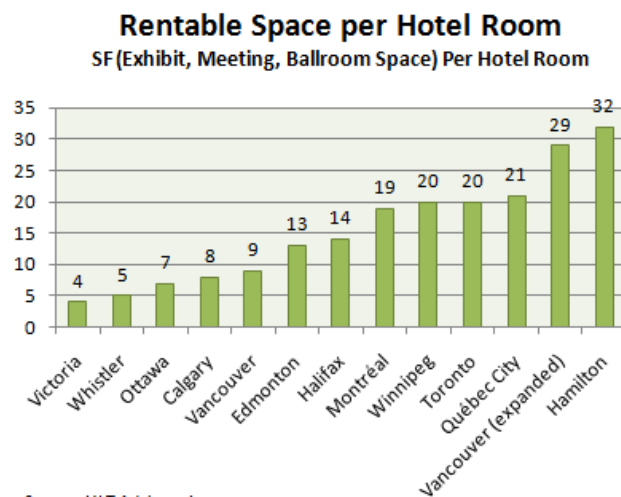
Increasing Supply

Despite the often mixed mandates faced by convention centre managers, increasing capital costs, difficulty in finding suitable land and a host of other challenges, the supply of exhibition and meeting space continues seemingly unabated. And the amount of space in the planning stages is even more pronounced. Tradeshow Week reports that within North American, some 62 convention centres (including 20 new venues) will add about 5.5 million square feet of exhibit space by 2010 with another 2.3 square feet in the planning stage. Since 2000 the amount of exhibit space in North American has grown from 65.6 million square feet to 93.7 million square feet, an increase of 43%. To put all of this into perspective, more than thirty North American full-service convention centres (large trade and exhibition centres without significant meeting space excluded), offer exhibition spaces exceeding that of the Metro Toronto Convention Centre, Canada's largest.

In Canada, the Vancouver Convention and Exhibition Centre expansion will virtually triple the capacity of the existing building upon completion in 2009. A new convention centre in Nanaimo, B.C. is almost completed and still another new convention centre was recently announced for Niagara Falls, Ontario. The Ottawa Congress Centre is moving ahead with plans for a complete closure of the downtown facility in 2008 with a larger structure to be completed and opened on the same site by 2011. Discussions of expansions continue in Edmonton (which just added 27,000 square feet in 2006), Calgary, Winnipeg, Halifax and Victoria.

As access, cost and marketing synergy with the local hotel community play a vital role in the success of any convention centre, a relationship between convention centre size and available rooms is important.

Many of the destinations considering or undertaking expansion have less than ten square feet of convention centre space (i.e., exhibit, meeting and ballroom combined) for every hotel room (i.e., major hotels in the area proximate to the convention centre). Hamilton is an outlier at the other end of the spectrum however, with too few hotel rooms to support convention centre demand...and the expansion of the Vancouver Convention and Exhibition Centre suggests additional hotel rooms are required. These ratios are provided for information only but do provide some insight into the relationship between the supply of hotel rooms and convention centre square footage.



The Big Question: Will Demand Keep Up With Supply?

Convention demand levels have fluctuated with world events, economic slow downs and internal changes within the association management business (e.g., consolidation of events) and the corporate market. However, demand strength for and attendance at conventions, trade shows and corporate meetings remains healthy.

Within the last few years, HLT has undertaken analysis of convention centre demand within Canada (e.g., Vancouver, Ottawa, Calgary) and internationally (e.g., London, Singapore) with a focus on profiling current and new users, quantifying demand, providing input for design parameters and addressing governance issues. Through these assignments we have learned that the association meeting, corporate meeting, incentive travel and related industry sectors show continued signs of strength and longevity. Changes will not doubt occur as a result of current geopolitical and economic factors.

Canada's major convention centres for example, have been grappling with a decline in U.S.-based business resulting from border/security concerns, a rapidly appreciating Canadian dollar, confusion over new passport rules, and introduction of seemingly innocuous programs such as the new Pharma Code (which prevents major pharmaceutical companies from sponsoring convention events at historical levels). Without losing focus on American groups, several Canadian centres are being positioned much more aggressively in the international marketplace...as a destination in their own right and as a possible alternative to hosting events in the United States, where international attendees face much more onerous passport and visa requirements.

The Bottom Line

Conventions can provide predictable room blocks well into the future (HLT tracks future bookings at several centres, with some holding confirmed events as far forward as 2017). In strong convention markets, this predictability can be most helpful in determining rates and establishing booking policies on a hotel-by-hotel basis. Convention-generated demand should not be taken for granted however. The supply of convention space will continue to increase, competition will likely become more intense and past experience teaches us that geopolitical and economic issues will challenge the industry going forward.

Establishing and maintaining the economic impact from convention activity (and the associated business volumes for Canadian hotels) depends on:

- Communicating a clear mandate for the convention centre focused on delivering economic impact

(within reasonable financial parameters) not bottom-line results.

- Maintaining a quality venue. No public sector entity should enter the market (or contemplate an expansion) without allowing for the funds to maintain the facility at the same level of quality as positioned on "day one."
- Recognizing that effective marketing includes not only a reasonable, dependable budget over the long term but also a team approach in selling any given destination. The team needs to include the centre, the convention and visitors bureau and key hotels.
- Understanding that success is dependent on the development and funding of a long-term marketing strategy given that lead times required to secure conventions are often 3+ years long—and often several years longer for larger, international events.
- Listening to customers. Many destinations have taken the initiative to establish a forum for past, present and future customers (and others) to provide feedback on all matters related to the successful hosting of a convention event.

The Canadian hotel industry as a whole, at the regional level and on a property-by-property basis should play a leadership role in ensuring the long-term viability and sustainability of the convention market.

About HLT Advisory Inc.

HLT Advisory Inc. provides a wide range of advisory services to the Canadian and international hospitality, leisure and tourism industries. Since inception in 2005, the firm has gained particular prominence in the lodging, gaming, travel/tourism, recreation, sport, entertainment and public-assembly venue sectors.

For further information on how HLT Advisory can assist your organization contact:

Lyle Hall
416.924.2080
lylehall@hlta.ca

Rob Scarpelli
416.924.0750
robertscarpelli@hlta.ca

Eric Malcolmson
416.924.6657
ericmalcolmson@hlta.ca



166 Pearl Street, Suite 200
Toronto ON M5H 1L3
www.hlta.ca

This publication has been prepared for the general information of clients, associates, and related contacts of HLT Advisory Inc. Information has been obtained from sources deemed to be reliable but has not been verified; HLT Advisory does not guarantee the completeness or accuracy of this publication. Reliance on information contained in this publication is at the reader's risk.

This document may be reprinted with credit to HLT Advisory. © HLT Advisory Inc. All rights reserved.