



SERVICE PLAN

2005/06 – 2007/08 UPDATE
(SEPTEMBER 2005)

1 LETTER FROM BOARD CHAIR TO MINISTER RESPONSIBLE

I am pleased to present to the Minister of Tourism, Sport and the Arts the B.C. Pavilion Corporation (PavCo) updated Service Plan for fiscal years 2005/06 to 2007/08.

PavCo is a Provincial Crown corporation that operates public facilities in the Lower Mainland of British Columbia. It is mandated to generate economic benefits for the Province, with its core business being the active marketing, sales, and management of space in its facilities for film production, conventions, trade and consumer shows, sporting, and other events. A system of performance measures has been developed to track its progress in achieving this mandate.

PavCo continues to be retained as a Crown Corporation to provide functions for the Vancouver Convention & Exhibition Centre, BC Place Stadium, and the Bridge Film Studios. Expansion of the Vancouver Convention & Exhibition Centre is underway with opening expected in 2008. PavCo is taking the lead role in marketing and sales of the Expansion and will be the operator of the combined facility.

The Vancouver Convention & Exhibition Centre and BC Place Stadium will both be host venues for the 2010 Winter Olympic Games. New Artificial Turf was installed at BC Place Stadium in the Spring of 2005 for football and other sporting use. BC Place Stadium will host the 2005 Grey Cup in November 2005.

Over the next three years, PavCo will strive to provide facilities in competitive condition to its clients in the most cost-effective manner. It will focus on increasing economic benefits generated through operations especially endeavouring to ensure optimum occupancy upon opening of the Expansion of the Vancouver Convention & Exhibition Centre. At the same time, management and staff will also strive to maintain client satisfaction during a period when events will likely be disrupted by construction activities at the Vancouver Convention & Exhibition Centre.

The 2005/06 – 2007/08 PavCo Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks, as of August 12, 2005, have been considered in preparing the plan. I am accountable for ensuring PavCo achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

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



DORIS BRADSTREET DAUGHNEY
BOARD CHAIR

PavCo SERVICE PLAN
PLANNING PERIOD APRIL 2005 – MARCH 2008
UPDATED SEPTEMBER 2005
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2 ORGANIZATION OVERVIEW

Corporate Summary

PavCo has developed a reputation for excellence in the marketing and management of public facilities. Its facilities are operated to realize maximum economic benefits, while optimizing financial performance. Through the activities at its facilities, PavCo contributes to the growth of the tourism industry, as many out-of-town clients remain in the area post-event.

The Corporation's mandate is:

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

Following Core Review, it was decided that PavCo's operations would be either sold or transferred to public-private partnerships. Tradex was transferred to the City of Abbotsford in Fiscal 2004. The proposed public-private partnership process for Vancouver Convention & Exhibition Centre (VCEC) and Vancouver Convention Centre Expansion Project (VCCEP), and the sale process for the Bridge Studios did not complete. PavCo will retain and continue to operate these facilities. The Vancouver Convention & Exhibition Centre and BC Place Stadium will be used as venues for the 2010 Olympic and Paralympic Winter Games.

Expansion of the VCEC commenced in 2004 and will complete in 2008. Construction of the Expansion is the responsibility of VCCEP, and PavCo is working with VCCEP to ensure a seamless transition of operations upon opening.

Enabling Legislation

B.C. Pavilion Corporation is a British Columbia corporation incorporated in 1984 under the *Company Act* of British Columbia, continued under the *Business Corporations Act*. The authorized capital of B.C. Pavilion Corporation consists of 10,000 common shares without par value. Only one common share has been issued and it is held by Her Majesty the Queen in Right of the Province of British Columbia. This 100% ownership of issued shares and appointment of all directors by the Provincial Government makes B.C. Pavilion Corporation a Crown Corporation.

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

There are also a number of other statutes relevant to B.C Pavilion Corporation—the most significant being the *British Columbia Enterprise Corporation Act*, which names it an agent

of the government, binds it by the same laws as the government, and gives it the same immunities as the government.

Governance

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

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives of the Provincial government. These policies and directives are communicated to the Board through the Chair. The performance results to be achieved by the Corporation and the guidelines placed on how these results are achieved are governed by Board policies and communicated to staff through the Chair. In the case of a vacancy, the Board, in consultation with the Minister responsible, appoints the President and CEO.

The Board currently has two standing committees: Audit and Finance (A), and Governance (G). The Audit and Finance Committee overlooks financial reporting, internal controls, conflicts of interest and other related matters. The Governance Committee deals with staffing and compensation issues, and the implementation of all changes to be made as a result of Core Review. Both committees review and develop matters in their specified areas and make recommendations to the entire Board.

The Board of Directors meets at least four times each year, and the committees meet as needed.

PavCo's Board members and committees served are:

Doris Bradstreet Daughney (A) (G)
Norm Assam (A)
John Horning (A) (G)
Daniel Jarvis (G)
Miriam Kresivo (A) (G)
David Mindell

Business Units

2.1.1 Vancouver Convention & Exhibition Centre (VCEC)

With 150,000 square feet of function space strategically located between a spectacular waterfront setting and all of the major visitor amenities of Vancouver's downtown core, the VCEC is British Columbia's premier meeting and convention facility. Since opening in 1987, the VCEC has steadily enhanced its market profile and reputation, culminating with its win in 2002 of the International Apex Award for "World's Best Convention Centre" from the Brussels-based International Association of Convention Centres. Currently, the VCEC can accommodate from 2500-3,000 delegates for a full convention program. The VCEC is an integral part of British Columbia's business and economic infrastructure, generating close to \$200 million in annual economic impacts, including \$57 million in tax revenues, and supporting over 3,900 full-time jobs. At the same time, VCEC helps promote new trade and investment within the province, enhances education and technology, and provides an international showcase for British Columbia's products and services.

The VCEC has achieved a well-balanced mix of business from regional, national, U.S. and international markets, which has stabilized its operation through the economic and security-related disruptions of the last few years. The VCEC has been operating at or near capacity for a number of years, and during this time has had to regularly turn away significant business for lack of space. At the same time, an increase in the supply of hotel rooms combined with such initiatives as the expansion of the Vancouver International Airport have both served to create potential for significant increases in convention business along with increased tourism and economic benefits for the provincial economy.

Following many years of planning and proposals, construction is now underway of an expanded facility directly to the west of the current building, scheduled to open in 2008. With the addition of the expansion, the combined building will more than triple in size. It is expected that a renovation of the existing space will follow immediately after opening of the expansion. The VCEC will play a pivotal role as a combined media and broadcast centre for the 2010 Winter Olympic Games.

VCEC is aggressively marketing the expansion so as to take full advantage of the new business opportunities it will create, and is enhancing this effort through a number of partnership activities with industry and facility organizations. In addition, the VCEC is working with British Columbia's four other convention centres to enhance its overall provincial business opportunities and to share the anticipated benefits of the expansion with other regions.

2.1.2 BC Place Stadium

Opened in 1983, BC Place Stadium is the world's largest air-supported domed stadium. With seating for 60,000 and 247,000 sq. ft. of exhibition space, BC Place Stadium is the Province's largest arena and trade show venue. It will host the Opening and Closing Ceremonies, the medal awards ceremonies as well as the nightly cultural and entertainment events at the 2010 Winter Olympic Games, and also the Opening Ceremonies for the Paralympic Games.

The facility is busy for over 200 days a year hosting trade and consumer shows, entertainment and sporting events. As Stadium occupancy is most concentrated during spring and fall, one of the most significant challenges continues to be limited availability of dates during this season. Trade and consumer shows, BC Lions games and spectator events all desire spring and fall dates leaving limited availability for new shows or for existing shows to move dates.

At over 20 years old, BC Place Stadium is in fairly good physical condition, but several areas of infrastructure require attention over the next 3 to 5 years in order to ensure that it is in prime condition for the 2010 Olympic and Paralympic Winter Games. These include the roof, scoreboards, concession areas, kitchens, and seating. The Stadium is currently conducting a full assessment of its capabilities and expected upgrades for the Games.

2.1.3 Bridge Studios

Located in Burnaby, the Bridge Studios has been operating since 1987 and has been owned by PavCo since 1989. With over 190,000 sq.ft. of production space, the Bridge Studios plays a central role in the film production industry of British Columbia, is home to several TV productions, and is the location for the production of many feature movies.

Following Core Review, it was decided to sell the facility. However, the process terminated without completion of a sale transaction. PavCo will continue to hold the facility and improve its value through investment in its infrastructure.

2.1.4 Corporate Office

The corporate office traditionally housed the Corporate Management and Board of Directors functions. The office was downsized significantly following Core Review, and with a staff of three, acts as a liaison between the facilities, board, and shareholder.

2.1.5 Discontinued Operations

Following Core Review, operations and ownership of Tradex were transferred to the City of Abbotsford. Comparative financial results for Tradex covering the period to December 31, 2003 are included in the Five Year Financial Comparison of Operations.

3 STRATEGIC CONTEXT

Vision, Mandate, Mission, Values

VISION

To be a recognized leader in event facility management.

MANDATE

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

MISSION

To provide an event experience that exceeds the expectations of our clients and guests.

VALUES

Quality and Service – We set and meet high standards of service.

Respect, Fairness, and Honest Communication – We treat each other as we wish to be treated, and we openly share information to increase employee understanding and meaningful involvement.

Financial Responsibility – We make significant economic contributions to the Province and generate revenues to offset our operating costs.

Creativity and Innovation – We take responsible risks to find better ways, new methods and processes to get the job done.

Enthusiasm and Humour – We show our enjoyment of our work and each other.

Environmental Responsibility – We continually look for new ways of conducting our business to reduce environmental impacts.

Integrity – We apply our values and deliver our promises.

Key Strategic Issues

3.1.1 Expansion of the Vancouver Convention & Exhibition Centre (VCEC)

VCEC is an integral part of British Columbia's economic infrastructure, generating significant annual economic impact, tax revenues, full and part-time jobs.

The facility has been operating at essentially full capacity, given seasonal business distribution, for a number of years. Opportunities for business growth in the current building have therefore focused on developing new service products, improving the flexibility of space to maximize utilization, and concentrating on high-yield business to achieve the best return on assets. With Expansion construction underway, VCEC attention has turned to the development and marketing of the expanded facility while maintaining business levels in the existing centre.

Management is participating in the design process of the Expansion to ensure that the Shareholder's goals are met. The main goals are to create a facility that is highly marketable and that will also produce high economic returns to British Columbia. Renovation plans currently being developed for the existing building are set to ensure an integrated facility with consistent quality of fit and finish. VCEC, together with industry partners, has embarked on an aggressive marketing campaign, to ensure that the facility is re-branded and presented to the market in its new context.

Staff are committed to achieving optimal occupancy of the Expansion upon opening, with the maximum number of non-resident delegates booked at events, as they generate the highest economic returns to British Columbia. Because the booking cycle for major conventions is at least 3 – 5 years in advance of the events, staff have been unable to confirm those larger international events that are the main target for the opening period, and many have now booked elsewhere. Staff will therefore focus on events which still provide maximum benefits, and these will likely come from national and regional markets, or be more in line with the size we can typically host in the current facility.

Delays in the construction schedule could impact the ability to host the maximum number of delegates following opening of the Expansion.

3.1.2 Future of BC Place Stadium

BC Place Stadium was built in 1983, close to downtown Vancouver on unused industrial land. Since then, the surrounding areas have been extensively developed. Built as an economic engine to expand business opportunities for the Province, BC Place Stadium has achieved this goal.

Changes in the Stadium's business environment clearly point to the need to attract new events in off-peak periods and to diversify the mix of revenue sources. While opportunities for the growth of traditional team sports and trade show categories remain limited, other sports and live entertainment categories show promising potential for expansion. BC Place Stadium is the Province's largest trade and consumer show venue and remains the only one capable of hosting a number of the Province's most successful shows. Changing market conditions are having an impact on the ability of the facility to recover its operating costs. At many other large sporting venues in North America, shifting game schedules prevent the hosting of other more profitable events. BC Place Stadium has no sporting events scheduled during the spring consumer show season and is therefore able to maximize its revenues from these shows.

The Stadium will host Grey Cup in November 2005. It will also host the Opening and Closing Ceremonies, and nightly events at the 2010 Winter Olympic Games and the Opening Ceremonies for the Paralympic Games. Management will meet with the event organizers to identify improvements and funding sources required to successfully host the events.

3.1.3 Film Industry in British Columbia

Most film production in British Columbia is from US owned companies with the indigenous portion remaining fairly small at about 12% of total production¹.

During 2004 the US dollar weakened significantly against the Canadian dollar resulting in it becoming significantly more expensive for out of country productions to conduct business in British Columbia. This, combined with significant incentives being offered by other jurisdictions, caused a short, but significant drop of business in British Columbia. Since then, the Canadian dollar has stabilized, and new incentives have revitalized the market to the point where most facilities are experiencing a period of full occupancy. With the Bridge Studios production space being used mostly for TV production on long-term rental agreements, the facility did not experience some of the declines in revenues and profitability that other studios experienced over the past year.

As film production is mobile and part of a clean and non environmentally damaging economy creating significant jobs and benefits, other jurisdictions will continue to match or surpass incentives offered in British Columbia. The market is therefore expected to remain cyclical, responding to general economic business conditions and artificial stimulators to local economies.

In addition to long-term contracts for film production at the Bridge Studios, industry regularly uses BC Place Stadium as a location for movie shoots

¹ From Hollywood North Report November 2004

3.1.4 The Effects of Business Cycles on PavCo Operations

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

VCEC relies on attendance from non-resident delegates at conventions to generate the majority of its economic benefits and profitability. As most major conventions are booked several years in advance, lower bookings as a result of world economic downturn can impact business for several years into the future. In addition to the major convention business, VCEC relies on infill business, which is profitable, but produces significantly lower benefits than conventions. A weak national economy would usually result in fewer meetings occurring and attendance to decline at consumer shows. A robust economy would result in a significant increase in discretionary spending by clients at high profile events.

At BC Place Stadium, most of the business caters to the local markets, and attendance at trade and consumer shows generally fluctuates with the local economic cycles. For sporting events, change in attendance and revenues depend on the success of the sporting teams as well as discretionary spending available to fans.

Historically, the Bridge Studios has been affected by cycles in the movie production business, with vacancies occurring during business downturns. Most of the facility is currently rented for TV production, but could be vulnerable in a business cycle where the high Canadian dollar makes production more economical in other jurisdictions.

Changes Made to the Service Plan Issued February 2005

Actual performance and financial results for the year ending March 31, 2005 have been included in the Plan, and financial forecasts for future years operations have been updated where appropriate.

Financial results for Fiscal 2005 were significantly improved from original expectations as a result of increased attendance at spectator events at BC Place Stadium, and higher spending by clients at events at Vancouver Convention & Exhibition Centre.

During Fiscal 2005, management reviewed the book costs of its capital assets for any impairment in values where the cost may not be covered by undiscounted cash flows and possible disposition. As a result, the cost of BC Place Stadium was written down by \$75 million.

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

Strategic Goals

PavCo's strategic goals can be split into four areas:

4.1 Maximization of revenues and economic growth

Generation of economic benefits

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

To meet this goal, we need to:

- Seek events from out-of-Province that will generate the maximum amount of economic benefits to our community; and,
- Seek events that will promote growth and support for British Columbia's business base.

We will measure our success in achieving this goal by comparing the amount of economic benefits generated through our activities. This is based on estimated expenditures by visitors at events in our facilities, subsequent spending in the province following the event activity, and the multiplier effect through the economy of such spending.

Improved financial return to shareholder

PavCo strives to meet its financial targets each year, and to minimize its reliance on shareholder funding. Client expectations and competition from other venues are causing downward pressure on revenues, while our ageing facilities and external challenges are creating an upward pressure on cost. It is important for PavCo to use the funding provided in the areas most likely to generate long-term profitability and benefit to the organization and the province.

Optimum facility occupancy

As the organization taking the lead role in sales and marketing programmes for the expansion of the VCEC, we also need to ensure that the Centre is utilized at the optimum levels upon opening in 2008. We will track bookings of events for the Expansion against the planned projections.

High occupancy at BC Place Stadium increases food and beverage and advertising revenues for the facility and improves its profile as a public facility.

Objectives	Strategies	Actual		Targets	
		04/05	05/06	06/07	07/08
4.1 Maximization of revenues and economic growth					
Improve the return to the shareholder on its investment in PavCo's facilities					
VCEC	Economic benefit ²	\$188m	\$196m	\$209m	\$220m
BCPS	Economic Benefit ³	\$34m	\$40m	\$31m	\$31m
Bridge	Economic benefit	\$190m	\$231m	\$245m	\$260m
VCEC	Maximum subsidy (before depreciation ⁴)	(\$0.321m)	(\$2.239m)	(\$3.044m)	(\$3.113m)
BCPS	Maximum subsidy (before depreciation)	(\$1.847m)	(\$2.842m)	(\$2.932m)	(\$2.994m)
Bridge	Increase revenues ⁵	\$3.352m	\$3.536 m	\$3.988 m	\$4.190 m
VCEC	Increase non-resident delegate days	146,484	178,442	189,925	217,641
BCPS	Attendance	883,846	903,000 ⁶	850,000	870,000

4.2 Maintain and increase client services and satisfaction

High levels of customer service and retention of clients

By gaining increased satisfaction from customers, our reputation as an organization that has the ability to produce world-class events will increase and drive higher attendance levels in the future. This will further enable us to achieve our primary goal from the shareholder perspective of increasing economic benefits to British Columbia. We work with our partners in tourism to attract those guests who will bring the greatest amount of benefits to the local and provincial economies. Many of our guests from out of province spend extra time in the region post events, and

² An independent third party consultant assesses the economic benefits generated. Calculations are currently made using the Tourism Economic Assessment Model developed by the Canadian Tourism Research Institute. Actual results for 2004/05 and projections for 2005/06 were calculated in a report prepared in March 2005. Estimates for subsequent years have been prepared by PavCo management based on anticipated attendance and activity at the facilities

³ Economic benefits at BC Place Stadium will decline in 2006/07. Higher benefits are expected in 2005/06 due to Grey Cup being hosted at the facility

⁴ Subsidy targets for Fiscal 2006/07 updated from February 2005 Service Plan. Increased subsidy is required in order to market VCEC for Expansion

⁵ Projected future revenues higher than in the February 2005 Service Plan for Bridge Studios

⁶ Attendance at BC Place Stadium for Fiscal 2005/06 will increase as a result of Grey Cup

later, return with their families as tourists. During the construction phase of the Expansion to VCEC, maintaining a high customer satisfaction rating will be a challenge due to noise and building issues. Staff remain committed to providing the highest levels of service.

Objectives	Strategies	Actual		Targets	
		04/05	05/06	06/07	07/08
4.2.0 Maintain and increase high levels of client services and satisfaction					
Continue to provide a high level of service and value to our customers					
VCEC	Service quality survey score ⁷	84%	81%	80%	78%
BCPS	Service quality survey score	83%	85%	85%	85%
Position our facility as the preferred venue for client target markets					
BCPS	Retention of existing business	96%	90%	90%	90%

4.3 Maintain and improve the facilities under our management

Maintain and improve the facilities under our management

We need to maintain our facilities to the best extent possible in order to attract new clients. We have developed repairs plans at each of our facilities, and plan for improvement and expansion of some of our services. Improvement to our properties will make us more competitive with other facilities and should result in an increase in overall occupancy and profitability. At the Bridge Studios, it may be necessary to disturb soils that were contaminated through previous site use, while performing some repairs or improvements. We will monitor the contaminants and remediate as appropriate.

At VCEC, a comprehensive plan is being developed to ensure that there is a seamless transition from construction to opening of the Expansion. Progress against the plan will be evaluated and changes implemented as appropriate.

New artificial turf was installed at BC Place Stadium in early Fiscal 2005/06. This will be used for sporting events including the 2005 Grey Cup.

⁷ Service quality score at VCEC expected to decline as a result of noise and disruption from nearby construction up to 2008

Objectives	Strategies	Actual		Targets	
		04/05	05/06	06/07	07/08
4.3.0 Maintain and improve the facilities under our management					
Maximize opportunities for profitability					
BCPS	Margin per event ⁸	49%	49%	45%	45%
Increase and improve facility occupancy					
Bridge	Percentage occupancy ⁹	93%	95%	95%	95%
Bring our facility into compliance with environmental regulations when we disturb soils for maintenance and facility upgrades					
Bridge	Violations of environmental regulations	0	0	0	0

4.4 Innovation, learning and growth

Training and retention of our staff

We will strive to keep our employee skills at optimum levels so that they can participate in our operations in a professional and meaningful way. The new skills that they acquire through their learning activities will keep PavCo regarded as a leading organization for innovation and new ways to host events. We will monitor training activity, and measure the rate of staff retention.

We will seek to attract and retain well-qualified employees to achieve our corporate-wide goals. During Fiscal 2005/06 we will develop a performance-contingent compensation system that will reward staff for accomplishing the goals that we negotiate with them as part of our strategic planning cycle.

⁸ Ongoing repairs and maintenance to our equipment and facilities will make us the facility of choice for clients to hold their events and assist us in maximizing margins on the events. Margins higher than expected in 2004/05 and 2005/06 with higher attendance and the addition of some profitable football events to the schedule

⁹ Percentage occupancy projections for Bridge Studios have been increased from the original targets as a result of improved economic conditions

Objectives	Strategies	Actual		Targets	
		04/05	05/06	06/07	07/08
4.4.0 Innovation, learning and growth					
Develop and maintain the necessary skills, capacity and motivation to successfully execute our strategic plan					
VCEC	Job specific training cost per employee ¹⁰	\$609	\$800	\$900	\$900
Bridge	Training hours per employee	5.5	10	10	10
Maintain and increase employee engagement and capability					
BCPS	Employee involvement (retention)	89%	89%	90%	90%

5 ALIGNMENT WITH GOVERNMENT'S STRATEGIC PLAN

PavCo's three-year Service Plan is prepared with reference to, and guidance from, the Government's Five Goals as outlined in the February 2005 Throne Speech. PavCo's business aligns most particularly with the fifth goal, which is:

"To create more jobs per capita than anywhere else in Canada"

Business attracted to PavCo's three facilities stimulates the provincial economy. Overseas conventions and film production bring new business to British Columbia, and create many jobs in the hospitality and the service industry. Also, post-event spending by the visitors creates further employment throughout the Province.

¹⁰ Training costs do not include employee salaries during training sessions

6 SUMMARY FINANCIAL OUTLOOK

FUNDING

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

OPERATING

PavCo's operating facilities are the VCEC, BC Place Stadium and the Bridge Studios. PavCo is also responsible for the lead role in sales and marketing of the expansion of the Convention Centre.

PavCo's revenues significantly exceeded expectations in Fiscal 2004/05, due to increased attendance and client spending. For Fiscal 2005/06, revenues will return to historical levels, and then increase modestly over the next three years. With the VCEC and Bridge Studios operating at close to full occupancy, most of the increases in revenue will be from infill business and higher client spending. Competition from other facilities and the expectation of rental incentives from clients will slow revenue growth at VCEC.

BC Place Stadium will host Grey Cup in Fiscal 2005/06, and revenues will increase significantly for the year. Future years revenues for the facility will be close to those for Fiscal 2004/05, but lower than for Fiscal 2005/06. Management will seek more sporting events for the off-peak seasons and other revenue generating opportunities.

As the Corporation's facilities continue to age, facility costs will rise, especially for repairs, maintenance, insurance and utility costs. Management will strive to contain these costs through conservation measures and business process reviews. Marketing activity for the expansion of the Convention Centre commenced in Fiscal 2004/05, and costs incurred to prepare for opening will be included in the years leading up the opening.

CAPITAL

The Corporation manages assets with carrying values of over \$120 million, which are serviced through regular maintenance and renewal programmes. Artificial Turf was installed at BC Place Stadium in Fiscal 2005/06. No other significant capital projects have been planned for the period to Fiscal 2007/08.

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

	Fiscal 2003/04 Actual	Fiscal 2004/05 Actual	Fiscal 2005/06 Budget	Fiscal 2006/07 Forecast	Fiscal 2007/08 Forecast
Revenues					
- Sales	27.335	29.760	28.974	29.948	30.805
- Government Contribution ¹¹	7.699	3.116	5.000	5.000	5.000
- Contribution re write down BC Place Stadium	-	75.000	-	-	-
- Contribution for Turf at BC Place Stadium	-	-	1.500	-	-
Total revenues	<u>35.034</u>	<u>107.876</u>	<u>35.474</u>	<u>34.948</u>	<u>35.805</u>
Expenses					
- Operating costs ¹²	31.091	30.310	32.955	34.559	35.550
- Write down BC Place Stadium ¹³	-	75.000	-	-	-
- Depreciation	<u>3.943</u>	<u>2.566</u>	<u>3.219</u>	<u>3.450</u>	<u>3.650</u>
Total Expenses	<u>35.034</u>	<u>107.876</u>	<u>36.174</u>	<u>38.009</u>	<u>39.200</u>
Net Income (deficit)	-	-	(0.700)	(3.061)	(3.395)
FTEs ¹⁴	127	135	147	154	154

Key Assumptions:

- The core business units from Fiscal 2004/05 onwards are the VCEC, BC Place Stadium, and the Bridge Film Studios. Fiscal 2003/04 comparatives include operations from Tradex to December 31, 2003.

¹¹ The government contribution is to cover operations shortfalls and depreciation of capital assets. Funding for Fiscal 2004/05 was provided through the Ministry of Small Business and Economic Development. For Fiscal 2005/06 onwards it will be through the Ministry of Tourism, Sport and the Arts

¹² Operating costs include major repairs projects at the facilities.

¹³ \$75 million write down of BC Place Stadium to reflect an impairment in value. Cost was matched by an equal reduction in Deferred Government Contributions

¹⁴ Full Time Equivalent Staff will increase due to preparation for Expansion of Vancouver Convention & Exhibition Centre

- During Fiscal 2003/04, world events caused reduced attendance and some loss of business at VCEC. Business has substantially recovered and will increase modestly over the next three years.
- PavCo will work with the Shareholder to determine options for funding the forecast deficits for Fiscal 2005/06 onwards.

Forecast Risks and Sensitivities:

- Revenue estimates are based on current bookings and expected pick-up business. These estimates could change if there are further world events during the period that impact business and tourism travel. Estimates will be monitored and adapted as conditions change.
- Continued increase in the value of the Canadian dollar against other currencies could reduce the amount of overseas business attracted to PavCo's facilities.

OPERATING SEGMENT SUMMARY INFORMATION

Vancouver Convention & Exhibition Centre

Five Year Financial Comparison for Operations (in \$ millions) – Vancouver Convention & Exhibition Centre

	Fiscal 2003/04 Actual	Fiscal 2004/05 Actual	Fiscal 2005/06 Budget	Fiscal 2006/07 Forecast	Fiscal 2007/08 Forecast
Revenues - Sales ¹⁵	14.529	16.913	15.223	16.686	17.017
Expenses - Operating costs ¹⁶ - Depreciation Total Expenses	14.760 <u>0.472</u> 15.232	17.234 <u>0.513</u> 17.747	17.462 <u>0.348</u> 17.810	19.730 <u>0.350</u> 20.080	20.130 <u>0.350</u> 20.480
Net Income (deficit)	(0.703)	(0.834)	(2.587)	(3.394)	(3.463)
FTEs ¹⁷	39	39	51	57	57

¹⁵ Revenues in Fiscal 2004/05 were higher than average performance due to significant spending by clients on services at several conventions

¹⁶ The increase in operating costs from 2003/04 to 2004/05 is due to higher variable event costs required to service higher business levels. There was also a resumption of spending on repairs projects at the facility following a period of reduced maintenance. For the Fiscal years 2004/05 to 2007/08 operating costs include sales marketing expenses for the Expansion of the facility, which started at \$1.0 million per annum in fiscal 2004/05, and additional costs to ready for opening

¹⁷ Full Time Equivalent Staff will increase due to preparation for Expansion of VCEC

Goals, Strategies and Measures for VCEC

Maximization of revenue and economic growth

Strategy	
☀ Improve the return to the shareholder on its investment in facilities	
Measure	Net economic benefits generated
Measure	Increase non-resident delegate days
Measure	Achieve our economic benefits objective while operating within an acceptable range of subsidy (before depreciation)
Measure	Subsidy (before depreciation)
Measure	Sales activity – non resident delegate days booked for future years

Maintain and increase high levels of client services and satisfaction

Strategy	
☀ Continue to provide a high level of service and value to our customers	
Measure	Service quality survey score

Maintain and improve the facilities under our management

Strategy	
☀ Create and execute a multi-year business process upgrade for transition through to expansion	
Measure	Status of business plan

Innovation, learning and growth

Strategy	
☀ Develop and maintain the necessary skills, capacity and motivation to successfully execute our strategic plan	
Measure	Job specific training cost per employee

BC Place Stadium

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

	Fiscal 2003/04 Actual	Fiscal 2004/05 Actual	Fiscal 2005/06 Budget	Fiscal 2006/07 Forecast	Fiscal 2007/08 Forecast
Revenues					
- Sales ¹⁸	8.244	9.414	10.145	9.204	9.528
Expenses					
- Operating costs ¹⁹	10.077	11.261	12.987	12.136	12.522
- Other expenses ²⁰	-	75.000	-	-	-
- Depreciation	<u>2.564</u>	<u>1.375</u>	<u>2.200</u>	<u>2.400</u>	<u>2.600</u>
Total Expenses	12.641	87.636	15.187	14.536	15.122
Net Income (deficit)	(4.397)	(78.222)	(5.042)	(5.332)	(5.594)
FTEs ²¹	81	89	89	89	89

Goals, Strategies and Measures for BC Place Stadium

Maximization of revenue and economic growth

Strategy	
☀ Improve the return to the shareholder on its investment in facilities	
Measure	Net economic benefits generated
Measure	Achieve our economic benefits objective while operating within an acceptable range of subsidy (before depreciation)
Measure	Subsidy (before depreciation)
Measure	Facility attendance

Maintain and increase high levels of client services and satisfaction

Strategy	
☀ Continue to provide a high level of service and value to our customers	
Measure	Service quality survey score

¹⁸Revenues for Fiscal 2005/06 increase as a result of Grey Cup activities at the Stadium

¹⁹ Variable costs for Fiscal 2005/06 increase as a result of services provided by the Stadium for Grey Cup

²⁰ Other expenses in Fiscal 2004/05 were for the write down in the carrying cost of BC Place Stadium to align with Canadian GAAP

²¹ FTE's at BC Place Stadium fluctuate with event activity

Maintain and improve the facilities under our management

Strategy	
☀ Maximize opportunities for profitability	
Measure	Margin per event

Innovation, learning and growth

Strategy	
Maintain and increase employee engagement and capability	
Measure	Employee involvement (retention)

Bridge Studios

Five Year Financial Comparison for Operations (in \$ millions) - Bridge Studios

	Fiscal 2003/04 Actual	Fiscal 2004/05 Actual	Fiscal 2005/06 Budget	Fiscal 2006/07 Forecast	Fiscal 2007/08 Forecast
Revenues					
- Sales	3.789	3.352	3.536	3.988	4.190
Expenses					
- Operating costs	1.975	1.730	2.036	2.488	2.690
- Depreciation	<u>0.674</u>	<u>0.678</u>	<u>0.671</u>	<u>0.700</u>	<u>0.700</u>
Total Expenses	2.649	2.408	2.707	3.188	3.390
Net Income (deficit)	1.140	944	0.829	0.800	0.800
FTEs	4	4	4	4	4

Goals, Strategies and Measures for the Bridge Studios

Maximization of revenue and economic growth

Strategy	
☀ Improve the return to the shareholder on its investment in facilities	
Measure	Net economic benefits generated
Measure	Revenue generation

Maintain and increase high levels of client services and satisfaction

Strategy	
☀ Position our facility as the preferred venue for client target markets	
Measure	Retention of existing business

Maintain and improve the facilities under our management

Strategy	
☀ Increase and improve facility occupancy	
Measure	Percentage occupancy
☀ Bring our facilities into compliance with environmental regulations when re disturb soils for maintenance and facility upgrades	
Measure	Number of violations of environmental regulations

Innovation, learning and growth

Strategy	
☀ Develop and maintain the necessary skills, capacity and motivation to successfully execute our strategic plan	
Measure	Training hours per employee

Corporate Office

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

	Fiscal 2003/04 Actual	Fiscal 2004/05 Actual	Fiscal 2005/06 Budget	Fiscal 2006/07 Forecast	Fiscal 2007/08 Forecast
Revenues	0.102	0.081	0.070	0.070	0.070
Expenses					
- Operating costs ²²	0.584	0.085	0.470	0.205	0.208
- Depreciation	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	0.588	0.085	0.470	0.205	0.208
Net Income (deficit)	(0.486)	(0.004)	(0.400)	(0.135)	(0.138)
FTEs	3	3	3	4	4

²² Fiscal 2003/04 operating costs included reorganization expenses. Fiscal 2004/05 included the recovery of prior year reorganization expenses