



SERVICE PLAN

2007/08 – 2009/10

B.C. Pavilion Corporation (PavCo) Service Plan 2007/08 to 2009/10

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1 LETTER FROM BOARD CHAIR TO MINISTER RESPONSIBLE

I am pleased to present to the Minister of Tourism, Sport and the Arts the B.C. Pavilion Corporation (PavCo) Service Plan for Fiscal years 2007/08 to 2009/10.

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

Since publication of the previous Service Plan, PavCo's performance has been successful due to strong marketing activities which have resulted in event activity from a diverse client base and the occurrence of new business at its facilities. Although there has recently been significant media coverage regarding border security and the difficulty in attracting visitors to Canada from the USA, attendance by non-resident delegate visitors has met targets, and bookings for future years are on track with expectations. The convention market, which contributes a significant portion of PavCo's event and revenue base, is extremely competitive worldwide, as it provides significant benefits to national, provincial, and local economies. Now, and in the future, Vancouver will face increasing competition and pressure for business from this market segment. An aggressive marketing campaign is underway to promote awareness of the Expansion to the Vancouver Convention & Exhibition Centre, and sell space in the expanded facility.

Since preparation of the previous Service Plan, the Shareholder has directed PavCo to sell the Bridge Studios, and this process will complete in Fiscal 2007/08. PavCo has been working with management at the Vancouver Convention Centre Expansion Project to ensure a smooth transition upon the opening of the expanded Vancouver Convention & Exhibition Centre.

The air-supported roof at BC Place Stadium suffered a failure on January 5, 2007. The roof has been reinflated, and business has resumed at the facility. It is not expected that there will be a long-term impact on business at BC Place Stadium.

The 2007/08 – 2009/10 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 January 30, 2007, have been considered in preparing the plan. The performance targets in this plan have been determined based on an assessment of PavCo's operating environment, forecast conditions, risk assessment and past performance.

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



DORIS BRADSTREET DAUGHNEY
BOARD CHAIR

PavCo SERVICE PLAN
PLANNING PERIOD APRIL 2007 – MARCH 2010
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2 ORGANIZATIONAL OVERVIEW

Corporate Summary

PavCo has developed a reputation for excellence in the marketing and management of public facilities. Its facilities are operated to realize maximum economic benefits while optimizing financial performance. Through its activities, PavCo contributes to the growth of the tourism industry, as many out-of-town clients travel throughout British Columbia following the event. Vancouver Convention & Exhibition Centre (VCEC) is the provincial flagship for conventions, and leads initiatives to generate convention business throughout the Province.

The Corporation's mandate is:

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

PavCo operates BC Place Stadium (BC Place), VCEC, and the Bridge Studios. BC Place and VCEC are located in downtown Vancouver, and the Bridge Studios in Burnaby, British Columbia.

Enabling Legislation

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

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

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

Corporate Governance

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

The Board of Directors provides leadership and direction to the organization in a manner consistent with the policies and directives from the Provincial Government. Governance matters are communicated to the Board through the annual Shareholder's Letter of Expectations. A Shareholder's Letter of Expectations between the Shareholder and PavCo was signed in 2006. This letter is an agreement of the respective roles and responsibilities

of each and serves as the basis of agreement between the Shareholder and PavCo including the high-level performance expectations, public policy issues and strategic priorities. The letter is located on our website at <http://bcpavco.com> .

The Board currently has two standing committees: Audit and Finance (A), and Governance (G). The Audit and Finance Committee monitors financial policies and reporting, internal controls, conflicts of interest and other related matters. The Governance Committee deals with governance and board effectiveness, staffing and compensation issues, and the implementation of all structural changes to the organization. Both committees review and develop matters in their specified areas and make recommendations to the 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)

The Board of Directors has adopted the guiding principles included in the Provincial Government's Governance Framework that provides an understanding of the roles and responsibilities for all parties that are part of the Crown Corporation Governance Environment:

- Stewardship, leadership and effective functioning of the Board
- Clarity of roles and responsibilities
- Openness, trust and transparency
- Service and corporate citizenship
- Accountability and performance, and
- Value, innovation and continuous improvement.

Business Units

2.1.1 Vancouver Convention & Exhibition Centre

With 132,764 square feet of function space strategically located between a spectacular waterfront setting and all the major visitor amenities of Vancouver's downtown core, the VCEC is British Columbia's premier meeting and convention facility. Since opening in 1987 the VCEC has steadily enhanced its market profile and reputation, culminating in the 2002 International Apex Award for "World's Best Convention Centre" from the Brussels-based International Association of Convention Centres.

Currently, the facility can accommodate a range of events, with a focus on conventions that generates up to 3,000 delegates for a full convention program.

VCEC operates with a small core of administrative employees, and wherever appropriate, the provision of services to clients is contracted to third party operators. These service contracts are tendered and are performance based.

Marketing and sales activity is underway for the expanded convention centre. The Expansion is immediately to the west of the current building. It will more than triple the size of current facilities and enable the VCEC to host multiple simultaneous events as well as large single events with upwards of 5,000 delegates. Construction of the Expansion is the responsibility of Vancouver Convention Centre Expansion Project (VCCEP). PavCo is working with VCCEP and the Shareholder to determine the most efficient governance model for VCEC to ensure a seamless transition of operations upon opening, and continuing success for the facility.

VCEC will be the main Press and Media Centre for the 2010 Winter Olympic and Paralympic Games, and has contracted space in the expanded facility from September 2009 through March 2010.

2.1.2 BC Place

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

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

In-house staff are responsible for marketing, administration and operations of the facility. When it is determined that third party suppliers can more effectively provide these services, contracts are negotiated.

At over 20-years old, the look and structure of BC Place has not been significantly upgraded since construction. Management is working with the Shareholder to determine improvements that will both extend the useful life of the building and bring it up to standards expected by users.

BC Place will be the host facility for the Opening and Closing Ceremonies for the 2010 Winter Olympic Games, and the Opening Ceremonies for the 2010 Winter Paralympic Games.

2.1.3 Bridge Studios

Located in Burnaby, the Bridge Studios 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.

Space at the Bridge Studios is rented to film production companies. Management provides basic facilities and services to clients, who use outside suppliers for the provision of their operational needs.

The 2006 Shareholder's Letter of Expectations directed that PavCo sell the Bridge Studios. The process commenced in August 2006.

3 STRATEGIC CONTEXT

Vision, Mission, Values

VISION

To be a recognized leader in event facility management.

MISSION

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

VALUES

Quality and Service – We set and meet the highest 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 – We show our enjoyment of our work.

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 The Vancouver Convention & Exhibition Centre

VCEC operates in a highly competitive, private sector driven business with international service standards. It must therefore be competitive in terms of international expectations and be sensitive to the evolving dynamics of the industry. This is particularly important when many industry parameters are undergoing fundamental changes. Recent major growth in convention centre capacity, particularly in the U.S. have created a buyer's market where many centres have raised the bar by using financial incentives and subsidies in order to secure major conventions. Furthermore, a concentration of buying power, a trend toward commoditization, and the use of metrics-oriented purchasing policies have formalized the site decision process.

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 past few years. VCEC 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 focused on developing new service products, improving the flexibility of space to maximize utilization, and concentrating on high-yield business to achieve the best economic return on assets.

VCEC management is participating in the design development process for the Expansion to ensure that the Shareholder's goals for economic generation are met. Management is also actively engaged in the development and expansion of staffing and operational systems appropriate to the demands of the expanded facility and the new business levels expected. Renovation plans are being developed for the existing building, to ensure an integrated facility with consistent quality of fit and finish.

VCEC staff are committed to maximizing the number of non-resident delegates and exhibitors booked at events, as they generate the highest economic returns to British Columbia. VCEC has joined forces with industry partners and embarked on an aggressive marketing campaign to ensure that the facility is appropriately positioned in the market. VCEC must maintain business levels in the existing centre, which will remain operational throughout construction. VCEC is expanding marketing efforts with a number of partnership activities with industry and facility organizations. In addition, VCEC is working with Conventions BC, a consortium of convention centres, to enhance overall provincial business opportunities and share the anticipated business growth arising from expansion with the other regions. The VCEC will also play a pivotal role as a combined media and broadcast centre for the 2010 Winter Olympic Games.

3.1.2 BC Place

BC Place, completed in 1983, was built as an economic engine to expand business opportunities for British Columbia. This goal has been fully met. Located on 13.5 acres in downtown Vancouver, it is ideally situated to attract its core business. However, it is facing increased pressure to utilize the site more intensively as a result of extensive residential development in adjacent neighbourhoods.

BC Place 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. It will also host the Opening Ceremonies for the Paralympic Games. Some of the regularly scheduled events that would have occurred during the Olympic rental period will be cancelled or rescheduled to later in the year.

The facility is booked for over 200 days a year hosting a variety of 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. The facility's major trade and consumer shows all require spring and fall dates, which leaves limited availability for new shows or for existing shows to move dates. Compared to VCEC, most of the profitable business is from regional markets rather than from out-of-province attendees, and as a result, economic benefits generated by BC Place to British Columbia are lower than for VCEC.

Changes in the Stadium's business environment clearly point to the need to attract new events in off-peak periods, to diversify the mix of revenue sources, and maximize revenue opportunities from traditional and non-traditional sources. While opportunities for the growth of traditional team sports and trade show categories remain limited, other sports and live entertainment categories show promising potential for expansion. BC Place is BC's largest trade and consumer show venue and remains the only one capable of hosting a number of British Columbia'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 has the advantage of having no sporting events scheduled during the spring consumer show season and is therefore able to maximize its revenues from these shows.

The booking cycle for events is now accommodating events for the period up to and including 2012. Meanwhile, facility management is conducting a full assessment of future options for BC Place, including general refurbishment, status quo, and alternate uses. Upgrades are also needed to the facility in order to bring it up to the standards expected by clients.

3.1.3 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 operating facilities.

VCEC relies on attendance from non-resident delegates and exhibitors 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 convention business, VCEC relies on regional events booked at short notice in the remaining space, which maximize occupancy. These events are profitable, but produce lower economic benefits than conventions. In previous times, when the provincial economy was not so strong, the impact on PavCo was fewer meetings and declining attendance at consumer shows. Positive economic conditions have resulted in an increase in discretionary spending by clients. VCEC manages these natural business cycles by marketing to a diverse event mix and continually researching new markets.

At BC Place, most of the business caters to the regional market, and as a result attendance at trade and consumer shows fluctuates with local economic cycles. For sporting events, change in attendance and revenues is a result of the success of the sporting teams as well as discretionary spending available to fans.

3.1.4 Capital Repairs and Upgrades Required for Ageing Facilities

BC Place and VCEC are now both over 20-years old. Neither facility has been significantly upgraded since opening, and both require some renovation in order to meet expected client standards. Both facilities will be used for the 2010 Winter Olympic Games and Paralympic Games.

The existing VCEC facility is currently planned to undergo a partial retrofit as part of the Vancouver Convention Centre Expansion Project mandate after the Expansion has been completed, so that the combined facility will appear cohesive.

The scope of the renovations to BC Place will tie in to the overall development plan for the facility. Improvements for disabled access and general cleaning are planned for completion in 2009.

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

Strategic Goals

PavCo has the following four strategic goals:

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

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

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

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

Key Strategies

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

- seeking events which attract delegates and exhibitors from out-of-Province that will generate the maximum amount of economic benefits to our community;
- seeking events that will promote growth and support for British Columbia's business base;
- diversifying markets to stabilize long term business;
- repositioning our facilities as being more flexible to users; and
- increasing operational efficiencies.

Performance Measures and Targets

Compare economic benefits generated: Independent consultants are engaged to calculate the estimated net economic benefit to the Province generated by each PavCo facility. Net economic benefit to the Province is measured utilizing actual and estimates of the number of, and spending by, out of province exhibitors, delegates and others. In addition to the initial expenditures, this spending also produces a multiplier effect through the economy.

Actual results for Fiscal 2005/06 and projections for Fiscal 2006/07 were calculated in reports prepared in March 2006. Estimates for subsequent years have been prepared by PavCo management based on anticipated attendance and activity at the facilities.

	Actual 05/06	Forecast 06/07	07/08	Targets 08/09	09/10 ¹
Performance Measure – Compare economic benefits generated					
VCEC	\$202m	\$218m	\$220m	\$249m	\$347m
BC Place	\$33m	\$24m	\$21m	\$21m	\$13m
Bridge Studios ²	\$246m	\$250m	-	-	-
Offset by: PavCo deficit including capital expenditures, but before depreciation	(\$4.8m)	(\$4.8m)	(\$8.4m)	(\$12.4m)	\$2.1m contribution

¹ Benefits generated in 2009/10 do not include those related to activities at the 2010 Winter Olympic and Paralympic Games.

² Bridge Studios will be sold in early Fiscal 2007/08. Economic benefits will continue to accrue to the government through new owner if operating strategies remain consistent.

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

	Actual 05/06	Forecast 06/07	07/08	Targets 08/09	09/10
Performance Measure – operating subsidy for the facilities (before depreciation) ³					
VCEC	(\$2.526m)	(\$2.755m)	(\$3.694m)	(\$7.626m)	\$5.121m contribution
BC Place	(\$4.160m)	(\$3.812m)	(\$4.273m)	(\$4.363m)	(\$2.516m)

³ The forecast operating subsidies are calculated as follows:

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

Revenues at the Bridge Studios – Revenues at the Bridge Studios increase if high occupancy levels are maintained and stepped increases in existing rental agreements are achieved. Higher occupancy levels also result in increased generation of economic benefits.

	Actual 05/06	Forecast 06/07	07/08	Targets 08/09	09/10
Performance Measure – Revenues at the Bridge Studios					
Bridge ⁴	\$4.503m	\$4.300m	-	-	-

⁴ The sale of the Bridge Studios will complete at the beginning of Fiscal 2007/08. No revenues are budgeted for that year.

Increased non-resident delegate days at VCEC - Most of the economic benefit generated by the VCEC is through the attendance of non-resident delegates at conventions. VCEC's first priority is to maximize the number of non-resident delegates visiting Vancouver. An aggressive marketing campaign is underway to promote awareness of the Expansion to the VCEC, and sell space in the expanded facility.

	Actual 05/06	Forecast 06/07	07/08	Targets 08/09	09/10 ⁵
Performance Measure – Number of non-resident delegate days at VCEC					
VCEC	139,283	150,000	152,000	168,000	230,000

⁵ During Fiscal 2009/10, the west (Expansion) portion of VCEC is anticipated to be open for business from January to August. At the same time, the existing VCEC building is scheduled to close for renovations. 2010 Winter Olympic and Paralympic Games have contracted to occupy the Expansion portion of the facility from September 2009 to December 2009, and the entire facility from December 2009 to March 2010.

Increased Attendance at BC Place - Increased attendance levels at BC Place drive higher sales of Stadium services, including food and beverage sales. As the number of patrons and events increase, the facility becomes more attractive to corporate sponsors, and the likelihood of purchasing interior signage and exclusive supply rights increases.

	Actual 05/06	Forecast 06/07	07/08	Targets 08/09	09/10
Performance Measure – Attendance at BC Place					
BC Place ⁶	1,021,000	975,000	894,000	860,000	1,498,000

⁶ Attendance at BC Place for Fiscal 2007/08 to 2008/09 is expected to be at historical levels. Higher attendance occurred in Fiscal 2006/07 with concert activity and a football playoff game, and will occur in Fiscal 2009/10 with the 2010 Winter Olympic Games and Paralympic Games. Playoff games for football are not budgeted due to inherent uncertainty.

Goal 2 – Maintain and increase client services and satisfaction

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

Key Strategies

- continue to provide a high level of service to support retaining our customers;
- work with our partners in tourism to attract those guests who will bring the greatest amount of benefits to local and Provincial economies; and
- promote our facility as the preferred venue for client target markets.

Performance Measures and Targets

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

	Actual 05/06	Forecast 06/07	07/08	Targets 08/09	09/10
Performance Measure – Service Quality Survey Scores					
VCEC ⁷	84%	80%	78%	75%	75%
BC Place	87%	85%	85%	85%	85%

⁷ Service quality scores at VCEC are expected to decline as a result of noise and disruption from nearby construction. In addition to the Expansion, there is a major hotel construction project adjacent to the Expansion, and work on transportation infrastructure will continue until Fiscal 2010. Also, the VCEC infrastructure is ageing and fit and finish is falling below clients' expectations. A partial retrofit is expected following opening of the Expansion. Staff remain committed to providing the highest levels of service.

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

	Actual 05/06	Forecast 06/07	07/08	Targets 08/09	09/10 ⁸
Performance Measure – Percentage retention of existing business					
BC Place	96%	95%	95%	95%	70%

⁸ Several major events will be displaced in Fiscal 2009/10 as a result of BC Place being used for the 2010 Winter Olympic and Paralympic Games.

Goal 3 - Maintain and improve the facilities under our management

We will maintain our facilities to the best standard possible in order to attract new clients. We have developed repair 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.

VCEC and BC Place will both be used for high-profile activities during the 2010 Winter Olympic and Paralympic Games. A partial retrofit of the existing VCEC is anticipated after the Expansion has been opened, and options for refurbishing BC Place are being developed to bring the facility to acceptable standards for clients and guests.

Key Strategy

- implement repair and maintenance plans to improve the facilities under our management

Performance Measure and Targets

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

	Actual 05/06	Forecast 06/07	07/08	Targets 08/09 09/10	
Performance Measure – compare the gross margin received on events					
BC Place	34%	35%	34%	34%	36%

Percentage Occupancy at the Bridge Studios – The film business is highly competitive. In tight economic times, service quality and ease of conducting business for producers will influence their decision to choose a particular studio for their movie shoot. We will improve our service levels and give producers a choice of value added products in order for them to conduct their businesses in the most profitable manner.

	Actual 05/06	Forecast 06/07	07/08	Targets 08/09 09/10	
Performance Measure – Percentage occupancy at Bridge Studios					
Bridge Studios ⁹	95%	95%	-	-	-

⁹ Sale of the Bridge Studios will complete at the beginning of Fiscal 2007/08. No targets have therefore been set for that year.

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

We 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 maintain PavCo as a leading organization for innovation and creativity in its industry sector. We will monitor training activity, and measure the rate of staff retention.

We will seek to attract and retain well-qualified employees to achieve our corporate-wide goals. We will implement 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.

Key Strategies

- continue to support staff development in required skill areas, build capacity and motivation to achieve our strategic goals; and
- implement a performance-contingent compensation system.

Performance Measure and Targets

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

		Actual 05/06	Forecast 06/07	07/08	Targets 08/09 09/10	
Performance Measure - employee involvement						
BCPS	Employee involvement (retention)	82%	90%	89%	90%	92%

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 Great Goals as outlined in the February 2005 Throne Speech. PavCo’s business aligns with a number of these goals, including:

- Create more jobs per capita than anywhere else in Canada;
- Lead the world in sustainable environmental management; and
- Make BC the best educated, most literate jurisdiction on the continent.

Major international conventions and exhibitions hosted at the VCEC advance research, technology and professional development, thereby promoting both education and literacy in British Columbia. The VCEC expansion is a model of sustainable design and construction, as are VCEC’s environmental practices. Together these serve as evidence of British Columbia’s environmental commitment. Finally, business attracted to PavCo’s facilities stimulates the provincial economy and creates many jobs in the hospitality and service industry.

2008 marks the 150th anniversary of the establishment of British Columbia as a Crown colony. The Ministry of Tourism, Sport and the Arts has the mandate to coordinate cross government activities related to the celebration of this significant event. In addition to honouring the past, BC2008 provides a vehicle to focus on and celebrate the future. PavCo will work with the Ministry of Tourism, Sport and the Arts on the five pillars of the 2008 celebration: Heritage; Communities; Multiculturalism; Aboriginal Peoples; and Arts and Culture.

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 current operating facilities are the VCEC, BC Place and the Bridge Studios. Effective early in Fiscal 2007/08, the sale of the Bridge Studios will complete, so no operating revenues for the Bridge Studios have been included in financial forecasts.

Following the sale of the Bridge Studios, PavCo's funding requirement will increase by the amount of that facility's profitability (estimated at an average of \$1.5 to \$2 million per annum). Also, as marketing activity and preparation for opening of the Expansion of VCEC continues, the deficit at that facility will raise PavCo's funding requirement.

In Fiscal 2007/08, PavCo's event activity and revenues will return to historical levels, as some of the exceptional events from the past two years have not been budgeted to return. There will be an increase in event activity in Fiscal 2008/09 with the opening of the Expansion of VCEC, and Fiscal 2009/10 revenues will include income from the 2010 Winter Olympic and Paralympic Games. Management will continue to seek infill business for the off-peak seasons, and other revenue generating opportunities in order to minimize funding from the Shareholder.

CAPITAL

PavCo manages assets with carrying values of over \$120 million, which are serviced through regular maintenance and renewal programs. Approximately \$2 million per annum has been set aside for capital projects. Most capital programmes at the corporate facilities are for repairs to the existing infrastructure. In years when there are extraordinary capital requirements, additional funding requests are submitted to the Shareholder.

Several significant improvement projects have been identified at BC Place to bring the facility to standards expected by its clients and guests. The current booking cycle covers events that will take place up to 2012, so the improvements are for the long-term benefit of the facility. Proposed improvements include security systems, facility access for those with disabilities, seating repairs, hospitality upgrades, scoreboards and general upgrades.

The air-supported roof at BC Place is 24 years old and a comprehensive maintenance plan is in place.

A partial retrofit to VCEC is projected following the opening of the Expansion in late Fiscal 2008/09, to standardize the fit and finish of the combined facility. These improvements will be funded through the Expansion budget.

FINANCIAL FORECAST

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

	Fiscal 2005/06 Actual	Fiscal 2006/07 Forecast	Fiscal 2007/08 Budget	Fiscal 2008/09 Forecast	Fiscal 2009/10 Forecast
Revenues					
– Sales	28.125	28.467	26.656	29.634	52.281
– Contribution Bridge Studios	1.909	1.533	-	-	-
– Government Contribution ¹⁰	<u>5.857</u>	<u>5.000</u>	<u>5.000</u>	<u>5.000</u>	<u>5.000</u>
Total Revenues	35.891	35.000	31.656	34.634	57.281
Expenses					
– Operating costs ¹¹	31.693	33.513	33.042	37.624	47.635
– Depreciation	<u>2.590</u>	<u>2.792</u>	<u>3.196</u>	<u>5.235</u>	<u>5.957</u>
Total Expenses	34.283	36.305	36.238	42.859	53.592
Net Income (deficit) after government subsidy	1.608	(1.305)	(4.582)	(8.225)	3.689
FTEs ¹²	142	153	149	150	153
Major capital expenditures¹³	(3.696)	(1.884)	(2.027)	(4.453)	(2.522)

¹⁰ The government contribution is to cover operations shortfalls and renewal of capital assets. Funding is provided through the Ministry of Tourism, Sport and the Arts

¹¹ Operating costs include major repairs projects at the facilities. Costs in Fiscal 2008/09 are increased due to opening of the VCEC Expansion, and Fiscal 2009/10 includes a full year's costs for the combined facility

¹² Full Time Equivalent Staff will increase due to preparation for and operation of the Expansion of VCEC

¹³ Capital expenditures for Fiscal 2005/06 included an Artificial Turf system

Key Assumptions:

- The Bridge Studios sale will complete in Fiscal 2007/08. Following that, the core business units will be VCEC and BC Place.

- PavCo will work with the Shareholder to determine options for funding the forecast deficits to ensure financial stability.

Forecast Risks and Sensitivities:

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

7 OPERATING SEGMENT SUMMARY INFORMATION

Vancouver Convention & Exhibition Centre

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

	Fiscal 2005/06 Actual	Fiscal 2006/07 Forecast	Fiscal 2007/08 Budget ¹⁴	Fiscal 2008/09 Forecast ¹⁵	Fiscal 2009/10 Forecast ¹⁶
Revenues					
– Sales	15.344	16.929	15.412	17.934	31.698
Expenses					
– Operating costs	17.168	19.100	18.239	22.257	25.215
Depreciation	<u>0.507</u>	<u>0.387</u>	<u>0.516</u>	<u>2.330</u>	<u>2.652</u>
Total Expenses	17.675	19.487	18.755	24.587	27.867
Net Income (deficit)	(2.331)	(2.558)	(3.343)	(6.653)	3,831
FTEs ¹⁷	45	55	56	57	60
Capital Projects	(703)	(584)	(867)	(3.303)	(1.362)

¹⁴ Revenues for fiscal 2007/08 are expected to return to historical levels, following exceptional results from certain events in Fiscal 2006/07

¹⁵ The Expansion of the Vancouver Convention & Exhibition Centre will open in late fiscal 2008/09. Revenues and costs will increase following the opening

¹⁶ The facility will be the Press and Media Centre for the 2010 Winter Olympic and Paralympic Games.

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

Goals, Strategies and Measures for VCEC

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

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

Goal 2 - Maintain and increase client services and satisfaction

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

Goal 3 - Maintain and improve the facilities under our management

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

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

BC Place

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

	Fiscal 2005/06 Actual	Fiscal 2006/07 Forecast	Fiscal 2007/08 Budget	Fiscal 2008/09 Forecast	Fiscal 2009/10 Forecast
Revenues					
– Sales	12.713	11.438	11.040	11.625	20.508
Expenses					
– Operating costs ¹⁸	14.033	14.100	14.163	14.838	21.874
– Depreciation	<u>2.080</u>	<u>2.400</u>	<u>2.675</u>	<u>2.900</u>	<u>3.300</u>
Total Expenses	16.113	16.500	16.838	17.738	25.174
Net Income (deficit)	(3.400)	(5.062)	(5.798)	(6.113)	(4.666)
FTEs	89	89	89	89	89
Capital Projects	(2.840)	(1.150)	(1.150)	(1.150)	(1.150)

¹⁸ Revenues and operating expenses will increase in Fiscal 2009/10 as a result of increased event activity. BC Place will host ceremonies for the 2010 Winter Olympic and Paralympic Games

Goals, Strategies and Measures for BC Place

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

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

Goal 2 - Maintain and increase client services and satisfaction

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

Goal 3 - Maintain and improve the facilities under our management

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

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

Strategy - Continue to support staff development and implement a performance-contingent compensation system	
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Measure	Employee retention
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Bridge Studios (sale to complete in Fiscal 2007/08)

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

	Fiscal 2005/06 Actual	Fiscal 2006/07 Forecast	Fiscal 2007/08 Budget	Fiscal 2008/09 Forecast	Fiscal 2009/10 Forecast
Revenues					
Sales	4,503	4.300	0	0	0
Expenses					
– Operating costs	2.017	2.187	0	0	0
– Depreciation	<u>0.577</u>	<u>0.580</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses	2.594	2.767	0	0	0
Net Operating Income (deficit)	1.909	1.533	0	0	0
FTEs	4	5	0	0	0
Capital Projects	(136)	(150)	0	0	0

Goals, Strategies and Measures for the Bridge Studios for Fiscal 2006/07

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

Strategy - Improve the return to the Shareholder on its investment in PavCo’s facilities	
Measures	Compare economic benefits generated
	Revenue generation

Goal 2 - Maintain and increase client services and satisfaction

Strategy - Position our facility as the preferred venue for client target markets
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Goal 3 - Maintain and improve the facilities under our management

Strategy - Increase and improve facility occupancy	
Measure	Percentage occupancy

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

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

Corporate Office

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

	Fiscal 2005/06 Actual	Fiscal 2006/07 Forecast	Fiscal 2007/08 Budget	Fiscal 2008/09 Forecast	Fiscal 2009/10 Forecast
Revenues	0.068	0.100	0.075	0.075	0.075
Expenses					
– Operating costs ¹⁹	0.492	0.313	0.511	0.529	0.546
– Depreciation	<u>0.003</u>	<u>0.005</u>	<u>0.005</u>	<u>0.005</u>	<u>0.005</u>
Total Expenses	0.495	0.318	0.516	0.534	0.551
Net Income (deficit)	(0.427)	(0.218)	(0.441)	(0.459)	(0.476)
FTEs	4	4	5	5	5
Capital Projects	(17)	0	(10)	0	(10)

¹⁹ Fiscal 2007/08 and future year net operating costs and deficit will increase as a result of lower expense recoveries following the sale of the Bridge Studios.

8 HOW TO REACH US

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