

WHY NOVA SCOTIANS CAN'T AFFORD A NEW CONVENTION CENTRE

Nova Scotians have seen a lot in the media about the proposed new World Trade and Convention Centre (WTCC) for Halifax, and heard about the conventions that have been lost in the last three years because our 26-year-old facility is, in the words of one industry supporter, “way past its best-before date”.

The four consultants' reports concerning the proposed new centre were released by the provincial government at the end of April. According to the reports, a recommended new convention centre of from 150,000 to 170,000 square feet of rentable space (300,000 to 340,000 gross square feet) would cost from \$400 to \$500 per square foot. The midpoints of these figures suggest a likely cost of roughly \$144 million.

The Request for Proposals subsequently issued by the Province called for a rentable area of only 120,000 square feet (with, presumably, a decrease in attendance expectations). At the same cost of \$450 per square foot, this would mean a construction cost of \$108 million.

But what we have not seen is any discussion about how we are to pay for a new centre; money which would have to be borrowed by the Province. The additional tax revenue needed to cover the borrowing costs would have to come from out-of-province delegates to a new, enlarged convention centre.

Paying the interest on a loan of \$144 million or \$108 million

The consulting reports assume that a new convention centre would attract 17 new conventions, four new trade shows, and four new consumer shows a year. The reports also suggest that this new business would result in increased provincial tax revenue of roughly \$2.7 million per year. Economists reviewing the studies, however, find that the proposed impact of the new center is considerably overstated, and that the real figure is closer to \$1.5 million.

Based on the province's cost of borrowing of about 6.22%, the annual interest payments on a \$144 million loan would be about \$9 million a year; *six times* the additional \$1.5 million in taxes. If the smaller figure of \$108 million is used, the annual interest payments would be about \$6.7 million; *four-and-a-half times* the additional \$1.5 million in taxes.

Put another way, the number of new conventions, trade shows and consumer shows that would be needed to cover the interest costs on these loans would be from *four-and-a-half* to *six times* the number forecasted in the consulting reports.

This means the expanded facility would have to attract from 76 to 102 new conventions a year (the current average is around 15), from 18 to 24 new trade shows a year, and from 18 to 24 new consumer shows a year (all with out-of-province delegates) to provide the necessary additional provincial tax revenue.

Can Halifax do this?

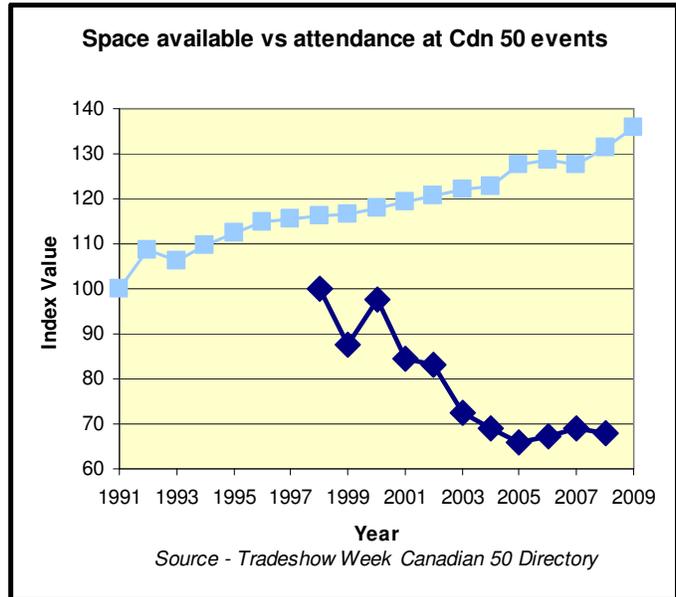
But with a spanking new convention centre and Nova Scotia's reputation for great hospitality, wouldn't it be possible to attract an additional 76 to 102 new conventions, 18 to 24 new trade shows, and 18 to 24 new consumer shows each year to make this possible?

Probably not. Consider that in its 23 year history the Toronto Convention Centre has averaged 61 conventions a year; an average Halifax would have to beat by a sizeable margin.

Also, cities all over North America have had the same idea as Halifax and have been bullishly expanding and building new convention space. For example, Montreal did a major expansion about ten years ago, Vancouver has just completed a huge new centre costing almost \$1 billion, Ottawa has a major expansion underway due to open in 2011, Fredericton is building a new centre, and Charlottetown is considering one.

Discounts and freebies are where it's at!

At the same time, research into the convention business indicates it has been pretty much stagnant since the mid-1990s. The graph to the right illustrates the split between the total convention space available in Canada (top line) and the actual level of convention activity (bottom line). As a result of this over-building, competition is fierce and industry sources say that the “winning” city in many cases is not the one with the most charm or the best hospitality, but the one which can offer convention planners the best deal. Discounts and freebies are the decision makers; a bleak prognosis for a new centre in Halifax.



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The Coalition to Save the View
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