



Office of the Auditor General of Ontario

Value-for-Money Audit:  
Metropolitan  
Toronto Convention  
Centre and Ottawa  
Convention Centre



*December 2023*

# Metropolitan Toronto Convention Centre and Ottawa Convention Centre

## 1.0 Summary

A convention centre is a space designed to hold large-scale events such as conferences, trade shows, consumer shows, corporate events, as well as food and beverage events like banquets or wedding receptions. A typical convention centre is made up of exhibition halls, meeting rooms and ballrooms, and may also offer amenities like hotels, restaurants and on-site parking.

While convention centres can be owned and operated by private entities, many belong to and/or are operated by municipal and provincial governments. In Ontario, there are two provincial convention centres—the Metropolitan (or Metro) Toronto Convention Centre (MTCC), in Toronto, and the Ottawa Convention Centre (OCC, or Shaw Centre), in Ottawa. They operate as individual Crown agencies overseen by the Ministry of Tourism, Culture and Sport (Ministry). Both centres are located in the downtown area of their respective cities, giving convention delegates easy access to transportation, hotel accommodations, restaurants, tourist attractions and other amenities.

Governments usually operate convention centres for the purpose of stimulating economic activity in their regions, creating employment opportunities, spurring economic growth and generating tax revenue. Events held at MTCC and OCC attract delegates from across Canada, the United States and around the world. During their visit, these delegates have an economic impact on the region by spending

on transportation, accommodation, dining and entertainment, and by visiting tourist attractions. Delegates who come from farthest away tend to have the greatest economic impact because they tend to stay longer and spend more money.

Excluding the two years of the COVID-19 pandemic, over the past decade the two centres combined to generate, on average, an estimated \$600 million in economic impact per year. Their combined average annual operating profits totalled about \$20 million. Client satisfaction surveys from the past 10 years showed that almost all respondents rated their overall experience at MTCC and OCC positively. This included event planners as well as exhibitors.

Our audit found that the two centres were focusing on attracting events that made profit rather than attracting events that promoted and developed tourism in their regions. For its part, the Ministry did not properly oversee the centres to ensure they were operating in a way that best achieved their mandate. A strategic focus on promoting and developing tourism is likely to generate more economic impact for the province.

We also noted that, in the aftermath of the COVID-19 pandemic, the two centres were finding it difficult to bring back events; future bookings for conventions were down by about 50% from their pre-pandemic levels. The Ministry had asked the government in 2022 and 2023 to fund incentives to help attract large-scale convention centre events to Ontario. However, the government did not approve the funding, citing other priorities. In contrast, provincial



governments in British Columbia and Quebec have chosen to finance such incentives to help their convention centres in their post-pandemic recovery.

## Ministry of Tourism, Culture and Sport

These were some of our observations related to the Ministry:

- Ministry oversight of provincial convention centres did not ensure that the centres were operating in full alignment with their legislative mandate.** Legislation mandates each centre operate “in a manner that will promote and develop tourism and industry in Ontario.” Being profitable is not mentioned in the legislated mandates. However, we found that often it was an event’s profitability, not its role in promoting or developing tourism (to generate economic impact), that both centres largely focused on when determining how much to bid to win the opportunity to host an event. In 2016, a Ministry consultant who reviewed the provincial convention centres’ mandate advised the Ministry that, if the centres focused on events that were commercially successful (profitable), they could end up generating less economic impact for Ontario. Despite this, the Ministry did not take any steps to ensure that economic impact was being maximized by the centres.
- Millions of dollars in potential economic impact have been lost while the centres focused on their individual profitability.** We found that, since 2018, the centres had collectively lost the opportunity to host 97 events (78 at OCC and 19 at MTCC) because the centres had set their bid prices too high to host events, aiming to achieve greater profitability.
- For MTCC’s 19 lost events, eight coincided with the two fiscal years in which COVID-19 pandemic lockdowns occurred, which made it harder to find replacement events over the same time period. Of the remaining 11 events which occurred either before or after the pandemic lockdowns, MTCC was unable to book

replacement events for four of them. These four events were estimated by Destination Toronto (a destination marketing organization that focuses on promoting tourism in Toronto who managed the bidding for these events on behalf of MTCC) to have had an economic impact of approximately \$27 million.

- Of the 78 events that OCC lost, 29 coincided with the two fiscal years when the pandemic lockdowns occurred, so we removed them from our analysis. We found that for 15 of the remaining 49 events, OCC was unable to book any other event. According to OCC, these 15 events had the potential to generate an estimated economic impact of about \$25 million. Overall, therefore, MTCC and OCC missed the opportunity to generate an estimated \$52 million in additional economic impact for the province.

## Provincial Convention Centres

We found that, generally, both MTCC and OCC effectively managed their operations and facilities, satisfied the expectations of their clients and maintained economic efficiency. MTCC consistently received positive feedback from its clients, with 95% of survey respondents between 2013/14 and 2022/23 rating their experience positively. Meanwhile, OCC’s client satisfaction ratings from 2013/14 to 2022/23 were also very good, with event planners giving, on average, a score between 4.5 and 5 each year out of 5 on client satisfaction surveys.

Nevertheless, we noted that both centres faced challenges in attracting large-scale events.

### Metro Toronto Convention Centre

- MTCC no longer had enough contiguous space to host the largest conventions and trade shows that could come to Toronto.** Among a sample of comparable North American convention centres, MTCC ranked 18 out of 21 in terms of the size of its contiguous rentable space (space that is adjoining, with no obstructions or

gaps). According to one estimate, it did not have enough space to host 27% of conventions and trade shows that could come to Toronto. This lack of contiguous space has resulted in 20 international conventions that were formerly held at MTCC relocating to other convention centres. These international events, which together had approximately generated an estimated \$490 million in economic impact for Ontario, have effectively outgrown MTCC.

- **MTCC was sometimes not selected as a venue because of a lack of available hotel rooms in downtown Toronto.** A lack of available and/or affordable hotel rooms in downtown Toronto has resulted in MTCC losing bids to host events. We identified 23 such instances for events that were bid on, but lost, between 2017 and 2019. These events were estimated as being able to generate approximately \$344 million in economic impact for the province. We noted that some municipal and state governments in the United States have taken proactive measures to build hotels or incentivize them to be built near convention centres.
- **The Ministry's decision on a redevelopment plan proposed by MTCC remained outstanding.** As a result of the relative lack of contiguous space and nearby availability of hotel rooms, in 2019, MTCC proposed plans to redevelop the centre, which included expanding the size of available event space to capture more of the large-scale convention market as well as building 2,500 to 3,000 hotel rooms connected to the facility. Leadership at MTCC presented preliminary redevelopment plans to the Ministry in 2019 and provided an update in 2021 and, at the time of our audit, had not received any direction regarding the possibility of redeveloping the centre at the existing location.

#### Ottawa Convention Centre

- **A lack of direct flights to Ottawa resulted in OCC losing bids to host international conventions.** We found seven instances where OCC

was unsuccessful in its bid to host an event to be held between 2022 and 2026 because of the relative scarcity of direct flights to Ottawa. It is estimated that these events would have brought nearly \$25 million in economic impact to the province. According to a 2020 survey of event planners (completed prior to the COVID-19 pandemic), about 40% of planners rated flight access to Ottawa as “average or poor.” The planners ranked Ottawa 25 out of 40 North American cities for flight access, behind cities such as Pittsburgh, Portland and Phoenix. We found that as of August 2023, flights in and out of Ottawa were still down by about 27% from their pre-pandemic levels, with international flights down by 53%.

- **Ottawa's decline in activity in its downtown core has reduced the city's appeal to event organizers.** Event planners we spoke to informed us that when evaluating an event destination, one important criterion was the vibrancy of the destination, a measure which includes a city's restaurants, attractions, cultural offerings and its “walkability” in relation to the convention centre. According to information from the Canadian Chamber of Commerce, an association that advocates for the needs of businesses, as of June 2023, foot traffic to Ottawa's downtown (where OCC is located) was still nearly 34% below its pre-pandemic, January 2020 level. By comparison, other tracked Canadian municipalities were down about 9%, on average.

This report contains 10 recommendations, with 28 action items, to address our audit findings.

## Overall Conclusion

Our audit concluded that the Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC) were not operating in a manner to best achieve their legislative mandates. The two centres were making operational decisions that favoured their own

financial interests rather than the promotion and development of tourism (which generates economic impact) for the province. Further, the Ministry of Tourism, Culture and Sport (Ministry) did not properly oversee the two centres to ensure they were directly pursuing their legislative mandates.

We also concluded that while the Ministry supported the provincial convention centres with over \$40 million during the COVID-19 pandemic to maintain their operations, the provincial convention centres have not been adequately supported in their recovery from the COVID-19 pandemic. As of June 2023, future bookings for conventions at both convention centres had declined by nearly 50% compared to their pre-pandemic levels. Despite this downturn, and in contrast to some other Canadian jurisdictions, the government of Ontario did not approve the Ministry's proposed incentive program aimed at attracting large-scale events, including conventions.

We concluded that, generally, the Ministry had not provided clear direction to the provincial convention centres as to how to address other recent challenges impacting their ability to maintain themselves as international-class convention centres. MTCC faced challenges related to its aging facility. Particularly, its layout and the size of its exhibit and meeting spaces were not meeting the needs of large-scale events. As well, securing enough hotel rooms for event attendees was a problem. MTCC had proposed redevelopment of the centre to the Ministry, and was awaiting a response. OCC was impacted by a significant decline in direct international flights to Ottawa, down by about 53% from pre-pandemic levels. While governments in other jurisdictions were actively working with airlines to increase flight frequency, the Ministry was not providing support in this regard.

We concluded that, generally, both MTCC and OCC effectively managed their operations and facilities, satisfied the expectations of their clients and maintained economic efficiency. MTCC consistently received positive feedback from its clients, with 95% of survey respondents between 2013/14 and 2022/23 rating their experience positively. Meanwhile, OCC's client satisfaction ratings from 2013/14 to 2022/23 were also

very good, with event planners giving, on average, a score between 4.5 and 5 out of 5 on client satisfaction surveys each year.

Finally, we concluded that the Ministry required MTCC and OCC to track and measure performance indicators and the centres publicly reported on those. While MTCC and OCC reported on numerous performance metrics and generally achieved their performance targets, we noted that MTCC's economic impact target was relatively less ambitious than its revenue growth target and OCC did not start setting a target for the economic impact generated by the centre until 2018/19.

## OVERALL MINISTRY RESPONSE

The Ministry of Tourism, Culture and Sport (Ministry) appreciates the work of the Office of the Auditor General of Ontario and welcomes the recommendations to help build on the success of our convention centres, and the economic impact they provide for Ontario.

The government is focused on rebuilding the economy and creating good jobs for Ontarians. The Metro Toronto Convention Centre and the Ottawa Convention Centre are agencies of our ministry and important economic generators for the cities of Toronto and Ottawa. When people attend events at convention centres they directly and indirectly support jobs and surrounding businesses, such as hotels and restaurants.

The Auditor General's recommendations provide useful feedback to help the Ministry and our convention centres work together to create even greater benefits for the province. We will work with these recommendations and explore opportunities to help our convention centres attract more and larger events, while maximizing the economic impact generated for the province.

## OVERALL METRO TORONTO CONVENTION CENTRE RESPONSE

We wish to express our sincere gratitude to the Office of the Auditor General of Ontario for providing us with the opportunity to review this report.

We acknowledge and embrace the recommendations made in your report, particularly those pertaining to the capital improvement process, the resolution of our marshall yard requirement, and improving event-delegate and staff safety, such as through the concept of a convention district. These recommendations resonate with our mission, and we are fully committed to their effective implementation. We are also aware that certain recommendations are directed towards the Ministry of Tourism, Culture and Sport (Ministry), and we recognize their potential indirect impact on our operations. To ensure a seamless and successful implementation, we are eager to collaborate closely with the Ministry and other relevant stakeholders, including working with Ottawa Convention Centre (OCC), Destination Toronto and Ottawa Tourism to perform an analysis of convention centre incentive-based programs across North America.

Collaboration and open communication with the Ministry is pivotal in ensuring that our strategies are well-aligned with its vision and goals. We are committed to working closely with the Ministry because that facilitates a unified approach that benefits not only MTCC and OCC but also the larger community by driving economic and cultural growth. Your recommendations are essential steps in this direction, and we look forward to their implementation.

## OVERALL OTTAWA CONVENTION CENTRE RESPONSE

The Ottawa Convention Centre is pleased with the overall content of this report and we thank the Office of the Auditor General of Ontario for its time and work. It has shed light on the challenge of providing economic impact while maintaining a state-of-the-art building and meeting a debt repayment obligation.

Delivering economic impact to the city of Ottawa and the province of Ontario is the Ottawa Convention Centre (OCC)'s objective. We know that when the centre is full of national and international

conventions our hotel partners, local retailers, restaurants and other ancillary businesses benefit from new money brought to our destination.

As a for-profit operating entity with an obligation to repay a \$1 million debt in perpetuity to the Ontario Financing Authority (OFA) as well as an obligation to maintain a world-class convention centre through ongoing upgrades, replacement and enhancement to capital assets, it is difficult for the centre to deliver solely on economic impact and still fulfill its financial obligations each year. We fully support the recommendation that the Ministry work with OCC's management and the OFA to determine if any changes are needed to OCC's annual \$1 million payment, including whether funding could be prioritized for capital repairs when necessary.

Management appreciates that the Office of the Auditor General of Ontario made data-driven assessments of the OCC's operations and sales and marketing initiatives. It is important to note that while details in this report on our lost business due to high costs are accurate, some of these costs can be outside of our direct control, such as the cost of lodging and air travel for event attendees.

We are pleased the audit recognizes the International Association of Convention Centres' APEX Best Convention Centre in the World Award in 2020 and our high and consistent customer service scores. Management was recognized as good operators of the business and adhering to proper business practices.

## 2.0 Background

### 2.1 The Purpose of Convention Centres

A convention centre is a space designed to hold large-scale events (often involving thousands of people) such as conferences, trade shows, consumer shows, corporate events, as well as food and beverage events like banquets or wedding receptions. A typical convention

centre is comprised of exhibition halls, meeting rooms and ballrooms, and may also offer amenities like hotels, restaurants and on-site parking.

Convention centre events typically generate two types of financial impact: profits for the venue and economic impact for the local economy. Privately owned convention centres are run for the purpose of generating profits for the owners. Governments, however, usually develop and operate convention centres for the purpose of stimulating economic activity in their respective regions, creating employment opportunities, spurring economic growth and generating tax revenue. Convention centres in Ontario play a significant role in attracting delegates from across Canada, the United States and around the world. These delegates contribute to the local economy by spending on transportation, accommodation, dining and entertainment and by visiting tourist attractions. This cash infusion to the local economy is known as economic impact.

### 2.1.1 Calculating the Revenue and Economic Impact of Convention Centre Events

Revenue refers to funds received by the convention centre, through what the client spends on items such as venue rent, food and beverage purchase, Internet access and security. On the other hand, economic impact is a measure of the dollar impact of an event on its local and regional economy overall, not just spending at the centre. This impact includes direct spending by event delegates in the broader community, such as spending on hotels, restaurants, transportation (such as flights and taxis), retail shops, entertainment and tourist attractions. The event would also indirectly contribute to economic impact as a result of the increased demand for goods and services. For instance, as a result of convention attendance, local hotels and restaurants may hire more staff, purchase additional supplies or order more food, thus stimulating economic impact in these sectors and their related supply chains. Lastly, salaries and wages paid to those who work in industries that benefit from direct delegate spending go on to spend their wages in their communities, creating additional economic impact for the region. The

total amount of all of this spending is known as economic impact.

Convention centres use specialized tools to calculate the economic impact of the events they host in Ontario. In the 1980s, the Ministry of Tourism, Culture and Sport developed the Tourism Regional Economic Impact Model (TREIM), a specialized analytical tool and methodology to assess and quantify the economic impact of tourism-related activities, including those held at convention centres. A web version of TREIM was made available in 2005 so that tourism stakeholders (including convention centres) could calculate the economic impact that would come from hosting a prospective event. TREIM is widely used in the tourism sector of Ontario.

The current version of TREIM relies on data from various sources to analyze and calculate the economic impact of tourism in Ontario. For example, it includes information from Statistics Canada's 2011 Census and National Household Survey, providing details on employment, income, population and housing across the region. Subsequent to 2011, additional census surveys have been conducted by Statistics Canada that are not reflected in TREIM. Other provinces (such as Nova Scotia) use the same sources of national tourism data (such as those compiled by Statistics Canada) that TREIM does when calculating the economic impact of tourism in their regions.

### 2.1.2 Economic Impact of Large-Scale International Events

In general, events that bring the greatest number of delegates who travel the farthest distance can create the most economic impact. These delegates are more likely to spend on transportation, accommodations, dining, entertainment and visiting tourist attractions than local delegates. The furthest-travelling delegates are also more likely to bring their family and extend their stay at the event destination beyond its conclusion. In 2019, Statistics Canada found that international convention delegates spent an average of \$1,528 per person per visit, compared to \$758 spent by Canadian convention delegates from outside of Ontario



**Figure 1: Direct Spending in Ontario Generated per Convention Delegate per Visit in 2019**

Source of data: Statistics Canada

Average Spending (\$)	Origin of Delegate		
	Ontario	Canada	International
Transportation	110	279	515
Accommodation	119	311	687
Food and beverage	82	139	229
Recreation/entertainment	18	17	25
Retail/other	20	12	72
<b>Total</b>	<b>349</b>	<b>758</b>	<b>1,528</b>

Note: Data is for 2019, the most recent year of review. The total economic impact generated by visitors is greater than their direct spending, as economic impact also includes all the indirect impacts that this spending generates, such as the number of jobs supported, including full-time, part-time, seasonal and temporary employment, which then generates wages and salaries. Direct spending also does not capture all the federal, provincial and municipal taxes generated.

and only \$349 by convention delegates within Ontario. **Figure 1** provides details of direct spending in Ontario generated per convention delegate, per visit, in 2019.

Also, international and national convention delegates bring new money into the province. Convention delegates who already live here are likely to spend their money on other activities in the province, in the absence of a convention event, so the impact from local delegates amounts to “recycled spending”—taking spending from one sector of the provincial economy and giving it to another. Large government-owned, operated and/or controlled convention centres generally target delegates who come from outside their province so that genuinely new spending underpins the economic impact of the events they hold.

**Figure 2** depicts the general relationship of event types and delegate origin location with their respective economic impact potential, including whether new or recycled spending is generated. For instance, in general, international conventions draw a larger number of international delegates to the host destination when compared to events focused on food and beverage, such as banquets, which tend to draw local visitors. This is one reason why international conventions generate significant economic impact for the host destination.

Large-scale conventions are usually held by the biggest Canadian, American and international professional and trade associations and organizations. As these events have the potential to make significant

contributions to the local economy of the host, there is significant competition among convention centres around the world to host such events. For example, a large-scale convention for an international medical research association, held in Toronto in 2016, was attended by about 5,600 delegates who generated \$1.1 million in revenue for the Metro Toronto Convention Centre and added an estimated \$18 million in economic impact to the provincial economy.

### 2.1.3 Event Planners

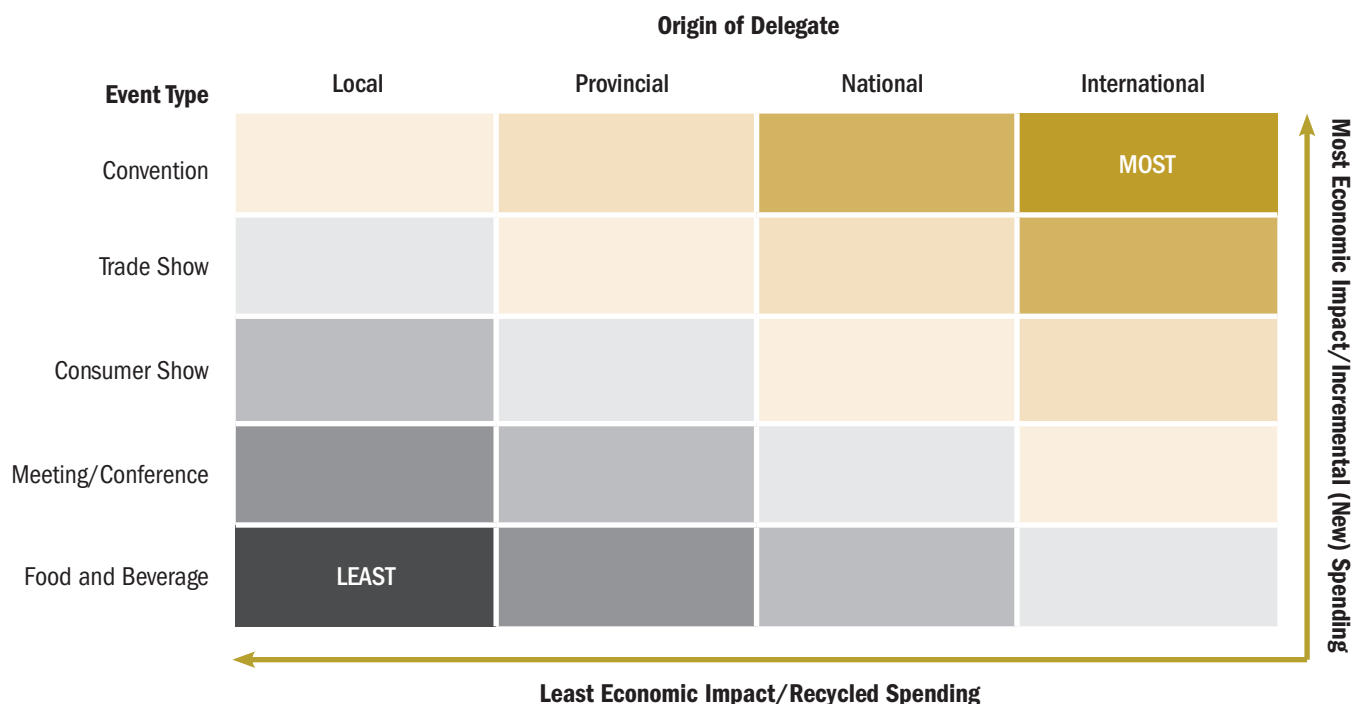
In order to secure bids to host an event, a convention centre must often “impress” event planners. Event planners have the responsibility for researching, recommending and contracting future convention sites (and associated hotel rooms) for the organizations who hire them. Event planners play a vital role in the venue selection process, assessing a centre’s ability to deliver large-scale events based on what are called the internal and external characteristics of the convention centre.

Internal characteristics include the venue’s size and layout, including the amount of contiguous exhibit hall space (space that is adjoining, with no obstructions or gaps) that is available, the food and beverage offerings of the venue as well as the amenities and services provided by the convention centre, like the audio/visual technologies available. External characteristics are features of the location, for example, the neighbourhood or the downtown of the city and the infrastructure



**Figure 2: Type of Event and Origin of Delegate, in Relation to Economic Impact**

Prepared by the Office of the Auditor General of Ontario



surrounding it. Important external characteristics for event planners to determine are the ease of access to an international airport, regularity of flight service, access to large roads and transit networks. Equally important is the supply and availability of hotel accommodations at various price points and the safety and vibrancy of the surrounding area (including availability of dining options and tourist attractions).

These same criteria are also often used by the industry to classify convention centres into three tiers, indicating their suitability for hosting types of events. Detailed descriptions of each tier can be found in **Appendix 1**.

The event planners we interviewed as part of this audit (see **Section 3.0** for more details) told us that the size of a centre's contiguous exhibit hall, as well as the size and number of meeting rooms, were the most critical factors when selecting a destination for a convention. The availability of accommodations at various price points nearby and the availability of direct flights were also identified as important factors.

The logistics of organizing a large-scale international convention that will attract thousands of delegates from around the world can be very complex. As a result, event planners assess and book the venue and accommodations three to five years in advance of a planned event and, for some of the largest conventions, eight or more years in advance. Once a venue is selected, it is crucial for the convention centre to host the event exceptionally well, given the competitive context for event planning. Conventions often rotate between major cities, based on an organization's bylaws, and a client may become a repeat customer based on good experience at a particular destination and venue. For instance, a major technology company held its annual conference at MTCC in 2004, returning in 2012 and 2016. A negative customer service experience is one reason why a convention centre may lose the opportunity to host the event again.

## 2.2 Provincially Operated Convention Centres

Provincial and municipal governments across Canada own, operate and/or control many convention centres. Some of the prominent ones are listed in **Appendix 2**. The Province of Ontario operates (through separate Crown agencies) two convention centres: the Metropolitan Toronto Convention Centre (MTCC), a Tier 1 venue in Toronto, and the Ottawa Convention Centre (OCC), a Tier 2 venue in Ottawa. The Ministry of Tourism, Culture and Sport (Ministry) has oversight responsibilities for both Crown agencies. **Figure 3** provides venue profiles of these two centres.

### 2.2.1 Metropolitan Toronto Convention Centre

MTCC is the only Tier 1 convention centre in Ontario and the largest Tier 1 convention centre in Canada. See **Appendix 3** for a comparison of rental space at MTCC to select government owned and/or operated convention centres in Canada (including the two other Tier 1 convention centres, the Montréal Convention Centre and the Vancouver Convention Centre).

MTCC opened in 1984 (North Building at 255 Front Street West) and expanded in 1997 (South Building

at 222 Bremner Boulevard). Together, the buildings provide over 550,000 square feet of rentable space, including over 440,000 square feet of exhibit space, 77 meeting rooms and one multi-purpose ballroom. MTCC also has a 1,232 seat multi-purpose theatre.

MTCC does not own the North Building, its parking lot or the land on which it is located. These are leased from Oxford Properties for a nominal fee of \$1 per year for a 99-year term that expires in 2083. The South Building is owned by MTCC and its land is leased from the City of Toronto for a nominal fee of \$1 per year that also expires in 2083.

MTCC has hosted on average about 500 events per year and estimated that it has contributed on average about \$493 million to the provincial economy each year between 2013/14 and 2022/23, excluding 2020/21 and 2021/22, which were impacted by COVID-19 public health restrictions.

Its legislation, the *Metropolitan Toronto Convention Centre Corporation Act* (MTCC Act), sets out MTCC's mandate as follows: "to operate, maintain and manage an international class convention centre facility in the City of Toronto in a manner that will promote and develop tourism and industry in Ontario."

MTCC is governed by its Board of Directors (MTCC Board), consisting of a minimum of seven and a

**Figure 3: Venue Profiles for Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC)**

Source of data: Metro Toronto Convention Centre and Ottawa Convention Centre

	MTCC	OCC
<b>Available Rental Space<sup>1</sup> (square feet)</b>		
Exhibit space	440,877	55,741
Meeting space	110,992	45,915
Ballroom space	28,000	19,032
Total space available for rent	579,869	192,000 <sup>2</sup>
<b>Overall building size</b>	2,200,000	404,224
Largest exhibit hall	259,325	55,741
Maximum number of exhibit halls <sup>3</sup>	8	3
Maximum number of meeting rooms <sup>3</sup>	77	28
Theatres (seats)	1 (1,232)	0 (0)

1. Excludes space not available for rent, such as retail stores, restaurants and/or coffee shops, if any.

2. In addition to exhibition, meeting and ballroom space, OCC has over 70,000 square feet of additional space it rents out to clients for pre-function activities.

3. Refers to the number of separate areas available for rent. These rooms can be used for multiple purposes, such as exhibits, meetings, and food and beverage rooms.

maximum of 13 members, no more than 10 of whom are appointed by the Lieutenant-Governor-in-Council (provincial appointees) and three who are appointed by the City of Toronto (municipal appointees). As of August 31, 2023, there were 11 members (three of whom were municipal appointees) and two vacancies (provincial). **Appendix 4** provides an overview of MTCC's Board membership and composition as of August 31, 2023.

A chief executive officer appointed by the MTCC Board is responsible for the management of MTCC, which as of August 31, 2023, employed approximately 331 full-time and 427 part-time and casual staff. The centre is a unionized workplace. At the time of our audit, 601 of the centre's 758 employees were represented by a union. **Appendix 5** provides an overview of MTCC's organization structure.

### 2.2.2 MTCC's Financial Obligation to the Government of Ontario

MTCC's South Building opened in 1997, its construction financed by a \$145-million loan from the Ontario Financing Authority (OFA), a lending agency of the Province of Ontario. Between 1997 and 2003, MTCC made partial interest payments totalling \$17.5 million towards its loan obligations. Then, in 2003, the OFA released MTCC from the original loan obligation in exchange for annual payments of at least \$2.5 million in perpetuity to the Minister of Finance. In addition to the minimum payment, MTCC is required to remit "any surplus cash not required for the running of the MTCC business." As of March 31, 2023, MTCC has paid a total of \$109.5 million to the Minister of Finance; on average, approximately \$5.2 million has been remitted per year since 2003.

### 2.2.3 Ottawa Convention Centre

Ottawa Convention Centre, formerly known as the Ottawa Congress Centre, opened in 1983. For redevelopment, it was demolished in 2008, rebuilt and re-opened in 2011 on the same site. Since 2011,

OCC has hosted about 4,860 events. The facility has 192,000 square feet of space across four levels, with 23 multi-purpose event rooms, an executive boardroom, a ballroom and a multi-purpose hall which can accommodate up to 6,260 people when utilizing all available space at OCC.

OCC is one of several government-owned and/or operated Tier 2 venues in Canada; some other prominent government owned and/or operated centres that are generally considered Tier 2 venues are in Edmonton, Calgary, Halifax, Quebec City and Winnipeg. The Enercare Centre in Toronto is also generally considered a Tier 2 venue. See **Appendix 3** for a comparison of rental space in these and Tier 1 venues in Canada.

OCC does not own the land where it operates. OCC leases the land it is on from Cadillac Fairview for a nominal fee of \$1 per year for 80 years. The term expires in 2091. OCC has hosted on average about 460 events per year and estimated that it has contributed on average about \$110 million to the provincial economy each year between 2013/14 and 2022/23, excluding 2020/21 and 2021/22, which were impacted by COVID-19 public health restrictions.

Its legislation, the *Ottawa Convention Centre Corporation Act* (OCC Act), sets out OCC's mandate as follows: "to operate, maintain and manage an international class convention centre facility in the City of Ottawa in a manner that will promote and develop tourism and industry in Ontario."

OCC is governed by its Board of Directors (OCC Board) consisting of a minimum of seven and maximum of 12 members, no more than nine of whom are appointed by the Lieutenant-Governor-in-Council (provincial appointees) and three of whom are appointed by the City of Ottawa (municipal appointees). As of August 31, 2023, there were 11 members on the OCC Board, eight of whom were provincial appointees and three of whom were municipal appointees, with one vacancy (provincial). **Appendix 6** provides an overview of OCC's Board membership and composition as of August 31, 2023.

A chief executive officer, appointed by the OCC Board, is responsible for the management of OCC, which as of August 31, 2023, employed approximately

18 full-time staff across sales, marketing, finance and management positions plus an additional 12 staff in security. In addition, OCC outsourced most of its food and beverage services to Aramark, a service organization known for event support and management. Aramark employed 230 staff including waiters, cooks, chefs and others to support events and services held at OCC. **Appendix 7** provides an overview of OCC's organizational structure.

### 2.2.4 OCC's Financial Obligation to the Government of Ontario

Ottawa Convention Centre was built (completed in 2011) to replace the facility known as the Ottawa Congress Centre. The new facility nearly tripled the floor space from 67,000 square feet to 192,000 square feet. The construction was funded by all three levels of government (federal government \$50 million, provincial government \$60.4 million and the City of Ottawa \$40 million) as well as through a \$40 million, 25-year loan obtained by OCC through the OFA in 2011.

In 2012, OCC made an interest payment of about \$1.9 million towards its loan obligation. Soon after, due to OCC's weak financial position, it requested that payments be suspended for five years. The OFA agreed to suspend repayment on the loan for a five-year period. Then, in February 2018, a Ministry-hired consultant reviewed OCC's operations and raised concerns regarding the centre's liquidity and cash flow position. The consultant advocated for the loan to be forgiven and replaced with performance payments. The payments would have been determined based on cash flow available after operational and capital expenditures, and would have been deferred for a period of 10 years (until 2027/28) until OCC's financial situation improved. The OFA informed us they reviewed the consultant's report issued to the Ministry of Tourism, Culture and Sport, but that the OFA was not required to accept its recommendation. The OFA indicated they relied on their own analysis when making the recommendation to the Minister of Finance that OCC be released from the original loan payment schedule in favour of an annual payment in perpetuity.

In May 2018, the OFA released OCC from the original loan repayment schedule. The condition for release was that OCC make an annual payment of \$1 million in perpetuity to the OFA along with any additional surplus cash not required for running its business. The perpetual annual payment of \$1 million to the OFA is guaranteed by the Ministry. As of March 31, 2023, OCC has made five payments of \$1 million, for a total of \$5 million since 2018. The payment made to OFA is promptly forwarded to the Province as per the Release and Settlement Agreement.

## 2.3 Role and Responsibility of the Ministry of Tourism, Culture and Sport

The Ministry is not involved in the day-to-day operations of the convention centres. Its responsibilities are mainly to provide administrative oversight, focused on providing direction and guidance to the convention centres regarding their operations and performance as well as to ensure that they adhere to their legislative mandates, government policies, directives and administrative agreements. The Ministry's key responsibilities for the two centres include:

- outlining, through government mandate letters, the high-level expectations, key commitments and performance priorities of each agency;
- ensuring that government directives are followed;
- reviewing and approving each agency's annual business plan;
- recommending to Treasury Board/Management Board of Cabinet (TB/MBC) each agency's provincial funding allocation;
- reporting and responding to TB/MBC on agency performance and compliance with applicable government policies and directives;
- reviewing, approving and tabling in the Legislature each agency's annual report;
- when appropriate or necessary, taking action or directing an agency to take corrective action with respect to its administration or operations; and



- outlining the accountability framework and roles and responsibilities for the agency and Ministry in an administrative Memorandum of Understanding.

The Ministry is also responsible for seeking approval from TB/MBC for certain changes to MTCC and OCC, including but not limited to changes in governance structure, accountability framework, mandate and legislation/constituting instruments.

In addition, the Ministry runs the Capital Repair and Rehabilitation (R&R) program, a \$25-million annual program that provides infrastructure funding to 12 agencies and attractions overseen by the Ministry, including MTCC and OCC. The program provides funding for the renewal, expansion and modernization of capital assets and funding.

Program funding is distributed to agencies based on an assessment of their requests against core eligibility criteria (which consider the asset repair's impact on health and safety, asset integrity, code compliance and legislation, as well as the criticality of the asset for the business).

### 2.3.1 Government Assistance to MTCC and OCC Related to COVID-19 Public Health Restrictions

The COVID-19 pandemic and related public health restrictions created financial challenges for both MTCC and OCC. Both agencies were only able to hold a limited number of events, which greatly impacted their ability to generate revenue. To address this, the Province of Ontario provided emergency financial assistance to MTCC and OCC through a Transfer Payment Agreement of \$31.2 million and \$12 million respectively. **Figure 4** provides an overview of the

COVID-19 government assistance provided to the two convention centres.

The centres used the transfer payment funding to cover eligible operating expenses, which included salaries and other employment benefits, administrative costs, utilities, interest payments, insurance costs, non-discretionary legal fees, human resources (e.g., severance pay) and professional dues such as audit fees for the annual financial statement audits. Discretionary spending such as performance pay, cash incentives, investments and capital purchases were ineligible.

## 2.4 Local Incentive Fund for Large-Scale Conventions

To attract large-scale conventions that have a substantial economic impact, local hotels and the city's destination marketing organization may collaboratively contribute funds to subsidize costs such as rent fees for events hosted at MTCC and OCC. This financial incentive aims to entice event planners to select Toronto (at MTCC only) and Ottawa (including at OCC) as their preferred venue over competing destinations.

In Toronto, this incentive is funded by MTCC, Destination Toronto and 21 participating downtown hotels. Destination Toronto is a destination marketing organization that promotes tourism in Toronto. Destination Toronto also handles the bidding process for certain conventions in Ontario that require co-ordination between many parties, such as the convention centre and multiple hotels. It is funded by a Municipal Accommodation Tax, which is an additional fee that municipalities can levy on short-term accommodations such as hotels. Similarly, in Ottawa, incentives for OCC are funded by OCC and Ottawa Tourism (Ottawa's

**Figure 4: COVID-19-Related Government Assistance to Convention Centres (\$ million)**

Source of data: Ministry of Tourism, Culture and Sport

Venue	2020/21	2021/22	2022/23	Total
<b>Metro Toronto Convention Centre</b>	13.6	17.6	0.0	<b>31.2</b>
<b>Ottawa Convention Centre*</b>	4.5	5.3	2.2	<b>12</b>

\* Also received \$400,000 in 2020/21 from the Ministry of Tourism, Culture and Sport (Ministry) Emergency Stabilization Capital Funding, a one-time capital funding program available to agencies of the Ministry to support COVID-19-related capital upgrades (e.g., sanitization stations, plexiglass shields).

destination marketing organization that is also funded by a Municipal Accommodation Tax).

To qualify for the incentive program, conventions must meet the definition of “city-wide,” large-scale conventions. In Toronto, for events that would use MTCC as the host venue, the event must be an international convention that attracts a minimum of 1,500 delegates and occupies a minimum of two hotels. In Ottawa, the event must be held at a venue in Ottawa (which could be OCC) and require the use of at least three hotels to accommodate delegates, with a minimum of 500 hotel rooms on the peak event night.

### 3.0 Audit Objective and Scope

Our audit objective was to assess whether the Ministry of Tourism, Culture and Sport has effective processes and systems in place to oversee, monitor and report on the provincial convention centres on a timely basis, to ensure that they meet key legislative and policy requirements, as well as best practices for the operation of world-class convention centres.

In addition, the objective of our audit was also to assess whether Metropolitan Toronto Convention Centre and Ottawa Convention Centre each had effective processes and systems in place to:

- meet key legislative and policy requirements, and best practices for the operation of world-class convention centres that can host international events; and
- measure, evaluate, and publicly report on the centre’s effectiveness.

In planning for our work, we identified the audit criteria (see **Appendix 8**) we used to address our audit objective. These criteria were established based on a review of applicable legislation, policies and procedures as well as best practices. Senior management at the Ministry of Tourism, Culture and Sport (Ministry), Metropolitan Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC) reviewed and agreed with the suitability of our objective and related criteria.

We conducted our audit between January 2023 and August 2023. We obtained written representation

from the Ministry, MTCC and OCC that, effective November 21, 2023, they had provided us with all the information they were aware of that could significantly affect the findings or the conclusions of this report.

Our audit work was conducted at MTCC, OCC, the Ministry’s Agency Relations and Accountability Division (ARAD) and the Ministry’s Tourism and Culture Division (TCD).

Our audit work at the ARAD included an analysis of policies and procedures, as well as discussion with staff responsible for overseeing whether the convention centres met their legislated mandates, achieved performance targets and complied with applicable government directives, Ministry policies and guidelines. We also assessed the Ministry’s asset management processes and procedures, long-term capital planning and its role in assisting convention centres to attract convention events to the province.

Our audit work at TCD involved discussions with staff responsible for strategic planning for the tourism sector, including the convention centres, and a review and sample testing of the results of the Ministry’s past convention incentive programs.

Our audit work at MTCC and OCC included an analysis of policies and procedures, as well as discussions with senior management and staff who were responsible for managing overall operations and measuring and reporting on the performance of the organizations. Data analysis and sample testing was performed to determine whether the convention centres complied with applicable requirements and best practices, and to identify trends related to the convention centre’s efficiency, effectiveness and compliance.

As part of our audit, we researched other jurisdictions to identify best practices in convention centre management. We spoke with the British Columbia Ministry of Tourism Arts, Culture and Sport, BC Pavilion Corporation (who operate Vancouver Convention Centre) and Events East Group (who operate the Halifax Convention Centre) to better understand how they oversaw and operated convention centres in their regions. In addition, we met with senior representatives of the convention and business travel industry

and stakeholder groups in Ontario and Canada, such as the Canadian Association of Exposition Management, Convention Centres Canada, Destination Canada, Destination Toronto, the Greater Toronto Hotel Association, Meetings Mean Business, Ontario Tourism Education Corporation, the Ottawa Board of Trade, the Ottawa-Gatineau Hotel Association, Ottawa Tourism, the Toronto Region Board of Trade and the Tourism Industry Association of Ontario, to obtain their perspectives on issues related to operating convention centres, including operational best practices and their views on MTCC's and/or OCC's operations. We also met with representatives from Air Canada, the Ottawa International Airport Authority and Porter Airlines to learn about the challenges and opportunities Toronto and Ottawa might encounter in organizing events that require air transportation.

On November 16, 2023, the Ontario government introduced Bill 151, *Improving Real Estate Management Act, 2023* (Real Estate Act), for first reading in the Legislature. Second reading was carried on November 21, 2023. If the Real Estate Act is passed, it will prohibit both MTCC and OCC from acquiring or disposing of a freehold interest in real estate property without approval from the Minister of Infrastructure. As such, the Real Estate Act could impact some of our findings and recommendations (such as the potential redevelopment of MTCC, discussed in **Section 4.3.4** and the potential acquisition of a marshall yard by MTCC, discussed in **Section 4.3.5**.) We will consider the impact of this legislation on our recommendations when we perform our follow-up audit on this report.

We also met with 10 event planners for some of the top conventions in the world to learn about their preferences and how they assess a destination city and a convention centre's ability to handle large-scale events, prior to selecting an event host.

We also reviewed the relevant audit reports issued by the Province of Ontario's Internal Audit Division in determining the scope and extent of our audit work.

We conducted our work and reported on the results of our examination in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and

Assurance Standards Board of the Chartered Professional Accountants of Canada. This included obtaining a reasonable level of assurance.

The Office of the Auditor General of Ontario applies Canadian Standards on Quality Management and, as a result, maintains a comprehensive system of quality management that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

## 4.0 Audit Observations

### 4.1 Bookings for Conventions Down Almost 50% Since the Pandemic

Event planners typically select and reserve their venues several years in advance of the planned event. We conducted an analysis of the number of reservations at Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC) for future conventions by comparing the number of definitive reservations booked for all conventions before and after the COVID-19 pandemic, that is, at June 2019 and June 2023. Bookings for upcoming conventions were down by 43 events (or 44%) for MTCC while OCC had a decrease of 69 bookings (or 50%). Overall, for the two convention centres, reservations for future conventions were down by 112 events, an average of 47%.

From April 1, 2019 to March 31, 2020, the fiscal year prior to the onset of the pandemic in Ontario, the two convention centres held a total of 902 events, which added an estimated \$632 million to Ontario's economy. In the most recent fiscal year (2022/23), the centres hosted about 300 fewer events. According to the two centres, these events generated an estimated economic impact of about \$498 million, a decline of \$134 million

from the estimated \$632 million generated in the year prior to the pandemic. The amount of economic impact generated by MTCC was estimated to have declined by about \$87 million (or 18%) while OCC's economic impact declined by an estimated \$47 million (or 32%).

#### 4.1.1 The Ministry Has No Strategy to Help the Convention Centre Industry Recover

The Ministry of Tourism, Culture and Sport (Ministry) has not created a strategy to support the recovery and growth of the Province's convention centres. This is particularly concerning in our post-COVID-19 context, where convention centres are not generating the same revenue and economic impact as they did prior to the pandemic. Business and convention delegates have a significant impact on the local economy because they often spend more money during their trips by bringing their families and visiting other parts of the province, which can include spending time at more premium restaurants and attractions. Convention attendees boost local businesses and create job opportunities.

We found that between 2021 and 2023, the provincial governments in British Columbia and Quebec published specific plans aimed at directly helping their convention centres recover events lost during the pandemic. For example, British Columbia's 2022–2024 Strategic Framework for Tourism noted a key priority was to “rebuild confidence and drive bookings in BC's business events and conferences industry.”

As noted in our Office's 2023 report on tourism support programs, the Ministry currently does not have a strategic plan for tourism. A convention centre strategy could be developed as part of an overall strategic plan for tourism or as a standalone document.

#### 4.1.2 Elsewhere and in the Past, Incentive Funds Have Been Used to Increase Convention Centre Attendance and Achieve Economic Impact

We found that the provincial governments of British Columbia and Quebec, two jurisdictions competing with Ontario for conventions, allocated \$8 million and

\$15 million respectively (in 2022/23) for incentives to help their centres attract conventions. At the time of our audit, the Ontario government was not allocating any funds for such incentives.

In the past in Ontario, incentive funding has been used to attract conventions. In 2003, Ontario's then Ministry of Tourism and Recreation initiated a program (the Convention Development Fund) to help convention centres recover from a decline in event bookings caused by the severe acute respiratory syndrome (SARS) pandemic. The Ministry began paying for incentives to attract large-scale events to convention centres in Ontario, including MTCC and OCC. Through the 2008 financial crisis and beyond, the Ministry continued to fund and operate these incentive programs. From 2003 to 2013, the Ministry spent over \$10 million, of which \$2.8 million was spent directly on attracting 17 conventions to MTCC and 12 conventions to OCC. These 29 conventions drew approximately 136,000 delegates and, between 2012 and 2018, were estimated to have added about \$179 million to Ontario's economy.

For instance, \$212,000 of government funding was used to help attract a large-scale financial sector convention held at MTCC in 2017. It was estimated this event added about \$13.6 million to Ontario's economy. Another \$50,000 was spent on securing a convention for international educators held at OCC in 2015, which was estimated to add about \$3.3 million to the economy. According to the Ministry's own analysis, for every dollar it spent in incentive funding, \$60 of economic impact was generated for the province, of which \$10.50 was directed to provincial tax revenues.

In 2021, the Tourism Economic Recovery Ministerial Task Force—a task force set up to make recommendations to the Ministry to support the economic recovery of the tourism industry in Ontario after the COVID-19 pandemic—recommended that the provincial government introduce a support fund for conventions and business events which would provide incentives for event holders to host events at Ontario convention centres (such as through discounted or free hotel rooms and/or event rental space).



To act on this recommendation, in 2022 the Ministry asked the government for funding of \$45 million to restart its contributions to the Convention Development Fund, but the government did not approve the request. The Ministry again requested funding of \$50 million in 2023, which was also not approved.

We reviewed the government's assessment of the Ministry submissions and found that funding for the incentives was not granted because the government's priority at that time was addressing the capital repair backlog at agencies and attractions accountable to the Ministry (such as those that participate in the Ministry's Capital Repair and Rehabilitation Program, which is discussed in **Section 2.3**). Treasury Board Secretariat staff responsible for assessing the Ministry's annual submissions confirmed to us that the government was focused at the time on capital repair needs over the creation of new tourism incentives.

## RECOMMENDATION 1

To support the Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC) in their post-pandemic recovery and in growing the economic impact potential for the two centres, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- perform an analysis of convention centre incentive-based programs across North America, with input from MTCC, OCC, Destination Toronto and Ottawa Tourism;
- based on the above analysis, determine if an incentive program should be implemented in the province;
- work with MTCC and OCC (and other tourism stakeholders as deemed appropriate) to determine any other initiatives that should be implemented; and
- prepare and submit a funding proposal to the government based on the initiatives identified.

## MINISTRY RESPONSE

The Ministry accepts this recommendation and will review the efforts of other jurisdictions and needs

of the industry. The Ministry will consider opportunities to assist industry partners with attracting and hosting international business events.

The Ministry will perform an analysis and based on the analysis will determine if convention centre incentive-based programs should be implemented in Ontario and will work with MTCC, OCC, Destination Toronto and Ottawa Tourism to explore next steps on this or any other initiatives that should be implemented. Any associated opportunities and initiatives will be developed and submitted as a funding proposal to the government, where appropriate.

## 4.2 Ministry Did Not Ensure the Provincial Convention Centres Operated to Maximize Economic Impact

We found that the Ministry did not ensure that the centres were operating so as to best achieve their legislative mandate. According to the *Metropolitan Toronto Convention Centre Corporation Act* and the *Ottawa Convention Centre Corporation Act*, each centre is to operate, maintain and manage a world-class convention centre “in a manner that will promote and develop tourism and industry in Ontario.” The legislated mandate does not refer to generating revenue or profit, yet decision-making at each centre was largely based on the pursuit of profit for the individual venue instead of maximizing economic impact.

As discussed in **Section 4.2.2** to **Section 4.2.4**, this focus had consequences for the way each centre put together its event-booking strategy, executive performance pay and performance targets.

### 4.2.1 Economic Impact Is the Legislated Mandate of Convention Centres

We found that, in 2016, the Ministry hired a consultant to review MTCC's legislated mandate (OCC's legislated mandate is nearly identical to MTCC's). The consultant concluded from its review that the primary mandate of the centre is to generate economic impact for Ontario.

**Figure 5: Mandates of Select Government-Owned Convention Centres**

Prepared by the Office of the Auditor General of Ontario

Convention Centre	Mandate
<b>Vancouver</b>	To generate economic and community benefits for British Columbia through the management and marketing of the province's premier convention and exhibition facility.
<b>Halifax</b>	To attract and host national and international events that drive economic and community benefits for Nova Scotia.
<b>Calgary Telus</b>	To manage, market and operate the Calgary Telus Convention Centre in an efficient and market-competitive manner in order to maximize overall economic impacts to the City of Calgary while maintaining financial performance within an acceptable range.
<b>Edmonton</b>	To increase the economic impact of the visitor-based economy in Edmonton.
<b>Québec City</b>	To attract major conventions and events with an international calibre convention centre and exceptional service, positioning Québec City and area as the premiere destination for business events and driving economic activity.*
<b>Vancouver Island</b>	To manage and operate the centre consistent with the goals of the City and operated in the public interest, to create positive economic impact, stimulate growth for the City and provide for the cultural enrichment of the community.
<b>Winnipeg</b>	Together we collaborate and innovate with partners and guests to create outstanding, experiential events that contribute to the economic prosperity of our City and Province.*

\* Mission statement.

This is consistent with the primary objective of other government-operated convention centres in Canada. See **Figure 5**, showing the mandate statements of a sample of other Canadian convention centres.

The consultant also noted that the centres' commercial objectives might be at odds with the achievement of economic impact, something we discuss in **Sections 4.2.2 to 4.2.4**.

#### 4.2.2 Centres Aimed to Be Profitable Rather than Maximize Economic Impact

Our audit found that, while the legislated mandate of each convention centre does not state that the centre should be profitable, each centre's board of directors had established a goal for its centre to be profitable. In 1984, MTCC's Board of Directors established a goal "to operate on a cost recovery commercial (profitable) basis over the long term." In 2012, OCC's Board of Directors adopted a similar goal to be profitable. While no records from 1984 could be found to indicate why

the MTCC's Board made that decision, OCC's management told us that the centre must be profitable to ensure it has the money to make the annual payment of \$1 million to the government (as explained in **Section 2.2.4**). As discussed in **Section 2.2.2**, MTCC is also required to remit at minimum \$2.5 million annually to the Minister of Finance. (Historically, the centre has exceeded this amount, by contributing on average more than \$5 million annually since 2003.)

We asked the Ministry about the centres' legislated mandate and whether the convention centres should focus on generating economic impact or being profitable. The Ministry said that each centre should follow its act, and deferred our question to the centres.

The centres told us that being profitable was an important part of their mandate. We noted that management's performance pay eligibility criteria at both centres was tied to the revenues and profits generated and was not related at all to the economic impact of the events hosted.

Similarly, we noted that while both centres generally achieved their performance targets, the targets focused less on the economic impact generated by the centres than on revenue. For example, from April 1, 2015 to March 31, 2020, MTCC's revenue-growth target increased by about 40%, whereas its economic impact growth target increased by 3.5%. We noted that, while OCC has had a revenue target as of reopening in 2011, the centre did not establish an economic impact target until 2018/19.

### 4.2.3 Events With the Highest Revenue Did Not Always Generate the Highest Economic Impact

We analyzed events held at MTCC from April 2013 to March 2023. We found that those events that were estimated to have contributed the most economic impact to the provincial economy were not necessarily the most profitable ones. For example, of the 10 events that generated the most revenue for MTCC between 2013/14 and 2022/23, only four were also in the top 10 when ranked by their estimated economic impact. In fact, four of the high-revenue generating events ranked 20 or lower when it came to the size of their estimated economic impact.

For instance, the event that generated the fourth-highest revenue for MTCC between 2013/14 and 2022/23 ranked 20 in terms of its relative economic impact compared with all events hosted by MTCC during that period. Revenue generated for a convention centre is therefore not directly correlated with economic impact generated for the province. This is because not all convention centre delegates generate the same economic impact. As discussed in **Section 2.1.2**, delegates from outside of Canada tend to spend more than local delegates, even if their international events have lower attendance (and therefore generate less revenue) than local events; they are likely to generate more economic impact for this reason.

**Figure 6** illustrates how the top 10 revenue-generating events hosted from April 2013 to March 2023 ranked in terms of the economic impact they generated for the province. As discussed in **Section 4.4.1**, OCC estimates the economic impact for its events on an aggregate basis, which prevented us from conducting a similar analysis for its events.

**Figure 6: Top 10 Events by Revenue Held at Metro Toronto Convention Centre, April 2013–March 2023 and Their Economic Impact**

Source of data: Metro Toronto Convention Centre

Event	Year	Revenue Ranking	Economic Impact Ranking	Revenue (\$ million)	Estimated Economic Impact (\$ million)
<b>A</b>	2017	1	1	<b>5.1</b>	<b>83.7</b>
<b>B</b>	2017	2	6	<b>5.0</b>	<b>29.5</b>
<b>C</b>	2016	3	4	<b>4.7</b>	<b>40.4</b>
<b>D</b>	2018	4	20	<b>3.4</b>	<b>14.2</b>
<b>E</b>	2018	5	27	<b>2.7</b>	<b>9.7</b>
<b>F</b>	2017	6	17	<b>2.5</b>	<b>15.0</b>
<b>G</b>	2019	7	16	<b>1.8</b>	<b>16.0</b>
<b>H</b>	2018	8	2	<b>1.7</b>	<b>56.7</b>
<b>I</b>	2017	9	31	<b>1.6</b>	<b>8.4</b>
<b>J</b>	2018	10	22	<b>1.6</b>	<b>13.4</b>

#### 4.2.4 Centres' Pricing Strategy Led Them to Forego Millions of Dollars in Economic Impact

We found that both centres' focus on profits resulted in them not hosting available events that would have brought economic impact to the province. When we asked MTCC to provide the most common reasons for rejecting an event, MTCC told us that one of the most common reasons was that the event did not generate enough revenue or profits for the centre.

As explained in **Section 2.4**, Destination Toronto handles the bidding process for many large-scale conventions in the City of Toronto. Their records showed that between January 1, 2017 and December 31, 2019 MTCC chose not to bid on 12 national and international events, largely due to financial considerations for the centre. Destination Toronto estimated that those 12 events had the potential to generate about \$63 million in economic impact.

We found that MTCC lost an additional 19 national and international conventions to be held between 2018 and 2026 because the price of its bid to host the event was too high, and therefore not as competitive as other cities' bids. Destination Toronto estimated that these 19 events had the potential to generate about \$159 million in economic impact for the province. Of these 19 events, eight coincided with the two fiscal years where the COVID-19 pandemic lockdowns occurred. However, for four of the remaining 11 events that occurred either before or after the pandemic lockdowns, we discovered that MTCC was unable to book replacement events. The four lost events would have generated an estimated economic impact of approximately \$27 million.

Similarly, we found that with OCC there were 78 known instances when a bid for a convention to be hosted between 2018 and 2025 was lost because, according to the event planners, OCC's bid price was too high. The estimated economic impact of these events was about \$142 million. Of these 78 events, 29 coincided with the two fiscal years where COVID-19 pandemic lockdowns occurred. Outside of the pandemic, for the time frames of 15 of the remaining 49 events, OCC was not able to book any other event. According to OCC, these 15 events would have generated an estimated economic impact of about \$25 million.

For the two convention centres, that means there was a total estimated loss of \$52 million in economic impact since 2018 in relation to 19 of the 60 (32%) of the lost events, even when we removed from consideration events to be held during 2020/21 and 2021/22.

### RECOMMENDATION 2

To align the strategy of the Metro Toronto Convention Centre (MTCC) and the Ottawa Convention Centre (OCC) with the primary legislated objective of the centres, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- consult with MTCC and OCC as to the primary objective of both centres, including to what degree it is expected that they focus on maximizing the economic impact they generate for the province;
- work with the boards of directors of MTCC and OCC to align event bidding and booking strategies and executive performance pay structures with the convention centres' full mandate, based on the above clarification; and
- require MTCC and OCC to establish economic impact targets on an annual basis that are based on each centre's updated event bidding and booking strategy.

### MINISTRY RESPONSE

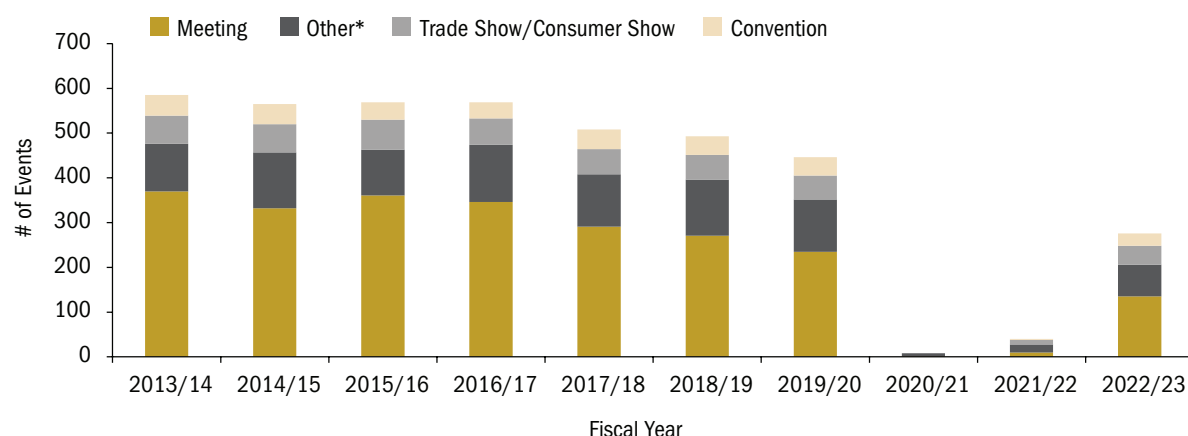
The Ministry accepts this recommendation and will consult with MTCC and OCC on the primary objective of both centres and how to interpret their mandates as well as the development and implementation of economic impact targets.

Following consultation and through the Minister's annual letter of direction to each agency and as part of approval of each agency's annual business plan, the Ministry will require each agency to specify economic impact targets while accounting for bidding and booking strategies and self-sustainability. The Ministry will also work with the centres' boards of directors to ensure that event bidding, booking strategies and executive performance pay structures align with the centres' mandates.



**Figure 7: Events Held at Metro Toronto Convention Centre, April 2013–March 2023**

Source of data: Metro Toronto Convention Centre



\* Other includes exams, food and beverage events, special events like weddings, sporting events, film and television shoots, religious celebrations, dance productions, concerts, graduations and theatre events.

## 4.3 MTCC: Performance and Challenges

### 4.3.1 MTCC's Financial and Operational Performance

From fiscal years 2013/14 to 2022/23, MTCC held approximately 4,000 events. Client satisfaction surveys from the past 10 years show that 95% of survey respondents, which includes event planners and exhibitors, rated their overall experience with MTCC's services as "excellent," "very good" or "good."

Due to the COVID-19 pandemic and associated public health restrictions, only a few events were held at MTCC in 2020/21 and in 2021/22. In the seven fiscal years prior to the COVID-19 pandemic (April 1, 2013 to March 31, 2020), MTCC averaged a 55% occupancy rate for its rental space (70% is generally considered full capacity by industry standards). Refer to **Figure 7** for the number of events by type held at MTCC from April 2013 to March 2023.

MTCC generates revenue through various sources, including event space rental, food and beverage sales, parking, commissions (such as from a partner vendor for audio-visual services used during events) and communication services (such as charging for the use of wireless Internet). In the past decade, its revenue breakdown has been approximately:

- 39% from food and beverage sales;

- 25% from space rental;
- 17% from parking;
- 13% from commissions and communication services; and
- 6% from other sources (such as rental fees from tenants).

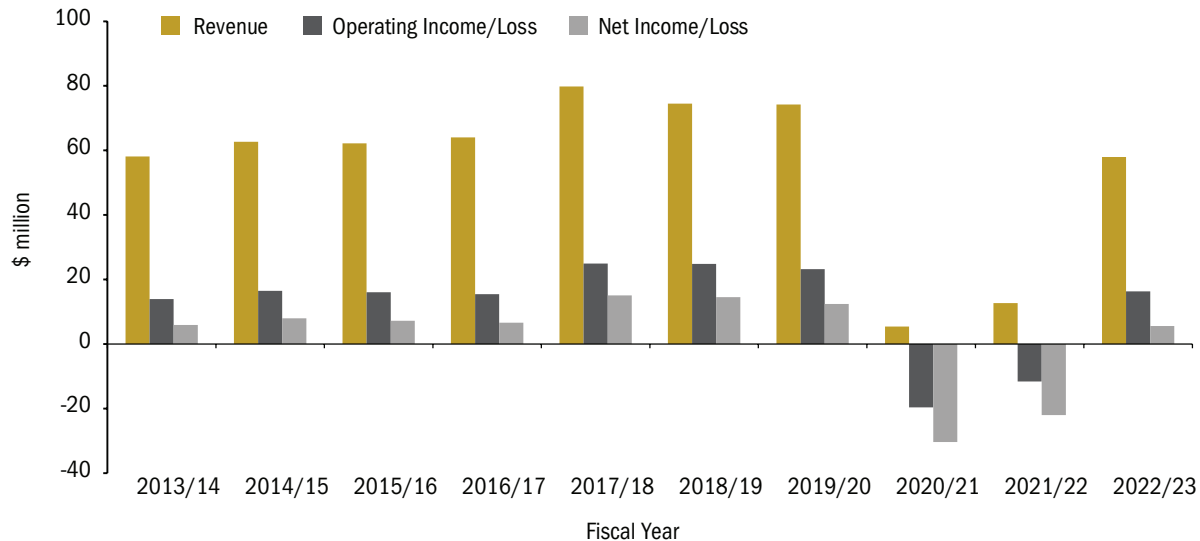
For a detailed overview of MTCC's revenue, operating income and net income from 2013/14 to 2022/23, refer to **Figure 8**. For a comparison of its financial performance to other government-operated Tier 1 venues in Canada, see **Appendix 9**.

MTCC estimates that it has contributed on average about \$493 million to the provincial economy each year between 2013/14 and 2022/23, excluding 2020/21 and 2021/22, which were impacted by COVID-19 public health restrictions. In 2019/20, MTCC held 446 events, which contributed approximately \$480 million to the Ontario economy. Refer to **Figure 9** for the annual economic impact generated by MTCC from 2013/14 to 2022/23, which is calculated by MTCC using the Ministry's Tourism Regional Economic Impact Model (TREIM) tool (explained further in **Section 2.1.1**).

The event planners we spoke to emphasized that the current location of the MTCC is exceptionally vibrant, making it one of the top reasons why they chose MTCC to host their events. MTCC's downtown Toronto

**Figure 8: Revenue, Operating and Net Income and Loss Generated by Metro Toronto Convention Centre, April 2013–March 2023**

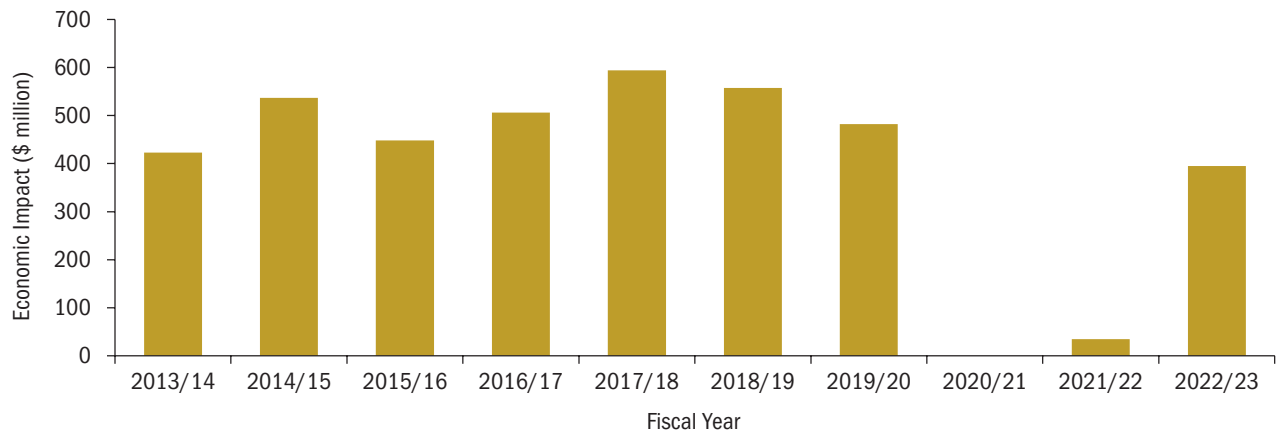
Source of data: Metro Toronto Convention Centre



Note: Due to the COVID-19 pandemic public health restrictions, there was a significant drop in revenue in 2020/21 and 2021/22 (and to lesser extent in 2022/23). Financial assistance of \$31.2 million was provided by the Ministry of Tourism, Culture and Sport, as discussed in **Section 2.3.1**, and is not included in the operating and net income and loss calculations so as to reflect the convention centre's independent performance. Depreciation costs are included in the calculation for net income/loss. Annual payments to the Ontario Financing Authority are not shown here.

**Figure 9: Annual Estimated Economic Impact Generated by Metro Toronto Convention Centre, April 2013–March 2023**

Source of data: Metro Toronto Convention Centre



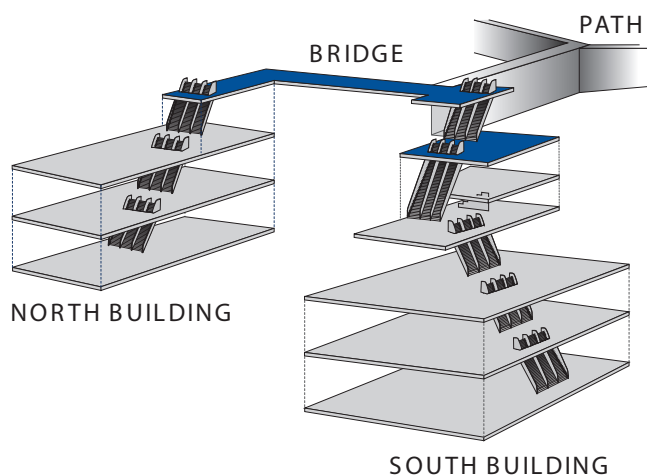
Note: Estimate obtained by inputting event-specific details into the Tourism Regional Economic Impact Model (TREIM) developed and maintained by the Ministry of Tourism, Culture and Sport. The TREIM is explained in **Section 2.1.1**. Due to the COVID-19 pandemic and public health restrictions, there was a significant drop in economic impact in 2020/21 and 2021/22.

location, in close proximity to tourist attractions, restaurants and hotels, was a key reason they preferred it. Furthermore, its location next to Union Station and the Union Pearson (UP) Express provided convenient access to Toronto's Pearson International Airport.

Despite this, MTCC faces other challenges that have limited its ability to win event bids. In **Section 4.3.2** and **Section 4.3.3** we lay out these challenges. **Section 4.3.4** presents the solution MTCC has come up with to address these challenges.

**Figure 10: Metro Toronto Convention Centre Layout**

Source: Metro Toronto Convention Centre



#### 4.3.2 MTCC Was Too Small to Accommodate over 25% of the Available Convention and Trade Show Market

MTCC has over 440,000 square feet of exhibit space, however this space is not contiguous. Contiguous space are areas that are physically connected or adjacent to each other without any obstructions or gaps, allowing for easy flow and movement of people and equipment. MTCC is comprised of one 182,000-square-foot hall (North Building) and a separate 259,000-square-foot contiguous exhibit hall (South Building) which are connected by a 250-foot bridge across Toronto's Union Station railway tracts. MTCC's layout is shown in **Figure 10**.

Because of its layout, MTCC is effectively comprised of two medium-sized buildings, with the South Building being utilized to host conventions while the North Building is utilized mostly for other events. According to a 2019 survey conducted by a third-party consultant for MTCC, almost 90% of event planners surveyed said they strongly preferred venues with one large building/contiguous space. This is because conventions held in contiguous, as opposed to separated, spaces are easier to set up and manage. About 60% of the planners surveyed also said that in the next two to five years they expected their events to require even more space. Most of the event planners we met with confirmed their

events were growing in size and will require more contiguous space in the future.

We found that in terms of its contiguous space, MTCC ranked low, or 18 out of 21 among a sample of comparable Tier 1 convention centres in North America. Further, many convention centres have expanded in the past 26 years, since MTCC was last expanded (1997), so MTCC has fallen in the size rankings. **Figure 11** and **Appendix 10** compare the largest contiguous exhibit hall at MTCC to some of its North American competitors.

A consultant was hired by MTCC in 2019 to evaluate the facility's ability to meet the needs of the industry. The consultant found that MTCC was unable to accommodate about 27% of the convention and trade show market that could be held in Toronto. When we reviewed the attendance records of the 129 large-scale conventions held at MTCC over the past 10 years, excluding the two years of the pandemic, we found that, on average, MTCC annually hosted only a few events where attendance exceeded 10,000 people. The events with more than 10,000 people attending required the use of both the North and South buildings. We noted that in order to accommodate this number of delegates, the events generally had to split their exhibitions across multiple floors or employed a set-up with a number of small booths and tables, such as for a job fair, which allowed for more people to attend. Attendance at the remaining 107 events averaged about 3,300 delegates.

#### Twenty International Conventions Have Outgrown MTCC and Left for Other Venues

MTCC hosts a wide variety of events such as conferences, consumer shows and exhibitions. As explained in **Section 2.1.2**, conventions with international delegates add the most economic impact to the province. When we analyzed the economic impact created by the 4,059 events held at MTCC over the past 10 years, we found that, as of August 2023, 45 of the top 50 events that contributed most to the provincial economy were large-scale conventions; of these, 43 (or 96%) were international events (largely attended by delegates from outside Canada).

**Figure 11: Largest Contiguous Halls in Select North American Convention Centres, as of August 2023**

Prepared by the Office of the Auditor General of Ontario

Venue	Location	Year Built	Year Last Expanded	Largest Contiguous Hall (square feet)
<b>Georgia World Congress Center</b>	Atlanta, GA	1976	2002	1,120,428
<b>Ernest N. Morial Convention Center</b>	New Orleans, LA	1986	2006 <sup>1</sup>	1,026,627
<b>Dallas Convention Center</b>	Dallas, TX	1957	2011 <sup>2</sup>	726,526
<b>Indiana Convention Center</b>	Indianapolis, IN	1972	2011 <sup>1</sup>	566,600
<b>George R. Brown Convention Center</b>	Houston, TX	1987	2014	547,350
<b>Pennsylvania Convention Center</b>	Philadelphia, PA	1993	2011	528,000
<b>San Diego Convention Center</b>	San Diego, CA	1989	2001	525,701
<b>Henry B. Gonzalez Convention Center</b>	San Antonio, TX	1968	2016	513,944
<b>Walter E. Washington Convention Center</b>	Washington, DC	2003	2013	473,000
<b>Music City Center</b>	Nashville, TN	2013	n/a	353,143
<b>Metro Toronto Convention Centre</b>	Toronto, ON	1984	1997	259,325

1. At the time of our audit, convention centre was undergoing redevelopment and/or expansion.

2. At the time of our audit, was approved for redevelopment.

By analyzing historical bookings, and from discussions with MTCC's sales staff, we discovered that in the past 22 years (2001/02 to 2022/23), MTCC lost 20 international conventions because the conventions had outgrown the centre. The last time these 20 events were held at MTCC, they had an average attendance of about 11,700 delegates and an estimated total economic impact of about \$490 million.

Additionally, these conventions are held periodically, meaning that they could have been hosted at MTCC multiple times in the future had they not outgrown the centre. **Figure 12** lists the 20 international conventions that were lost, their attendance and rank by estimated economic impact they had previously generated for the provincial economy. To take one example, a large medical association from the US held its annual convention at MTCC in 2015. This convention was attended by approximately 18,000 delegates, with 86% being international attendees. This convention was estimated as contributing about \$40 million to Ontario's economy. After being held at MTCC in 2015, this annual convention moved to MTCC's competitor

convention centres in Atlanta, San Francisco (twice), New York (twice), San Diego and New Orleans, all of which offered greater contiguous space. We obtained the Request for Proposal for this event (as scheduled for 2025) and noted that the event now needs a minimum of 260,000 square feet of contiguous space in an exhibit hall, slightly more than the 259,000 square feet of contiguous space MTCC can offer.

Similarly, a well-known American organization dedicated to promoting sustainability and environmentally friendly practices within the construction and building industry held its annual convention at MTCC in 2011, bringing 22,000 delegates and contributing an estimated \$44 million to Ontario's economy. Since then, the event has moved to MTCC's competitor convention centres in San Francisco (twice), Philadelphia, New Orleans, Washington, D.C. (twice), Los Angeles, Boston, Chicago, Atlanta and San Diego, all of which provide more contiguous space. MTCC appears to no longer be part of the regular destination rotation for this event. We obtained the Request for Proposal for this event (as scheduled for 2019) and noted that the

**Figure 12: Twenty International Events No Longer Held at Metro Toronto Convention Centre, Ranked by Economic Impact**

Source of data: Metro Toronto Convention Centre

Event Category	Year	Approximate Attendance	MTCC Event Revenue (\$ million)	Economic Impact (\$ million)
Environmental and Infrastructure	2011	22,000	1.63	44
Healthcare and Medical	2015	18,000	1.03	40
Healthcare and Medical	2001	17,500	0.52	35
Healthcare and Medical	2008	16,000	1.02	32
Biotechnology and Research	2002	15,700	1.07	31
Finance and Professional Organizations	2023*	8,000	4.26	29
Finance and Professional Organizations	2019	14,500	0.99	29
Biotechnology and Research	2007	14,000	0.59	28
Finance and Professional Organizations	2001	12,580	0.72	25
Environmental and Infrastructure	2007	12,000	0.52	24
Environmental and Infrastructure	2007	12,000	0.56	24
Healthcare and Medical	2010	12,000	1.30	24
Environmental and Infrastructure	2003	9,500	0.33	19
Environmental and Infrastructure	2010	9,000	0.74	18
Environmental and Infrastructure	2016	6,000	1.10	18
Finance and Professional Organizations	2014	8,700	0.70	17
Healthcare and Medical	2008	8,000	0.92	16
Biotechnology and Research	2002	7,200	0.46	14
Healthcare and Medical	2001	6,000	0.70	12
Healthcare and Medical	2009	4,500	0.30	9
<b>Total</b>		<b>233,180</b>	<b>19.46</b>	<b>488</b>

\* Metro Toronto Convention Centre and Destination Toronto expect that this event will outgrow MTCC's current size by 2029.

event now needs a minimum of 500,000 square feet of contiguous space in an exhibit hall—much more room than MTCC's maximum contiguous rentable space of 259,000 square feet.

### Layout of the Meeting Space Prevented MTCC From Hosting Some Events

Besides the exhibit space, we observed that some clients stopped hosting meetings at MTCC because it did not have the meeting space they required. MTCC has about 110,000 square feet of meeting space that can be broken into 77 meeting rooms. One professional organization held an event at MTCC in 2009, bringing

in 6,000 delegates and an estimated \$12 million in economic impact for the economy, and another science organization held an event in 2004, bringing 5,000 delegates and generating an estimated \$10 million in economic impact. Destination Toronto confirmed to us that both of these events have now moved to convention centres with a more practical meeting space configuration.

Overall, the consultant hired by MTCC had noted an industry trend that in order to compete effectively for larger conventions, convention centres must increasingly offer a combination of large contiguous exhibit space capable of accommodating conventions, trade



shows, information booths and displays, along with large meeting spaces (and number of rooms) suitable for hosting keynote addresses and breakout sessions. For example, the Vancouver Convention Centre offers more flexible interior space than MTCC, with its lobby and pre-function areas being able to accommodate small gatherings, networking and informal meetings. This design also fosters networking opportunities for event attendees.

We spoke to some of the event planners in charge of planning large-scale conventions and most reiterated there was a growing demand for larger exhibit space and additional meeting rooms due to the increasing attendance (delegates and exhibitors) at their events. They voiced concerns about the MTCC's layout, particularly that the North Building and South Building were divided by a long bridge, which resulted in time-consuming walks between buildings that disrupted the flow of an event. Furthermore, from their perspective, there was a shortage of meeting rooms and pre-function areas at MTCC.

#### 4.3.3 MTCC Lost 23 Conventions Due to Hotel-Related Issues, Which Could Have Generated an Estimated \$344 Million in Economic Impact

Toronto is among the top five largest metropolitan areas in North America (per 2015 Census Data). Data analysis performed by a consultant hired by MTCC in 2019 found that, in terms of the number of hotel rooms surrounding a convention centre, Toronto ranked 15 of 20 comparable cities in Canada

and the US, behind a number of smaller cities such as Seattle and Indianapolis.

Further, according to data from Destination Toronto, MTCC lost bids to host 23 conventions due to hotel-related issues for bids submitted from 2017 to 2019. These events could have generated an estimated \$344 million in economic impact for the province.

**Figure 13** provides an overview of conventions lost due to hotel issues.

Research and surveys in 2019 and 2020 that were conducted for MTCC came to the same conclusion. For example, to reserve 2,500 hotel rooms for an event in Toronto, an event planner may have to co-ordinate with up to 12 different hotels. This puts MTCC at a competitive disadvantage compared to cities such as Atlanta, San Diego and San Francisco, where 2,500 rooms can be reserved at just three or four hotels.

We analyzed six instances where business was lost as a direct result of too many hotels being required to secure the hotel block. In these instances, where the required hotel block was anywhere from 1,800 to 3,000 rooms, we found that at least eight hotels were needed in order to secure these blocks, and in some instances up to 12 hotels. On average, each hotel was able to block off only 236 rooms. This issue occurred at different times in a year; the lost events were scheduled between months of April and October from April 2019 to April 2023.

In a separate example, MTCC had to refuse business from an American medical association convention planned for 2026. It was to involve 2,000 attendees, many from outside the province. This event had to be

**Figure 13: Bids for Large-Scale Conventions Lost Due to Hotel-Related Issues, 2017–2019**

Source of Data: Destination Toronto

Reason for Lost Business	Total # of Delegates	# of Events	Estimated Economic Impact (\$ million)
Hotel rates too high	11,350	5	32
Too many hotels required to secure block	42,700	9	129
Hotel unwilling to accept room rate proposed by event organizer	9,300	4	23
Number of rooms requested was unavailable	35,000	5	160
<b>Total</b>	<b>98,350</b>	<b>23</b>	<b>344</b>

rejected by MTCC as hotel room blocks could not be secured to satisfy the event's requirements. As part of the event bid, the association requested 1,055 rooms to be blocked off on the peak night, when organizers expected the greatest number of delegates.

In two other separate instances provided to us by Destination Toronto, conventions were lost as a direct result of hotel-supply issues. One event was due to be held in 2023 and required 2,400 rooms on a peak night, while the other was scheduled for 2025 and required 2,270 rooms. Due to the number of hotels needed to co-ordinate and accommodate these bookings, both event planners decided to locate their conventions in other cities.

### Some Governments Support Construction of Hotels Near Convention Centres

We found that some municipal and state governments in the United States have taken measures to help build or incentivize the building of hotels near convention centres, to make it easier to accommodate bookings for large-scale events. For example:

- In Chicago, Illinois, around \$560 million US of state and municipal funding was used in 1998 and 2013 to construct two hotels prioritizing convention delegates at the McCormick Palace convention centre.
- In 2015, the state of Utah introduced a convention centre development incentive to incentivize the construction of new hotels near the Salt Palace Convention Center in Salt Lake City. In 2019, a developer executed an agreement with the state and municipal governments in Utah to build a hotel in this location. Incentives that are part of the program include a \$75 million US tax rebate incentive through property tax benefits, land conveyance, and sales tax rebates.
- Texas has granted tax incentives to hotels that expand room capacity near convention districts since 2002.
- Colorado's Economic Development Commission supported five projects from 2012 to 2015, including a private resort with a convention

centre in Aurora, Colorado, featuring 1,501 hotel rooms which opened in 2019.

We noted that currently, the Ministry does not offer any similar incentives to encourage hotels to be built near convention centres.

### 4.3.4 Ministry Has Not Acted on MTCC's Redevelopment Plans

In February 2018, MTCC's management initiated research into the potential redevelopment of the centre to attract more large-scale international conventions. MTCC informed us that, since then, along with the landlord for the North building (Oxford Properties), it has spent over \$2 million to conduct market research and industry analysis to assess future demand.

Leadership at MTCC told us they believed, based on the analysis of the consultant they hired, the economic impact generated by out-of-town delegates of the centre was likely to decline about 7% annually (or \$27 million annually) from about \$402 million on average at the time of the consultant's work to \$375 million annually going forward as a result of MTCC not being able to book as many large-scale, international events.

According to the consultant hired by MTCC, the centre could recapture lost market share and target larger-scale international events by increasing its total and contiguous exhibit space, as well as adding additional meeting and ballroom space. MTCC management told us it believes that some of the events that MTCC lost (discussed in **Section 4.3.2** and identified in **Figure 12**) have the potential to return, with a redeveloped facility. MTCC's redevelopment plans also include building 2,500 to 3,000 new hotel rooms connected to the facility that would be managed by MTCC to ensure room blocks and rates were prioritized for the conventions they held.

The aforementioned research and analysis was shared with the Ministry in 2019, with more details being provided in 2021, and MTCC asked for Ministry direction and funding to pursue further work on the potential redevelopment. MTCC informed us it has

also shared information on a desired redevelopment with other provincial government officials as well as with the City of Toronto, who is the landlord of MTCC's South Building.

According to MTCC, the Ministry had not provided any direction on the redevelopment of MTCC's facility. The Ministry informed us that MTCC was still exploring options for redevelopment and the Ministry would review any items that MTCC brought forward in the future pertaining to redevelopment. As MTCC's prior report to the Ministry did ask for further direction and funding to pursue additional work on a potential redevelopment of the centre, it is important that both parties determine together what the next steps are.

We noted that most of the research and information submitted to the Ministry in relation to MTCC's potential redevelopment was gathered prior to the COVID-19 pandemic and therefore needed to be updated (such as to account for the change in future reservations that MTCC was experiencing in the aftermath of the pandemic, as discussed in **Section 4.1**).

### RECOMMENDATION 3

To ensure that Metro Toronto Convention Centre (MTCC) is best positioned to attract international conventions and generate economic impact for the province in the future, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- work with MTCC to identify what information it requires from it to be able to make a decision on the potential redevelopment of its centre;
- provide direction to MTCC as to when it plans to make a decision on the redevelopment of its centre;
- independently assess the long-term impact of the size and layout of MTCC's exhibit and meeting space and Toronto's hotel availability on MTCC's ability to win and attract large-scale conventions;
- conduct research on other jurisdictions to determine best practices for incentivizing new hotels to be built near convention centres as well as

how to manage hotel bookings to secure rooms for delegates; and

- based on this independent analysis, perform a cost/benefit analysis to decide to what extent (if any) MTCC should be redeveloped, particularly in terms of the size and layout of the total centre, the total amount of contiguous exhibit hall, meeting space, ballroom size and hotel space controlled by the convention centre, as well as if any other incentives for building new hotels near convention centres are necessary.

### MINISTRY RESPONSE

The Ministry accepts the recommendation and will work with Metro Toronto Convention Centre (MTCC) and other partners to advance information gathering and independent analysis on the redevelopment proposal to support decision-making over the upcoming business planning cycle (2024/25–2026/27). The Ministry will keep MTCC informed of when a government decision with respect to redevelopment is anticipated to be made, and will also engage with MTCC on any required agency decision-making to support redevelopment. The Ministry will assess hotel capacity near MTCC and best practices from other jurisdictions for incentivizing new hotels and managing hotel bookings near convention centres.

### RECOMMENDATION 4

To ensure that Metro Toronto Convention Centre (MTCC) has a strategy to effectively attract and win bids for events in both the short-term and the long-term, we recommend that MTCC:

- prepare and execute a short-term event bidding and attraction strategy (to cover the time period until the Ministry of Tourism, Culture and Sport (Ministry) makes a redevelopment decision for the centre) and share this with the Ministry; and
- prepare and execute a long-term event bidding and attraction strategy based on the Ministry's redevelopment decision (as described in

**Recommendation 3)** and share this with the Ministry.

## METRO TORONTO CONVENTION CENTRE RESPONSE

We value the recommendation to ensure that the Metro Toronto Convention Centre (MTCC) is well-equipped with a strategic approach to attract and secure event bids effectively, both in the short and long term. We are committed to taking a proactive approach to address this recommendation and we will prepare and execute an event-bidding and attraction strategy that covers the period until the Ministry makes a redevelopment decision for the centre and share this with the Ministry. The success of our convention centre is closely tied to our ability to remain competitive and adaptable, and we appreciate the guidance provided.

Moreover, we are dedicated to working closely with our Ministry to provide the necessary information for their decision-making process regarding potential redevelopment of MTCC. This collaboration will ensure that the Ministry has all the required data to make informed choices. Once a redevelopment decision is made, we will prepare and execute a long-term event bidding and attraction strategy that aligns with the Ministry's decision and share this with the Ministry.

### 4.3.5 MTCC Has Aging Assets and a Capital Repair Backlog of About \$17 Million

Keeping facilities in a state of good repair is crucial to impressing convention delegates and event planners. We noted that as of June 30, 2023, MTCC had estimated a backlog of about \$17 million in capital repairs.

Our audit found that some of the items that required repair and upgrading were critical to the centre's operations. For example, 17 escalators, which typically last about 25 years, had reached the end of their useful life in 2022. One escalator was installed in 1984 and reached its end of useful life in 2009. In total, replacing the escalators would cost \$6.5 million. Furthermore, fire alarm systems that should have been

replaced in 2018 due to obsolete parts remained in use. The cost to upgrade these systems was \$2.5 million.

We asked MTCC how it planned to address the repair backlog, and found it did not have a timetable in place to address it. MTCC leadership said they were awaiting government direction on possible redevelopment of the facility (see **Section 4.3.4**) and it would not make sense to invest money in the existing facility if it was going to be redeveloped. They also said their priority was to save enough funds to secure a marshalling yard.

### Marshalling Yard Purchase Could Divert Funds From Addressing the Capital Repair Backlog

A marshalling yard is where convention exhibitors receive and organize their freight and transportation vehicles that bring exhibits and event materials to and from the centre. At the time of our audit, MTCC did not have a permanent marshalling yard. Furthermore, in the past 13 years, MTCC has had to relocate its marshalling yard twice.

In 2011, the centre's lease at 24 Bathurst Street was not renewed. MTCC went on to lease land at 100/120 Cherry Street, until that lease was terminated in 2020. At that time, the City of Toronto reclaimed the land for the purposes of development. So, in November 2020, MTCC relocated to a vacant parcel of land on Horner Avenue that is owned by the Province.

MTCC has asked to acquire the land at Horner Avenue for use as its permanent marshalling yard. The Government of Ontario's Realty Directive does not allow the transfer of the land at a nominal amount and the Government of Ontario's Tangible Capital Assets Policy (TCAP) states that such a transfer must happen at fair market value, unless an exemption is approved by Treasury Board/Management Board of Cabinet (TB/MBC).

In June 2021, when the transaction for MTCC to gain access to the land at Horner Avenue was being negotiated, the land was valued at about \$12 million and its lease would have been \$700,000 per year. Due to significant impacts on MTCC's operations as a result of the COVID-19 pandemic and public health

restrictions, MTCC was permitted to continue to lease the property for \$1 per year for a five-year term.

That term will end in 2026, and in order to avoid another relocation, MTCC is still seeking to purchase the land. The Ministry informed us that the site could only be purchased at fair market value unless an exemption was sought by MTCC and approved by TB/MBC. In 2023, MTCC estimated the value of this parcel of land at around \$18 million.

MTCC has been saving about \$500,000 per month to be able to purchase the Horner Avenue land. MTCC estimated that, based on the current value of the land, it would take about three years in total to save the necessary funds to purchase the land. This is money that could be spent on critical capital repairs.

### RECOMMENDATION 5

To ensure that critical infrastructure is secured for Metro Toronto Convention Centre (MTCC) business operations and that all necessary repairs are performed at the convention centre in a timely manner, we recommend that MTCC:

- submit its capital repair plan to the Ministry of Tourism, Culture and Sport (Ministry); and
- provide periodic updates to the Ministry on progress in clearing the repair backlog.

### METRO TORONTO CONVENTION CENTRE RESPONSE

We appreciate the recommendation to enhance the critical infrastructure and promptly address necessary repairs at the Metro Toronto Convention Centre. We take this recommendation seriously and are committed to ensuring the highest level of functionality to our business operations.

To address this recommendation, we will continue to present our self-funded capital plan, which will include our plan to address our capital repair backlog, as an integral part of our yearly business plan. This approach ensures that our capital repair plan is aligned with our operational priorities and financial resources. Furthermore, we are dedicated to enhancing our process for quarterly updating

for the Ministry on the progress of addressing the repair backlog.

### RECOMMENDATION 6

To ensure that Metro Toronto Convention Centre (MTCC) can continue to host conventions without requiring it to raise significant funds to purchase its current marshalling yard, we recommend that the Ministry of Tourism, Culture and Sport (Ministry) provide guidance to MTCC regarding different options for securing a marshalling yard for the long-term, including on the possibility of a long-term lease.

### MINISTRY RESPONSE

The Ministry accepts the recommendation and will work with MTCC and others, as required, to provide guidance and direction on possible options for the long-term securing of a marshalling yard.

### 4.3.6 Security Incidents Up 72% at MTCC Since 2016/17

Our review of security incident logs from 2016/17 to 2022/23 revealed a significant increase in incidents. There was a 72% rise in the overall number of incidents during this seven-year period, from 186 to 319 incidents.

A breakdown of security incidents by type can be found in **Figure 14**, which shows a substantial increase in “unwelcome guest interactions” (up by over 200 such incidents a year in 2022/23 compared to 2016/17). Unwelcome guest interactions are situations where individuals entered the MTCC premises unauthorized. “Event thefts” also increased slightly (from nine events in 2022/23 compared to seven in 2016/17), which relates to thefts that occurred during events on MTCC premises. MTCC told us that, as a result of the increase in total security incidents, it has added security staff members as well as increased patrols of the venue. It has also started stationing staff in specific areas of the venue to deter further security incidents from occurring.



**Figure 14: Incidence of Security Events at Metro Toronto Convention Centre from April 2016 to March 2023**

Source of data: Metro Toronto Convention Centre

Type of Incident	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Change (%)
<b>Unwelcome guest interactions</b>	24	21	9	128	84	130	231	863
<b>Event thefts</b>	7	7	4	33	4	2	9	29
<b>Damage to property</b>	40	44	24	97	4	4	44	10
<b>Break and enters</b>	0	2	0	6	0	0	2	-
<b>Other</b>	115	76	80	245	7	8	33	(71)
<b>Total</b>	<b>186</b>	<b>150</b>	<b>117</b>	<b>509</b>	<b>99</b>	<b>144</b>	<b>319</b>	<b>72</b>

As MTCC can only control access and activity in its building (and not those of adjoining buildings or nearby public and private property), MTCC indicated it was working with the City of Toronto and the Toronto Police Service to address encampments and aggressive behaviour from people experiencing homelessness. The event planners we spoke to emphasized that the safety and security of their delegates was of paramount importance. They carefully considered the safety of destinations when making their event location choices. Naturally, they did not want to host events at destinations or centres where delegates might feel unsafe. Even a small number of security incidents can therefore damage the reputation of a convention centre and impact its ability to attract events.

We reviewed about 470 event surveys from April 2018 to March 2023 to check whether security incidents were having an impact on event planners' perceptions of MTCC. During this time period, we found there were nine formal complaints about the safety of the centre, including three break-ins and thefts; four intruder incidents; and two complaints about interactions with people experiencing homelessness.

### Continued Security Incidents Can Lead to Loss of Events

Our research showed that repeated security incidents at conventions centres elsewhere have resulted in those centres' loss of major event clients. One example is when a large technology company relocated its

convention away from San Francisco, citing security concerns.

In some jurisdictions, such as San Diego, Los Angeles and Philadelphia, governments have addressed safety and security concerns by designating the area surrounding a convention centre as a "convention district."

In convention districts, rules that prohibit loitering are typically enforced through regular patrols to ensure the safety and comfort of convention attendees. For example, in San Diego, California, the Downtown San Diego Partnership's Clean and Safe Program was designed to provide maintenance, enhance safety, tackle unhoused care and invest in the beautification of the area. This included ensuring that garbage bins were emptied and sidewalks were clean and involved "safety ambassadors" who enhanced security by visiting businesses, providing directions and even walking delegates to their accommodations. This program is funded through public and private funding.

## RECOMMENDATION 7

To ensure a high-level of safety for delegates and staff, we recommend that Metro Toronto Convention Centre (MTCC):

- review practices in other jurisdictions such as San Diego, Los Angeles and Philadelphia, where the concept of a "convention district" has been adopted, to address the increasing number

of security incidents, including addressing unwelcome guest interactions; and

- work with the Ministry of Tourism, Culture and Sport (Ministry), the City of Toronto and local law enforcement agencies to develop and implement a plan to address the rise in security incidents, based on the results of the above review.

## METRO TORONTO CONVENTION CENTRE RESPONSE

We appreciate the recommendation to prioritize the safety of delegates and staff at the Metro Toronto Convention Centre. Safety is of paramount importance, and we are committed to maintaining a secure environment for all those who visit and work at our facility.

In response to this recommendation, we will proactively review practices and strategies implemented in other jurisdictions that have successfully adopted the concept of a convention district, particularly in addressing unwelcome guest interactions. We understand that examining such models can offer valuable insights into enhancing security and safety within our own context.

Furthermore, we are dedicated to working with the Ministry, the City of Toronto, local law

enforcement and other stakeholders to develop and implement a comprehensive plan that addresses the increasing security incidents, incorporating practices from the above review. This collaborative approach will allow us to draw on the expertise and resources of various stakeholders to create an effective and sustainable security strategy.

## 4.4 OCC: Performance and Challenges

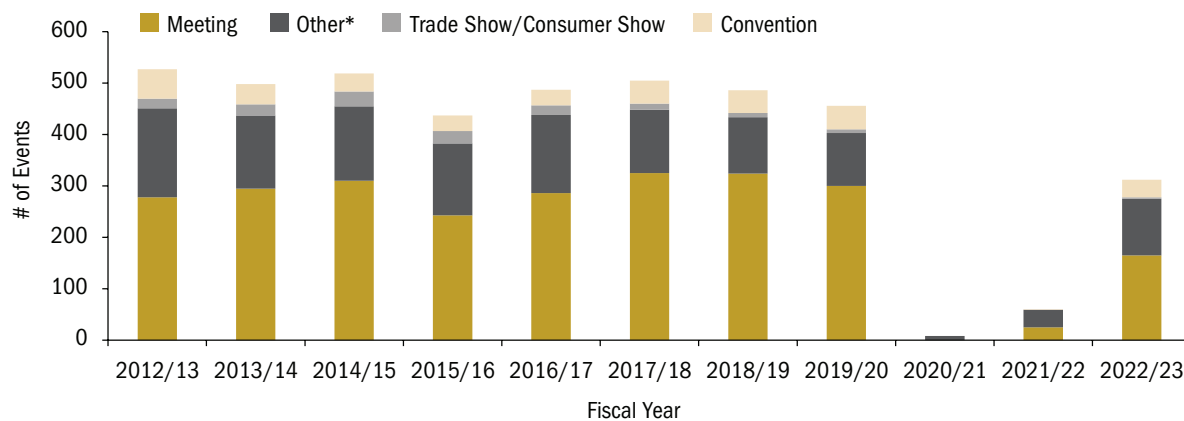
### 4.4.1 OCC's Financial and Operational Performance

Between fiscal years 2013/14 and 2022/23, OCC held approximately 3,800 events. Refer to **Figure 15** for a breakdown of events by type during this period. Due to the COVID-19 pandemic and public health restrictions, only a few events were held in 2020/21 and in 2021/22. In the seven fiscal years prior to the COVID-19 pandemic, OCC was averaging an occupancy rate of 42% for its rentable space (70% is considered full capacity by industry standards).

OCC generates revenue through various sources including food and beverage sales, event space rental, commissions (such as from a partner vendor for audio-visual services used during events) and communication services (such as charging for the use of wireless

**Figure 15: Events Held at Ottawa Convention Centre, April 2013–March 2023**

Source of data: Ottawa Convention Centre



\* Includes exams, food and beverage events, special events like weddings, sporting events, film and TV shoots, religious celebrations, dance productions, concerts and graduations, and theatre events.

internet). Unlike MTCC, the current lease between OCC and the landlord at the time of our audit did not include the parking lot and associated revenues. Over the past decade, OCC's revenue breakdown has been, approximately:

- 60% from food and beverage;
- 26% from space rental;
- 10% from commissions and communication services; and
- 4% from other sources.

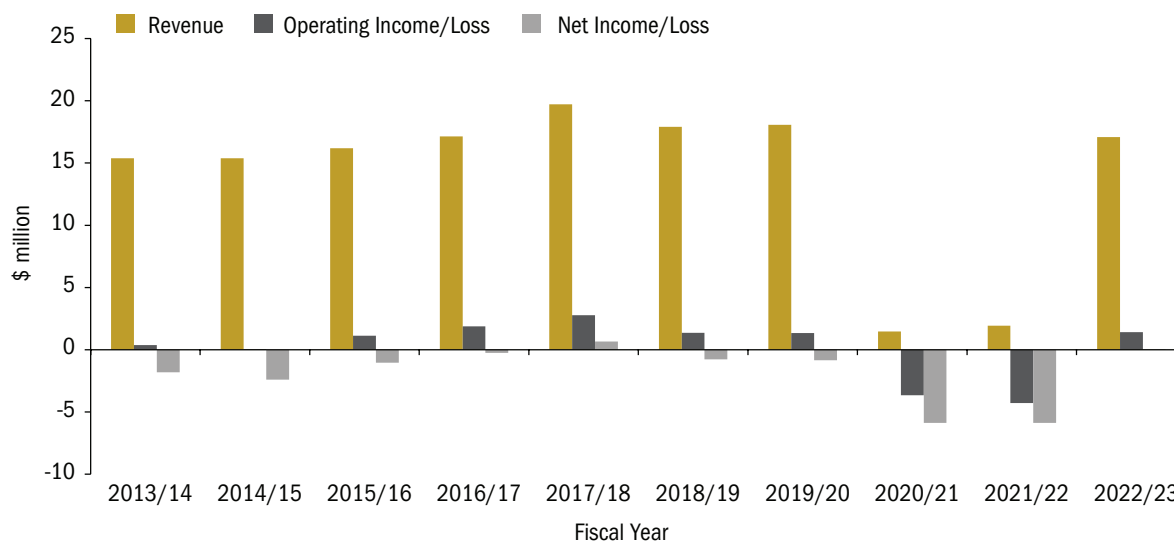
During this time frame, OCC's revenue was relatively stagnant, with the centre generating an average operating income of about \$1.29 million per year. OCC has been unable to generate net profits (after amortization and depreciation expenses) from its operations since redevelopment in 2011/12, other than \$650,000 in 2017/18 and about \$40,000 in 2022/23. For a detailed overview of OCC's revenue, operating income and net income from 2013/14 to 2022/23, refer to **Figure 16**. For a comparison of OCC's financial performance to other government-operated Tier 2 venues in Canada, see **Appendix 9**.

In 2019/20, OCC held 456 events that generated an estimated economic impact of \$150 million (or about \$330,000 per event) for Ontario. In the past 10 years, excluding the two pandemic years, OCC estimates that it generated an average economic impact of about \$110 million per year for the province. Refer to **Figure 17** for an estimate of the annual economic impact generated by OCC from 2013/14 to 2022/23, which it calculated using the Ministry's Tourism Regional Economic Impact Model (TREIM) tool (explained in **Section 2.1.1**) with a modified approach. Given its limited staff, OCC calculates the economic impact generated during the year by inputting the estimated average spending for delegates and exhibitors into the TREIM model, as OCC has informed us that it does not have resources to collect and input detailed spending data for each individual event. The average spending per attendee and delegate was calculated by a third-party consultant, in 2013, and is adjusted to account for the cumulative consumer price index change since 2012.

Our audit found that OCC's service was rated highly by its clients. In 2020, OCC was recognized for its

**Figure 16: Revenue, Operating and Net Income and Loss Generated by Ottawa Convention Centre, April 2013–March 2023**

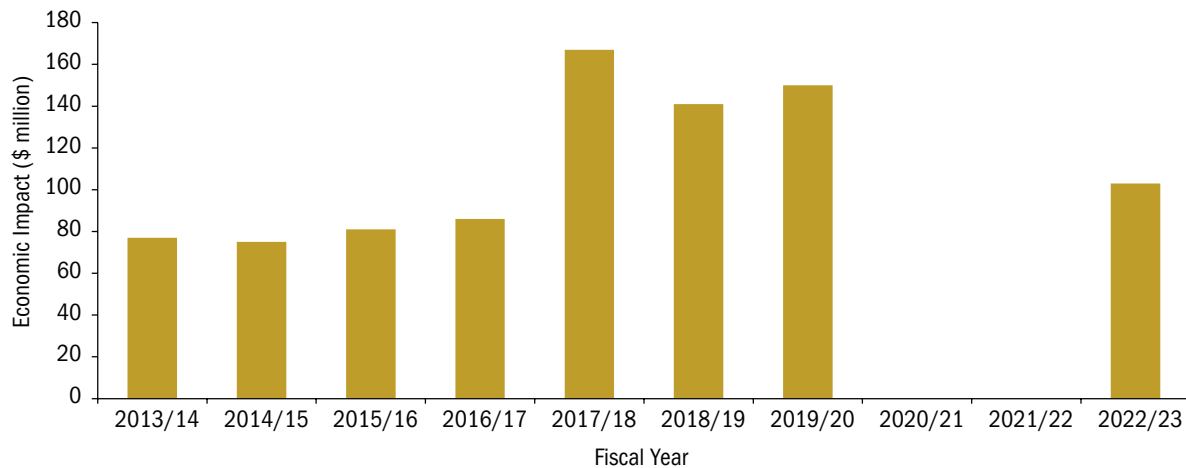
Source of data: Ottawa Convention Centre



Note: Due to the COVID-19 pandemic public health restrictions, there was a significant drop in revenue in 2020/21 and 2021/22 (and to lesser extent in 2022/23). Financial assistance of \$12 million was provided by the Ministry of Tourism, Culture and Sport, as discussed in **Section 2.3.1**, and is not included in the operating and net income and loss calculations so as to reflect the convention centre's independent performance. Depreciation costs are included in the calculation for net income/loss. Annual payments to the Ontario Financing Authority are not shown here.

**Figure 17: Annual Estimated Economic Impact Generated by the Ottawa Convention Centre, April 2013–March 2023**

Source of data: Ottawa Convention Centre



Note: Estimate obtained using the Tourism Regional Economic Impact Model (TREIM) developed and maintained by the Ministry of Tourism, Culture and Sport. Ottawa Convention Centre informed us that given its limited staff and the time-consuming nature of this exercise, it used a modified approach to calculate of the economic impact, which is described in **Section 2.1.1**. Due to the COVID-19 pandemic public health restrictions, there was a significant drop in economic impact in 2020/21 and 2021/22.

service by the International Association of Convention Centres (AIPC), an association for professional convention and exhibition centre managers, and was awarded the title of the best convention centre in the world. Our review of client satisfaction surveys from 2013/14 to 2022/23 found that OCC's client satisfaction rating (as evaluated by surveys of event planners) ranged from an average of 4.5 to 5 out of 5 each year.

Although client satisfaction has been high, OCC has struggled to be profitable. We found that, unlike MTCC, OCC did not have as many diversified revenue streams to lower its rent prices while remaining profitable. For example, OCC did not operate a parking lot, so it was unable to generate parking revenue, which accounted for about 17% of MTCC's \$533-million revenue in the past 10 years (excluding 2020/21 and 2021/22).

### Projections for OCC's Redevelopment Were Overly Optimistic

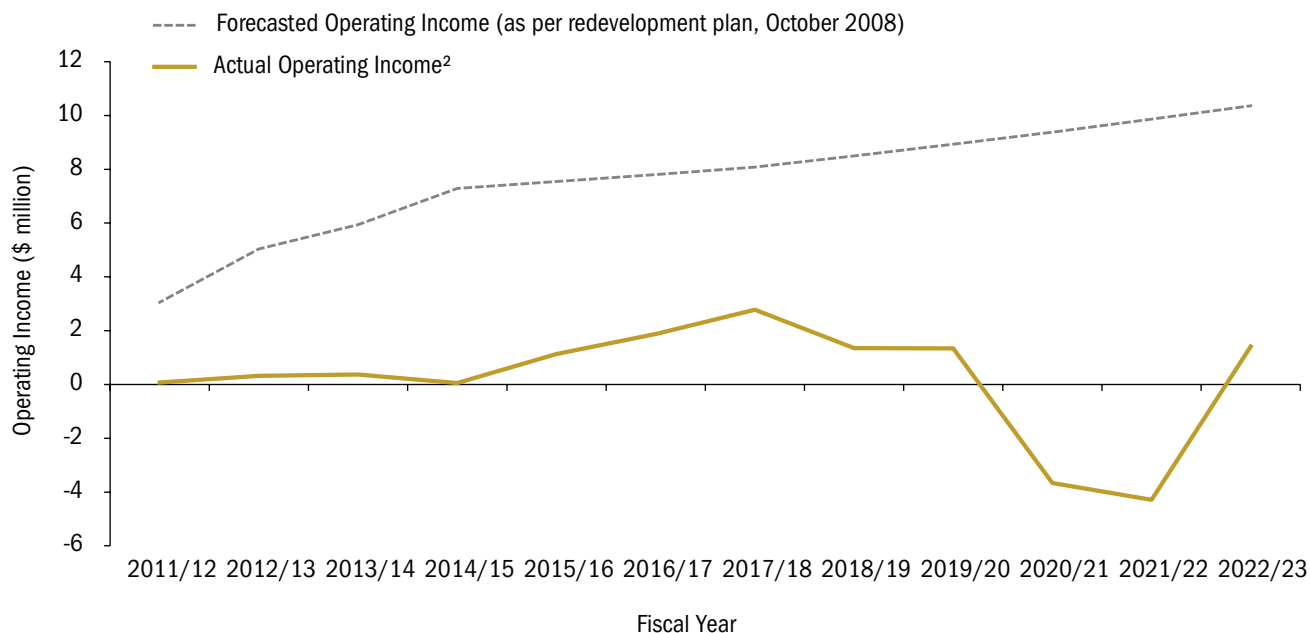
Our audit found that the projections developed for OCC's redevelopment, completed in 2011 (discussed in **Section 2.2.3**), were overly optimistic about the forecasted revenues and operating income that the centre would generate. For example, redevelopment documents for OCC showed that the centre was supposed to

receive \$2 million in support payments annually from tourism industry entities benefiting from the redevelopment of the facility. These revenues would have contributed to either the capital expenses or ongoing operating costs at OCC for a 25-year period. However, OCC senior management informed us that they were never able to successfully negotiate the \$2 million annual payment from the tourism sector.

Further, projected food and beverage revenue fell short of forecasts. We compared OCC's food and beverage revenue for 2017/18, its best performance year so far, to the projections made for the same year in the redevelopment plan. OCC was forecasted to make \$15.9 million in food and beverage revenue, yet only made \$12.3 million. Similarly, OCC was forecasted to make \$9.2 million in rent revenue that year but only made \$5.2 million. Overall, excluding the two years of the pandemic, since opening in 2011, OCC has had a shortfall of about \$62 million in actual operating income compared to what was forecasted from the redevelopment plan. Between 2011/12 and 2022/23, (excluding 2020/21 and 2021/22, in order to assess the time period when impacts of the COVID-19 pandemic were non-existent or minimal), OCC earned only about 15% (or \$10.7 million) of the \$72.5 million

**Figure 18: Actual and Forecasted Operating Income<sup>1</sup> for Ottawa Convention Centre, April 2011–March 2023 (\$ million)**

Prepared by the Office of the Auditor General of Ontario



1. Subsidies and financial assistance provided by governments such as those during the COVID-19 pandemic are not included in the operating income/loss calculations to reflect the convention centre's independent performance. Depreciation costs are also not included in the calculation of operating income. Any annual payments, such as those made by Ottawa Convention Centre (OCC) to the Ontario Financing Authority, are also not shown here.
2. Calculated using OCC's financial statements.

in operating income forecasted at that time. See **Figure 18** for actual and forecasted operating income for OCC from 2011/12 to 2022/23.

#### 4.4.2 OCC Had Not Completed Necessary Capital Repairs

Our audit found that as of July 31, 2023, OCC had a backlog of capital repairs totalling about \$15.8 million. We found that some of the outstanding repairs were considered critical to operations. For example, OCC's kitchen ovens, installed in 2011, have reached the end of their useful lives. OCC's IT network is at risk due to aging cables, degraded performance and considerable difficulty in troubleshooting and sourcing replacements. A failure in the network could disrupt technology throughout the building. In February 2023, OCC estimated the cost of these repairs to be \$1.1 million and \$1 million, respectively.

As discussed in **Section 4.4.1**, OCC achieved only about 15% of the annual operating income projections in the redevelopment plan. OCC told us it would like to complete the repair work as soon as possible, but did not have the money. Through the Capital Repair and Rehabilitation funding program (R&R Program), the Ministry offers financial support for 12 agencies and attractions it oversees to address critical capital repairs. Since 2019, OCC has applied to the R&R Program every year, asking in total for \$11.8 million. It was approved for \$5.5 million (over the period 2019–2023). However, as noted above, by July 31, 2023, OCC's short-term backlog (over the next three years) grew to about \$15.8 million, with over \$5 million in critical repairs remaining outstanding.

The \$1-million payment OCC makes to the Ontario Financing Authority (OFA) annually could be used toward necessary capital repairs. As mentioned in **Section 2.2.4**, while the consultant hired by the Ministry to review OCC's operations advocated for the loan between OCC and the OFA in relation to OCC's



redevelopment be forgiven and replaced with performance payments (based on cash flow available after operational and capital expenditures), they also advised that performance payments be deferred for a period of 10 years (until 2027/28) if OCC's actual performance remained unsustainable, as forecasted. The OFA informed us they reviewed the consultant's report issued to the Ministry of Tourism, Culture and Sport, but that OFA was not required to accept its recommendation. OFA indicated they relied on their own analysis when making the recommendation to the Minister of Finance that OCC be released from the original loan payment schedule in favour of an annual payment in perpetuity.

OCC's current operating environment (including the 50% decrease in future bookings identified in **Section 4.1** and reduced flight availability to the region post-COVID-19 pandemic identified in **Section 4.4.3**) make it worth reconsidering this recommendation.

## RECOMMENDATION 8

To ensure that Ottawa Convention Centre's (OCC's) state of repair does not impact customer experience and result in the loss of future revenue and economic impact, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- work with OCC to complete assessments of its critical repair needs and ensure that they are addressed in a timely manner; and
- work with the Ontario Financing Authority and OCC's management to determine any changes needed to OCC's annual payment to the Province, including whether funding could be prioritized for capital repairs when necessary.

## MINISTRY RESPONSE

The Ministry appreciates the recommendation and has OCC scheduled to receive an updated condition assessment in Spring 2024. Updated condition data will support OCC in modernizing its asset management practices and collect much-needed data on the state of infrastructure.

The Ministry will continue to engage OCC as part of its asset management working group to support asset management planning and help to prioritize its most critical needs so that they can be addressed in a timely manner.

The Ministry will work with OCC and other partners as required to determine if funding can be prioritized for capital repairs when necessary.

### 4.4.3 Price and Availability of Flights to Ottawa a Barrier to Attracting Conventions to Ottawa

Ottawa's flight availability has worsened since the COVID-19 pandemic. Compared with Toronto, Ottawa has fewer non-stop flights and the flights are more expensive generally. This hurts OCC's ability to attract events as, not surprisingly, event planners prefer cities with frequent and economically priced direct air service.

According to a 2020 survey of North American event planners (completed prior to the COVID-19 pandemic), about 40% of planners rated flight access to Ottawa as "average or poor." These planners ranked Ottawa 25 out of 40 cities for flight access, behind cities such as Pittsburgh, Portland and Phoenix. The event planners we interviewed told us that availability of direct flights and cost of the air fare were major criteria to evaluate potential event destinations.

By analyzing data provided to us by the Ottawa International Airport Authority, we found that as of August 2023, flights in and out of Ottawa were still down by about 27% from the pre-pandemic levels. Specifically, from March 2020 to August 2023, domestic flights in and out of Ottawa decreased by 18% while international flights decreased by 53%. Representatives from Porter Airlines told us that, although the market for leisure travel was recovering, the business travel market had not recovered as quickly. Similarly, representatives from Air Canada told us that while the market for leisure travel has recovered, the business travel market has not recovered to the pre-pandemic levels.

In addition, Canada's 2023 federal budget proposed further reducing expenses on travel by roughly 15% (of

2022/23 levels) going forward. Federal government travel is a key driver of demand for travel in the Ottawa region. According to estimates from Public Works and Government Services Canada, in 2019, nearly 300,000 passengers travelling through Ottawa Airport were federal public servants travelling for government business. In 2022, that number was down nearly 63% to about 110,000. With fewer travellers, airlines operated fewer flights in and out of Ottawa. In turn, the limited flight access made it harder for OCC to attract and retain convention business.

Data from the Ottawa International Airport Authority showed that, as of July 2023, Ottawa had 524 weekly flight departures with approximately 58,000 available passenger seats. This volume was significantly less than other comparable North American cities, as well as less than Toronto and Montréal, which had about 4,000 and 1,900 weekly departures, respectively, and approximately 600,000 and 300,000 available passenger seats. In **Figure 19** we compare air service to these North American cities.

### Cost of Flying to Ottawa From International Destinations Was Generally Higher Than Toronto

Our audit found that, besides there being a relatively small number of flights to Ottawa, the cost of flights

from international destinations was generally higher than flights to Toronto, for example. We researched the cost of airfare to Ottawa and Toronto from six major cities: three in Europe (London, Paris and Frankfurt) and three in North America (San Francisco, Los Angeles and Chicago) for dates in October 2023. On average, airfare to Ottawa (\$937) was 20% more expensive than to Toronto (\$778). Because it is usually necessary to take a connecting flight, the average air travel time from these six cities to Ottawa (650 minutes) was 248 minutes (about four hours) longer than to Toronto (402 minutes).

Representatives we interviewed from Air Canada told us that international direct flights to Ottawa were more challenging economically as Ottawa was a smaller local market compared to Toronto or Montréal. In addition, Ottawa was not a major hub for Air Canada and therefore lacks the connectivity to feed international flights. Representatives we interviewed from Porter Airlines told us that Ottawa's geographic proximity to two major hubs (Montréal and Toronto) factored in to decisions that airlines made about network connectivity. It was more economical for airlines to offer short connecting flights between these two hubs and Ottawa.

**Figure 19: Weekly Flight Departures and Passenger Seats from Select North American Cities as of July 2023**

Prepared by the Office of the Auditor General of Ontario

City	# of Weekly Flight Departures	# of Weekly Passenger Seats
Washington, DC	5,037	629,573
Toronto, ON	3,964	593,070
Philadelphia, PA	2,646	365,648
Nashville, TN	2,041	292,813
San Diego, CA	1,938	309,359
Montréal, QC	1,889	297,671
Calgary, AB	1,716	246,073
New Orleans, LA	1,001	156,651
Indianapolis, IN	966	127,997
Edmonton, AB	714	95,408
Ottawa, ON	524	57,738

### Lack of Direct Flights to Ottawa Contributed to OCC Losing Bids to Host Seven International Conventions Between 2022 and 2026

We analyzed the convention bids lost by OCC for events to be held between 2022 and 2026. We found that in seven instances the reason given for OCC losing the winning bid was “lack of direct flights.” For instance, OCC lost the following bids:

- The 2022 annual convention for an international medical science society, with an estimated attendance of 300 delegates. The convention was held in Dublin, Ireland. It would have generated an estimated \$100,000 in revenues for OCC and an estimated economic impact of over \$800,000.
- The 2024 annual convention for an international medical society, with an estimated attendance of about 3,200 delegates, was lost to the Montréal Convention Centre. This would have brought in an estimated \$350,000 in revenue for OCC and an estimated \$8.8 million in economic impact to the economy.
- The 2026 annual convention for an international science society, with an estimated attendance of 3,000 delegates, will be held in Calgary instead of Ottawa. The convention would have brought an estimated \$575,000 in revenue for OCC and an estimated \$8.1 million in economic impact.

In total, it is estimated that these seven events would have brought in over 9,000 attendees and nearly \$1.5 million in revenue. All seven of these bids were for international convention events, events which bring the greatest economic impact per delegate (see **Section 2.1.2**). OCC estimated that these events would have brought nearly \$25 million in economic impact to the province.

In other cases, a lack of direct flights can affect rates of attendance. For example, an event planner for an event held at OCC in 2022 told OCC that many potential attendees chose not to come to their event because there were no direct flight options to Ottawa. In 2022, when OCC held this athletics/dance event, it had lower attendance than expected (it had been contracted for 350 attendees, however only 300 attendees were

present for the event), OCC estimated that approximately \$135,000 in economic impact was lost as a result of lower attendance, which resulted in the event planner contracting less space with OCC for future events.

We noted that several Canadian provincial and American state governments were able to establish and expand direct flight routes to their smaller Tier 2 cities, similar to Ottawa, by providing financial support. For instance:

- Manitoba allocated \$4.8 million in 2022/23 to enhance direct flight connections to Winnipeg from international cities like Atlanta.
- Nova Scotia invested \$19.3 million in May 2022 to attract new routes to Halifax and Sydney.
- Saskatchewan plans to spend up to \$2.2 million in 2023/24 to support direct flights between Saskatoon and Minneapolis.
- Ohio has invested \$10 million US annually since 2020 to establish flight services connecting cities like Akron, Columbus, Cleveland and Cincinnati to regional and international destinations.

### 4.4.4 Downtown Ottawa Has Experienced a Notable Decline in Activity, Reducing the City's Appeal to Event Organizers

Event planners we spoke to informed us that when evaluating an event destination, one of their important criteria was the vibrancy of the destination, including its restaurants, attractions, cultural offerings and their “walkability” in relation to the convention centre. Delegates may then be able to have a dynamic and stimulating experience while attending conferences and conventions. A city’s overall appeal to delegates is an important decision factor as it helps to build attendance, which is important to the event planner and their organization.

Ottawa has always been considered a Tier 2 destination due to its smaller population, lack of direct air access and other factors. (See **Appendix 1** for the categories of convention centre venues and supporting city infrastructure.) Unfortunately, changes to where people work in Ottawa since the COVID-19 pandemic have had a lasting impact on the character of the

downtown area, decreasing its vibrancy and making it less attractive to prospective clients.

A July 2023 report published by CBRE Group, a global commercial real estate services and investment firm, found that office building vacancy in downtown Ottawa increased from about 6% in the first quarter of 2020 (before the declaration of the COVID-19 pandemic) to 15% by the end of the second quarter of 2023. The federal government is the largest commercial tenant in Ottawa and the largest employer in the city, with over 120,000 employees. It announced in June 2023 plans to sell or transfer several of its office buildings in downtown Ottawa, as a result of the hybrid work model that has emerged after of the pandemic.

Vacancies have resulted in a noticeable decline in foot traffic, regular customers and the overall activity in the downtown area, which has impacted local businesses. In March 2023, the Canadian Chamber of Commerce, an association that advocates for the needs of businesses to the government, published a report on Canada's urban centres. This report assessed the mobility trends and the impacts on business as a result of the COVID-19 pandemic, comparing January 2023 trends to January 2020. While overall mobility in Ottawa was down 20% compared to January 2020, the downtown core remained as much as 45% below the pre-pandemic levels. According to the mobility dashboard prepared by the Canadian Chamber of Commerce, as of June 2023, foot traffic in Ottawa's downtown (where OCC is located) was still nearly 34% below January 2020 levels. The same dashboard identified the national average foot traffic, by contrast, was about 9% below January 2020 levels across all other Canadian municipalities tracked by the dashboard.

## RECOMMENDATION 9

To support the ability of the Ottawa Convention Centre (OCC) to attract events and generate economic impact for the province, we recommend that the Ministry of Tourism, Culture and Sport (Ministry):

- review practices in other jurisdictions where support is provided to attract new direct flight routes, such as in Manitoba, Nova Scotia, Saskatchewan and Ohio;
- work with OCC to assess its future bookings and opportunities for larger conventions;
- conduct a cost/benefit analysis to assess the jurisdictions to where air service would be beneficial for attracting more events at OCC; and
- develop and execute a strategic plan to address the findings of the cost/benefit analysis.

## MINISTRY RESPONSE

The Ministry accepts the recommendation and recognizes that a jurisdictional scan on flight routes and travel may help to inform an assessment of OCC's ability to host larger events.

The Ministry will work with OCC on conducting the recommended assessment and provide direction to OCC based on findings to articulate a proposed strategy and plan in a future business planning process for the booking of large conventions informed by the cost/benefit analysis.

## RECOMMENDATION 10

To assist in improving the vibrancy of downtown Ottawa and increase the likelihood that the Ottawa Convention Centre (OCC) is selected to host events, we recommend that OCC:

- engage with local stakeholders (including the City of Ottawa, Ottawa Tourism and the Ottawa Board of Trade) to understand any initiatives they can participate in to help improve the vibrancy of downtown Ottawa;
- participate in such initiatives that align with its mandate and for which OCC has the necessary

human and financial resources available to devote to them; and

- identify to the Ministry of Tourism, Culture and Sport (Ministry) initiatives they could participate in that would improve the vibrancy of downtown Ottawa for their consideration.

## **OTTAWA CONVENTION CENTRE RESPONSE**

The Ottawa Convention Centre (OCC) agrees with this recommendation. OCC will engage with local stakeholders (including the City of Ottawa, Ottawa Tourism and Ottawa Board of Trade) to understand the initiatives they can participate in to help improve the vibrancy of downtown Ottawa.

OCC is currently in the process of developing its strategic plan for the next three years. As part of this process, consideration will be given to resources, both human and financial, that can be devoted to participate in initiatives that will improve the vibrancy of downtown Ottawa and align with our mandate.

OCC will work with the City of Ottawa, Ottawa Tourism, Ottawa Board of Trade and other stakeholders to identify initiatives the Ministry would benefit from participating in, particularly ways the Ministry can participate in attracting business events that would directly benefit the downtown core and its surrounding areas.



## Appendix 1: Categories of Convention Centre Venues and Supporting City Infrastructure

Prepared by the Office of the Auditor General of Ontario

Convention Centre (Venue)	City (Infrastructure)	Example
<b>Tier 1</b>		
<ul style="list-style-type: none"> <li>• Largest convention centres that could serve large events like national and international conventions</li> <li>• Expansive exhibit halls, numerous meeting rooms and large ballrooms, capable of accommodating a large audience</li> <li>• Advanced technology available (e.g., audio and visual equipment and services)</li> <li>• Supplementary amenities like in-house catering, retail spaces and hotels</li> </ul>	<ul style="list-style-type: none"> <li>• Urban areas with a large and dense concentration of population, advanced infrastructure and many amenities</li> <li>• Well-connected transportation network reaching major airports and highways</li> <li>• Extensive selection of dining, hotels, entertainment options</li> </ul>	<ul style="list-style-type: none"> <li>• Metro Toronto Convention Centre</li> <li>• Vancouver Convention Centre</li> </ul>
<b>Tier 2</b>		
<ul style="list-style-type: none"> <li>• Convention centres of smaller capacity with diversity of amenities; more affordable than their Tier 1 counterparts and could serve medium-sized events like regional conferences and exhibitions</li> <li>• Medium-sized venues that offer a reduced number of amenities and smaller area than Tier 1 centres</li> <li>• Multiple meeting rooms, some exhibit spaces and standard catering options</li> <li>• Situated in mid-sized cities or suburban regions; host medium-sized events such as regional conferences, business meetings and smaller-scale trade shows</li> </ul>	<ul style="list-style-type: none"> <li>• Mid-sized urban regions with numerous comparable attributes to Tier 1 cities, but on a smaller scale</li> <li>• Many restaurants, attractions and some hotel choices</li> </ul>	<ul style="list-style-type: none"> <li>• Ottawa Convention Centre</li> <li>• Calgary (Telus) Convention Centre</li> </ul>
<b>Tier 3</b>		
<ul style="list-style-type: none"> <li>• May feature a small convention centre or community centre; attractive destinations for events, such as niche conferences or local trade shows</li> <li>• Smallest in size, with restricted amount of exhibit space and a small number of available meeting rooms</li> <li>• Cater to local events such as community fairs, small business expos or training workshops</li> </ul>	<ul style="list-style-type: none"> <li>• Small cities, towns or rural regions with a restricted range of amenities and infrastructure</li> <li>• Limited transportation and hotel choices</li> </ul>	<ul style="list-style-type: none"> <li>• Vancouver Island Conference Centre</li> <li>• Prince George Conference and Civic Centre</li> </ul>

## Appendix 2: Major Convention Centres Owned and/or Operated by Municipal and Provincial Governments in Canada

Prepared by the Office of the Auditor General of Ontario

Convention Centre	Owner	Location
<b>Municipally owned and/or operated</b>		
Calgary (Telus) Convention Centre	City of Calgary	Calgary, Alberta
Chatham-Kent John D. Bradley Convention Centre	Municipality of Chatham-Kent	Chatham, Ontario
Edmonton Convention Centre	City of Edmonton	Edmonton, Alberta
Enercare Centre	City of Toronto	Toronto, Ontario
Regina Exhibition Association Limited (REAL) District	City of Regina	Regina, Saskatchewan
Fredericton Convention Centre	City of Fredericton	Fredericton, New Brunswick
Penticton Trade and Convention Centre	City of Penticton	Penticton, British Columbia
Prince George Conference and Civic Centre	City of Prince George	Prince George, British Columbia
Winnipeg Convention Centre	City of Winnipeg	Winnipeg, Manitoba
London Convention Centre (RBC Place London)	City of London	London, Ontario
St. John's Convention Centre	City of St. John's	St. John's, Newfoundland and Labrador
Saskatoon's Arts and Convention Centre (TCU Place)	City of Saskatoon	Saskatoon, Saskatchewan
Vancouver Island Conference Centre	City of Nanaimo	Nanaimo, British Columbia
Victoria Conference Centre	City of Victoria	Victoria, British Columbia
Whistler Conference Centre	Resort Municipality of Whistler	Whistler, British Columbia
<b>Provincially owned and/or operated</b>		
Halifax Convention Centre*	Province of Nova Scotia	Halifax, Nova Scotia
Gatineau Convention Centre (Palais des congrès de Gatineau)	Province of Québec	Gatineau, Québec
Metro Toronto Convention Centre	Province of Ontario	Toronto, Ontario
Montréal Convention Centre (Palais des congrès de Montréal)	Province of Québec	Montréal, Québec
Québec City Convention Centre (Centre des congrès de Québec)	Province of Québec	Québec City, Québec
Ottawa Convention Centre	Province of Ontario	Ottawa, Ontario
Vancouver Convention Centre	Province of British Columbia (BC Pavilion Corporation)	Vancouver, British Columbia

\* Since re-opening in January 2018, the Province of Nova Scotia has been operating the Halifax Convention Centre in partnership with the Halifax Regional Municipality.

### Appendix 3: Rentable Space at Tier 1 and Select Tier 2 Canadian Convention Centres<sup>1</sup>

Source of data: Convention Centres Canada

Tier 1 Venue				Tier 2 Venue						
	Metro Toronto Convention Centre (MTCC)	Montréal Convention Centre	Vancouver Convention Centre	Ottawa Convention Centre (OCC)	Calgary (Telus) Convention Centre	Edmonton Convention Centre	Halifax Convention Centre	Québec City Convention Centre	Toronto Enercare and Beanfield <sup>2</sup>	Winnipeg Convention Centre
Year opened	1984	1983	1987	1983	1974	1983	1985	1996	1997	1975
Year expanded	1997	2002	2009	2011	2000	2006	2018	2013	2009	2016
Exhibit/Meeting/Ballroom Space (square feet)										
Total exhibit space	440,877	199,052	311,500	55,741	47,047	105,000	37,400	75,000	506,563	131,056
Total meeting space	110,992	66,685	85,000	45,915	29,715	37,700	47,074	82,874	49,967	38,618
Total ballroom space	28,000	65,309	70,000	19,032	19,757	n/a	30,000	34,500	44,260	42,931
Total	579,869	331,046	466,500	120,688	96,519	142,700	114,474	192,374	600,790	212,605
Overall Space (square feet)										
Largest exhibit hall	259,325	199,052	220,500	55,741	47,047	80,000	37,400	75,000	506,563	131,056
Total rental space	579,869	508,756	523,000	192,000	121,747	167,700	129,974	272,374	600,790	260,000
Total building size	2,200,000	1,431,500	1,800,000	404,224	360,000	525,000	129,974	570,000	n/a <sup>2</sup> (OCC)	879,934
Number of Rooms and Exhibit Halls (square feet)										
# of exhibit halls	8	19	6	3	3	4	6	3	6	4
# of meeting rooms	77	65	72	28	36	27	42	42	44	37
Theatre seats	1,232	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100	293

Note: Bolded numbers with gold background represents biggest venue in its Tier category.

1. Convention centres are all owned and/or operated by provincial or municipal governments, as of July 31, 2023.

2. Two separate buildings.

## Appendix 4: Board of Directors of Metro Toronto Convention Centre as of August 31, 2023

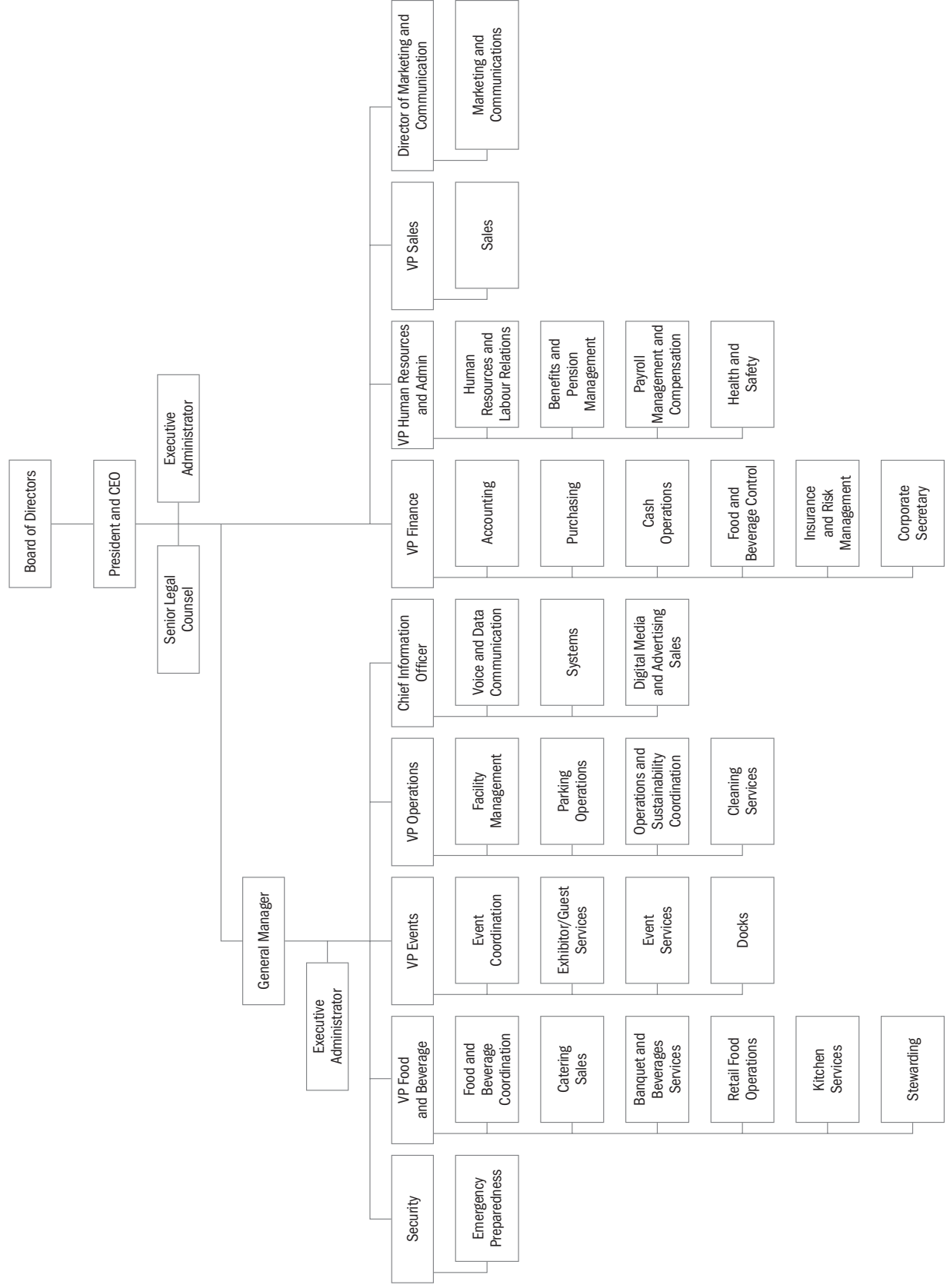
Source of data: Metro Toronto Convention Centre

Name	Term	Appointing Government and Role
<b>Justin Mooney</b> , Chair	April 16, 2023–April 15, 2026	Provincial Appointee Chair
<b>James Villeneuve</b>	July 23, 2023–July 22, 2026	Provincial Appointee Member
<b>Mark Beckles</b>	July 30, 2023–July 29, 2026	Provincial Appointee Member
<b>Linda Montgomery</b>	August 17, 2023–August 16, 2026	Provincial Appointee Member
<b>Maureen Harquail</b>	October 22, 2020–October 21, 2023	Provincial Appointee Member
<b>Gina Saccoccio Brannan</b>	November 4, 2021–November 3, 2024	Provincial Appointee Member
<b>Robert J. Hunter</b>	May 2, 2022–May 1, 2025	Provincial Appointee Member
<b>Scott Beck</b> , Stakeholder Representative	July 23, 2022–July 20, 2025	Municipal Appointee Member
<b>Jascha Jabes</b>	July 23, 2022–July 20, 2025	Municipal Appointee Member
<b>Beth Potter</b>	June 9, 2023–June 8, 2026	Provincial Appointee Member
<b>Nikki Holland</b>	July 23, 2022–July 20, 2025	Municipal Appointee Member

Note: Each municipally appointed member holds office for a term not longer than three years and until their successor is appointed and is eligible for reappointment. In June 2023, Royal Assent was given to Bill 91, the *Less Red Tape, Stronger Economy Act, 2023*, which amended the *Metropolitan Toronto Convention Centre Corporation Act*. Provincially appointed members are now appointed for a term not exceeding three years, rather than for a term not exceeding three years and until their successor is appointed. Additionally, the Lieutenant-Governor-in-Council is no longer required to appoint one of the Board members as President and CEO of MTCC. Instead, the Board is now required to hire a president and CEO, who cannot be a member of the Board.

## Appendix 5: Metro Toronto Convention Centre Organizational Chart

Source of data: Metro Toronto Convention Centre





## Appendix 6: Board of Directors of Ottawa Convention Centre as of August 31, 2023

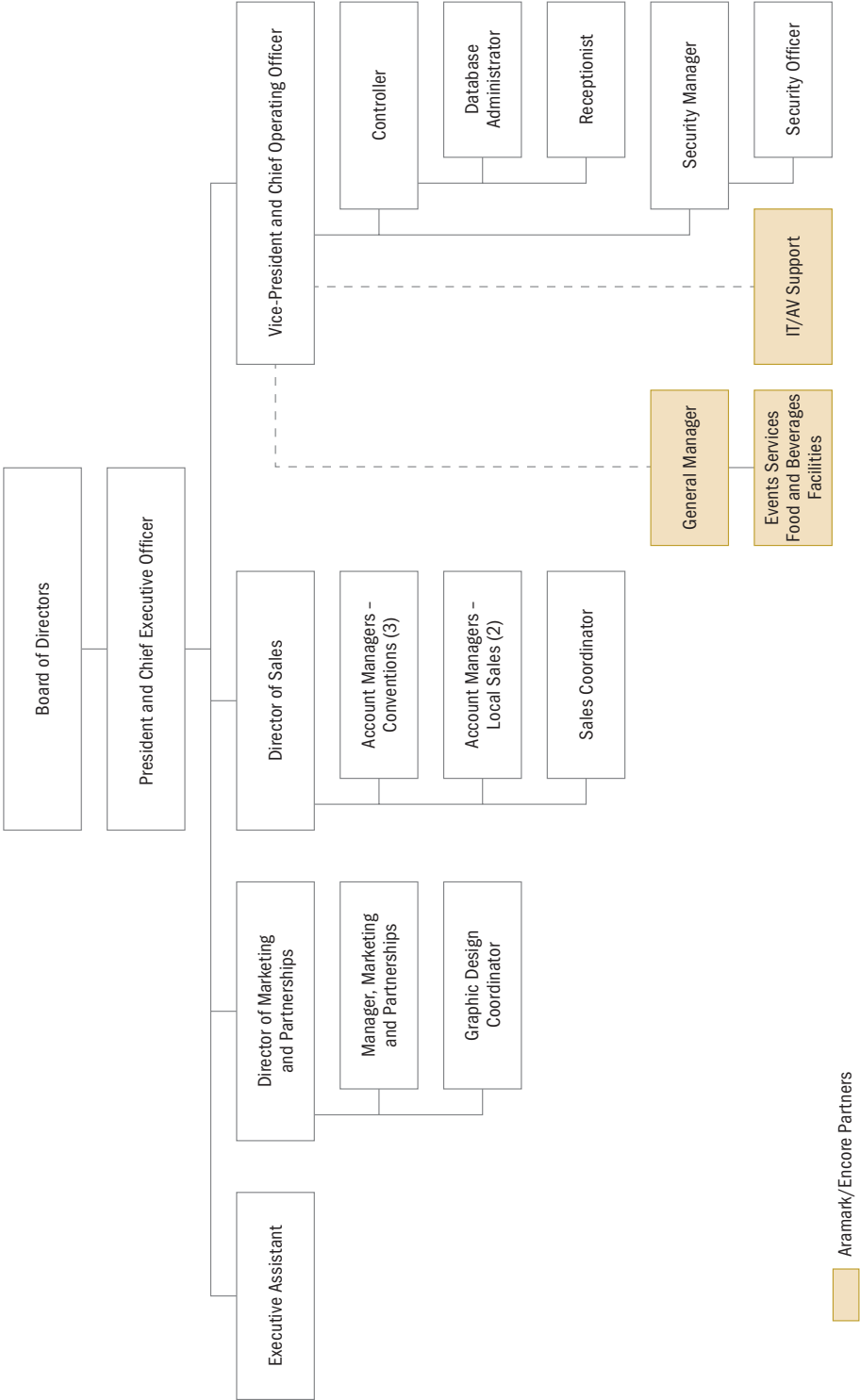
Source of data: Ottawa Convention Centre

Name	Term	Appointing Government and Role
<b>Jim Armour</b> , Chair	March 21, 2022–March 20, 2025	Provincial Appointee Member
<b>Fred Sherman</b>	July 9, 2023–July 8, 2026	Provincial Appointee Member
<b>Kathleen Stanley</b>	March 11, 2021–March 10, 2024	Provincial Appointee Member
<b>David Muir</b>	September 16, 2021–September 15, 2024	Provincial Appointee Member
<b>Cynthia Bland</b>	October 7, 2021–October 6, 2024	Provincial Appointee Member
<b>Yilong Ma</b>	March 4, 2022–March 3, 2025	Provincial Appointee Member
<b>Ann Matejicka</b>	December 1, 2022–November 30, 2025	Provincial Appointee Member
<b>Debra Armstrong</b>	November 15, 2020–December 31, 2026	Municipal Appointee Member
<b>Michael Crockatt</b>	November 15, 2020–December 31, 2026	Municipal Appointee Member
<b>Jagdeep Perhar</b>	June 29, 2023–June 28, 2026	Provincial Appointee Member
<b>Stephanie Plante</b>	December 14, 2022–December 31, 2026	Municipal Appointee Member

Note: In June 2023, Royal Assent was given to Bill 91, which amended the *Ottawa Convention Centre Corporation Act*. Provincially appointed members are appointed for a term not exceeding three years, rather than for a term not exceeding three years and until their successor is appointed. Each municipally appointed member holds office for a term not longer than three years and until their successor is appointed and is eligible for reappointment.

Appendix 7: Ottawa Convention Centre Organizational Chart

Source of data: Ottawa Convention Centre



Note: As of August 31, 2023, OCC had a total of 260 staff, consisting of 30 in-house staff (including 12 security staff) and 230 outsourced Aramark staff.

## Appendix 8: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

### Ministry of Tourism, Culture and Sport (Ministry)

1. Effective processes are in place to establish the roles and responsibilities of the Ministry as well as each provincial convention centre and the Ministry effectively carries out its role and responsibilities.
2. Effective oversight processes are in place to monitor and ensure that provincial convention centre operations achieve legislative mandates, comply with applicable government directives and guidelines, and that timely corrective action is taken where they do not.
3. Effective processes are in place to help provincial convention centres maintain international-class convention centre facilities.
4. Meaningful performance indicators and targets for provincial convention centres are established, monitored, and compared against actual results to ensure goals, legislative requirements, and guidelines are achieved. Results are publicly reported.

### Metro Toronto Convention Centre (MTCC) and Ottawa Convention Centre (OCC)

1. MTCC and OCC effectively attract convention events that promote and develop tourism and industry in Ontario.
2. MTCC and OCC economically and efficiently host convention events that satisfy the expectations of their clients.
3. MTCC and OCC govern and manage their operations and facilities economically, efficiently and effectively.
4. Meaningful performance indicators and targets for MTCC and OCC are established, monitored, and compared against actual results to ensure goals, legislative requirements, and guidelines are achieved. Results are publicly reported and corrective action is taken on a timely basis if targets are not met.

## Appendix 9: Financial Performance of Tier 1 and Select Tier 2 Canadian Convention Centres<sup>1</sup> in Fiscal Year 2019/20

Prepared by the Office of the Auditor General of Ontario

	Tier 1 Venue			Tier 2 Venue						
	Metro Toronto Convention Centre (MTCC)	Montréal Convention Centre	Vancouver Convention Centre	Ottawa Convention Centre (OCC)	Calgary (Telus) Convention Centre <sup>2</sup>	Edmonton Convention Centre <sup>2</sup>	Halifax Convention Centre	Québec City Convention Centre	Toronto Enerecare and Beanfield	Winnipeg Convention Centre <sup>2</sup>
Occupancy rate for exhibit halls (%)	58	44	52	49	37	58	32	43	65	39
# of events	446	339	478	456	267	447	151	200	171	623
Total revenue <sup>3,4</sup> (\$000)	75,230	28,957	63,028	18,078	23,964	18,863	10,807	19,364	25,154	20,726
# of conventions	41	33	59	46	31	41	62	74	54	37
Operating profit/loss <sup>3,4</sup> (\$000)	23,200	(6,361)	2,204	1,340	(683)	138	(1,209)	(4,684)	9,704	(1,109)
Economic impact (\$000)	481,700	227,819	360,000	150,000	111,600	39,400	50,400	100,900	425,000 <sup>5</sup>	66,000

1. Convention centres are all owned and/or operated by provincial or municipal governments.

2. This convention centre reports its financial performance based on the calendar year. We used information for calendar years ending December 31, 2019 to conduct the analysis.

3. Calculated by the Office of the Auditor General of Ontario, using the financial statements.

4. Operating income and revenue have been adjusted for all convention centres for comparability purposes. Subsidies and financial assistance provided by governments in these jurisdictions are not included in the revenue and operating income/loss calculations to reflect the convention centre's independent performance. Depreciation costs and taxes (applicable only to the Montréal, Québec City and Edmonton centres) are also not included in the calculation of operating income. Any annual payments, such as those made by MTCC and OCC to the Ontario Financing Authority, are also not shown here.

5. Economic impact includes Exhibition Place.

## Appendix 10: Largest Contiguous Space in Select Tier 1 North American Convention Centres

Prepared by the Office of the Auditor General of Ontario

#	Convention Centre	Location	Contiguous Space (square feet)
1	McCormick Place	Chicago, IL	1,209,000
2	Georgia World Congress Center	Atlanta, GA	1,120,428
3	Orange County Convention Center	Orlando, FL	1,104,940
4	Ernest N. Morial Convention Center	New Orleans, LA	1,026,627
5	NRG Center	Houston, TX	706,213
6	Huntington Place	Detroit, MI	623,000
7	Colorado Convention Center	Denver, CO	584,000
8	Indiana Convention Center & Lucas Oil Stadium (ICCLOS)	Indianapolis, IN	566,600
9	George R. Brown Convention Center	Houston, TX	547,730
10	Pennsylvania Convention Center	Philadelphia, PA	528,000
11	San Diego Convention Center	San Diego, CA	525,701
12	Boston Convention & Exhibition Center	Boston, MA	516,000
13	George R. Moscone Convention Center	San Francisco, CA	502,440
14	Walter E. Washington Convention Center	Washington, DC	473,000
15	Greater Columbus Convention Center	Columbus, OH	373,000
16	Nashville Music City Center	Nashville, TN	353,143
17	Phoenix Convention Center	Phoenix, AZ	312,500
18	Metro Toronto Convention Centre	Toronto, ON	259,325
19	Vancouver Convention Centre	Vancouver, BC	220,500
20	Seattle Convention Center	Seattle, WA	205,700
21	Montréal Convention Centre (Palais des congrès de Montréal)	Montréal, QC	199,052





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