

09  
29

January 20, 2003

**EXHIBITION PLACE**

To: The Board of Governors of Exhibition Place

From: Dianne Young  
General Manager & CEO

Subject: Conklin & Garret In. Conklin Holdings Agreement

**Recommendation:**

It is recommended that the Board of Governors concur with the recommendation of the CNEA Board of Directors with respect to entering into an agreement with Conklin & Garrett Inc. Conklin Holdings for 2003, 2004 and 2005, with an option to renew for 2006 and 2007, based on the terms and conditions outlined in the attached report from the General Manager of the CNEA dated January 15, 2003.

**Background:**

The attached report will be considered by the CNEA Board of Directors at its meeting of January 30, 2003. Should the above recommendation change, the Corporate Secretary will report any changes to the Board on January 31st.

**Discussion:**

In accordance with By-law no. 2-99, Section 29, all CNEA agreements over a one-year term requires approval of the Board of Governors.

**Conclusion:**

This report recommends that the Board authorize a three-year agreement, with an option to renew for a further two years, between the CNEA and Conklin & Garrett Inc. Conklin Holdings.

**Contact:**

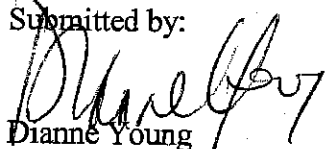
Fatima Scagnol, Corporate Secretary

Tel: 416-263-3620

Fax: 416-263-3690

Email: [Fscagnol@explace.on.ca](mailto:Fscagnol@explace.on.ca)

**Submitted by:**

  
Dianne Young  
General Manager & CEO

The following report was reviewed by the Executive Committee at its meeting of January 23, 2002 and is recommended to the Board of Directors for APPROVAL.



January 15, 2003

To: The Executive and Board of Directors  
Canadian National Exhibition Association

From: David Bednar  
General Manager

Subject: Renewal of Conklin Midway Agreement

**Recommendation:**

**This report is submitted for the approval of the Executive Committee and the Board of Directors and the Board of Governors of Exhibition Place.**

**It is recommended that the General Manager be authorized to enter into an agreement with Conklin & Garrett Inc. Conklin Holdings Inc. (Conklin) as the midway provider of rides, game and food concessions outside of the independent midway, for the 2003 to 2005 CNE's with an option to renew for the 2006 and 2007 CNE's.**

**Background:**

Conklin has been the carnival operator at the Canadian National Exhibition for the past sixty-five years. The company provides the CNE with two separate midway areas; the adult midway located on the old grandstand site and the kids' midway located adjacent to Kids' World just north of the Press Building.

**Discussions:**

During the term of this last agreement with Conklin, mostly in 2001, staff visited a number of fairs that have fully independent midways, where a number of ride providers are contracted for the midway operation and a number of midways where other companies operate the midway on behalf of the fair. These include the Minnesota State Fair, Western Fair in London Ontario, State Fair of Texas, Erie County Fair, Ohio State Fair, Pacific National Exhibition, and the Spring Carnival in Montreal, Quebec. Some of these fairs have midways which would be comparable in size to the CNE midway, however, none of these fairs had rides the size and caliber of the rides Conklin provides to the CNE. While we continue to address various issues with Conklin, such as staffing, customer service, and appearance (see below), our review of other midways indicates that the quality of the Conklin Midway is either on par or exceeds that of the midways reviewed. This review also indicates that our share of ride revenues is reasonably in line with other fairs.

The ride industry in the Province of Ontario has undergone some major changes in the past three years as a result of stricter regulations and enforcement of ride operators. Ontario is now one of

the three strictest jurisdictions, including California and New Jersey, for amusement ride operators. The province of Ontario not only requires annual inspections of rides, but has also introduced stricter regulations for new ride operators coming into the province. In addition, ride owners are now required to have licensed mechanics that are certified for working on amusement rides in the Province of Ontario. The Ministry of Labour is currently reviewing the operation of amusement rides from the perspective of worker safety and new requirements for amusement rides are expected in the near future.

The Canadian National Exhibition has been working closely with Conklin to improve the look and image of the CNE midway. Conklin and the CNE have taken the following measures to improve the CNE midway. They include:

- Refurbishment of rides, i.e. new paint, skirting, replacement of lights
- Asphaltting of electrical and water cables
- Skrimmed fencing to hide back of house areas
- Reduction of noise levels throughout the midway
- Reduction of the number of support trailers on the site
- Reconfiguration of south east portion of the midway

Prior to the 2000 Canadian National Exhibition staff was advised that the move in and move out of the CNE were to be designated as a "construction site" as defined by the Ministry of Labour. This meant that the CNE, as the "constructor", must ensure that all activities during move in and move out meet the requirements of the Ministry of Labour Construction Regulations. The CNE and Conklin shows have worked diligently to ensure that all requirements of the regulation have been met. This has resulted in drastic changes being made in the way in which rides on the midway are erected and the entire midway site has been set up.

In addition Conklin has purchased and featured at the CNE a number of new rides and new equipment, including the Drop of Fear Kite Ride, Fireball and the electronic midway ticketing system. The electronic midway system will eventually convert the midway to a cashless system. Patrons will purchase an electronic swipe card, which they will then use to gain entry onto rides and to purchase games and food at concessions. The system was first introduced at the Kiddie Midway in 2000. In 2001 it was expanded to some rides on the major midway. In 2002, all rides were on the system and the system was being tested on the game portion of the Conklin midway.

It is the intent to have all Conklin rides and most games integrated into the system at the 2003 CNE. In addition, the system will be made available to a limited number of concessionaires for games on the independent line. It is anticipated that over the term of the new Conklin agreement that the electronic ticketing system will be expanded to include all Conklin rides, games (except money games), and food concessions and all CNE rides, games (except money games) and food concessions. This new system will result in more accurate sales reporting, reduced numbers of staff and enhanced security as cash transactions will be greatly reduced. This system will also be used at our gates (see separate report entitled "Gate Management Program and Electronic Ticketing System").

The terms of conditions of the new agreement will include the following:

- 3 year term with an option to renew for an additional two years
- Commission charged on rides, food and game concessions will follow the Associations standard rates for these activities. The Associations current rates are:
  - Rides - 27% of gross sales net of GST excluding \$1.00 per transaction for transactions over \$9.00 to cover the cost of the electronic gate system. See "2003-2005 Gate Management Report".
  - Souvenirs - 25% of gross sales net GST
  - Skill & Merchandise Games - 23% of gross sales net of GST
  - Food Concessions - 21% of gross sales net of GST
  - Money Games - 45% of gross sales net of GST
- The Doppel Loppel will continue to be exempt from the standard ride rental rate, as transportation and set up costs of this ride are quite significant and it represents a significant attraction. A minimum level of gross sales for this ride of \$62,000 will be imposed. Once this minimum level has been achieved, the ride will return to the 27% revenue share as per the agreement.
- Conklin will complete the roll out of the electronic midway ticketing system during the term of the contract at no cost to the CNE
- Conklin will continue to work with the CNE to improve the overall midway presentation at the annual Fair.

As the Province of Ontario becomes a more difficult market for amusement ride operators from the perspective of increased government regulations and the decreased value of the Canadian dollar, the number of carnival operators who meet the requirements of the province and are willing to work for Canadian dollars has become greatly reduced. In addition, it felt by industry leaders that over the next few years a number of carnival operators may no longer continue to operate in the Province of Ontario for these reasons.

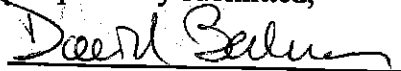
Conklin is one of the few large carnival operators who are willing to make the type of investment required to operate in this province. In addition, Conklin has the number and caliber of rides required to compete in the Toronto market place. This combined with their desire to continue to improve midway operations at the CNE and their leadership in investing and introducing the concept of a cashless midway system to the traveling carnival industry support the CNE's desire to engage Conklin Shows for a term of three years with an option to renew for a further two years.

The proposed contract will include usual provisions for early termination in the event that performance standards are not met, insurance, regulatory compliance, and dispute resolution.

Conclusion:

This report recommends a new contract with Conklin for 2003 – 2005, with the option to renew for 2006 – 2007.

Respectfully submitted,

  
David Bednar, General Manager

Contact: Virginia Ludy  
Operations Manager  
(416) 263-3824  
vludy@theex.com