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January 19, 2000

TO: The Board of Governors of Exhibition Place

FROM: Dianne Young
Interim General Manager

SUBJECT: Delivery of In-House Electrical Services

Recommendation:

It is recommend that the Board receive this report for information.

Background:

The Board of Governors at its meeting of November 26, 1999, requested that staff report to the next meeting on all issues relating to the delivery of in-house electrical services. At a meeting of August 27, 1997, the Board approved of staff investigating the possibility of moving from the provision of electrical services by a third party contractor (Black & MacDonald) to in-house services. At its meeting of February 27, 1998, the Board approved an implementation plan for the provision of in-house services and the phasing out of reliance on the third party contractor starting in April, 1998, and completed in October, 1998.

Discussion:

Prior to 1998, the Board had for many years contracted with a third party (either Ainsworth or Black & MacDonald) for the provision of electrical services to shows and events held on the grounds including the CNE. The third party electrical contractor provided management personnel, electricians and electrical equipment/inventory. Throughout this time, electrical maintenance services continued to be supplied by in-house electricians pursuant to a collective agreement with IBEW, Local 353 and managed by Exhibition Place Operations Department. The terms of the last agreement with a third party service provider (Black & MacDonald) provided a commission to the Board of 35% of gross sales.

The initial recommendation to provide electrical services in-house was initiated by O&Y/SMG Canada in 1997 and was based on the beneficial results experienced at other SMG trade venues in the United States. Having completed the first full year of the delivery of all electrical services in-house, the returns to the Board are varied. In 1998, the percentage return to the Board from electrical services for all trade and consumer shows was 55% on that portion of electrical services provided in-house. In 1999, the average percentage return on all trade and consumer shows was 54%, however, this drops to 37% if the Canadian Machine and Tool Show (CMTS) is included. As

54%, however, this drops to 37% if the Canadian Machine and Tool Show (CMTS) is included. As reported previously, the percentage profit earned from the CNE and Molson Indy was 58% and 61% respectively. In total, gross revenues earned from electrical services in 1998 and 1999 were \$727,300 and \$2,029,100, respectively.

However, as stated in the many reports leading up to the final decision to move to an in-house service, staff had anticipated that there would be many challenges to meet in providing an efficient and high-quality service. These challenges were highlighted by the recent CMTS. It is these heavy shows that have a very high level of electrical service needs, test the efficiencies of service delivery and, for any service provider, are costly to produce and lower overall profit margins from other smaller and less complicated shows/events. As stated in the November, 1999, Management Report from O&Y/SMG, the following problems were recognized by management and are now being addressed on many fronts:

(a) Equipment

As part of the agreement with third party contractors all electrical inventory was provided by the contractor so that the Board had to invest in either the purchase or rental of electrical inventory for in-house electrical services. The initial purchase of \$213,000 was made through the NTC Project Funding in 1997. In 1999, further purchases had to be undertaken in order to provide electrical services to the CNE, the Molson Indy and CMTS which totalled \$166,250. As indicated in the November 1997 Board report, these up-front expenditures were anticipated in the development of this service. Basically, most of the essential electrical inventory necessary to meet our clients needs has now been purchased, although annual equipment expenditures will be required in order to renew and replace this inventory and provision has been made for this in the 2000-2004 Capital Budget.

One area of equipment needs not originally anticipated is what can be referred to as "infrastructure inventory". This is equipment that brings the power from an electrical substation to the power source that is then used by the client booth/display. While the client pays for the cost of connecting to the power source, it is Exhibition Place that must pay for the set up costs associated with bringing the power from the substation to the power source. Therefore, if "infrastructure inventory" can be purchased that can be put in place permanently this will reduce set up costs that are now associated with every show/event. For example, for the CNE and Molson Indy, the cost of establishing necessary power points throughout the grounds was approximately \$40,000 and for CMTS the set-up costs absorbed by NTC were approximately \$181,000 to establish such items as plug-in connections points for power delivery and compressed air lines. The Board approved 2000 Capital Budget for purchase of electrical equipment is \$350,000 and staff is therefore exploring the cost benefits of purchasing some of this inventory through that budget to put in place some of this "infrastructure" inventory.

(b) Personnel

As stated above, Exhibition Place has a collective agreement with IBEW, Local 353, for the provision of maintenance electrical work. This Local is also recognized under the Provincial

Construction Agreement for the provision of construction work that includes set-ups for trade and consumer shows. Prior to 1998 and the provision of in-house electrical services to trade and consumer shows, Exhibition Place had five electricians on-site year round to provide maintenance services. Since taking on the trade and consumer show activity, this permanent contingent has increased to 10 electricians. However, when mounting a very large show like CMTS, these 10 electricians must be supplemented on average by 20 to 30 electricians called from the IBEW union hall in accordance with the collective agreement. Typically, shifts will include about 5 of the permanent Exhibition Place electricians acting as foreman and the balance called from the union hall. The electricians called from the union hall may have never worked before at Exhibition Place and never worked in a trade and consumer show atmosphere which is time sensitive (limited move-in) and customer service orientated. This has and will continue to be a major problem in the delivery of efficient and effective in-house electrical services. It is not a problem encountered by third party electrical service providers such as Ainsworth and Black & MacDonald. Because these service providers have several contracts ongoing at any one time, they can move highly experienced electricians from one site to another as the demand requires and therefore, are not as dependent on calls to the union hall.

Management will be undertaking several initiatives to try to improve this personnel situation at Exhibition Place:

- i. Meet with union representatives to explore options for the provision of electricians who have trade and consumer show experience.
- ii. Provide in-house training for permanent electricians.
- iii. Explore initiatives taken by other unionized facilities that provide in-house electrical service. Mr. Leo Lauro, Interim Director of Operations, Exhibition Place and Mr. Harvey Repp, Operations Director, NTC, plan to take a business trip to a SMG facility and to the McCormick Centre in Chicago which is a city facility that not only provides in-house electrical services but also achieved significant results through a program developed to improve customer service delivery.
- iv. Issue an RFP for the provision of contracted electrical services on an 'as needed' basis for trade and consumer shows.
- v. Address "work directions" issues with the union.

(c) Occupational Health and Safety/Training

Another important issue that arises when it is necessary to call large numbers of workers from the union hall is the awareness level of health and safety procedures and policies at Exhibition Place. Exhibition Place is responsible for the safety of all workers on site and the prevention of workplace accidents. Outside the CNE period, there is no orientation program in place for workers called in from the union hall. To correct this, staff is presently working with a Health and Safety consultant to develop such a program.

(d) Administrative Support

As important as the delivery of electrical services is the management of the support services prior to

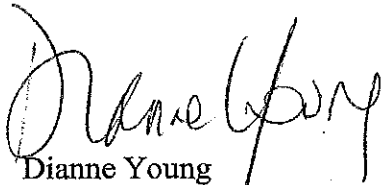
and following a show. These include the receipt of client electrical orders, planning the move-in/move out and personnel needs; scheduling of electricians; directing unionized personnel; providing customer service personnel on the tradeshow floor; and ensuring accurate accounting and billing. Again, it is only as of October, 1999, that Exhibition Place completed its first full year cycle of the in-house delivery of electrical services. This first year provided management with feedback on staffing and procedures that need to be put in place to provide effective administrative support. Funding for administrative staff has been included in the 2000 Operating Budget and staff of both Exhibition Place and NTC Programs are working together on procedures to address other administrative issues.

Conclusions:

This report outlines the major challenges encountered by Exhibition Place during the first year of the delivery of in-house electrical services to trade and consumer shows and outlines the initiatives that have or will be taken by management to improve the efficiency and quality of this service.

Mr. Ernest Vincent has provided input and reviewed this report and agrees with its content.

Submitted by:



Dianne Young
Interim General Manager