

**CGC comments on the Analysis of the Halifax 2014 Commonwealth Games by the  
Federal Government written by McMahon Consulting  
March 14<sup>th</sup>, 2006**

Preamble

Commonwealth Games Canada is appreciative of the opportunity provided by Sport Canada to contribute feedback to the final Draft Final Report submitted by McMahon Consulting. Our intent is to help clarify facts and identify inaccuracies, with a view to the production of a report that is a fair and credible representation of the Halifax 2014 Business Plan at the time of the analysis.

In the current context of the withdrawal of the Halifax 2014 bid, it is even more vital that the report be an accurate, objective and factual reflection of the status of the bid at that snapshot in time so as to enable rationale, respectful and analytical discussion to occur. The responses herein are compiled from discussions amongst the CGC bid team, CGC representatives on the Halifax Board, the CGC Board and staff. The format of the responses is done with ease of reading and reference in mind, as outlined below.

As an overview, we offer the following general comments about the process of analysis and reporting:

- CGC is concerned about the process and optics of this Business Plan report. The timelines in which this report was to be both compiled and delivered were challenging to say the least, raising questions of accuracy, completeness and rigor. The fact that the Contractor spent a total of two days in Halifax speaking to bid representatives about a project of this magnitude and complexity, without an agent of record to attest to the comments made, reflects the inadequacy of the approach. The delivery of this draft report played a critical role in the decision-making process of various parties in their funding deliberations, and concern must be expressed as to the fairness and timing of this action. While recognizing the expertise of the Contractor chosen for this project, CGC respectfully questions the insufficient time allotted to the project and the optics of this selection, given the Contractor's direct recent experience with Canadian bid committees vying to host the Commonwealth Games. These credentials are not included fully in the Contractor experience statement, and should be noted in the report.
- The scope of the analysis is often exceeded when examined against the terms of reference of the contract outlined in the report. The Contractor offers personal opinion and value judgment throughout without basis or fact, and alternatives are not provided as is required by the contractual terms. Further, key outside parties referenced in the report were not provided with the opportunity to make comment or verify report material (example – the Commonwealth Games Federation, international franchise holder for the Commonwealth Games). In the interest of fairness and completeness, we recommend that consultation be undertaken prior to the report being finalized.
- The tone of the report is frequently inflammatory and uses language for dramatic effect, which unfairly and subjectively impacts the reader. The use of sweeping and emotive statements such as "Olympic-level standards", "a perfect financial storm", "developmental and second tier Games" serves to detract from objective analysis, the purpose for which this report was commissioned, and is not helpful in the analysis.

- "Value of the Games" is a frequent topic of the report, without an accompanying definition of the statement or the measure by which it is made. The Contractor states that no valuation of the 2014 Commonwealth Games was undertaken, yet the report frequently asserts the Contractor's opinion that the value of the Commonwealth Games in terms of commercial revenue, broadcast dollars, athlete quality, spectator support or public interest is below par. These comments are made in the absence of a fulsome discussion with either the Commonwealth Games Federation (owner of the Games property and brand) or the Games organizations whose properties are referenced. In addition, the report takes no account of the "value" placed by Canadians and our public agencies on hosting Games in Canada, with the substantive concomitant returns to Canadians young and old, to our communities, to our national pride and to the goals of the Canadian Sport Policy upon which Sport Canada bases its work. Much of the report appears aimed at discrediting hosting activity of any kind in Canada, to the point where one might ask why anyone would consider hosting an event in Canada. This is clearly hyperbole, which affects the reader, and is not the position of Sport Canada as we understand it. In our view, the report should be toned back to reflect reality.

- The report makes reference to and quotes from documentation considered confidential (i.e. draft Host City Contract, Candidate City Manual, Games Manual, Bid City Agreement) to this process, and cannot be included in the report without the express consent of the signatories or property holders.

- The budgeting process and assumptions attributed to the 2014 Bid Society in the report are not grounded in fact. The report asserts that the Bid Society undertook an unreasonable and ill-advised approach to the budget, by basing it on the CGF Standards and win-ability only, and not on the capacity and funding contributions of the partners. In point of fact, the 2014 Bid Society undertook exactly what the Halifax 2014 Board directed - that is, to build the 2014 budget in accordance with what it took to win the bid while assuring ideal Canadian and local sport legacy, with an eventual view to adjusting the budget and scope accordingly once the funding commitments of the partners were made clear. A process for doing just that was in place, and given the unprecedented level of due diligence undertaken by the Bid Society in all matters financial, the level of reliability for such reconfiguration and budgeting processes should have been acceptably high. Unfortunately, the City and Province declined to ever make their funding commitments known, and thus the Bid Society was denied the opportunity to follow the approach in reconfiguring the bid to meet the partners' funding capacity, and the bid withdrawn.

- CGF Games Standards are frequently referenced in the report, and cited as the basis for the Society's budget process and the source of its key shortcomings. These standards exist as benchmarks against which the activities of the bid cities undertake their activities, and are but one point of reference for the Bid Society in their bidding and budgeting process. The Contractor has indicated that he has not fully read the Games Manuals or Candidate City Manual (which raises concern as to the fullness of the Contractor's understanding of the Commonwealth Games bidding and hosting Games processes), but to also imply that these standards are largely responsible for the Society's budget challenges, and were the sole basis upon which the entire budgeting process was founded is not only incorrect and unfounded, but disingenuous. The In addition, it is the norm that certain elements of this process are indeed controlled by the International Body, and these are, in the main, known at the outset of the bidding process by bid cities. There are few grounds and little point to criticism of the Bid Society for elements outside of its purview.

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## **Report Format**

The report is structured according to the preceding table of contents.

CGC has not reproduced the text of the draft report but has simply made reference to it. In our reply to the report, CGC has tried as much as possible to clarify the statements of McMahon consulting report (referred to in this text as the Contractor) and identify inaccuracies. However, CGC is concerned that the Contractor has included questions / answers from his site visit to Halifax on Feb 21 – 22<sup>nd</sup> that do not reflect at all the CGC and/or the Halifax comments. During those meetings, no minutes were taken by a third party and no recording was done. Therefore CGC would feel more comfortable if the Q & A section was removed from the report in order to avoid any inaccuracy. A full day and a half was taken to answer the questions of the Contractor. It is surprising to us to see that each of the answers has so little information. To comment appropriately on each of the questions would have required more time than we had under the constraints of the deadline. In addition, no time could be spent in review of the report documents during the week of 5 March, as CGC was in discussion with the Funding Partners to determine the fate of the bid.

### **Contractor Credential / last paragraph**

The Contractor should state within the report that he was involved with the production of the budget of the Hamilton 2010 Commonwealth Games International Bid and Hamilton 2014 Commonwealth Games Domestic Bid.

### **1.0 Introduction**

CGC understands that the report formed part of the process for the Funding Partners to make a decision in regards to the funding of the event. We would recommend that the Contractor add the date of the bid lodgement (May 9, 2007) to fairly illustrate the time remaining until the bid lodgement.

### **2.0 Work Outline - p. 4**

#### **2.1 Deliverable and Tasks – p.4**

The scope of this report should be restricted to an analysis of costs and revenues in the business plan and should not include an analysis of the “business case” or economic or other benefits of bringing the Games to Halifax. As a result, any comment that passes judgement on the value of the Games is inappropriate in this report. Judgements that have been made in this report related to the value of the Games are not substantiated by the work done (no interviews with the CGF, Delhi 2010, Melbourne 2006, Manchester 2002, Kuala Lumpur 1998 – no reviews of the economic analysis done by Melbourne or for Halifax).

#### **2.2 Process / Timeline - p. 5 / 6<sup>th</sup> bullet point**

Point of clarification received from Halifax 2014:

Please add CGC as one of the respondents to the report, as well.

### **3.0 Executive Summary - p. 6 - 9**

CGC does not agree with the position of the Contractor and have given facts and figures in each of the relevant sections in order to explain.

#### **4.0 Documents received - p. 10 - 12**

##### **4.1 List – p. 10**

CGF Manual: The Candidature City Manual is listed as one of the documents not fully read by the Contractor. This document is particularly important in order to understand the level of details required within the Bid Book as well as the background to the bid.

Comments on CGF standards are not substantiated by any work done by the Contractor, and no discussion has occurred with the CGF.

Additional:

- Mark up for Bid Cities Jan 26, should be changed to Host City Contract, Jan 26
- Various consultant reports on the budget (zip file, feb 9<sup>th</sup>)

##### **4.2 Site Visit - p. 13 - 1<sup>st</sup> question**

CGC suggests that the contractor should note that CGC staff worked in extremely close partnership with Halifax 2014 in the development of the Business Plan and were therefore comfortable with the CGC Board endorsing/approving the plan after funding partners had decided on funding levels.

##### **4.2 Site Visit - p. 13 - 2<sup>nd</sup> question**

Yes it was approved on January 26<sup>th</sup>, 2007. However, during the February 14, 2007 Halifax 2014 Executive Committee meeting, Halifax Regional Municipality and the Province of Nova Scotia expressed concerns about the overall costs of the Games. This was also conveyed in a letter. At the March 7<sup>th</sup> meeting, Halifax 2014 put forward a proposal to reduce the Games Budget from \$1.6 billion (inflation included) to \$1.3 billion. Halifax Regional Municipality and the Province of Nova Scotia informed Halifax 2014 that these cuts were not sufficient and that a lower figure would be required. Halifax 2014 stated that they would need 8 days to come up with a new bid concept with a budget at \$1 billion dollars for review by the Halifax 2014 Executive Committee and the Funding Partners.

After the Halifax 2014 Executive Board meeting held on March 8<sup>th</sup>, Halifax Regional Municipality and the Province of Nova Scotia decided not to wait for the revised information and confirmed that they would not contribute to the Games.

#### **5.0 Commonwealth Games Context - p.15 – p. 25**

##### **5.1 History - p. 15 - 6<sup>th</sup> paragraph**

The comments from the Contractor are out of context of the scope of work Manchester deliver. The Contractor did not interview Manchester Organising Committee so he does not have the evidence to make such statements.

##### **5.2 Halifax - p. 16 - 3<sup>rd</sup> and 4<sup>th</sup> paragraphs**

The reference to the 1994 Pan Am Games is a personal one for the Contractor and is not relevant. The Bid Society, in partnership with CGC, has carried out additional work in this area. The Business Plan that was submitted clearly establishes the scope of the Commonwealth Games and was designed so that there would be no surprises in this respect.

### **5.3 Sport Program - p. 18 - 3<sup>rd</sup> and 4<sup>th</sup> paragraphs**

CGC does not understand the relevance of comparing professional sport with sports on the programs of major summer Games. Not all sports enjoy the same popularity – this is not unique to sports in the Commonwealth Games.

The Commonwealth sport program is a key element for influencing votes. Each voting Commonwealth Games Association is interested to know how many participants they will be able to send to the Games and how many medals they may be able to win.

### **5.3 Sport Program - p. 18 - 5<sup>th</sup> paragraph**

Only three countries have had the chance to host the IAAF World Championships twice (Finland, Japan, Germany). Canada is the only country in the world that has hosted all the stadium World Championships. We believe the first sentence does not reflect the point that the Contractor made.

The attendance figures quoted for Edmonton do not reflect the official report of the Organising Committee - which was 400,000 spectators.

The Contractor has no data supporting the idea that Games team sports are more popular than individual sports. This sentence should be removed.

### **5.4 Recent History - p. 18 - 19 - 1<sup>st</sup> and 5<sup>th</sup> paragraph**

The Contractor can not make a comment of this nature regarding CGF without conducting an interview with them.

CGC does not agree with the Contractor's contention that the responsibility for the Games budget increase lies with the CGF. Halifax 2014 built its budget taking into consideration the following:

- Ability to win the bid
- Having an appropriate legacy in sport infrastructures and overlay for additional Games requirements
- Providing an acceptable level of services to all constituents (teams, technical officials, media, dignitaries, spectators and volunteers) and comply with CGF requirements

The cost of Melbourne 2006 was AUS \$ 1.1 billion. The cost of Manchester 2002 was in GBP 300 million.

### **5.4 Recent History - p. 19 - 3<sup>rd</sup> paragraph**

The budget discussions had been going on for 2 years with commitments made approximately 14 months out from the Games – the formal government budgetary allotments happened months in advance.

There needs to be recognition that scope drives cost. Manchester chose a scope that drove the cost to GBP 300 million pounds, while Melbourne chose a scope that drove of the cost to AUS\$1.1 billion.

### **5.4 Recent History - p. 19 - 4<sup>th</sup> paragraph**

The cost Melbourne stated in the report does not include the costs for Security.

#### **5.4 Recent History - p. 19 - 5<sup>th</sup> paragraph**

The Contractor cannot make a comment of this nature regarding the CGF without conducting an interview with them.

#### **5.5 Product - p. 19 - 2<sup>nd</sup> paragraph**

Apart from the Olympic Games, no other international rights holder provides financial assistance to host cities.

#### **5.5 Product - p. 20 - 1<sup>st</sup> paragraph**

The Contractor states that “*costs for a Commonwealth Games are now reaching Olympic proportions*”. This is false, in that the operating budget of Halifax 2014 (Jan 26<sup>th</sup>) is \$776 million in operation, while the operating budget of Sydney was \$3.5 billion and Athens was \$2 billion. The capital budget of Halifax 2014 (Jan 26<sup>th</sup>) is \$571 million while the capital budget of Sydney was \$3 billion.

The Commonwealth Games has a cap of 17 sports while the Olympics has 28 sports – this should be reflected.

#### **5.6 Valuing the Games - p. 20 - 1<sup>st</sup> paragraph**

This should be included in the Economic Impact study that has been commissioned by the Funding Partners. It was agreed that it was not the role of Halifax 2014 to conduct such a study.

#### **5.6 Valuing the Games - p. 20 - 3<sup>rd</sup>, 5<sup>th</sup> and 6<sup>th</sup> paragraphs**

The Contractor values the Commonwealth Games according to events being held in Canada in the past and not to previous Commonwealth Games (2002 – 2006). The comparisons are not relevant.

The capital cost of hosting a major multi-sport Games varies depending on the existing facilities in the host city. Understanding that since 1998, world class venues are necessary in order to host the Commonwealth Games - and understanding that Halifax does not have many world class facilities - one should not compare the previous Games held in Canada (which did not require world class venues) with the 2014 Commonwealth Games bid for by Halifax. The capital must be excluded from those comparisons.

#### **5.6 Valuing the Games - p. 20 - 4<sup>th</sup> paragraph**

The Contractor should have compared the commercial revenue of the previous Commonwealth Games and not according to other Games held in Canada.

#### **5.6 Valuing the Games - p. 20 - 6<sup>th</sup> paragraph and p.21 - 1<sup>st</sup> - 2<sup>nd</sup> paragraphs**

The models being used are not relevant in determining the value of the Games. See previous comments. Therefore the comments about the Federal Government must be changed accordingly.

Calculating value in the context of commercial revenue potential only, is not a valid concept – a broader economic model needs to be developed.

#### **5.7 Positioning of H2014 CWG - p. 21 - 1<sup>st</sup> paragraph**

Duplication of information from p.18. See CGC comments under 5.3 - p.18 - 3<sup>rd</sup> - 4<sup>th</sup> paragraphs.

CGC would like to understand the background to the statement that Canadians prefer to watch winter sports. The contractor has not produced any data or backup to this assertion.

**5.7 Positioning of H2014 CWG - p. 21 - 2<sup>nd</sup>, 3<sup>rd</sup> - 4<sup>th</sup> paragraphs**

It is normal that New Delhi has not yet secured a Canadian Broadcaster. Most of the broadcast deals for the Commonwealth Games are signed between 18 to 24 months prior to the Games.

It was not the intention of Halifax 2014 to purchase time on Canadian television in 2010 to broadcast the 2010 Delhi Games. This is not a comment that should be in an official report. See also additional comments on CGC answer on 5.8 - p. 24 - 1<sup>st</sup> paragraph.

Historically, the television rights and coverage of Games (excluding the Olympic Games) in Canada when the event is not held in Canada are not as significant. For the Manchester Games we had 32 hours coverage - mostly during prime time. However, the coverage dramatically increases when the Games are held in Canada. Therefore reference to the 2010 Games should be removed. Also, because of the increased coverage of the Games while in Canada, the Games resonate more with the general public. The comments on page 22, 1<sup>st</sup> paragraph should be changed accordingly.

It is CGC's understanding after speaking with the CBC, that October 2010 will be a Canadian broadcast-friendly date.

CGC believed that it is not within the scope of the Contractor to analyse Delhi 2010.

**5.7 Positioning of H2014 CWG - p.22 - 4<sup>th</sup> paragraph**

CGC believes that these topics are outside of the scope of the study and does not see the relevance of comparing sport performance across Games.

**5.8 Site Visit - p. 23 - 2<sup>nd</sup> paragraph**

CGC would like to highlight its rationale for bidding for 2014 as indicated in the domestic bid process documents:

- Increase capacity in sport infrastructures
- Increase the Commonwealth Games brand in Canada
- Commonwealth Games Canada sustainability
- Contribution to the Canadian Sport Development and potential to Road to Excellence Program
- Contributing to the Commonwealth Games movement

**5.8 Site Visit - p. 24 - 2<sup>nd</sup> paragraph**

Not relevant to analysis but should be recognised. Many sports in the CWG will have many of the world's top athletes competing. e.g. Swimming, Athletics, Rugby, Field Hockey.

**5.9 Draft Final Report Conclusion- p. 25**

CGC does not agree with the position of the Contractor and have given facts and figures in support (see previous comments). Commonwealth Games are not a development event if taking in to account the level of delivery of the last 2 Games (2002, 2006) and the level of competition in certain sports.

## **6.0 CGF / CGC / CGA obligation and commitments - p. 26**

### **6.1 Approach – p. 26 – 1<sup>st</sup> paragraph**

The Contractor stated that “*the obligations and commitments are so numerous and proscriptive*”. If previous requirements from various majors International single Sport Federations and multisports Games organisations are considered, the CGF requirements are in line with other Games or major events. The requirements are non negotiable. Bid Cities know going into the process there are some things they cannot control - but they accept it as being part of the process and that they are not in a position to dispute or change them.

Material references in this section are confidential, as it is an extract from the Host City Contract to be signed between Halifax Regional Municipality, the Province of Nova Scotia, CGC and the Organising Committee. As is as an extract of the Bid City Agreement signed between CGC and Halifax Regional Municipality. If this section of this report remains, it is important that only the representatives of the signatory of this agreement plus the Federal Government have access to this report. If not there will be a breach of the confidentiality clause in both of those contracts.

### **6.2 Summary, issue and Observation - p.29 - 3<sup>rd</sup> paragraph**

Technical officials do not get paid.

### **6.2 Summary, Issue and Observation - p.29 - 3<sup>rd</sup> paragraph**

The issue of surplus were dealt with in the Multi Party Agreement discussions - a solution was found.

### **6.2 Summary, Issue and Observation - p.30 - 1<sup>st</sup> paragraph**

There is a lot of scope to manage and re-allocate costs within the capital and operating budgets as evidenced in Delhi, Melbourne and Manchester and Kuala Lumpur.

Further interpretations should not be made about CGF intentions and processes without speaking to the CGF directly.

### **6.2 Summary, Issue and Observation - p.30 - 2<sup>nd</sup> paragraph**

It was the intention of Halifax 2014 and CGC to ensure that the content of the bid document was in line with a budget which would allow for the running of the event in a fiscally responsible manner. The bid book would have reflected the budget which was going to be agreed by the Funding Partners prior to the bid lodgement.

Further interpretations should not be made about CGF intentions and processes without speaking to the CGF directly. The CGF is only ensuring that commitments that are made are delivered. This is to ensure the bidding process is open and fair (to prevent bidders from promising more than other bidders only to renegotiate at a later date).

### **6.2 Summary, Issue and Observation - p.30 - 4<sup>th</sup> paragraph**

CGC received the updated version of the Host City Contract on 26 January 2007. It is the understanding of CGC and Halifax that no new version will be given.

### **6.2 Summary, Issue and Observation - p.30 - 6<sup>th</sup> paragraph**

The CGF Executive Board will not decide how the OC budget will be spent. They will just ensure that the information which they were provided in the Bid Book will be respected.

And, as the Bid Book would have been in line with the budget, this would not been an issue.

**6.2 Summary, Issue and Observation - p.31 - 2<sup>nd</sup> paragraph**

This clause was included in the Bid City Agreement in order to ensure that the Canadian Candidate Bid City at the international level does not underestimate the cost of hosting the Games. CGC asked each Domestic Bid City to provide a budget within their domestic bid submission and understood that they had limited time and resources to accomplish this task. CGC wanted to make sure that due diligence would be done at the international bid level prior to sending the budget to the Funding Partners. CGC has worked in partnerships with Halifax 2014 in the development of the budget. The same concept applies to the International bid document, CGC being a partner of the bid society in the development of the Bid Book.

It is not unusual for the domestic rights holder to ensure that due diligence is being done before the Funding Partners make their decision on their respective funding. This should be the norm in the future.

**6.2 Summary, Issue and Observation - p.32 - 1<sup>st</sup> paragraph**

This clause quotes from CWG manuals which the contractor has not read and is of a confidential nature. Further reference to the Host City Contract is confidential and ill-advised.

**6.3 Site Visit - p.33 - 3<sup>rd</sup> paragraph**

This question should not be answered by a third party in an official report. This answer should be provide by the CGF.

**6.3 Site Visit - p.33 - 6<sup>th</sup> paragraph**

The balance of the \$3.6 million - of \$6.4 million - is a donation to the CGC Foundation in order to maintain sustainability of the Commonwealth Games Canada. The same concept applied in 1994 when Victoria hosted the Games.

This question is confidential as it is an extract from the Bid City Agreement signed between CGC and Halifax Regional Municipality. If this question remain in the report, it is important that only the representatives of the signatory of this agreement plus the Federal Government have access to the report. If not, there will be a breach of the confidentiality clause in the contracts.

**6.3 Site Visit - p.33 - 7<sup>th</sup> paragraph**

This question should not be answered by CGC or Halifax in an official report. This answer should be provided by CGF. If an answer needs to be given, it should only be stated that it is a CGF requirement.

**6.3 Site Visit - p.34 – 1<sup>st</sup> paragraph**

CGC would like to add that the 50% of any surplus does not go to CGC but will be used for national legacies. This is common practice given past Games in Canada. CGC would not like to see in an official report any suggestion that they are in conflict with CGF. This question should be removed.

**6.4 Draft Final Report Conclusion - p.34**

CGC does not agree with the position of the Contractor and have given facts and figures in order to explain why (see previous comments).

## **7.0 Financial and Organizational Control– p. 36 - 38**

### **7.1 Summary, issues and Observation - p.36 - 37**

This level of consistency is not required during a Bid Phase, it is important during the operational phase. The key during a bid phase is budget completeness, that is the only relevant issue.

### **7.1 Summary, issues and Observation - p.38**

Please refer to the first CGC comments on p.1 regarding the Q & A. However, in the event that the Contractor still keeps the Q & A section within his report, enclosed are our comments.

These comments have no impact on the budget, CGC does not understand why this is an issue at the bid stage.

### **7.2 Site Visit / Draft Final Report Conclusion- p.38**

These comments have no impact on the budget, CGC does not understand why this is an issue at the bid stage.

## **8.0 Governance – p.39 - 46**

### **8.2 Site Visit - p. 42 - 4<sup>th</sup> paragraph**

This exact model has not been used previously as far as CGC is aware. However it is a mix of various other event management structures based on learning from previous events.

### **8.2 Site Visit - p. 42 - 8<sup>th</sup> paragraph**

This statement is false. Under no circumstance have Halifax 2014 or CGC representatives stated the structure was imposed by CGC. This line should be removed.

### **8.3 Draft Final Report Conclusion - p. 45 - 7<sup>th</sup> paragraph**

The Bid Book required a budget in 2007 dollars. VANOC had the same requirement and provided a budget in 2002 dollars. Irrespective of VANOC and the CGF requirements, Halifax was asked by the Funding Partners in February 2007 to calculate the inflation within their budget.

Halifax 2014 and CGC would have been able to come back to the acceptable norm of 85% of public funding through the rescaling of the budget from \$1.6 to \$1.3 billion on March 7<sup>th</sup> and if allowed to, the potential reduction from \$1.3 to \$1.0 billion.

## **9.0 Operating Revenue– p. 47 – p. 59**

### **9.1 Approach - p. 48 - 1<sup>st</sup> paragraph**

The number given by the Contractor is different than the one given in 5.3 - 5<sup>th</sup> paragraph and does not reflect the final report of the Organising Committee.

### **9.2 Summary, Issue and Observation**

#### **9.2.2 Sponsorship - p.49 - 2<sup>nd</sup> paragraph**

The Contractor states only recollection and not fact.

#### **9.2.2 Sponsorship - p.50 - 7<sup>th</sup> paragraph**

The Contractor stated a % for VIK in Edmonton but stated in the previous section 9.2.1 - 3<sup>rd</sup> paragraph that he does not have the breakdown..

#### **9.2.4 Broadcasting - p. 53 - 1<sup>st</sup> paragraph**

CGF are responsible for negotiating the International Television rights; the revenue figures from the television rights were given by CGF. CGF asked Halifax 2014 not to amend those figures within the Halifax Games budget.

#### **9.3 Site Visit - p. 54 – 55**

Halifax 2014 will provide, if requested, an updated report from Linda Oglov regarding changes to sponsorships market.

#### **9.4 Draft Final Report Conclusion**

##### **9.4.2 Sponsorship - p. 57, 5<sup>th</sup> paragraph**

The requirement to have a Toronto office would be one of the tendering requirements when selecting an agency.

##### **9.4.3 Ticketing - p. 57**

See CGC comment 9.1 - p. 48 - 2<sup>nd</sup> paragraph.

CGC would like to understand the rationale of the Contractor for arriving at the \$25 million figure.

##### **9.4.4 Broadcasting - p. 57**

No broadcast revenues are expected within the budget for domestic rights; the international rights are based upon figures given by Fast Track - a company that has been involved in the past with selling the television rights for the Commonwealth Games. The Contractor has not given any rationale for this estimate of sponsorship revenue.

##### **9.4.5 Licensing and Other - p. 59**

CGC does not understand if the contractor's projection includes concession revenues. if yes, what is the basis for the contractor's estimate (Halifax 2014 budget: Licensing \$1.9 million and concession \$0.7m)

#### **10.0 Operating Expenses – p. 60 – p. 64**

##### **10.1 Approach - p. 60**

Appendix 16 is referred to in the body of the report, but the Table of Contents indicates that it has been deleted.

##### **10.2 Summary, Issue and Observation - p.60 - 1<sup>st</sup> paragraph**

Please refer to CGC comment 7.1 - p.36 – 37.

##### **10.2 Summary, Issue and Observation - p.61 - 1<sup>st</sup> paragraph**

Halifax 2014 produced a draft overall budget in December 21<sup>st</sup> for the Halifax 2014 Executive Board. This draft included \$900 million in operating cost. Senior Management during the meeting acknowledged that the overall costs of the Games were too expensive and that the budget presented to the Halifax 2014 Board was not ready. More work had to be done in regards to the operating expenses and capital budget.

CGC and Halifax 2014 spent 3 days (Jan 9<sup>th</sup> - 11<sup>th</sup>) with the Funding Partners to identify what was the risk of reducing the budget to \$776m, including legacy, security, Government VIK & essential services. A document called 'Risk Assessment' was produced following the meeting and was given to the Contractor. Halifax Senior Management and CGC believed that the risk associated to the reduction of the budget was acceptable. A more detailed explanation will be provided within the Halifax 2014 comments.

The amended budget was submitted to the Halifax 2014 Executive Board on January 24<sup>th</sup> and to the Halifax 2014 Board of Director on January 26<sup>th</sup>.

**10.2 Summary, Issue and Observation - p.61 - 3<sup>rd</sup> and 4<sup>th</sup> paragraphs**

More due diligence has been done over the budget in order to avoid scope creep. Halifax 2014 and CGC understand well what they have cut within the budget and for what reasons - the cuts were done by identifying what was not essential for the Games.

**10.2 Summary, Issue and Observation - p.61 - 5<sup>th</sup> paragraph**

The costs of the Village and venues overlay were based on the CGF Games Manual. From those requirements, CAD drawings were produced and a budget was identified. The comments of the Contractor do not have any rationale.

**10.2 Summary, Issue and Observation - p.61 - 6<sup>th</sup> paragraph**

This section is incomplete and should be discussed further with the CGF.

**10.2 Summary, Issue and Observation - p.61 - 7<sup>th</sup> paragraph**

The CGF evaluation commission will only compare the budget estimates against the scope of work proposed.

**10.2 Summary, Issue and Observation - p.62 - 1<sup>st</sup> and 2<sup>nd</sup> paragraph**

The Contractor makes reference to other events in Canada that are not relevant to the Commonwealth Games.

**10.2 Summary, Issue and Observation - p.62 - 4<sup>th</sup> paragraph**

Please refer to CGC comments on 10.2 - p.61 - 1<sup>st</sup> paragraph

**10.2 Summary, Issue and Observation - p.62 - 5<sup>th</sup> paragraph**

The contingency is currently at 8.5% on expenses other than CGC and CGF contractual payments, broadcast contingency, spectator transport (has its own contingency), and excess broadcast agency fees.

**10.3 Site Visit - p.62 - 63**

Please refer to the first CGC comments on p.1 regarding the Q & A. However in the event that the Contractor keeps the Q & A section in his report, enclosed are our following comments.

**10.3 Site Visit - p.62 - 2<sup>nd</sup> paragraph**

The reason why Halifax 2014 and CGC built the budget according to the CGF requirements was not only to win the bid but to be able to be fiscally responsible. Halifax 2014 will have to sign the Host City Contract (HCC) that will bind the Organising Committee with the CGF requirements. CGC does not understand the rationale for the Contractor statement that *"If Halifax is to win, they must meet the CGF standards, which in effect are the standards from Melbourne"*. This is untrue. The CGF standards are

clearly identified in the HCC and the Games Manual and do not reflect the standards of the Melbourne Games.

Also, the budget reflects the fact that Delhi has already committed to services which are above CGF requirements and are expected by the CGA's.

**10.3 Site Visit - p.63 - 1<sup>st</sup> paragraph**

The Contractor cannot state that the CGF standards are in effect the Melbourne standards without first consulting the CGF to verify.

**10.3 Site Visit - p.63 - 2<sup>nd</sup> and 3<sup>rd</sup> paragraph**

Please refer to CGC comments 10.2 - p.61 - 1<sup>st</sup> paragraph.

**10.3 Site Visit - p.63 - 4<sup>th</sup> paragraph**

The last sentence should be deleted "*It is a bid budget rather than a business plan and budget*". It does not reflect Halifax 2014 and CGC comments.

**10.3 Site Visit - p.63 - 5<sup>th</sup> paragraph**

Please refer to CGC comments 10.2 - p.61 - 3<sup>rd</sup> and 4<sup>th</sup> paragraphs.

**10.3 Site Visit - p.63 - 6<sup>th</sup> paragraph**

This is not a question to include in an official report. The answer does not reflect the position of Halifax 2014 nor CGC, which has been clearly explained within this report.

**10.4 Draft Final Report Conclusion - p.64**

CGC do not agree with the position of the Contractor and has given facts and figures in order to explain why (see previous comments).

**10.4 Draft Final Report Conclusion - p.64 - 2<sup>nd</sup> paragraph**

There is no basis for the Contractor to say "... *given that Halifax is projected operating cost at a level of 5% below Melbourne there will be external pressure to increase*".

**10.4 Draft Final Report Conclusion - p.64 - 7<sup>th</sup> paragraph**

The Contractor has not given any rationale for arriving at this number

**11.0 Capital Plan– p. 65 – p. 74**

**11.1 Approach - p. 65 - 1<sup>st</sup> paragraph**

Halifax 2014 has also forwarded the Multiplex Business Plan to Sport Canada which should have been sent to the Contractor.

**11.3 Site Visit - p.67 - 2<sup>nd</sup> paragraph**

The Contractor does not give any rationale why a 25,000 seats stadium cannot be substantiated. The Contractor assumes that the only sports which will be played in the stadium will be soccer and rugby. The possibility of a CFL team, even if it is not within the mandate of Halifax 2014, is an option (minimum CFL stadium being 25,000 seats).

Discussion regarding the 50,000 seat stadium were held several times with the Halifax 2014 Executive Committee. The Funding Partners are well aware of the importance of a stadium of 50,000 seats for winning reasons.

**11.3 Site Visit - p.67 - 3<sup>rd</sup> paragraph**

Halifax 2014 and CGC are well aware that Canada has not been awarded the 2011 World Cup, however it is an opportunity to consider.

**11.3 Site Visit - p.67 - 4<sup>th</sup> paragraph**

Asbell Sport Management was not aware of the local particularity. World Trade Centre Limited and Events Halifax have a excellent experience of hosting outdoor concerts in Halifax.

**11.3 Site Visit - p.68 - 3<sup>rd</sup> paragraph**

This was an oversight in the Business Plan: the village will be available only in 2014.

Please refer to CGC answer 11.2 - p.66 - 4<sup>th</sup> paragraph.

**11.3 Site Visit - p.68 - 70**

Please refer to the first CGC comments on page 1 regarding the Q & A. However in the event that the Contractor keeps the Q & A section in his report, enclosed are our following comments.

**11.3 Site Visit - p.68 - 1<sup>st</sup> paragraph**

This is not the approach taken to build the Budget – refer to Halifax 2014 Response. The cost driver for the facilities is not the CGF requirements: it is the legacies. The CGF requirements for the Games can be accommodated with overlay.

For “the budget not been palatable”, please refer to CGC answer 10.2 - p.61 - 1<sup>st</sup> paragraph.

No assertion was made during the meeting with the contractor that acquisition of a stadium that could be used by a CFL team was a critical factor.

Any reference to Ocean Breeze is confidential as the residents living at Ocean Breeze are not aware of the location of the Village. If this section of this report remains, it is important that only the representatives of the signatory of this agreement plus the Federal Government have access to this report. If not, it will have a public relations impact.

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**11.3 Site Visit - p.69 - 6<sup>th</sup> paragraph**

Please replace 50% of the land by 50% of the unit.

Any reference to Ocean Breeze is confidential as the residents living at Ocean Breeze are not aware of the location of the Village. If this section of this report remains, it is important that only the representatives of the signatory of this agreement plus the Federal Government have access to this report. If not, it will have a public relations impact.

**11.4 Draft Final Conclusion**

**11.4.1 General - p.70 – p. 74**

CGC do not agree with the position of the Contractor and have given facts and figures in order to explain why (see previous comments).

#### **11.4.1 General - p.70 - 2<sup>nd</sup> and 3<sup>rd</sup> paragraphs**

The capital cost of hosting a Games varies depending of the existing facilities within the host city. Understanding that since 1998, world class venues are necessary in order to host the Commonwealth Games - and understanding that Halifax does not have many world class facilities - the Contractor cannot compare the previous Games held in Canada (which did not require world class venues) with the Commonwealth Games being bid for by Halifax. However Halifax 2014 on March 7<sup>th</sup> presented to the Halifax 2014 Executive Committee a revised version of the capital and operating budget with concept changes in regards to the facilities in order to present a budget of \$1.3 billion (inflation included). Halifax 2014 were also willing to continue to explore additional avenues in regards to the capital and operating budget in order to present a budget of \$1.0 billion.

#### **12.0 Essential Services– p. 75 - 76**

#### **12.3 Draft Final report Conclusion- p.75**

CGC doe not understand the link between the London report, Essential Services and cost overruns. CGC believes that these comments are not relevant.

#### **13.0 Staffing Plan – p. 77**

CGC would like to be able to comment on the staffing plan prior the production of the Final report. Halifax 2014 is available for a conference with the Contractor.

#### **14.0 Project Control Plan – p. 78 – p. 79**

#### **14.1 Approach - p.78**

A key milestones and key date document (30 pages) was provided by Halifax 2014 to Sport Canada on 20 February. This document is in line with the CGF operational deadlines. This information is not consistent with the question under site visit 2<sup>nd</sup> question.

#### **14.2 Site Visit – p. 78**

Please refer to the first CGC comments on p.1 regarding the Q & A. However in the event that the Contractor still keep the Q & A section within his report, enclosed our following comments.

The answer from the Contractor does not reflect our conversation held with CGC and Halifax 2014. It was clearly stated in that meeting that in order to reduce the budget a change in concept of the bid and reconfiguration would be required.

#### **14.3 Draft Final Report Conclusion - p.78**

The Contractor asserts that “ it is not possible to envisage a process that could be undertaken in the time left until the bid documents must be lodged” – this cannot be made without full knowledge of the situation and concepts proposed – this statement is opinion only and should be removed.

It is true that CGC and Halifax mentioned that a new budget would create challenge regarding the production of the Bid Book. However, the funding commitments by the City and Province were never officially stated. Therefore, the Bid Society was not provided the opportunity to adjust the budget.

## **16.0 Marketing and Sponsorship Plan– p. 82 – p. 84**

### **16.2 Draft Final Report Conclusion - p.84 - 3<sup>rd</sup> and 4<sup>th</sup> paragraph**

CGC does not accept the rationale for these comments and fails to see the relevance for this discussion. The Contractor should speak to CGF for further context and clarification.

## **19.0 Environment Plan – p. 87**

Halifax 2014 have provided to Sport Canada 5 reports on Environmental issues:

- Final Report on the Preliminary Geotechnical Investigation at Shannon Park for the 2014 CWG
- Final report on the Preliminary Geotechnical Investigation at Wallace Height for the 2014 CWG
- Solar Solutions for H2014 CWG
- District Heating Study Report Halifax Commonwealth Game
- Archaeological Resources Impact Study

Halifax 2014 has made provisions in the capital budget of 1% per venue for the Environment issue.

A copy of the document called Environmental and Sustainability Planning for Halifax 2014 Commonwealth Games which will be the base of the Environment management plan will be sent to the Federal Government on March 14<sup>th</sup>.

## **20.0 Aboriginal participation plan – p. 90**

The Aboriginal Participation Plan for Halifax 2014 was based on the Hamilton 2010 developed - at the bid phase - given by the Federal Government.

A final Aboriginal Plan which was reviewed from the Office of Aboriginal Affairs of the Province of Nova Scotia was sent to the Funding Partners on February 22<sup>nd</sup>, 2007.

## **21.0 Security Plan – p. 91**

After many discussion it was not clear where the leadership on the Security issue would come from and this had implications on the eventual bid budget and process.

## **22.0 Legacy Plan – p. 92 – p. 104**

### **22.1 Summary, Issues and Observation**

#### **22.1.1 General - p.92**

The facility financial Legacy Plans are supported by two business plans (stadium and Multiplex) which include detailed spreadsheets showing costs. These plans have been forwarded to Sport Canada.

#### **22.1.2 Facilities - p.93 - 3<sup>rd</sup> and 4<sup>th</sup> paragraphs**

Halifax 2014 had already spoken with the Funding Partners regarding capital maintenance and it was agreed that it should not be included in the financial legacy plan.

#### **22.1.2 Facilities - p.93 - 5<sup>th</sup> paragraph**

Halifax 2014 has discussed with the Funding Partners on various occasions that the only legacy that will be taken care of by the legacy fund will be the Stadium and the Multiplex. All the other facilities will be maintained by their respective owner.

#### **22.1.2 Facilities - p. 94 - 2<sup>nd</sup> paragraph**

Halifax 2014 have purposely not costed the revenues of a CFL franchise in this budget, as they want to have the worst scenario for the overrun of the facilities.

Please refer to CGC answer to Capital Plan / Summary, Issues and observation / p.67 / 3<sup>rd</sup> paragraph

#### **22.1.4 Governance and Viability - p. 97**

It was agreed among the Funding Partners during MPA meetings that the details of the legacy board should not be done at the bid level but would be done after the Games are awarded and will be part of the revised business plan.

#### **22.2 Site Visit - p.99 - 2<sup>nd</sup> paragraph**

The Contractor cannot comment on the Melbourne television audience when no studies or discussions were held with CGF or Melbourne Organising Committee.

#### **22.3.4 Promotion Legacies - p.102 - 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> paragraphs**

CGC would be interested to know the Contractor's source regarding Television viewers for Manchester and Melbourne. This information is not relevant as discussions were not held with CGF, the Manchester Organising Committee or the Melbourne Organising Committee.

#### **23.0 Summary and Risk and Mitigation - p. 105**

CGC would like the opportunity to provide comments in this area.

#### **Draft Final Report Conclusion - p. 106 - 107**

CGC does not agree with the position of the Contractor in this Conclusions section, and have provided facts and figures to support its position. We expect that comments made by the Contractor are based on fact and that supporting document exists, which is often not the case in this draft. CGC does not accept the contention that the Commonwealth Games is a developmental event. The many examples of sports where the Games are at or near the pinnacle of their performance pathway demonstrate this - please refer to CGC comment on 5.8 - p. 24 - 1<sup>st</sup> paragraph.

We disagree with the comments "*that there are no signs that ever increasing Games costs will plateau, let alone decline*". The escalation is due primarily to the decisions of the Organising Committee and not due to the requirements of the rights holder. The Contractor's statement above can only be asserted as fact upon direct discussion with representatives of the Games rights holder, the Commonwealth Games Federation.

CGC does not agree with the Contractor's statement that the focus of Halifax 2014 has been on winning the bid. This does not recognize the unprecedented level of due diligence and resultant reliability of estimates undertaken by the Bid Society, and this should be acknowledged throughout the report. In reality, the due diligence of the Society to produce accurate and evidence-based budget numbers contributed to the

downfall of the bid, in that the City and Province were able to hold off making any financial commitments throughout the budgeting period.

The parameters are unclear for the Contractor to say that ‘the facilities have not been shown to fit community need or demand’, and that the “bid budget is more likely to be a financial floor than a ceiling”. We do not agree with those comments

### **CGC’s Conclusions**

CGC is dismayed that the topics of a number of comments in the report were not raised during the site visit by the Contractor. Had they been discussed, CGC and Halifax would have had the opportunity to provide the rationale and background, enabling the Contractor to make more accurate comments in the draft report. CGC is also extremely disturbed that Halifax Regional Municipality and the Province of Nova Scotia used this unverified draft report in their decision making process to withdraw from the 2014 bid project, without waiting for the comments of Halifax 2014 and CGC.

We respectfully submit this CGC response report to Sport Canada, and ask that it be factored in to the completion of the final report, as well as in to the process of review of the 2014 Commonwealth Games bid project.