

## **NEWS RELEASE**

**For Immediate Release**  
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### **Acting Auditor General reports on Vancouver Convention Centre Expansion Project**

VICTORIA – Acting Auditor General, Errol Price, released a report today entitled *A Review of the Vancouver Convention Centre Expansion Project: Governance and Risk Management*. The review was carried out at the request of the VCCEP’s Board of Directors.

The report outlines the significant events in the evolution of the convention centre expansion, including a history of budget escalations from an initial funding announcement of \$495 million through to the current approved project budget of \$883.2 million.

Price describes the factors that have contributed to the cost escalation for the project, including the unexpectedly high rate of inflation in the construction industry and scope changes. Price explains that “because the intention was to showcase the expanded convention centre during the 2010 Olympic and Paralympic Winter Games, VCCEP needed to have the facility ready before the Games. This need limited VCCEP’s options regarding the procurement approach to be used.”

According to Price, VCCEP felt obliged to proceed concurrently with construction of the marine and platform works while the building design was still being completed. “Also, the procurement approach selected assumed that VCCEP would be able to enter into a stipulated lump-sum contract with a private sector organization and thus transfer significant risks thereto” said Price. “Such an arrangement was not finalized until earlier this year. In the meantime, VCCEP has borne the impact of unanticipated cost escalations.”

Price says that, although VCCEP used appropriate governance and project management frameworks, aspects of formal project status reporting have been incomplete and presented a rosier picture than was actually the case. However, Price does believe that VCCEP management kept the board generally informed that the approved project budgets would be insufficient, but until recently there was not a reasonably accurate estimate of what the total project costs would be.

Price notes that he is not able to provide assurance that the current approved budget of \$883.2 million will be sufficient to complete the project, since estimates of future costs are built on assumptions about future events. He points out that VCCEP now has to focus on managing the inherent risks associated with the stipulated lump-sum contract. VCCEP has restructured its project management team and processes to reflect this new focus.

The Acting Auditor General, while recognizing that this is a unique capital project, makes one recommendation to the VCCEP Board related to the remainder of the project as well as observations for government to consider in future major capital construction projects.

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### **2007/08 Report #3 – A Review of the Vancouver Convention Centre Expansion Project: Governance and Risk Management**

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A copy of the full report is available on our website at: <http://bcauditor.com>