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2010

Business Summit

Russell Anthony

**PROCUREMENT –
Challenges, Solutions
& Opportunities**

The challenge in the next 5-10 years is to procure an unprecedented value of infrastructure and services to support the Olympics and other key initiatives, against a background of tight budgets, escalating costs, fixed deadlines, and all under the spotlight of the Province, Canada and the world.

OUTLINE

- ▶ Infrastructure costs & schedule
- ▶ Summary of major Olympic-related infrastructure procurement
- ▶ Key challenges
- ▶ Solutions
- ▶ Alternate procurement strategies
- ▶ Opportunities

INFRASTRUCTURE COSTS

- ▶ 10 – 15 studies completed on value of infrastructure development
- ▶ Estimates range from **\$6bn** to **\$12bn**
- ▶ No commonality of comparison

PROCUREMENT SCHEDULE

- ▶ Individual schedules for each project available
- ▶ No formal linking of schedules
- ▶ Hard deadline is 2010

MAJOR INFRASTRUCTURE PLANNED

Project	Cost	Timeline
Vancouver Trade & Convention Centre	\$535M	2004 – 2008
RAV Line	\$1700M	2005 – 2009
Sea-to-Sky Highway	\$600M	2004 – 2009
Olympic Village	\$170M	2005 - 2009

MAJOR INFRASTRUCTURE PLANNED – OTHER PROJECTS

Project	Cost	Timeline
Fraser River Bridge, Kicking Horse Canyon, Okanagan Bridge, South Fraser Road	\$1600M	2004 – 2009
Post secondary education	\$700M	2004 - 2011
Vancouver Port Authority / YVR	\$1500M	2004 - 2011
Abbotsford Hospital, Ambulatory Care Centre, GVRD upgrades, Hotel & ski resort development	\$1500M	2004 - 2011

- ▶ Unprecedented volume of activity
- ▶ Shortage of professional / managerial staff and skilled labour
- ▶ Escalation currently at 10% p/a
- ▶ Material shortages
- ▶ Procurement process must be open, fair, transparent

- ▶ Robust budgeting
- ▶ Comprehensive planning, implementation and scheduling
- ▶ Address training / skills shortages
- ▶ Partnerships between owners and suppliers
- ▶ Best practices for owner's governance and project administration

ALTERNATE PROCUREMENT STRATEGIES

- ▶ Open and fair process and rules
- ▶ Various procurement processes
 - ▶ traditional tendering
 - ▶ pre-qualification of suppliers
 - ▶ request for proposal
- ▶ Selection of supplier based on multiple criteria
- ▶ Package opportunity to maintain competition

- ▶ Market realignment to meet demand
- ▶ Joint ventures
- ▶ Sector changes over next 5 years
- ▶ Respond to various procurement strategies
- ▶ Workshop on how to prepare for and respond to opportunities this afternoon

Questions

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John McLaughlin

**OLYMPIC
PROCUREMENT**

Vancouver 2010

VANOC Responsibility

New competition venues

- ▶ Whistler Nordic Centre
- ▶ Whistler Sliding Centre
- ▶ Hockey Arena
- ▶ Speed Skating Oval
- ▶ Curling Arena

Upgraded competition venues

- ▶ Pacific Coliseum
- ▶ GM Place
- ▶ BC Place
- ▶ Whistler / Blackcomb Mountains
- ▶ Cypress Mountain

**Total investment - new and upgrades
\$360 million**



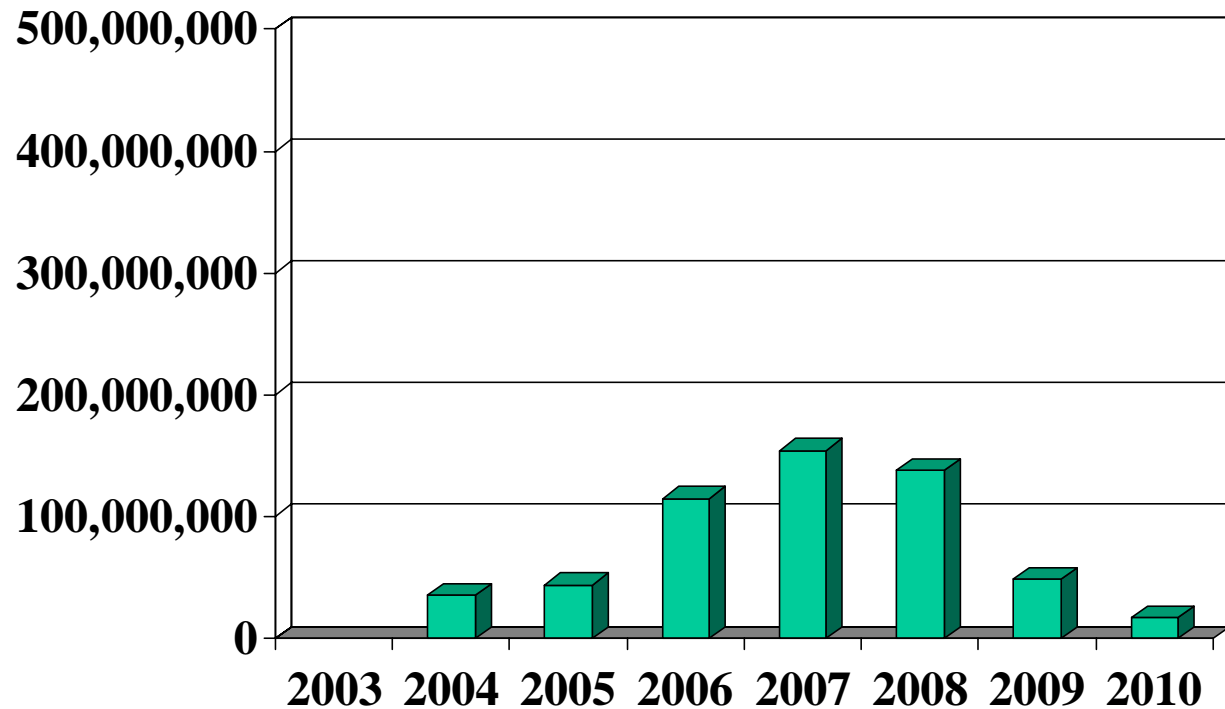
Partner responsibility

- ▶ Vancouver Olympic village
- ▶ Whistler Olympic and Paralympic village
- ▶ Whistler Sledge Hockey arena
- ▶ Olympic regional grants
- ▶ Other grants for practice and non-comp venues

**Total Partner investment: approx
\$450 Million**

VANOC VENUE EXPENDITURES

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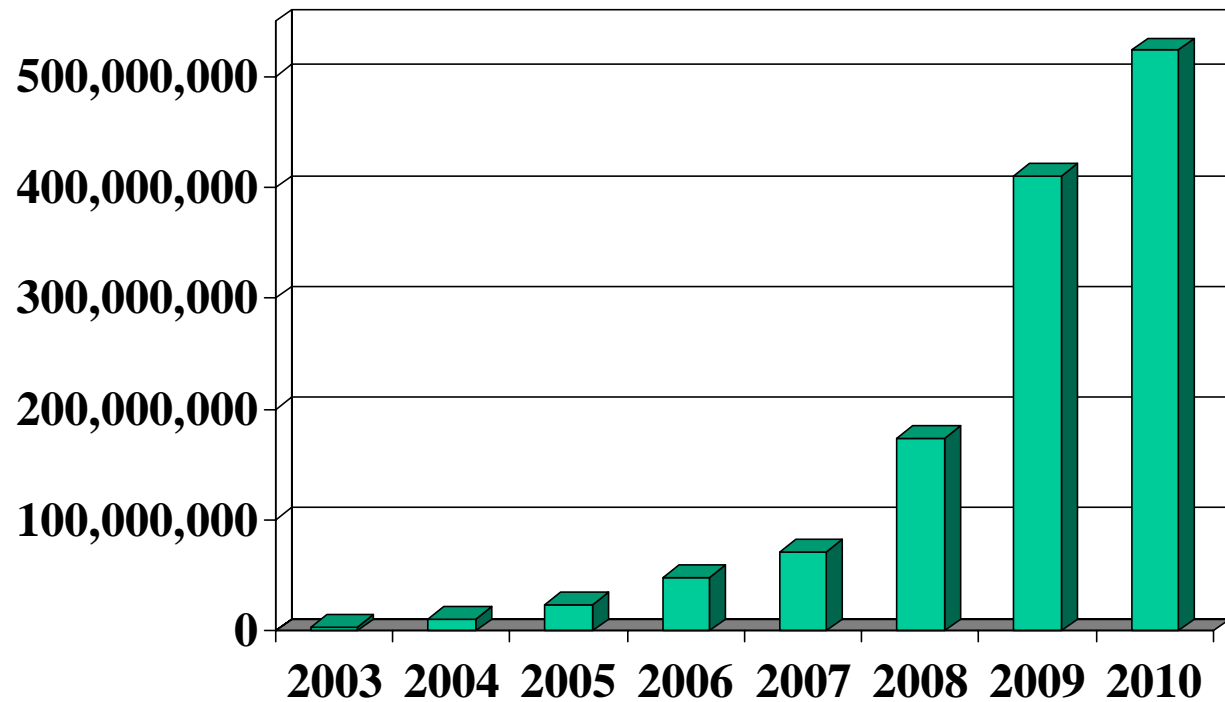


VANOC OPERATING BUDGET

- ▶ Breakeven
- ▶ Bid version budget totals \$1.5 billion 2002 \$
- ▶ Funded by marketing generated revenue

VANOC OPERATING EXPENDITURES

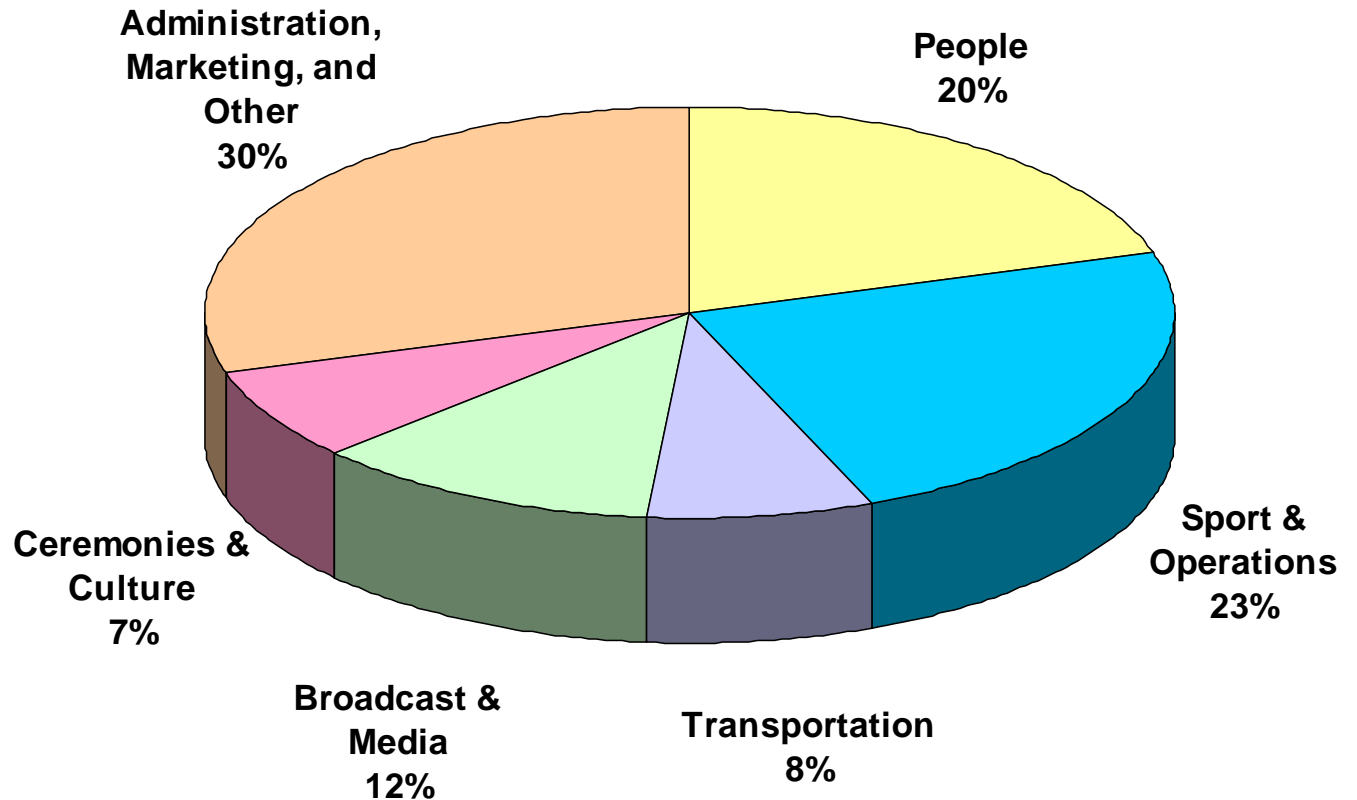
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\$1.5 billion 2002 \$

VANOC OPERATING EXPENDITURES

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\$1.5 billion 2002 \$

TOP Program \$155 million

- ▶ Managed by the IOC
- ▶ Majority in the form of VIK
- ▶ Companies committed to 2010 include:
 - ▶ Swatch (Swiss Timing)
 - ▶ VISA
 - ▶ McDonalds Restaurants
 - ▶ General Electric
 - ▶ More to come (10 or 11 in total)

Canadian Sponsorship \$454 million

- ▶ Sponsorship program begins 2005, following completion of JMPA with IOC
- ▶ Three tiers of sponsorship offering rights in the Canadian market
- ▶ Initial procurement effort is to locate sponsor

Canadian Licensing \$38 million

- ▶ Intellectual property and marks licensed for use with retail products
- ▶ First licenses awarded in mid 2005
- ▶ Continue to grant licenses through 2009

Core objectives:

- ▶ Value for money
 - ▶ Product quality
 - ▶ Fair price
- ▶ On time delivery
- ▶ Risk minimization
- ▶ Transparent process
- ▶ Regulatory and legal compliance
- ▶ Ethical sourcing

Complimentary objectives:

- ▶ Environmental sustainability
- ▶ Social sustainability
- ▶ Economic sustainability

VANOC PROCUREMENT PROCESS

- ▶ Detailed policies and procedures are under development
- ▶ Will reflect the core and complementary objectives
- ▶ Will be based on an open and transparent model
- ▶ Will involve the use of EOI's, RFP's and simple quotes depending on scope and magnitude of work.

Deliver a proposal that reflects:

- ▶ Unassailable quality
- ▶ Outstanding value for money
- ▶ Minimal risk of:
 - ▶ Delivery
 - ▶ Performance
- ▶ Meet one or more complimentary objective
- ▶ “Extras”

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**2010 OPPORTUNITIES AND
THE OLYMPIC BUSINESS
ENVIRONMENT:**

Bringing out the best of BC

- ▶ Internationally competitive
- ▶ High profile, significant scrutiny
- ▶ Many experienced companies involved
- ▶ VANOC – looking to minimize risk (no “2nd chances”)
- ▶ Direct contracts are only one way to benefit
- ▶ Official sponsors/suppliers
- ▶ Best price, best product, “on time”



KEY SUCCESS FACTORS

- ▶ Need to understand business environment
- ▶ Take long-term approach
- ▶ Plan accordingly
- ▶ Appreciate “risk” perspective
- ▶ Focus on building networks and collaborative partners
- ▶ Set realistic targets

2010 COMMERCE CENTRE - Overview

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- ▶ BC is ahead of the curve: planning for prosperity
- ▶ Centre is a key catalyst to promote business intelligence
- ▶ Focus on leveraging, brokering, building networks, connecting
- ▶ Activities phased-in to meet timelines and business demand

2010 COMMERCE CENTRE – Proposed Activities

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BUSINESS EXAMPLES

Cuisine Unlimited – Catering Service

- ▶ Sub-contracted to Compass Food International – an Official Supplier to Salt Lake
- ▶ Growth in value from \$2 million company to \$5 million after Salt Lake: sustaining the growth
- ▶ Experience from Salt Lake allowed them to be major supplier for Torino (Italy) 2006
- ▶ Exposure in Salt Lake resulted in significant work in the lucrative New York market
- ▶ Catering corporation functions, private jets and work crews were unexpected lucrative opportunities



BUSINESS EXAMPLES

Modern Exposition International

- ▶ Official Supplier to Sydney, Salt Lake and Athens
- ▶ Lesson learned – high risk being a supplier
- ▶ Company growth rate *extreme*
- ▶ Over 900 temporary structures supplied
- ▶ Over a million square yards of carpet



EB Engineering – Sidney, BC

- ▶ Providing lights for illuminating water events at the 2004 Olympics in Athens as part of the security program – a small Olympic contract
- ▶ This exposure has led to contracts to “light up” Hellenic Navy bases around the Mediterranean
- ▶ Connection with Hellenic Navy has lead to further contracts with Suez Canal

BC IN 2012: KEEPING MOMENTUM

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- ▶ 2010 Commerce Centre will catalyze and strengthen BC's global business network and market share
- ▶ Can you imagine what BC will look like in 2012...
 - ▶ Tourism
 - ▶ Trade & Investment
 - ▶ HR/Labour
 - ▶ Procurement
- ▶ ***2010 Games: bringing out BC's best!***