

REPORT ON NORTHWEST TERRITORIES OPERATIONS AT EXPO '92  
AS AT MAY 31, 1992



BACKGROUND

On March 19, 1991 the Legislative Assembly of the Northwest Territories gave third reading to the Expo '92 Revolving Fund Act. This Act established a revolving fund of \$4 million for the Northwest Territories to participate, in partnership with Canada, in Expo '92 in Seville, Spain.

Expo '92 is the first Universal Exhibition to be held since Expo '70 in Osaka, Japan and is the first Fair of this magnitude to be held in Europe since 1958 in Brussels. The Expo '92 theme - The Age of Discovery - coincides with the 500th anniversary of the voyages of Christopher Columbus. The Summer Olympics are being held in Barcelona, Spain in July and August of 1992 and 1992 is also the year of the market integration of the European Economic Community (EEC).

The Canadian Pavilion includes an Imax theatre, an exhibit and display area, and an open courtyard with facilities for public presentations. The Government of the Northwest Territories (GNWT) has signed an agreement to operate a restaurant and an arts and crafts boutique on the second floor of the pavilion and a souvenir outlet on the ground floor. Other partners in the Canadian Pavilion are British Columbia, Ontario and Quebec.

When the Honourable Gordon Wray presented the proposal to participate in Expo '92 to the Legislative Assembly, he indicated that the primary purpose for participating in Expo '92 would be to test for long term development of European markets for NWT arts and crafts and food products. A second objective was to stimulate awareness of the Northwest Territories and thereby increase tourism activities.

Some important dates regarding announcements and commitments are:

i) March 19, 1991 -

The Legislative Assembly of the Government of the Northwest Territories gave third reading to the Expo '92 Revolving Fund Act.

ii) September 1991 -

The Government Leader, Dennis Patterson announced in Iqaluit that Canadian North, a division of Canadian Airlines International had agreed to become the GNWT's first corporate sponsor in Expo '92 in Seville, Spain. A press release was issued following the statement which he made on behalf of the Minister of Economic Development and Tourism, the Honourable Gordon Wray.

iii) September 16, 1991 -

Contract for design of Aurorales awarded to Bing Thom, Architect.

iv) October 31, 1991 -

Final date for acceptance by staff of offers of employment at Aurorales.

v) November 8, 1991 -

GNWT forwarded signed copy of Memorandum of Understanding to Canada.

vi) December 5, 1991 -

Reception at Canadian Pavilion with broad media coverage announcing GNWT participation and describing Aurorales project.

vii) March 2, 1992 -

First group of Expo '92 employees arrived in Yellowknife to receive training in human relations/communications, time/stress management, monetary transactions, product knowledge, food and beverage, arts and crafts retail, renewable resource management theory, marketing, social/life skills, alcohol and drug abuse prevention, first aid and global orientation to the Government of the Northwest Territories, prior to travelling to Expo '92.

Training was provided by the following organizations:

NWT Tourism Training Group

Royal Canadian Mounted Police (RCMP)

St. John's Ambulance

GNWT Departments of Health, Renewable Resources, Culture and Communications, Social Services, Legislative Assembly, Economic Development and Tourism

viii) March 9, 1992 -

First group of employees departed for Spain.

ix) March 10, 1992 -

A report on Aurorales by Mr. Fred Abbott, FCA, CBV, Retired Partner, Coopers and Lybrand Chartered Accountants, was tabled in the Legislative Assembly by the Minister of Economic Development and Tourism. The report indicated that the cost to the GNWT of cancelling participation in Expo '92 as of February 12, 1992 was approximately \$2.5 million (not including contract cancellation fees or potential legal implications). The report also estimated that if the GNWT were to operate Aurorales for the life of the fair but have zero sales, the cost would be approximately \$4.5 million.

A recommendation of the report by Mr. Abbott was that Aurorales should operate for a minimum of 30 days, at which time, if a positive cash flow is not achieved, the operations should be reviewed and decisions taken to substantially alter or close Aurorales.

x) March 15, 1992 -

Agent General for Aurorales, Mr. Robert D. S. Ward, departed for Seville, Spain.

xi) March 30, 1992 -

Second group of Expo '92 employees arrived in Yellowknife for training.

xii) April 6, 1992 -

Second group of employees departed for Spain.

xiii) April 20, 1992 -

Expo '92 officially opened.

xiv) May 4, 1992 -

Mr. Richard Nerysoo, MLA Mackenzie Delta, arrived in Seville, Spain to officially represent the Government of the Northwest Territories, and host dignitaries from other countries.

xv) October 12, 1992 -

Expo 1992 officially closes.

FINANCIAL INFORMATION

A) Estimated direct northern benefits over the life of the exposition:

Projected salaries of northern employees: \$550,000

Purchase of Northern arts and crafts (by region):

- Baffin	\$28,858	
- Keewatin	19,004	
- Kitikmeot	8,700	
- Inuvik	6,141	
- Deh Cho	30,192	
- Fort Smith	9,300	
- North Slave	127,160	
- NWT wide	<u>165,258</u>	
- TOTAL		\$394,613

- Consignment \$136,328

Purchase of Northern country foods: \$291,000

Other NWT expenditures:

- Training Costs (incl. transportation to YK)	\$121,320
- Contracts to NWT Firms (approximately)	<u>\$100,000</u>

TOTAL \$1,593,261

B) Consolidated Balance Sheet for Aurorales as at May 31, 1992 (Appendix I).

Statement of Income as at May 31, 1992 (Appendix I).

Projected Daily Cashflow (Appendix I)

C) Corporate Sponsor Listing (Appendix II).

## MARKETING/PROMOTIONAL ACTIVITIES

### **A) Aurorales Restaurant and Boutique Promotion**

Signage to the restaurant and boutique has been increased to ensure that visitors to the Canadian Pavilion are aware of the NWT venue.

Staff at the Canadian Pavilion Imax theatre are now more consistent in advising visitors of the location of the NWT restaurant and boutique.

To encourage referrals to the Canadian Pavilion and Aurorales in particular, senior staff of several pavilions (approximately 75 in attendance) were hosted for a dinner at Aurorales which was jointly sponsored by British Columbia, Quebec, Ontario and the Northwest Territories.

Hostess staff from other pavilions were provided with discount meal coupons in an effort to increase visitation through word-of-mouth.

Local and international press releases have provided positive media attention for Aurorales. One local Spanish paper included the following caption in its review of Expo '92; "What's hot: The friendliness of the people in the Canadian (Aurorales) restaurant."

Through the generosity of corporate sponsors, a program (scheduled to begin in July) is being developed to send entertainers and artisans to Seville with a view to enticing visitors to the restaurant and boutique.

A visitor survey has been developed to measure consumer reaction to the goods and services provided by the Northwest Territories at Expo '92 as well as the potential interest in visitation to the Northwest Territories.

### **B) Arts and Crafts**

A new series of promotional brochures has been produced in Spanish, French and English. Eight brochures have been produced about performing arts, quillwork, birchbark baskets, carvings, printmaking, tufting and tanned hides.

**B) Arts and Crafts (continued)**

To capitalize on promotional opportunities associated with our participation at Expo '92, the initial thrust into the European art market has been in Spain. To date, a series of exhibitions of NWT arts and crafts have been undertaken throughout Spain. Exhibitions of NWT arts and crafts are planned for 1992 and early 1993 as follows:

Feb. 13-18, 1992	ARCO 92	Madrid
April 9 - May 9, 1992	Galeria D'Kada	Madrid
April 10 - May 7, 1992	Galeria Dube	Barcelona
April 23 - May 16, 1992	Galeria D'el Barco	Seville
Spring 1992	Pamplona exhibition	Pamplona
Summer 1992	Galeria Amboan	Valencia
July/August 1992	Galeria Dube	Barcelona
Fall 1992	European Trade Show	Madrid
January 1993	ARCO 93	Madrid

Potential markets for arts and crafts in other European countries are currently under examination by departmental staff.

**C) Country Foods**

Reports to date indicate that country foods served at Aurorales have been well received. Considerable product development work was undertaken by the department prior to Expo '92 to develop a product which would appeal to European tastes. The department will consider investigating potential long term markets for sales of country foods in Europe.

**D) Tourism**

Each staff member of Aurorales and the arts and crafts boutique has received training in representing the Northwest Territories and is encouraged to talk to customers about tourism opportunities in the NWT. Tourism promotional displays have arrived in Seville and will be on display in the restaurant and boutique.

The Northwest Territories Explorer's Guide has been well received and a mail order system is in place to provide further information to potential tourists. Results of the visitor survey will also be used to develop a mailing list of potential tourists.

The Northwest Territories, as part of the Canadian Pavilion has been asked to participate in World Tourism Day. This event will receive global television coverage.

## OPERATIONAL STRATEGY

As per Mr. Fred Abbott's report which was tabled in the Legislative Assembly on March 10, 1992, the department has completed a review of the Aurorales operations at Expo '92 in Seville, Spain. Based on recommendations from Mr. Richard Nerysoo, the Agent General of Aurorales and NWT Expo staff, as well as Department of Economic Development and Tourism staff, some operational changes have already been implemented. Hours of operation and employee shifts have been modified to fit visitation trends. As outlined in the promotional and marketing section, initiatives such as improved signage, reference to Aurorales in the Imax presentation, entertainment scheduling and promotional events, have been undertaken.

The Department of Economic Development and Tourism remains committed to Expo '92 and proposes the following strategy for improving operations with a view to meeting the initial objectives of our participation in a least cost manner:

- i) To date three staff members have terminated their employment with the Expo '92 project. The duties of these employees will be carried out by the existing complement of staff and no plans will be made to replace them unless operational conditions change and the Agent General informs the Minister of an increased staffing requirement.
- ii) Mr. Kit Spence, Director, Department of Economic Development and Tourism will be travelling to Seville to conduct a review of operations. Prior to departure, Mr. Spence will meet with all Directors of Economic Development and Tourism and coordinate suggestions for operational/promotional improvements and identify problem areas.

Upon his arrival in Spain, Mr. Spence will work with the Agent General to improve operations and endeavour to rectify any ongoing problems with Expo operations officials, customs officials, and inspection/security officials. In addition, he will meet with the restaurant and boutique managers and convey departmental initiatives in long term market strategy for arts and crafts and food products.

Mr. Spence was selected to undertake this task as he was one of the initial architects of the GNWT Expo '92 project, is knowledgeable in all aspects of the Expo '92 operations and is fluent in Spanish. He will report back to the Minister of Economic Development and Tourism upon his return.

June 24, 1992

**AURORALES - EXPO '92  
CONSOLIDATED BALANCE SHEET  
MAY 31, 1992**

**CURRENT ASSETS:**

Cash	\$	18,081
Accounts Receivable		136,970
Inventory		750,327
Prepaid Expenses		211,591
Due from GNWT		<u>658,116</u>
Total Current Assets	\$	<u>1,775,085</u>

**FIXED ASSETS:**

Motor Vehicle	\$	12,942
Equipment		<u>160,338</u>
	\$	173,280
Less Accumulated Depreciation		<u>-43,320</u>
Net Fixed Assets	\$	129,960

**OTHER ASSETS:**

Leasehold Improvements	\$	1,104,371
Less Accumulated Amortization		<u>-276,093</u>
Net Other Assets	\$	828,278

**TOTAL ASSETS**

**\$ 2,733,323**

**CURRENT LIABILITIES:**

Wages & Benefits Payable	\$	61,762
IVA Payable		16,990
Accounts Payable		<u>53,449</u>
Total Current Liabilities	\$	132,201

**N.W.T. GOVERNMENT EQUITY:**

Authorized Limit	\$	4,000,000
Less: Net Expenditures		<u>-1,398,878</u>
Net N.W.T. Government Equity	\$	2,601,122

**TOTAL LIABILITIES AND EQUITY**

**\$ 2,733,323**



**AURORALES - EXPO '92**  
**STATEMENT OF INCOME**  
**FOR THE PERIOD ENDED MAY 31, 1992**

	<b>YTD</b>
<b>REVENUE:</b>	
Restaurant Sales	\$ 228,386
Boutique & Kiosk Sales	150,148
Total Sales	\$ 378,534
Cost of Goods Sold	
Opening Inventory	\$ 0
Purchases	857,762
Freight-In	81,832
Goods Available for Sale	\$ 939,594
Closing Inventory	750,327
Cost of Goods Sold	\$ 189,267
Gross Profit	\$ 189,267
<b>EXPENDITURES:</b>	
Director's Wages & Benefits	\$ 46,900
Staff Wages & Benefits	218,804
Accommodations	439,275
Amortization	276,093
Depreciation	43,320
Automotive	3,548
Printing	9,984
Promotion	66,480
Rent & Rentals	117,962
Repairs & Maintenance	8,753
Royalties	37,853
Small Tools & Equip.	13,060
Travel & Training	277,421
Uniforms	15,181
Finance & Administration	44,865
Total Expenses	\$ 1,619,498
Loss Before Other Income	\$ -1,430,231
<b>Other Income:</b>	
Accommodations Recovery	\$ 14,880
Corporate Donations	16,450
Gain on Foreign Exchange	23
Total Other Income	\$ 31,353
<b>NET LOSS</b>	<b>\$ -1,398,878</b>

**AURORALES - EXPO '92**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Accounting Policy**

- a) These financial statements are presented on an accrual basis. No receivables or liabilities are recognized for which payment is not or has not become due.
- b) Fixed and Other Assets are recorded at cost less depreciated value.
- c) Consignment goods are not included as inventory.

**2. Authorized Limit**

Under the Expo '92 Revolving Fund Act, the authorized limit of the fund is four million dollars (\$4M).

**3. Timeframe**

Expo '92 officially runs from April 20, 1992 to October 12, 1992.

**4. Corporate Donations**

The value of non-cash corporate donations is estimated at \$92,500. Essentially this amount represents discounts on goods and services purchased.

**5. Balance Sheet**

- a) Accounts Receivables consist primarily of Visa, Mastercard and American Express payments receivable.
- b) Inventory consists of Arts and Crafts and unconsumed Country Foods and Beverages.
- c) Prepaid expenses are comprised primarily of prepaid rent to the Government of Canada and the purchase of guest passes.
- d) Fixed and Other Assets are assumed to have a 25% recovery and are depreciated on a straight-line basis.

**6. Income Statement**

- a) Cost of goods sold is estimated to be 50% of the value of sales.
- b) Royalties are estimated at 10% of the value of sales.
- c) Travel includes return airfare for all staff.
- d) Revenues from sales commenced April 20, 1992 while expenditures include all historical costs from April 1, 1991 to the end of May 31, 1992.

**AURORALES - EXPO '92  
PROJECTED DAILY CASHFLOW**

	<b>DAILY</b>
<b>SOURCES OF CASH FROM OPERATIONS:</b>	
Sales            Restaurant	\$            5,600
Boutique & Kiosk Sales	3,600
<b>TOTAL SOURCES OF CASH FROM OPERATIONS</b>	<b>\$            9,200</b>
 <b>APPLICATIONS OF CASH FOR OPERATIONS:</b>	
Purchases of Goods	\$            30
Freight-In	12
Director's Wages	270
Staff Wages & Benefits	3,600
Accommodation	2,500
Automotive	95
Promotion	25
Rent & Rentals	1,800
Repair & Maintenance	185
Royalties	920
Small Tools & Equip.	40
Finance & Administration	65
	9,542
 <b>NET OUTFLOW OF CASH FROM OPERATIONS:</b>	 <b>\$            -342</b>

**PROJECTED BALANCE DUE FROM THE GNWT AT THE END OF EXPO' 92:**

TOTAL OPERATING CASH DEFICIT FROM JUNE TO OCTOBER	\$            -49,590
ADD: BALANCE DUE FROM GNWT AT END OF MAY, 1992	646,666
<b>PROJECTED BALANCE DUE FROM GNWT AT END OF EXPO' 92</b>	<b>\$            597,076</b>

**CORPORATE SPONSORSHIP  
EXPO '92**

Company	Value
<b>Shipping</b>	
Canadian Airlines Int'l	
• reduced fares for personnel	• approximately \$100,000 for personnel
Mikes Moving	
• 30% discount on shipping to Winnipeg	• \$3,500
<b>Food &amp; Beverages</b>	
Hiram Walker	
• Canadian Club whisky at no cost	• depends on amount purchased
• provide menus, material for staff and restaurant	
Moosehead Breweries	
• beer at significant discount	• depends on amount purchased
• contribution towards glassware	• \$1,000
TTC Beverages (bottlers of Coca Cola)	
• 20% discount for Coca Cola	• equipment at no cost
• 20% discount for 1 pallet Ginger Ale	• depends on amount purchased
Alberta Distillers Ltd.	
• 40% discount for gin, vodka and rum	• depends on amount purchased
McCain Foods Ltd.	
• 36% discount for juice	• depends on amount purchased
René Rey Chocolates	
• 30% discount on special order chocolate	• depends on amount purchased
Scott National	
• 5% discount on drink crystals	• depends on amount purchased
<b>Services</b>	
Yellowknife Photo	
• 70% discount for staff passport photos	• \$1,519
Shoes and Things	
• 20% discount for staff footwear	• \$830
Brittany's	
• 25% discount for staff skirts	• \$1,260
Place of Man	
• 20%-25% discount for staff pants and shirts	• \$2,690

**CORPORATE SPONSORSHIP  
EXPO '92**

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<u>Company</u>	<u>Value</u>
<b>Donations</b>	
NorTerra	• \$5,000
<b>Performing and Visual Arts Program Donations</b>	
NWT Cooperative Bus. Dev.Fund	• \$5,000
Culture and Communications	• \$6,000
Cooper, Regal, Peach & Gullberg	• \$250
Carriere Toyota	• \$100
Yellowknife Inn (Peter Cobb)	• \$5,000
Inter-Provincial Pipelines	• \$20,000
Bank of Nova Scotia	• \$100

