

What's the fair worth? About \$114 million

New report details impact on London of the Western Fair

By BEN BENEDICT, The Londoner

Gary McRae, general manager and CEO of the Western Fair Association, says while most people in London only see the fun side, there is an important business side to his organization, too.

MARK SPOWART PHOTO



What is the 10-day Western Fair, its ancillary Raceway, Sports Centre, Agriplex and slots worth to London?

That's what the Western Fair Association, which operates all those enterprises in east London wanted to know.

And now a new study commissioned by the association has provided the answer. In short: \$114,206,000.

The direct impact of the association, including wages and supplies and services purchased each year, is \$63,332,000, says the study done by Deloitte and Touche LLP. And indirectly the London economy benefits by an additional \$50,874,000 through the multiplier effect.

Gary McRae, general manager and CEO of the Western Fair Association, says the report will make it easier to explain the organization to the community.

"People don't know who we are," Mr. McRae said in an interview last week. "We're a fun agricultural association but they don't see the business side and the community-based organization that adds to the quality of life of Londoners through education, community service and fun. When you look at the Western Fair you have to look at both the business side and the community side."

The study focused on three key areas including the fair itself, the slots, and hockey tournaments. While a few of the special events were included, many others were excluded due to timing and resource allocations meaning the real impact on London's economy could be higher.

The economic impact study is another component in the association's efforts to review and reinvent itself over the past several years.

"Everybody does an economic impact study, or at least most organizations do and we haven't. I was recently at an event with other fairs from other countries and we were the only association that didn't have one," Mr. McRae says. "We also do a lot of public speaking and presentations and there is a lot of misunderstanding of the overall concept of the Western Fair Association. We thought by doing the economic impact study that we would be able to better explain our operations."

While the study puts the association on equal footing with its peers, the real drive wasn't the acting globally aspect, rather it was thinking locally with a renewed sense of what the Western Fair has become, that was the true driving force behind the research.

"For the past eight years or so we've focused on new buildings," Mr. McRae said. "We felt we are through that phase and now we had to access usages. The plan looked at our operations and how we improve efficiencies. That was in place and it's starting to show in our financial statements. Then last summer our board of directors put together a different strategic plan that looked more broadly at our total operations and where we want to go. It looked at branding and new partnerships and taking a new approach to the business.

"We identified that since our operation is so reliant on people that we wanted to make this a good place to work. We looked at governance models and that's under way right now. The final aspect was our financial stability and we're reliant on several partnerships. One is the Ontario Lottery and Gaming Corp. (the provincial government agency which operates the Western Fair slots) and we have an agreement with them that ends in 2009 and we have an agreement with the city that is ending in 2009 also."

While the association sees the economic impact report as a tool to communicate with the public, some reports have indicated it just may be a bargaining tool in negotiating a new rental agreement with the city.

Mr. McRae is adamant this is not the case and notes that the city is a partner in ensuring the Association's success.

"The city suggested an increase in rent and we'll negotiate that since we have an excellent relationship with the city. The slot operators are also prepared to sit down with us and work on a new agreement in 2007," Mr. McRae said.

"When we go back to the city, we'll refer to the report but it doesn't convey the whole weight in our negotiations with the city in February. We'll also talk about how Western Fair uses its funds and how we're being responsible stewards for the property. There's 85 acres and a variety of buildings in the hands of London and it takes a lot to maintain that infrastructure. The last few years we've been fortunate to upgrade and renew our facilities so we have an attractive fairground."

While that investment has come with amazing results, there are the cash donations to local community groups and discount rates provided to non-profit agencies renting facilities at the Western Fair, it also came with a lot of debt.

"Some people think our organization is rich. Our surplus is \$3.5 million but we have debt to service because we've invested heavily in new structures. We've received no funding from any level of government. We have to operate as a business so we can sustain the organization," Mr. McRae said.

"The slots aren't ours but the Western Fair Association has invested \$22 million to create the environment that the slots operate in. We think people need to look at the 85 acres and total impact of everything under that umbrella. The city gets \$3.5 million from the slots because of our investment. There's confusion there and that's why I encourage people to look at the overall impact. These were the initiatives of the new plan and through that we saw the need for an economic impact study."

Because of this perceived confusion, it's important for Londoners to understand the relationships that are shared between the association and the city, he said.

"There are two relationships and it can't be done simply. One deals with the 85 acres and it's the more complicated one. The title for this property and others we acquire is in the hands of the city and it's leased back to us for our exclusive use. That agreement indicates that the lease is held by the city in trust for the joint benefit for the two organizations. What it means is that the city has a 50 per cent interest and the Western Fair Association has the other half. That's the relationship as far as the property goes.

"What we're talking about in terms of rent is their one-half interest in the property and they acknowledge it. We've always had a good relationship especially with staff and they're happy with us running it.

"The other relationship is the joint venture which only applies to the Sports Centre. There was an obvious need in the late 1990s. The association was looking for some use for its space. We wanted something that would also benefit the community and our use. We formed a joint venture - the city provided the funding for the building but the Western Fair built the building. It's been very successful since it's opened.

"The model has become known across the country with many other organizations coming to look at this agreement. The city rents back the ice time at a reasonable rate but at far less than if the city had built it itself. We had a common goal and we came to an agreement that was satisfactory for both organizations."

Understanding this relationship is important because the joint venture has had a huge economic impact in helping making London an even greater hockey town and a destination for sports tourism, Mr. McRae said.

"This is the one that's gotten a lot of attention because all of a sudden hotels were busy on the weekend; it was being driven by these hockey tournaments. Before this it was difficult to host tournaments because facilities were scattered. There is a definite direct and indirect impact. There are 26 prime weekends for hockey and of these, 23 have tournaments.

"The tourism dollar is huge. They've done their own research. We're the biggest attraction in the city and the tourism aspect isn't included in the report."

Employment was another key element in an organization that is heavily reliant on its people for success, as well as indicating that the association is one of the city's major employers - they employ almost as many people as Labatt's and Fanshawe College combined.

As for what's next, Mr. McRae gave this timeline:

"What we're suggesting for the next five years is that we'll pay down our debt as quickly as we can. We'll

be developing new shows as opportunities come along. If you're flexible enough you can take advantage of these opportunities to make it work. When we get through this period we need to start on some new building replacements."