Cape Breton Accommodation Needs Assessment Study

Executive Summary

THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

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submitted by

The Economic Planning Group of Canada

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Executive Summary

Introduction

In 2003, the Cape Breton 'Tourism Road Map' Destination Development Plan[1] was prepared on behalf of the Cape Breton Growth Fund Corporation. This strategy set out a long term plan designed to help transform Cape Breton's tourism industry and identified an overall goal of increasing tourism revenues from $230 million to $400 million by 2008.

In the context of this overall tourism strategy, ECBC commissioned this Accommodation Needs Assessment Study to provide an understanding of the supply and demand situation with respect to roofed accommodations and campgrounds in Cape Breton, and to identify needs and opportunities for new accommodations product, expansions and upgrading to support the overall goal of the Tourism Road Map.

The study was undertaken by The Economic Planning Group with assistance from Nova Scotia's Canada Select group who inspected and assessed properties that were not participants in the Canada Select program.

The Market Context

Tourism in Nova Scotia

Nova Scotia receives approximately 2.2 million non-resident visitors a year over a 12 month period. Most of these visitors arrive by road although 2003 saw a significant (13%) increase in the proportion arriving by air. In 2003, arrivals by motorcoach declined significantly as did arrivals by recreational vehicle.

Nova Scotia's primary tourism markets are other parts of Atlantic Canada, Ontario and the United States. During the May to October tourist season, Nova Scotia receives some 1.5 million visitors who spend an average of 6.5 nights in the province.

An important part of the province's tourism activity is travel by Nova Scotians within the province. In 2001, residents made some 5.7 million trips within Nova Scotia, of which some 2 million were overnight trips with the rest same day trips of over 80 km one way.

Nova Scotia's Tourism Strategy and The Vision for Tourism

Nova Scotia's tourism industry has developed a Vision for Tourism – 100% Tourism Revenue Growth over the Next Decade, and has challenged all of the stakeholders in the tourism industry to change and think differently about tourism so as to create "an environment for

[1] Economic Growth Solutions, Cape Breton "Tourism Road Map" Destination Development Plan, Executive Summary, 2003

improvement and growth". The Vision has identified a number of key elements that need to be addressed, such as product development and quality, as well as transportation, technology and marketing.

Tourism in Cape Breton

Cape Breton's 'Tourism Road Map' Destination Development Plan provides the most recent data on tourism activity in Cape Breton developed from several sources. The report indicates that total visitor activity in Cape Breton is approximately 1 million person trips annually including same day travel by Nova Scotians (including Cape Bretoners) travelling more than 80 km one way from home and trips for all purposes.

Some 2/3 of these visitors or roughly 650,000 are from other parts of Nova Scotia, including other parts of Cape Breton. Cape Breton receives some 340,000 visitors from outside Nova Scotia compared to the roughly 2.2 million non-resident visitors to the province overall.

Future Expectations for Tourism in Cape Breton

The Cape Breton 'Tourism Road Map" Destination Development Plan sets out a long term plan for tourism as a strategic sector in Cape Breton. The strategy speaks to several overall critical issues and strategies for growing tourism in Cape Breton and achieving the overall goal .The three key objectives are:

- "**Increase the number of visitors to Cape Breton**
- **Increase the yield** – through improved market information, a stronger use of booking data, pricing and packaging strategies.
- **Increase the amount of money each visitor spends by purchasing more goods and services**

Three overall strategic thrusts in the "Road Map" are:
- **Enhance and develop strategic infrastructure**
- **Integrated Effort of Sector Partners** including a new Cape Breton Tourism Partnership to undertake destination marketing programs as well as ongoing product development.
- **Aggressive Packaging, Sales and Marketing**

Accommodations and Campgrounds: Supply and Demand

The Nova Scotia Context

<u>Supply</u>

Nova Scotia had almost 1,100 roofed accommodation properties providing over 18,500 units of accommodation in 2003. The vast majority of units are found in hotel style properties, with almost 60% of units in hotels/motels.

Nova Scotia had 128 private campgrounds in 2001 providing some 10,000 sites as well as 22 provincial parks and 10 Parks Canada campgrounds. In total, there were some 13,200 campsites in the province.

Demand

Total room night demand in Nova Scotia has remained relatively stable for the past few years increasing from 2,594,000 in 1999 to 2,637,000 in 2003.

Occupancies at roofed accommodations in the province for the past three years have been in the 53% - 54% range on an annual basis, with peak occupancies in the 70% plus range in July and August.

In the campground sector, occupied short-term (transient) site nights were 328,000 in 2001, reaching 338,000 in 2002 and declining to 305,000 in 2003. Total campsites sold including both transient and seasonal demand, have increased from 714,000 in 1998 to 775,000 in 2003. Occupancies average 40% on a seasonal basis, with a high of 50% - 55% in July and August.

Supply and Demand for Roofed Accommodations in Cape Breton

Supply

Based on 2003 data, there were 281 roofed accommodation properties in Cape Breton providing some 3,700 units of accommodation. As illustrated below, most properties (almost 40%) are bed and breakfasts, yet these provide only 11% of the accommodation units.

Accommodation Type	Properties		Units	
	Number	Percent of Total	Number	Percent of Total
B&Bs	108	38.4%	400	10.8%
Cottages	74	26.3%	498	13.5%
Fishing/hunting	1	0.4%	6	0.2%
Guest Home	8	2.8%	20	0.5%
Hotel/Motel	65	23.1%	2,036	55.1%
Inns	19	6.8%	243	6.6%
Resorts	6	2.1%	493	13.3%
Total	**281**	**100.0%**	**3,696**	**100.0%**

Canada Select Ratings of Cape Breton Accommodations

The Canada Select accommodations rating program is a voluntary program and some 35% of the properties representing 70% of the units in Cape Breton are participants. This is notably lower than the participation rate in the province overall. Participation is particularly low in the B&B sector.

As part of this project, the 184 properties that are not currently in the Canada Select program were assessed by Canada Select Nova Scotia staff to determine their potential star rating. 61 of these properties were deemed to be unrateable, that is they did not meet the minimum one star requirements under the Canada Select program. However, 38 of these properties could potentially be rated if minor changes were made. For the purposes of this inventory, we have assumed that these 38 properties are rated at the star grade level they would have been awarded if these minor changes were made.

Of the properties that were assessed during this study, most (106 or 58%) would have received a 2.5 Star rating; 25 or 13% would have received a 3 Star grade or higher and a similar number would have received a rating of 2 stars or lower.

The results of this assessment have been combined with the star grades of those properties participating in Canada Select, to provide the following overall summary of property by type and star grade in Cape Breton. This evaluation indicates that overall half of the accommodation properties and over 30% of the units are currently at the 1 – 2.5 star level. This is due in large part to the large number (2/3) of the B&Bs that are at the 2 – 2.5 star level - many of them lack private bathrooms which is required for B&Bs to reach 3 stars.

Total for all Regions in Cape Breton

	Number of Properties	Number of Units	1 - 1.5 Star		2 - 2.5 Star		3 - 3.5 Star		4 - 5 Star		Unrateable*	
			Prop's	Units	Prop's	Units	Prop's	Units	Prop's	Units	Prop's	Units
B&Bs	108	400	2	7	72	258	11	41	17	65	6	29
Cottages	74	498	8	63	13	80	32	186	10	97	11	72
Fishing/hunting	1	6	0	0	0	0	1	6	0	0	0	0
Guest Home	8	20	0	0	3	4	3	11	1	1	1	4
Hotel/Motel	65	2,036	4	42	35	690	20	1154	2	101	4	49
Inns	19	243	0	0	2	14	7	87	9	139	1	3
Resorts	6	493	0	0	0	0	5	396	1	97	0	0
Total	**281**	**3,696**	**14**	**112**	**125**	**1046**	**79**	**1881**	**40**	**500**	**23**	**157**
		% Of each type	5.0%	3.0%	44.5%	28.3%	28.1%	50.9%	14.2%	13.5%	8.2%	4.2%

** The un-rateable properties have either refused inspection or were unrateable due to the state of repair, cleanliness or some other feature.*

Accommodation Inventory by Region

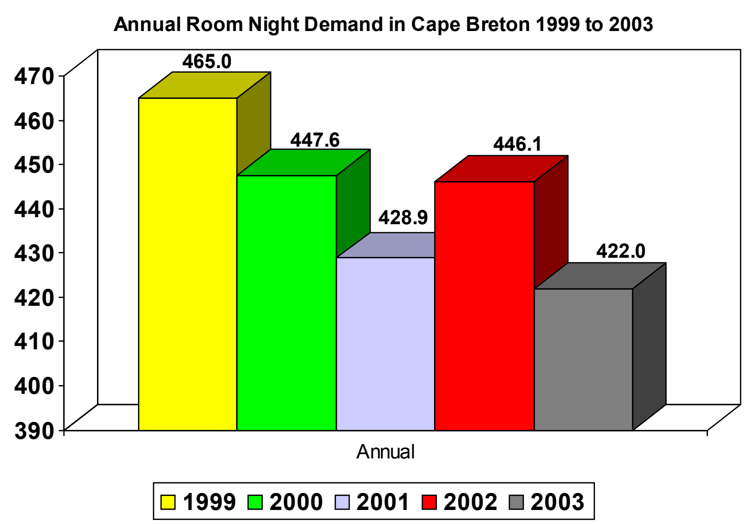
Accommodation supply and demand was also examined by region of Cape Breton, identified on the basis of communities as well as patterns of tourism activity. A list of the regions and a summary of the supply of accommodation in each region is provided in the next table. A map illustrating the regions is provided in the main report .

The largest number of units is found in Sydney, where most of the accommodations are in hotel or motel properties. The Baddeck area has almost as many units as Sydney, over half of them in hotel and resort properties.

Inventory of Accommodation Properties and Units by Region		
Region	**Number of Properties**	**Number of Units**
Sydney	23	809
North Sydney/Sydney Mines	13	217
Baddeck	46	683
Louisbourg	21	128
Port Hawkesbury/Port Hastings (incl. Dundee)	19	460
Cheticamp	18	209
Inverness County south of Cheticamp	48	447
Cabot Trail – St. Ann's to the edge of Ingonish	12	50
Cabot Trail – Neils Harbour to Cheticamp	16	96
Rest of Cape Breton Regional Municipality	22	132
Ile Madame/St. Peter's Area	13	98
Ingonish/Ingonish Beach/ Ingonish Centre	14	268
South East Inverness County	16	99
Total	**281**	**3,696**

<u>Demand</u>

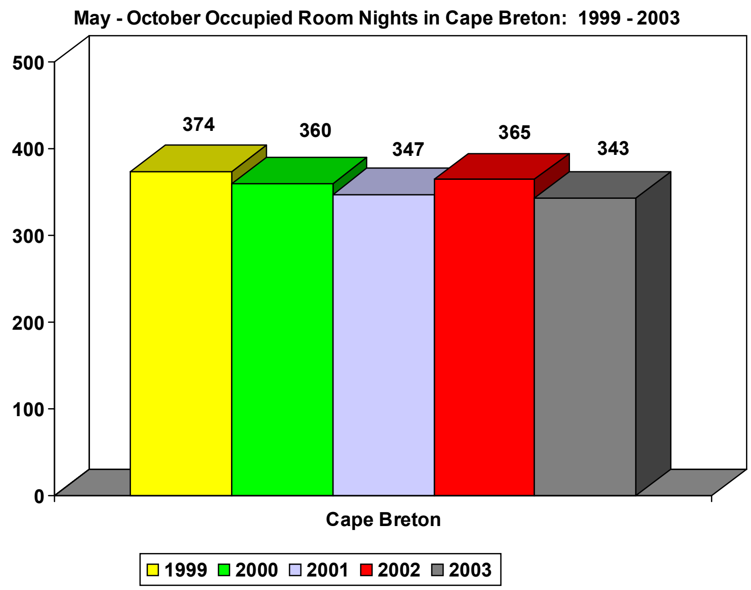
Data obtained from the Nova Scotia Department of Tourism, Culture and Heritage statistical reports indicates that total annual room night demand in Cape Breton has declined by over 9% in the past five years, from 465,000 occupied room nights in 1999 to 422,000 in 2003.



During the same period, annual occupancy rates have dropped from 54% in 1999 to 47% in 2003.

On a seasonal basis, for May to October, the change in demand has been similar, though slightly lower with an 8.3% decline from some 374,000 room nights in 1999 to 343,000 room nights in 2003. Occupancy rates for Cape Breton for the June to September period have declined from 65% in 2000 to 60% in 2003.

Within the May to October period, the change in room night demand has not been consistent from season to season. The May/June period has suffered the greatest percentage decline with a steady decrease totalling 13% between 1999 and 2003. Demand during July and August has fluctuated over this five year period with a peak in 2002 and the lowest level in 2003, down 6% from 1999. For September/October demand has also fluctuated although no year reached 1999 levels and demand in 2003 was down 9% from 1999 levels.



Obviously, there were many external factors contributing to the weak demand in 2003 including the Iraq war and SARS. The US market segment and the motorcoach market segment were particularly hard hit by these two factors and these are both important market segments for Cape Breton's tourism sector. However, both the data and our interviews with accommodation operators in Cape Breton indicate a more general decline in accommodation demand in the region.

Accommodation Demand by Region

An analysis of accommodation demand for each of the thirteen regions is provided in the main report. Generally, occupancy levels are fairly high in July/August, over 80% in many parts of Cape Breton. However, there has been a fairly steady decline in occupancy rates in this period in almost all regions, over the past five years. Outside of this peak season, occupancy rates decline significantly with fall rates generally in the 45% - 55% range in the past two years, and spring occupancy rates generally much lower, not reaching 45% in any region.

The highest occupancy rates during the peak season were consistently found in the North Sydney/Sydney Mines area, Baddeck, Louisbourg, Cheticamp, Ingonish/Ingonish Beach area and on the Cabot Trail south of Ingonish.

Accommodation Demand by Type of Property and Star Grade

An analysis of occupancy data for properties by type indicates that cottage and resort properties generally had higher occupancy levels than average, and B&Bs had lower occupancy levels than average. When the data is examined by star grade (those who were participating in the Canada Select program) star graded properties had generally higher occupancy rates than non-graded properties (this was particularly evident in the B&B sector)

Supply and Demand for Campgrounds in Cape Breton

Supply

Cape Breton has 42 campgrounds providing just over 3,000 campsites. This includes three provincial parks providing some 255 campsites and 8 campgrounds in Cape Breton Highlands National Park (including 2 group campsites), providing some 550 campsites in total.

Region	Number of Campgrounds	Number of Sites
North Sydney/Sydney Mines Area	2	195
Baddeck	3	269
Louisbourg	4	197
Cheticamp	3	308
Inverness County-South of Cheticamp	5	274
Cabot Trail from St. Ann's through to Ingonish	5	376
Cabot Trail from the edge of Cheticamp through to Meat Cove	3	55
Cabot Trail from Neils Harbour through to the edge of Bay St. Lawrence	3	60
Rest of CBRM	4	496
Ile Madame/St. Peters	2	88
Ingonish - Ingonish Beach & Ingonish Centre	4	371
South East Inverness County	4	326
Grand Total	42	3015

Nova Scotia introduced the Camping Select program a few years ago. The Camping Select program rates campgrounds in two categories – Facilities and Recreation and each participating campground receives two sets of stars. Provincial and federal campgrounds do not participate in the Camping Select Program.

The assessment of Cape Breton's campgrounds indicates that 21 are currently participating in the program, 6 are not rateable and 11 are in provincial and federal campgrounds and not eligible for the program. Our assessment indicates that, in total, over half of the private campgrounds would be rated at a 3 Star or higher level based on their facilities, with just under half rated at a 2 Star or higher level based on the recreation amenities provided. Note that both facilities/services and recreation amenities could potentially be rated up to a 5 Star level.

Demand

Total campground demand in Cape Breton in 2003 was some 140,000 site nights of which some 110,000 was at private campgrounds and 30,000 at provincial and federal campgrounds. The data on private campgrounds includes demand from both seasonal and transient campers – seasonal campers represent over 60% of the demand at private campgrounds in three of the four regions for which demand data was analysed.

Occupancy rates for the May through October period have been in the 36% range for the past few years.

Perspectives of the Marketplace and Tourism Stakeholders

A number of tour operators and meeting planners, and tourism stakeholders including accommodation operators in Cape Breton, the tourism industry generally and representatives of economic development agencies in the region were interviewed. Key perspectives obtained from these interviews were as follows:

Tour Operators

Most of the tour operators were satisfied with the accommodations they were currently using in Cape Breton. Their tours generally spend two nights in Cape Breton and they did not expect any changes in their length of stay or their itineraries in Cape Breton. As expected, most tour operators reported that volumes were down in 2003, some significantly. Expectations for the next five years were generally positive with some tour operators more optimistic than others.

Three of the thirteen tour operators interviewed identified a gap with respect to deluxe/high end accommodation suitable for their group tour market and several others identified a general need for more supply of better quality accommodations.

Meeting Planners

Several meeting planners interviewed and, for the most part, they had no complaints about the facilities available in Cape Breton. However, they did feel that the capacity limits on meetings that could be accommodated in Cape Breton constrained their ability to use the destination and that logistical challenges in terms of access were also a constraint in some market segments. Several also indicated that they saw limited marketing of Cape Breton as a place to hold meetings.

Key Knowledgeable Persons

Our interviews with a variety of key knowledgeable persons and industry representatives revealed some generally consistent concerns and comments, as follows:

- Demand for roofed accommodation generally in Cape Breton has been softening for the last few years. Spring was identified as being particularly weak. Many of those interviewed commented positively on the Celtic Colours festival and the positive impact it has had on the fall season.

- The accommodation plant generally is seen as being tired and in need of upgrading. It was acknowledged that things had improved in the past five years or so and that there was an increasing number of better quality properties, but that more re-investment and upgrading is needed.

- Many of those interviewed identified two critical needs for tourism in Cape Breton – a significantly increased destination marketing effort and more things to see and do. It was felt that the focus of efforts should be on these two elements so as to strengthen the overall appeal of Cape Breton to today's markets and increase visitation, before adding more accommodations. A need for improved air access and an upgraded road infrastructure was also identified.

The Role of Accommodations in Supporting Tourism

All forms of accommodations play important supporting roles in the broader tourism agenda in different ways and to varying degrees. They include:

- Traveller Service Accommodations which serve the needs of travellers but play a limited role in influencing travel behaviour. These would include B&Bs, motels, hotels (except those offering meeting and conference facilities), transient campgrounds;

- Demand Generating accommodations that can make a significant impact in generating trips to the destination, such as resorts, wilderness lodges, unique activity retreats, vacation cottage properties. These can be destinations themselves.

- Demand Influencing accommodations that can influence travel because of the appealing experiences they add to the trip, and can also increase spending and length of stay. These include smaller resorts and cottage properties, unique character properties such as a heritage or country inn, upscale properties.

Conclusions and Strategies for Accommodation Development in Cape Breton

Accommodation Development

On the basis of the current market mix and levels of demand, there is little evidence of a need for more accommodations generally in Cape Breton today, nor is there any good evidence of significant gaps in supply in any particular regions of the island. There is, however, an evident need for better quality accommodations as many have fallen behind contemporary standards and traveller expectations. As well, as discussed above, some kinds of accommodation can contribute significantly to generating new demand and influencing length of stay and spending, so in spite of low occupancy rates such properties warrant consideration for development.

The overall conclusions is that, until such time as the Road Map implementation is well underway and there is good evidence of growth in demand, the priorities for accommodation development should be to focus first on improving the competitiveness and market development potential of selected existing demand generating and demand influencing accommodation properties, and secondly to develop new demand-generating accommodation that can make a significant contribution to developing new markets for Cape Breton.

The following strategies for accommodations development are recommended, in order of priority:

1. Support the enhancement of existing demand generating and demand influencing properties – resorts, lodges, country inns, heritage inns, etc. to be able to appeal to higher yield travellers. This would involve upgrading facilities, adding amenities, activities and programming and expanded marketing and packaging.
2. Support new development in selected cases where an area has significant market potential but lacks properties of the type described above that are suitable for upgrading.
3. Support new multi-season demand generating projects that attract visitation, hold visitors longer and increase yield. This would include projects such as the Inverness Resort and Golf Club, the Cape Smokey Resort, wilderness or eco-lodges, unique activity retreats catering to high end, niche markets and 4 and 5 star vacation cottage properties on the sea, lake or river.
4. Fill other significant gaps in supply that may develop in future – these should be new, high quality, demand influencing properties.

We do not see any instance for supporting either the expansion or upgrading of traveller service accommodations that have little or no demand influencing potential, except in a few cases of key destination communities.

ECBC existing policies indicate the criteria under which projects are eligible for funding support and we propose some limited modifications to these criteria. Primarily these involve ensuring that additional types of properties that fit into the demand-generating category described above are eligible for funding, including wilderness lodges and unique, activity-related retreats. As well, we recommend that all accommodation projects under consideration for support also be expected to contribute to providing more things to see and do in the area, to have potential for at least three seasons of operation and to meet design and quality standards in keeping with contemporary expectations of travellers, particularly those of higher yield market segments. In this respect, we recommend that the Canada Select rating be only one consideration with other factors, such as the quality of experience being provided at the property, also considered.

Opportunities for each region of Cape Breton, both under existing market conditions and further opportunities that might exist after substantial implementation of the Tourism Road Map and other strategies to grow tourism, are detailed in the main report.

Broader Strategies to Support Accommodations Viability and Further Development in Cape Breton

There is a critical need to improve the viability of the tourism industry generally in Cape Breton and the accommodations sector in particular. The Tourism Road Map Strategy presented a number of strategies for growing tourism demand. In the context of the accommodations strategy we offer some additional proposals:

<u>Top Priority</u>

- Broaden the focus of tourism development and marketing to include activity-based travel and destination-based travel – strengthening the touring experience, providing appealing destination communities combined with a mix of unique, quality activities, experiences and entertainment.
- Provide more things for people to see and do.
- Grow the shoulder season through such things as seasonal activities, packages and itineraries, festivals and special events, targeted marketing programs.
- Expanded packaging effort utilizing the services of packaging and marketing professionals working collaboratively with tourism operators.
- Collaborative marketing efforts, professionally organized (similar to the Fab Four marketing efforts), along with a range of other marketing initiatives including a professional calibre destination marketing organization with significant funding support.

<u>Medium Priority</u>

- Strengthen selected communities as destinations.
- Improve air access.
- Other initiatives of medium or lower priority are identified in the report.

Potential Future Room Night Demand with Achievement of the Tourism Road Map Goal

The consultants were asked to determine what implications achieving the goal identified in the Tourism Road Map of increasing revenues from the current level of $230 million to $400 million by 2008 would have on demand for accommodations. We have analysed the potential impact, drawing on a variety of sources of data and making a number of assumptions. We have estimated that, should revenues reach this level, an additional 1,500 to 1,800 accommodation units would be required to accommodate visitors. We also considered the impact of a more modest growth of 40% in tourism revenues, to $322 million. Under this scenario, using similar assumptions, an increase of some 700 units above current supply would be required.