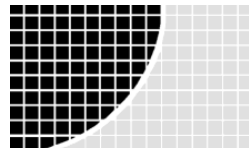


Cape Breton Accommodation Needs Assessment Study



THE ECONOMIC PLANNING GROUP of Canada
Tourism Consultants

Cape Breton Accommodation Needs Assessment Study

submitted by

The Economic Planning Group of Canada

March 2004

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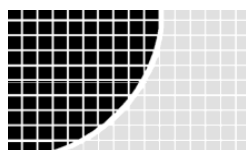


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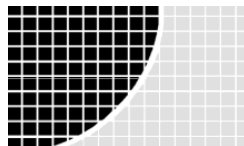


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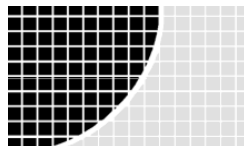
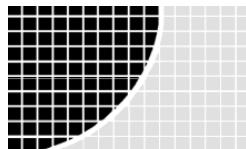


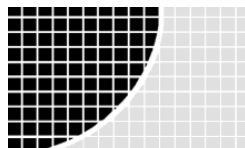
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Section 1
Introduction



Section 1

Introduction

Introduction

In 2003, the Cape Breton “Tourism Road Map” Destination Development Plan 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 “to harness the energy in the tourism sector to help the Island build momentum as an international destination”.¹ The Plan set out a vision for Cape Breton’s Tourism Sector, as follows:

*“We will build a **tourism economy** in Cape Breton that engages all stakeholders affected by tourism and distributes benefits throughout the Island. By enhancing/creating attractions and experience-based packages, and effective marketing channels, we will bring long-term revenue growth to the tourism sector in Cape Breton. By sharing our identity with visitors, we will build the pride and confidence that will power Cape Breton’s economy into the 21st century”.*

The overall goal, and major challenge identified in the Tourism Road Map is to dramatically increase tourism revenues from \$230 million in 2003 to \$400 million by 2008 by increasing the number of visitors to Cape Breton, increasing the yield and increasing the length of stay and spending of visitors. An important element in achieving this goal is having the right infrastructure in place, including the right accommodations, for the markets that are being targeted. While accommodations are not, for the most part, the reason that travellers choose to select a destination, they are an essential element of the tourism infrastructure and can influence demand as well as length of stay. And some types of accommodations, such as major resorts or unique inns with fine dining, can generate demand in their own right. As well, the accommodations experience is critically important to overall visitor satisfaction.

It is important, therefore, to have a solid understanding of the accommodations (both roofed accommodations and campgrounds) supply and demand situation in Cape Breton and to identify needs and opportunities for new accommodations product, expansions and upgrading that will support the overall goal of the Tourism Road Map. It is in this context that ECBC commissioned this Accommodation Needs Assessment Study.

The study was undertaken by The Economic Planning Group with assistance from Nova Scotia’s Canada Select group.

¹ Economic Growth Solutions, Cape Breton “Tourism Road Map” Destination Development Plan, Executive Summary, Page iii

Study Goals and Objectives

The overall objective was “to prepare a comprehensive analysis of accommodation supply and demand (both roofed and campground accommodation) on Cape Breton Island, by type of accommodation, by region and by community. The study should identify saturation points and gaps within the sector, and provide strategic directions for future financial assistance”.

Specific objectives included:

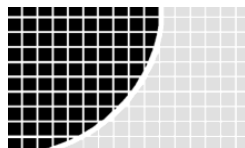
- To undertake a supply and demand analysis of accommodations and campgrounds in Cape Breton by region
- To complete a situational analysis
- To undertake an industry overview considering market trends in accommodation and campgrounds and implications for Cape Breton

Tasks Undertaken

The specific work tasks undertaken included the following:

- Development of a database inventory of accommodations and campgrounds in Cape Breton by type, community and region, and size, drawing on published material as well as records from Canada Select Nova Scotia
- Assessment of properties not currently participating in Canada Select, primarily through on-site visits, to determine their potential Star Grade
- Analysis of occupancy (demand levels) of both accommodations and campgrounds in Cape Breton, using monthly occupancy data provided by the Department of Tourism, Culture and Heritage
- Review of other relevant reports and strategies particularly the Cape Breton Tourism Road Map, the Nova Scotia Tourism Strategy and the provincial marketing strategy
- Secondary literature review to identify market trends in accommodations and campgrounds
- Interviews with a sample of tour operators and meeting planners familiar with accommodations in Cape Breton
- Interviews with key persons from the accommodations sector in Cape Breton, from the tourism industry and involved with community and regional economic development
- Analysis and development of conclusions and recommendations

Section 2
The Market Context



Section 2 The Market Context

Tourism in Nova Scotia

Tourism activity in Nova Scotia, as measured by non-resident visitors to the province, has fluctuated at between some 2.05 and 2.2 million persons annually over the past three years.

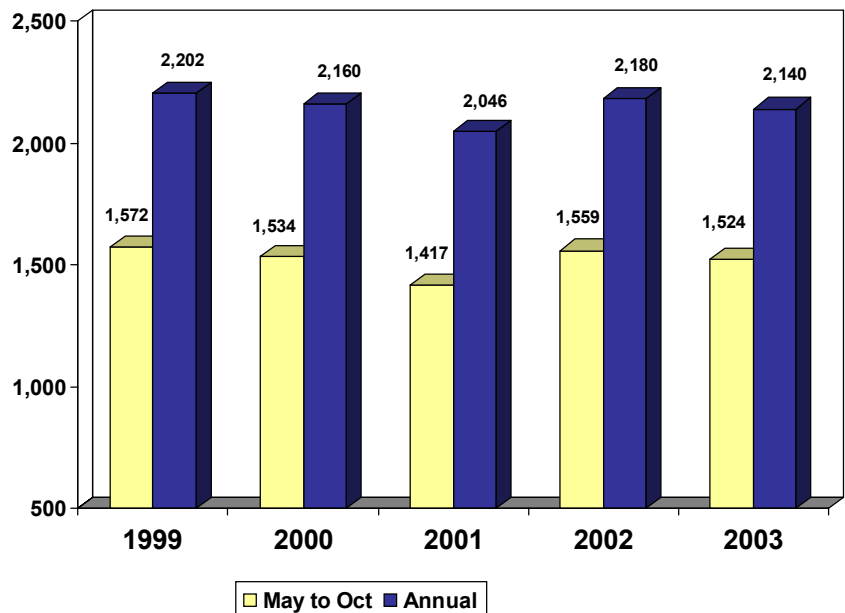
The peak was reached in 1999, with 2001 being the lowest of the five year period. These visitors include persons visiting the province for all reasons – pleasure, business, visiting friends and relatives, and personal reasons. Over 50% of these visitors are from other parts of Atlantic Canada.

During the May to October peak tourist season, non-resident visitor activity has been around 1.55 million or some 70% - 75% of the annual activity.

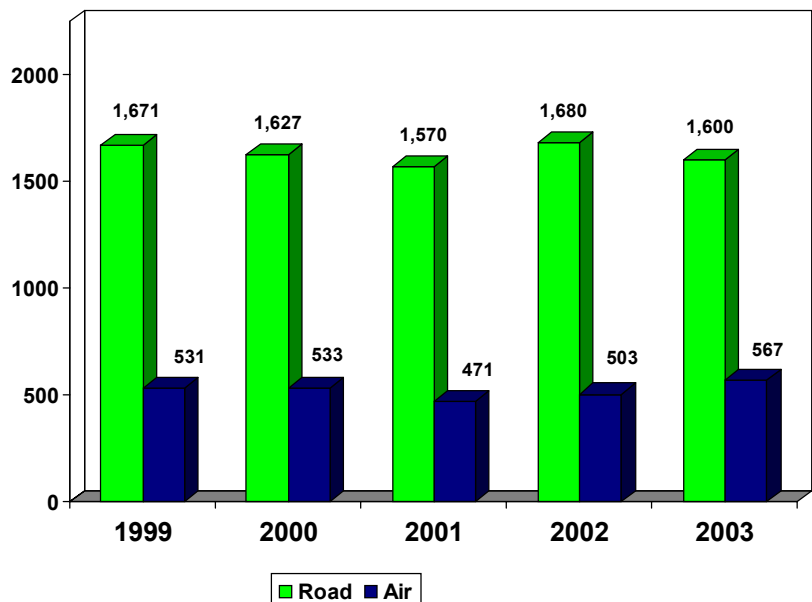
Most of the 2.1 million or so visitors arrive by road, primarily by automobile. However, 2003 saw a significant increase in the proportion arriving by air, up 13% and representing over 25% of all visitors to the province. This increase in visitors arriving by air offset a decline of 2% in arrivals by road during 2003.

Arrivals by road include visitors travelling by automobile, as well as those arriving by motorcoach and by

Annual and May to October Visitation to Nova Scotia: 1999 - 2003



Annual Visitation to Nova Scotia by Mode: 1999 - 2003



recreational vehicle. While arrivals by automobile have remained relatively consistent for the past five years, at 1.40 to 1.47 million, visitors arriving by both motorcoach and recreational vehicle have fluctuated, with a significant decline, particularly in motorcoach arrivals, in 2003 as illustrated in the graph.

This decline was due primarily to external factors such as the Iraq war, SARS and concerns about safety and security which had a significant negative impact on motorcoach tour activity across North America in 2003.

Visitor Origins

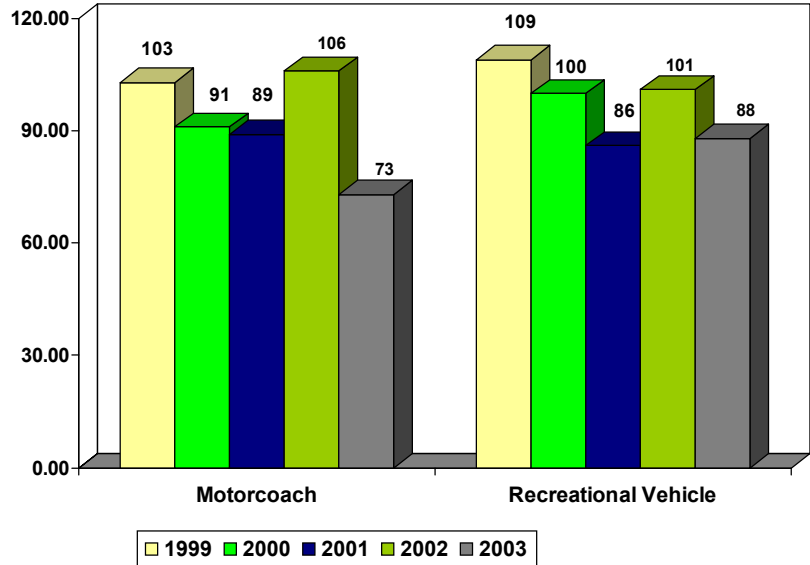
Nova Scotia's primary tourism markets are other parts of Atlantic Canada, Ontario and the United States. The Atlantic

Canadian market generally represents some 53% - 55% of annual visitor activity, much of it related to business and visiting friends and relatives trips. In 2003, visitation from other parts of Atlantic Canada actually declined 3% from 2002 levels.

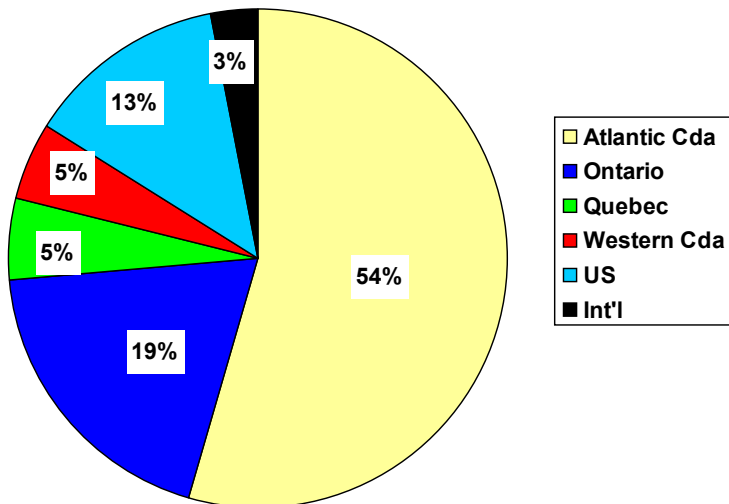
Overall the proportion of visitors from each geographic origin remain very similar, although the numbers fluctuate somewhat. Ontario accounts for some 17% - 19% of visitors (visitation from Ontario was up 10% in 2003), with US markets representing some 13% - 15% of visitors (visitation from the US was down 12% in 2003, with Americans representing some 13% of all visitors;

more than half of the decrease was from the New England markets). Western Canada, like Quebec, is home to about 5% of Nova Scotia's visitors – in 2003, visitors from Western Canada increased by 8% while those from Quebec declined by 10%. International visitors consistently represent about 3% of the province's

Trends in Arrivals by Motorcoach and Recreational Vehicle
May to October: 1999 - 2003



Origins of Visitors to Nova Scotia: 2003



visitors, although actual numbers increased by some 15% in 2003.

Visitor Characteristics

Other than basic information on visitor origins and mode of travel to Nova Scotia, the only information available on the characteristics of visitors to the province comes from Visitor Exit Surveys that are conducted every four years or so. The most recent data is from 2000; another Exit survey is being planned for 2004. Data from the 2000 Visitor Exit Survey is for visitors from the May through October period only. Their key characteristics are:

- Over forty percent identified visiting friends and relatives as their main trip purpose; Canadian visitors, particularly Atlantic Canadians, were more likely to identify this as their main trip purpose. 29% reported being on general pleasure/recreation trips with this proportion much lower for Atlantic Canadians and much higher for visitors from the US and overseas. 8% were travelling on business and another 5% were attending conventions or meetings.
- The average length of stay was 6.5 nights; those arriving by air stayed almost 9 nights. Visitors from Atlantic Canada stayed only 3.6 nights on average with both other Canadians and visitors from the US and overseas staying 8 nights or more on average.
- Average spending was \$1,216 per party, excluding expenditure on air and ferry travel. This ranged from a high of just over \$1,500 for parties arriving by air and those from international origins, to a low of \$430 for those visiting from Atlantic Canada.
- Seventy three percent of visitors were on repeat trips to Nova Scotia, ranging from 91% of Atlantic Canadian visitors to 39% of US and international visitors. Interestingly, 72% of visitors from parts of Canada other than Atlantic Canada were also on repeat visits to the province.

Accommodation and Campground Use

The 2000 Visitor Exit Survey also queried visitors about the types of accommodation they used, specifically how many nights they spent in different types of accommodation while on their trip to the province. The data illustrates that the most popular type of accommodation used by visitors to the province is the homes of friends and relatives with almost 50% of visitors indicating they spent an average of almost 7 nights with friends and relatives. The most popular type of commercial accommodation was hotels (which received particularly high utilization by business travellers) and motels. Some 10% of visitors reported staying in B&Bs, with an average stay of 3 – 3.5 nights. While only a small proportion of visitors reported staying at private cottages, the length of time spent here was significantly longer than at any other type of accommodation.

Campgrounds were used by some 8% of visitors overall, with national and provincial parks receiving higher average lengths of stay than private campgrounds.

Resident Travel

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 balance being same day trips of over 80 km one way. Again, these were trips made for all purposes.

Future Expectations for Tourism to Nova Scotia

Like most North American destinations, Nova Scotia's tourism performance in 2003 was hurt by external events such as the war in Iraq, SARS and ongoing concerns about terrorism and security. Overall visitation was down 2% but in fact the province fared relatively well compared to some other Canadian destinations such as Ontario. A decline in travel from the US and in visitors from other parts of Atlantic Canada was offset by an increase in travel from Ontario. Increases in air arrivals played a significant part in the province's performance and this was driven in part by the new 'model' of air travel within Canada which is seeing increased domestic capacity at low (at least by historical standards) prices. Halifax International Airport has benefited significantly from these changes with significant increases in domestic capacity.

The outlook for 2004 is "cautiously optimistic" with a stronger economy and, at the time of writing this report, no major events that might have a negative impact on travel. However, the Canadian dollar is relatively strong which might encourage more Canadians to travel abroad and also make Canada more expensive to US and international markets. At the same time, air access to Nova Scotia continues to improve from Central Canada, trans border from the United States and from Europe. The Canadian Tourism Commission is forecasting a 5.4% increase in US travel to Canada (after a decline of 5% in overnight travel in 2003), and an average annual growth of 3.9% in travel from international markets from 2004 to 2007.

Beyond 2004, the overall outlook for tourism in North America is positive, as detailed later in this section of the report. In Nova Scotia, the tourism industry has set a target of doubling revenues from tourism over a ten year period, beginning in 2002/03. Highlights of the provincial tourism strategy and the Vision for Tourism is provided below, together with some comments on implications for Cape Breton, particularly for the accommodation sector.

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 improvement and growth". The vision has a number of key elements, including:

- Product Development
 - Support and enhance at least four existing destinations or clusters, available on a year round basis, to extend their product appeal so as to significantly increase their market appeal
 - Drive the development of a number of new ‘star generators’ that have the potential to generate new tourism to the province or create icon appeal
- Environment
 - Develop a code of practice and management, and partnership for the protection and management of Nova Scotia’s coastal perimeter
- Administration of Tourism
 - Undertake a review to examine and implement an effective administrative structure that will support the Vision
- Marketing
 - Accelerate the use of performance-based marketing
 - Concentrate efforts in enhancing and effectively communicating Nova Scotia’s Brand that reflects the province’s location, access and connection to the sea
- Technology
 - Tourism stakeholders accelerate the use of E-marketing and Internet opportunities to take advantage of the growth in Internet use by potential customers
- Quality/Product Development
 - Execute standards of quality for tourism facilities including fixed-roof accommodations and campgrounds, and develop standards of quality, education and service for other sectors to meet and exceed visitor expectations
 - Develop and implement an action plan to ensure a competent and stable tourism workforce
- Transportation
 - Develop a co-ordinated approach to the preservation, maintenance and development of the tourism industry travel corridors including air, road, water and rail
- Research
 - Establish a more concentrated effort in research to provide the necessary tactical information/data on existing and potential customers/markets

The Vision Committee identified different tourism stakeholders to take the lead in each of these areas and task forces/ad hoc committees have been established to identify specific actions and work plans around many of these elements.

Nova Scotia's 2004 Tourism Plan – “*This is Nova Scotia – Deliver the Experience*” identified a number of threats and opportunities as well as priorities for experience-based product development initiatives, and a number of strategic priorities and directions for the future building on the Tourism Vision as well as the Nova Scotia Tourism Strategy prepared in 2000. A number of the key conclusions, opportunities and initiatives and priorities are identified below:

Opportunities:

- Maturing and active population with an increasing interest in getaway packages for mature and senior travellers
- Travellers increasingly looking for enriched experiences
- Demand for packages and experiences suggests a product development opportunity and need, as does the maturing population and affluent visitor
- Travel planning will continue to shift to using the Internet

Priorities – Product Development:

Enhance Quality of the Scenic Driving Tour Experience

- Evaluate the existing Travelways/Scenic Drives system (a study has recently been commissioned to do this)

Deliver Quality Experiences

- Enhance the quality of experience and interpretation at existing museums, attractions, historic and natural sites
- Identify, support and facilitate the development and enhancement of key tourism destinations

Focus on a number of elements of experiential touring

- Cuisine and wine
- Acadian experiences
- Golf
- Outdoor and nature – birding, hiking, whale watching, biking, canoe/kayak, recreational walking

Build a 12 Month Season

- Short getaways; primarily from within Maritime Canada but also longer haul markets such as Toronto
- Urban product; also winter resort/country inn packages
- Marketing and product development initiatives are proposed around this element of the plan

Specific market segments identified with strategies:

- Meetings and Conventions
- Group Tours
- Cruise

Most of these opportunities and initiatives have or potentially have implications for Cape Breton since many of the region's experiences fall into the categories identified above.

Implications for Accommodations and Campgrounds in Cape Breton

A number of the province's priorities for product development have implications for accommodations and campground development in Cape Breton.

One area of particular relevance is to do with Quality Standards. The Quality element of the Tourism Vision has been identified as a responsibility of TIANS (Tourism Industry Association of Nova Scotia) and we understand that they are striking a committee to examine these issues. One topic that has been discussed, we understand, by an earlier committee of the Tourism Partnership Council, is adjusting the accommodation licensing requirements such that the minimum standard reflects the one star requirements for Canada Select. This does not mean mandatory participation in Canada Select, but merely that the standards for licensing would be the same as the one star requirements with the objective being to generally encourage an upgraded quality of accommodations. Other quality issues being examined relate to overall customer satisfaction as well as customer service, with the overall goal to meet and exceed customer expectations.

Another critical issue for the accommodations sector in Cape Breton relates to the availability of a trained and stable work force, also an important element of the Tourism Vision. A number of the industry people we have spoken to in the course of this study have identified obtaining and keeping skilled staff as a challenge, particularly given the seasonal nature of the tourism industry in Cape Breton, and the declining population in some parts of Cape Breton. This concern has been identified in other studies and reports on Cape Breton as well, the result of an aging population and a strong tendency for young people in many parts of Cape Breton to leave the area in search of opportunities.

The province's strategies to build a 12 month season are also a good fit with some of the critical needs identified for accommodations in Cape Breton. However, there will need to be some improvements to the air access into Sydney if the region is to capitalize on the short getaway markets that are being targeted. The product development plan also identifies that the province is planning to work with the Snowmobile Association of Nova Scotia to look at opportunities.

Tourism in Cape Breton

Tourism Performance and Visitor Characteristics

Cape Breton's 'Tourism Road Map' Destination Development Plan provides the most recent data on tourism activity in Cape Breton developed from several sources including the Nova Scotia 2000 Exit Survey and the Canadian and International Travel Surveys prepared by Statistics Canada. The following is a brief synopsis of information on tourism activity in Cape Breton from this report:

- Total visitor activity in Cape Breton is approximately 1 million person trips. It is important to note, however, that this includes:
 - Travel throughout a 12 month period
 - Same day travel from within Nova Scotia, and from within Cape Breton¹, as well as same-day travel to Cape Breton from non-resident travellers, and overnight visitors from all origin markets
 - Persons travelling for business and meetings, pleasure, to visit friends and relatives and for personal business
 - Overnight visitors staying in commercial accommodation as well as in campgrounds and with friends and relatives
- Some 2/3 or roughly 660,000 of these visitors are from Nova Scotia. 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 (15%).
- Overnight visitors: 69%; Same Day visitors: 31%
- Visitor Origins:
 - All Visitors: Canadians: 84%; US: 16%
 - Cape Breton: 25%
 - Other Nova Scotia: 41%
 - Other Atlantic: 6%
 - Ontario: 8%
 - US: 16%
 - Other: 4%
 - Overnight Visitors (709,500): Canadians: 78%; US: 22%
 - Non-Resident (Non Nova Scotia) Overnight Visitors:
 - Ontario: 25%
 - US: 48%
 - Atlantic Canada: 16%
 - Western Canada: 7%
 - Quebec: 4%
- Key characteristics of visitors and their trips:
 - Purpose of Trip: 49% pleasure; 32% visiting friends & relatives; 5% business and 14% other

¹ The definition of a tourist includes a person who travels more than 80 km one way from home. As such, Cape Bretoners travelling in Cape Breton on trips of more than 80 km one way, are considered to be tourists and are included in these statistics.

- US visitors tend to be older, with 30% over 65 years; 29% from 55 to 64 years and 22% from 45 to 54 years
- Canadian visitors are younger with only 8% over 65 years, 15% 55 to 64 years and 14% 45 to 54 years; 23% are reported to be under 19 years
- Some 50% of total visitation is in the third quarter, July to September although 73% of US visitors come in this period; 16% of visitation is in the fall (October through December) with 22% in April to June and 14% (almost exclusively from Canadian markets) in the January to March period.

The Cape Breton Tourism Road Map study also reported on the accommodation preferences of US and Canadian visitors to Cape Breton, as summarized in the table on the next page. The majority of US visitors are staying in commercial accommodation, similarly to the situation in the province as a whole, and are clearly a priority target market for roofed accommodation. Canadians are much more likely to stay at the home of friends and relatives, and also more likely than the US market to camp.

Type of Accommodation Used	Canadian Overnight Visitors to Cape Breton	American Overnight Visitors to Cape Breton
Motel Only	6%	41%
Hotel Only	9%	19%
Home of Friends/relatives	51%	5%
Cottage or Cabin Only	4%	3%
Private cottage/vacation home	7%	N/A
Camping/Trailer Park Only	16%	7%
Combination of Two or More Types	N/A	14%
Bed & Breakfast	3%	N/A
Other	3%	9%

Source: Cape Breton “Tourism Road Map” Destination Development Plan, page 4 – 16; from Statistics Canada Data

Based on data presented in the Tourism Road Map study regarding the number of overnight visitors and the statistics presented above, we have estimated that there were some 150,000 American visitors and 232,000 Canadian visitors overnighing in commercial accommodations or campgrounds in Cape Breton during 1999.

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. It acknowledges that implementation of the plan will not be easy and will require some big changes in direction as well as

‘unprecedented co-operation’. The strategy speaks to several overall critical issues as well as four requirements for expanding Cape Breton tourism and three overall strategic thrusts, designed to achieve the overall goal of increasing tourism revenues from \$230 million to \$400 million, a 75% increase, by 2008.

Given that one of the objectives of this assignment is to consider accommodation needs and opportunities for Cape Breton in light of the goals and strategies of the Tourism Road Map, we have summarized the key strategic thrusts and directions below:

The strategy identifies the strong need for strategic action by governments around tourism infrastructure including the rejuvenation of the Cabot Trail, upgrading of the road infrastructure generally with new pavement, look-offs, interpretation enhancements and completion of key touring routes and improving Cape Breton’s direct air access, both scheduled and charter services.

The three key objectives identified are:

- **“Increase the number of visitors to Cape Breton -** Including off-season, shoulder season and return visits from the regional market ...
- **Increase the yield** – through improved market information, a stronger use of booking data, pricing and packaging strategies.... Charge a higher price in keeping with value and market demand. Product enhancements will also result in increased yield.
- **Increase the amount of money each visitor spends by purchasing more goods and services**

Three overall strategic thrusts in the “Road Map” are:

- ❶ **Enhance and develop strategic infrastructure** which will involve new physical and programming infrastructure within five areas of opportunity:
 - Accommodations and Other Infrastructure including 7 key projects:
 - Cabot Trail World Class Scenic Drive – rejuvenation of the Trail
 - Welcome Centre at the Causeway – a centre that markets and sells Cape Breton tourism experiences and other products and drives tourism sector revenue for the whole Island
 - Conventions Cape Breton Trade and Exposition Centre
 - Tourism e-Commerce Development making Cape Breton the most bookable on-line destination in the world
 - Fleur-de-lis Trail “Route Ancienne” – the road route that helps expand the Acadian experience in Cape Breton
 - Inverness Links Resort and Golf Club, seen as a magnet for nature product development and high end residential development
 - “Sydney-by-the-Sea” Waterfront and Downtown Heritage including the Mi’kmaq Cultural Heritage Centre and Museum on the water

- Attractions, Festivals and Events:
 - “Festival Cape Breton” – an Island wide, umbrella flagship festival incorporating existing festivals and with a signature production. This is seen to ultimately be a year long festival, driving off-season business.
 - “Men of the Deeps” Miners Museum and Colliery Heritage District - expansion of this facility and the integration of a heritage district component.
 - “Seasons at the Fortress” – season extension at Fortress Louisbourg, particularly during the fall months
 - “Wings” Hall of Flight Attraction Development – an addition at the Alexander Graham Bell Museum in Baddeck

- Cultural Heritage:
 - “Connexion Acadien” Cultural Experience including a variety of Acadian experiences and packages
 - Mi’kmaq “Time Travel” Aboriginal Cultural Experience – an overall inventory of product spread around Cape Breton including packages, experiences, heritage sites and touring opportunities
 - “The Celtic Celebration” Cultural Experience – also a series of experiences around Cape Breton based on the Celtic culture and encouraging visitors to trace their roots

- Outdoor Adventure/Ecotourism:
 - Atlantic Canada Nature Centre and Wildlife Sanctuary at Two Rivers Wildlife Park as a centre with connections to the natural environment and wildlife of Cape Breton
 - “Passage East” Cape Breton Eco-Cruise of the Bras d’Or Lakes and also ocean cruise itineraries
 - “Safari Cape Breton” Eco-Adventure Lodge(s)
 - “Trails for All Seasons”

- ② **Integrated Effort of Sector Partners** including a new Cape Breton Tourism Partnership to undertake destination marketing programs as well as ongoing product development.

- ③ **Aggressive Packaging, Sales and Marketing**
 - Four fundamental target markets were identified – Grand Touring, Culture and Heritage, Outdoor and Nature and Convention, Meeting and Events

 - A new destination marketing program, with a focus on creating packaged products and creating core and partnership marketing programs

 - Product development and packaging

Implications

The implementation of the key recommendations in the Road Map study, and the achievement of the overall goal of increasing tourism revenues by some 75% by 2008 clearly has implications for the accommodation sector. These are addressed later in this report.

Active Tourism Development Proposals in Cape Breton

At the time of preparing this report, there were a number of tourism projects underway or in the planning stages in the tourism sector in Cape Breton, some in the accommodations sector and others that are likely to impact tourism activity. The key ones are:

Accommodations

- Crown Jewel Resort Ranch is under development outside of Baddeck. This is an eco-lodge project designed for high end markets. A range of summer and winter outdoor adventures are being offered and the property has its own airstrip which will be used as a base for transporting guests to other locations around Cape Breton. The first phase of accommodation, 8 rooms in the Guest House, will be open this summer. A lodge, with 15 rooms and indoor pool, spa etc. is planned for 2006.
- Island Sunset Resort and Spa is under development in Belle Cote, south of Cheticamp. The ultimate plan is 12 cottage complexes, each with four units of accommodation providing 48 units. 16 units will open this year with the balance completed in 2005. The property includes a health spa and restaurant as well as meeting facilities. It is planned as a 5 Star, year round facility also catering to high end markets.
- The Birches at Ben Eoin a high quality Country Inn located near the ski hill. This property is planned to include 12 guest rooms as well as a dining room and parlour. There is also rumours of a possible new golf course in this area as well.
- Inverness Golf Course and resort – This project, also intended to be a four season development, has been rumoured for a couple of years. We understand that there is not an active proponent at present for the development.
- Cape Smokey Ski Area – A preliminary feasibility study and concept plan has recently been completed on the establishment of a four season, destination resort at Cape Smokey. More research is needed to ascertain the feasibility of this project.

Other Initiatives

- Port Hawkesbury Civic Centre – This is currently under construction with an opening planned for Fall 2004. It will provide facilities for sports activities, entertainment events and for small and mid-sized conventions, trade fairs and meetings (up to 350 persons), as well as fitness facilities.
- Membertou Trade and Commerce Centre in Sydney. This facility is also currently under construction. It will provide a Great Hall of 8,800 square feet and an adjoining

2,000 square feet of conference floor space, as well as an Executive Board room, kitchen facilities and a restaurant. The Great Hall will be able to be utilized as a performance venue as well as for meetings. The complex will also include a tourism venue designed to celebrate the cultural heritage of the Mi'kmaq people, and a gift shop. This facility is scheduled to open in 2004.

- Cape Breton Highlands marketing initiative – a three year marketing project for the area along the Cabot Trail from St. Ann's Bay to Meat Cove sponsored by the Northeast Highlands Chamber of Commerce working with a number of local tourism operators and community groups. The plan is to develop vacation packages, focusing on the outdoors and cultural events over four seasons. It will include website development, familiarization tours and package promotion through trade shows and media as well as training.

Trends Impacting the Tourism Industry

The tourism industry in North America generally had experienced a period of strong growth during the 1990s as booming stock and real estate markets and a strong economy left consumers with more discretionary income. The large baby boom market started moving into their 40s and early 50s to the point where family responsibilities lessened somewhat and they had more time to indulge in travel as an escape from the pressures of two-career families. During this period, the getaway vacation – a 3 to 5 day escape became particularly popular. This period of prosperity in the travel sector came to an end in September 2001, though in retrospect, indicators suggest that it had started to decline before this as the tech bubble burst. Since September 2001, the travel market has been relatively weak, hurt first by concerns over terrorism and safety, and in 2003 by the Iraq war, weak economies and, in Canada, SARS and a tendency by US markets to spend their vacations at home. The group tour market was especially hard hit by 2003 and this is evident in the decline in demand for accommodations in Cape Breton which has had a traditional dependency on this market segment along with other rubber tire traffic.

Opinions about the health of the tourism industry over the next ten years or so are mixed. Continuing concerns about personal safety and security and future terrorist attacks, combined with low interest rates which hurt those living on fixed incomes, can be expected to continue to negatively impact travel demand in North America.

On the other hand, the large baby boom market is expected to continue to have a significant impact on travel activity. This market is now moving close to retirement – and while many are taking early retirement with reasonably good pensions, others are continuing to work through peak earning years. The Baby Boomers generally are expected to have both time and money to travel, and they also have the desire. Travel has also been important to this market segment and it is expected to continue to be so. The baby boomers are interested in different experiences, in seeking out new destinations and new things to see and do, and they are much more fit and active than earlier generations.

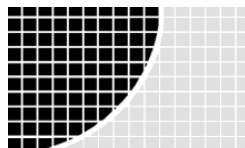
Other market segments, such as Generation X and the other generations behind the baby boomers also have a strong interest in travel, although they tend to be more restricted by the financial realities of their lifestage.

Research literature points to a number of key trends in the travel and tourism sector:

- Continued growth in the higher end markets, seeking high quality experiences and prepared to pay, as long as the quality and value is there
- Increasing demand from travellers for activities and experiences. Many of today's travellers are no longer content to tour and sightsee – they want to be doing, experiencing, participating, etc.
- There is a renewed dedication to family – and to travel involving family from several generations. This has implications for the type of accommodation being sought.
- Price is seen to be critical in today's marketplace – but value, recognition, and service is what will win customers back
- Customization of travel experiences is becoming increasingly important to consumers – they want flexibility and tailored products, but appreciate help in planning their trip
- There is more travel closer to home as well as shorter lead times in booking trips
- The use of the Internet for travel planning, and booking, continues to grow with one source indicating that some 60% of leisure travellers use the Internet to plan some aspect of their trip. Internet travel booking is seen by travellers to give them more choice, more options and flexibility and more bargains.

Another factor impacting travel activity in Nova Scotia is the growth in air travel into Halifax. With the changes in the air industry in Canada and several 'new model' airlines offering cheap fares between central and western Canada and the east, air arrivals into Halifax have increased significantly in the past two years and this can be expected to continue, barring any unforeseen changes in Canada's airline industry. Unfortunately, air access to Cape Breton continues to be very limited, with service generally only available via Halifax, and then on a Dash 8 to Sydney. However, at least one of Canada's discount airlines is offering direct service between Toronto and Sydney once a week during the 2004 summer season.

Section 3
Accommodations and Campgrounds in Cape Breton
- The Existing Situation



Section 3

Accommodations and Campgrounds in Cape Breton – The Existing Situation

The Nova Scotia Context

Supply

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, as indicated in Exhibit 1, with almost 60% of units in hotels/motels. There are over 700 units in inns and almost 1,000 in resort properties. Note that this inventory includes over 2,000 units in university/college accommodations.

Almost 60% of the roofed accommodation properties in the province participate in the voluntary Canada Select rating program; if the university properties are excluded from total unit count, these properties provide some 75% of the accommodation units. As indicated in Exhibit 1, some 45% of the properties and over half of the units participating in Canada Select are at the 3 star level, with approximately 1/3 of the properties and units at the 4 Star level and around 15% at the 2 – 2.5 Star level.

In the campground sector, the province 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.

Room nights demand in the province peaked in 2002 and held steady in 2003 despite the decline in visitation. This suggests some combination of a slightly longer average length of stay or more visitors (or Nova Scotia residents) staying in commercial accommodation.

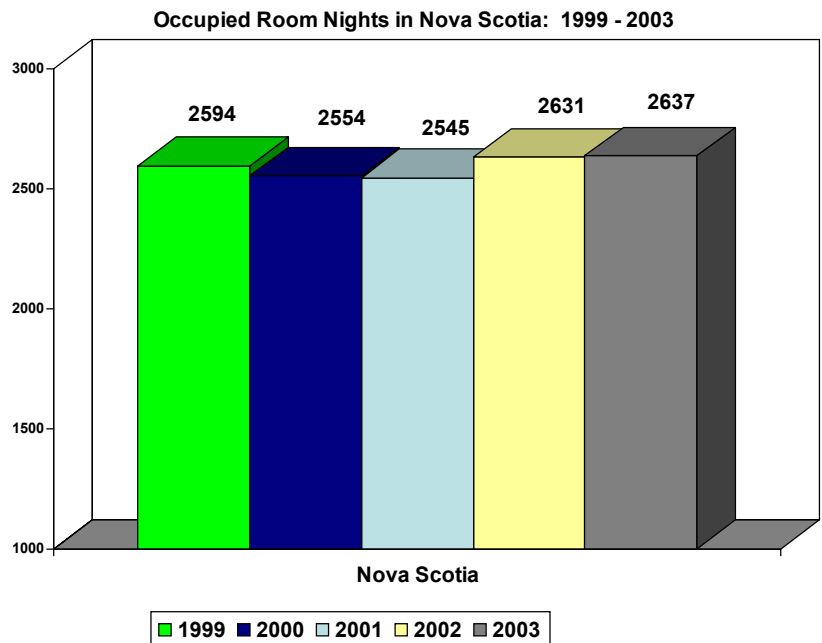


Exhibit 1
Roofed Accommodations in Nova Scotia, 2003

	Total – All Properties in Nova Scotia		No.Prop's in Canada Select	2 – 2.5 Star Properties		3 – 3.5 Star Properties		4 – 4.5 Star Properties		5 Star Properties		% Participating in Canada Select	
	Prop's	Units		Prop's	Units	Prop's	Units	Prop's	Units	Prop's	Units	Prop's	Units
Bed & Breakfast	500	1,617	229	32	99	59	184	135	492	3	23	45.8%	49.4%
Guest Home/ Other ¹	81	3,444	54	3	5	31	73	20	118	-	-	66.7%	5.7%
Cottages ²	204	1,371	143	11	83	81	439	51	243	-	-	70.1%	55.8%
Hotel/Motel	224	10,405	134	54	1,437	68	4,529	12	2,370	-	-	59.8%	80.1%
Inn	66	715	58	1	18	34	390	22	289	1	14	87.9%	99.4%
Resort ³	10	959	12	-	-	9	881	2	204	1	72	N/A	N/A
Total	1,085	18,511	630	101	1,642	282	6,496	242	3,716	5	109	58.1%	64.6%
Percent of Graded Properties & Units				16%	13.7%	44.7%	54.3%	38.4%	31.1%	0.8%	0.09%		

1 Other includes accommodations in universities which accounts for the large number of units in this category.

2 Note there is one cottage property that is a 1 Star Property

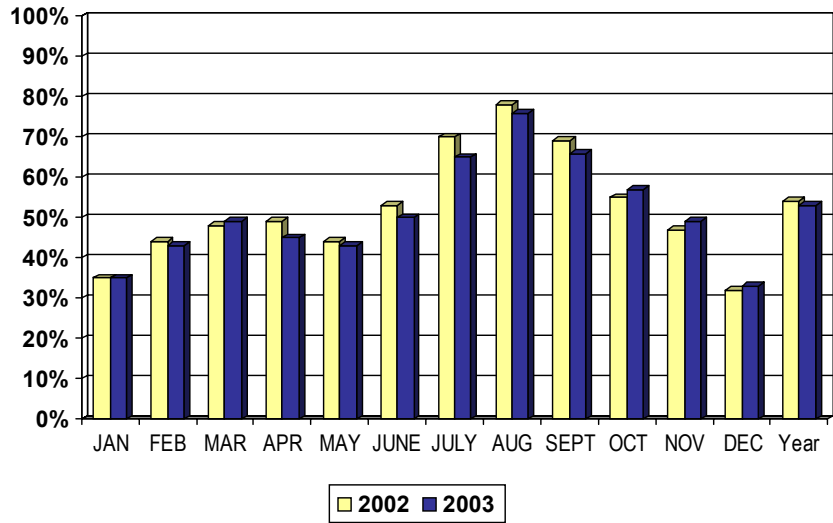
3 It appears as though the definition of resort used by the province in their inventory of accommodations is different than the definition of resort used by Canada Select, hence the difference in numbers. The other properties are likely included in the Hotel/Motel category.

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.

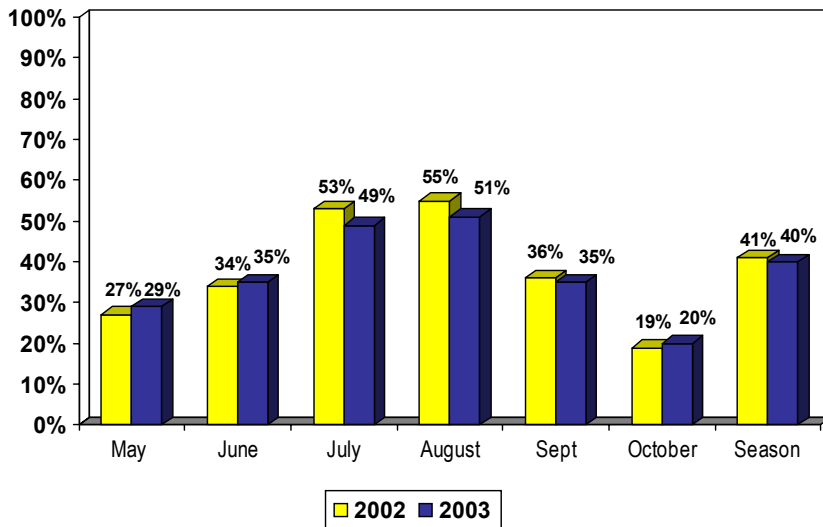
In the campground sector, data on short-term site nights provides the best reflection of non-resident tourism related activity since most of the seasonal campground demand is

from Nova Scotia residents. This data is only available for three years due to differences in data collection methods and indicates that occupied short-term site nights were 328,000 in 2001, reaching 338,000 in 2002 and declining to 305,000 in 2003.

Nova Scotia Monthly Occupancy Rates: 2002 & 2003



Nova Scotia Campground Occupancies: 2002 & 2003



markets, with peak season occupancies in the 50% - 55% range.

Total campsites sold in the province, including both transient and seasonal demand, have increased from 714,000 in 1998 to 775,000 in 2003, although 2003 levels were down 5% from the 804,000 site nights sold in 2002.

Occupancies at campgrounds in Nova Scotia average 40% on a seasonal basis, including demand from both seasonal and transient

Supply of Roofed Accommodations and Campgrounds in Cape Breton

Roofed Accommodations

Based on 2003 data, there are 281 roofed accommodation properties in Cape Breton providing some 3,700 units of accommodation. This gives an average property size of almost 13 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%

As illustrated, most properties (almost 40%) are bed and breakfasts, yet these provide only 11% of the accommodation units in Cape Breton. Over half of the units are provided in the 65 hotel/motel style properties in Cape Breton. Cape Breton has six resort style properties, providing almost 500 units of accommodation.

Canada Select Ratings of Cape Breton Accommodations

As mentioned earlier, Nova Scotia's accommodation properties voluntarily participate in the Canada Select rating program. In Cape Breton, approximately 35% of the properties (representing almost 70% of the units) are currently participating in Canada Select. The proportion of properties participating is notably lower than the participation rate in Canada Select for the province overall. The low rate of participation is particularly notable in the B&B category, with only 26% of the bed and breakfast properties in Cape Breton currently involved in the program compared to 46% of the B&Bs in the province overall.

As part of this project, the properties that are not currently in the Canada Select program were assessed by Canada Select Nova Scotia staff to determine their potential star rating. These assessments were done through a combination of on-site inspections and, where inspections were not possible, a detailed analysis of licensing records and the knowledge of the licensing inspectors regarding the properties.

Of the 184 properties that were assessed, 61 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. These include such things as providing independent locks (separate from the lock on the door handle) on unit doors, adding minor amenities such as remote control for the TVs, wastebaskets, soaps, portable fans and bath mats. 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.

Another 23 properties were unrateable due to more major issues such as state of repair, cleanliness, size of accommodation units, and lack of facilities such as a sitting room. A few properties (5) were unrateable due to the fact that they were not available for inspection and the records available were insufficient to determine their potential star grade.

A summary of the ratings for the 184 properties assessed is provided below:

Star Rating Level	Results of Assessment	Ratings of the 38 Properties that would be Rateable with minor Improvements	Total
1 Star	1	-	1
1.5 Star	11	2	13
2 Star	5	4	9
2.5 Star	80	26	106
3 Star	10	5	15
3.5 Star	7	1	8
4 Star	2	-	2
Closed	2	-	2
Refused	5	-	5
Unrateable	61	-	23
Total	184	38	184

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 which lack private bathrooms that are required for B&Bs to reach 3 stars.

Half of the accommodation units in Cape Breton are 3 – 3.5 star, and found primarily in hotel/motel and resort properties. Cape Breton has 500 units at the 4 – 5 Star level found primarily at inns and cottage properties, and at one of the resorts; there are also 17 B&B's at this star grade level. This includes two five star properties, Castle Moffett in the Baddeck area and MacKenzie House Bed & Breakfast in Port Hawkesbury.

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.

It is not possible to compare the ratings of all Cape Breton properties to the rest of Nova Scotia since the program is not mandatory. However, discussion with key persons familiar with the accommodation plant and the assessment undertaken as part of this study suggest that a significant portion of the accommodation properties in Cape Breton, particularly in the B&B sector are in need of upgrading to meet contemporary consumer expectations. This is discussed in more detail later in the report.

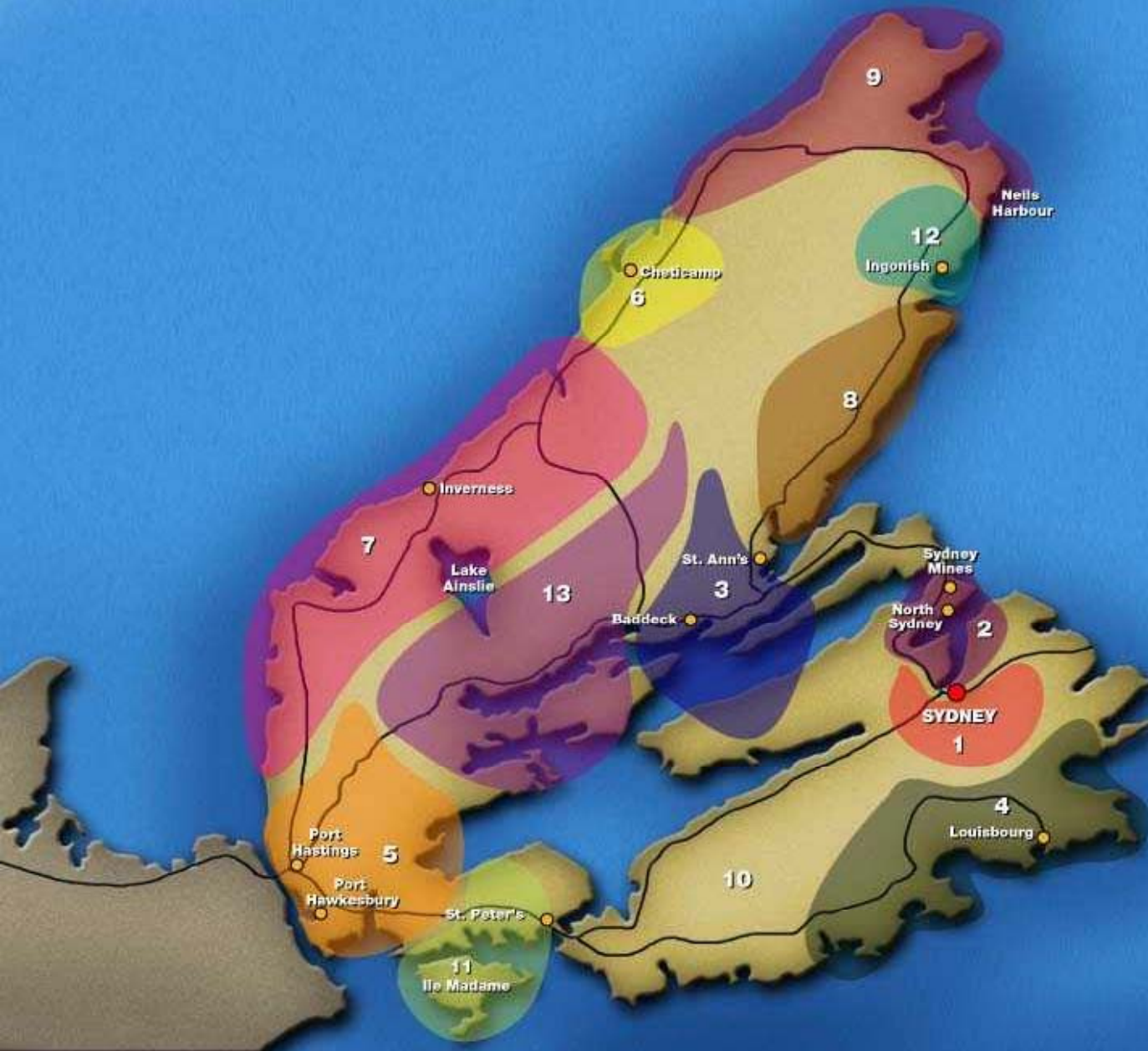
Accommodation Inventory by Region

One of the requirements of this project was to examine accommodation supply and demand by region of Cape Breton. In discussion with ECBC it was decided to establish the regions based on communities as well as patterns of tourism activity in Cape Breton. It was also important that the regions be large enough that there were sufficient accommodation properties in each to obtain occupancy data from the Department of Tourism, Culture and Heritage. Thirteen regions were identified, as follows:

1. Sydney
2. North Sydney/Sydney Mines
3. Baddeck
4. Louisbourg
5. Port Hawkesbury/Port Hastings Area (including Dundee)
6. Cheticamp
7. Inverness County south of Cheticamp
8. Cabot Trail – St. Ann's to the edge of Ingonish
9. Cabot Trail – Neils Harbour to Cheticamp
10. Other parts of Cape Breton Regional Municipality
11. Ile Madame/St. Peter's Area
12. Ingonish/Ingonish Beach and Ingonish Centre
13. South East Inverness County (including Middle River, Lake Ainslie East Side, Lake Ainslie South Side, Whycomomagh, Orangedale, River Denys, Glendale and Iona)

A map illustrating the regions is provided on the next page. An inventory of properties by type, and by star rating has been prepared using published information and the results of the star rating assessment undertaken during this study.

CAPE BRETON NOVA SCOTIA



- 1. Sydney
- 2. North Sydney/ Sydney Mines Area
- 3. Baddeck
- 4. Louisbourg
- 5. Port Hawkesbury/ Port Hastings
- 6. Cheticamp
- 7. Inverness County South of Cheticamp
- 8. Cabot Trail from St. Ann's through to Ingonish
- 9. Cabot Trail from Neils Harbour through to the edge of Cheticamp
- 10. Rest of Cape Breton Regional Municipality
- 11. St. Peter's Area
- 12. Ingonish - Ingonish Beach and Ingonish Centre
- 13. South East Inverness County

The table below provides a summary of the overall accommodation supply 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 (including 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

A discussion of the supply of accommodation in each region by type and star grade is provided below. A detailed inventory by type of property and star grade is not available so as to maintain the confidentiality of information for properties whose star grades were assessed as part of this project.

Sydney

Sydney has just over 800 units of accommodation, almost all of them in hotel/motel style properties and at the 3 – 3.5 Star Grade level. There are only 11 units of 4 – 4.5 Star accommodation, all of it at B&B properties.

Several of the hotels in Sydney are full service properties, open year round with dining and lounge facilities as well as meeting rooms. The main properties are the Delta Sydney with 152 rooms and meeting capacity for up to 1000 persons, theatre style and the Cambridge Suites Hotel which has 149

REGION 1 - Sydney		
	Number of Properties	Number of Units
B&Bs	12	37
Cottages	0	0
Fishing/hunting	0	0
Guest Home	0	0
Hotel/Motel	11	772
Inns	0	0
Resorts	0	0
Total	23	809

units but only limited meeting space (maximum capacity 70 persons). Some meeting facilities are also available at the Days Inn.

Sydney/Sydney Mines

This area has just over 200 units of accommodation in this region, almost half of them in one hotel, the Best Western North Star Inn which also has meeting facilities to accommodate up to 200 persons and is open year round. The region has one 4 Star property, the Gowrie House Country Inn, which is also open for most of the year and offers an on-site dining room.

REGION 2 - North Sydney/Sydney Mines Area		
	Number of Properties	Number of Units
B&Bs	8	31
Cottages	0	0
Fishing/hunting	0	0
Guest Home	0	0
Hotel/Motel	4	174
Inns	1	12
Resorts	0	0
Total	13	217

Baddeck

After Sydney, Baddeck has the second highest concentration of accommodations in Cape Breton with almost 700 units in 46 properties. The area is also home to one of Cape Breton's Five Star properties, Castle Moffett. Baddeck offers visitors a good mix of accommodations with two resort style properties, several hotel/motels, one inn and almost 20 B&Bs. Most of the properties in Baddeck are only open seasonally; 9 of the smaller properties indicate that they are open or partially open year round.

Baddeck has properties at all star grade levels, with most units at are at the 3 – 5 Star level. An exception is the B&B category where many of the 18 properties are at the 2 – 2.5 Star level or below.

REGION 3 - Baddeck		
	Number of Properties	Number of Units
B&Bs	18	69
Cottages	11	43
Fishing/hunting	0	0
Guest Home	4	11
Hotel/Motel	7	235
Inns	4	103
Resorts	2	222
Total	46	683

The Inverary Resort in Baddeck has an indoor pool, and is able to accommodate some 300 persons theatre style for meetings. Auberge Gisele's Inn and the Silver Dart Lodge also have some meeting/banquet facilities, able to accommodate approximately 100 persons.

Louisbourg

The Louisbourg area has only 128 units of accommodation in total, located in 21 properties of which about 25% are open year round. Accommodations are found in B&B properties, two of which are at the 4 –4.5 star level, and in two hotel/motel properties.

REGION 4 - Louisbourg and Area		
	Number of Properties	Number of Units
B&Bs	13	49
Cottages	6	33
Fishing/hunting	0	0
Guest Home	0	0
Hotel/Motel	2	46
Inns	0	0
Resorts	0	0
Total	21	128

Port Hawkesbury/Port Hastings Area

The Port Hawkesbury/Port Hastings area has over 450 accommodation units, most of them in hotel/motel style properties, rated at between 2 and 3.5 Stars. The Maritimes Inn & Resorts property in Port Hawkesbury has meeting facilities for up to 260 persons. Well over half of the units in the region are at the 3 Star level or higher and almost all properties are open year round. The region is home to Cape Breton’s second five star property, MacKenzie House Bed & Breakfast, a four unit property. This area also includes Dundee Resort which is a 4 Star property with an on-site golf course, indoor pool and meeting facilities to accommodate up to 250 persons, theatre style.

REGION 5 - Port Hawkesbury/Port Hastings		
	Number of Properties	Number of Units
B&Bs	3	10
Cottages	5	32
Fishing/hunting	0	0
Guest Home	0	0
Hotel/Motel	8	308
Inns	1	5
Resorts	2	105
Total	19	460

Cheticamp

Cheticamp currently has just over 200 units of accommodation in 18 properties. Over 70% of the accommodation plant is in 9 hotel/motel style properties most of which have ratings lower than a 3 Star level. This area has only one 4 Star or higher property in the cottage sector (another 4 Star or higher property is on the edge of Cheticamp and is included in the inventory for Region 7). Only two properties indicate that they are open year round.

REGION 6 - Cheticamp		
	Number of Properties	Number of Units
B&Bs	5	19
Cottages	3	26
Fishing/hunting	0	0
Guest Home	0	0
Hotel/Motel	9	151
Inns	1	13
Resorts	0	0
Total	18	209

Inverness County South of Cheticamp

This region covers the western portion of Cape Breton Island from Cheticamp to Port Hastings, including Mabou and the Margaree area. It contains almost 450 units of accommodation in 48 properties. Over 10% of the units are in 4 – 4.5 Star properties – Inns, B&Bs and cottages. This area has a significant number of cottage properties, with almost 1/3 of all the cottage units in Cape Breton. Almost all of these properties are open only seasonally, although there are a few that open in the winter months for snowmobiling.

REGION 7 - Rest of Inverness County South of Cheticamp		
	Number of Properties	Number of Units
B&Bs	16	71
Cottages	15	162
Fishing/hunting	1	6
Guest Home	1	3
Hotel/Motel	7	127
Inns	8	78
Resorts	0	0
Total	48	447

Cabot Trail – St. Ann's to the edge of Ingonish

This is a small area with only 80 accommodation units found primarily in cottage and Bed & Breakfast properties. The region has properties at all star grade levels. It was decided to make this a separate region so as to be able to look at the Ingonish area as well as the Baddeck area as separate regions. About half of the properties indicate that they are open year round, or by reservation in the off-season.

REGION 8 - Cabot Trail from St. Ann's through to edge of Ingonish		
	Number of Properties	Number of Units
B&Bs	5	14
Cottages	4	19
Fishing/hunting	0	0
Guest Home	1	1
Hotel/Motel	1	1
Inns	1	15
Resorts	0	0
Total	12	50

Cabot Trail – Neils Harbour to edge of Cheticamp

This is also an area with a limited supply of accommodations, only 16 properties with just under 100 units. The accommodations available provide a mix of different types of properties and properties at all star grade levels. However, half of the units are at the 2 – 2.5 Star Grade level.

REGION 9 - Cabot Trail from Neils Harbour through the edge of Cheticamp		
	Number of Properties	Number of Units
B&Bs	6	20
Cottages	5	29
Fishing/hunting	0	0
Guest Home	1	4
Hotel/Motel	3	40
Inns	1	3
Resorts	0	0
Total	16	96

Other Parts of Cape Breton Regional Municipality

This area includes the Glace Bay area as well as New Waterford and rural areas of Cape Breton Regional Municipality. The region has 22 properties offering some 132 units of accommodation. Most of the properties are Bed & Breakfasts and there are also 7 cottage properties. Roughly half the properties and almost half the units are at the 2 – 2.5 Star level.

REGION 10 - Rest of CBRM		
	Number of Properties	Number of Units
B&Bs	12	52
Cottages	7	39
Fishing/hunting	0	0
Guest Home	0	0
Hotel/Motel	3	41
Inns	0	0
Resorts	0	0
Total	22	132

Ile Madame and St. Peter's Area

This area has one of the lowest number of accommodation properties of all the regions, with just 13 properties providing only 100 units of accommodation. Over half the units are at the 2 – 2.5. Star grade, and there are no 4 star or higher properties in this area.

REGION 11 - Ile Madame and St. Peter's Area		
	Number of Properties	Number of Units
B&Bs	3	10
Cottages	6	41
Fishing/hunting	0	0
Guest Home	0	0
Hotel/Motel	4	47
Inns	0	0
Resorts	0	0
Total	13	98

Ingonish/Ingonish Beach and Ingonish Centre

This area of Cape Breton has 14 accommodation properties providing almost 270 units of accommodation. This includes two resort properties, Keltic Lodge and Glenghorn Beach Resort that together provide almost 170 units of accommodation (Note: Keltic Lodge has 10 units that are cottages providing 30 bedrooms of accommodation) at the 3 – 3.5 Star level. Keltic Lodge also provides meeting facilities with capacity up to some 400 persons, theatre style and is adjacent to the Highlands Links Golf Course. Keltic is currently undergoing some upgrading to its exterior appearance, interior soundproofing and the addition of a spa, as well as upgrades to the meeting facilities. Glenghorn also has some limited meeting facilities. Most of the rest of the accommodation plant in this area is in cottage style properties. The region has only one four star property.

REGION 12 - Ingonish/Ingonish Beach/Ingonish Centre		
	Number of Properties	Number of Units
B&Bs	1	1
Cottages	8	68
Fishing/hunting	0	0
Guest Home	0	0
Hotel/Motel	2	24
Inns	1	9
Resorts	2	166
Total	14	268

South East Inverness County

This area has some 100 units in 16 properties, with most of the units in hotel/motel style properties. The region has a small number of other types of properties including 2 at the 4 – 4.5 Star level.

REGION 13 - South East Inverness County (Middle River, Lake Ainslie East Side, Lake Ainslie South Side, Whycomomagah, Orangedale, River Denys, Glendale and Iona)		
	Number of Properties	Number of Units
B&Bs	6	17
Cottages	4	6
Fishing/hunting	0	0
Guest Home	1	1
Hotel/Motel	4	70
Inns	1	5
Resorts	0	0
Total	16	99

Campgrounds

Cape Breton has 42 campgrounds in total, 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. A summary of campgrounds and sites by region is provided in the table.

Nova Scotia adopted the Camping Select program a few years ago and the Canada Select staff have visited most of the campgrounds in the province to ascertain their likely rating.

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

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. A summary of the ratings of those that are participating in the program and the others that are rateable and were assessed as part of this study, is provided in the following table.

**Cape Breton Campgrounds
Summary of the Camping Select Facilities and Recreation Ratings**

Facility Rating ▼	Recreation Rating ▶ 0	1	1.5	2	2.5	3	Grand Total
1	1						1
2	1	2	1				4
2.5		3	1				4
3	1	1	2	5		2	11
3.5			1	1		1	3
4					1	1	2
Grand Total	3	6	5	6	1	4	25

Due to confidentiality of the ratings of properties not participating in the Camping Select program, this information cannot be provided by region.

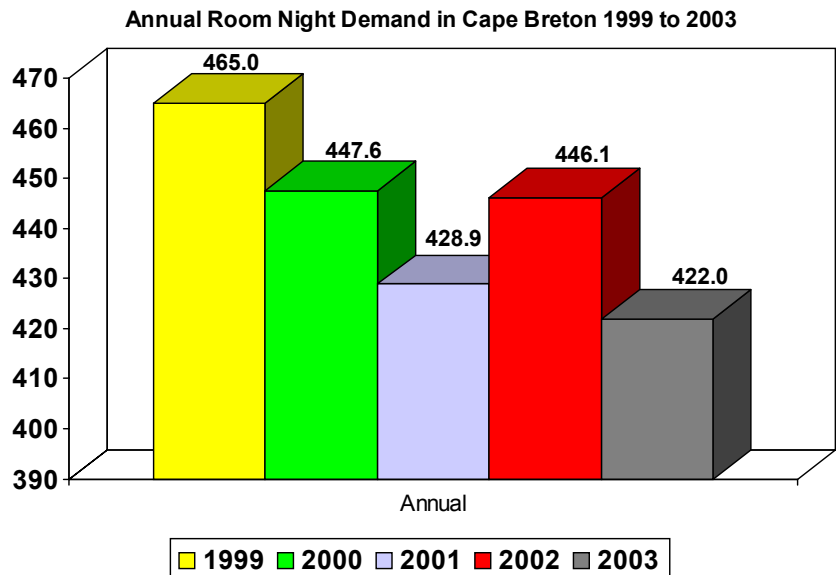
The data indicates that over half of the private campgrounds would be rated at a 3 Star or higher level based on their facilities, with just under half rated at a 2 Star or higher level based on the recreation amenities provided. Note that both facilities/services and recreation amenities could potentially be rated at up to a 5 Star level.

Demand for Roofed Accommodations and Campgrounds in Cape Breton

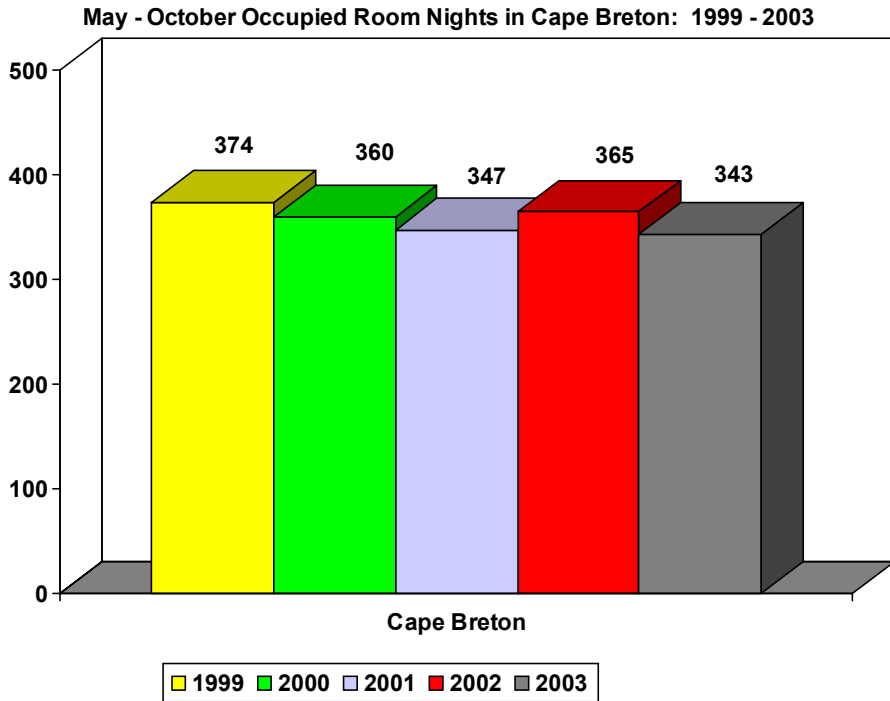
Roofed Accommodations

Cape Breton Overall

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



On a seasonal basis, for the May to October period, 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.

Clearly, the external events of 2003 (Iraq War, SARS) had a significant negative impact on tourism activity and Cape Breton was one of many destinations affected. However, the data shows a general downwards trend in demand for accommodation in Cape Breton.

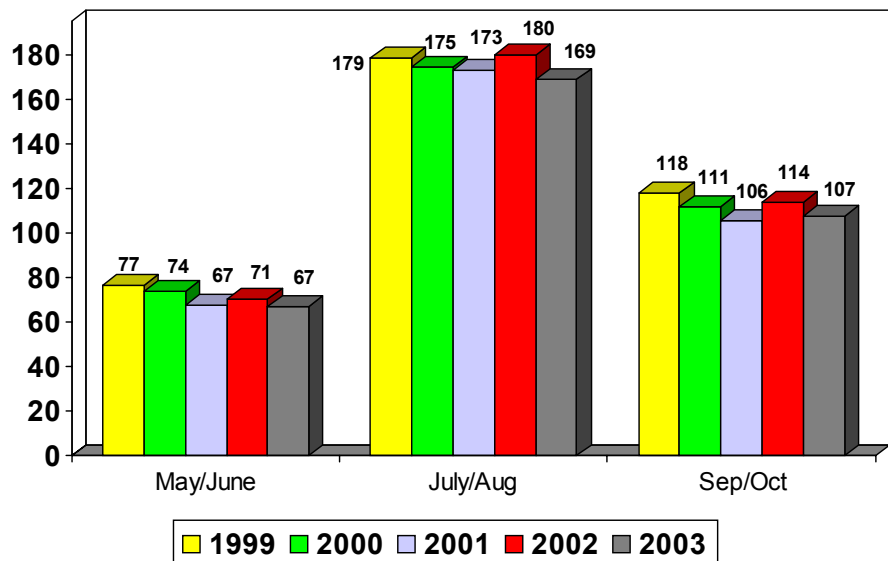
Within the May to October period, the change in room night demand has not been consistent from season to season. The

May/June period has suffered the greatest percentage decline, with a steady decrease from 77,000 room nights in 1999 to 67,000 in 2003, a decline of 13%.

During July and August, the decline has fluctuated (in fact 2002 saw an increase) but overall there has been an almost 6% decline.

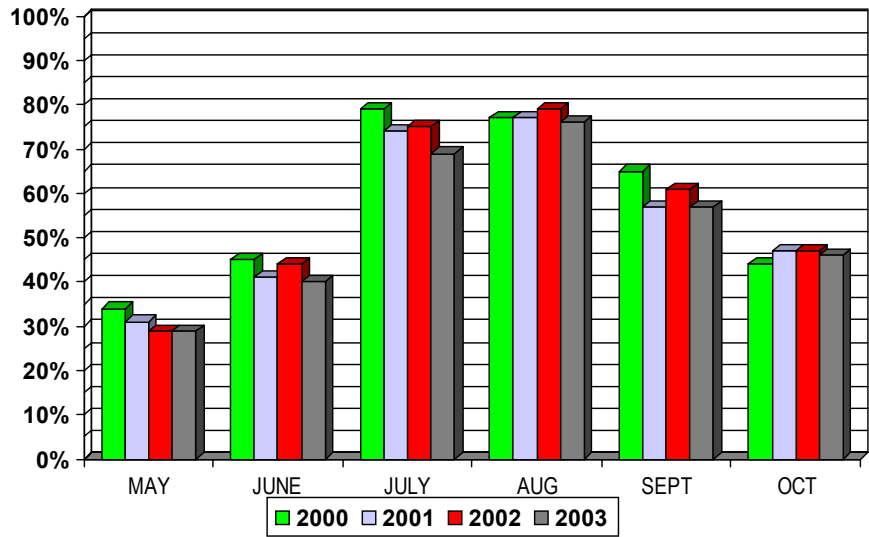
The decline in September/October has also fluctuated, though no year has reached 1999 levels and the overall decline between 1999 and 2003 was 9%. These declines in total room night

Cape Breton Room Night Demand: May to October by Season



**Cape Breton Room Occupancy Rates May to October:
2000 - 2003**

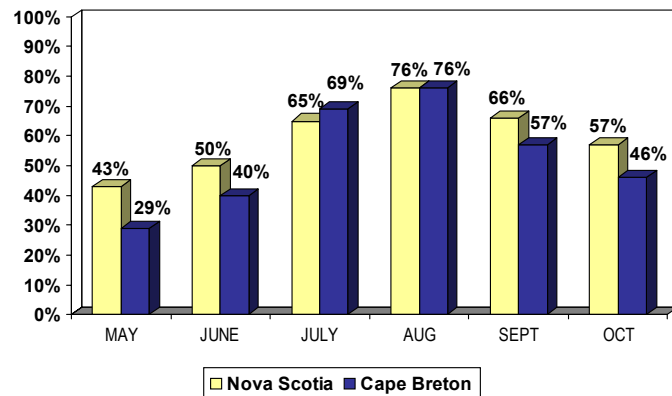
demand in Cape Breton during the tourist season are cause for concern. While the spring and fall declines may be, in part, due to declining commercial traffic because of economic conditions in Cape Breton, the overall declines suggest that Cape Breton is losing its competitive position as a destination for leisure tourism.



Monthly occupancy rates for all roofed accommodations in Cape Breton are illustrated in the graph. The pattern is a fairly consistent decline in each month, with a slightly better performance in August and September of 2002 but an overall decline. Occupancy rates in May are particularly weak at lower than 30% overall, and only in the 40% range in June.

When compared to the performance of Nova Scotia overall, it is evident that while Cape Breton's peak season (July and August) performance is on a par with or even better than the rest of the province, accommodation performance in the fall, and even moreso in the spring, falls well below provincial averages.

Nova Scotia and Cape Breton Monthly Occupancy Rates: 2003

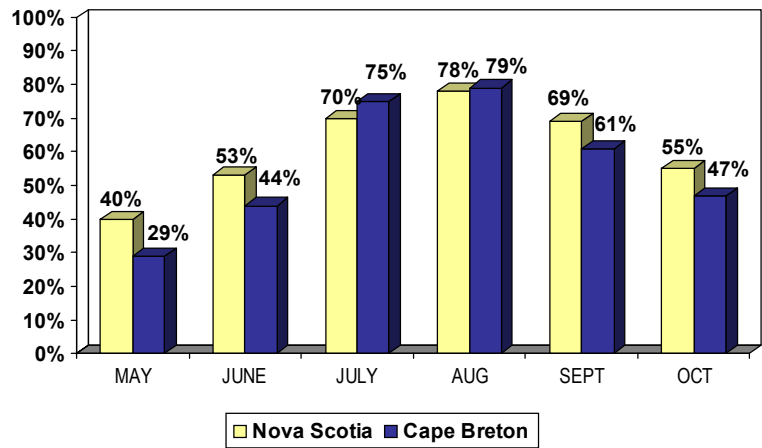


This is by no means unexpected. The summer season is primarily a leisure, discretionary travel market and Cape Breton is a popular destination for visitors to the province. However, both spring and fall are big seasons for meetings and conventions activity as well as corporate travel, markets in which Cape Breton does not enjoy a competitive advantage and in fact, is at a disadvantage due to its distance from markets and access challenges. Occupancy rates in the province are driven in significant part by accommodation demand in Halifax which has a major portion of the accommodation plant in the province, and Halifax has been successful in both these important spring and fall markets.

In fact, Cape Breton's share of total room night demand in the province from May through October has declined from 20.6% in 1999, to 19.8% in 2002 and 18.7% in 2003.

The following overall conclusions can be drawn about the demand for roofed accommodation in Cape Breton:

Nova Scotia and Cape Breton Monthly Occupancy Rates: 2002



- Demand is highly seasonal, with overall occupancy rates only over 75% for two months, declining to 60% or lower for September and to below 50% for all other months.
- When compared to the rest of the province, Cape Breton's occupancy rates are similar, even slightly higher, in July and August, but slip well below provincial averages for the rest of the year. (Provincial averages are driven in large part by demand in the Halifax Metro area).
- Overall, over the past five years, there has been a significant decline in room night demand in Cape Breton. While some of this is due to the external factors in the marketplace in 2003, the data indicates a more general trend. This has been confirmed by our interviews with accommodation sector representatives and other key knowledgeable persons in Cape Breton.
- Average occupancy rates are below rates that would be considered 'viable' by industry norms.

Accommodation Demand by Region

Occupancy and room night demand data was obtained through the Department of Tourism, Culture and Heritage for the list of properties in each of the thirteen regions identified earlier. A summary for May/June, July/August and September/October for 1999 through 2003 is presented on Exhibit 2.

Exhibit 2
Seasonal Occupancy Rates in Cape Breton - by Region

Region	1999			2000			2001			2002			2003		
	July/ Aug	May/ June	Sept/ Oct	July/ Aug	May/ June	Sept/ Oct	July/ Aug	May/ June	Sept/ Oct	July/ Aug	May/ June	Sept/ Oct	July/ Aug	May/ June	Sept/ Oct
Sydney	80.7%	53.2%	70.7%	82.0%	51.6%	65.1%	74.9%	47.1%	62.8%	74.7%	47.5%	61.8%	70.0%	42.0%	55.1%
North Sydney/ Sydney Mines	90.1%	53.8%	64.4%	92.1%	52.9%	61.9%	88.0%	47.9%	60.7%	91.5%	49.4%	59.4%	85.0%	43.0%	50.6%
Baddeck	90.7%	42.5%	72.6%	86.3%	40.8%	66.4%	85.9%	38.0%	59.2%	84.5%	39.0%	66.5%	76.7%	31.0%	59.8%
Louisbourg	89.7%	47.5%	49.1%	87.4%	33.0%	44.0%	80.4%	30.5%	37.2%	84.6%	30.5%	36.4%	78.2%	23.3%	44.0%
Port Hawkesbury/ Port Hastings	85.5%	53.5%	70.4%	74.3%	45.4%	59.1%	68.7%	39.2%	51.9%	73.5%	42.5%	54.4%	67.6%	39.2%	56.3%
Cheticamp	89.3%	45.8%	61.4%	83.0%	39.8%	54.2%	85.6%	37.4%	56.4%	85.6%	36.7%	59.6%	80.7%	32.9%	54.2%
Inverness County South of Cheticamp	74.0%	20.9%	42.4%	72.3%	23.5%	39.5%	72.3%	21.2%	38.6%	75.6%	22.1%	43.4%	70.8%	23.7%	41.2%
Cabot Trail – St. Ann’s to edge of Ingonish	85.3%	46.3%	52.4%	87.9%	49.1%	54.4%	87.0%	47.3%	62.7%	88.4%	47.4%	49.2%	87.8%	36.0%	51.3%
Cabot Trail – Neils Harbour to edge of Cheticamp	70.5%	19.3%	39.6%	66.2%	17.1%	40.3%	68.6%	20.2%	50.0%	73.0%	21.8%	47.6%	62.5%	22.5%	48.2%
Rest of CBRM	70.7%	18.1%	31.1%	60.8%	17.5%	28.6%	55.7%	18.1%	24.6%	54.9%	17.5%	28.1%	56.6%	13.8%	25.1%
Ile Madame/St. Peter’s Area	56.3%	18.5%	36.6%	60.3%	21.8%	33.5%	58.3%	22.4%	35.8%	60.0%	21.9%	38.8%	60.2%	25.3%	38.2%
Ingonish/Ingonish Beach/Ingonish Centre	90.6%	45.1%	62.9%	86.8%	42.0%	60.0%	84.6%	39.9%	55.6%	90.1%	43.1%	60.4%	83.7%	40.9%	55.2%
South East Inverness County	72.3%	31.1%	53.0%	66.6%	31.4%	47.4%	56.6%	24.6%	40.2%	55.9%	23.9%	39.8%	49.3%	22.5%	40.3%

Source: Occupancy data runs by Department of Tourism, Culture and Heritage based on lists of properties provided by EPG; EPG analysis.

As illustrated in Exhibit 2, occupancy levels are generally 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 over the five year period. Outside of this peak period, occupancy rates decline significantly with fall rates generally in the 45% - 55% range in the past two years – in 1999 and 2000 a number of regions saw fall occupancy rates over 60%, and up to 70% plus in Sydney and Baddeck. Spring occupancy rates are generally significantly lower, not reaching 45% in any region in 2003, and below 50% in all regions in both 2000 and 2001. Spring occupancies were slightly higher in 1999 and 2000, reaching over 50% in several regions.

Comments on the performance of each region during the May through October periods follow below:

Sydney

- Sydney generally performs better than average in July/August and also in September/October.
- Sydney’s occupancy rates have shown one of the most significant declines of all regions in the past five years.

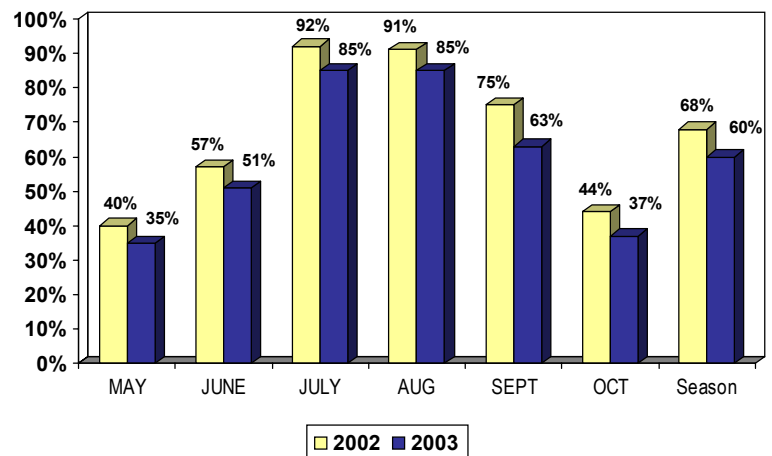
North Sydney/Sydney Mines

- This region outperforms almost all of the other regions in the July/August period and also does above average in the fall.
- The region has not seen as great a decline in performance in the summer, but the fall season has softened significantly in the past two years.
- Much of the activity here is related to the Marine Atlantic ferry schedule and service.

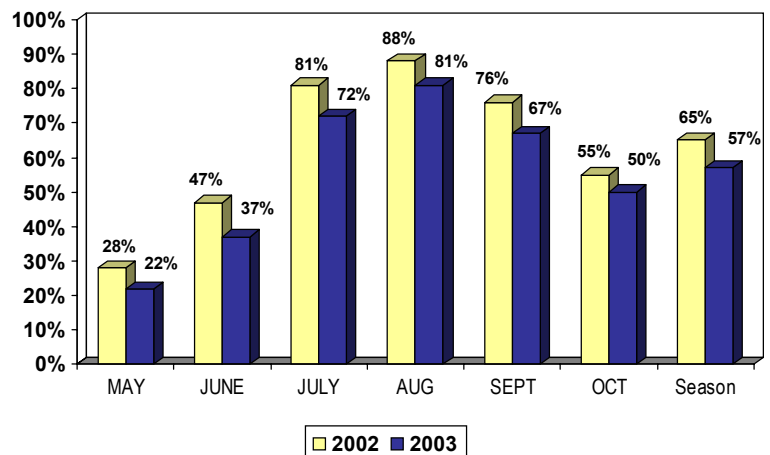
Baddeck

- This region performs among the top five of all regions during the July/August period and also in the fall, although data indicates a steady decline in fall performance over the past three years.
- The May/June period remains weak with occupancies only in the high 30% range

**North Sydney/Sydney Mines Area
Monthly Occupancy Rates: 2002 & 2003**

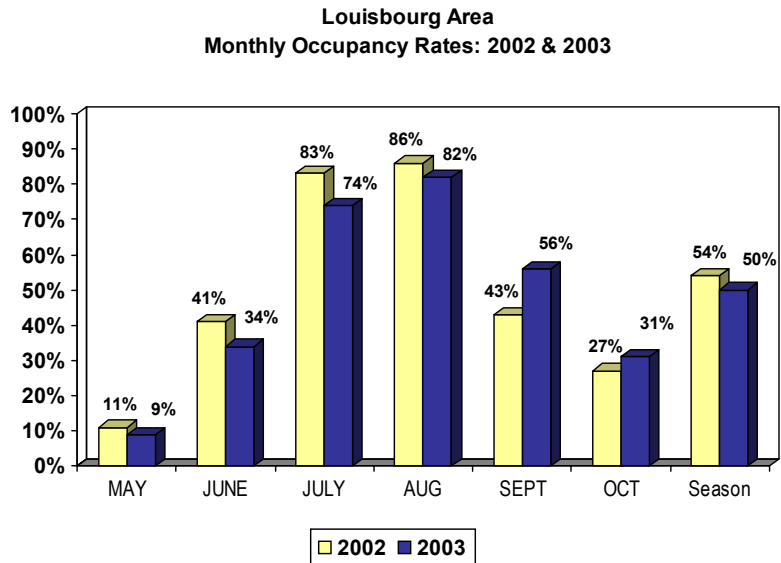


**Baddeck Area
Monthly Occupancy Rates: 2002 & 2003**



Louisbourg

- This region enjoys high occupancy levels in July/August, but has a relatively weak fall and a slow spring, with occupancies only in the 30% range. With much of the demand here related to Fortress Louisbourg National Historic Site, the operating season of the park is clearly a factor in the demand pattern.

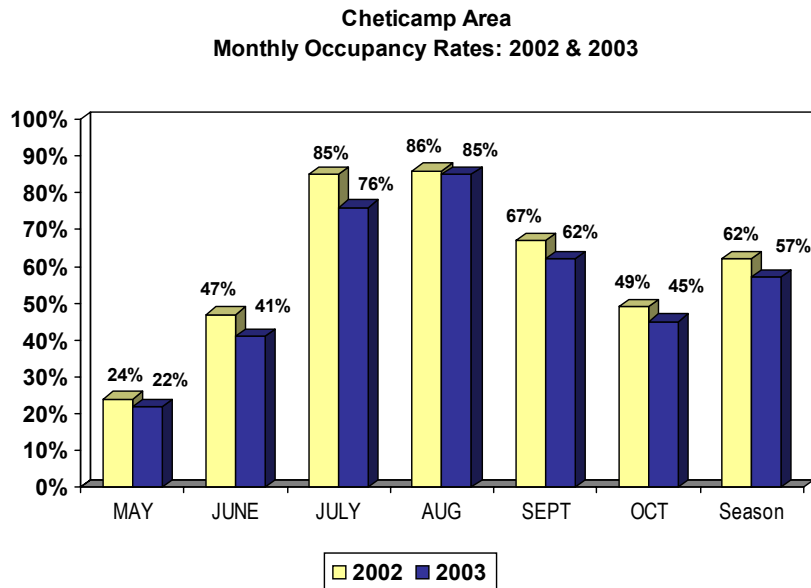


Port Hawkesbury/Port Hastings

- The summer season occupancy in this area has been below the average for Cape Breton for the past few years, with spring performance in the 40% range. The fall season performance is stronger and it is one of the few areas to show an increase in fall occupancy rates in 2003. (see graph later)

Cheticamp

- The Cheticamp area traditionally enjoys a strong summer season with occupancies well over 80%. Fall performance is in the 55% - 60% range but the spring season is weak and has declined notably since 1999.



Inverness County South of Cheticamp

- Occupancies in this area are below average in all three seasons and are particularly weak in the spring – under 35%. Fall season occupancies are generally in the 40% - 45% range with summer performance around 70% - 74%.

Cabot Trail – St. Ann’s to Edge of Ingonish

- This region performs above average in the summer months, with occupancies over 85%; fall performance has traditionally been about average for Cape Breton, in the 50% range.

Cabot Trail – Niels Harbour to edge of Cheticamp

- This area has a very weak spring season performance, with occupancies in the low 20% range or lower.
- Performance in the summer months is also below average, in the 60% - 70% range.

Rest of Cape Breton Regional Municipality

- This region has some of the lowest occupancy rates in Cape Breton in the spring (under 20%) and fall months (under 30%). July/August occupancies are also well below average having been under 60% for the past three years.

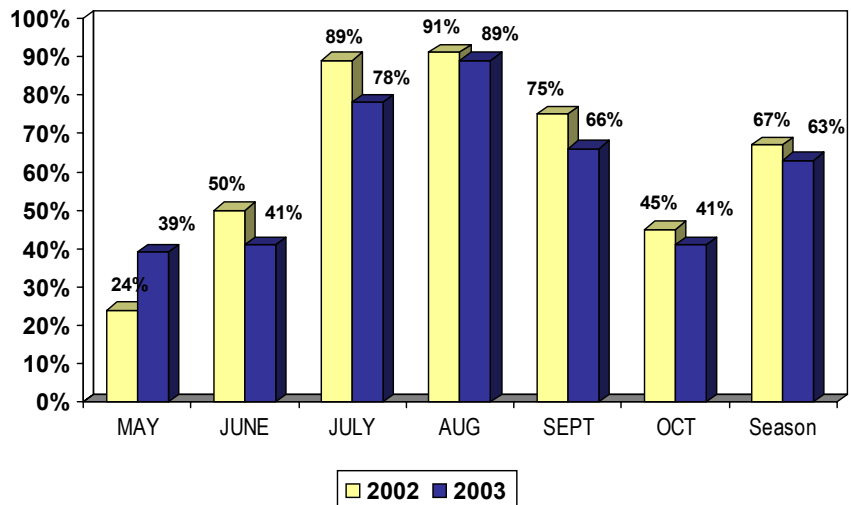
Ile Madame/St. Peter’s

- This region also has spring and fall occupancy levels that are well below average but not as low as for the rest of Cape Breton Regional Municipality. Summer season occupancies have been fairly consistent over the past five years, in the 60% range, also well below average.

Ingonish/Ingonish Beach/Ingonish Centre

- This region has consistently had some of the highest summer season occupancies, over 85% and over 90% for two of the past five years.
- Performance in the fall season is also relatively strong at 55% - 60%, among the highest in Cape Breton.
- Performance in the spring is about average for Cape Breton

**Ingonish Area
Monthly Occupancy Rates: 2002 & 2003**



*South East Inverness
County*

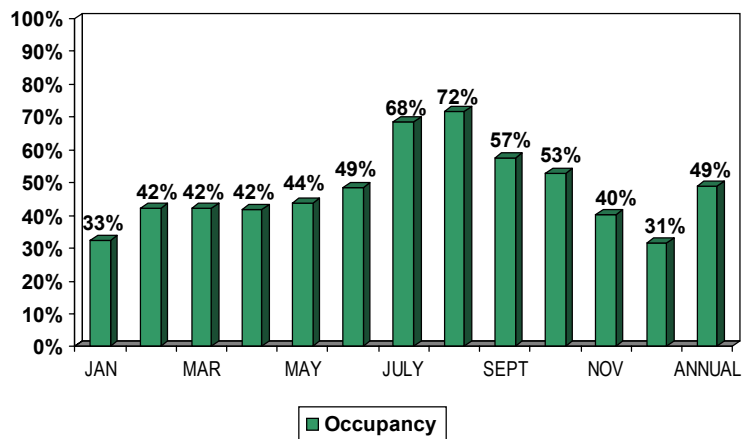
- This region has seen a significant decline in peak season occupancies in the past five years, from 72% in 1999 to less than 50% in 2003.
- Performance in the spring has also declined and is below average for Cape Breton, as are fall season occupancies.

Only two of the regions in Cape Breton have sufficient properties open during the November through April period to obtain occupancy data (a minimum of six properties must be open to get this data from the Department of Tourism, Culture and Heritage). These are Sydney and Port Hawkesbury/Port Hastings.

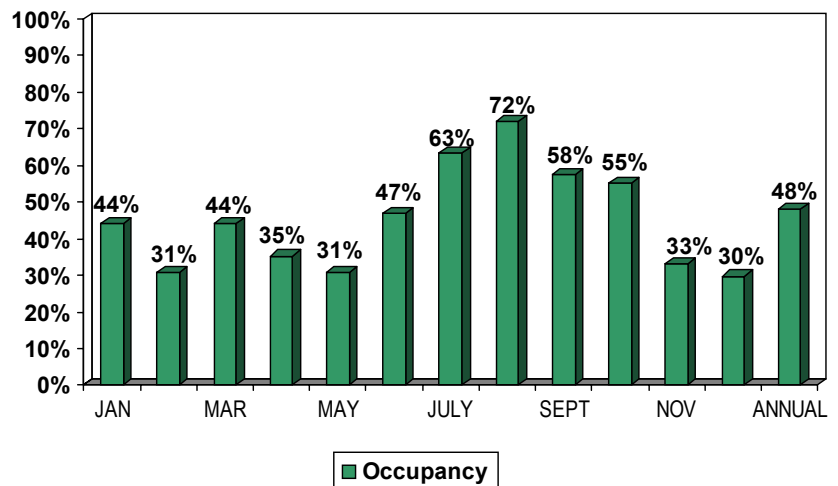
In Sydney, occupancies in the November to April period have been in the 35% - 45% range for the past three years, a decline from levels generally closer to 50% in 1999 and 2000. Annually, occupancies in the Sydney area have declined from 57% in 1999 to 48% in 2003.

In Port Hawkesbury, occupancies in the November to April period are generally in the 30% - 45% range, with a couple of months below 30%. Annually, occupancies in this region have been under 50% for the past three years, although in 1999 and 2000 they were 61% and 53% respectively.

**Region 1 - Sydney
Monthly Occupancy Rates: 2003**



**Region 5 - Port Hawkesbury/Port Hastings
Monthly Occupancy Rates: 2003**



Accommodation Demand by Type of Property and Star Grade

Exhibit 3 provides a summary of occupancy rates by type of property and star grade for properties that do and do not participate in the Canada Select program (as of 2003), by type of property. Due to the relatively small number of these properties, and the fact that most of the graded properties are at a 3 Star grade or higher, it is not possible to examine the performance of all types of properties by all star grades.

Exhibit 3
Summary of Seasonal Occupancies of Properties by Type and Star Grade

	May/June		July/August		Sept/October		June - Sept	
	2002	2003	2002	2003	2002	2003	2002	2003
All Cape Breton Properties	37.9%	35.1%	77%	72.2%	54.6%	51.8%	65.3%	60.7%
Non-Graded Properties by Type*								
B&B/Guest Homes	19.2%	18.5%	60.9%	56.1%	29.9%	29.8%	47.2%	43.2%
Cottages	27.6%	26.5%	78.1%	77.0%	39.6%	42.0%	59.7%	59.0%
Hotel/Motel	27.8%	26.3%	74.5%	69.4%	51.2%	46.5%	61.0%	56.4%
All Star Graded Properties by Type								
B&B/Guest Homes	34.4%	31.7%	82.9%	76.4%	54.2%	51.3%	64.8%	63.3%
Cottages	32.8%	32.7%	86.6%	83.7%	53%	58.1%	69.4%	68.7%
Hotel/Motel	47.4%	44.7%	80.9%	75.5%	60.6%	55.6%	70.9%	65.8%
Inns	32.7%	28.1%	79.1%	69.9%	60.3%	54%	67%	58.8%
Resorts	53.7%	42.3%	87.7%	78.9%	65.0%	58.8%	76.9%	67.3%
Star Graded Properties by Type and Star Grade								
1 – 2 Star Properties	41.3%	41%	82.2%	82.3%	56.4%	63.9%	68.2%	70.4%
Hotel/Motel: 3 Star Plus	47.4%	44.4%	80.3%	73.6%	61.5%	54.4%	71.0%	64.3%
B&B: 3 – 3.5 Star	24.4%	26.0%	78.8%	71.4%	58.1%	43.3%	64.1%	57.4%
B&B: 4 Star Plus	41%	35.4%	84.7%	78.9%	61.1%	56.3%	74.9%	67.0%
Inns: 3 – 3.5 Star	27.5%	27.3%	83%	79.3%	53%	49.8%	66%	63%
Inns: 4 Star Plus	35.3%	21.5%	81%	69.7%	57.4%	42.1%	70.6%	54.7%
Cottages: 3 – 3.5 Star	28.8%	27.4%	86.7%	84.2%	50.0%	54.7%	67.7%	66.3%
Cottages: 4 Star Plus	40.3%	42.6%	87.7%	84.9%	58.9%	64.2%	73.4%	74.3%

Notes:

1. **Star graded refers to those properties participating in the Canada Select program during 2003.**
2. **There are not enough ungraded properties in the Inn or Resort categories to obtain occupancy data.**

In reviewing this data, it is important to remember that occupancy statistics are only compiled for periods when properties are open. As such, if a property opens officially on May 1st, for example, even though there is very little business, their occupancy rate would be calculated for the whole month and may be much lower than a business that opened only for the last ten days of May.

The data in Exhibit 3 suggests the following conclusions:

- Properties that participate in the Canada Select program perform better than those that do not; this is particularly evident in the shoulder seasons. This difference is most evident in the B&B/Guest Home type of properties where graded properties have an average June to September occupancy rate of 63% compared to 43% for non-graded properties.
- The 4 Star plus properties have generally higher occupancy levels than the 3 Star properties. An exception is in the Inn sector in 2003 when the 4 Star plus properties did not perform as well as the 3 – 3.5 Star properties.
- Cottage properties rated at 3 stars and more have the best overall performance in the summer months, and also do better than average in the fall as well as for the June through September period overall.
- Resort properties also perform much better than average over the course of the summer season.

Campgrounds

Data on the performance of campgrounds in Cape Breton is also available through the Department of Tourism, Culture and Heritage with data on provincial and federal facilities obtained through the respective agencies. (This latter data is only available on a seasonal basis, not monthly).

Total campground demand in Cape Breton for 2000 through 2003 is provided in the table below. Occupied site nights have increased from 122,000 to almost 140,000 in this period, however, data on provincial campgrounds was missing in 2000 so this year is not a good comparison. From 2001 through 2003, demand declined by some 4.6% although reported occupancy rates remained about the same.

Cape Breton - Campground Demand												
	2000			2001			2002			2003		
	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC
May	29,309	6,922	23.6%	26,378	6,003	22.8%	31,874	6,169	19.4%	21,161	5,628	26.6%
June	62,972	16,154	25.7%	57,587	16,237	28.2%	61,254	17,685	28.9%	44,910	17,582	39.1%
July	67,611	35,149	52.0%	65,627	33,911	51.7%	66,991	32,357	48.3%	65,875	32,760	49.7%
August	67,797	28,948	42.7%	65,317	31,559	48.3%	66,991	34,978	52.2%	68,138	31,034	45.5%
September	57,129	19,615	34.3%	59,295	18,084	30.5%	65,379	21,432	32.8%	63,080	18,682	29.6%
October	29,249	7,159	24.5%	27,685	5,577	20.1%	23,264	3,501	15.0%	28,438	4,658	16.4%
SUB TOTAL	314,067	113,947	36.3%	301,889	111,371	36.9%	315,753	116,122	36.8%	291,602	110,344	37.8%
Federal/ Provincial Campgrounds	31,909	8,108	25.4%	105,576	35,346	33.5%	96,768	35,683	36.9%	96,344	29,578	30.7%
GRAND TOTAL	345,976	122,055	35.3%	407,465	146,717	36.0%	412,521	151,805	36.8%	387,946	139,922	36.1%

ASN: Available site nights; OSN: Occupied Site Nights; OCC: Occupancy rates

Due to the requirement that a minimum of 6 properties have to be operating in order to obtain occupancy data, it was necessary to group the campgrounds into four geographical areas for analysis rather than using the thirteen regions used for the accommodations sector. The demand in each of these four regions is discussed below.

Note that this data includes both seasonal demand and demand from transient travellers for campgrounds. Provincial and federal parks do not split their data this way but information is provided below on the proportion of seasonal demand at private campgrounds in each region.

North Sydney/Sydney Mines, Louisbourg, Rest of Cape Breton Regional Municipality and Ile Madame/St. Peter's area

This area contains 13 campgrounds in total providing just over 1,000 campsites. Total occupied site nights in this area was 38,000 in 2002 and some 34,000 in 2003. Demand at private campgrounds has been in the 30,000 to 33,000 site night range, with a seasonal occupancy in the 37% - 40% range. Total demand, and occupancy levels at campgrounds in this area have increased over the past four years. Over 64% of the demand at private campgrounds in this area in 2003 came from seasonal campers.

Campground Demand: North Sydney/Sydney Mines Area, Louisbourg, Rest of CBRM and Ile Madame/St. Peter's Area												
	2000			2001			2002			2003		
	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC
May	4,756	251	5.3%	2,646	49	1.9%	4,654	44	0.9%	3,562	63	1.8%
June	16,696	3,386	20.3%	12,915	3,587	27.8%	14,970	4,813	32.2%	15,630	4,832	30.9%
July	19,778	9,712	49.1%	18,011	10,128	56.2%	18,724	10,168	54.3%	19,251	10,163	52.8%
August	19,530	7,621	39.0%	17,391	9,317	53.6%	18,724	10,707	57.2%	19,375	9,713	50.1%
September	14,784	4,470	30.2%	14,280	4,549	31.9%	18,681	7,237	38.7%	15,560	4,539	29.2%
October	4,767	316	6.6%	7,185	466	6.5%	4,965	200	4.0%	5,751	301	5.2%
Sub-total	80,311	25,756	32.1%	72,428	28,096	38.8%	80,718	33,169	41.1%	79,129	29,611	37.4%
Provincial/Federal Campgrounds	25,953	6,067	23.4%	25,703	6,034	23.5%	14,879	4,884	32.8%	14,527	4,679	32.2%
GRAND-TOTAL	106,264	31,823	29.9%	98,131	34,130	34.8%	95,597	38,053	39.8%	93,656	34,290	36.6%

Baddeck and South East Inverness County

This area has seven campgrounds providing almost 600 campsites. Total demand in this area was in the 25,000 range for the past two years, declining from 29,000 in 2000. Seasonal occupancy rates have been in the 33% - 35% range, overall and for private campground facilities. Demand from seasonal campers has represented 60% - 65% of demand at the private campgrounds for the past few years.

Campground Demand: Baddeck and South East Inverness County												
	2000			2001			2002			2003		
	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC
May	7,559	2,586	34.2%	7,335	2,375	32.4%	6,560	1,881	28.7%	3,925	1,689	43.0%
June	13,733	3,841	28.0%	13,006	3,645	28.0%	13,827	3,705	26.8%	13,800	3,869	28.0%
July	14,353	7,421	51.7%	14,198	6,583	46.4%	14,353	5,747	40.0%	13,330	5,757	43.2%
August	14,446	5,648	39.1%	14,322	6,089	42.5%	14,353	6,490	45.2%	14,384	5,340	37.1%
September	12,375	4,813	38.9%	13,740	4,105	29.9%	13,869	4,123	29.7%	14,100	4,098	29.1%
October	8,300	2,985	36.0%	6,309	2,164	34.3%	5,504	995	18.1%	5,465	1,101	20.1%
Sub-total	70,766	27,294	38.6%	68,910	24,961	36.2%	68,466	22,941	33.5%	65,004	21,854	33.6%
Provincial/Federal Campgrounds	5,956	2,041	34.3%	6,336	2,043	32.2%	8,352	2,471	29.6%	8,280	2,363	28.5%
GRAND-TOTAL	76,722	29,335	38.2%	75,246	27,004	35.9%	76,818	25,412	33.1%	73,284	24,217	33.0%

Cheticamp, Inverness County south of Cheticamp and the Cabot Trail from Cheticamp through to Meat Cove

This area contains 11 campground facilities, four of which are Parks Canada campgrounds (one is a group camping area). Total sites available is approximately 640. Total demand in this area was almost 50,000 site nights in 2001 and 2002, declining to 43,000 in 2003. Seasonal occupancy rates have been around 40% - 42% for the past four years. This area has a lower proportion of demand from seasonal campers, at between 40% and 47% at private campgrounds for the past three years.

Cheticamp, Inverness County South of Cheticamp and Cabot Trail from the edge of Cheticamp though to Meat Cove												
	2000			2001			2002			2003		
	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC
May	10,583	2,980	28.2%	10,023	2,592	25.9%	11,768	2,299	19.5%	6,709	2,019	30.1%
June	18,773	5,328	28.4%	18,046	5,181	28.7%	18,867	5,579	29.6%	1,920	5,374	279.9%
July	19,561	12,226	62.5%	19,406	11,292	58.2%	19,561	10,382	53.1%	18,724	10,028	53.6%
August	19,654	9,875	50.2%	19,530	10,219	52.3%	19,561	10,972	56.1%	19,778	9,347	47.3%
September	17,415	7,208	41.4%	18,780	6,251	33.3%	18,909	6,115	32.3%	19,320	5,886	30.5%
October	10,820	3,483	32.2%	8,829	2,551	28.9%	8,114	1,380	17.0%	7,901	1,477	18.7%
Sub-total	96,806	41,100	42.5%	94,614	38,086	40.3%	96,780	36,727	37.9%	74,352	34,131	45.9%
Provincial/Federal Campgrounds	n/a			28,992	11,670	40.3%	28,992	12,808	44.2%	28,992	9,090	31.4%
GRAND-TOTAL	96,806	41,100	42.5%	123,606	49,756	40.3%	125,772	49,535	39.4%	103,344	43,221	41.8%

Cabot Trail from St. Ann's through Ingonish and round to the edge of Bay St. Lawrence

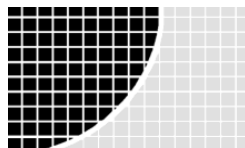
This region contains 11 campgrounds, including 4 Parks Canada facilities (one is a group campground) and has some 770 campsites. Demand in the area has been in the 38,000 site night range for the last couple of years, and increased from 36,000 in 2001. Approximately 1/3 of the demand in this area is at the National Park campgrounds. Occupancy rates are in the 33% range. Between 65% and 70% of the demand at the private campgrounds is from seasonal campers.

Campground Demand: Cabot Trail from St. Ann's through Ingonish, Neils Harbour to the edge of Bay St. Lawrence												
	2000			2001			2002			2003		
	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC	ASN	OSN	OCC
May	6,411	1,105	17.2%	6,374	987	15.5%	8,892	1,945	21.9%	6,965	1,857	26.7%
June	13,770	3,599	26.1%	13,620	3,824	28.1%	13,590	3,588	26.4%	13,560	3,507	25.9%
July	13,919	5,790	41.6%	14,012	5,908	42.2%	14,353	6,060	42.2%	14,570	6,812	46.8%
August	14,167	5,804	41.0%	14,074	5,934	42.2%	14,353	6,809	47.4%	14,601	6,634	45.4%
September	12,555	3,124	24.9%	12,495	3,179	25.4%	13,920	3,957	28.4%	14,100	4,159	29.5%
October	5,362	375	7.0%	5,362	396	7.4%	4,681	926	19.8%	9,321	1,779	19.1%
Sub-total	66,184	19,797	29.9%	65,937	20,228	30.7%	69,789	23,285	33.4%	73,117	24,748	33.8%
Provincial/Federal Campgrounds	n/a			44,545	15,599	35.0%	44,545	15,520	34.8%	44,545	13,446	30.2%
GRAND-TOTAL	n/a			110,482	35,827	32.4%	114,334	38,805	33.9%	117,662	38,194	32.5%

The data on demand at campgrounds indicates that there does not appear to be a shortage in the supply of campground facilities in the Cape Breton, in any of the regions. With a few exceptions, private campgrounds have only occasionally reached a 50% occupancy level in the peak summer season over the past four years. Demand appears to be strongest in the Cheticamp area, which is also the area with the lowest proportion of demand from seasonal campers, suggesting a higher dependence on transient, tourist traffic in this part of Cape Breton.

Overall, private campgrounds in Cape Breton depend heavily on seasonal campers, most of whom are local Nova Scotian residents.

Section 4
Perspectives of the Marketplace and the Tourism Industry



Section 4

Perspectives of the Marketplace and the Tourism Industry

Trends in the Accommodation and Campground Sector

This section addresses trends that are being seen in the accommodation and campground sector drawn primarily from a review of relevant literature and other studies.

Roofed Accommodation

Information on trends in the accommodation sector relate primarily to the urban hotel and the resort sector.

The national Canada Select group has recently undertaken a program of consumer research that we understand was addressing consumer expectations with respect to different types of accommodation at different star grade levels. While this research is completed at the time of writing this report, it is unlikely to be released until sometime in the summer after Canada Select has drawn some conclusions about its implications for the star rating program.

A similar research initiative was undertaken in 1995¹. This consumer research revealed some key findings that, based on our research and work in the sector, remain very true today:

- Price, the overall quality of facilities and service attitudes of staff are considered important decision making factors in selecting accommodations.
- Availability of private baths is a key decision making factor for those staying at Inns and B&Bs, with 52% of Inn/B&B consumers indicating it was critically important and another 33% indicating it was important though not critical. (*This continues to be true even moreso today and the issue is even stronger – consumers expect ensuite baths not just private baths*).
- Cleanliness, comfortable beds and colour televisions were considered most important room features, though colour television was less important for those staying at Inns/B&B.

A special analysis of the 2000 Nova Scotia Visitor Exit Survey was conducted for this study to examine the profile of visitors who used different types of accommodation in Nova Scotia. Exhibit 4 summarizes the findings from this analysis.

For all visitors, that is those arriving by air and road (therefore heavily weighted by visitors from other parts of Atlantic Canada), visitors who stay in B&Bs and country inns are most likely to be on pleasure trips. Visitors staying in resorts are also likely to be on pleasure trips

¹ The Randolph Group, Review and Assessment of the Canada Select Accommodations Rating Program in Atlantic Canada, 1995

Exhibit 4

Key Characteristics	Types of Accommodation Used								
	Hotel	Motel	B&B	Country Inn	Resort	Cottage Cabin	Friends & Rels.	Nat'l/ Prov'l Park	Private Campg'd
ALL VISITORS TO NOVA SCOTIA									
Average Length of Stay in NS	5.3	5.5	7.2	6.7	6.6	7.1	7.5	9.4	6.8
Main Reason									
Pleasure	36%	41%	51%	46%	37%	31%	10%	37%	48%
Friends	18%	23%	26%	29%	31%	40%	71%	36%	23%
Business	33%	14%	9%	13%	22%	12%	9%	12%	10%
Other	13%	21%	14%	12%	11%	16%	10%	15%	19%
Origin									
Atlantic	33%	38%	26%	36%	53%	54%	53%	42%	38%
Other Can	39%	32%	40%	33%	22%	28%	37%	34%	33%
US	22%	26%	29%	28%	21%	18%	8%	20%	27%
International	5%	4%	5%	2%	3%	2%	2%	3%	3%
Total Spending (excl. air/ferry)	\$1,512	\$1,104	\$1,548	\$1,494	\$1,149	\$807	\$608	\$861	\$809
Use of Rating System to help choose Accommodation	23%	24%	34%	30%	15%	11%	12%	5%	14%
AIR VISITORS ONLY									
Average Length of Stay in NS	6.5	8.9	8.7	8.8	11.3	16.1	11.4	18.3	19.0
Main Reason									
Pleasure	33%	42%	55%	58%	47%	28%	11%	36%	33%
Friends	18%	25%	28%	27%	28%	64%	79%	52%	34%
Business	41%	14%	8%	8%	20%	4%	7%	4%	14%
Other	8%	9%	8%	7%	6%	6%	4%	8%	18%
Origin									
Atlantic	9%	11%	5%	5%	18%	34%	15%	28%	40%
Other Can	57%	48%	55%	50%	45%	67%	67%	27%	10%
US	21%	25%	28%	37%	22%	10%	10%	12%	17%
International	11%	13%	10%	5%	15%	7%	7%	31%	32%
Total Spending (excl. air/ferry)	\$2,079	\$2,157	\$2,213	\$2,707	\$2,988	\$2,187	\$980	\$2,781	\$2,504
Use of Rating System to help choose Accommodation	23%	38%	42%	52%	35%	18%	15%	11%	12%

Source: Nova Scotia Visitor Exit Survey 2000, Special Data Run

and from Atlantic Canada. Spending in Nova Scotia (excluding spending on ferry and air travel) is highest by those staying at B&Bs and country inns, and hotels, the latter reflecting the high proportion of business travel. Visitors using B&Bs and country inns were most likely to use rating systems to help select their accommodations. They were also more likely to be from other parts of Canada than from other major geographic origins.

When examined for visitors who travel by air, somewhat different pattern emerges. Visitors staying at campgrounds, in commercial cottages and at resorts have much longer lengths of stay than those using other types of accommodation. Those staying at B&Bs, country inns and resorts as well as in campgrounds are most likely to be on pleasure trips. Visitors staying at commercial cottages and with friends and relatives, as well as at hotels, are most likely to be from other parts of Canada. US visitors are more likely to stay at Country Inns and B&B properties; international visitors are more likely to be camping. Spending by visitors arriving by air are significantly higher than for all visitors to the province with the highest spending by those staying at resorts, almost \$3,000 per trip. Spending of those staying at national/provincial campgrounds is the next highest, reflecting the long length of stay of this market segment, followed by the spending of those staying at country inns.

Consumer research by a major international hotel chain² revealed that the amenities of most importance to hotel guests today included:

- Continental or hot breakfast available on-site
- Data port connection in all guest rooms
- Free long distance access and free local calls under 30minutes
- Coffee/tea maker in all rooms
- Iron and board in all guest rooms
- Hair dryer in all guest rooms
- 50% minimum of rooms designated non-smoking
- Complimentary toiletries available on request
- Bottled or canned water available on site, 24 hours a day
- Photocopy facilities available on site during normal business hours
- King size beds in a minimum of 10% of rooms
- Clock in all guest rooms
- Music in all guest rooms
- Shampoo in a bottle, no packets

Other sources indicate that overall guest comfort is of paramount importance to consumers – along with safety and security, and the state of repair and cleanliness of facilities. Today's travellers are also looking for queen beds, Internet connections (even while travelling on leisure since consumers increasingly use this means to keep in touch with family and friends), dining on the premises or nearby, non-smoking rooms and coffee makers and hair dryers. Other facilities and services identified as being important/preferred include family style accommodations with activities for families, cottage style accommodations and facilities with

² Best Western International, 2001 Research

access to or a view of the water. There is also an expectation of increasing demand for accessible units as the population ages and becomes less mobile.

The earlier discussion of general trends in the travel and tourism sector also revealed the increasing importance of experiences while travelling, and this carries over to the accommodation sector as well. It is important to many travellers that the accommodations offer more than a bed – they are part of the overall trip experience and this is particularly critical in destinations such as Cape Breton where culture, heritage and unique appeals are what makes it a special place to visit.

Resort Development

In the resort sector, there are two main trends being observed. The first is the increasing role that recreational real estate is playing in resort development across Canada. The second is the array of recreational facilities, amenities and programs that are being provided at resorts as they attempt to become four-season destinations.

Most modern resort developments today are selling recreational real estate to help finance the development of the property. The traditionally financed resort concept of the past is generally unfeasible today given the high costs of development and the significant investment required in infrastructure and support amenities (much of which does not make a direct revenue contribution). Financing resorts is even more of a challenge in destinations where there are not at least three strong seasons of demand. The recreational real estate can take the form of wholly owned units, townhouses or chalets that are privately owned and then placed in a rental management pool, or some form of timeshare – the traditional one or two week timeshare, or, increasingly the fractional interest that gives each owner access to 8 – 12 weeks of use at the property. This real estate approach is generally much more feasible in that profits from the sale of the real estate can help cover the development costs of common area amenities.

We are beginning to see this type of development in Atlantic Canada as the region becomes more recognized as a vacation destination. White Point Beach Resort in Nova Scotia is selling timeshare units and Humber Valley Resort in western Newfoundland is selling chalets and homes that will be in a rental management pool (interestingly, this property is focussing almost exclusively on the European market – UK and Germany, and appears to be doing well with prices in the \$250,000 range for a lot, and upwards of \$500,000 - \$600,000 for a finished unit).

Successful resorts in today's marketplace must offer a range of amenities, recreational activities, programs and packages over at least three seasons. As discussed below, golf courses and on-site spas are currently the 'hot' resort amenities. But other facilities such as an indoor pool, fitness facilities, meeting facilities, hiking/walking trails and skiing are also important, as is a range of creative packaging and programming to attract demand during shoulder and off-season periods. Learning vacations, cooking, wine appreciation, family activity packages, special interest weekends and entertainment programs of all kinds are some examples.

Spas

Spas fall into three categories – day spas usually located in major urban centres, destination spas where the spa experience is the primary purpose of the trip, and amenity spas which are one of a number of amenities provided at a resort or accommodation property. The trend in the industry in North America appears to be away from destination spas and towards amenity spas, responding to the customer's desire for a variety of experiences, such as a spa as well as golf, at their vacation destination.

Adding amenity spas to better quality accommodation properties including urban hotels, resorts and larger inns, is one of the most significant trends being seen today in the accommodation sector today. Most major hotel chains are adding spas to many of their properties, and to all new ones under development – the spa is the 'must have' hotel amenity of the decade with demand being driven by the aging baby boomer and an increasing interest in personal wellness and quality of life.

We are seeing a number of accommodation properties with spas in Nova Scotia such as the Island Sunset Resort and Spa at Belle Cote, Fox Harb'r Resort, Oak Island Resort and Spa on the south shore, and, elsewhere in Atlantic Canada such as the Spa at the Monastery in St. John's (which began as a day spa and is adding accommodation), and the Fairmont Algonquin in St. Andrew's, New Brunswick.

Providing spa services at smaller and seasonal accommodation properties is a challenge given the need to offer a mix of spa services to appeal to customers, the economies of scale and the difficulties in finding qualified staff.

Golf

Golf continues to play an important role in tourism in many destinations, including Cape Breton. The Island is becoming known as a golf destination and has gained profile from the awards and recognition given to its premier courses.

In the past five years or so, there has been a particular boom in the development of resort-based golf courses. Destinations such as Muskoka and Blue Mountain in Ontario, Mont Tremblant in Quebec, Whistler in BC, and the Niagara Region, as well as Prince Edward Island, have seen the development of golf courses at resort properties. Golf courses are seen as a particularly critical element in resort development today, helping to attract guests from both pleasure and corporate markets, generate revenue and increase the appeal of the resort for recreational real estate. Almost all of the resort development currently underway in Canada today involves a golf course, and often two. In fact, in many popular destination areas there are clusters of three or four or even more golf courses available within reasonable driving distances so that guests can be encouraged to extend their stay so as to play several different courses. Golf courses also help extend the season of the resort, adding a week or two of activity in the spring and fall.

Campgrounds

The major trend impacting the campground sector across North America is the significant growth in recreational vehicle ownership. While Nova Scotia has not seen a big growth in RV activity (in fact there was a significant decline in 2003), the number of households owning recreational vehicles has increased almost 8% in the past four years, reaching almost 7 million in the United States in 2002. As with other travel market segments, the biggest growth in demand for recreational vehicles is coming from the aging baby boomers – almost 10% of households over 55 years own RVs compared to 8% of the population as a whole. The Recreational Vehicle association expects the number of households owning RVs to increase to 8 million by 2010, a gain of 15% outpacing the 10% rate of household growth³. (Recent increases in the price of gas may dampen the growth in this market segment).

A recently released update from the Recreational Vehicle Industry Association reports that RV sales increased by 5.4% in 2003 and also indicates that RV rental companies are enjoying strong business. They conclude that “long term signs point to substantial RV market growth because of favourable demographic trends” (www.rvia.org/media)

Recreational vehicles are seen as a safe and economical way to travel. Today’s RVs offer all the comforts of home including such features as central heat and air conditioning, TVs, microwaves, computers and entertainment systems. They are also getting larger.

These changes in the RV market have implications for campgrounds catering to this sector as demand for more services, particularly higher amp power service, increases. Recreational vehicle travellers are increasingly looking for:

- More power – 30 amps minimum and 50 amps for the larger machines
- Sites serviced with at least power and water; also septic and in some cases access to cable TV and internet connections
- Pull through, flat sites
- Campgrounds that offer more services such as activities on site or nearby, larger comfort stations, stores, firewood and laundry facilities

A study on Nova Scotia’s campground industry⁴ was prepared in 2001 on behalf of the province’s private campgrounds as well as Parks Canada, the province and TIANS. Key conclusions from this study were as follows:

- There has been little change in the number of campgrounds in the province in the past 13 years.
- Occupancy levels had increased slowly (since 2001 they have declined) but the report concluded that there was still lots of additional capacity and that low pricing combined

³ As this report was being completed, gas prices had increased significantly and expectations are that they will stay high. This may impact the growth in demand for recreational vehicles.

⁴ EXCELeration corp [Improving the Nova Scotia Campground Industry](#), May 2001

with excess capacity had resulted in virtually non-existent levels of profitability at privately owned campgrounds.

- There has been insufficient reinvestment and upgrading at most campground facilities and campgrounds look tired – this is a direct result of the viability challenges.

This report made the following recommendations:

- Camping fees need to be raised to reflect the true costs of providing camping opportunities.
- A marketing campaign is needed specifically targetting campers so as to increase occupancy levels at campgrounds.
- There is a need to upgrade the camping product, particularly at private campgrounds, including such things as:
 - Providing more serviced sites
 - Improve the appearance and condition of entrances, roads, structures, signage and utility services – the “curb appeal”
 - Add facilities and services to enhance experiences and provide more revenue
 - Consider adding additional facilities to attract different markets such as camping cabins, cottages, rental RVs
 - Continuously upgrade basic services – electrical systems, drinking water quality, sewage and solid waste disposal systems

The report also concluded that no new camping sites are desired at this time (2001), until occupancy levels climb. Since 2001, occupancy rates at campgrounds have remained about the same.

Trends in Important Market Segments for Cape Breton’s Accommodation Sector

The Meetings, Conventions and Incentive Travel Market

The meetings, conventions and incentive travel market is a lucrative market but also one that is extremely competitive. A recent study⁵ indicates a continued decline in the Canadian corporate meetings market, with respondents indicating spending of some \$98.6 million on corporate programs in 2004, down from \$99 million in 2003 and \$108 million in 2002. Although most firms indicate that the number of domestic meetings will hold steady, some are cutting back, and there is a greater focus on value and less on discretionary spending. Meeting planners report a movement towards smaller, strategic gatherings rather than large conventions and greater use of technology to maximize value. There is a strong interest within the Canadian market in holding the majority of corporate meetings within Canadian borders, with Toronto, Montreal and Vancouver being identified as the most popular destinations. However, there is a trend to the use of second-tier Canadian cities to help keep

⁵ Meetings and Incentive Travel Magazine, 2004 Market Report – Annual Survey Highlighting Canadian Meeting and Incentive Trends, Page 9

costs down and add variety to programs, with destinations such as Fredericton, St. John's and Regina cited as examples. There is also a trend to a much shorter lead time in booking meeting space.

Access to both golf and spa facilities is increasingly important for this market. The survey of corporate meeting planners mentioned earlier, 4% indicated they always incorporated a spa element and 48% indicated that they sometimes did; and for golf, 14% indicated that they always incorporated a golf element and 65% indicated that they sometimes did.

A key issue with the meetings and convention market is access – being able to get their delegates to the meeting location efficiently and cost effectively. Locations within a 1 – 1.5 hour drive of an airport (with direct flights from origin points to the airport) are critically important. While the appeals of the destination, and the quality and cost of the facilities are also important, the access issues together outweigh these other factors.

Meetings and Conventions Magazine surveys meeting planners to explore issues that impact their decisions about destinations and about facilities. A recent survey indicated that the following factors were very important in selecting a destination for meetings:

- Availability of hotels or other facilities 78%
- Affordability of destination 62%
- Ease of transporting attendees to/from location 59%
- Distance travelled by attendees 43%
- Transportation costs 42%
- Climate 36%

Factors important in selecting a specific facility or hotel included:

- Quality of food service 80%
- Negotiable food, beverage & room rates 77%
- Number, size and quality of meeting rooms 74%
- Cost of hotel or meeting facility 73%
- Meeting support services and equipment 63%

Cape Breton's access challenges mean that its potential in the meetings and convention market will continue to be predominantly regional and provincial in nature. However, there may be some opportunities to host national meetings and conventions with a connection to Cape Breton, its people and cultures, or to specific regional industries. There is also potentially an opportunity for some smaller executive meetings at high quality resorts, inns or cottages that are near golf courses, such as Keltic, Inverary Inn, Dundee Resort and the new Island Sunset Resort and Spa. Identifying potential 'niche' markets within the broader meetings market segment and implementing a targeted marketing effort that features the unique appeals of Cape Breton (e.g. golf, music, culture, outdoor activities) would be important to attracting demand from this segment.

Interviews were conducted with a number of Halifax-based meeting planners, most of whom had planned meetings or conventions in Cape Breton. Generally the meeting planners had no complaints about the facilities that they used. However, a number indicated that the fact that Cape Breton accommodations could not host more than 200 or so persons for meetings was one of the constraining factors in their ability to book more business into the region. However, several planners commented that, although Cape Breton was a good destination for meetings, the inconvenience of getting people there was a major constraint and meant that Cape Breton frequently was not considered as a potential location for meetings they were booking. One of the meeting planners interviewed had some fairly significant concerns about the lack of professionalism and poor service they have received on the occasions they had used facilities in Cape Breton for meetings. Several mentioned that they did not see much in the way of marketing of Cape Breton as a destination for meetings.

The Motorcoach Group Tour Market

The Atlantic Canada Motorcoach Study: 2003 and Beyond identified some key trends in this market. Note that this study was undertaken before the Iraq War and research did not anticipate the decline in business in 2003.

Some key findings:

- The seniors market is expected to grow by 10% over the next five years.
- The number of companies in the North East US offering “Soft adventure” tour product increased from 24% in 1998 to 54% in 2002. The percent of North East US companies offering major tour products in 2002 were:
 - Holidays (44%)
 - Events (68%)
 - Dinner Theatre (74%)
 - Fall Foliage (74%)
 - History/heritage (62%)
 - National Parks (56%)
 - Culture (55%)
 - Soft Adventure (54%)
 - Family (41%)
 - Learning (36%)

This report identified a “major unknown and a major risk” – that is whether the new seniors (those turning 65 in advance of the baby boomers) will follow the traditional seniors in their use of group tours; this ‘new senior’ market will represent 40% of seniors in 5 years – Will they take group tours? What kind? Will Atlantic Canada appeal to them? The report concluded that many tour operators do not seem to be ready for this market.

This is a critical issue for Cape Breton. The region has been highly dependent for many years on the group tour market visiting Cape Breton for two days of touring and sightseeing. The significant decline in activity from this market segment was a major factor in the poor performance of the accommodation sector in 2003. Group tour operators are generally positive about future expectations (see discussion below) and expect their tour products to

continue to be similar to what they are today. However, our research into emerging market trends suggests that their approach to this market segment will need to evolve if group tours are to attract similar levels of demand from aging baby boomers as they have done from earlier generations.

Our analysis suggests that tour operators will have to look to group tours that have the following characteristics:

- More experiences and opportunities for participating in activities of all kinds rather than being primarily sightseeing/touring
- More flexibility - in activities, in modes of transportation, in free time
- Smaller groups with more personalized and special interest itineraries
- More time spent at a destination (and less time travelling) to provide opportunities to truly experience the destination, its culture, heritage, people and nature

We would also expect there to be a greater shift to FIT – packaged independent travel that offers more flexibility to travellers in designing their own itineraries, but with the help of tour operators.

If these types of changes do occur, Cape Breton’s tourism product will need to evolve to accommodate the “new” group tour model. And this may well include more use of different style accommodations such as cottages and larger inns for group tours, and inns and B&Bs for the FIT market, rather than the traditional hotel/motel property.

The group tour market, even at the higher end, has traditionally been a relatively low yield market segment. Accommodation properties practising aggressive revenue and yield management practices often limit the amount of inventory they make available to this market segment, particularly during peak periods when other, more lucrative, market segments are available.

Perspectives of Tour Operators re Cape Breton’s Accommodations

Interviews were conducted with thirteen tour operators currently offering both group and independent tour packages including stops in Cape Breton. The companies interviewed included:

- Hospitality Tours, Massachusetts - Group
- Tour Trends, Massachusetts - Group
- Great Canadian Tours, Ontario – Group and FIT
- Aquila Tours, New Brunswick – Group
- Brennan Vacations, Washington – Group and FIT
- Atlantic Tours, Nova Scotia – Group and FIT
- Tauck World Discovery, Massachusetts – Group
- DeNure Tours, Ontario - Group

- Mayflower Tours, Illinois – Group and FIT
- Freedom Tours, New Brunswick – Group and FIT
- Maupintour, Nevada – Group and FIT
- TayMac Tours, Nova Scotia – Group and FIT
- Maxxim Vacations, Newfoundland – Primarily FIT

Tour operators were asked about their activity in Cape Breton, about recent trends in their tour activity in Cape Breton as well as future expectations. They were also asked to provide an overall rating of the properties they used and identify any needs and opportunities they saw for accommodations development (expansion, upgrading, new properties) in Cape Breton. A summary of their comments is provided below:

Current Tour Activity, Recent Trends and Expectations

- Most group tours spend two nights in Cape Breton with a few spending 3 or 4 nights. This has not changed and none of the tour operators anticipated any changes in the length of time their tours spend in Cape Breton over the next five years.
- Most of the group tours use accommodation properties in Baddeck (Inverary Inn, Silver Dart Lodge, Auberge Gisele's, Telegraph House). Some tour operators have tours that stay in Cheticamp for one night, at Keltic Lodge and occasionally in Sydney or Louisbourg. The pattern for FIT packages is similar with stays in the Baddeck area, Keltic Lodge, Sydney and Louisbourg.
- The number of tours involving stays in Cape Breton varied from a low of 1 – 5 tours, to a high of 70 – 80 tours. Most tour operators reported that volumes in 2003 were down from previous years, some significantly. For example, the operator that usually runs 70 – 80 tours into Cape Breton reported 40 – 50 in 2003. Another tour operator reported that there had been a steady decline in their tour activity in Cape Breton in the past three years due to the fact that they had made PEI their main tour destination. Some tour operators reported that their load factors were declining as well, whereas others indicated loads were holding.
- Expectations for the next five years are generally positive and for a return to close to 2002 levels, with some operators more optimistic than others.
- The tour operators indicate that they do not foresee any changes in their itineraries in Cape Breton, or where they stay. However, a couple of them indicated that if new or upgraded properties at the higher end of the market became available in preferred locations, they may consider changes.

Opinions about the Accommodation Plant in Cape Breton

- Tour operators were generally very pleased with the accommodations they were using in Cape Breton, with almost all of them rating all the properties they used between 7 and 9

out of 10. A couple identified some minor concerns with the quality of the accommodation or overall experience but it was nothing significant. Only one tour operator had any significant concerns – this was a very high end tour operator who did not think that the properties in Cape Breton were up to the standard that their tours usually used, i.e. at other destinations around the world.

- Tour operators had more concerns about their ability to get the space that they needed (and on terms they are happy with), particularly in the Baddeck area and particularly during the fall colour season. While none of the tour operators indicated that they had turned away business due to accommodation capacity challenges, several reported rescheduling tours or moving them to a location such as Port Hawkesbury.
- The following comments were made about specific opportunities and needs they saw for accommodations in Cape Breton,:
 - A general need for more supply of better quality accommodations was identified by one tour operator along with ongoing upgrading.
 - Three tour operators identified a gap with respect to a deluxe/high end property in the Baddeck/Ingonish area; one mentioned the Cheticamp area as a possible location. These operators usually use 4 or 5 Star accommodations.
 - One tour operator mentioned a need for upgrading or new, better quality product in the Port Hawkesbury area.
 - Two or three identified an opportunity for another mid-market property in the Baddeck area (Note – It was not clear whether these comments were related to issues tour operators may have getting space at prices they want to pay, or whether it was a general capacity concern); one tour operator specifically mentioned an opportunity for a property in the Baddeck area that was more family oriented

Perspectives of Key Knowledgeable Persons on Accommodation Needs and Issues in Cape Breton

Interviews were conducted with a number of key knowledgeable persons including representatives of the accommodation sector, the tourism industry and economic development agencies as well as the Department of Tourism, Culture and Heritage. The key messages emerged from these discussions were as follows⁶:

- Demand for roofed accommodations in Cape Breton has been softening for the last few years, and particularly in 2003. While not all properties are suffering, it was noted as a trend and a concern to the industry. The spring season was identified as being particularly weak, although fall demand has also declined. Many commented on Celtic Colours and the positive impact this major festival has had on demand in the fall.

⁶ Note: These are comments made by the persons interviewed and are not the consultants' opinions or recommendations.

- The accommodation plant generally was seen by some 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 were an increasing number of better quality properties. However, there is also a belief that a lot of the product is older, lacks modern amenities and is not receiving the needed re-investment. Several years of soft demand is seen as exacerbating this situation – with revenues down and uncertainty about the future, there is less willingness to re-invest. As a result, the quality of accommodation across Cape Breton is inconsistent and, according to some of those interviewed, does not always meet consumer expectations.

A number of sectors and regions of Cape Breton were identified as being of particular concern in this respect. These included:

- Bed and Breakfast facilities generally
 - Cottages
 - Motel style properties
 - Port Hawkesbury area
 - Cheticamp area
 - Louisbourg area
 - More rural areas
- Many of those interviewed identified two critical needs for tourism generally in Cape Breton, in the context of our discussions about accommodations. These were:
 - A significantly increased destination marketing effort.
 - More things to see and do – cultural and outdoor activities and experiences, entertainment, restaurants, etc. since the market is clearly evolving away from a focus on scenic touring and towards seeking more experiential vacations.

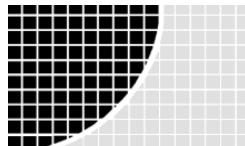
It was the opinion of a number of those interviewed that the focus of efforts should be on these two elements so as to strengthen the overall appeal of Cape Breton to today’s markets and increase visitation, before encouraging additional accommodation development.

- Two other infrastructure issues were identified as being important to growth in tourism in Cape Breton – improved air access and upgrading of the road infrastructure.
- While there was general agreement as to the need for better quality accommodation properties, several people commented on the importance of providing a mix of accommodations at all star grades, and of different types, and of taking care not to price all rooms at the high end of the market.
- The importance of accommodation properties reflecting Cape Breton as a ‘special place’ with its own unique culture and heritage character was identified. A few people expressed a concern that this is not happening and that new properties had a tendency to be “the same as everywhere else”.

- The Bed and Breakfast sector is seen by some to be an important element of the region's accommodation product since it provides an opportunity for visitors to connect with the local residents. It was emphasized that these properties still need to meet consumer expectations with respect to facilities and services and there is concern that many of them are not doing so (e.g. no private baths). Concern was also expressed about the low prices being charged by some operators in this sector.
- The seasonality of demand was identified as a major concern to the accommodations sector and there was discussion about the importance of strengthening the multi-season appeal of Cape Breton, particularly in the spring but also in the winter. Those areas that do have some winter activities find that the lack of open accommodation is a constraint; on the other hand, the demand is limited making it difficult for properties to justify opening.
- A number of those interviewed expressed concern that Cape Breton was missing out on attracting the 'destination' traveller who is higher yield and has much different demands and expectations than the traditional 'rubber tire' and motorcoach traveller.
- The downturn in the motorcoach sector was commented on and several people expressed the opinion that this market segment was going to see continued declines due to changing demographics.
- The importance of having accommodations located adjacent to or overlooking the ocean or Bras d'Or Lakes was commented on.
- Several interviewees mentioned the increasing role that the Internet was playing in generating demand for their business, and emphasized that all accommodation operators should have web sites.
- The issue of finding and keeping appropriately trained staff was identified as a concern by some accommodation operators, who also anticipated that this was going to become even more of a concern in the future with out-migration from Cape Breton and the aging of the population.
- When asked about the potential role of ECBC in accommodations, there were mixed opinions. Most of those interviewed believed that ECBC should continue to provide assistance to upgrade the quality of the accommodation plant (though not for traditional B&Bs that "are not really in business"). A number believed that ECBC's role should focus on support for marketing and activities/things to see and do, which would help increase demand (and drive up prices), and leave the development of accommodations to the private sector who would respond based on market conditions.

Section 5

Strengths, Weaknesses, Opportunities and Threats for Cape Breton's Accommodation and Campground Sectors



Section 5

Strengths, Weaknesses, Opportunities and Threats for Cape Breton's Accommodation and Campground Sectors

Based on the analysis and research described in the preceding sections, we have completed a Strengths, Weaknesses, Opportunities and Threats analysis of Cape Breton's accommodation and campground sector which is presented below, by sector. Issues that apply to both accommodations and campgrounds are presented in italics.

Roofed Accommodations

Strengths

- *International recognition of Cape Breton as a tourism destination in several publications such as National Geographic Traveller and Condé Nast.*
- Cape Breton offers a mixture of different types of accommodations at different star grade levels and different price points.
- Cape Breton is home to several full-service resort properties including Keltic Lodge which has a high level of market recognition.
- Cape Breton has several high quality golf courses in key locations. This is a major strength since access to golf is an important factor in generating demand for accommodations.
- A number of new high quality/unique properties have been developed or are under development, particularly in the cottage and inn sector, catering to markets that have not traditionally been well-served by accommodations in Cape Breton.
- There has been some upgrading of accommodations in Cape Breton over the past several years and more is ongoing.
- Efforts to strengthen the fall season through the establishment of the Celtic Colours Festival have been successful and have clearly benefited the accommodations sector, as well as other sectors of the tourism industry.
- There are a number of complementary developments underway that should contribute to generating new demand for the accommodations sector in selected locations, including the Civic Centre in Port Hawkesbury and the Membertou Trade and Commerce Centre in Sydney.

Weaknesses

- The accommodation plant is, in many cases, tired and in need of significant upgrading or replacement. This is particularly true in the B&B sector and also for hotel/motel style properties, over half of which are rated at 2.5 Stars or less. Almost 40% of the accommodation properties in Cape Breton are of the Bed & Breakfast style, and ¾ of them are at the 1 – 2.5 Star grade level.

- There have been several years of weakening demand for accommodation.
- Finding and keeping staff with appropriate skills and expertise is a challenge, and is expected to become even more difficult over the next decade.
- Demand for accommodations is highly seasonal - basically two to three months of reasonably strong demand, and another two or three months of limited demand for most properties. This makes it extremely difficult for accommodations development to be financially viable investments. It is also one of the reasons why it is difficult to find and keep skilled staff.
- Many accommodations close in mid/late October through until mid-late May or even later. And many of the operators leave the province for the winter months meaning they are not around to participate in planning and marketing initiatives.
- There has been a high dependence on the motorcoach market and the ‘rubber tire’ touring market. The ‘destination’ market (i.e. market segments that spend a significant portion or all of their vacation in Cape Breton) has not been developed.
- Accommodation prices are relatively low, at least by national and international standards. This hurts the ability of accommodation properties to generate the monies required to maintain and reinvest in their properties to meet contemporary consumer demands for amenities and facilities.
- There is a need for education of accommodation operators in business practices including marketing (including Internet-based marketing), packaging, revenue management and pricing. Many of the smaller operators also need exposure to quality accommodation facilities elsewhere to provide them with a ‘benchmark’ of what consumers are seeking.

Opportunities

- Specific opportunities and needs for roofed accommodations are discussed in the next section of the report.
- Parts of Cape Breton have the opportunity to develop winter tourism activity, creating an opportunity/need for accommodations to support these activities.
- Possibility of more direct access from Central Canada to Sydney with the growth in discount air carriers in Canada.

Threats

- *Continued “soft” demand in tourism activity in Cape Breton.*
- *A revived destination marketing effort for Cape Breton does not materialize.*
- *Global issues that impact tourism activity in North America.*
- Continued poor performance, short seasons and relatively low prices in the accommodation sector meaning that monies are not available for re-investment and upgrading.
- Long term decline in group tour activity.
- *Increasing costs of doing business such as increased insurance costs and other overhead costs.*
- *Continued deterioration in air access into Sydney.*
- *Shortage of skilled, trained staff.*

Campgrounds

Strengths

- Cape Breton has a good supply of campground facilities of various types and quality, including several within the Cape Breton Highlands National Park which have particular appeal to camping (tent) markets, particularly from overseas.

Weaknesses

- The campground sector is only a marginally viable sector of the tourism industry due to low prices and its highly seasonal nature. This means limited funds are available for reinvestment and upgrading.
- Demand for private campgrounds in Cape Breton is heavily oriented towards the seasonal camper – primarily local/regional residents, and the tourism impacts are minimal at best.
- A number of the private campgrounds in Cape Breton have only minimal recreational amenities as evidenced by the results of the Camping Select Assessment.

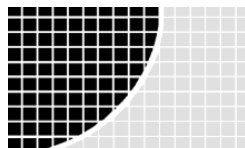
Opportunities

- The growing recreational vehicle market and the use of RVs by retiring baby boomers for extended travel provides an opportunity for campgrounds – if they have the facilities and services to cater to this market.
- As indicated in the provincial campground study, there may be an opportunity for campgrounds to provide more facilities and amenities at campgrounds so as to increase revenue generating opportunities, potentially including things such as camping cabins and RV rentals.

Threats

- Continued low prices in the campground sector in Nova Scotia.
- Increasing overhead costs such as insurance.
- The increasing price of gas may dampen growth in the recreational vehicle market segment.
- Poor road conditions.

Section 6
Opportunities and Strategies for Accommodation
Development in Cape Breton



Section 6

Opportunities and Strategies for Accommodations Development in Cape Breton

We first briefly revisit what the Tourism Road Map strategy says about accommodations development, then we will look beyond that report to explore more fully what strategic accommodations opportunities there are today, and for the future. We also present some suggestions with respect to the broader strategic approach to growing tourism in Cape Breton.

Accommodations Development Proposals in the Tourism Road Map

The Road Map recommends two particular accommodations projects, one being the proposed Inverness Links Resort and Golf Club, the other being one or more eco-adventure lodges on the Fleur-de-lis Trail and/or the Northern Highlands. It also identifies a general need for upgrading accommodations across the island.

Several other specific accommodation project opportunities were identified in the strategy but did not make the cut in the consultants' assessment. These included:

- Hostel/backpackers lodge in outdoor adventure areas near Cheticamp and/or Louisbourg
- Campground development on Lake Ainslie
- RV park in Port Hawkesbury
- High end resort development in one or more different locations, based on growing niche market segments – soft adventure, spas, winter adventures/getaways, learning vacations

Only the first two mentioned earlier, Inverness Links and eco-lodges were recommended as priorities, along with upgrading of accommodations across the island. We agree with these two particular projects and with the need for upgrading.

However, in investigating the matter further, we have come to the conclusion that there are, in fact, additional opportunities, some that have come to light since the completion of the Road Map and some others that were not specifically addressed in that strategy. They do, however, respond to the overall Road Map objectives of increasing the number of visitors to Cape Breton, increasing yield and increasing spending.

The opportunities for the future have to do with developing new markets for the island. But before we address that topic, we need to look at the role accommodations can and do play in growing a destination's tourism.

Role of Accommodations in Supporting Tourism, as Well as In Generating and Influencing Demand

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

Traveller Service Accommodations

All commercial fixed roof accommodations serve the accommodations needs of travellers, which is obviously an important role, but beyond that, most of them play only a limited role in influencing travel behaviour. These we term 'traveller service' accommodations and they include properties that are used by travellers primarily for overnight accommodation and perhaps dining while at the destination, but while they may have some additional amenities and services available, they play a limited role in influencing travel behaviour, other than offering choice to the traveller. Properties in this category include:

- Bed and Breakfasts, tourist homes
- Motels
- Motor hotels
- Hotels
- Transient campgrounds offering few amenities

An exception is a hotel offering meeting and conference facilities, in which case it can increase the appeal of the community in that market segment.

Another exception is the traveller that seeks out B&Bs because of the opportunity to interact with the host, sample the local culture and meet other travellers of like tastes. For them, B&Bs increase the appeal of the destination.

Looking at the situation more generally, in cases where the standards of traveller service accommodations are poor, this has the result of discouraging travel to that destination and shortens stays as well. If the low standards are bad enough, it will more dramatically damage tourism to that area.

On the positive side, where the character of a property, because of its design and ambiance, complements the unique character of the area and thereby reinforces its appeal, it plays a supportive role. This is particularly the case when those appeals fit well with the customer profile being targeted.

Demand Generators

There are some kinds of accommodations that make a significant impact in generating trips to the destination. In this category are:

- Resorts in appealing natural settings, having a mix of amenities both on site and nearby
- Wilderness lodges in an outstanding natural setting away from travel routes, offering one or more outdoor activities with guiding services
- Unique activity retreats, based on such things as wellness/spa, eco/outdoors, learning, spiritual renewal, religion
- Vacation cottage properties located on the sea, lake or river and offering recreational amenities on site and/or nearby
- RV resorts in appealing natural settings, having a mix of amenities both on site and nearby

We consider these to be ‘demand generators’. In fact a major resort can be a destination itself, witness Whistler, Mont Tremblant and the like.

In any event, such properties play an important role in developing new markets for the destination, particularly in leisure, meetings and incentive sectors, and also extend stays and spending of other market segments.

Cape Breton has two resorts that we believe meet the test of being demand generators, Keltic Lodge and Dundee. While there are a considerable number of other properties that are deemed to be resorts, they lack either the appealing natural settings and/or any on site or adjacent amenities to be significant demand generators themselves. They fall more into the next category.

Demand Influencers

There is another category of accommodations that can influence travel positively because of the appealing experiences they add to the trip, which, like demand generating accommodations, also have the value of extending stays and spending. In this category of ‘demand influencers’ are:

- Smaller resorts and cottage properties located in a natural setting but having more limited on-site amenities
- Unique character and experiential properties, such as a country inn or heritage inn
- Upscale properties in all categories, of 4 to 5 stars and located in appealing destination areas
- Campgrounds having significant on site amenities

There are a considerable number of such properties in Cape Breton, most notably in Baddeck and Ingonish. They play a valuable role in strengthening the destination, lengthening stays and enhancing the level of spending of visitors.

Opportunities and Priorities For Future Accommodations Development in Cape Breton Under Current Market Conditions

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. Occupancies in the summer season have softened for most operators, and the shoulder and off seasons continue to be weak. So from a supply and demand quantity perspective alone, there is no evidence of need for new capacity.

There is, however, an evident need for better quality accommodations, as many have fallen behind contemporary standards and traveller expectations. This is, at least in part a consequence of flat demand and unwarranted competitive tactics among operators based on price, resulting in poor profitability and little motivation to reinvest. This is a spiral that needs to be reversed.

At the same time, as just discussed, some kinds of accommodations can contribute significantly to generating new demand and others can help influence people to stay longer and spend more. In fact, in spite of low occupancy rates, such properties warrant consideration for development. So, in the context of a proactive strategy to grow tourism, new accommodations development has a role to play, an important role.

Furthermore, in the context of the Tourism Road Map which sets increasing tourism revenues by 75% as a goal, there will also be a need for a lot more new accommodations in coming years.

Until such time as the Road Map implementation is well underway, the agenda for accommodations development should be to focus first on improving the competitiveness and market development potential of selected existing demand generating and demand influencing accommodation properties that are able to influence tourism growth for the island, and secondly to develop new demand-generating accommodations that can make a significant contribution to developing new markets for the island.

The discussion to follow addresses these approaches. In the next section we will address specific accommodation development opportunities.

We suggest the following strategies, in order of priority:

1. Enhance the competitiveness and market development potential of existing demand generating and demand influencing properties
2. In selected cases where a destination area having more market potential lacks a property suitable for upgrading, encourage and support new property development having demand influencing potential
3. Support selected new multi-season demand generating development projects

4. Fill other significant gaps in supply that may develop in future (none are apparent today)

In all cases, in addition to meeting the standards for one of these categories, we recommend that future projects being considered for assistance by ECBC meet a high standard in each of the following further tests:

- Providing more things for visitors to see and do while in Cape Breton, thereby extending stays and spending
- Having potential for at least three seasons of operations
- Meeting design and quality standards (both interior and exterior) in terms of the contemporary expectations of travellers, particularly those of higher yield market segments, and thereby supporting higher prices and overall yield

We will first look at the four priority strategies for accommodations. Then we will consider more broadly the kinds of additional tourism strategies are warranted in the effort to grow tourism demand, including accommodations demand, and to improve industry viability.

Four Strategies for Accommodations Development

1. Enhance Existing Demand Generating And Demand Influencing Properties

The strategy here is to enhance existing resorts, lodges, country inns, heritage inns, etc. to be able to appeal more strongly to higher yield travellers, through the following kinds of initiatives that achieve a fundamental transformation of the property:

- Upgrading in terms of facility standards and quality (to minimum 3 star for resorts and lodges, 4 star for inns)
- Enhance special Cape Breton character features (natural and/or cultural) and appeals
- Addition of more amenities, activities, programming, entertainment, guided tours, shuttle services to area attractions/activities, either by the accommodation operator or by an independent operator
- Support for marketing and packaging for such properties, individually and collectively, particular for the shoulder and winter seasons

2. Support New Development in Selected Instances

Where a destination area has significantly more market potential but lacks demand generating or demand influencing properties suitable for upgrading, the approach should be to encourage and support new property development instead, of projects having significant demand influencing potential.

3. Support Selected New Multi-Season Demand Generating Development Projects

The rationale here is that, on balance, these properties do more in terms of generating visitation, holding visitors longer and increasing yield than they do in competing with others in the area. In other words, while they may pull some business from existing properties from some market segments, they “grow the pie” in the area to such a degree that they spin off business to other properties, such that most properties and the tourism industry generally in the area come out ahead overall.

Multi-Season Resort Development

We propose pursuing further the development of one or two new three or four season resorts, meeting a 3 star-plus standard. Obvious candidates include the Inverness Resort project endorsed in the Road Map as well as a current proposal for a four-season resort at Cape Smokey adjacent to Ingonish.

Inverness Resort and Golf Club

The Inverness Resort and Golf Club project appears to be stalled due to the absence of a proponent with the wherewithal to bring the project to fruition. It would appear that the scope of the project is one of the problems.

We suggest this project be revisited with a different conceptual approach. One suggestion is to look at reworking the concept into one involving several separate but complementary components coordinated under one management group. This would un-bundle the large investment into several smaller ones. For example, there could be a mixture of cottage properties, country inn and recreational real estate sharing common amenities.

Cape Smokey Resort

A preliminary study has recently been completed by our firm on the potential for a four-season resort at Cape Smokey adjacent to Ingonish. The concept has the advantages of the Cape Smokey ski facility, which the study proposes be upgraded to contemporary standards and expanded. It also takes advantage of the outstanding natural setting, as well as the proximity of the Cape Breton Highlands National Park and the Highland Links Golf Course. Other amenities, both indoor and outdoor are being proposed as part of the project.

If the further investigation being proposed for this project proves it to be feasible, it would have a major positive impact in rejuvenating and making this area a major destination in both Cape Breton as well as the Maritimes as whole for at least three seasons a year.

The Need for Special Support for Such Projects

Resort development requires a major investment in recreational amenities and infrastructure, not all of which contributes directly to commercial viability. It typically requires special forms and levels of financial support as a result.

It is also critically important to recognize that demand generating types of accommodations have a relatively long market development cycle to reach a mature level of business volume, whereas those that feed off of markets rather than generate them can be expected to reach mature occupancy levels much more quickly. The multi-season resort can easily take as much as 10 years to accomplish this. A traveller services style property, typically a hotel or motel, should accomplish this within 2 to 3 years. Demand influencing types are somewhere in between, but closer to the latter with which they compete more directly, perhaps 5 years.

Not only are the market development cycles longer for demand generating properties, they also confront a much larger marketing challenge, in money and effort, and they also have a greater reliance on travel intermediaries such as tour operators, meeting planners and the like. So, the level of investment in market development is greater as well.

It is also vitally important to ensure that the necessary critical mass of capacity and amenities are in place for a project to achieve the desired demand generating outcome.

Taken together, these factors make demand generating property development a riskier and more expensive undertaking as compared to other types of accommodations development. But, considering their impact in growing tourism, they are extremely valuable projects.

Wilderness Lodges

The Road Map recommended one or more ‘eco-lodges’ in natural settings, in either or both of Richmond County and the Northeast Highlands or the Cheticamp area.

A somewhat similar concept, the Crown Jewel Resort Ranch, is currently under development near Baddeck.

This kind of development caters to niche markets and can be demand generating. It therefore warrants attention if it is able to sustain multi-season programs.

Unique Activity Retreats

The Island Sunset Resort and Spa currently under development near Cheticamp is an example of a unique retreat-style demand generating property. The owners intend to operate on a four season basis.

Again, this kind of development caters to high-end niche markets and can be demand generating. It therefore warrants attention if it is able to sustain multi-season programs.

4 And 5 Star Vacation Cottage Properties

There is ample evidence in the marketplace that high quality cottages located in quality natural settings on the sea, a lake or a river have a solid and growing base of demand.

Such projects should be given attention in cases where they can demonstrate true multi-season potential.

4. Fill Other Significant Gaps In Supply That May Develop In Future

In instances where it can be demonstrated that there is a clear and significant gap in the availability of sufficient accommodations, either in the quantity, quality or type of accommodations in key destination areas or communities, there is a case for supporting the development of new, high quality demand influencing properties.

Traveller Service Accommodations

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.

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

The Road Map Strategy presented a number of strategies for growing tourism demand, focussed on three areas: enhancing strategic infrastructure, building an integrated partnership approach to marketing and product development, and aggressive packaging, sales and marketing.

In the context of this accommodations strategy we offer several additional comments and proposals. The recommended level of priority attached to each is indicated.

Broaden the Focus Beyond Touring to Include Activity-Based Travel and Destination-Based Travel As Well

Cape Breton has traditionally been primarily a touring destination for tourists, characterized by highly seasonal demand, relatively short stays and low levels of visitor spending. That has always restrained the viability of the industry and encouraged price competition. Now, with the softening of the touring market generally, the situation has worsened.

The growth markets today and for the foreseeable future are more upscale, educated travellers seeking higher quality, more enriching experiences. While they do touring, they are also interested in travel for the purpose of engaging in activities of interest to them, and also to destinations of appeal for multi-day stays. The fallout of this is that they are seeking more robust experiences, in the following kinds of forms:

- Touring trips involving longer stays in particular areas, bundled with more extensive experiences
- Activity trips with multi-day stays, along with some regional touring
- Destination trips embellished by regional touring and various activities of interest
- All trips involving good dining, good service and evening entertainment

The strategy to attract these people requires a combined focus on strengthening the touring experience and its support services, providing appealing destination communities/areas of appeal for multi-day stays, combined with a mix of unique, quality activities, experiences and entertainment in each area.

This should be the main thrust of tourism product development and market development efforts in the future. It is a strategy that helps extend the season as it opens up new markets, it improves length of stay and spending, all of which is of very real benefit to the accommodations sector.

This should be top priority.

Provide More Things for People to See and Do

Building on the foregoing, there needs to be more activities, experiences and programming for visitors. This need cuts across all areas of the island and all seasons.

There needs to be a concerted effort to support and nurture the development of readily accessible, quality experiences for visitors, including outdoor adventure, walking and hiking trails, guiding and interpretation of outdoor and cultural experiences, and evening entertainment programs. The following kinds of specific initiatives are appropriate:

- Give priority to assisting the establishment and growth of ‘experience’ products in Cape Breton, specifically recreational equipment rentals and outfitters, outdoor adventure operators, guiding services, local tours, tourist-oriented events, culture and heritage products, performing arts and entertainment programs.
- Support and assist attractions, outfitters and accommodation properties with developing the kinds of programming described above to strengthen their individual businesses.
- Support the Road Map proposals for package development and marketing.
- Support the development of information panels, signage, local activity guides, visitor information services and front desk information tools.

The key to success is to focus on growth products in growth market segments – those that provide unique experiences of high quality, and those that both entertain and enrich the visitor.

This should be of top priority.

Strengthen Communities as Destinations

A destination like Cape Breton warrants having a half dozen ‘destination communities’ that not only support the touring market, but also contribute to holding people in the region. Not every community warrants playing this role and there shouldn’t be more than a few of them, in order to give each of them a chance to flourish. The strategy here should be to qualify a limited number of communities/areas based on objective criteria rooted in travel patterns and

demonstrated market potential and then assist them in providing a critical mass of experiences, accommodations and other traveller services for them to be effective. Criteria should include:

- A location near an established major attraction and/or destination area, and/or on an established touring route and reasonably accessible
- Close to Cape Breton entry points and/or on major touring routes
- Substantial volumes of tourism in the area and immediately nearby
- Features that reflect the unique appeals and character of Cape Breton
- Currently having a critical mass of compelling appeals/attractions that influence demand
- Shoulder/winter season market potential
- Identified opportunities and potential

Communities that come to mind in this regard include Baddeck, Mabou, Cheticamp, Ingonish, Louisbourg and Sydney. Another community/area that should be considered in this context is Port Hawkesbury/Port Hastings area because of its role as the Gateway to Cape Breton. The approach would be to develop customized strategies for each of them, focussing on their particular mix of selling propositions. (As well, we propose that in these communities funding support also be considered for upgrading/fundamental transformation of traveller service properties catering to a variety of different markets, as well as for demand generating and demand influencing accommodations.)

In key destination communities, it will be vital to establish a planning and zoning framework designed to protect and enhance the character of development, and to conserve and protect heritage and cultural features. In this regard, it would be helpful to work towards upgrading these types of features and standards in communities that already have suffered, such as the community of Ingonish that suffers from strip development of mixed character and quality.

Major resorts should also be approached in the same way as they are essentially communities in and of themselves, and they are certainly destinations.

This should be of middle priority.

Grow the Shoulder Seasons

There is a critical need to improve the viability of the tourism industry generally in Cape Breton and the accommodation sector in particular. The best route to accomplishing this is growing demand outside of the prime tourist season. We suggest that the first priority should be the shoulder seasons – spring and fall – with the winter being a second and longer-term priority. The kinds of things that can contribute to this agenda include:

- Seasonal offerings – activities, itineraries, events, packages, promoted collaboratively
- New special events in the shoulder seasons, like Celtic Colours. A late Spring event would be ideal.

- Assist/support activity/adventure operators with developing and marketing shoulder season and winter products
- Pursue 'Trails for Tourism' development and coordination
- Develop different marketing programs for each season through Destination Cape Breton

This will require priority attention to developing offers of appeal in each of these seasons through programming and packaging, accompanied by a significant, targeted marketing effort, in the fashion described below.

This is of top priority.

Packaging

This was identified as a priority in the Road Map. We agree that it should be an important priority, however, experience has shown that getting tourism operators into the packaging business has had limited success generally. The problem is that packaging, to be successful and profitable, requires a level of expertise and effort beyond what most tourism operators can or will bring to the table. Simply put, it's hard to get them involved, they tend to not do it all that well and they often make little or no money at it.

A better approach is to have the packaging done by packaging professionals, working collaboratively with the tourism operators, and have the packages marketed by a marketing professional, preferably by a tour operator, or by a marketing services company having in-depth expertise in tourism marketing, or by a destination marketing organization having the skills in-house.

There are a number of good examples of success in packaging:

- One is Cape Breton Resorts, which has worked with Icon Communications in the 'Fab Four' marketing alliance and similar initiatives.
- Another is the program of packaging and package marketing in New Brunswick sponsored by the Department of Tourism and Parks for the past several years. While this has had mixed success due to package quality, which was variable, a number of tourism operators had appealing packages and were very successful under this initiative.
- A third example is with the 'Product Alliances' sponsored and assisted by the Ontario Tourism Marketing Partnership. Examples can be found at www.tourismpartners.com, under 'Product Development' and then 'Product Alliances'.

Collaborative Marketing

There also needs to more professionally organized collaborative marketing efforts, of the sort being undertaken by Icon Marketing in Sydney on behalf of the 'Fab Four' golf courses. Ideally this approach would be mobilized on a large scale for the island as a whole as well as

for key sectors of the tourism industry on the island. In addition to the golf sector, sector marketing collaboratives might include:

- Resorts and other demand generating accommodations
- Demand influencing accommodations
- Outdoor adventure
- Culture and heritage products and programs
- Destination communities

The approach in each case is twofold; one to establish branding and cooperative marketing initiatives; the other to develop and market packages based on the products of the participants and their packaging partners.

The proposed Destination Cape Breton organization and program would logically play a key role in such initiatives. Specifically, we would recommend that Destination Cape Breton contract with professional tour operators/marketing specialists to coordinate the development of quality packages and the niche marketing programs for these alliances.

Other suggestions for marketing include:

- Destination Cape Breton needs to be a professional calibre destination marketing organization (DMO), with significant funding support.
- Proposed positioning – ‘world class nature and outdoor experiences, unique culture and heritage, for the discriminating traveller’.
- Target the ‘Explorers’ market segment. These are upscale, educated, travelled people who seek personal enrichment through travel. They are interested in unique experiences, learning about unique features of the destination, its natural attractions, its people and their heritage, meeting residents, participating in community events and festivals, sightseeing, enjoying the outdoors, engaging in adventure activities.
- Also target ‘Activity’ verticals/segments - special interest travellers, adventure seekers, learning travellers, etc.
- And target meetings and incentive markets, particularly those segments that would respond to the special appeals of Cape Breton and for which access issues will not be problematic. (Meetings PEI presents a good model to emulate. This organization works as a facilitator in supporting the efforts of several different alliances of operators targeting the same types of meetings and incentive prospects.)
- Develop and implement an Internet strategy.
- Develop trip-planning tools – web-based, trip planner collateral piece, etc.
- Pursue travel trade relationships with mid to up-market operators, both group and FIT.

Generally the focus should be on higher spending clientele; more in-depth, experiential tours, longer stay tours and independent travel (FIT) packages catering to higher yield markets.

These are all of top priority.

Improve Air Access

An additional suggestion in overcoming this obstacle would be to contract the services of a 'consolidator' to work with major tourism operators in Cape Breton and with tour operators to infill charter and scheduled jet flights into Sydney. Destination Cape Breton would need to pursue and negotiate with carriers, and provide marketing support.

This is of medium priority.

Other Suggestions

Of medium to lower priority are these additional suggestions:

- Develop business planning tools to assist the industry – facility design, amenities, programming, activities, etc.
- Promote sustainable tourism development and best practices in operations, and only support those businesses meeting an acceptable standard in this regard, and in the context of the unique character and heritage of Cape Breton.
- Assist communities generally with tourism initiatives that upgrade products and services, and enhance the visitor experience, in keeping with Cape Breton character and heritage.
- Upgrade touring experiences, and touring infrastructure.
- Generally support quality interpretation initiatives and programming that exemplify the unique character and heritage of Cape Breton.

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

One of the requirements of this assignment was to estimate the implications of achieving the Tourism Road Map goal on room night demand and supply in Cape Breton. The Tourism Road Map sets the objective of increasing tourism revenue from current levels of \$230 million to \$400 million by 2008. We have completed an analysis of the potential impacts as discussed below.

Potential Room Night Demand at \$400 Million in Total Tourism Revenues

Our analysis involved several steps, as follows:

- Identify current room revenues
 - The Cape Breton Island Marketing Levy Study estimated 2002 roofed accommodation revenues at some \$32 million which, based on demand in 2002, means an overall average room rate of \$72, and that room revenues represented 14% of total tourism revenues. We believe that the \$32 million is somewhat low, for several reasons:
 - The Marketing Levy Study analysis used a 50% occupancy rate for all properties, whether they were open seasonally or year round. Our analysis

indicates that the average occupancy rate for seasonal properties is higher- 54% - 58% for the full May to October period, and higher for those properties only open June through September

- Our analysis also indicates that better quality properties (which have higher room rates) perform much better than average - the combination of the higher occupancy rate and higher rates means their revenues could be quite a bit higher than estimated.
- The discount of 40% used is generous, again, particularly for the higher quality, seasonal properties.
- Finally, data from Nova Scotia Tourism, Culture and Heritage indicates that, overall, accommodation revenue represents 22% of tourism revenue.
- For the purposes of our analysis, we have assumed that total accommodation revenues were in the \$35 - \$36 million range in 2002 giving an average room rate of \$80.
- Estimate Future Room Revenues:
 - With revenue growth to \$400 million, we have assumed that accommodation revenue as a percentage of total tourism revenue approaches the provincial average, at 20% or \$80 million.
- Estimate Future Room Night Demand:
 - With the strategy to provide more higher quality accommodations and increase yield, room rates can be expected to increase. We have assumed that the average room rate increases to \$100 which means the \$80 million would translate into 800,000 room nights of demand.
- Allocate Room Night Demand over the Seasons, and estimate the number of units required to accommodate the new demand:
 - A key part of the Tourism Road Map is to increase demand in the winter season. The November through April period now represents only 18% of total room night demand in Cape Breton. We have assumed that this increases to 20%, which will be an increase from 80,000 room nights to 160,000 room nights, or a doubling in demand. The remaining 640,000 room nights are assumed to be distributed in the May through October period. This analysis and what it means in terms of rooms required is summarized in the table below:

	% of May – Oct Demand in 2002	2002 Room Night Demand	Estimated % with Road Map	Estimated Room Nights with Road Map	Average Room Nights Per Day	Assumed Occupancy Levels	Rooms Required
May/June	19%	71,000	20%	128,000	2,100	60%	3,500
July/Aug	49%	180,000	45%	288,000	4,720	85% - 90%	5,250 – 5,550
Sept/Oct	32%	114,000	35%	224,000	3,672	75%	4,900
Total		345,000		640,000			

This analysis suggests that, should the goal of increasing Cape Breton tourism revenues to \$400 million require, and given the assumptions described above, the total accommodation

supply would need to increase from the current 3,700 units to up to 5,200 to 5,500, an increase of 1,500 to 1,800 units.

However, we believe that the expectation of achieving a 75% growth in tourism revenues in Cape Breton in the time frame set forth in the Tourism Road Map is unrealistic.

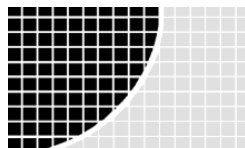
Given the effort and time required to mobilize the implementation of the many elements of the Tourism Road Map, together with the time required for the market development process needed to adjust the market positioning of Cape Breton as a higher yield, and year round tourism destination, we believe that the full impacts of the Tourism Road Map are unlikely to be seen for a number of years beyond that forecast in the document.

We have, therefore, repeated the above analysis for planning purposes using a more modest growth of 40% in total tourism revenues, or an increase from \$230 million to \$322 million. This is still a significant increase in tourism revenues, and achieving this growth will require a multi-year, multi-pronged effort in the implementation of the Tourism Road Map recommendations along with significantly increased destination marketing efforts for Cape Breton. Under this scenario, and assuming that the average room rate increases to \$95 instead of \$100 over the five year period, this scenario would suggest the following in accommodation revenues and room night demand:

Total Tourism Revenues	\$332 million
Accommodation Revenues @ 20%	\$64.4 million
Average room Rate	\$95
Total Room Night Demand	678,000 room nights
Percentage in May – October	75% or 508,500
Percentage in July/August	45% or 228,800
Average Rooms Per Day	3751
Average Occupancy	85%
Required Rooms	4,400

This represents an increase of some 700 units above the current supply.

Section 7
*Supporting the Development of Accommodations
and Campgrounds in Cape Breton*



Section 7

Supporting the Development of Accommodations and Campgrounds in Cape Breton

Accommodation Projects Currently Eligible for Funding Support

ECBC's existing policies indicate that projects eligible for consideration for funding support include new development and expansions include:

- Country Inn/B&B (with en suite baths) – 4 star or higher
- Resort – 4 star or higher
- Cottages – 3 star or higher
- Hotels/motels capitalizing on incentive market in cases where high demand/low supply warrants, and 3.5 star or higher
- Special 'unique' projects

Currently eligible projects for upgrading:

- Fundamental transformation of a property
- Cottages (on or adjacent to the water) and motels must reach at least a 3 star, country inns, hotels, resorts and B&Bs must reach at least a 3.5 star

We have a number of recommendations on expanding and fine-tuning these criteria. However, before dealing with that issue, we need to look at the use of Canada Select ratings in this regard.

Use of Canada Select Ratings in Funding Policy

Canada Select is in operation in all provinces but Quebec, although participation rates are quite low in some provinces, notably Ontario. In each province the program is administered by rating/grading committees comprised of accommodation operators.

This is not the case with the better known systems internationally, such as CAA/AAA which also rates accommodations in Canada. In this case, the company operates the system as a consumer/customer service. As a consequence, the system is seen by some to be more customer-driven rather than operator-driven. AAA is also better known internationally and widely used within North America. Michelin is another system that is widely used in Europe. Both of these systems are seen to generally reflect prevailing international standards in the minds of travellers.

Rating Level Differences with Canada Select

There is good evidence that Canada Select is more generous in its ratings than the CAA/AAA system. Exhibit 5 illustrates this, where Canada Select star ratings are compared to the CAA 'diamond' ratings for a considerable number of Cape Breton properties, along with comparisons for other properties in the province. (Canada Select awards an extra half star for a property exceeding basic 'quality' standards, whereas CAA/AAA does not do this. Hence, a 3.5 star Canada Select is essentially the same as a 3 diamond CAA rating. Our comments to follow therefore ignore the half-star difference.)

For the 22 Cape Breton properties listed, and ignoring the half stars, Canada Select ratings were the same for only 5 of them, and one star higher for the other 17.

This pattern is consistent for the rest of the province, as can be seen in the exhibit, where the rating is the same for only 2 of the 11 properties. It is 1 star higher on 8 of the others, and 2 stars higher on one in Wolfville.

In Exhibit 6, we have also illustrated a few Newfoundland and Ontario properties for further comparison. For the 8 properties in Newfoundland, the star rating was the same as the CAA rating in 2 cases, and 1 star higher in the other 6 cases.

For the 10 Ontario properties, significant differences are a little less common. 5 were higher by 1 star while the other 5 had the same rating level, the only difference being the extra half-star for the Canada Select ratings.

Difference in Terms of Consistency by Type of Property

CAA/AAA endeavours to have a relatively high level of consistency in its ratings for different kinds of properties. They appear to believe that a property is an accommodation first, and a property type only secondarily. This is not really the case with Canada Select, where the standards are varied more widely among the different property types, with each category essentially having its own standards. So, the outcome is that rating levels are generally more consistent for full service hotels, while at the other end of the scale, with B&Bs, the differences in standards between the two programs appear to be more significant.

This was evident in Exhibit 5, where we illustrated comparisons for 5 B&Bs in Nova Scotia (including 2 in Cape Breton). Of the 5, the difference was 1 star in 2 cases, but 2 stars in 3 of them. In 100% of the cases the Canada Select ratings were higher by at least 1 star.

What Canada Select Does Not Address

The Canada Select program has been designed to reflect the inventory of facilities and services provided, as well as the quality of physical facilities, along with cleanliness and state of repair. It does not address the quality of guest services, or of guest service, nor does it address other 'experiential' aspects that contribute to the overall guest experience.

Exhibit 5
Comparisons of Canada Select and CAA/AAA Ratings for Nova Scotia Properties

Property Location/Name	Canada Select Star Grade	CAA/AAA Diamond Rating
Cape Breton Properties		
Auberge Giseles Country Inn, Baddeck	4	3
The Ceilidh Country Lodge, Baddeck	3.5	2
Hunter's Mountain Chalets, Baddeck Area	4	3
Inverary Resort, Baddeck	3.5	3
McIntyre's Housekeeping Cottages, Baddeck	3	3
Silver Dart Lodge, Baddeck	3.5	2
Markland Coastal Resort, Dingwall	3.5	2
Keltic Lodge, Ingonish Beach	3.5	3
Louisbourg Harbour Inn	4.5	3
Louisbourg Heritage House	4.5	3
Point of View Suites	4	3
Clansmen Hotel, North Sydney	3.5	2
Econo Lodge Macpuffin, Port Hastings	3.5	2
Howard Johnson Inn, Port Hastings	3	2
Maritime Inn, Port Hastings	3.5	2
Cambridge Suites Hotel, Sydney	3.5	3
Comfort Inn, Sydney	2.5	2
Days Inn, Sydney	3.5	3
Delta Sydney	3.5	3
Quality Inn, Sydney	3.5	2
Gowrie House Country Inn, Sydney Mines	4.5	3
Castle Moffett, near Baddeck	5	4

Property Location/Name	Canada Select Star Grade	CAA/AAA Diamond Rating
Selected Other Nova Scotia Properties		
White Point Beach Resort	3.5	2
Blomidon Inn, Wolfville	4	3
Tattingstone Inn, Wolfville	4.5	3
Victoria's Historic Inn, Wolfville	5	3
Casino Nova Scotia Hotel, Halifax	4.5	4
Citadel Halifax Hotel	3.5	3
Delta Barrington	4.5	3
Delta Halifax	4.5	3
Four Points Sheraton Halifax	4	3
Haliburton House Inn, Halifax	4	3
Inn on the Lake, Halifax	4	3
Nova Scotia B&Bs		
Harmony Suites B&B, Digby	4	2
Louisbourg Heritage House, Louisbourg	4.5	3
Country Charm and Comfort, Middleton	4	2
Coopers Inn, Shelburne	4.5	3
Victoria's Inn, Wolfville	5	3

Exhibit 6
Comparisons of Canada Select and CAA/AAA Ratings – Ontario and Newfoundland

Property Location/Name	Canada Select Star Grade	AAA/CAA Diamond Rating
Ontario – Country Inns		
Pillar and Post, Niagara-on-the-Lake	5	4
Gananoque Inn, Gananoque	4.5	3
The Inn at Christie’s Mill	3.5	3
Ontario – B&Bs		
The Victoria Rose Inn, Gananoque	3.5	3
Ontario – Hotels		
Algoma’s Water Tower Inn, Sault Ste. Marie	3.5	3
Resorts		
Cranberry Resort, Collingwood	3.5	2
White Oaks Inn and Conference Centre, Niagara-on-the-Lake	5	4
Newfoundland Properties		
St. Judes Hotel, Clarenville	3.5	2
Glynmill Inn, Corner Brook	3.5	2
Deer Lake Motel	3	2
The Battery, St. John’s	2.5	2
Delta, St. John’s	4	3
Fairmont, St. John’s	4.5	3
Holiday Inn, St. John’s	3.5	3
Leaside Manor B&B, St. John’s	4.5	3

Implications

In summary, the Atlantic Canada properties, based on the sample used, have a consistently higher Canada Select rating than CAA. Between 75% and 82% of the properties in the sample were 1 star or more higher than the CAA ratings. This pattern is less common in Ontario, where only 50% were 1 star higher. (This difference could be accounted for by the preponderance of larger hotels and resorts in the Ontario sample, where the standards between the two rating programs are more similar.)

The implications of this are several-fold. First, the perceptions of many travellers accustomed to AAA diamond ratings would be out of line when it comes to Canada Select ratings. They would expect more than they are getting.

Secondly, based on recent research with consumers, conducted for another Atlantic Canada province, focussing on what star rating level they would seek as a first choice, only some 15% of the market prefers a premium 4 or 5 star property. The main part of the market, 62%, seeks a mid-market standard at the 3 star level. 18% prefer basic 1 or 2 star properties. (5% didn't respond to the question.) Therefore, over-rating of properties relative to traveller expectations is also problematic in terms of properties being out of sync with their intended market positioning.

All of this raises the question of how heavily the Canada Select rating system should be relied upon in establishing funding program criteria, and what the star rating thresholds should be for funding eligibility.

It should be noted that Canada Select undertook some consumer research during the winter of 2004 to explore perceptions on the program and the importance of various criteria. This research has not yet been released and it is, we gather, currently under review by the national Canada Select group. We understand that proposals are being made regarding upgrading standards based on contemporary expectations of travellers, such as having Internet connections in rooms. In addition, we understand that some consideration is being given to the establishment of new accommodation categories, again to reflect changes in the marketplace. However, it is not known whether they are also considering more general changes to the criteria in various categories and at different star grade levels.

Recommendations On the Use of Canada Select Ratings

ECBC policy requiring a 4 star Canada Select standard for funding eligibility for some types of accommodations is problematic in that, according to the research, it limits eligibility to properties that cater to only some 15% of the market. If, on the other hand, a Canada Select 4 star is equivalent to a CAA 3 diamond, and assuming the market perception is based on CAA/AAA standards, which is likely, then the reality is that the standards for a 4 star Canada Select property are really the standards for a 3 star in the mind of the consumer. If this is the case, then a 4 star or higher Canada Select rating really caters to 77% of the market, (the 62% seeking 3 Star properties plus the 15% seeking properties with 4 stars or more) not just 15%.

Our research on this has been limited in scope, based on only a handful of properties. As a consequence, the foregoing discussion should be treated with caution. In that regard, we would also recommend that the ECBC threshold for funding eligibility for resorts, hotels and cottages should be kept at a 3 star Canada Select minimum to avoid disqualifying properties that really should be considered. For country inns and B&Bs, the minimum standard should be 4 star Canada Select.

Furthermore, Canada Select should be used as only one consideration. A proposal for supporting an accommodation project should also be considered on other factors, including 'quality of experience' factors. These are discussed further in this section.

Proposed Revisions to Eligibility Criteria

We propose some limited modifications to funding eligibility criteria, as follows:

Demand Generating Accommodations

This includes resorts and cottages. We reviewed the current eligibility criteria and recommend maintaining the current ones, with one suggested change that the minimum star grade for a resort property be 3 Stars.

Additional types of properties, in addition to resorts and cottages that should be eligible include those listed earlier as 'demand generators', including wilderness lodges, unique activity-related retreats. Proposed criteria include:

Wilderness Lodge

- Location in a relatively pristine natural area
- Accessible by road or access services provided
- Rustic accommodations – rooms, suites, chalets, cottages
- Access to outdoor adventure activities on site and nearby – kayaking, canoeing, hiking, mountain biking, birding/nature study, snowmobiling, cross country skiing, ATV touring
- Guide services available
- Minimum 3 star Canada Select
- On-site dining
- Safety services provided
- Open at least three seasons per year

Unique Activity Retreat

Types of properties could include a Spa/wellness retreat, Religious or fraternal retreat/camp and a Recreational learning centre/retreat. Proposed criteria include:

- Minimum 3 star standard
- Open at least three seasons per year

We suggest the following kinds of tests be used to help qualify and evaluate demand generating style accommodations projects such as those described above (in addition to the traditional assessment criteria used by financial institutions). Most of the following tests should be met:

- Fits the description of a ‘multi season destination resort’, ‘wilderness lodge’ or ‘specialized, niche market property’ presented earlier
- Can draw people to the region and the destination area and encourage extended stays
- Ideally, also provides a critical mass of accommodations and amenities sufficient to attract new tourism to the Island from its key target markets
- Located in an outstanding setting
- Fits with the unique appeals and character of Cape Breton
- Complements existing tourism development in the area

Demand Influencing Accommodations

Country Inns

Maintain current criteria. Add ‘common areas should be for the exclusive use of guests if the owner resides on site’.

Bed & Breakfasts

B&B’s would continue to qualify as demand influencers as ‘upscale properties in all categories’. They should, however be ‘professional’ businesses, meeting the following criteria in addition to those currently in place:

- At least 4 months per year of continuous operation
- Participates in Canada Select, minimum 4 Star standard
- Owner resides on-site
- Common areas should be for the exclusive use of guests and the owner’s living area should be segregated from the guest area.

Other Tests To Be Met for All Kinds of Accommodation Development

In addition to the foregoing considerations for supporting accommodations development, we suggest that all accommodations projects under consideration for support also be expected to meet a standard of contributing, directly or indirectly to the following additional objectives. These were introduced in Section 6 but are expanded on here.

Providing More Things To See And Do in the Area

This would include supporting the following kinds of added features at accommodations:

- Leisure amenities and programming at resorts and other accommodations
- Activity operators to work with accommodations – outfitters (equipment rentals, guides), boat tours, local tours, adventure companies

Having Potential For At Least Three Seasons Of Operations

Additionally, properties being considered for support should be committed to a multi-season program and offerings. Support should therefore address:

- Multi-season offerings – activities, itineraries, events, entertainment, packages, promoted collaboratively with other operators in the area
- Activity/adventure operators to work with accommodations on developing and marketing shoulder season and winter products and working in collaboration with accommodation operators

Meeting the Contemporary Expectations Of Travellers

Meeting design and quality standards in keeping with the contemporary expectations of travellers, particularly those of higher yield market segments, and thereby supporting higher prices and overall yield, needs to be an objective across the board in assisting the accommodations sector.

One useful initiative in this regard would be developing business planning tools to assist accommodations development, addressing standards for facility design, landscaping, amenities, programming, activities, etc.

Opportunities and Needs for Roofed Accommodations by Region

The suggestions as to opportunities and needs for accommodations in each region have been identified based on the overall strategic approach described in Section 6, and on data, and input obtained during the course of our work on this study from a number of sources – interviews with tour operators, interviews with tourism industry stakeholders including accommodation operators, representatives of industry associations and findings from the Canada Select data and property assessments. **We have not assessed the market potential or financial feasibility of any of these accommodation project ideas and do not, therefore, warrant that an opportunity actually exists. They should not be taken as recommendations but as possibilities warranting further consideration. The type and size of particular accommodation properties (new or expanded or a fundamental transformation) in any region, and a decision on proceeding should involve market and economic feasibility assessments.**

The regions identified below are those used in the supply demand analysis presented in Section 3 and agreed to by ECBC. They are generally illustrated on the map provided in Section 3. Definitions of demand generating, demand influencing and traveller service accommodations are provided in Section 6.

The needs and opportunities for accommodations development by region are presented in two separate lists. The first list is for opportunities that warrant consideration under current market conditions. These generally include demand generating style accommodation projects as well as significant upgrading (fundamental transformation) of demand-influencing style accommodations in selected regions. As well, in selected communities identified in Section 6 as ‘destination communities’, they also include upgrading of certain other types of properties.

The second list is for additional opportunities that may warrant consideration in the future assuming that the Tourism Road Map strategy and/or the other types of broader growth strategies identified in Section 6 are implemented to a significant degree and that demand grows sufficient to support them. In other words, these opportunities do not, in our opinion, warrant consideration under current market conditions but may do so in future with significant growth in tourism to the region.

Opportunities and Needs for Future Accommodation Development in Cape Breton by Region, Under Current Market Conditions

The following list presents opportunities and needs that have been identified under current market conditions as potentially qualifying for funding support. (There may in fact be other latent opportunities in some regions that could potentially meet the definitions of demand generating or demand influencing accommodations as described in Section 6 that have not been identified below and that may warrant consideration as well. Also, it is important to note that development of one demand-generating accommodation property, such as a wilderness/eco lodge or unique retreat style property in one region may well preclude the development of any similar facilities elsewhere in Cape Breton.)

1. Sydney

- None Identified

2. North Sydney/Sydney Mines

- None Identified

3. Baddeck and Area

- Upgrading (fundamental transformation) of demand influencing style properties including professional B&Bs and others meeting the definitions provided in Section 6. (There is a particular need in the B&B sector, with 14 of 18 properties currently rated at 2.5 Stars or less).
- Enhance existing resorts, inns and lodges that are demand generating or demand influencing properties with initiatives that achieve a fundamental transformation of the property such as upgrading, special Cape Breton character features and appeals, addition of more amenities, activities, programming, etc. and support for marketing and packaging.
- With the growth in golf there may be an opportunity for more resort-style accommodations development at one or more golf locations on the island, including

possibly at the Bell Bay Golf facility. This location in particular would likely be a popular one for the sale of rental management condominiums, which would also add some high-end accommodations to the rental market.

- This region may be a suitable location for high quality cottages located in a quality natural setting on Bras d'Or Lakes.

4. Louisbourg and Area

- Upgrading (fundamental transformation) of demand influencing style properties including professional B&Bs.
- This region may be a suitable location for high quality cottages located in a quality natural setting adjacent to or overlooking the ocean.
- The rural part of this region (Richmond County area) may also be a suitable location for a demand generating, multi-season eco/adventure lodge.

5. Port Hawkesbury/Port Hastings

- Depending on the impact of the new Civic Centre, there may be an opportunity for expanded accommodations in hotels, however, this type of project is not recommended for support since these are primarily traveller service style accommodations.
- Upgrading/fundamental transformation of multi-season hotel/motel properties catering to several different markets, including the meetings market segment, to reflect contemporary consumer expectations.

6. Cheticamp Area

- Upgrading (fundamental transformation) of demand influencing style properties including professional B&Bs, as well as of multi-season hotel/motel properties catering to several different markets, to reflect contemporary consumer expectations. This need reflects the fact that over half of the accommodation units in Cheticamp are rated at 2.5 stars or less.
- The rural part of this region (or adjacent regions on the north and the south) may also be a suitable location for a demand generating, multi-season eco/adventure lodge such as described in the Tourism Road Map.

7. Inverness County South of Cheticamp

- Inverness Resort and Golf Club project – This project was discussed in Section 6, including a proposed reworking of the concept potentially to include a mixture of cottage properties, country inn and recreational real estate sharing common amenities.

- Possible location for a demand generating, multi-season eco/adventure lodge such as described in the Tourism Road Map.

8. Cabot Trail – St. Ann’s to edge of Ingonish

- Possible location for 4 or 5 Star vacation cottage properties on or overlooking the ocean, or for unique activity retreat style properties, particularly if the Cape Smokey Resort project does not happen.
- Upgrading (fundamental transformation) of demand influencing style properties including professional B&Bs.

9. Cabot Trail – Neils Harbour to edge of Cheticamp

- Upgrading (fundamental transformation) of demand influencing style properties including professional B&Bs.
- Possible location for 4 or 5 Star vacation cottage properties on or overlooking the ocean, or for unique activity retreat style properties.
- Possible location for a demand generating, multi-season eco/adventure lodge such as described in the Tourism Road Map.

10. Other Parts of Cape Breton Regional Municipality (other than those covered under other regions)

- None identified

11. Ile Madame/St. Peter’s Area

- Possible location for a demand generating, multi-season eco/adventure lodge such as described in the Tourism Road Map.
- Possible location for 4 or 5 Star vacation cottage properties on or overlooking the ocean, or for unique activity retreat style properties.
- This area needs things for visitors to see and do, and were they to occur, there would likely be opportunities for quality inns or other demand influencing properties.

12. Ingonish/Ingonish Beach/Ingonish Centre

- Cape Smokey Resort Project as described earlier in Section 6.
- If the proposed Cape Smokey resort doesn’t happen, there may be an opportunity for more high quality cottage development here, or potentially a 4 – 5 Star inn.

13. South East Inverness County

- None identified

Potential Additional Accommodation Opportunities in the Future In the Context of the Implementation of Broader Tourism Growth Strategies

These opportunities assume that a significant part of the Tourism Road Map or other strategies to grow tourism in Cape Breton have been implemented. These are specific opportunities that have been identified as warranting consideration in the context of the Road Map implementation. However, this list should not be seen to be exhaustive - there may very well be a number of other accommodation development opportunities that emerge when and if tourism grows in Cape Breton.

1. Sydney

- None Identified

2. North Sydney/Sydney Mines

- None Identified

3. Baddeck and Area

- With the growth in tourism volumes there will opportunities for more resort-style accommodations development here
- As mentioned in the previous list, this location in particular would be a popular one for the sale of rental management condominiums.

4. Louisbourg and Area

- With the proposed 'Seasons at the Fortress' initiative, plus with the trails and attractive wilderness and coastal areas here, there may be an opportunity for more demand influencing accommodations, such 4 or 5 star country inn properties.
- See also discussion under Other Parts of CBRM Region

5. Port Hawkesbury/Port Hastings

- None Identified

6. Cheticamp

- None Identified

7. Inverness County South of Cheticamp

- Mabou – There may be an opportunity for a quality inn, cottage development or other demand influencing accommodation development in this area to take advantage of the Trans Canada Trail and Mabou Highlands trails and the cultural programming being planned here.
- Margaree Valley – This beautiful area may be able to support more demand influencing accommodations such as quality inns, professional B& Bs or small resort style accommodations.
- Possible location for additional 4 or 5 Star vacation cottage properties on or overlooking the ocean, or for unique activity retreat style properties, particularly if the Cape Smokey Resort project does not happen

8. Cabot Trail – St. Ann’s to edge of Ingonish

- None Identified

9. Cabot Trail – Neils Harbour to edge of Cheticamp

- None Identified

10. Other Parts of Cape Breton Regional Municipality (other than those covered under other regions)

- Fleur de Lis Trail – If this touring route were developed as proposed in the Road Map there may be opportunities for new demand influencing accommodations development, perhaps quality cottages by the sea. Again, the Road Map suggested the possibility of an eco-lodge for this area.

11. Ile Madame/St. Peter’s Area

- None Identified

12. Ingonish/Ingonish Beach/Ingonish Centre

- Additional quality accommodations such as 4 or 5 Star vacation cottages or resort style properties

13. South East Inverness County

- None Identified

Support for Campground Projects

The current policy with respect to campgrounds is not to support new facilities or the expansion of existing facilities given the current over supply, but to consider assistance for upgrading. On the basis of our assessment, we do not see any need or rationale to change the current policy.

With respect to assistance for modernization, we suggest that the criteria to be used in assessing the projects include:

- The extent to which the campground caters to transient demand as opposed to seasonal demand. With the heavy proportion of seasonal demand at Cape Breton campgrounds, we suggest that only those facilities that generate at least 50% of their demand from transient markets be considered for assistance.
- Campgrounds be required to meet a minimum of 3 Stars for Facilities under the Camping Select program - this provides for at least 50% partially serviced sites plus some 30 amp electrical service, and at least 2 Stars for Recreation.
- The extent to which the modernization/upgrading initiatives provide other sources of revenue for the campground such as additional services, snack bar, store, etc.

Consideration should also be given to providing assistance for projects that include making available other types of “camping” accommodation such as camping cabins.