

G  
155  
C3P7  
K3

"THE VIEWS EXPRESSED  
IN THIS REPORT  
ARE NOT NECESSARILY  
THOSE OF DREE"

"LES OPINIONS EXPRIMEES  
DANS CE RAPPORT  
NE SONT PAS NECESSAIREMENT  
CELLES DU MEER"

DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

PRINCE EDWARD ISLAND

STRATEGY FOR TOURIST DEVELOPMENT

DEPT. OF REGIONAL ECONOMIC EXPANSION  
LIBRARY  
JAN 18 1974  
OTTAWA  
BIBLIOTHEQUE  
MIR. DE L'EXPANSION ECONOMIQUE REGIONALE

Kates, Peat, Marwick & Co.

February, 1971

G  
155  
C3P7  
K3

KATES, PEAT, MARWICK & Co.

PRUDENTIAL BUILDING  
4 KING STREET WEST  
TORONTO 1, ONTARIO  
362-2371

PRIVATE

February 22, 1971

Mr. D. R. Campbell  
Director  
Plan Formulation  
Department of Regional Economic  
Expansion  
161 Laurier Avenue West  
Ottawa, Ontario

Dear Mr. Campbell:

We take pleasure in delivering the final report of the study you commissioned on August 31, 1970 on the elements of a strategy to maximize the tourist impact in Prince Edward Island.

This study was carried out under severe time and budget constraints that permitted no original data collection or projections. In consequence, it leaves many questions unanswered. However, it provides the outline of methodologies for determining the answers. It also recommends an immediate action program that can be incorporated into a final plan regardless of the form the latter may take. These points are brought out in the exchange of letters that constitutes Appendix B to this report.

The report itself contains four sections.

The first section presents a summary overview of the present strategy and our recommendations.

In the second section, the original strategy and tactics of the plan are described and commented upon. Attention is directed towards certain elements of the tactics which may present difficulties.

In section three, we outline a recommended new tactical approach which will permit selected projects and programs to be pursued on an immediate basis while improved planning and decision-making processes are introduced.

The final section of the report discusses the problems of implementation which have been encountered. These are all ascribable, in our opinion, to the strain placed upon the existing organization structure in the Provincial Government by the magnitude of the plan undertakings. Re-organization is called for.

Mr. D. R. Campbell

February 22, 1971

Our terms of reference do not permit us to make recommendations on the most desirable organization structure for implementing the tourism and recreation development plan. We have, naturally given it some thought. There appears to be a number of alternatives which should be analyzed and evaluated before a decision is made. Some possibilities that have occurred to us are listed below:

1. The Department of Tourist Development could be strengthened and reorganized in order to create within it a body capable of operating what amounts to a real estate business.
2. Project teams could be established for project management, control and operation.
3. A Crown corporation could be set up to fulfil both ownership and management roles.
4. Construction and operation responsibility might be vested in Public Works and other service Departments. Perhaps the land development function could be carried out by the Land Development Corporation.

These ideas are not necessarily exclusive or all-inclusive. They are simply the result of initial consideration of the problem.

---

We have greatly enjoyed working on this study and hope that it may contribute to a smooth-running and economically successful program.

Yours truly

Kates, Peat, Marwick & Co.

DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

PRINCE EDWARD ISLAND

STRATEGY FOR TOURIST DEVELOPMENT

TABLE OF CONTENTS

	<u>Page</u>
<u>SUMMARY</u> . . . . .	I-1
<u>REVIEW OF STRATEGY AND TACTICS</u> . . . . .	II-1
Existing Strategy: The Development Plan . . . . .	II-1
Comments on the Existing Strategy . . . . .	II-6
<u>A NEW TACTICAL APPROACH</u> . . . . .	III-1
The New Components . . . . .	III-1
Data Needs . . . . .	III-2
Interim Measures . . . . .	III-3
Objective of the Strategy . . . . .	III-4
Methods of Increasing Tourist Spending . . . . .	III-5
A Revised Approach . . . . .	III-6
The Two Markets . . . . .	III-8
The New Market . . . . .	III-9
The Existing Market . . . . .	III-13
Minimizing Costs . . . . .	III-19
Wise Use of Tourism Resources . . . . .	III-25
High Priority Program . . . . .	III-26
Conclusions . . . . .	III-30
<u>IMPLEMENTING THE PLAN</u> . . . . .	IV-1
Scope of Implementation Review . . . . .	IV-1
Summary of Findings and Recommendations . . . . .	IV-2
Communications . . . . .	IV-4
Implementation Systems Limitations . . . . .	IV-6
Organizational Limitations . . . . .	IV-8
<hr/>	
<u>FIGURES</u>	
1. The Planning Process . . . . .	III-3
2. Occupancy Rates Seasonal Motels - P.E.I. 1965 . . . . .	III-10

TABLE OF CONTENTS

- 2 -

3.	Implementation Systems Process . . . . .	IV-6
4.	Department of Tourist Development . . . . .	IV-8

TABLES

1.	Costing - Comprehensive Development Plan . . . . .	II-7
2.	Costing . . . . .	II-7
3.	What Goes Into a Recreation Complex? . . . . .	II-9
4.	What Benefits Have Been Estimated for a Recreation Complex . . . . .	II-10
5.	Expenditures by Tourists in Prince Edward Island . . . . .	III-2
6.	Number of Visitor Automobiles coming to P.E.I. by Ferry . . . . .	III-2
7.	Selected Tourist Accommodations by County . . . . .	III-2
8.	Effect of Increasing Occupancy Over an Extended Season (Seasonal Motels) . . . . .	III-11
9.	Tourists Distribution by Type of Overnight Accommodation Used and Expenditures 1965 . . . . .	III-13
10.	Year-Round Motels . . . . .	III-16
11.	Conventions . . . . .	III-18
12.	Capacity of Ferries to Prince Edward Island . . . . .	III-20
13.	Sums Available for Interest and Capital Investment . . . . .	III-21
14.	High-Priced Seasonal Motel . . . . .	III-22
15.	Calculation of Maximum Economic Cost Per Unit . . . . .	III-22

TABLE OF CONTENTS

- 3 -

APPENDICES

- A. Bibliography
- B. Exchange of Letters

I - SUMMARY

The Federal/Provincial Agreement covering the Development Plan For Prince Edward Island provides for \$12,706,000 to be spent on improving the Tourism and Recreation sector during the period 1969 to 1974 inclusive. Of this sum, \$7,010,000 is allocated for loans to the private sector, approximately \$5 million for capital developments, and a little over \$400,000 for ordinary expenditure. The remainder, \$240,000, was spent in 1969.

The Plan's strategy and tactics have been reviewed by Kates, Peat, Marwick & Co. at the request of the Department of Regional Economic Expansion (DREE), on behalf of the Federal/Provincial Plan Review Committee. The review has also covered certain aspects of the management of the Plan implementation program.

Having completed a careful review of the background documents that support the formal Plan, and having held meetings with Messrs. D. W. Gallegher and Harold Verge, the chief architects of the Plan, we find ourselves in general agreement with its overall strategy.

Briefly, stated this strategy proposes to introduce measures to:

- lengthen the tourist season
- encourage visitors to stay longer and to spend more per day
- ensure good land use and high quality facilities

- spread the tourist industry more evenly over the Island by creating an overall design theme consisting of three looped drives, one for each County, each with a major resort complex as its focal point
- make Government credit easier for approved developments conforming to the theme
- raise the profitability of the industry by improved management in Government and industry and by reducing costs.

Although we consider the strategy to be sound, we found the tactics of the Plan to have some weaknesses, and observed that the implementation program has run into difficulties and delays.

We recommend adoption of a new tactical approach to implementation of the Plan. The bases of this approach are that an accurate data base should be established to facilitate planning and decision-making, and that implementation should adhere rigidly to an order of priorities established quantitatively.

During the interim period (of at least one year) during which good market analyses will be prepared and cost/benefit studies carried out, a few capital projects can be furthered and certain key improvement programs introduced.

The capital projects that we recommend include the following:

1. Brudenell should be completed and the private sector encouraged to provide motel units, vacation cottages and a marina as soon as possible.
2. Land should be acquired for East Point National Park and for a service centre outside the Park.



3. The Provincial Government should cooperate with the National Parks Service on implementing the Federal Plan for Prince Edward Island National Park.

Possibly of even more significance to the industry and the economy of the Island, in our opinion, is the need to establish positive programs for profit improvement. Actions which we recommend should be started without delay are listed below.

1. A promotion program should be launched to attract sports fishermen in May and June and sportsmen for fishing and bird shooting in the fall.
2. Plans should be prepared for Charlottetown and Summerside. The planners should give serious consideration to the potential of these cities as tourist complexes and especially of the possibility of developing an off-season seminar/convention business in Charlottetown.
3. Work should be started on the looped drives. This amounts chiefly to installing signs and making informative literature available. In addition, more effort should be made to provide tourists with ready access to their wants, and thus encourage them to spend more money. ?
4. A program should be introduced to rationalize charges made for ferry transportation and camping. These should be closer to actual cost than they are now. X
5. An architectural competition should be held for design of low-cost motel units suitable for seasonal operations. Such units, especially if they could be built largely in the Island during the off-season, would benefit the entire industry. ///
6. Management training programs should be instituted for members of the industry and for Government staff concerned with the industry.

These are the elements of the interim program which can be pursued immediately. Concurrently, a process should be introduced for

obtaining sound data on the industry and for planning for its orderly future growth. The planners should recognize that there are two markets, the existing and the higher spending segment which the strategy seeks to attract. They should ensure that wise use is made of natural resources by means of good location strategy, strict zoning and quality control. Tourist development should be carefully blended with other economic activities, especially with urban development and other land uses. As far as possible special provision should be made for the tastes and preferences of different market segments.

In following these guidelines sight must never be lost of the Island's two greatest attractions - its sheltered marine setting and its serenity. Plans should build upon these assets and should exploit to the fullest advantage the Island's scenic and historical variety. This will stimulate the tourists' interest and appeal to different markets.

The difficulties that have been experienced in implementing the Plan are almost entirely due to management problems. Putting this Plan into effect is a major undertaking, calling for re-organization of the responsible departments and reallocation of responsibilities to release people from current tasks so that they may get ahead with the Plan. We believe that responsibility for decision-making and management must lie with the Government of Prince Edward Island. The Islanders must be masters in their own house. The Federal Government has an important role to play in helping them to be better masters.

## II - REVIEW OF STRATEGY AND TACTICS

### EXISTING STRATEGY: THE DEVELOPMENT PLAN

On March 7, 1969, the Governments of Canada and Prince Edward Island signed a Federal/Provincial Agreement, incorporating a Comprehensive Development Plan for the Province. The Agreement and Plan have been published in a booklet entitled: Development Plan For Prince Edward Island.<sup>1</sup>

The Agreement includes a stipulation that the Plan should be reviewed in its entirety before two years elapse. On August 31, 1970, the Federal Department of Regional Economic Expansion authorized Kates, Peat, Marwick & Co. to review the strategy for tourist development incorporated in the Plan.

#### Background of the Plan

The strategy for tourist development expressed in the Development Plan For Prince Edward Island was developed over a number of years. Although the tourist industry has been important to the Province for 40 years or more, the effort to analyze it in order to plan and channel its growth effectively, started with Acres' study of 1965.<sup>2</sup> Mr. Harold Verge of the Economic Improvement Corporation was responsible for developing a tentative plan based upon the Acres' observations and recommendations and his own original work. This was published on December 1, 1967<sup>3</sup>. The Verge plan presented fairly detailed budgets

for a ten year development program, recommending a total expenditure of \$38.4 million of which \$13.5 million was to be allocated for the first four years.

Following signature of the Federal/Provincial Agreement on March 7, 1969, another planning document was prepared by Messrs. John A. Morley and Barry N. Diamond<sup>4</sup>. This plan recommended a total expenditure for 1970-71 (including \$240,821 spent in 1969) of \$12.7 million, the same amount as specified in the summary of costs for the first phase of the Prince Edward Island Comprehensive Development Plan which was adopted officially through the Federal/Provincial Agreement.

Objectives of the  
Tourist Sector Plan

The official document states the objectives of the tourist strategy as follows:

- To assist the development that must take place in face of the pressure of demand.
- To provide the degree of regulation necessary to optimize the returns to the Island's economy.
- To avoid conflicting unnecessarily with agricultural and other developments.

The Verge plan agrees entirely with this statement of objectives.

Problems of the  
Tourist Industry

In developing the details of a strategy for achieving these objectives, Verge recognized that the tourist industry in PEI has two

types of problems. The first is generic and is found commonly in most tourist areas. The problems in this group were stated by Verge as follows:

1. Employment is supplementary, intermittent and lowly paid.
2. The industry is sensitive to continental economic swings.
3. Its returns are uncertain.
4. It is susceptible to changing tourist habits.

The second set of problems is specific to the PEI tourist industry. As stated in both the Développement Plan and the Verge report, these problems include:

- relatively low per capita spending
- inadequate zoning and quality controls
- high construction costs
- credit difficulties
- severe shortage of accommodation at the peak of the season
- too high a proportion of campers.

Components of  
the Strategy

As expressed in the key documents, the existing strategy is based upon the principle of introducing a series of planned government interventions leading to beneficial changes in the balance of the industry, including:

1. Lengthening the tourist season.
2. Developing facilities to encourage higher per capita spending. These are to include:
  - public sector developments
    - recreational complexes
    - looped drives
  - private sector facilities
    - accommodation and cottage developments
    - operation of businesses.
3. Introducing a program of zoning and quality control to include:
  - licensing
  - inspection services
  - penalties
4. Introducing an overall design theme. This consists of three looped drives, one in each segment of the Island, each with a recreational complex as its focal point. In the recreational complexes, Government will build and operate the public facilities and will encourage private enterprise to put up approved accommodation and to operate commercial concessions.
5. Developing a design concept for low-cost seasonal accommodation.
  - within the design theme
  - with variability of units within the theme.
6. Making Government credit easier for developments that:
  - conform to the design theme
  - conform to location plans
  - have a minimum private sector equity of 40 per cent.
7. Expanding the range of employment opportunities.
8. Upgrading tourist catering services.
9. Stimulating growth outside the Charlottetown - National Park axis.

The Economic  
Target

The Development Plan establishes that the target for the tourism sector is to increase provincial receipts to \$18 million by 1979.

For the year 1965, from June 15 to Labour Day, tourist spending, as estimated by Acres, was approximately \$6 million. Because the survey from which this estimate was derived was taken at the peak of the season, this figure reflects mainly recreational tourist spending.

For purposes of this study, we prepared a rough estimate of visitor expenditure for the six-month period May 1 to October 31, 1969, and arrived at a figure of \$9.5 million. This amount is consistent with the Acres' estimate for 1965.

The straight line projection of this trend, curiously enough, very nearly reaches \$18 million in the year 1979, indicating that the Plan's target could be achieved without any Government intervention. \*  
But without careful planning, a volume of business of this magnitude on PEI could interfere seriously with other economic activities, and could possibly create so much pressure on resources as to be self-destroying.

Further Planning  
and Implementation

The Federal/Provincial Plan incorporates strong recommendations on the organization and management of the processes for implementing and

re-evaluating the plan as a whole. These recommendations do not pertain to any particular sector.

The Plan stipulates that:

1. A management group be formed.
2. Joint Federal/Provincial working groups be established, responsible for:
  - determining policy and programming requirements
  - coordinating departmental efforts.
3. A detailed program be developed for decision-making and scheduling the activities of the implementation process.

The Plan places much emphasis on the need to strengthen the departments of the Provincial Government through management training programs. Management training is also advocated for the private sector in upgrading the services provided by the tourist industry.

COMMENTS ON THE  
EXISTING STRATEGY

In searching for reasons why implementation of the plan has experienced a slow and relatively unsatisfactory start, we have been impressed by the fact that virtually nothing effective has been done to launch management training programs. This all important area will be dealt with in more detail later in this report.



TABLE 2

COSTING

BREAKDOWN OF AGREED BUDGETS  
per Morley & Diamond

ORIGINAL PLAN

Capital Projects

East Pt. Nat. Pk.- Land	\$ 400,000	\$ 400,000
Brudenell Complex	1,210,000	950,000
West Complex	220,000	460,000
Malpeque Bay Complex	200,000	340,000
Entry Points	150,000	30,000
Highway Improvements	550,000	178,000
Fish and Wildlife	994,900	900,000
Provincial Parks	220,000	1,166,430
Tourist Information	30,000	230,000
Urban Renewal	100,000	
Accomm. Demonstrat. Project	300,000	Tourist wharfs and marinas 321,000
Handicraft School	100,000	39,750
		Red Cross 25,000
		<hr/>
Total	\$4,474,900	\$5,040,180

Land Use Planning

Design Concept and Land Use Control (Staff)	240,000	
Planning, Zoning and Land Use Regs.	30,000	
Wood Islands Plan	20,000	
	<hr/>	
	\$290,000	\$290,000

Education, Research  
and Information

Architectural Studies	45,000	25,000
Fish and Wildlife	237,000	-
Education - Voc'n. and Extension	100,000	Urban Recreation 100,000
	<hr/>	<hr/>
	\$382,000	\$125,000

Administration

Loan Fund	7,240,000	7,010,000
Parks Branch	600,000	
Fish & Wildlife	400,000	
Tourist Bureau	80,000	
	<hr/>	<hr/>
	\$8,320,000	\$7,010,000

1969 Expend. 240,821

TOTAL \$13,466,900

TOTAL \$12,706,001

TABLE 1

COSTING

COMPREHENSIVE DEVELOPMENT PLAN  
RECREATION - TOURISM

ORIGINAL PLAN - DATED DEC. 1, 1967

PROGRAM	Y E A R S			Ten-Year Program
	0 - 4	5 - 7	8 - 10	
Capital Projects	\$4,474,900	\$6,042,780	\$5,514,830	\$16,032,510
Land Use Planning	290,000	180,000	180,000	650,000
Education, Research and Information	382,000	256,500	256,500	895,000
Administration				
- Loan fund	7,200,000	5,400,000	5,400,000	18,000,000
- Reorganization and Staffing	1,120,000	840,000	840,000	2,800,000
Totals	\$13,466,900	\$12,719,280	\$12,191,330	\$38,377,510

AGREEMENT - dated March 7, 1969

- Loan fund	\$ 7,010,000
- Other	<u>5,696,000</u>
Total	<u>\$12,706,000</u>

Strategy  
and Tactics

The original plan was strategic, designed for implementation over a 15-year period.

The Agreement covers a tactical program scheduled for progressive introduction over the years 1970 to 1974 inclusive.

Table 1, opposite, shows the cost estimates and schedule, by Program, presented in the Verge plan, and the major budget items incorporated in the Federal/Provincial Agreement.

Table 2, opposite, compares the breakdown of the estimates for the original plan by major program, with the breakdown of the agreed budget as shown in the document prepared by Messrs. Morley and Diamond. Certain figures shown in this table demonstrate two significant facts:

1. At the end of the period covered by the Agreement, a number of projects will be in various stages of incompleteness.
2. The breakdown of the agreed budget de-emphasizes the program for Improvement of Administration in the Department of Tourist Development and the program for Education, Research and Information pertaining to the tourism sector.

Incompleteness  
of the Tactics

The main projects which will be incomplete at the end of the Agreement period include the land acquisition for the proposed East Point National Park; \$400,000 out of an estimates \$1 million will have

been spent by that time. In addition, although one of the recreation complexes will be finished, one will be approximately half finished and another only one third complete. Clearly these projects cannot be left in such a state, Equally clearly, adherence to the accepted schedule will oblige the Governments to continue with substantial construction programs whether the prototypes are successful or not.

Need for  
Institutional Support

In the case of the de-emphasis on administrative strengthening and management training for the private sector, the program remains budgeted for but its objective seems to have been lost. In the original conceptual plan, the program objective was stated as follows:

"To support substantial private investment in the recreation-tourism industry and to promote confidence in the industry by instituting programs of assistance and training and by maintaining and expanding public conservation programs."

We believe that such a program is highly desirable and should be re-instituted. A positive program for administrative and organizational improvement is very different from a simple increase in the departmental budget. This subject will be treated more fully later in the report.

The Overall  
Design Theme

The principle of the overall design theme is central to both the strategy and the tactics of the approved plan. It includes two central concepts:

TABLE 3

WHAT GOES INTO A RECREATION COMPLEX?

(from Appendix E of the 1967 Plan)

RECREATION-ENTERTAINMENT CENTRE

Cinema	)		
Club and Restaurant	)		
Children's Cinema	)		
Teen Centre	)	Recreation	\$383,000.
Swimming Pool	)		
Wading Pool	)		
Change Rooms	)		
Playground	)		
Clinic	)		
Chapel	)	Institutional	62,000.
Library	)		
Nursery	)		
General Store	)		
Marina	)	Service	100,000.
Comfort Station	)		
Covered Walks	)		
Landscaping			18,000.
Architectural fees			35,000.
Water, sewage, parking, lanes			<u>150,000.</u>
			\$ 750,000
ADMINISTRATION OFFICES			20,000.
STAFF HOUSING			150,000.
GOLF COURSE			225,000.
LAND DEVELOPMENT FOR ACCOMMODATION AREAS			250,000.
		TOTAL	<u>\$1,395,000.</u>

- looped drives
- recreational complexes.

Before suggesting modifications to the approved strategy and tactics, it is important to understand the implications of these two principles.

Development of the looped drives will entail no great expense because their establishment requires only:

- identifying and mapping the main places of interest on the Island, sign-posting them and preparing descriptive literature, etc.
- developing three circuit drives, one for each third of the Island. Each can have spurs leading off to places of interest. Special sign posts and promotional literature are all that is required to establish these drives.

Introducing the tourists to the Island's main attractions in this way would almost certainly induce at least a percentage of them to prolong their stay while they explore the looped drives. The program will also tend to disperse the tourists to the eastern and western extremities of the Island which are now visited by a very few, and this will relieve pressure on the Charlottetown - National Park axis.

The recreational complexes are conceived as focal points for tourist activity and accommodation. The plan recommends one major complex for each looped drive and one sub-complex for each national park.

Table 3, opposite, shows the components of a major complex and their estimated costs. It is important to note that the estimated

3  
TABLE 4

WHAT BENEFITS HAVE BEEN ESTIMATED  
FOR A RECREATION COMPLEX?

(from Appendix E of the 1967 Plan)

<u>EMPLOYMENT</u>	<u>Jobs</u>	<u>A n n u a l Wages and Salaries</u>
Administration	6	\$ 24,000.
Recreation-Ent. Centre	53	100,000.
Golf Course	6	12,000.
Accommodation Areas 1500 beds	94	200,000.
Parkland Maintenance by Parks Branch	5	10,000.
	<hr/> 164	<hr/> \$346,000.
 <u>VISITOR EXPENDITURE</u>		
180,000 bed-days*		
- accommodation @ \$5/day		\$900,000.
- food @ \$2.50/day		450,000.
- amusements/ souvenirs @ \$2.50/day		450,000.
Day-visitors - 200,000 @ \$2.50/day		500,000.
		<hr/>
	TOTAL	\$2,300,000.

\* Note - This represents 100% occupancy of all beds for a 120 day season.

costs include only those items to be financed from public funds. The plan allows for incentives to be provided to the private sector for construction of the necessary accommodation units and commercial facilities.

Two questions come to mind when looking at this concept:

1. To what extent can existing facilities in urban areas be used instead of constructing new facilities?
2. Is it necessary or important for all recreational complexes to be alike?

These questions will be dealt with later in the report.

#### Economic Analyses

The costs of the complexes were reasonably developed considering that the plan was elaborated only to the conceptual stage. Benefits, on the other hand, were but roughly estimated in the planning studies. Table 4, opposite, shows the benefit estimate included in the 1967 plan document. Two very significant observations must be made on the figures presented in this table:

1. The wages and salaries shown as a benefit under "employment" are actually annual costs.
2. The estimate of 180,000 bed-days of occupancy can be achieved only if every room is occupied by two people every night from June 1 to September 30. Present occupancy rates of seasonal establishments come nowhere near this volume. Expenditure estimates for food and amusements are proportional to those for accommodation, and if the former cannot be achieved neither can the latter.



Finally, it must be pointed out that the costs presented in the original plan represent only costs to Government, whereas the estimate of benefits represents receipts to the private sector almost entirely. The two figures therefore are not comparable in any respect. ✓ Furthermore, capital and operating costs to Government are lumped together, and some very significant financial considerations including ✓ interest on capital and repayment of loans are overlooked.

#### Management Systems

The official plan document is not specific about the methods to be employed to control the implementation procedure and to ensure that regular evaluations of results are used to modify tactics and even strategy. It implies, however, that such modern management tools will be used.

We were astounded to observe that highly sophisticated methods had been developed for managing and improving the plan - but that they had not been used in the tourist development sector.

It appears that the Federal Government has exceeded its own capacity to deliver aid to Prince Edward Island, and has not challenged the Province's ability to respond to economic stimulus. The result is mutual frustration and dissatisfaction, although, in our views, both sides are putting forth serious efforts to accomplish the objectives of the Plan.

The next section outlines a new tactical approach. In the following section, we discuss some alternative approaches to organization and management methods.

Basically, the agreed Plan strategy seems to be well founded and well conceived. Unfortunately, no workable system has been introduced to elaborate its details, to improve it and to implement it. It is our purpose to suggest that Prince Edward Island, with the blessing of the Federal Government, adopt simple but effective planning, decision-making and implementation control processes.

III - A NEW TACTICAL APPROACH

In Section II of this report we discussed the components of the strategy recorded in the Development Plan. We wish to make it clear that generally we agree with the principles on which the strategy was based. We shall, however, interpret these principles rather differently and in addition shall introduce new components which we consider to be complementary to the others.

THE NEW COMPONENTS

The programs evolved by Morley and Diamond in amplification of the Development Plan Strategy failed to provide analyses to substantiate that the action proposed was the best suited to circumstances. Although the development of the Brudenell Complex was given first priority, priorities were not in fact established, and no cost-benefit studies are presented to support the investment recommendations.

Despite there being no priorities and no cost-benefit analyses, a decision on where to start had to be made. Recourse to a pragmatic solution ensued - a start had to be made somewhere, and as recreational complexes were basic to the strategy, it was logical to start building one.

It seems an inevitable conclusion that the whole decision-taking process should be more firmly grounded on fact, and an order of priorities must be accepted if the best value is to be obtained for every development dollar spent. To accomplish this the strategy should incorporate two new components:

TABLE 5  
EXPENDITURES BY TOURISTS IN  
PRINCE EDWARD ISLAND

	<u>1965</u>	<u>1968</u>
Department of Tourist Development Prince Edward Island	\$14,207,510	\$15,445,258
1965 Tourist Survey (Acres)	\$ 6,000,000	-
Based on 1965 Tourist Survey and CNR and Northumberland Ferries Traffic Counts (KPM & Co.)		\$ 9,500,000

TABLE 6  
NUMBER OF VISITOR AUTOMOBILES  
COMING TO P.E.I. BY FERRY — A/C?

COMPARISON OF STATISTICS FROM DIFFERENT SOURCES

Year	Number of Automobiles by Source	
	1	2
1969	-	147,179
1968	122,276	133,187
1967	102,120	110,327
1966	105,320	105,320

- Sources:
1. CNR & Wood Island Ferry Traffic Auto Entries, May to October inclusive.
  2. P.E.I. Department of Tourist Development - Tourist Statistics "Official Ferry Statistics".

Kates, Peat Marwick & Co.

TABLE 7

PRINCE EDWARD ISLAND

SELECTED TOURIST ACCOMMODATIONS BY COUNTY  
COMPARISON OF  
STATISTICS FROM TWO DIFFERENT SOURCES

Accommodation Type Rental Units	C o u n t y					
	Prince		Queen's		King's	
	S o u r c e					
	1	2	1	2	1	2
Motel Units	328	-	787	-	109	-
Hotel Units	-	-	161	-	26	-
Sub Total Motel and Hotel Units	328	523 or 277	948	1630 or 1065	135	76
Guest Rooms	152	91 or 51	378	740 or 574	63	50
Cottages	142	112 or 88	421	220 or 159	64	59
TOTAL	622	726 or 416	1747	2590 or 1798	262	185

Acres Research and Planning Ltd. 1969  
An Analysis of Demand Trends for Tourist Accommodation in Canada  
1967 - Number of Motel Units 729  
1965 - Number of Hotel Units 415  
Total 1144

- Sources: 1. Prince Edward Island Tourist Accommodation  
1970 2nd Edition  
By; P.E.I. Travel Bureau
2. P.E.I. Development Plan Series Maps Map 5  
Economic Improvement Corporation P.E.I. 1967  
Geographical Branch  
Department of Energy, Mines and Resources.

- to quantify the implications of attempting to increase tourist spending
- by so doing to ensure that Government involvement in the tourist industry, both financial and legislative, achieves maximum impact.

We feel that these components will put back into the development plan an element of flexibility which has been lost somewhere along the way. They will permit the consideration of program alternatives within the broad strategy framework in order to get the best value for money spent. Further, they will provide a logical basis of cost-effectiveness for the establishment of priorities.

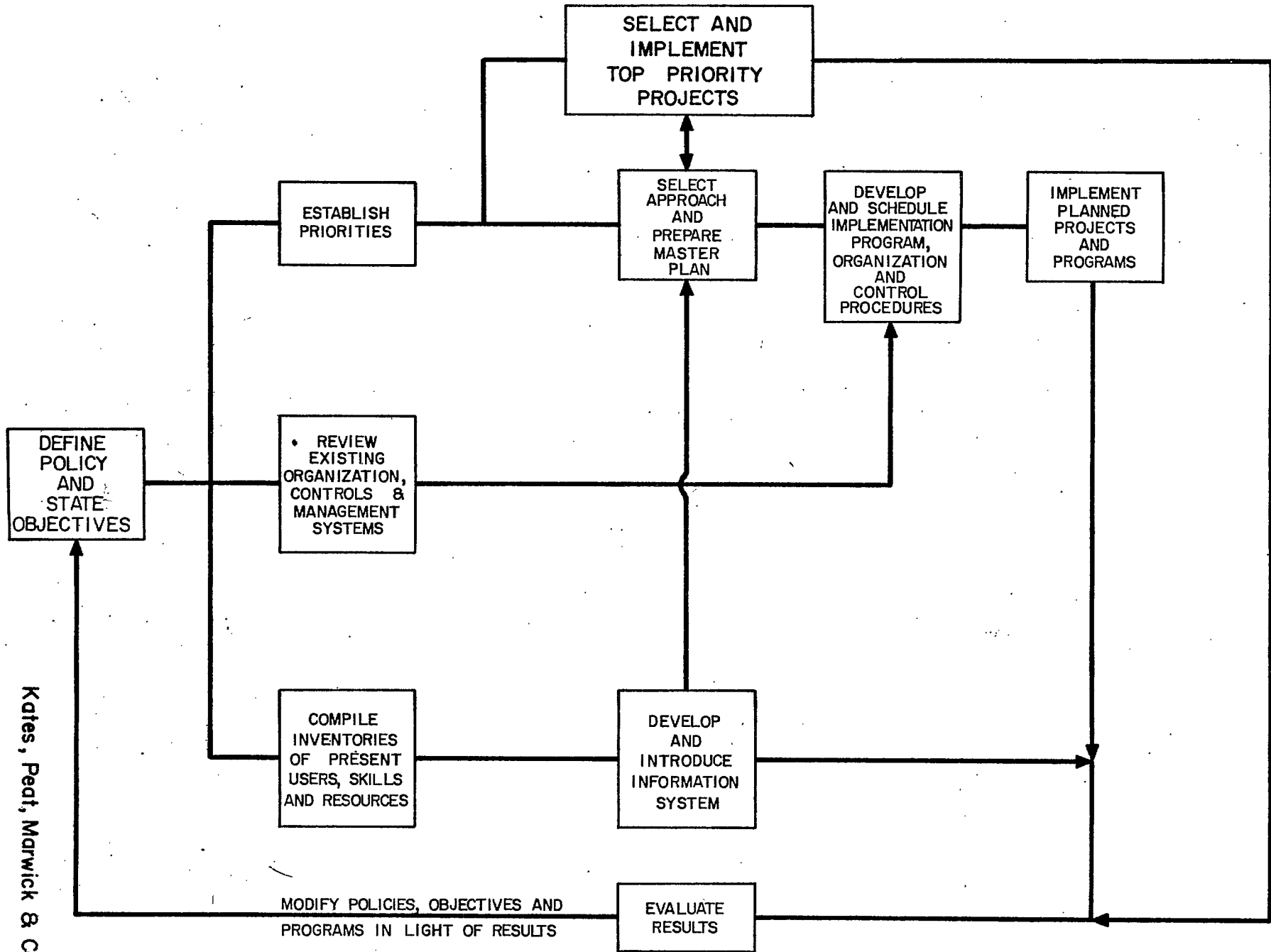
#### DATA NEEDS

The Acres' report, Development Planning For Prince Edward Island: Recreation Tourism, which was presented in 1967, relied heavily on data collected by themselves in the year 1965. Valuable though this is, it is now nearly six years old.

A certain amount of more recent data is available, but comparisons of alternative sources indicate marked inconsistencies, as illustrated in Tables 5, 6 and 7 opposite. Thus, the data base cannot be considered either adequate or reliable.

We regard a rational data collection program as essential. Data collection is both time consuming and expensive, and hence the first step in such a program must be to define data requirements and to specify precisely how such data is to be used. In justification of incurring both the delay and the expense, we can only say that without data it will

FIGURE 1  
THE PLANNING PROCESS



Kates, Peat, Marwick & Co.

be impossible to plan projects and assign priorities with any degree of confidence at all.

Our present interpretation of the need suggests that the data collection program should consist of two parts:

1. A rationalization of present data collection activities to provide a reliable basis for updating the Acres' figures. This would be adequate for general planning purposes.
2. Specific market surveys related to those segments of the market which the strategy proposes should be encouraged by Government action.

We cannot emphasize too strongly that neither the time nor the money spent on properly designed, program-oriented data collection is ever wasted.

#### INTERIM MEASURES

Such a data collection program could only take place in the summer of 1971 at the earliest. This means that budget provision for implementation cannot be provided before the financial year which starts April 1st, 1972. It is obviously impossible to stand still in the intervening period.

Figure 1, opposite, is a diagrammatic and very simplified representation of the planning process. It shows how priority projects may be spun off and implemented, without risk of conflict with the ultimate development, while planning is actively in hand. It is essential to keep the development program moving in this way if momentum is not to be lost.



Ideally, first priority projects fill a well recognized need, and have been tested and found satisfactory at the conceptual level. As no such projects are immediately obvious in Prince Edward Island, we recommend adoption of an interim program designed to get development activity moving. This program should contain elements that can readily be incorporated into whatever plan is eventually decided upon. It is not difficult to design an interim program that conforms to the broad strategy but does not commit the governments to long-term investment before a full action plan, properly costed and ordered for priority, has been worked out.

The first priority (interim) program should be based on the interpretation of the strategy which seems most appropriate. We shall therefore develop an interpretation of the strategy, illustrated by examples of the type of calculations which will be necessary, and subsequently return to an itemization of the components of the program relating to this interpretation.

#### OBJECTIVITY OF THE STRATEGY

The objective of the strategy for the tourism industry is to increase tourist spending to \$18 million in ten years, i.e. by 1979. Estimated 1970 spending stands at \$9.5 million.

We must point out that the balance sheet is not one sided. For example, to achieve the present level of spending, Government subsidizes the industry, notably in the case both of the ferries and of campsites let at sub-economic rates. If real benefit is to accrue to the

economy then subsidy levels at worst must be held constant, and preferably decreased. The strategy must therefore consist of two major elements:

- methods of increasing tourist spending
- methods of decreasing the cost of generating this spending.

We shall deal with these in turn.

#### METHODS OF INCREASING TOURIST SPENDING

Four methods of increasing tourist spending are recognized by the Development Plan:

1. Increase the length of the season.
2. Encourage longer stays.
3. Attract a higher spending market segment.
4. Increase the number of visitors. (The method is given a low priority since a simple increase in numbers can bring more problems than it solves).

To these we would add one further method:

5. Offer convenient spending opportunities.

#### The Plan Proposals

The Development Plan's proposals for achieving an increase in tourist spending may be summarized as follows:

- build five recreational complexes, three major and two minor, to function as focuses for
- a system of looped drives; and as centres of attraction for
- private investment in the accommodation field, including planned cottage development.

Setting aside for the moment the question of credit, the Plan suggests that a minimum of 6,000 accommodation units will be required.

The theory is that by providing more things to do tourists will be attracted to stay longer, and that by providing a more sophisticated range of activities the higher spending segment will be attracted, hence justifying the construction of accomodation units. The Plan does not detail how this is expected to affect the length of the season.

#### A REVISED APPROACH

We suggest that an approach more closely related to the market potential, and likely market response, should be adopted. Taking this view we shall examine the Plan proposals, first in general and then in specific terms.

#### The Recreation Complexes

Focal points are, we recognize, of value to a series of looped drives. The validity of five relatively stereotyped complexes linked by essentially similar tourist routes is, however, questionable. The essential oneness of this approach might be further emphasized by the low-cost accommodations which would be developed were the original concepts adhered to.

Our experience suggests that the objectives of the Plan would be more likely to be met if emphasis were placed on variety. Variety can make the most of opportunity by matching regional characteristics with market preferences. In this sense, the complex presently being developed at

Brudenell, and the sub-complex proposed for East Point National Park should set the tone for King's County.

For the present core area of the tourist industry, comprising Queen's County, East Prince County, and a spur to Wood Island, we suggest that Charlottetown, and to a lesser extent Summerside, are recreation complexes and their role as such should be emphasized. At the present time they each offer something completely different from the development at Brudenell, and this difference should itself be an attraction. The present functions of these two centres also differ one from the other, and their future roles will need to be carefully planned so that they continue to contribute to the variety of the recreation complex system.

We agree that a focal point is necessary in West Prince County if that area is to play its part in absorbing the increasing numbers of visitors to the Province. The comparative lack of Class 1 beaches (CLI classification)<sup>5</sup> and the more pronounced Acadian influence indicate the possibility of a different type of development in West Prince. Project Planning Associates Limited are currently undertaking a detailed study of the region. We hope that this study will succeed in identifying the unique characteristics of the region so that Provincial strategy can best be served.

#### Looped Drives

Similarly, variety should be the aim of the looped drives and to achieve this, preconceived notions of what is good or bad should be rejected. There is even room for attractions such as Africa Place, the Wax Museum and the Car Life Antique Museum, although they have been described as tourist traps having no connection with the Island. This is

because many tourists enjoy being trapped - children are especially fond of this type of attraction - and there is probably a good case for encouraging development of this sort, as long as it does not conflict with other developments.

Yet another possibility is the emphasis of ribbon development in the Acadian manner, with well designed roadside cafes in West Prince County. West Prince should be a destination area; the almost automatic adverse reaction to ribbon development is appropriate to transportation routes, but not necessarily so to a destination area. We cite this example in particular emphasis of the point that preconceived ideas have no place in the planning of Prince Edward Island tourism.

#### THE TWO MARKETS

It is important to recognize that there is not one market but two:

1. That which comes to P.E.I. at the present time. The composition of this market is not static, but changes in its structure are relatively slow.
2. The new market which P.E.I. hopes to attract. This consists of:
  - higher spenders
  - those who will stay for longer periods
  - those who will visit in the off-peak seasons

The existing market is concentrated very heavily in the Queen's County/East Prince County section of the Province, which includes a spur to Wood Island in the southern part of King's County. The new market currently exists in embryo form in King's County, specifically in connection with tuna fishing centred on North Lake.

THE NEW MARKET

Whereas Government effort will be concentrated on the new market, decisions relating to this market and its requirements will influence the management of the existing market.

Locating Facilities  
for High Spenders

The very fact that King's County has not attracted a high proportion of visitors in the past is an advantage rather than a drawback. Experience everywhere shows that the higher spending segment do not wish to spend their holidays being jostled by large numbers of transients in campers and trailers. They need not be jostled in King's County.

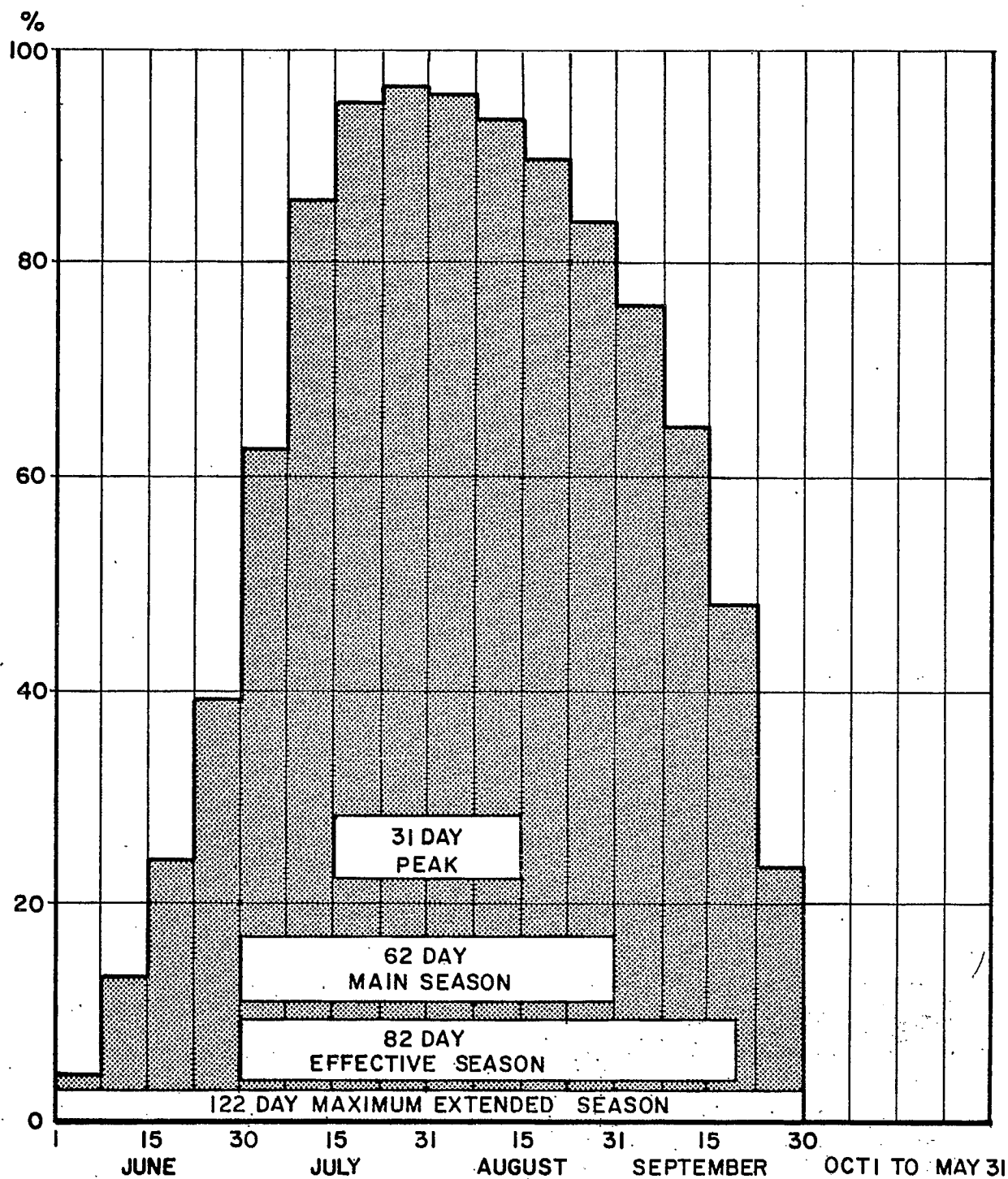
King's County has a large number of first class beaches. Brudenell is aimed at the high price market; tuna fishing attracts only the well-to-do; the Lobster Shanty caters to the expensive taste with first class food. We therefore recommend that every attempt be made to encourage development of high quality in this area, while discouraging that which is second rate. We suggest that campgrounds for transients have no place in the majority of King's County, and that if trailer parks are permitted they should be spacious, provided with a full range of services, carefully landscaped and highly priced.

Vacation Cottages

Once the Government has demonstrated its intention to maintain strict environmental control, it should be possible to attract vacation

FIGURE 2

# OCCUPANCY RATES SEASONAL MOTELS PRINCE EDWARD ISLAND - 1965



**SOURCE:** Derived by Kates, Peat, Marwick & Co from Information included in DEVELOPMENT PLANNING for PRINCE EDWARD ISLAND: RECREATION - TOURISM by Acres Research and Planning Ltd., July 1967

Kates, Peat, Marwick & Co.

cottage development of high quality. Sites should be carefully planned with a full range of services, and building control to ensure high standards must be strictly enforced. The possibilities of attracting superior privately owned trailer and campsite developments of the condominium type currently being sponsored by, for example, the Gulf Oil Co.\* in the U.S. should be investigated.

Cottage and camp resorts of this type will attract visitors who stay longer and spend more. In this connection we would point out that data concerning sums spent by cottage owners tend to be greatly under-recorded as they exclude expenditure on taxes and improvements to and maintenance of the property. Properly located and well designed cottage development can form a very desirable stable base for the tourist industry.

#### The Shoulder Seasons

The midsummer peak is a problem of the tourist industry throughout North America. With every resort trying to extend its season, only those with something definite to offer will succeed in doing so to any marked extent.

Figure 2 opposite shows occupancy rates for quarter-monthly periods for seasonal motels in P.E.I. in 1965. This indicates that June,

---

\*The Gulf Oil Co.'s scheme, called Venture Out in America, envisages individually owned condominium type campsites, each with paved patio, utility hookups, picnic table and planting, in luxurious surroundings with a heated swimming pool, playgrounds, etc. The owner can rent out his site when he is not in camp, and divide the rental with the developers.



TABLE 8

EFFECT OF INCREASING OCCUPANCY  
OVER AN EXTENDED SEASON  
(SEASONAL MOTELS)

	<u>No. Of Days</u>	<u>Room Price Per Day</u>	<u>Actual Occupancy Rate</u>	<u>Revenue \$</u>	<u>Extended Season Occupancy Rate</u>	<u>Revenue \$</u>
May	31	\$ 8.00	-	-	50%	\$124.00
June	30	\$ 8.00	20%	\$ 48.00	50%	\$120.00
July	31	\$10.00	85%	\$263.50	85%	\$263.50
August	31	\$10.00	92%	\$285.20	92%	\$285.20
September	30	\$ 9.00	53%	\$143.10	60%	\$162.00
October	31	\$ 8.00	-	-	50%	\$124.00
TOTAL				\$739.80		\$1,078.70

ie. an increase in revenue of over 45%

Kates, Peat, Marwick & Co.

the last quarter of September and all of October are the major problem periods. If the season could profitably be extended by beginning in May, this would be very advantageous. Table 8 opposite shows the effect on revenue of increasing occupancy to 50 per cent in an extended season.

The following paragraphs discuss the amenities which P.E.I. can offer during these periods.

#### May and June

The publication Where To Fish In P.E.I.<sup>6</sup> states that there are several hundred places to fish in the Province. The trout season opens on April 13 and the salmon season on May 15, although the salmon themselves are not present in any quantities until fall.

This suggests that the Island can support at least 500, perhaps 1,000 and maybe more fishermen at any one time. If even the minimum number could be attracted, the effect on occupancy rates during the months of May and June would be highly beneficial.

The streams of Prince Edward Island will be more attractive to the family fisherman than the remote virgin streams elsewhere. Emphasis should therefore be placed on the convenience of fishing in P.E.I., and everything should be done to make the fisherman's life easier. A comprehensive directory of where to fish and where to stay would be a useful first step in encouraging interest.

The market possibilities of package deals, including air

transport, accommodation, etc., aimed at people who like fishing in comfort should be investigated. With increasing market pressures for fishing and hunting holidays we see no reason why such a program should not be successful.

#### Late September and October

How many stream and pond fishermen could be attracted in the fall will depend on how good the fishing is at that time. Despite the presence of salmon the fishing does not appear to be very good. Information on other species is not readily available but if there is potential, this must be publicized.

Hunting appears more likely, on a first appraisal, to be attractive in this season. Once again, a directory of where to shoot and where to stay would be an important factor in attracting the market. Ducks and geese are natural visitors to the Island, but the Hungarian Partridge, which was plentiful in former years, has suffered a marked decline. Reintroduction and stocking of this or a similar species would probably be advantageous, and should certainly be investigated.

#### Specific Market Elements

There are well recognized market elements, largely those not tied by school age children (e.g. young couples with pre-school children, and older couples whose families are now mature) which might be attracted in the shoulder seasons. Competition for this market element is fierce, and P.E.I. must have definite attractions to offer if the Province is to penetrate this market.

TABLE 9  
PRINCE EDWARD ISLAND  
TOURISTS DISTRIBUTION BY TYPE OF OVERNIGHT ACCOMMODATION USED  
AND EXPENDITURES  
1965

<u>Type of Overnight Accommodation</u>	<u>Percentage of Total Car Parties In Each Group</u>	<u>Average Length of Stay (Days)</u>	<u>Average Number of People per Car</u>	<u>Total Party Days</u>	<u>Percentage of Party Days by Group Stayed</u>	<u>Daily * Expenditures per Party (Dollars)</u>	<u>Total * Expenditures per Party (Dollars)</u>
Relations and Friends	19.8	7.3	3.2	104,204	30.0	11	81
Farm Home	.05	7.0	2.6	2,772	0.8	15	105
Guest Home	5.2	2.5	2.8	9,308	3.2	28	68
Vacation							
Cottage	4.4	13.3	3.9	41,992	11.6	16	213
Tenting	17.9	4.1	3.9	53,427	18.2	14	58
Trailers	5.5	4.4	3.8	17,432	7.4	14	60
Tourist Cabins	8.9	2.8	3.4	18,013	5.8	29	81
Motel	26.4	2.4	2.7	46,505	15.6	34	84
Hotel	3.6	3.4	2.5	9,479	3.3	40	144
Other	1.5	10.2	-	-	4.1		
<hr/>							
Day-Trippers (not staying overnight)	12.4	-	3.5	8,947	-	12	12
	106.1**	4.0	3.2	312,079			

\* Rounded to the nearest dollar.

\*\* Exceeds 100 per cent because some 6 per cent of the people stayed in more than one type of overnight accommodation.

Source: Development Planning for Prince Edward Island  
Recreation-Tourism  
by Acres Research and Planning Ltd., July 1967

Success in this sphere will be dependent on a careful study of the market. Again, one possibility is to provide package holidays, inclusive of baby sitting which will free parents in the evenings, at attractive rates. Such schemes should be tested out on a pilot scale, possibly at Brudenell, before a major investment in publicity is made. For the month of June it would probably be worthwhile concentrating publicity in the United States, for statistics show that many more Americans than Canadians take early holidays.

#### THE EXISTING MARKET

The existing tourist market cannot be ignored, and must therefore be managed. The major problem element consists of campers and trailers, the most rapidly growing segment of the tourist industry.\* There are already indications that certain of the natural resources of Prince Edward Island, especially some of the beaches on the North Shore, are being overloaded. If serious overloading occurs, and the environment deteriorates, the good reputation of Prince Edward Island will be lost. A good reputation is far easier to lose than to regain.

Table 9 opposite shows the market as it was in 1965. We have more recent data (1968) on expenditures per party, but not on proportions using the various types of accommodation. From discussions we have held, and from the fact that since 1965 the proportion of expenditure devoted to accommodation has declined, we deduce that the number of those tenting and using trailers has increased. This would be in accordance with the national trend.

Perhaps the most significant facts to emerge from the table concern those who stay in motels. They form by far the largest group in terms of car-parties - 26.4 per cent; on average they stay for the shortest length of time - 2.4 days; and their party size is in the low range - 2.7 persons per party. It is also relevant to note that 44.3 per cent of all visitors were in the two most highly paid occupation groups.

A number of interesting deductions may be made from these figures:

1. The new market will be created not only by attracting a new group of higher spenders but also by encouraging those who already come to stay longer.
2. The shortness of stay <sup>cost?</sup> lends support to the view that this group find the overcrowding in the present tourist areas unattractive.
3. If the motel group could be encouraged to stay one night longer on average, tourist spending would be increased by 12½ per cent.
4. At least 30 per cent of the parties do not include children, and hence are possibilities for attraction in the off-peak season.

#### Planning For the Market

We have already referred to the pressure on natural resources in the Queen's County/East Prince County sector. If King's County can be developed as a destination area for the motel segment of the market, this should take some of the pressure off the North Shore; however, it is likely to be some time before this has a significant

TABLE 10  
PRINCE EDWARD ISLAND

YEAR-ROUND MOTELS

	<u>No. Of Days</u>	<u>Per Cent Occupancy*</u>	<u>Days Occupied</u>	
June	30	58%	17.4 )	
July	31	87%	27.0 )	Total Days, Peak Season 105.3
August	31	91%	28.2 )	
September	30	79%	23.7 )	
October (Half)	15	60%	9.0 )	
October (Half) + Nov-May	228	48%	109.4 )	Total Days, Off Peak Season 109.4

Source: Development Planning for Prince Edward Island  
Recreation Tourism  
by Acres Research and Planning Ltd., July 1967

effect. We therefore regard it as absolutely essential to undertake a survey of the carrying capacity and actual use of natural resources in Queen's and East Prince Counties, in order to decide how and where development should be encouraged or discouraged.

#### Campsites and Trailer Parks

The Province has decided, wisely in our view, to limit expenditures on developing campsites and trailer parks. Even without encouragement this market is likely to continue to grow. If intense overcrowding is not to result, the private sector must provide these facilities, which it can do only by charging economic rates. Although charges have been increased, we understand that at the present rates, camp and trailer sites in Provincial parks are still subsidized.

We shall deal with this point more fully in the section on Provincial Subsidies.

#### Commercial Accommodation

The other major element in the commercial accommodation market is motels, which are of two broad types:

- seasonal motels in the rural areas ✓
- year-round motels, largely in Charlottetown and Summerside.

They have markedly different operating and economic characteristics.



### Seasonal Motels

Because of the intensive use of Queen's and East Prince Counties by campers, seasonal motels here are unlikely in the long term to attract and hold the higher spending markets. Room rates, and hence returns, will therefore be on the low side. This will, in turn, severely affect the amount of capital it is economic to invest in construction and furnishings. This restriction will be far less severe in King's County where the higher spending segment of the market will be prepared to pay higher rates for more luxurious seasonal accommodation. We shall return to this point under the section Minimizing Capital Investment.

### Charlottetown and Summerside

Twenty-four per cent of the tourists visiting P.E.I. visit Charlottetown, but spend only seventeen per cent of the visitor nights there. Fifteen per cent of tourists stay in Summerside, but spend only eleven per cent of the visitor nights in the town.

Higher land costs make it almost mandatory to construct for year-round occupancy in the towns. Private enterprise has responded to pressures by steadily increasing the number of rooms available. Thus in Charlottetown approximately 500 rooms have been constructed since 1954.

The private sector has responded to a specific set of market conditions illustrated by Table 10 opposite. This shows that over half of the room-nights come from the off-peak season, and that the summer peak provides the profit element. From discussions in Charlottetown,

TABLE 11  
PRINCE EDWARD ISLAND  
CONVENTIONS

	<u>Number Of</u> <u>Conventions</u>	<u>Attendance</u>
1962	1	1,000
1963	1	135
1964	117	15,100
1965	17	2,690
1966	10	1,187
1967	10	1,230
1968	15	4,300
1969	25	4,300

Kates, Peat, Marwick & Co.

we realize that more rooms could probably be filled at the peak of the peak. However, the hard economic facts are that every room constructed must be occupied for over 100 days in the off-peak season to be worthwhile.

Charlottetown and Summerside fulfil dual roles. They are the only really urban centres: Charlottetown has a population of 18,000 and Summerside 10,000. No other town has a population exceeding 1,500. They both function as recreation/tourist centres, but their functions are different. Charlottetown is the nerve-centre of the Island, with a well developed cultural attraction base. Summerside is more of a utilitarian, convenience centre. Both, in our view, should make the best of their different potentials. If they are to continue to play their complementary roles satisfactorily very careful planning is required.

We therefore recommend that plans be prepared for both Charlottetown and Summerside, paying special attention to:

- the role of tourism in the life and economy of each town
- the specific potential of each for further development as a recreational centre
- the implications of such development for the accommodation industry
- the balance between peak season and off-peak season demands.

In this connection we have reviewed the concepts outlined by Concordia Estates Limited in their paper "Comments on the Potential Development of Charlottetown and its Impact on the Tourist Industry of Prince Edward Island" dated September 21, 1970<sup>7</sup>, and consider that

they should be examined in more detail as part of the overall planning operation. We have already emphasized the importance of pre-investment market studies, and we note that Concordia's view on this subject coincides with our own. Table 11, opposite, illustrates the magnitude of the task to be faced in making viable a marked increase in accommodation units. For example we estimate that the 15,100 delegates attracted in 1964 by 117 conventions might provide justification for about 150 rooms.

Convenient Spending  
Opportunities

The provision of convenient spending opportunities aligns with the concept of variety which was introduced earlier. From the viewpoint of sales there are two obvious localities:

- in the complexes and other focusses of recreational activity
- along, or associated with, the looped drives.

Of these the first is usually regarded as acceptable, the second generates mixed feelings.

We return here to our point that preconceived ideas must have no place in the planning of Prince Edward Island Tourism. The tourist is appreciative of convenient spending opportunities, but is critical of the ugliness associated with these in other resorts in Canada and the United States. In our view, convenience and ugliness do not necessarily go hand in hand. For example, we feel that ribbon development in the Acadian manner, with roadside cafes in association

TABLE 12

CAPACITY OF FERRIES TO PRINCE EDWARD ISLAND

Company	Number of Ferries	Cumulative Capacity In Vehicles	Total Number of Runs in Each Direction per Day	Total Capacity per Day	Total Capacity per Month/ 30 Days	Minimum Vehicles in Peak Month (July) 1968
CNR	4	455	24	2730	81,900	36,624
Northumberland	2	120	12	720	21,600	17,937

Kates, Peat, Marwick &amp; Co.

with the villages, could be very attractive. Skilled design will be of the greatest importance, but we have no doubt that if the task is tackled in a positive manner, very pleasing solutions can be evolved.

We think too that there is a place for fast food and drink outlets along the looped drives. We feel that shops catering to tourists in the focusses and complexes should supply a range of goods which the tourist wants, rather than what someone thinks he ought to have. In other words wherever possible designs should be oriented to meeting market requirements, and not to exercising an arbitrary control.

#### MINIMIZING COSTS

The second major aspect of the strategy should be to minimize the costs of generating the tourist spending. There are three items to be considered:

- provincial subsidies
- Government involvement in credit
- leakage.

#### Provincial Subsidies

Three major items appear under this head, two actual and one potential, as discussed below.

Peak days, not

well

files

TABLE 13  
PRINCE EDWARD ISLAND

SUMS AVAILABLE FOR INTEREST  
AND CAPITAL INVESTMENT

LOW-PRICED MOTEL

Gross Revenue  
(Assuming favourable occupancy  
See Table 8)

\$  
1,079

*Assumes  
included down*

Operating Costs 561  
@ 52%\*

Depreciation 135  
@ 12 1/2%

Sub Total 696

Hence GROSS PROFIT 383

Less reasonable profit @ 10% *of revenue* 108

Available for interest and capital repayment 275 per annum

HIGH-PRICED MOTEL

Gross Revenue  
(See Table 15)

\$  
1,920

Operating Costs 998  
@ 52%\*

Depreciation 240  
@ 12 1/2%

Sub Total 1,238

Hence GROSS PROFIT 682

Less reasonable profit @ 10% 192

Available for interest and capital repayment 490 per annum

\*This figure is derived from the Acres' study  
The comparable figure for seasonal motels with 10-19 rooms  
in the ADB study<sup>o</sup> is 64%.

Ferry Rates

Table 12, opposite, shows the capacity of the ferries to P.E.I. Despite the fact that the monthly capacity is far greater than required, congestion does occur on peak days, notably at weekends.

Whereas a case may well be made for subsidizing the long-term visitor, little or no justification can be found for subsidizing the day tripper or the weekend visitor. We therefore recommend that rates be raised to an economic level, and suggest that the possibility of a cheap return for a more extended visit (i.e. 5 days and over) be considered. The fee structure should not be finalized until an analysis of the costs and benefits of the possible alternatives has been made.

Charges For Campsites,  
Trailer Parks

Sub-economic charges for campsites are unsatisfactory for a number of reasons:

1. The Province loses money.
2. A low spending market segment is encouraged.
3. Congestion results at park campsites, causing dissatisfaction.
4. The private sector which must make higher charges or provide poorer facilities, is only able to attract the overflow, and hence is subject to exaggerated peaking and unsatisfactory occupancy levels. This discourages investment.

Pressures from the growth of the existing market will necessitate some increase in campsites. The Government has decided to



TABLE 14

HIGH-PRICED SEASONAL MOTEL

	<u>No. Of Days .</u>	<u>Room Price</u>	<u>Occupancy</u>	<u>Revenue</u>
May	31	14	50%	217.00
June	30	14	50%	210.00
July	31	18	85%	474.30
August	31	18	92%	513.36
September	30	16	60%	288.00
October	31	14	50%	<u>217.00</u>
				\$1,919.66

CALCULATION BASED ON FAVOURABLE OCCUPANCY RATES

TABLE 15

CALCULATION OF MAXIMUM ECONOMIC COST PER UNIT

	Sum available for interest and capital repayment \$	Rate of interest on loan %	Term of loan years	Maximum economic cost per unit \$
Low-Priced Motel	275	10	10	1720
		7½	15	2400
High-Priced Motel	490	10	10	3060
		7½	15	4260

If the owner is willing to plough back his profit during the loan repayment years these sums are increased as follows:

	Sum available for interest and capital repayment \$	Rate of interest on loan %	Term of loan years	Maximum economic cost per unit \$
Low-Priced Motel	383	10	10	2400
		7½	15	3300
High-Priced Motel	682	10	10	4260
		7½	15	5930

concentrate its spending elsewhere. This makes it absolutely essential to raise the price of Provincial campgrounds not merely to the point where they do not lose money, but to a level which would enable a private investor to enter the field and make an adequate profit.

We therefore recommend that prices be raised, possibly by stages, to a level which would make private sector investment economic. We suggest at the same time that the regulations be reviewed to ensure that private campsites are constructed to, and thereafter maintained at an adequate standard.

#### Interest Rates

Government contemplates considerable further involvement in providing credit for the accommodation industry. This can be done at either market interest rates or subsidized rates. We suggest that, if possible, market rates should be used. This is closely linked with the capital cost of new construction, as discussed below.

#### Protect Government Involvement In Credit

Three major factors are involved: cost of construction, proper siting, and efficient scheduling and operation.

#### Cost of Construction

If we analyze the likely income from a newly constructed motel unit and deduct operating costs and a reasonable profit, we can derive a figure representing interest charges and capital repayment that the operator can afford to pay. Table 13, opposite, contains such a cal-

ulation, in a very simple form, for both low and high priced units. The gross revenues on which these calculations are based are derived from Tables 8, opposite page III-11 and 14, opposite, respectively.

If we assume that the owner will require a return on his equity equal to what he is paying on the loan, and that the owner will borrow 60 per cent of the capital cost, the capital cost that this sum can support may be calculated from the following formula:

$$C = \frac{100 V}{I + \frac{60}{T}}$$

where C is the capital cost

V is the sum available to pay interest and repay capital

I is the interest rate in per cent

T is the term of the loan

The implications of this formula are worked out on Table 15 opposite for two rates of interest and terms of loan.

#### Proposed Action

To protect either Government's involvement in credit the following action will be necessary:

1. A survey of the economics of operating seasonal motels should be conducted to find out the costs involved.
2. An architectural competition should be instituted to develop a low-cost building method for seasonal (i.e. unwinterized) motels.

3. A pilot construction project should be undertaken, perhaps in the service area to the Prince Edward Island National Park on the north shore. If possible the motel should be constructed and subsequently operated by the private sector, with Government providing assistance in the form of the architectural design and possibly some supervision.
4. A public relations campaign should be launched to ensure that all motel owners on Prince Edward Island are aware that this is a research operation which will benefit all Island operators who wish to expand/build.

#### Proper Location

Proper location is of special significance to seasonal motel operation. We agree with the Development Plan concept that siting should be related to tourist routes, which the Plan defines as looped drives. We wish to re-interpret this approach. Recognizing the need to introduce variety into the looped drives, we propose that these be modified conceptually to become recreation corridors, with related "rooms off" where natural focal areas are indicated by recreational capability and market studies. We would not necessarily wish, therefore, to confine approvals to the immediate vicinity of the drives should their detailed design indicate that a more flexible approach is preferable.

#### Efficient Scheduling And Operation

It will have become clear from the discussion on cost of construction that anything which reduces either capital or operating costs will have an important effect on the economics of the seasonal motel industry. We suggest three approaches which should make a useful

contribution:

1. Construction time should be minimized by efficient scheduling.  
  
Prefabrication may well provide one of the answers to minimizing the length of time that investment is unproductive. Construction delays must not be allowed to affect the peak income producing season in any way.
2. Training courses in management should be instituted and attendance vigorously promoted.
3. Do-it-yourself maintenance undertaken in the closed season, can materially assist the small owner/operator to make ends meet. Training courses in maintenance should therefore be offered.

#### Minimize Leakage

We consider that leakage, i.e. tourist income which the Island must immediately spend outside the Province on foodstuffs, manufactures, etc., should not be viewed too parochially. Much of the leakage benefits the region, if not the Province.

On the other hand, Prince Edward Island goods should be used whenever it is economic to do so. We would make three general points:

1. If the architectural competition did result in a competitive prefabrication or construction method that could make use of local materials and labour, this would obviously benefit the economy.
2. Possibilities of inter-sectoral coordination should not be overlooked. For example, we understand that investigation into the production of early vegetables in greenhouses for the eastern seaboard of the United States shows that this could be economic. Such an industry could also supply the tourist market in Prince Edward Island.

3. The higher spending group pay relatively more for services than do campers. This tends to reduce leakage.

#### WISE USE OF TOURISM RESOURCES

The importance of the environment to the tourist industry has frequently been referred to in the discussion thus far. We will now consolidate these points to form an element of the strategy.

##### Zoning

Ill-considered development can ruin first-class recreational resources. Practical aspects - e.g. sewage disposal - are just as important as visual.

We therefore recommend that important tourism attractions should be identified by locality, and that zoning plans should be produced and enforced.

##### Inter-Sectoral Coordination

Action called for in the Development Plan in other sectors of the economy can and will influence the tourism industry. Examples are:

1. Agriculture:
  - the proposed removal of fences and hedges
  - possible greenhouse development.
2. Industry:
  - siting, in connection with both visual impact and competition for labour
  - pollution (control in hand).

3. Forestry:

- the visual impact of reforestation patterns which can give the landscape an appearance of regimentation.

4. Highways:

- the visual impact of earthworks
- stream silting.

We recommend that inter-sectoral coordination be established in order to ensure that, before programs are adopted, their benefits to the relevant sector have been balanced against the costs to the Tourism and Fishery sectors.

Urban Development

The two urban centres are very important to tourism, and urgently need good planning. In preparing urban plans, the importance of the historical and cultural heritage to the tourism sector, and the importance of services which the tourist market expects or would like should be recognized.

HIGH PRIORITY PROGRAM

The interim program recommended is based on the following assumptions:

1. The recreation complex concept will be modified to recognize that Charlottetown and Summerside are complexes and should be further developed in preference to two new complexes in Queen's County and East Prince County.



2. The need for introducing variety will be accepted. This is especially significant in the planning of West Prince County.
3. The concept of variety will be carried through to the design of the looped drives.
4. King's County will be developed for the high spending tourist group.
5. The need to investigate low-cost construction methods is accepted.

Proposals are outlined below for each of the three broad tourism subdivisions into which the Island falls, together with more general recommendations.

#### King's County

1. Complete the present program at Brudenell. This recreation complex could not fulfil its purpose in a semi-completed state.
2. Test private sector interest in Brudenell by inviting applications to develop and operate 100 motel units of a similar standard to those existing.
3. Offer a franchise for hiring out boats from Brudenell, the operator to construct whatever is necessary in the way of a small wharf etc. This may necessitate a long-term agreement.
4. Develop the concept for a second focus in King's County in connection with the proposed East Point National Park. We suggest the following action by the Province:
  - Purchase the land for the park and service area. The Province will be required to purchase 25 per cent of the land, and pay for 50 per cent of the cost of the remainder.
  - Delineate a Service Centre Area outside the Park boundaries for development by the Province and acquire the land.

- Plan and phase the development of the Service Area, and coordinate it with the Park development program. The National Parks Branch should be requested to emphasize the difference between the two national parks by permitting only wilderness camping in East Point Park.
  - Finance the land, planning and infrastructure costs by sale of sites in the Service Area to the private sector for approved developments.
5. Prepare detailed plans for and make initial investment in the looped drive.

Queen's and East  
Prince County

This subdivision includes the spur to Wood Island in the South of King's County. We suggest the following action:

1. Assist in the National Park improvement program.
2. Purchase or plan land adjacent to the National Park for development as a Service Area, which will incorporate the pilot low-cost construction project. *w/ly? com. dev. ⇒ low spenders ⇒ not mt. in mtds.*
3. Prepare detailed plans for and make initial investment in the looped drive.
4. Analyse the ability of Charlottetown to cater for conventions and undertake a pilot program designed to ascertain whether more conventions can readily be attracted to the town.

West Prince County

Action here is dependent on the report of the study at present being undertaken by Project Planning Associates Limited. We believe that for tourism to succeed in West Prince County, something unique must be developed. We have suggested the Acadian theme as a possibility,

as part of an attempt to capture a new market segment.\*

In the interim, we recommend that with the exception of completing the Golf Course no further expense be incurred at Mill River until the Project Planning Associates Limited report is to hand.

#### An Extended Season

Action to create a new image for the Prince Edward Island sport fishery can start now. We suggest as a first step that a directory of where to stay and where to fish be compiled, and that the possibility of package deals for one or two weeks' fishing should be investigated.

How far the autumn hunting season can rely on ducks and geese, and what reliance must be placed on the reintroduction and stocking of the Hungarian Partridge or other exotic species should be established. Action to reintroduce the partridge should commence as soon as possible.

#### The Railway

The Prince Edward Island narrow-gauge railway may well have potential with respect to train tours, possibly using an historic locomotive, with stops for meals, etc. We consider that the prospect is worth investigating.

---

\*N.B., the rapid growth in the number of tourists visiting Prince Edward Island from Quebec is relevant to this point. The figures are:

1967	-	9.3 per cent of the visitors were from Quebec
1968	-	17.0 per cent of the visitors were from Quebec.

CONCLUSIONS

One of the main attributes of Prince Edward Island is its air of peace. Despite the magnificence of its beaches the Province will stand in a poor competitive position if its calm is jeopardized. We therefore consider that the emphasis should be placed on attracting a higher spending segment rather than on merely increasing the number of tourists.

Nevertheless there is an existing market, which is growing rapidly. Until now emphasis has been on sheer numbers. Government's new approach will take time to have an effect. If in the intervening period the existing market is not properly managed, natural resources which are already under pressure may be irretrievably damaged and the air of peace lost over a large part of the Island.

Basic data for planning is inadequate. We have therefore interpreted the strategy in the light of our experience to provide broad guidelines for tourism development, and have developed a minimum regret program consistent with these guidelines to enable work to continue while data is being gathered and market studies made. In some instances, notably in the field of low-cost construction, it will be necessary to determine what will be technically possible before decisions can be taken and the development program finalized.

We see significant opportunities for extending the tourist season for those seasonal operations now in existence, but have

insufficient data to hand to estimate how many more units the shoulder // season activities of fishing and hunting could support. The influence of occupancy levels in the shoulder seasons can only be properly assessed after the results of the low-cost building program are known, for capital cost of construction is the most significant variable in the economics of motel operation in Prince Edward Island.

We attach an importance to Charlottetown and Summerside which was not apparent in the Development Plan. We consider that they have a major part to play in the tourist industry - one substantially greater than that they play now - but we also accept that the factors involved in establishing them in their expanded role are complex. The investment necessary is likely to be considerable and should not be made until meticulous feasibility studies have established economic viability. However, we do consider that the preparation of detailed plans of the type we have suggested, which recognize the significance of the tourist industry, will reveal opportunities for investment which will be advantageous to the towns themselves and the tourist industry alike.

Finally, we see the theme for Prince Edward Island to be variety and diversity, and suggest that a single unified theme would not make best use of the Island's assets. We consider the need for something different appears particularly strongly in West Prince County, and hope that this will be recognized in the detailed study currently being undertaken.

#### IV - IMPLEMENTING THE PLAN

This section discusses the implementation requirements necessary to achieve the desired objectives and strategies set forth in the Development Plan, in light of our findings on the:

- organization and management systems, required for smooth implementation
- information system, which should incorporate flexibility to modify strategy and carry out detailed planning
- decision-making procedures, to facilitate implementation.

#### SCOPE OF IMPLEMENTATION REVIEW

Our review was confined to the Brudenell and Mill River Recreation Complexes as implementation of other projects, such as looped drives, was not sufficiently advanced to permit a reasonable assessment. Time limitations restricted our fact-finding primarily to in-depth interviews with key Federal and Provincial officials directly or indirectly involved in the above-mentioned projects. We also held discussions with the Vice-President of Concordia Estates Limited, a firm involved in the design and construction of part of the Brudenell complex. Although no cost/benefit analyses were available, the Vice-President's comments were most helpful.

The information so obtained was supplemented with statistics, financial data and schedules where available. Frequently the desired

data was fragmented and in some cases, not available. Where possible, data was cross-checked to ensure consistency.

In addition, the sites were visited to obtain an appreciation of their location and local conditions.

Our review focussed on the project management aspects of the implementation program:

- division of responsibility
- financial controls
- project management and systems
- planning and scheduling of work
- communications and reporting
- staffing.

SUMMARY OF FINDINGS  
AND RECOMMENDATIONS

The Brudenell and Mill River projects are undergoing considerable difficulties, which are making the entire implementation process complex and unmanageable. Delays are being encountered in bringing the projects to completion and project costs are escalating, as illustrated below:

1. The Mill River golf course, scheduled to be completed by March 20, 1970 is still under construction.

2. Total project cost for the development of the golf course at Mill River is expected to be \$530,000, compared to the original budget estimate of \$390,000.
3. Whereas the economical cost for the construction of fifty motel units in the Brudenell complex was estimated at \$3,500 per unit, actual cost is reported to be between \$6,500 and \$10,000 per unit.

Briefly, the factors affecting smooth implementation are:

- interfacing and communication gap between responsibility centres
- "short circuiting" of the implementation process
- a need for more highly developed skills for effective project management and execution.

These factors in isolation would not necessarily impede implementation; in combination, however, they have a significant impact. Each is reviewed in detail later in this section.

#### Action Plan for Improvement

We see no reason why these projects, which in financial terms are relatively small compared to other projects in the Plan, cannot be smoothly implemented. Many of the systems and procedures for efficient project management have been defined but are not effectively used. What is needed is a sound management approach plus establishment of a project management organization.

The adoption and implementation of the proposed re-organization of Government departments<sup>9</sup> will, in effect, transfer to the



line departments a greater share of responsibility for project planning, implementation, and operation than has been the case to date. We believe that the necessary project management expertise within the Department of Tourism is limited, and therefore urge that as the first step in improving the implementation process, action be taken to establish and train a technical core team within the Department. This team would consist of three to four technical people who would control capital projects and provide technical support to the Department's operating divisions.

#### COMMUNICATIONS

Among the factors limiting effective implementation is the growing gap in both the interfacing and communications between various responsibility centres concerned with the implementation of projects. This situation is examined from the viewpoints of external and internal, i.e. Federal/Provincial and Provincial, relationships.

#### External Relationships

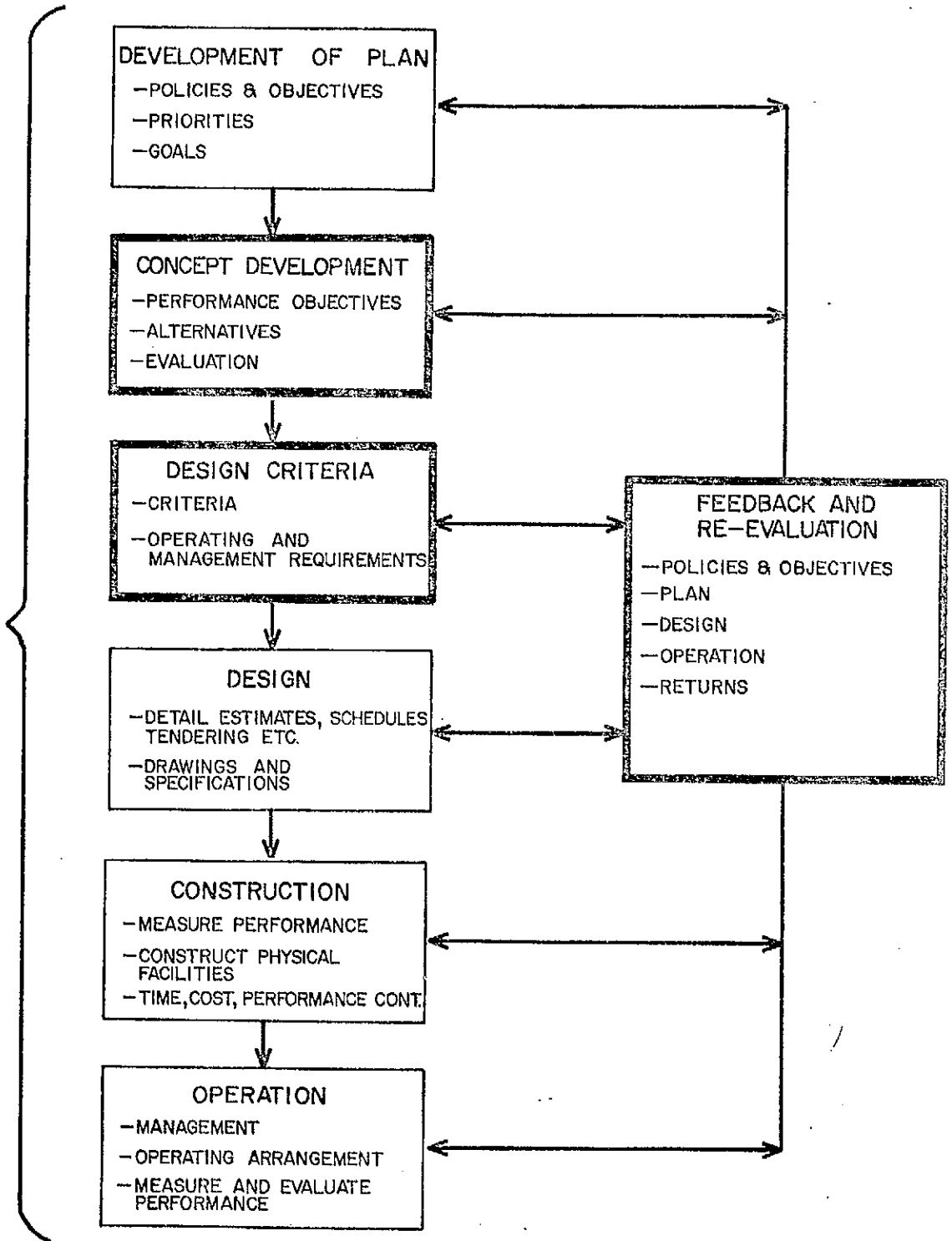
Contributing the largest portion of public funds, the Federal Government, through the Department of Regional Economic Expansion (DREE) wishes to ensure that the funds are utilized in the most effective manner to achieve the agreed Plan objectives. Accordingly, the Department is responsible for approving and monitoring all projects and for exercising its given powers over them. There is, however, a tendency to exercise too much control when implementation difficulties arise and when the decision-making process regarding the program is not fully understood.

FIGURE 3

# IMPLEMENTATION SYSTEMS PROCESS (PLANNING, DESIGN, CONSTRUCTION, OPERATION)

## IMPLEMENTATION REQUIREMENTS

- COORDINATION
- CONTROL
- DIRECTION
- REPORTING



The Provincial Government officials, on the other hand, feel that having obtained the Federal Government's agreement to each project, they should be allowed to quickly implement them. The Federal authorities are demanding a very reasonable degree of business-like control, including cost/benefit analysis, planning and project management, which the Department of Tourist Development is not equipped to handle.

#### Internal Relationships

The Department of Development is presently responsible for overall coordination of the Development Plan, including master planning and maintaining liaison with DREE. Execution of projects within the master plan rests with the line departments; accordingly, implementation of the Tourism and Recreation Plan is the responsibility of the Department of Tourist Development. Communication and coordination between these two responsibility centres must be strengthened if the implementation process is to progress smoothly. The White Paper on reorganization calls for realignment of the Department of Development to a staff function to the Planning and Development Committee. Who will fulfil the existing role of overall program coordination has not been announced to date.

#### Conclusion

We believe that a sound management approach coupled with meaningful management information will meet the requirements of both Federal and Provincial interests.

As mentioned previously, the shifting of greater responsibility to the line departments will place a heavy burden on existing resources. To meet this challenge, the Department of Tourist Development should be strengthened and the Provincial approach to the tourist industry reorganized.

At the same time it will be necessary to develop and introduce a management information system which will satisfy both Federal and Provincial Governments that the projects and programs are being efficiently and effectively planned, implemented and operated.

#### IMPLEMENTATION SYSTEMS LIMITATIONS

Figure 3, opposite, illustrates the various elements of an implementation process, i.e. the various basic steps in planning, design, construction and operation, of a project.

An examination of existing documents reveals that implementation has gone directly from the planning stage to design and construction.

Three vital links in the process are missing:

1. Concept Development. The concept development stage of each project should include the detailed analysis and evaluation of alternatives. Selection of the alternative which most closely meets the desired objectives of the plan should be based on the results of a cost/benefit study. At present, no detailed economic analysis has been undertaken for the two projects.

2. Design Criteria. To serve as guidelines in the development of the detailed design and its specifications, all operating and management requirements must be established.
3. Feedback and Re-evaluation. As the program progresses, performance must be measured against the established criteria and standards. The information thus obtained permits continual re-assessment of the program and alerts management to take corrective action, when necessary.

#### Other Areas

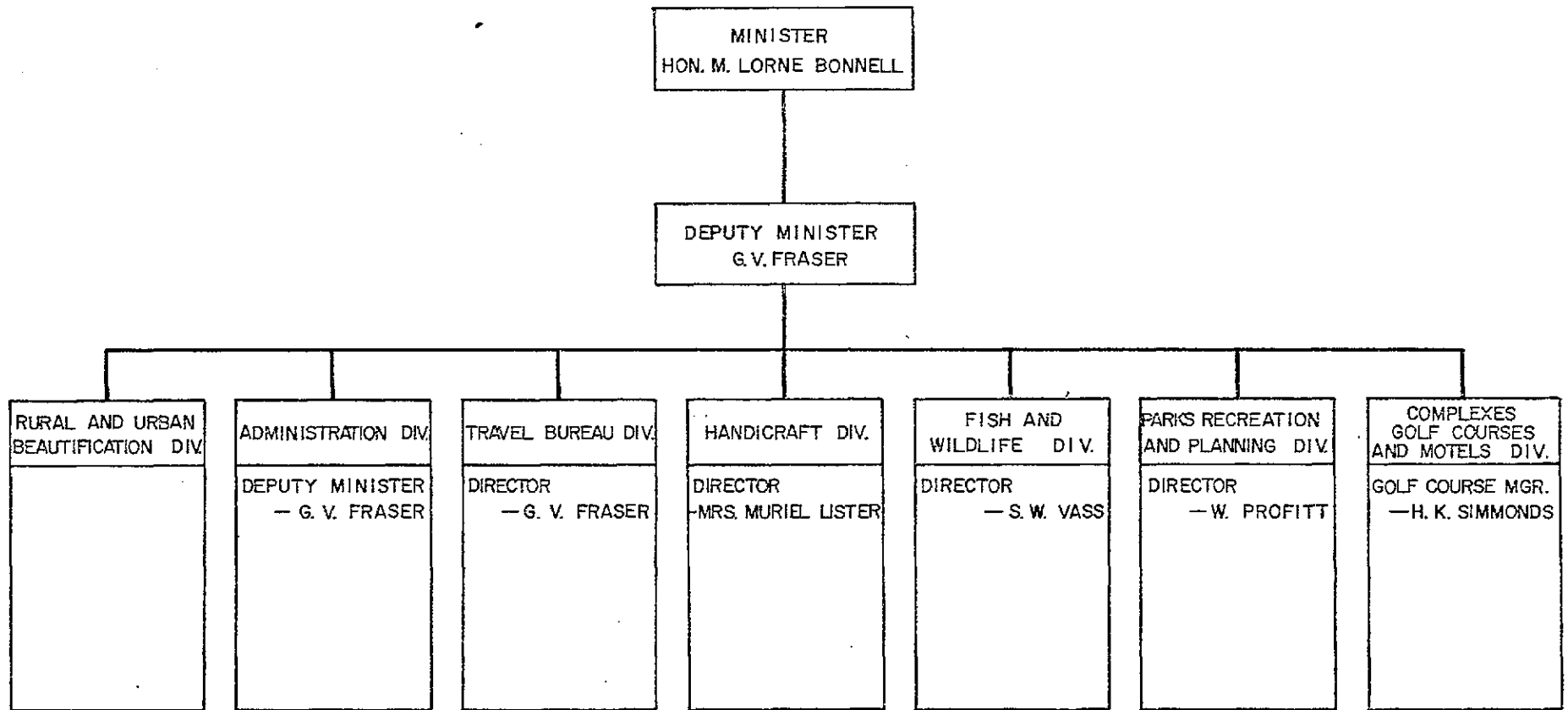
One of the other areas restricting smooth implementation is the lack of an effective information system. Although various isolated systems are in force, a concerted effort must be made to pull them together so that meaningful and useful data can be produced to facilitate management decisions on planning, marketing and operating requirements.

Components of the information system should include:

1. A precise data base. The lack of both statistical and financial data appears to handicap economic evaluation of projects and hamper effective planning. For example, information on the type and mix of tourists visiting the Island, and their spending patterns is urgently required.
2. Scheduling techniques. Simple but effective schedules are prepared for all the projects, but are not fully utilized.
3. Financial reports. A financial summary showing estimated budget, actual expenditure and projected amount to completion for the two projects was difficult to obtain for our review. We believe that this type of data is absolutely imperative for the success of the Plan.

FIGURE 4

DEPT. OF TOURIST DEVELOPMENT



ORGANIZATIONAL  
LIMITATIONS

The present skills in the Department of Tourist Development are almost entirely directed to normal branch functions. Only limited skills are available for project management. This situation does not imply that existing staff cannot fulfil this role; rather, that they could only do so at the expense of their current duties. Also, they would need some training to take on responsibilities for building and managing real estate operations, a business quite outside their experience. An organization chart obtained from the Department of Tourist Development is reproduced in Figure 4, opposite.

The Department of Tourist Development evidently has a traditional organizational structure, suitable for normal government functions. The Development Plan is imposing severe pressures on the capability of this structure. In our experience, a situation like this requires a modernized organization.

Elaboration of an improved organization structure for the Department of Tourist Development is not within our terms of reference. We would like to point out, nevertheless, certain factors that should be taken into consideration when planning the reorganization.

Under the situation created by adoption of the Development Plan, the Government of Prince Edward Island has three quite different functions to perform with respect to the tourist industry. These are:

- continuation and improvement of normal departmental programs such as those of the Travel Bureau, the Handicraft Division and the Administration Division.
- development of catalytic programs to stimulate growth and to foster rationalization of the tourist industry. These may include management training, Fish and Wildlife, Looped Drives and some incentive and control programs.
- operation of a business expertise which will undertake purchase, sale and rental of land, planning and construction of infrastructure, land development activities, and transactions with the private sector. This major function may include the operation of Provincial Parks and Recreation Complexes.

The chief differences between these three major functions lie in the criteria that are applicable to decision-making and in management style. The first is a normal government operation and thus lends itself to normal government budgeting and control methods. The second is somewhat innovative and should use cost-effectiveness criteria for developing and evaluating programs. It lends itself to a PPB approach. The third is a business, involving capital and ordinary expenditures and receipts and should be run as a business, using accepted cost criteria for control with the profit motive to guide investment and land management policies.



DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

PRINCE EDWARD ISLAND

STRATEGY FOR TOURIST DEVELOPMENT

APPENDIX A

BIBLIOGRAPHY

## BIBLIOGRAPHY

1. Canada, Department of Regional Economic Expansion, Agreement Covering Development Plan for Prince Edward Island, Ottawa, March 7, 1969, Schedule B.
2. Acres Research and Planning Limited, Development Planning for Prince Edward Island, Recreation-Tourism, July, 1967.
3. Economic Improvement Corporation, Prince Edward Island, Comprehensive Development and Recreation-Tourism, December 1, 1970.
4. John A. Morley and Barry N. Diamond, Department of Tourist Development, Provincial Parks Branch, Recreation-Tourism Sector - Five Year Plan and Budget, November, 1969.
5. Agricultural and Rural Development Act. Canada Land Inventory, Land Capability for Recreation, Ottawa, 1968.
6. Tourist and Information Branch of the P.E.I. Government. Where to Fish in Prince Edward Island, 1969.
7. Concordia Estates Limited. Comments on the Potential Development of Charlottetown and its Impact on the Tourist Industry of Prince Edward Island, September 21, 1970.
8. Kates, Peat, Marwick & Co. and Lockwood Survey Corporation Ltd. Atlantic Development Board, Tourism and Recreation in Nova Scotia, New Brunswick and Newfoundland, March, 1969.
9. Prince Edward Island, Policy Statement on Government Reorganization, Legislative Assembly, July 24, 1970.

DEPARTMENT OF REGIONAL ECONOMIC EXPANSION

PRINCE EDWARD ISLAND

STRATEGY FOR TOURIST DEVELOPMENT

APPENDIX B

EXCHANGE OF LETTERS

NOV 30 1970

CANADA  
DEPARTMENT OF REGIONAL  
ECONOMIC EXPANSION

MINISTÈRE DE L'EXPANSION  
ÉCONOMIQUE RÉGIONALE



OTTAWA 4, Ontario  
November 25, 1970

Mr. John Henderson  
Kates, Peat, Marwick & Co.  
Prudential Building  
4 King Street West  
Toronto 1, Ontario

Dear Mr. Henderson:

I would have liked to provide you with suggestions much earlier for your consideration in preparing a final report on your study for us on the Prince Edward Island tourism prospects. However, I wish to give the provincial people an opportunity to express their views and this has taken longer than expected. I trust the delay has not inconvenienced you.

Your report will, I think, be a useful document in our ongoing planning process. Its potential usefulness can be increased substantially however if you are able to fill in, from your experience, your study of the situation, and perhaps a closer look in instances, some of the gaps which have been pointed out by various readers of the draft. These are as follows:

1. We were particularly interested in your analysis of present demand in relation to supply in, and your views of the potential of, the two major urban centres. We had incorporated these aspects into the contract for that reason. The draft report seems to us to be light in these respects. For example,

- Do you have views on the adequacy of current visitor services and facilities other than sleeping accommodation?

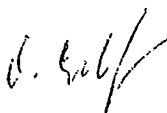
...2

- You referred in several instances to both cities in the same vein. What is your view of the relative potential and needs of each?
  - What sort of convention business do they have? When do conventions come?
  - Was the 1967 convention experience successful, what was learned from it, does it suggest a significant if latent potential for increased business future and at what cost.
2. In your treatment of "the existing market" can you suggest any quantification of growth and capacity. You express concern for overcrowding of beach areas and deterioration of resource base. Have you information on the proportion of the islands' good beaches now in use, and in relation to their ultimate carrying capacity. What is the need, and possible cost, of meeting adequately the present demand and the annual increase in demand for beach access and use? How ambitious a program should the province undertake in acquiring beach frontage? How far would the proposed second national park go to meet the needs of the future?
3. Are you able to be more specific in terms of costs and benefits in your treatment of "the new market"?
- What is the real potential of the sport fishery - fresh water, inshore and offshore - to attract and hold tourists? What are the needs, in facilities and access, and the probable cost of meeting them? What is P.E.I.'s competitive position and where are the best market prospects?
  - What in your view is the potential in terms of markets for the summer cottage industry, and how may it be tapped? Is the Brudnell area a potential location, or is a high quality beach a requisite.
  - Do you consider fall hunting has any significant potential to attract new markets? Do you have any substantiation for your recommendation that the partridge should be reintroduced?

4. On the basis of your experience, can you offer any substantive views on suitable arrangements to combine private and public inputs to development of tourism of the kinds needed in P.E.I.
5. Do you have views on the potential of air travel to develop the new markets? For example, how could greater off-season advantage be taken of the present excellent air service from Montreal.
6. Have you specific suggestions respecting organization for intersectoral coordination.
7. You might want to consider some term other than "minimum regret" for the principle that you mean to express. The term is, if anything, too expressive and seems to be generating some problems. People want to feel that the program has virtues other than simply minimizing future sorrow.

I believe it would be very useful to us if you could give these questions and comments further consideration in the preparation of your final report. Please feel free to contact Mr. C.S. Brown if you wish to discuss any of the points raised.

Sincerely yours,



D.R. Campbell  
Director  
Plan Formulation

# KATES, PEAT, MARWICK & Co.

PRUDENTIAL BUILDING  
4 KING STREET WEST  
TORONTO 1, ONTARIO  
362-2371

January 11, 1971

Mr. D. R. Campbell  
Director  
Plan Formulation  
Department of Regional Economic  
Expansion  
161 Laurier Avenue West  
Ottawa, Ontario

Dear Mr. Campbell:

I must apologize for not replying sooner to your letter of November 25 concerning our report on a review of the Strategy for Tourist Development for Prince Edward Island.

We will do what we can to accommodate your suggestions and requests for further elucidation of certain points. Unfortunately, the existing data do not permit us to go nearly as far as we would like. You will realize, I am sure, that the plan that we reviewed took several man-years to prepare and that we had to do our evaluation in three weeks. As you will recall, we made it clear in our proposal that our evaluation of the plan strategy and performance would be based entirely upon available information.

As far as we are able, within the limitations stated, we will attempt to answer all the points you raised in your letter and to provide draft suggestions for amendments to the report. The remainder of this letter and attachments will cover these points in the order in which you raised them in your letter.

1. Adequacy of visitor services other than sleeping accommodation. In our experience, in a concept plan, which is an appropriate classification for the Prince Edward Island tourist plan, sleeping accommodation is a sufficient indicator of the adequacy of services. Other services are not nearly as capital-intensive, and the market mechanism generally is adequate to sort out the supply and demand. This statement is not meant to imply that there is no need for creative ideas for improvement. It is intended to imply that, provided the sleeping accommodation industry is healthy, there is seldom any serious problem in obtaining finance for implementing such ideas.

Mr. D. R. Campbell

January 11, 1971

2. The roles of Charlottetown and Summerside. You are quite right that we did not present a clear distinction between the roles of these two centres. We have edited Page III-17 and hope that the changes will make this clear.
3. Convention business. Existing data on conventions does not state the towns where they were held. The convention business totals are presented on Page III-18 and Table 11. The numbers are not very impressive. It must be remembered that Prince Edward Island is a long way off the main axes of North American activity and that its winter climate and record of accessibility is far from ideal. In our experience, conventions are not as profitable as often imagined, because it is quite customary to discount room prices in order to attract them. Every province will always obtain what is considered its fair share of convention activity by the associations that sponsor conventions. To obtain more than a fair share is very difficult. In 1969, the attendance at conventions in Prince Edward Island was reported to be 4300. It is likely that between 75 and 80 per cent of these were local people. This leaves maybe 1200 people who came in from elsewhere, and if they spent \$100 each, the total convention market only brought an additional \$120,000 to Prince Edward Island, a small proportion of the tourist industry indeed. We do not want to be discouraging about the potential of the convention market, but we cannot claim that there is any indication that a swing in the convention market could make a major difference to the tourist industry of Prince Edward Island.
4. The existing statistics do not indicate any particular effect of the 1967 convention experience. The outstanding year was 1964, for which attendance of 15,100 is reported. We pointed out that a convention market of this size would justify about 150 rooms. In other words, it can easily be accommodated in the existing plant in Charlottetown provided that the conventions are attracted out of season. We could not, within the limitations of this study, estimate the latent potential for increased convention business and its cost. We assume that Concordia Estates Ltd. should be coming to grips with this problem.
5. Quantification of growth and capacity of the existing market. We have no reason to dispute the Tourist Bureau's statistics, which indicate a rate of growth in the neighbourhood of 10 per cent. This might slow down, because



Mr. D. R. Campbell

January 11, 1971

the growth in expenditure at least in North America would appear to be close to 4 or 5 per cent. We do recommend improvement of the information system; this is the important thing. The response of the industry to the growing market will be very quick if industry is well informed.

There is no information available on the utilization of the beaches. It is pretty common knowledge, however, that the National Park is crowded, not so much the beaches as the back-shore. On the other hand, there are many beautiful beaches that are relatively unused.

Estimating the need and possible cost of meeting present and future demand for beach access would call for a positive planning program. It is undoubtedly important to do this as soon as possible, but it was not within the terms of reference of this study. Meanwhile, a decision to purchase available beach areas cannot be wrong.

Opening the proposed National Park (at a quesstimate) might result in an increase in the tourist capacity of the Island of about 30 per cent. Even if it were to bring about a doubling of capacity, this would only provide for the increase in demand that is expected in the next seven or eight years, because demand is increasing at 10 per cent and the park itself would accelerate this growth rate.

6. The new market. In order to be more specific about the potential of new markets, it will be necessary to do a market study. Market studies of this type cannot be conducted by analyzing the statistics of present and past visits because they tell us nothing of the groups of people who are not coming to P.E.I. now and who represent potential new markets.
7. Potential of the sport fishery. Estimating the real potential of the sport fishery in quantitative terms calls for some original research and is, we feel, beyond the terms of reference of this review. Nevertheless, it is fairly evident, from reviewing the available information on the resource potential of the Island, that there is an unexploited potential in the sports fishery. We believe that the indications of undeveloped potential warrant some detailed planning and cost/benefit analysis.

Mr. D. R. Campbell

January 11, 1971

8. Potential of the cottage industry. The best way to assess the potential of the cottage industry is to attempt to develop it. Brudenell is obviously the place to start because it is the heart of a complex and this provides a suitable focal point for a cottage colony. A high quality beach is not a prerequisite for a cottage community but is desirable. If a beach is not available, a good swimming pool is essential. Relatively easy access to a good beach is an additional asset.
9. Fall hunting. It is hard to say how attractive fall hunting might turn out to be. It is unlikely that it will be a major attraction, but it must be remembered that any addition to the autumn use of existing facilities represents a plus to the economy at virtually no cost. All we can say is that we are optimistic about fall hunting and that the almost negligible cost of re-introducing the Hungarian partridge could be insignificant compared to the possible returns.
10. Combination of private and public inputs. This is rather a loaded question! Let us say that there are very few examples of successful government operated tourist enterprises anywhere in the world. On the other hand, we believe that government can provide very significant inputs towards encouraging a healthy tourist industry by providing positive planning, by assisting in land assembly and by provision of infrastructure. Financial incentives may also serve as a stimulus to self-generating growth.
11. Potential of air travel. This may be almost pure prejudice, but we believe that air travel should be encouraged to the maximum to optimize the tourist industry in P.E.I. One of the main reasons for this opinion is that the Island is very much more accessible by air than it is by road or rail. The way to minimize the cost of fly-in tourism is to develop package deals. This should not be too difficult. It is largely a matter of organization and marketing.
12. Organization for intersectoral coordination. No, we have no specific suggestions for this. This is another subject altogether, and not an easy one. We would like to tackle the problem, but it definitely does not come under the terms of reference of the strategy review.

Mr. D. R. Campbell

January 11, 1971

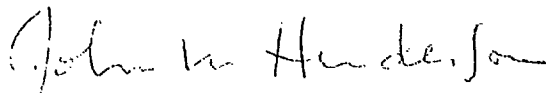
13. Minimum regret. You are quite right. We have changed this term as you will see by reference to the amended draft that is attached to this letter.

I hope that you will find the rather off-the-cuff comments contained in the previous paragraphs helpful in applying the findings of the strategy review report to the real problem. We have tried to put forward a formula for planning that will encourage appropriate decisions to be made at appropriate times. We could not prepare a new plan within the time and budget available. We know that you appreciate this and the fact that we have given the problem our best consideration. The strategy review should be taken as a starting point rather than an end. One of the most urgent needs is for a current information system to take the temperature of the market and of the industry. Next, a general plan should be prepared which will lead to detailed feasibility analyses of specific projects as the market development indicates they should be scheduled.

We hope that we may be able to help you further in assisting Prince Edward Island to make the most of its tourist industry potential.

Yours truly

KATES, PEAT, MARWICK & CO.



John M. Henderson  
Partner

JMH/mm  
Encl.

