

Comox Valley Discovery Centre  
Business Case Analysis

Comox Valley Economic Development Society

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## **Executive Summary**

### **PURPOSE**

The purpose of this report is a business case analysis of a proposed Comox Valley Discovery Centre (CVDC), planned for development within the Village of Cumberland at the junction of Comox Valley Parkway and the Island Highway.

The CVDC is being proposed as a gateway facility that will generate significant economic and community benefits due to its quality design, superior highway location, interpretive programming and community partnerships.

### **CURRENT SITUATION**

The Comox Valley has a relatively stable economic base, with a diversified tourism sector that is now the third most significant contributor to total community income (after forestry and the public sector). In terms of overall trends in job creation and community income, no other basic sector has tracked more positively over the last 15 years than tourism, which, based on past performance and the region's competitive advantages, can be expected to lead local economic growth in the future.

Overall tourism activity is rebounding after steep declines during the 2001-03 seasons. Leading tourism indicators are showing strong uptrends throughout the province and particularly on Vancouver Island. The opportunities for generating greater visitor receipts and pushing tourism into new modes of development are excellent.

One of the keys to maximizing tourism's potential is the provision of quality and professional visitor services. At this time, two Visitor Info Centres (VICs) operate in the Valley, one in Courtenay and one in Cumberland. Visitors also have the option of obtaining information at various other locations locally including the airport, ferry terminals and destination attractions. What distinguishes the VICs from other venues is the presence of trained, qualified travel counsellors. Research undertaken by Tourism BC (TBC) clearly shows that strategically located and professionally delivered visitor services will generate net economic benefits for communities.

Despite positive trends for VIC visitation and other travel indicators for Vancouver Island and the Province, the combined visitation level for Comox Valley visits are declining. The implication is that current services are not making a strong enough connection with travellers and opportunities for greater

tourism spending are being missed. The creation of a gateway facility on the Island Highway will effectively bring accessible visitor services back to the highway traveller and engage them in a more rewarding visit to the region.

Communities elsewhere in the province are making a strong push to expand their tourism economies by developing new visitor service centres. Rather than simply setting up store fronts to distribute information, these facilities are being developed as destinations themselves and are being much more aggressive in courting and influencing visitors. The budgets of facilities we reviewed in Golden, Squamish, Osoyoos and Williams Lake range from more than \$2.5 million to \$4 million. Common features include:

- Downtown facilities are being replaced with new VICs at strategic highway locations.
- Unique buildings, settings and programs are being built.
- VIC services are being combined with commercial services provided by complementary, strategic partners. This helps strengthen linkages with the business/tourism sectors and creates more opportunities for capital and operations support.
- The economic development offices of all three organizations will be located in these newer VIC buildings and will use their resources to back up their traditional tourism marketing activities.

#### **DEVELOPMENT PLAN**

The CVDC is proposed as a showcase facility for all communities in the Comox Valley and serve as a welcome point for visitors to the region.

A formal development concept and drawings have not yet been prepared, but based on previous planning work and a review of comparable facilities elsewhere, the following features are likely to be prominent in the final design:

- The proposed site of the CVDC is the southeast corner of the junction of the Island Highway between Comox Valley Parkway and Grant Road, within the Village of Cumberland boundaries.
- The total floor area is approximately 5,500 square feet.
- The multi-use facility will have a signature west coast architectural design.
- The building will be a showcase for local materials and craftsmanship and a new focal point for many community-driven activities. This project will encourage area development and conform to the guidelines and expectations set forth in the new OCP by Cumberland Council.

The overall “look and feel” of the CVDC is expected to be along the lines of the facilities described in Appendix 2.

The Centre’s key roles are expected to include the following:

- As a **Strategic Gateway**, providing the first formal visitor information and welcoming services north of Departure Bay.
- A range of traditional **Visitor Services** would be offered as mandated by TBC for Full Service VICs.
- A **Central Booking** service that will help contribute to the financial viability of the Centre, while creating new opportunities for operators and service providers.
- **Commercial space** for complementary businesses that generates revenue for the Centre.
- Promote and facilitate greater collaboration among **nature-based tourism operators** and improve the capacity to effectively package and deliver, in a coordinated fashion, the wide variety of new and existing recreational opportunities available.

#### **FINANCIAL ANALYSIS**

The estimated capital costs of the CVDC, based on what preliminary design ideas and understanding of site conditions, is \$2.49 million, covering land, development, construction and furniture/fixture costs for a 5,300 square foot building on a ¼ acre lot.

Based on discussions with representatives of other community visitor centres, the capital structure is contributed by the private sector (\$335,000), local government (\$535,000), the provincial government (\$497,000), and the federal government (\$1.1 million). No debt financing is anticipated.

We believe the CVDC could reasonably expect to attract 79,000 visitors in the first year of operation, and 91,000 by Year 5. Revenues of \$502,850 in Year 1, derived mainly from merchandise sales and commercial lease revenues, are expected to increase to \$546,144 by Year 5.

Modest positive cash flows are also projected, \$1,431 in Year 1 and \$14,058 by Year 5. The facility is able to generate positive cash flow immediately, mainly due to the absence of debt servicing requirements.

The key revenue-side variables that will determine feasibility are visitation to the facility, gift shop and merchandise sales and commercial rents. Of these, the first two are the most significant determinants of

cash flow and thus represent areas for management action in the event revenues are unable to exceed costs.

**ECONOMIC BENEFITS**

Direct and indirect economic benefits can be expected from the CVDC, either as a result of construction activity, or from operations.

Project construction is expected to generate 23.06 full-time equivalents (FTEs) of employment with associated income of close to a million dollars and government revenues of \$290,349.

The increase in visitors hosted by the Centre because of its high profile location will generate on-site revenues in the form of gift sales, concession sales, commercial activity and reservation bookings, which in turn support new jobs and incomes. The employment and employment income created by the Centre's operations is 11.6 FTEs and \$379,000, respectively, in Year 1. Government revenues are \$93,000. By Year 5, annual employment in tourism and tourism-related businesses is 14.3 FTE positions. The associated employment income is \$464,000, and government revenues \$115,000.

**Table 1: Economic Benefits of the Comox Valley Discovery Centre**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Construction Effects</b>					
Employment (FTEs)	23.06				
Income	\$991,000				
Government Revenues	\$290,349				
<b>Employment &amp; Income Effects (Operations)</b>					
Employment (FTEs)	11.6	12.3	12.9	13.6	14.3
Employment Income	\$379,000	\$399,000	\$421,000	\$442,000	\$464,000
<b>Government Revenue Effects (Operations)</b>					
Total	\$93,000	\$98,000	\$104,000	\$109,000	\$115,000
<b>Total Construction &amp; Operation Effects</b>					
Employment (FTEs)	23	12	13	14	14
Employment Income	\$860,000	\$399,000	\$421,000	\$442,000	\$464,000
Government Revenues	\$233,920	\$98,000	\$104,000	\$109,000	\$115,000
<b>Five Year Cumulative Impacts</b>					
Employment (FTEs)	88				
Employment Income	\$3,096,000				

Government Revenues \$809,349

The cumulative impacts to the Comox Valley economy over the first five years is 88 full-time equivalent employment positions, over \$3 million in employment income and more than \$800,000 in revenue to the federal and provincial governments.

Other community benefits include promoting the Comox Valley as the visitor gateway to the North Island, creation of tourism networks and business development, enhanced community pride and an overall better business climate.

#### CONCLUDING REMARKS

We believe a gateway visitor centre on the Island Highway would be feasible given the following conditions:

- Most, if not all, required capital is contributed in the forms of grants and equity.
- The facility is designed and built as a showcase in accordance with the standards established by new visitor centres elsewhere in the province.
- The facility is programmed and managed as a destination location rather than as a simple visitor information centre.
- The Village of Cumberland is able to secure the Grant Road site and maximize the public amenities that can be obtained from the property owners.
- That operations will be professionally contracted, managed and staffed to best practices expectations.

In such circumstances, the benefits of the project to the community would outweigh the costs.

The CVDC should not be conceived as a pure commercial venture, where on-site revenues are able to sustain all capital and operating costs, because that is not its purpose. The purpose of visitor services and interpretive centres is to generate more tourism spending throughout the community and for all businesses and thus should be seen as an investment in tourism and the community's overall economic base. The rationale for this concept is not simply to get visitors off the highway and into the centre but off the highway and into the community. If these benefits can be obtained by taking a modest local investment and leveraging it with senior government funding, the benefit-cost ratio for the community is magnified.

Important next steps to include:

- Basic renderings of the facility to help build community support.

- A visioning exercise with the community, business stakeholders and potential partners to firm up expectations for the project.
- A formal design concept with drawings and engineering detail that allows for comprehensive costing and facilitates fund raising.
- Consideration of an outdoor interpretive component linked to salmon enhancement of Roy Creek.

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## **1 INTRODUCTION**

### **BACKGROUND**

A concept of a new Visitor Information Centre (VIC) on the Island Highway has been discussed for decades, but serious consideration for a facility arose once the new highway became operational. Recent discussions have led to consideration of a new collaborative VIC site that would be located at the junction of the Comox Valley Parkway and the Island Highway (Cumberland/Courtenay interchange, also referred to as the Grant Road site). This location has undergone an extensive amount of pre-development planning and is recognized as having numerous advantages as a VIC site.

The Island Highway is the primary transportation corridor for visitors to the Comox Valley and North Island, and it is believed the Comox Valley Discovery Centre (CVDC) can serve as a gateway visitor centre for the entire North Island, complementing regional and local marketing efforts and helping local tourism operators capture more visitor spending. The Island Highway now bypasses all three major communities and presents special challenges for tourism marketing and the delivery of visitor services. The development as a Valley-wide discovery and visitor centre will encourage more cooperation among participating communities and enhance the effectiveness of regional tourism programming.

The CVDC will also encourage the massing of complementary activities and collectively serve to enhance the destination attraction of the area. The multi-use nature of the facility and potential for multiple partnerships will expand operating, funding and financing options, while contributing to the project's feasibility.

### **PURPOSE**

The purpose of this report is to prepare a business case analysis of the CVDC at the Grant Road site. The report assesses the pre-feasibility of a potential facility within the context of similar buildings now being constructed and operated elsewhere in the province, and outlines the project's financial and economic implications.

### **METHODOLOGY**

Several source materials were reviewed in preparing this report. Previous planning documents for the Centre, along with national, provincial and local visitor information, municipal land use information, and

planning information of other visitor centres were all reviewed. Assumptions about the impacts of visitor centres were drawn mainly from Tourism BC research and BC Stats data.

Interviews with key informants were carried out to confirm project assumptions, discuss cost and benefits and prioritize development options. Included were discussions with project managers from other facilities now being constructed in Williams Lake, Golden, Squamish, Valemount and Osoyoos.

#### **REPORT STRUCTURE**

**Chapter 2** presents a current situation assessment addressing the economic, tourism and visitor services settings for the project. Supporting analyses in the form of a tourism profile is presented in **Appendix 1**.

**Chapter 3** outlines the proposed role of the CVDC, as well as site, building and other details that constitute the development plan as it is now known.

**Chapter 4** provides a financial analysis, while economic and community benefits are presented in **Chapter 5**.

Our concluding comments and recommended next steps are made in **Chapter 6**.

Case analyses of other visitor information centres appear in **Appendix 2**, while detailed methodologies are explained in **Appendix 3**.

## **2 CURRENT SITUATION**

The economy of the Comox Valley is growing and diversifying as the historical dependence on resource extraction activities gradually transforms into a more even mix of primary, manufacturing and service activities. Tourism's share of the regional economic base, which doubled over the 10 year period between 1991 and 2001, is driven by an evolving mixture of destination attractions, hospitality providers, nature-based tourism operators and key service providers. The regional opportunities in tourism are exceptional over the long-term, but, as with all economic activity, will require new investment, development and innovation for the potential to be turned into reality.

### **TOURISM'S ROLE IN THE ECONOMIC BASE**

The Comox Valley has a diversified economic base because its blend of location, natural assets and infrastructure has been able to support and attract multiple industries including agriculture, fishing, mining, manufacturing, transportation, construction, and tourism. While forestry retains its overall leadership as a contributor to the economic base (11 % of total community income in 2001), tourism is a strong second place and growing rapidly. In terms of overall trends in job production and community income, no other basic sector has tracked more positively over the last 15 years than tourism. Tourism can be expected to be a leading contributor to economic growth in the future, based on past performance and the region's competitive advantages.

### **TOURISM INDUSTRY**

The area has close to 120 accommodation properties, with over 1,000 rooms and 1,100 camp/RV sites. In addition, Mt. Washington resort has a bed night inventory of approximately 3,500. The approximately 90 food service operations (4,900 seats) represent a full range of ethnic, price and service experiences.

With Mount Washington, the area has built a valuable winter product that provides the hospitality sector with visitor volumes outside of the summer season. Other major destination facilities include Strathcona Park, Kingfisher Oceanside Resort & Spa and Crown Isle Resort. The Comox airport, with its new terminal, is a growing tourism asset.

### **TOURISM INDICATORS**

After a steep drop-off following 2001 and setbacks in 2003 from SARS and wildfires, tourism indicators are showing a strong uptrend throughout the province and particularly on Vancouver Island. Ferry traffic,

airport traffic, highway traffic volumes, convention days and visitor info centre traffic are all rebounding, generating greater visitor receipts and pushing tourism into new modes of development that is being led, in part, by expectations for the 2010 Winter Olympics.

Highlights of major tourism indicators described in Appendix 1 include:

1. Comox Valley room revenues increased 33% between 2000 and 2004, led by strong showings in the lodge and vacation rental categories.
2. Highway 19 traffic volumes grew 22% between 2000 and 2003, as a result of population growth and increased visitor traffic.
3. Comox Airport passenger volumes climbed 254% between 2000 and 2004.
4. Ferry traffic volumes have remained relatively flat in recent years but may be showing an uptrend as the Island economy and population grow.

Overall, estimated visitor expenditures in 2004 of \$85 million were responsible for directly employing 1,800 people and creating opportunities for many related businesses in the retail and commercial sectors.

#### **VISITOR MARKETS**

Major market characteristics of travellers to the region are as follows:

1. Residents of BC (60%), rest of Canada (14%) and USA (13%).
2. 60% are here for pleasure purposes, while 20% are visiting friends and relatives.
3. Hotels/motels and staying with friends and relatives are the most popular forms of accommodation.
4. 75% arrive by car, while 50% arrive via BC Ferries.
5. Hiking, wildlife viewing, saltwater fishing, kayaking or canoeing and road or mountain biking are popular activities.
6. The most popular attractions are beaches, parks, shopping, museums, historic sites, art galleries, gardens, farms and country markets, festivals and events, playgrounds and water-parks and First Nations facilities/events.

#### VISITOR SERVICES

Visitor services are delivered informally through the ongoing interactions travellers may have with tourism operators, hospitality staff, other service providers such as retailers and transportation companies and even by residents. At the provincial level, formal visitor services are overseen by Tourism BC (TBC), which works directly with communities and industry to help enhance the quality of the BC vacation experience. TBC offers different visitor service programs, including the Community Visitor Info Centre (VIC) program that supports 116 community VICs and several provincial VICs across the province.

There are two VICs in the Comox Valley, the Courtenay VIC operated year-round by the Comox Valley Chamber of Commerce and the Cumberland VIC run by the Cumberland Chamber of Commerce. Both are full status VICs. Comox Valley Tourism (CVT) is mandated to undertake external marketing of the Comox Valley and is not directly involved in providing visitor services.

The objectives of the VICs include collecting and distributing tourism product information, communicating with prospective visitors, greeting, assisting and satisfying visitors while they are in the region, selling tourism opportunities, providing visitor information to local business and generally promoting the community to visitors, businesses and the public.

Research undertaken by TBC clearly shows that strategically located and professionally delivered visitor services will generate net benefits, because of the fact that many travellers do not have sufficient information when they arrive in the region, while a significant percentage (up to two-thirds at some centres) are somewhat flexible in their trip itineraries and can be influenced if they are able to access personal assistance.<sup>1</sup> VICs tend to meet or exceed visitor expectations, provide useful information and can, in most cases, convince up to 12% of visitors to spend extra time or make another trip to the region based on information they had received.<sup>2</sup> Speaking directly with a trained counsellor increases the probability that travellers will learn about new activities, stay longer and make another future trip.

TBC research shows that VICs can increase visitor stay and spending in a region, and by extension generate economic benefits for the industry, the community and the resident labour force.

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<sup>1</sup> For example, see [http://www.tourismbc.com/regional\\_research.asp?id=2066](http://www.tourismbc.com/regional_research.asp?id=2066)

<sup>2</sup> Ibid. See Mt. Robson (12%), Chilliwack (12%), Kelowna (13%) and Prince George (12%) studies.

#### RECENT VIC INVESTMENTS IN OTHER COMMUNITIES

Communities around the province are investing in new visitor facilities as a way of diversifying and marketing their tourism products. Three of these new visitor information centres, Golden, Squamish, and Osoyoos, are reviewed in Appendix 2. Each is targeting specific economic development, community and tourism marketing goals beyond those typically seen in more traditional VICs. In so doing, they are expecting to leverage more revenue generation opportunities that will increase the likelihood they can secure financial self-sufficiency.

The key elements driving the planning of the three VICs are as follows:

1. *Locating the VICs at strategic highway locations.* In Squamish and Golden the new VICs are located on the main highway at the entrance to town. In Osoyoos the new VIC will sit at the junction of highways 3 and 97. It is believed locating the VICs in these easily accessible and highly visible locations will increase the number of visitors significantly. Previously, all three had their VICs located off the highway in downtown locations.
2. *Developing of unique VIC buildings and settings.* In order to maximize visitations, additional effort and investment is being made to make these VICs more destination oriented, with on site programming and features that go well beyond the traditional VIC. In Golden, the VIC will use be linked to the Burgess Shale Centre and be operated by Kicking Horse Mountain Resort; in Squamish, the building is situated on a community heritage site and incorporates environmental programs; in Osoyoos, the VIC and surrounding land will showcase the environmental significance of the desert ecosystem.
3. *Cohabiting with strategic partners.* All three VICs have established relationships in the community, local business and with Tourism BC. In Golden, Kicking Horse resort will showcase their resort development and housing. In Squamish, local manufactures will show case their products. In Osoyoos, the Greyhound Bus will cohabit and use shared staff and space with the Economic Development Commission, while retail activities will include sales of VQA wines and agri-food products from area producers.
4. *Diversifying revenue streams.* The economic development offices of all three organizations will be located in these newer VIC buildings and will use their resources to back up their traditional tourism marketing activities. At the same time, the business community has also been welcomed into the VIC as long-term partners and will be on-going cost sharing partners. In the case of Osoyoos and Golden, this will significantly offset the costs of on-going operations.

#### **VISITOR SERVICES GAPS AND OPPORTUNITIES IN THE COMOX VALLEY**

The tourism industry in the Comox Valley is far from mature and has ample room to expand into many product areas that make a good match for the region's assets and infrastructure. As the industry and markets grow, there will be an increasing need to deliver quality visitor services to complement marketing efforts, increase traveller convenience and enrich the overall travel experience.

In some cases, visitors to the region are going to a specific destination or visiting friends and relatives and may not seek out a VIC. However, there is also a market contingent that has not fully planned nor made up their minds as to what to do on their holiday and are therefore agreeable to suggestions and new ideas. Even destination visitors have some flexible time and will be looking for information or recommendations on activities not available at their main destination.

The development of the Island Highway has generated many social and economic benefits to communities along its route, including reduced travel times, less congestion and enhanced road safety, but it has also created a situation where traditional downtown cores and many tourism businesses have now been physically separated from the region's primary transit corridor. In the case of the Courtenay VIC, this has made access by travellers more difficult, as evidenced by static visitation levels, despite rising Highway 19 traffic volumes and overall increases in attendance for other Vancouver Island VICs.

A major concern is that visitors are now entering the region without an adequate understanding of their travel options and how best to enjoy the unique experiences available in the Valley and the North Island. The creation of a gateway facility on the Island Highway will effectively bring accessible visitor services back to the highway traveller and engage them in a more rewarding visit to the region.

### **3 DEVELOPMENT PLAN**

The Comox Valley Discovery Centre is expected to be a showcase facility for all communities and serve as a welcome point for visitors to the region. The following paragraphs provide information on current planning with reference to site, building and development concepts.

#### **DEVELOPMENT CONCEPT**

The Comox Valley Discovery Centre will be a multi-use facility with a signature west coast architectural style that will suitably represent the region to the thousands of motorists travelling on the Island Highway annually. It will showcase examples of local materials and craftsmanship and be a new focal point for many community-driven activities. The opportunity to interpret and present interactive displays of culture, heritage and the environment would make the CVDC much more than a simple VIC. Some attractions, including historic Cumberland, Comox Lake, the Chinese and Japanese cemeteries, are in very close proximity to the proposed site and could be incorporated into programming. The possibility of a reconstructed wetland habitat in behind the proposed site at the headwaters of Roy Creek could add another dimension to flora and fauna exhibitions. Partnerships with the Comox Indian Band and the Comox Air Museum would encourage travellers to further explore the fascinating experiences of the region.

This project will be a launch pad for area development and conform to the guidelines and expectations set forth in the new OCP by Cumberland Council.

A final design concept has yet to be prepared but is expected to have a scale, look and amenities similar to those under construction in Osoyoos, Squamish and Golden (see Appendix 2).

#### **SITE DESCRIPTION AND LAND USE**

The proposed site of the CVDC is the southeast corner of the junction of the Island Highway between Comox Valley Parkway and Grant Road, within the Village of Cumberland boundaries. Further discussions with the landowner would be necessary to determine whether a different corner of the interchange would be more suitable to future development plans.

The owner of the 764 acre parcel surrounding the junction is Trilogy Properties of Vancouver, which recently acquired it from Hancock Forest Management, which operated it as a commercial forest. Trilogy

has indicated plans to build hotels, motor lodges, possibly a mix of large and small retailers and a golf course.<sup>3</sup> Cumberland council retains the right of final approval on any development proposal.

The Village of Cumberland's Official Community Plan (OCP) was formally updated in 2004 and explicitly recognizes the importance of highway tourism related business development, community aesthetics, green spaces and trail systems as important to residents and the tourism sector.

The land is under rural zoning but is planned for highway commercial designation in the OCP. It backs onto a greenway along Small Road and includes the headwaters of Roy Creek, a salmon-bearing stream. Adjacent acreages along the highway within Village boundaries are all part of the Commercial Comprehensive Planning Area. The OCP states that "commercial properties east of the highway may be regionally focused and automobile oriented. Such properties might provide services to accommodate a wide range of activities from regional wholesale centres to educational facilities, large scale tourist accommodation centers and regionally scaled shopping services among others."<sup>4</sup> This policy is in keeping with the community's vision statement that says that citizens have firm ideas that large-scale commercial activities are inappropriate for the Village centre and should be focused at the highway intersection.<sup>5</sup>

The proposed Discovery Centre will support the future planning direction of the Village by promoting eco-tourism, heritage and history, creating more commercial diversification and bolstering the tax base through the enhancement of commercial development in adjoining areas. It is for these reasons that policy 3.6.8 of the OCP states that the Village "Support the siting of a tourist information centre near the new Inland Highway interchange."<sup>6</sup>

#### **ROLE AND FUNCTION**

As a **Strategic Gateway**, the CVDC will fill an existing gap of no formal visitor information and welcoming services on the highway north of Departure Bay, where a significant percentage of the North Island's visitor traffic originates and departs. The facility will serve as a welcomed resting spot with restroom facilities, information, products and services, as well as travel counsellors ready to assist travellers who wish to explore the Valley further.

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<sup>3</sup> Mark Allan, "Tax Base Boost", *Comox Valley Record*, August 31, 2005.

<sup>4</sup> Village of Cumberland, 2004, p. 12.

<sup>5</sup> *Ibid*, p. 24.

<sup>6</sup> *Ibid*, p. 65.

A range of traditional **Visitor Services** would be offered as mandated by TBC for full service VICs. Quality information assistance will be in the form of detailed mapping, activities and attractions, brochures, accommodations, dining and entertainment. Clean restroom facilities and access to a public access terminal with high-speed Internet will create a positive and welcoming environment, where visitors are encouraged to begin their explorations of the Valley. TBC trained travel counsellors will ensure that all communities, attractions, operators and services are promoted in a professional and helpful manner, giving every opportunity to visitors to extend their holiday time in the region.

A **Central Booking** service will be offered and help contribute to the financial viability of the Centre, while creating new opportunities for operators and service providers. There are no full-time central booking services in the Comox Valley even though it is increasingly available at visitor service centres across the country. Booking services, particularly for accommodation, can be a major influencer of a traveller's discretionary decision-making as it removes uncertainty and stress, and brings an element of accreditation to the purchase decision. Travellers will be more agreeable to staying longer in the area if they know reservation and booking services are available from an on-site, independent travel counsellor.

**Commercial space** that generates revenue for the Centre is critical to the financial viability of the project. The provision of retail and food services is part of offering a comprehensive experience for travellers entering the Centre. A small coffee and snack station will add value to the experience without replacing or competing with full-service private facilities, and the sale of a range of souvenirs, logo-wear and associated merchandise will help to promote the area and local craftspeople. Cultural products such as those from the Comox First Nations would also be featured in the retail centre/gift shop. The participation of the Vancouver Island Association of Wood Processors for a cooperative marketing display would further enhance the destination attraction of the Centre while providing an exceptional opportunity to increase the awareness and marketability of local value-added wood products.

The Comox Valley Discovery Centre will promote and facilitate greater collaboration among **nature-based tourism operators** and improve the capacity to effectively package and deliver, in a coordinated fashion, the wide variety of new and existing recreational opportunities available. It is very difficult for small operators, in particular, to market their services to visitors unless they are able to leverage their resources through cooperative packaging with other operators and service providers. The Centre, because of its highway exposure and ability to draw in visitors, will be able to coordinate the development and effective delivery of a broad range of new and exciting outdoor adventure programs that combine all of

the assets of the Valley. Other organizations such as museums, historical sites and artisans will also be able to develop new relationships and visitor products throughout the year.

There will be opportunities for meeting, seminar and small conferences in the building that the community could use for tourism planning and value-added wood purposes. An important consideration for VIAWP involvement in the facility is the availability of meeting and display areas for catering to clients and trade shows.

#### **OWNERSHIP AND OPERATIONS**

We have assumed that the property and building will be owned and managed by the Comox Valley Economic Development Society (CVEDS) on behalf of its controlling shareholders, the three municipalities and four electoral areas of the Comox-Strathcona Regional District comprising the Comox Valley.

Current plans call for operations of the facility to be contracted under public tender to the organization best able to meet the requirements as set forth in the bid document. This will include, but not be limited to, the provision of visitor services under sanction by Tourism BC as a full service Visitor Information Centre.

As building landlord, CVEDS will work with major tenants and partners on long-term leases that will generate secure rental incomes and complement visitor services.

#### **POTENTIAL PARTNERSHIPS**

##### **BC Ambulance Service**

The BC Ambulance Service (BCAS) is operating on a month-to-month lease at its current facility in Cumberland. Relocation to a long-term facility has been identified as a priority by both the BCAS's provincial physical space assessment process and its five-year plan for the North Island service area. The District Superintendent for Region 1, North District has stated that the Service would be interested in the proposed Comox Valley Discovery Centre as a location because of the convenient highway access it would provide.<sup>7</sup>

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<sup>7</sup> Personal communication, Chris Nickerson, 250.286.4781, August 31, 2005.

The BCAS generally seeks 20 to 25 year terms for its lease agreements with third parties and requires exact building specifications through the issuance of Request For Proposals in cooperation with BC Building Corporation. There are many examples of multi-use premises where the ambulance service co-exists with other tenants.

There is also the possibility that the BCAS, through BCBC, could take an ownership position in a new building, but this option would have to be considered secondary given the additional planning required and the issues involved in capital financing.

#### **Vancouver Island Association of Wood Processors**

The Vancouver Island Association of Wood Processors (VIAWP) represents the independent value-added wood processing sector on Vancouver Island. VIAWP wishes to establish a permanent display and sales facility on Vancouver Island, where members could showcase their products to visitors, builders, architects and the public, as well as position them as suppliers to high-end housing, resort and 2010 construction markets.

VIAWP was one of the five founding partners in the highly successful Wood Coop on Granville Island, and the proposed facility on Vancouver Island would follow a similar concept. The facility would have dynamic displays, be a sales outlet for member products and serve to host trade shows and buyer missions. VIAWP also envisions the building itself as a showcase of log home and timber frame builders on the island.

VIAWP is currently seeking financial assistance in support of concept development and operational planning for a future site.

#### 4 FINANCIAL ANALYSIS

The following financial analysis is based on the development concept presented in Chapter 3, to the extent that site, design, cost and operating variables can be reasonably assumed. Capital cost estimates were obtained through discussions with representatives of five other VIC construction projects in the province and reference to construction cost estimators. A formal estimate from a local Quantity Surveyor was considered but deemed premature until such time as a firm development concept with the necessary renderings is prepared. Operation assumptions were taken either from industry averages, a review of other visitor centre financial statements or from discussions with local businesses engaged in offering similar services. The above notwithstanding, some of the variables and assumptions that underlie this analysis will undoubtedly change once a final design concept and pre-development planning work for the Comox Valley Discovery Centre commences. Readers are therefore reminded of the limitations of the analysis.

##### CAPITAL COST ESTIMATES

The estimated capital costs of \$2.49 million for the discovery centre are summarized in Table 2. Key assumptions include the following:

- Assumed land area and cost are based on estimates provided in 2002 to the Village of Cumberland for the Grant Road site. The site acquisition cost does not include access through the property from the North.
- Other development costs including municipal fees and miscellaneous charges based on budgets of other under-construction VICs. Exact municipal fees will not be determined until development plans are finalized and negotiations ensue with Cumberland's engineers for site services.
- At \$200 per square foot, building costs were estimated based on a review of other VIC construction budgets and discussions with facility representatives. Some VICs have recently been costed for as little as \$125 per square foot for basic wood-frame units (e.g. Village of Valemount). However, more elaborate facilities now being built to standards envisioned for the CVDC range between \$180 (Squamish) and \$225 (Williams Lake). There has been a noticeable inflation in construction labour and material costs over the last year that is expected to persist into the foreseeable future due to Olympic projects and an industry-wide labour shortage.
- Site preparation and hardscaping costs are assessed at \$7 a square foot, based on the \$6 cost estimate made in 2002, with an inflationary adjustment.

- Furniture and equipment are required for administration and visitor services. This would include office furniture, computers, counters, displays, racks and public seating.

We believe the foregoing assumptions to be reasonable in the context of existing Visitor Info Centres now being constructed in the province. In addition to the three VICs profiled in Appendix 2, we have reviewed the budgets and allowances of the Williams Lake and Valemount VICs.

**Table 2: Capital Cost Estimates**

	<i>amount</i>	<i>unit cost</i>	<i>net cost</i>	<i>GST</i>	<i>gross cost</i>
<b>Development Fees and Charges</b>					
Land (acres)	0.25	2,000,000	500,000	35,000	535,000
Municipal fees			200,000		200,000
Legal, insur., survey, geotech			30,000	2,100	32,100
Project management			60,000	4,200	64,200
<b>Sub-total</b>			790,000	41,300	831,300
<b>Construction</b>					
Ambulance level (s.f.)	2,650	200	530,000	37,100	567,100
Tourism level (s.f.)	2,650	200	530,000	37,100	567,100
Site dev & hardscape (s.f.)	8,250	7	57,750	4,043	61,793
Soft landscape allow.			20,000		20,000
			1,137,750	78,243	1,215,993
Contractor overhead		12%	136,530	9,557	146,087
Contingency		15%	170,663	11,946	182,609
<b>Sub-total</b>			1,444,943	99,746	1,544,688
<b>Furnishing &amp; equipment</b>		9%	102,398	7,168	109,565
<b>Total costs</b>			2,337,340	148,214	2,485,554

#### **FUNDING**

At this time, funding for the project has not been discussed. A review of the funding programs from other VICs shows a large component provided by senior levels of government with secondary contributions from local government and the private sector. Other than Golden, we are not aware of any debt financing among the facilities we examined.

If debt financing were considered in the early years of operations, then interest and repayment expenses would have to be offset by revenue increases in one or more business areas. According to our projections, increased retained earnings would allow a modest debt load to be sustained only after Year 3.

A major assumption of this business case is that local government will contribute the land for the project, which constitutes 22% of total costs. Private sector contributions of \$334,944 (13%) are in line with the experiences of other VICs. The provincial and federal government combined are assumed to contribute over \$1.6 million, again based on the contribution agreements arranged by comparable facilities.

**Table 3: Funding Assumptions**

	<u>% of Total</u>	<u>\$</u>
Private Sector	13%	334,944
Municipal Government	22%	535,000
Provincial Government	20%	497,111
Federal Government	45%	1,118,499
<b>Total Funding</b>		<b>\$2,485,554</b>

#### **VISITOR VOLUME AND REVENUE ESTIMATES**

The experience of other VICs and interpretative/discovery centres shows that a mix of factors determine how successful the facilities are in drawing in visitors, getting them to spend money on site and encouraging them to travel more throughout the region. External events (e.g. international travel trends), regional planning efforts (e.g. infrastructure) and decision-making by the facility itself (e.g. how it is built, managed, staffed and marketed) will all be factors affecting the Centre's ability to generate a positive bottom-line. Readers are directed to page 54 for further discussion on the experiences and approaches of other visitor centres.

Recognizing the uncertainty and risk inherent in the development concept as it now stands, the following visitor and revenue estimates are based on the experiences of other BC VICs and an analysis of current visitor volumes on the North Island to ensure that capture rates are both reasonable and attainable.

As shown in Table 4, our total revenue estimates for the Centre are \$502,850 in Year 1. By Year 5, revenues are expected to total \$546,144.

Table 4: Revenue Estimates

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Visitation</b>					
Visitation to North Island	1,144,406	1,188,324	1,233,945	1,281,337	1,330,567
CVDC visitation	79,000	82,000	85,000	88,000	91,000
<b>Commercial Sales</b>					
Merchandise	237,000	246,000	255,000	264,000	273,000
Booking Commissions	11,850	12,300	12,750	13,200	13,650
Racking Fees	3,000	3,300	3,630	3,993	4,392
	251,850	261,600	271,380	281,193	291,042
<b>Lease Revenues</b>					
Food Concession	27,000	28,025	29,051	30,076	31,101
BCAS	44,000	44,000	44,000	44,000	44,000
Other	20,000	20,000	20,000	20,000	20,000
	91,000	92,025	93,051	94,076	95,101
<b>Contributions</b>					
Government - local	100,000	100,000	100,000	100,000	100,000
Government - senior	-	-	-	-	-
Private Sector	60,000	60,000	60,000	60,000	60,000
	160,000	160,000	160,000	160,000	160,000
<b>Total Revenues</b>	<b>502,850</b>	<b>513,625</b>	<b>524,431</b>	<b>535,269</b>	<b>546,144</b>

Our revenue assumptions are as follows:

- The estimated 79,000 visitors in Year 1 is based upon an approximate doubling of the 2002 combined visits of the Cumberland and Courtney VICs.<sup>5</sup> The new VICs in Golden and Squamish, both on major highways with traffic volumes comparable to Highway 19, are projecting higher visitation levels. We have estimated total visitation to the North Island at 1.1 million visitors in Year 1, for an implied capture rate of 6%. The capture rate of Highway 19 average annual traffic volume is 1.1%. By Year 5, visitation climbs to 91,000 due to expected growth in total North Island visitation. The capture rate of total visitors remains at 6%, while the highway capture rate also remains virtually unchanged at 1.2%. In making the above estimates, we have accounted for the resident visitor component of the Centre, conservatively estimated at 25% of total visitors. A more detailed explanation of visitor market estimates can be found in Appendix 3.
- Factors which indicate that the CVDC will be able to attract the incremental visitors include:

<sup>5</sup> For the 2000-04 period, the highest combined visitor numbers were 41,861 in 2002.

- A superior highway location (compared to either the existing two VICs) with high visibility and immediate visitor interest due to quality building and site design as well as convenient road access;
  - It will be the only significant visitor information destination on the Island Highway north of Nanaimo;
  - The existence of complementary services on-site;
  - A proposed \$40,000 marketing budget; and
  - The development, over time, of the Village of Cumberland's vision for a highway commercial precinct that will bring an increasing number of travellers off the highway and more residents into the area from Cumberland, Comox and Courtenay.
- We have projected average gift store sales of \$3 per visitor, leading to Year 1 sales of \$237,000, rising to \$273,000 in Year 5. The Museum Store Association, which represents most museum stores in North America, states that the median sale per museum visitor was US\$2.19 (approximately \$2.60 CAN) in 2004. However, the experience at Osoyoos has been \$10 and the Upper Simikameen Band's Mascot Mine store has achieved even higher average sales. The Robson Centre in Vancouver generates nearly one million in revenues per year through the sale of their SuperNatural BC retail merchandise.
  - Commission revenues assume that 1% of visitors will pay a 10% fee on an average booking value of \$150. This volume and yield is consistent with other visitor centres in BC. For example, the Clearwater VIC generates approximately \$15,000 in commissions annually for a relatively small roster of companies.
  - Racking fees are based on a \$75 charge for 40 participating companies, in line with current charges. As the Centre develops more of a track record in attracting visitors the number of racking participants is expected to climb by 10% annually.
  - Lease revenues will be obtained from food concessions and other commercial tenants. Commercial rents are \$20 per square foot, while the restaurant lease is \$30 a foot and an additional charge of 5% of gross sales. All rates are in accordance with the prevailing market and are believed conservative for a new facility.
  - Local government contributions are based on the current level of financial support paid by the Regional District through the Comox Valley Economic Development Society for the delivery of information services and is expected to increase moderately over time.
  - Private sector contributions will be negotiated with a variety of existing and potential partners.

#### OPERATING ESTIMATES (5 YEAR)

A five-year cash flow estimate is shown in Table 5. Like the revenue estimates, the costs are estimated in real dollar terms and do not factor in inflation. The only accounts that show rising costs over the term are directly related to the increasing number of visitors to the Centre. There is a small cash flow of \$1,431 in Year 1 that increases to \$14,058 by Year 5. Important assumptions are as follows:

- On the expenditure side, information services and management will be contracted out to an accredited, qualified organization. The anticipated cost of this will approximate \$75,000 per annum.
- Marketing and promotion charges of \$40,000 include the operation of a new website meant to create more exposure for the new location, both within the community and among visitors.
- The cost of goods sold in the gift shop, retail and merchandising program is based on 63 per cent of gross sales, plus an additional one per cent overhead for extraordinary expenses.<sup>9</sup>
- Wages are based on staffing of one full-time manager and tourism/marketing coordinator at \$45,000 per annum, one full-time office/accounting assistant at \$33,000 per annum (this position will require basic accounting skills and should therefore be remunerated at a higher rate than that of just an administrative role), and 1½ full-time equivalent gift shop clerks at \$26,000 per annum. Benefits are calculated at 20% of total wages with an annual inflationary increase at two per cent.<sup>10</sup>
- Training allowances are for both staff and board and include program funding to be used for general training events in the community.
- Other charges for overhead are based on standards for visitor service operations.

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<sup>9</sup> Source: Industry Canada. *Small Business Profile*. 63% is the average for General Merchandise operations in British Columbia in 2002.

<sup>10</sup> Ibid. Wages for the gift shop are calculated at 18% of sales, well above the industry average of approximately 12%. Salaried positions are based on discussions with other VICs.

Table 5: Five Year Profit and Loss

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Revenues</b>					
Commercial Sales	251,850	261,600	271,380	281,193	291,042
Lease Revenues	91,000	92,025	93,051	94,076	95,101
Contributions	160,000	160,000	160,000	160,000	160,000
<b>Total Revenues</b>	<b>502,850</b>	<b>513,625</b>	<b>524,431</b>	<b>535,269</b>	<b>546,144</b>
<b>Expenses</b>					
Information Services	75,000	75,000	75,000	75,000	75,000
Accounting & Legal	2,000	2,000	2,000	2,000	2,000
Advertising, Marketing & Promotion	40,000	40,000	40,000	40,000	40,000
Merchandising Program Cost of Sales	149,784	155,472	161,160	166,848	172,536
Additional Gift Shop Overhead	2,370	2,460	2,550	2,640	2,730
Repair and Maintenance	10,600	10,600	10,600	10,600	10,600
Janitorial & Supplies	35,000	35,000	35,000	35,000	35,000
Insurance & Security	6,000	6,000	6,000	6,000	6,000
Telecom	2,500	2,525	2,550	2,576	2,602
Office Supplies, Postage & Courier	2,000	2,020	2,040	2,061	2,081
Travel & Meetings	2,500	2,500	2,500	2,500	2,500
Memberships & Subscriptions	1,100	1,100	1,100	1,100	1,100
Training & Professional Development	4,000	4,000	4,000	4,000	4,000
Utilities	16,000	16,320	16,646	16,979	17,319
Property Taxes	0	0	0	0	0
Sewer, Water & Garbage	4,000	4,000	4,000	4,000	4,000
Salaries	118,000	119,180	120,372	121,576	122,791
Employee Benefits	23,600	23,836	24,074	24,315	24,558
Board Expenses	2,000	2,000	2,000	2,000	2,000
Miscellaneous	4,965	5,040	5,116	5,192	5,268
<b>Total Expenses</b>	<b>501,419</b>	<b>509,053</b>	<b>516,709</b>	<b>524,386</b>	<b>532,085</b>
<b>Net Income (BDIT)</b>	<b>1,431</b>	<b>4,572</b>	<b>7,722</b>	<b>10,883</b>	<b>14,058</b>
<b>Capital Replacement Allowance</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash Flow (Before Taxes)</b>	<b>\$1,431</b>	<b>\$4,572</b>	<b>\$7,722</b>	<b>\$10,883</b>	<b>\$14,058</b>

#### SENSITIVITY ANALYSIS

The sensitivity results in Table 6 show how financial performance (in this case net cash flow) changes in relation to key operating variables *for the third year of operation*. For the first two years of operation, the facility is in a break-even situation. Therefore, failure to achieve revenue and cost targets would lead to a cash loss and require an investment of working capital.

By the third year, performance should be at optimum levels. Three revenue-side variables (VIC capture rate, average gift shop sales, average commercial space lease rates) are analysed and their breakeven points calculated. They represent the most important revenue side factors underlying cash flow to the proposed facility. Visitation to the Centre, which we have projected to be 79,000 in Year 1, is equivalent to 6% of all North Island visitors and 1.1% of all Island Highway traffic volumes. The absolute volume appears reasonable in light of visitation levels at other destinations in the Comox Valley (approximately 150,000 to regional hotels, 400,000 at Mt. Washington and 200,000 at the airport). The breakeven capture rate of 5.6% (1.08% highway traffic) means there is little margin for error on the downside. Increasing the capture rate will dramatically improve performance – every half point represents another \$10,000 in annual cash flow.

Gift shop revenues are an important source of cash flow for the facility. The breakeven sales average is \$2.75. Every \$.25 increase in the sales average will add just over \$7,000 annually to cash flow.

The third sensitivity concerns commercial space leasing activity. Our assumed rate is \$20 per square foot, while breakeven is \$12.00, well below existing market rates.

The sensitivity of operations to debt servicing are also shown. Based on an assumed interest rate of 8% and a 10 year amortization term, the facility could support a debt load in the range of 4.5% of total capital needs in Year 3. The actual breakeven threshold is \$113,000. This sensitivity is shown for illustrative purposes only. The recommended capital structure presented earlier in this Chapter does not show any debt at all.

Table 6: Third Year Breakeven Cash Flow Analysis - Key Variables

<b>VIC Capture Rate</b>	4.0%	4.5%	5.0%	5.5%	6.0%	6.5%	7.0%	7.5%
cash flow	-30,941	-21,662	-12,383	-1,557	7,722	17,001	26,280	35,559
breakeven capture rate	<b>5.6%</b>							
<b>Gift Shop Avg. Sales</b>	\$2.50	\$2.75	\$3.00	\$3.25	\$3.50	\$3.75	\$4.00	\$4.25
cash flow	-7,220	251	7,722	15,193	22,664	30,135	37,606	45,077
breakeven avg. gift shop sales	<b>\$2.75</b>							
<b>Lease Revenues</b>	\$15	\$16	\$17	\$18	\$19	\$20	\$21	\$22
cash flow	2,722	3,722	4,722	5,722	6,722	7,722	8,722	9,722
breakeven lease revenue	<b>\$12.30</b>							
<b>Long-Term Debt</b>	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%	9.0%
cash flow	4,316	2,613	910	-793	-2,496	-4,199	-5,902	-7,605
breakeven debt load	<b>\$113,000</b>							

Notes: shaded cells represent the status quo estimates.

## **5 ECONOMIC BENEFITS**

Direct economic benefits can be expected from the CVDC, but a range of less obvious community and business benefits are also likely to emerge, which is why in recent years so many communities have provided public support for the development of visitor service centres. The following paragraphs quantify the economic impacts of the Comox Valley Discovery Centre and outline other benefits that may arise.

### **SPENDING, EMPLOYMENT, INCOME**

The increase in visitors hosted by the Centre because of its high profile location will generate on-site revenues in the form of gift sales, concession sales, commercial activity and reservation bookings, which in turn support new jobs and incomes. Evidence from other VICs in the province shows that the trip plans of travellers will also be changed as a result of their stop and channel more visitors into the Valley where they will patronize tourism, retail and personal service businesses. Over time, the drawing power of the Centre may also give rise to an influx of new investment and the establishment of new business operations in and around the area.

The spending, employment and income benefits accruing to the region as a result of facility construction and ongoing operations for the first five years are shown in Table 7. Project construction is expected to generate 23 person-years of employment with associated income of close to a million dollars and government revenues of \$290,349.

The employment and employment income created by the Centre is 11.6 and \$379,000, respectively, in Year 1. Provincial and federal government revenues are \$93,000. By Year 5, annual employment in tourism and tourism-related businesses is 14.3 full-time equivalent positions. The associated employment income is \$464,000, and government revenues \$115,000.

All impacts apply only to the incremental visitors attracted by the Centre and do not include visitors already dropping into the Cumberland and Courtenay VICs. The methodology and assumptions used in this section of the report is described in more detail in Appendix 3.

Table 7: Economic Benefits of the Comox Valley Discovery Centre

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Construction Effects</b>					
Employment (FTEs)	23.06				
Income	991,000				
Government Revenues	290,349				
<b>Spending Effects</b>					
New VIC visitors	39,000	42,000	45,000	48,000	51,000
On-site spending	\$417,000	\$426,000	\$435,000	\$444,000	\$453,000
Incremental visitors to the community	4,680	5,040	5,400	5,760	6,120
Average expenditure per visitor	\$90	\$91	\$92	\$93	\$94
Incremental visitor spending	\$421,200	\$458,136	\$495,769	\$534,108	\$573,165
<b>Total new visitor spending</b>	<b>\$838,200</b>	<b>\$884,136</b>	<b>\$930,769</b>	<b>\$978,108</b>	<b>\$1,026,165</b>
<b>Employment &amp; Income Effects</b>					
Employment (person-years) - Direct	9.6	10.1	10.7	11.2	11.8
- Indirect	2.0	2.1	2.2	2.4	2.5
- Total	11.6	12.3	12.9	13.6	14.3
Employment Income - Direct	\$297,000	\$313,000	\$330,000	\$346,000	\$364,000
- Indirect	\$82,000	\$86,000	\$91,000	\$96,000	\$100,000
- Total	\$379,000	\$399,000	\$421,000	\$442,000	\$464,000
<b>Government Revenue Effects</b>					
Provincial	\$30,000	\$32,000	\$34,000	\$36,000	\$38,000
Federal	\$63,000	\$66,000	\$70,000	\$73,000	\$77,000
Total	\$93,000	\$98,000	\$104,000	\$109,000	\$115,000
<b>Total Construction &amp; Operation Effects</b>					
Employment	35	12	13	14	14
Employment Income	\$1,370,000	\$399,000	\$421,000	\$442,000	\$464,000
Government Revenues	\$383,349	\$98,000	\$104,000	\$109,000	\$115,000

#### IMPROVED TOURISM PRODUCTS AND MARKETING

The Comox Valley Discovery Centre will enable the region to expand its share of the provincial tourism market and effectively package, market and deliver, in a coordinated fashion, a wide variety of new and existing recreational opportunities. It will promote and facilitate greater collaboration among the local tourism service providers and allow businesses to coordinate the development, marketing and effective delivery of a broad range of new and exciting products and programs that combine all of the assets of the Valley.

New visitor spending will occur across the valley as the CVDC promotes activities, resorts and attractions at places like Mount Washington, Black Creek/Saratoga Beach, Royston and Union Bay. Town centres in Cumberland, Comox and Courtenay should see increased activity as travellers take advantage of shopping, cultural and heritage experiences they might otherwise have been unaware of without the CVDC.

This coordination role should foster a more secure tourism base as operators react to new visitation and spending by investing in existing and new products, growing their operations and generally taking better advantage of the awareness created by the Centre.

#### **OTHER COMMUNITY BENEFITS**

There will be a host of other benefits that accrue to the region as a result of the Centre. They include:

- The strategic location of the Comox Valley Discovery Centre allow the area to serve as a gateway centre for the entire North Island by providing visitors with information on outdoor adventure experiences, attractions and experiences beyond the Comox Valley.
- The opportunity to partner with the Comox Indian Band for the sharing of information about their culture and their knowledge of the natural environment and history of the area could significantly enhance the visitor experience and create a more unique destination attraction feel.
- The Centre has the potential to serve as an entry point for career participation in the tourism industry by working with Human Resources and Skill Development Canada and other training agencies on focused program delivery, particularly for youth.
- Through its activities, the Centre will be a catalyst for helping local business owners and operators develop skills in marketing and public relations.
- The Centre will aggressively market the area to in-region travellers as an outdoor adventure tourism destination while creating linkages with a wide array of external and complementary organizations. The business community will be able to keep aware of the latest trends in tourism product development and thus contribute to building the capacity that the Comox Valley has to attract international travellers.
- The increased tourism traffic and influx of people visiting the area will serve to strengthen local pride in the community and create an overall better business climate.

## 6 CONCLUSIONS AND RECOMMENDATIONS

Our conclusions and recommendations regarding the business case for the Comox Valley Discovery Centre are presented in the following paragraphs.

### CONCLUSIONS

1. The economy of the Comox Valley is gradually changing from that of being a goods producer to a new role as a service provider. One of the sector's leading local change is tourism, which has enjoyed a recent expansion and continues to build new products and diversify into new markets. Tourism investment will likely continue as the area capitalizes on its natural assets and develops more and stronger attractions. The proposed CVDC will be a key infrastructure anchor that will strengthen visitor services, encourage more collaboration among tourism businesses and announce the Valley as the gateway to the North Island.
2. The location for the Centre as currently proposed at the corner of Grant Road and the Island Highway will encourage new visitation because of highly visibility to highway travellers in both directions and convenient access to Courtenay, Comox and Cumberland.
3. The experience of other VICs appears to show that unless a "showcase" type facility is designed and constructed it will be unlikely to draw enough travellers off the highway. The new centres we reviewed in Squamish, Golden and Osoyoos, while each distinctive, all featured striking architecture and a clear vision as a tourism showcase for their communities. They are attractions themselves and as such have strong appeal to highway travellers. As a result, all cost more to build than conventional commercial or office space buildings.
4. New visitor services facilities in the province are being developed primarily with public funds. These centres are clearly not feasible with other than minimum or no debt financing because they are not meant to function as pure commercial ventures and therefore do not have the requisite revenue-generation capabilities (or mandates). The purpose of visitor services is to generate more tourism spending within the community amongst all businesses and not necessarily at the VIC site. The proposed CVDC, through the delivery of quality information and superior, professional service, will be serving as a marketing arm for all tourism, transportation, retail and service operators by encouraging travellers to stay longer, spend more and participate in more activities in the region. The new centres are perceived as community infrastructure (much as museums or arenas would be) and not business enterprises in and of themselves, although revenue generation

and positive cash flows remain primary operating goals. When calculating the net benefits to the community, local and senior governments are basing their investments in terms of economic rather than strictly financial impacts.

5. The overall business case for the Centre rests primarily with its capacity for attracting travellers off the Island highway at levels that are roughly double the current combined visitation of the Cumberland and Courtenay VICs. Secondary sources of visits are travellers using modes of travel or entry other than motor vehicles, and residents of the Comox Valley who will use VICs for obtaining and distributing information to friends and relatives.
6. The need to generate revenues on site must be integrated with the primary visitor service objectives so the facility projects a cohesive and balanced look to visitors.
7. The need to generate revenues means the architects and management team will have to dedicate as much floor space as possible to commercial activities without sacrificing the ambience, comfort and convenience that visitors will expect to see in a visitor centre.
8. In the long term, visitation, revenues and economic impacts will be more easily attained if visitor services and the other business in the Centre compliment one another and act as demand generators for tourism.
9. Road access will be an important feature of site planning and directly affect the behaviour of travellers and their decision about whether or not they should enter the facility. Tourism BC closed its Field VIC in 2002 due to the low number of visits when compared to the adjacent Alberta VIC. Road access to the facility could be accomplished with a right hand turn off the highway for Alberta-bound travellers but in-bound travellers to BC had to make a left hand turn across the highway and opposing traffic in order to enter. The visitation at the Alberta VIC was significantly higher than BC VIC visitation due to the highway effect. The proposed location of the CVDC is favourable from a visual perspective, but since no direct highway access will be allowed<sup>11</sup>, traffic planning and signage in and around the facility will be a critical determinant of visitor numbers and hence overall feasibility.
10. The Comox Valley cannot support three separate full-service VICs financially nor would they all be necessary in a coordinated visitor services program centred around the proposed Centre. An integration plan for the Centre and two existing VICs will be necessary.

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<sup>11</sup> Personal communication, Jerry Leet, Ministry of Transportation, 250-334-6969, September 30, 2005.

11. Visitation is closely linked to the Centre's operating schedule, which will have to include year-round service.

#### RECOMMENDATIONS

1. Work with the Village of Cumberland to:

- Secure the Grant Road site and maximize the public amenities that can be obtained from the property owners in exchange for zoning and building variances.
- Ensure neighbouring land uses complement and enhance visitation, and specifically encourage the development of complementary services that will directly increase use of the Centre (e.g. highway services catering to travellers such as a service station and other tourism businesses and attractions).

Further project planning should not proceed without a firm commitment to a site.

2. Prepare some basic renderings that will help board members and local stakeholders visualize the potential for the CVDC.

In the absence of drawings, people will tend to create their own vision about what the concept entails, while others may be unfamiliar with location features and how they can be enhanced through effective building and site development. We have included pictures and drawings of the Squamish and Golden VICs as examples of the look and feel the proposed facility might aspire to, but until site drawings are prepared stakeholders will be unable to discuss an overall vision for the project.

3. Conduct a visioning session with the community, business stakeholders and potential partners to build awareness, development insights, and project support.
4. Prepare a formal design concept with renderings that will allow a Quantity Surveyor to proceed with comprehensive costing and facilitate the negotiation of partnerships and fund raising.

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5. Consider an outdoor interpretive component to the site development.

The site is apparently at the headwaters of Roy Creek and the original plans for the Centre included some discussion with the Department of Fisheries and Oceans for some ponds that could enhance the salmon bearing capability of the stream and serve to illustrate the species' life cycle. Such an enhancement would result in higher development costs, but this would be more than offset by two major benefits. First, fund raising would be facilitated by the inclusion of this important environmental component. Salmon bearing habitat around the province is under intense pressure and a tourism facility that proactively promoted the interpretation and protection of this critical provincial

resource would receive a receptive hearing from government agencies. A partnership with DFO would further cement this aspect of fund raising. And second, the CVDC's status as a destination stop would be significantly enhanced with such interpretive displays.

6. Assess the potential of attracting an anchor food service operation (e.g. Tim Horton's, Whitespot, A&W).

7. Prepare an ownership and management plan that consolidates all visitor services the CVEDS now supports.

Presumably, the Cumberland VIC would be replaced outright by the new facility, but a legacy plan for the Courtenay VIC would have to be prepared, assuming a secondary visitor services presence in downtown Courtenay is still required.

#### RISK MANAGEMENT

The proposed CVDC carries with it business and financial risks associated with funding, development and operations. Project viability depends on a practical handling of risks to maintain costs, timelines and the level of community support needed for fund raising and partnerships. The major risks of this project are described in Table 8.

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Table 8: Risk Factors

Risk Factor	Impacts	Mitigation Options
Inability to secure site	<ul style="list-style-type: none"> <li>▪ Project delay</li> <li>▪ Loss of contributed capital via developer amenities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Secure alternative site with a highway location</li> <li>▪ Defer project</li> </ul>
Incompatible on-site uses	<ul style="list-style-type: none"> <li>▪ Deterioration of the visitor experience</li> <li>▪ Loss of marketability</li> <li>▪ Loss of visitors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Abort project</li> <li>▪ Eliminate conflicting uses</li> <li>▪ Separate conflicting uses</li> </ul>
Inability to secure funding targets	<ul style="list-style-type: none"> <li>▪ Project delayed or abandoned</li> <li>▪ Increased debt requirements and financing costs</li> <li>▪ Loss of other partners and leveraged funds</li> </ul>	<ul style="list-style-type: none"> <li>▪ Abort project</li> <li>▪ Defer project till targets are reached</li> <li>▪ Identify new funding sources</li> <li>▪ Change scope of project to lower costs</li> <li>▪ Assess feasibility of debt financing</li> </ul>
Loss of local government support	<ul style="list-style-type: none"> <li>▪ Loss of contributed capital and land</li> <li>▪ Increased capital costs</li> <li>▪ Loss of coordinated zoning and land use management</li> </ul>	<ul style="list-style-type: none"> <li>▪ Abort project</li> </ul>
Low visitation	<ul style="list-style-type: none"> <li>▪ Lower revenues</li> <li>▪ Restrained cash flow</li> <li>▪ Possible loss situation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase marketing efforts</li> <li>▪ Develop more packaging and marketing partnerships that position the CVDC as a first point of contact for visitors</li> <li>▪ Increase on-site programming</li> <li>▪ Increase rents</li> </ul>
Low merchandise sales	<ul style="list-style-type: none"> <li>▪ Lower revenues</li> <li>▪ Restrained cash flow</li> <li>▪ Possible loss situation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Monitor or survey visitors to determine buying behaviour and preferences</li> <li>▪ Reassess merchandising program</li> <li>▪ Determine suitability of using TBC's merchandise line</li> <li>▪ Review best practices in museum and visitor centre gift sales for new ideas</li> </ul>
Inability to hire an acceptable contractor for the delivery of visitor services	<ul style="list-style-type: none"> <li>▪ Poor quality visitor experience</li> <li>▪ Business interruption</li> <li>▪ High operating costs</li> <li>▪ High employee turnover</li> </ul>	<ul style="list-style-type: none"> <li>▪ Defer project</li> <li>▪ Intensify recruitment efforts</li> <li>▪ Increase remuneration</li> <li>▪ Scale down human resource commitments</li> </ul>
Inability to rent all available commercial and food concession space	<ul style="list-style-type: none"> <li>▪ Lower revenues</li> <li>▪ Restrained cash flow</li> <li>▪ Poor visitor perceptions</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lower asking rents</li> <li>▪ Add tenant inducements that may be contributed by project volunteers</li> </ul>

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## Appendix 1 – Tourism Profile

### INDUSTRY STRUCTURE

The Comox Valley offers a wide range of tourist and outdoor recreation activities including skiing, salmon fishing, freshwater fishing, swimming, hiking, scuba diving, cycling, and golf. The Valley is well served by ferry and commercial air services, but the vast majority of travellers enter and leave the region by the Island Highway.

The area's inventory of hotels, motels, cabins and bed and breakfast operations is more than 95 properties with over 1,000 units. There are 22 campgrounds and recreational vehicle parks, with a total of more than 1,100 sites, mostly located in the Saratoga Beach area. There are no dedicated convention facilities in the Comox Valley, but there are a number of conference and meeting facilities available. Mount Washington resort has a bed inventory of approximately 3,500. The Valley has over 90 food service operations, including family style restaurants, delis, specialty restaurants, teahouses, full service dining rooms and fast food outlets. Excluding hotels and pubs, restaurants in the Valley provide 4,900 seats and employ nearly 900 staff.

The hospitality/tourism industry currently provides employment for approximately 1,800 people. In terms of the local economic base, tourism ranks third in importance in the Comox Valley behind the public sector and forestry. Expenditures by visitors generate \$85 million annually. In terms of markets, four-season tourism has a major influence on the economy of the Comox Valley.

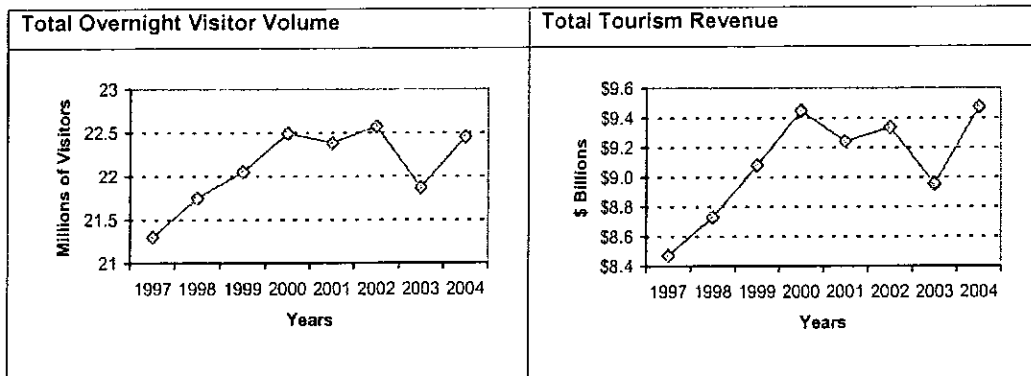
The Comox Valley has probably the most diversified tourism economy on the North Island and Mainland Coast, drawing a diversity of markets and offering a good range of experiences. With Mount Washington, the area has built a valuable winter product that provides the hospitality sector with visitor volumes outside of the summer season. Comox airport is a growing tourism asset with its new terminal. The establishment of new inbound tour operators are an indication that the Valley is packaging its adventure products. Strathcona Park remains a major draw for visitors, especially among overseas markets.

Other major destinations include the Kingfisher Oceanside Resort & Spa, Crown Isle Resort, Coast Westerly Hotel, Courtenay & District Museum and Cumberland Museum.

**BC VISITOR MARKETS**

Tourism is a major contributor to the provincial economy. In 2004, 22.5 million overnight visitors generated almost \$9.5 billion in expenditures employed 115,400 workers, 7.2% of all provincial employment.<sup>12</sup> Tourism GDP for 2003 was 4.2% of the provincial total. Visitation and revenue trends for the province between 1997 and 2004 appear in Figure 1. While flat over the past four years, revenues and visitor numbers remain sharply higher today than in 1997.

**Figure 1: BC Total Tourism Visitor Volume and Revenue, 1997 to 2004**



Source: Tourism BC.

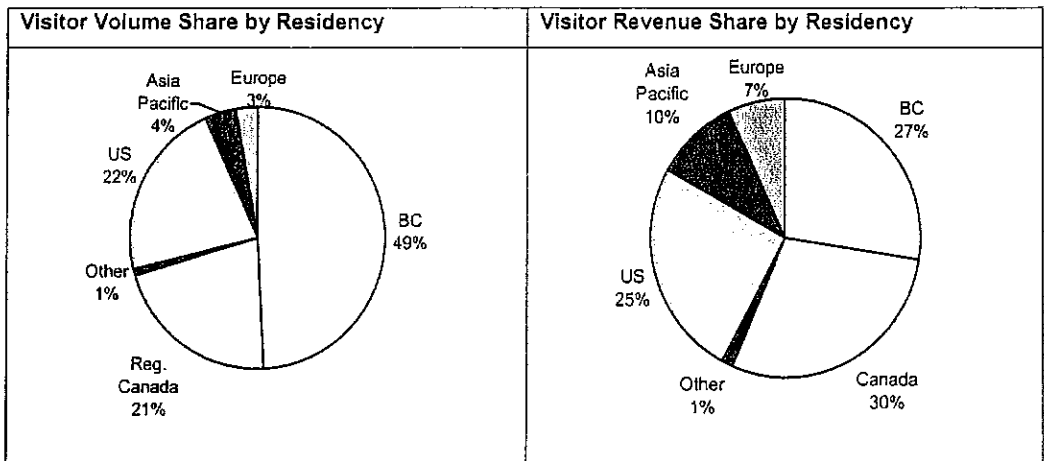
In 2004, approximately half of the provincial visitor market lived in BC, though they account for only 27 % of spending. Between 2001 and 2004 the local tourist have provided a stable number of visitors and revenue with revenues by BC visitors reaching \$2.6 billion in 2004.

Typically, overseas visitors spend more, on average, than other visitors. However, the BC, other Canada and United States markets make up by far the largest share of revenue and visitors – in 2004, these three jurisdictions represented almost 82% of revenues.

Figure 2 highlights the share of revenue and visitors from various jurisdictions.

<sup>12</sup> BC Stats, *BC Stats and High Tech GDP and Employment*. Based on data released April 2004.

Figure 2: Visitor Volume and Revenue by Residency, 2004



Source: Tourism BC.

**VANCOUVER ISLAND VISITOR MARKETS**

In the Fall of 2002, Malaspina University College and Tourism Vancouver Island (TAVI) conducted a tourism labour market study for the Vancouver Island region. A visitor survey component of the project was designed to sample visitors to the region through four seasons. Selected results from the summer survey are as follows:<sup>13</sup>

- In general, visitors to major centres like Victoria, Nanaimo and the west coast tend to stay longer than visitors to other areas. Visitors to the Comox Valley (part of the North Central region along with Campbell River) have average lengths of stay, less than major centres, but more than smaller communities.
- Individuals spent their visit in a variety of lodgings including hotels/motels (31.7%), friends and relatives (28.1%), campgrounds (29.1%), resorts (12.8%) and B&Bs (9.3%). This breakdown is much different from the BC Visitor Study results (1996), in which visiting friends and relatives and hotels/motels accounted for higher percentages of visitor accommodation options. Conversely, the percentage share of all other options, particularly campgrounds, were much smaller than they were in the TAVI survey. Some of this differential is attributable to differing survey methodologies, but it may also be reflecting an underlying change in accommodation patterns.

<sup>13</sup> Tourism Vancouver Island, 2002.

- Transportation modes, to and within the region, are more diversified than in the past. Approximately 50% of visitors arrived via BC Ferries, while 12.4% travelled by air. Once in the region, close to 60% used or rented automobiles while a further 12% travelled by boat.
- The most popular activities while travelling on Vancouver Island included hiking (44.4%), wildlife viewing (38.3%), whale watching (20.7%), bird watching (20.5%), saltwater fishing (16.4%), kayaking or canoeing (16.3%) and road or mountain biking (13.8%). The most popular attractions were beaches (56.1%), parks (55.9%) local shops and artisans (50.1%), shopping malls (34.9%), museums (31.7%), historic sites (29.2%), art galleries 26%), gardens (20.8%), farms and country markets (19.4%), festivals and events (16.6%), playgrounds and water-parks (11.8%) and First Nations facilities or events (11.4%).
- Visitors used a variety of sources of information to plan their summer visit. The highest percentage included friends and relatives (54.7%), the Internet (52.9%), and previous personal experience (42.9%). The largest portion of the sample first learned about the Vancouver Island Region from friends and relatives (48.4%). When asked what most influenced their decision to travel to the region visitors indicated that friends and relatives (46.2%) and previous personal experience (26.3%) had the greatest influence.
- In evaluating their travelling experience visitors expressed a high level of satisfaction with scenic beauty (98.7%), overall atmosphere (96%), friendliness of people (94%), outdoor recreation opportunities (91.5%), safety (90.3), suitable weather (88.6%) availability of services (88.3%), quality of accommodation (87.6%), quality of service (84.7%) and ability to obtain information (84.6%).

#### **COMOX VALLEY TOURISM SURVEY**

Comox Valley Tourism and Malaspina College conducted a visitor survey of the Comox Valley during the summer of 2000. Selected results are shown in Table 9. Key travel characteristics were similar to other surveys. The average traveller was a BC resident arriving in a personal vehicle via the Vancouver-Nanaimo ferry. Friends and relatives were the major source of travel information – VICs were used by a minority of travelers for obtaining information.<sup>14</sup> Satisfaction levels were generally high as less than one percent felt their trip to be below average or poor.

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<sup>14</sup> Malaspina Recreation & Tourism Research Institute. *Tourism Comox Valley Visitor Survey 2000*, Comox Valley Tourism, April 2001.

Table 9: Comox Valley Tourism Visitor Survey Results, 2000

	Percent of Total
<b>Visitor Origin</b>	
Vancouver Island	37.0%
Lower Mainland	22.5%
Rest of Canada	14.1%
USA	13.4%
<b>Source of Trip Information</b>	
Friends and Relatives	48.9%
Internet	7.1%
VIC	2.5%
<b>Trip Purpose</b>	
Pleasure	61.0%
Visiting Friends and Relatives	20.0%
Business	12.0%
<b>Transportation Mode</b>	
Personal Vehicle	75.0%
RV	7.3%
Rental Vehicle	6.8%
Air	4.0%
<b>Ferry Route</b>	
Vancouver-Nanaimo	59.8%
Vancouver-Victoria	17.4%
Powell River-Comox	11.5%
<b>Attractions Visited</b>	
Farmers' Market	21.2%
Museums	20.4%
Art Galleries	16.9%
Filberg Festival	16.0%
<b>Visitor Perceptions</b>	
Above Average or Excellent	85.8%
Average	11.3%
Below Average or Poor	< 1.0%

Source: Comox Valley Tourism.

**COMOX VALLEY VISITOR INFOCENTRE DATA**

Visitor information is collected and published monthly by the two VICs in the Comox Valley (Courtenay and Cumberland). Recent visitor trend data for the two local VICs, BC VICs and Vancouver Island VICs appear in Table 10. VIC visits tend to be influenced by a host of factors including overall visitation levels, the number of facilities, operating hours and operating season. How these factors interact are not always apparent. Generally, VIC visitation for all areas shown has been mixed in recent years. The Courtenay VIC has seen a slight decline in visits. Cumberland, in the other hand, has seen increased visits primarily because of new traffic from the Island Highway. This increased visitation has occurred despite limited hours of opening.

**Table 10: Visitor Information Centre Visits, 2000-2004**

Visitor Information Centre	2000	2001	2002	2003	2004
All BC VICs (parties)	1,513,007	1,580,445	1,530,282	1,551,802	1,659,312
All Vancouver Island VICs (parties)	390,641	389,823	406,876	399,073	426,910
Courtenay (visits)	36,007	33,940	32,517	26,320	24,703
Cumberland (visits)	N/a	N/a	9,344	10,488	9,278

Source: Tourism BC, Cumberland Chamber of Commerce, Comox Valley Chamber of Commerce.

Other characteristics of local VICs in 2004 include the following:

- catering to residents of the Comox Valley (approximately one fifth);
- catering heavily to BC resident visitors (59% at Cumberland and 35% at Courtenay); and,
- dispensing information about (in rank order) accommodation, transportation, attractions, parks and adventure recreation.

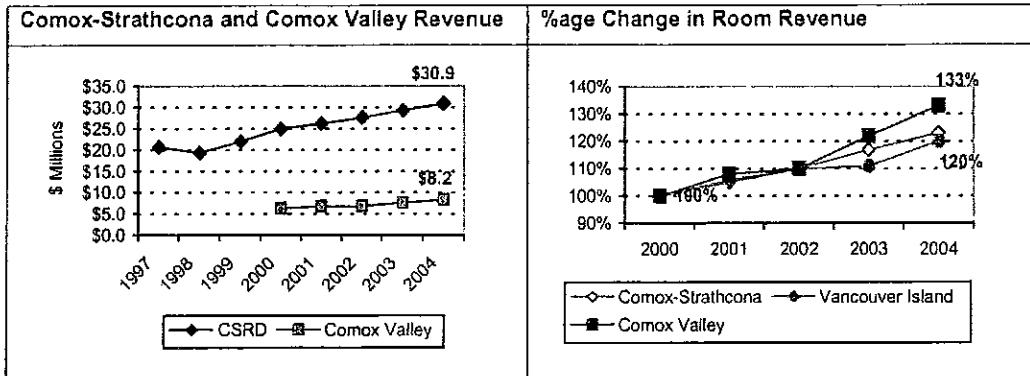
**ROOM REVENUES**

Room revenues in the Comox-Strathcona Regional District have steadily climbed since 1998, rising from just over \$19.3 million to over \$30.9 million in 2004 (Figure 3). This is explained primarily by a larger inventory of rooms but also to higher room rates. Occupancies have remained steady. Overall, growth has been slightly stronger than in the larger Vancouver Island Economic Development Region.

While room revenues in the Comox Valley is available for only the past four year it has also shown strong growth, moving from \$6.2 million in 2000 to \$8.2 million in 2004. For the period 2000 to 2004 the

Comox Valley has outpaced growth experienced both in the greater Comox-Strathcona Regional District and on Vancouver Island. In 2000, the Comox Valley made up 24.3% of the room revenue in the Comox-Strathcona Regional District, by 2004 this had risen to 26.6%.

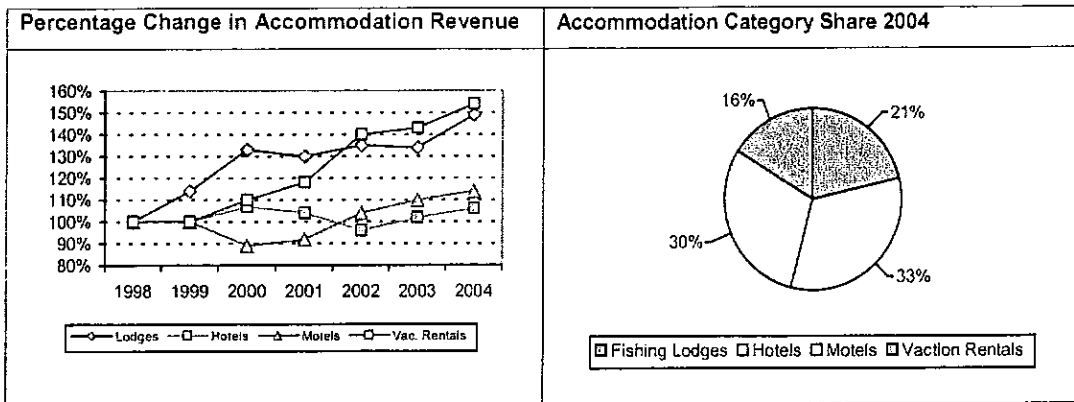
Figure 3: Comox-Strathcona Accommodation Revenue (1997 to 2004)



Source: BC Stats.

Figure 4 shows how room revenues are apportioned in the region. Motels and hotels represent the largest component of accommodation revenue, however, their respective trends have diverged since 1999. There are more motels with improving occupancies compared to the hotel category, which have suffered from declining occupancies stemming from reduced government and business travel. Vacation rentals and fishing resort lodges have led revenue growth since 1999. The figures presented do not include the growing accommodation unit inventory on Mount Washington.

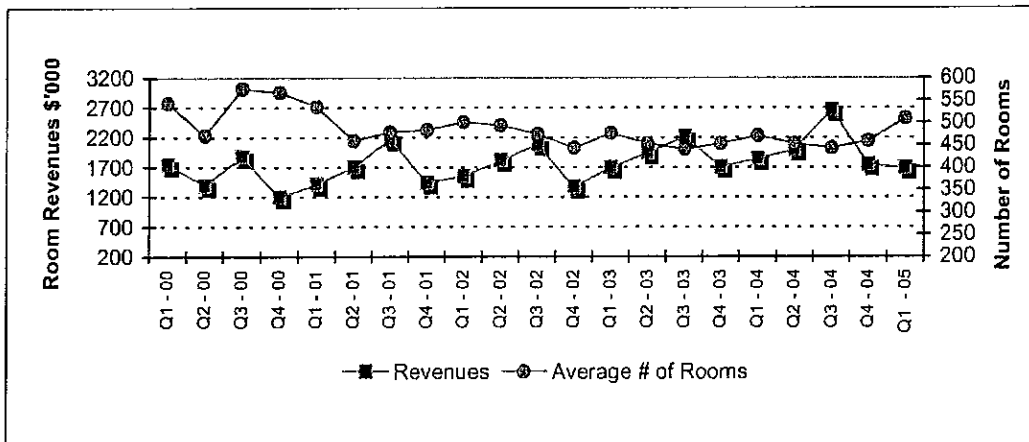
Figure 4: Comox-Strathcona Room Revenue by Accommodation Category



Source: BC Stats.

In the Comox Valley, the inventory of rooms has been relatively steady over the last four years. With regards to revenues, there has been a steady upward trend over the period. Room revenues peak annually in the third quarter, led by strong revenues in July and August. Quarter 3 revenues made a strong upward move in 2004 – this may be a signal of new strong upward trend within the sector. Figure 5 provides an overview of the quarterly room revenues and number of rooms for the Comox Valley between 2000 and 2004.

Figure 5: Comox Valley – Quarterly Room and Room Revenues (2000 to 2004)

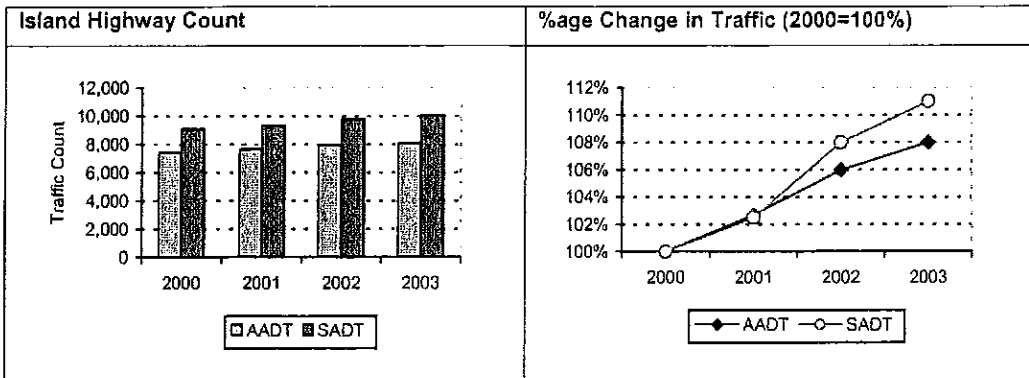


Source: BC Stats

**HIGHWAY TRAFFIC**

The development and subsequent rerouting of the Island Highway (Highway 19) has meant that traffic counts are available for only the most recent years. The numbers that are available do provide some insight into local traffic trends. Figure 6 shows the average annual daily traffic (AADT) and the summer average daily traffic (SADT) between 2000 and 2003 for north and south-bound traffic 0.5 kilometres south of Buckley Bay Main Road. If we assume that a portion of the difference between the average annual daily traffic and the summer average daily traffic is attributed to tourism travel, then the highway counts indicate a steady increase in visitor traffic.

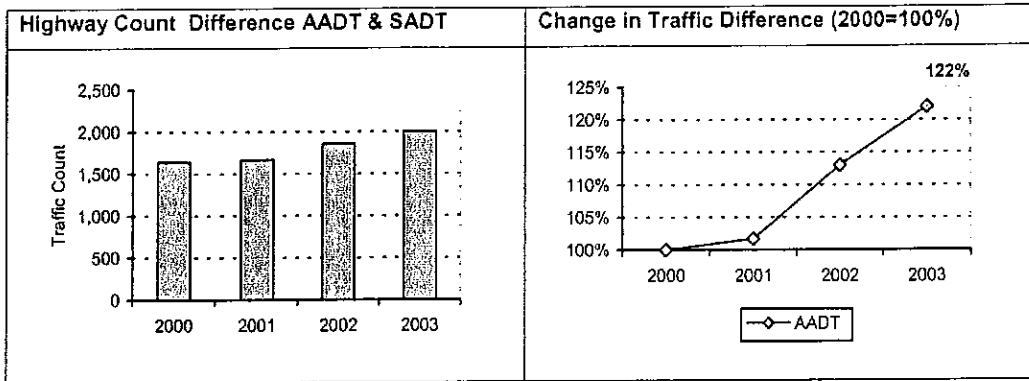
**Figure 6: Highway 19 Traffic Volumes Near Buckley Bay Main Road (2000 to 2003)**



Source: BC Ministry of Transportation.

Figure 7 outlines the daily difference between annual average daily traffic and summer average daily traffic and the percentage change. As illustrated, this traffic volume has risen by 357 vehicles per day or 22% over the period. In general, as traffic volumes grow, there will be more opportunities to stop and divert visitors to stay longer and spend more in the Comox Valley.

Figure 7: Difference between Summer and Annual Traffic Counts for Highway 19 (2000 to 2003)

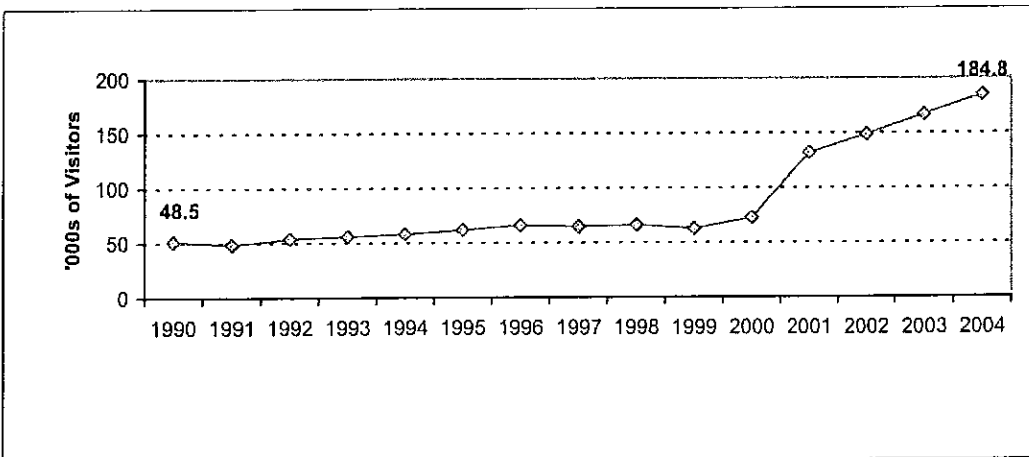


Source: BC Ministry of Transportation.

**AIRPORT**

Passenger volumes at the Comox Airport for the 14 year period ending in 2004 is presented in Figure 8. After a decade of modest but steady growth, volumes jumped dramatically in 2001 with the introduction of Westjet service to Calgary. Additional services since 2001 have also helped to increase Comox Airport's catchment area and stimulated further market growth. Estimated 2004 passenger volume of 184,900 represents a 254% increase over 2000. Comox trails only the Victoria airport for passenger volumes and has lead passenger growth among the four Vancouver Island commercial airports over the period from 2000 to 2004.

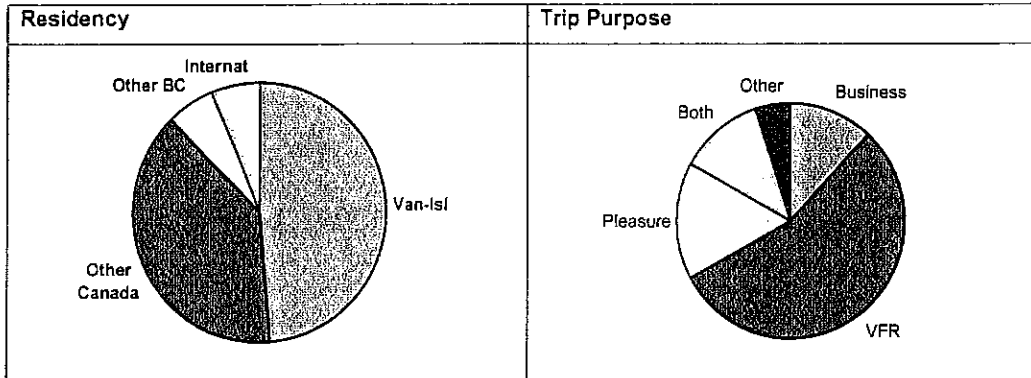
Figure 8: Enplaned/Deplaned Passenger Volumes at Comox Airport (1990 to 2004)



Source: Comox Valley Airport and Tourism BC.

Approximately half of Comox Airport passengers are Vancouver Island residents, while 39% are from elsewhere in Canada. Most passengers are visiting friends and relatives, whereas only 16% are travelling for pleasure only.

Figure 9: Comox Airport Passenger Demographic Profile - 2004

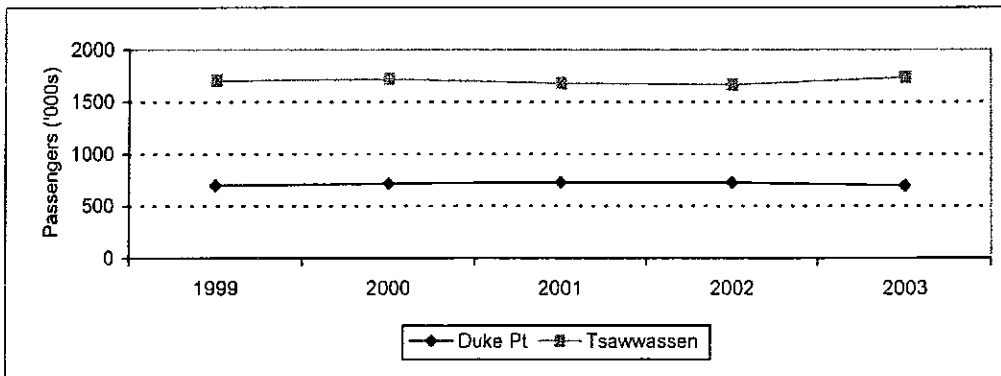


Source: Comox Valley Airport

**BC FERRIES**

The BC Ferries network remains one of the key access points to Vancouver Island for visitors. Of particular interest to the Comox Valley is the travellers using the Mid Island runs of Horseshoe Bay to Departure Bay and Tssawwassen to Duke Point. Figure 10 highlights the trend in ferry passenger traffic between the Mainland and Nanaimo.

Figure 10: Ferry Passengers Between the Mainland and Nanaimo (1999 and 2003)



Source: BC Ferries, Traffic Department.

As illustrated over 2 million travels have consistently used this route to reach Vancouver Island over the past four years. Overall, the volume of traffic has been flat, trending up only slightly in 2003.

Closer to the Comox Valley, more local ferry routes have shown a similar trend in passenger use as the larger Mid Island runs. Leading ferry growth locally is the Comox – Powell River route which is up 9.2% from 1998 to 2003. However, Buckley to Denman route is down 1.8% while Denman to Hornby is also down 4.8% over the same period. Interesting vehicles transported have increased on all three runs. Table 11 highlights the trends on the ferry routes in close proximity to the Comox Valley.

**Table 11: BC Ferries Passenger Numbers for Comox Valley Routes (Fiscal Years 1998 to 2003)**

Route	1998	1999	2000	2001	2002	2003
17 Comox - Powell River	338,711	341,005	345,262	347,586	365,120	369,276
21 Buckley - Denman	554,870	550,137	547,016	548,341	527,279	545,407
22 Denman - Hornby	272,740	262,473	229,145	232,048	244,695	259,950

Source: BC Ferries Traffic Dept.

#### **KEY TRENDS**

In constant dollar terms, tourism GDP has risen by almost 5% between 1999 and 2003, this is approximately half the growth experienced by the total BC economy where the total BC GDP has risen 10% when measured in constant terms. Moving forward tourism contribution to GDP is expected to accelerate and preliminary numbers for 2004 would suggest the emergence of this new upward trend. Also at the provincial level visitor numbers have remained flat between 1999 and 2004. In 1999, BC hosted 22.1 million visitors. While the visitor number dipped below 22 million in 2003 it began its upward swing in 2004 reaching 22.45 million. While recent world events (e.g. SARS, Iraq war, 911, etc.) have hurt travel from the United States, increases in visitations have been experienced from Overseas markets. This may be the beginning of a period of market diversification for BC – particularly with a renewed interest from Asian markets.

Vancouver Island has followed a similar trend as seen within the larger provincial tourism numbers. Overall the Vancouver Island market experienced the same positive increases in visitations in 2004, most noticeably international custom entries on Vancouver Island were up over 10% between 2003 and 2004. Room revenues rose 7.8% from 2003 to 2004. Transportation wise, both air travel (up over 6%) and ferry traffic (increase of 2.6%) increased from 2003 to 2004 on Vancouver Island. Passenger volumes among

cruise ships using Victoria's Ogden Point rose a substantial 40.9% in 2004 while cruise ships docking at Vancouver Island ports has risen from 45 in 2000 to 139 in 2004, signally the emergence of this component of the tourism sector as a new mainstay of the regions tourism economy, offering further product and market diversification.

It appears that British Columbia has emerged from recent soft period in the world tourism industry and is now poised for sustained healthy growth. For the Vancouver Island region the foundation has been laid for the introduction of new tourism product and continued growth in traditional tourism activities. As well, the Vancouver Island region will likely find new market niches and product opportunities that should help lead the region in future tourism opportunities.

## **Appendix 2 - Review of Comparable Visitor Centres**

The experiences of three communities that have recently undertaken Visitor Information Centres are examined here. The focus is on how they approached their VIC development, structured partnerships and addressed the funding issues. The three VICs include those for the communities of Golden, Osoyoos and Squamish. This section concludes with a brief overview of best practices derived from these three different experiences.

### **GOLDEN VISITOR INFOCENTRE**

#### **Development Concept**

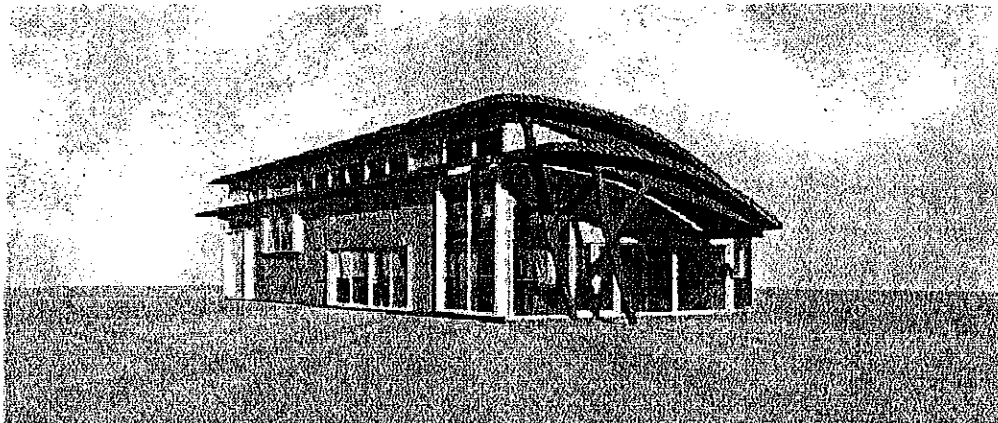
The Golden Visitor InfoCentre (GVIC) is one of the new generation visitor information centres under development within BC. The GVIC is being developed as a centrepiece for the community's and the region's marketing efforts.

The GVIC is going to be a visually striking building that will attract its own interest. The building will be 5,600 square feet and will feature a blend of stone, timber, iron and glass, reflecting the character and history of Golden's mountain wilderness and traditional railroad, mining, logging and adventuring histories. The GVIC is anticipated to cost \$2.2 million with the provincial and federal government contributing \$1.5 million and the Town of Golden and Kicking Horse Mountain Resort Limited providing the remaining \$0.7 million.

The GVIC will be located beside the new Burgess Shale Discovery Centre. The site of these two facilities is at a premier location on the north side of the Trans Canada Highway at the top of the final descent into Golden from the east. The site is large enough to accommodate the building, 60 vehicles, including 10 bus and recreational vehicle stalls, and a rest area.

The sister building, the Burgess Shale Discovery Centre, will cost \$7.9 million and will be a destination stop showcasing the world renowned Burgess Shale Deposits. It is anticipated that the GVIC and Discovery Centre will provide complementary synergies for each other's activities.

Figure 11: Golden Visitor Info Centre



### Linkage to Business Goals

While the marketing efforts will continue to focus on tourism services to the traveling public, it has been recognized that the potential economic benefits of the center could reach far beyond the tourism sector. Specifically, the area business community will play an integral role in the operations and promotions conducted within the centre. Specifically these benefits would include:

- ***Kicking Horse Mountain Resort*** – KHMR will be commissioned by TBC to deliver visitor services at the new centre. At the same time, the company is making a capital investment in the facility in return for the opportunity to market its products to the traveling public. As the resort expands from a winter destination to a four-season destination, it will need to enter new marketing channels to ensure it is able to take advantage of demand and attract new visitors, particularly in the shoulder and summer seasons. KHMR's investment in the VIC is a good example of the leveraging of private sector capital to create a better visitor experience while increasing market exposure to the region's premier visitor destination.
- ***New Tourism Investment*** – The increased visitor projections attributable to the Centre will stimulate new investment. There is accommodation and food service capacity in the region, but as new visits build, new facilities and amenities will come on stream requiring new capital investments. As visits and overnight stays increase, demand will also increase for other tourism products, encouraging new business development.
- ***General Business Development*** - Very few individuals or companies have ever invested in a community without having first been a visitor. It is for this simple reason that tourism is a clear

influencer of the business climate and investment activity. As a provincial gateway, the VIC will be bringing in incremental visitors who otherwise might not have stopped in the community. This will increase the likelihood that some of those visitors will be encouraged to invest locally, and perhaps stay.

### **Integrated Operating Targets**

The GVIC's location has been selected to maximize accessibility and visibility along the Trans Canada Highway. The community has worked extensively with the Ministry of Transportation to ensure easy access on and off the highway to the VIC for traffic travelling in both directions. This will mitigate a major concern observed at earlier VICs in which the travelling public often had to search for the community VIC.

It is anticipated that the development of the GVIC and Burgess Shale Earth Science Centre at the same predetermined area will be ideal in fostering surrounding business development in future years. With a large influx of visitors making lengthy day stops at the VIC and Centre, it is realistic that there will be an increased demand by some business types to locate in close proximity to the site.

This will have a positive impact on land values near the existing area as businesses position to leverage the sizeable captive audiences that will be attracted. Increased property values will ensure a return on the investment that the Town of Golden will make in the area around the GVIC and Centre.

Finally, the Centre will operate year round and is targeted to eventually service upwards of 150,000 visitors per year. While initially there will be no merchandising at the VIC, this will change over time. The sales component will become a key component of the overall sustainability of the GVIC. Sales are expected to climb to \$1.25 million annually with these revenues being used by the province to support the services offered at the VIC.

## OSOYOOS – NK'MIP GATEWAY CENTRE

### Development concept

The Osoyoos – Nk'Mip Gateway Centre will be one of the first Gateway Centres in the province and will showcase not only the Osoyoos/Nk'Mip and the South Okanagan – Similkameen regions, but also the entire province. The Centre is envisioned to be upwards of 5,000 square feet and two stories high. The main floor will host the public discovery centre for visitor information services; the upper floor will include a commerce centre integrated with the local economic development office.

The building will conform to the current design preference for the Town of Osoyoos and Nk'Mip but will provide a new and bold example of the region's unique desert style architecture. All signage will be in three languages; English, French, and Okanagan. The building will be very visible but will also be a local example of environmental sustainability by featuring:

- Solar power/geothermal energy;
- Grey water collection in dry land garden;
- Desert landscaping to minimize water consumption; and,
- Building roof overhangs promoting outdoor shaded areas.

The building is estimated to cost \$2.5 million, with the provincial government providing \$2 million towards the capital construction. The Town will contribute the land and provide all the infrastructure required to the site (approximately \$250,000). The Osoyoos Band will also contribute \$75,000 towards First Nations exhibitory at the site.

### Linkage to business goals

One of the key considerations of the Gateway Centre is to leverage the critical junction of Hwy 3 and Hwy 97 intersection. This intersection sees a significant volume of traffic moving north and south from the United States, as well as traffic moving east and west within the province. Besides the standard tourism marketing activities, the site will have a specific business focus including:

- *Mountain and Vineyard Circle Tour* – On the larger region, the Osoyoos – Nk'Mip Gateway Centre will serve as a centre piece in the marketing and promotion of the province's recently announced

Mountain and Vineyards Circle Route. Located close to the United States border, the Centre is poised to be the Canadian gateway for this initiative and a key tool for the province and region.

- **Revitalization of the Inland Corridor** – A new \$34 million US/Canada border crossing highlights the increasing importance of the Okanagan entrance to the United States, and the Centre will further strengthen recent efforts to establish better economic linkages with Washington State and the Pacific Northwest. With the upcoming marketing support associated with the 2010 Olympics, it is envisioned that the local area will use the Centre to further position themselves as a key border area within the province.
- **Support for the local Agriculture Economy** – It is envisioned the region's unique wine and fruit industry will be profiled and supported at the Centre with the creation of special focus for these two sub-sectors, specifically:
  - Potential development of a VQA store;
  - Demonstration wine tasting area and demo kitchen for fruit products;
  - Profiles on wine making and fruit history in the valley; and,
  - Features on the agri-tourism industry in the region.
- **First Nation Welcome Centre** – There is a growing number of First Nations tourism business ventures in place in the region. The Gateway Centre will specifically highlight these, including such showcase ventures as the Hedley Mascot Mine Centre and the Nk'Mip Interpretative Centre, among others. As well, the Welcome Centre will have displays on history and culture of the Osoyoos Band.
- **Eco-zone Discovery Centre** – The Centre will feature and display information on the local ecology, including an outside dry land garden area with indigenous plants. This is not only being done for visual purposes but will also support an important ecological tourism growth in the valley. Currently two desert interpretative centres are in place in the Osoyoos area – one near Osoyoos and the other located at Nk'Mip Interpretative Centre. The federal government is now working on a new National Park locally that will showcase the rare Canadian ecosystems in the South Okanagan. The Gateway Centre will eventually serve as a key marketing tool and entrance point for this new destination park.
- **Greyhound Bus Centre** – The greyhound bus centre will provide support for this key transportation provider. The Centre will provide a service counter and storage and office space for Greyhound.
- **Business Attraction Efforts** – Finally, the location will also be integrated into the business attraction efforts of Destination Osoyoos and the Osoyoos Band. Destination Osoyoos will be located in the building representing the economic interests of the Town of Osoyoos and the surrounding Electoral

Area, and together with the Band will use the centre to promote and show case the area's diverse population and its investment opportunities.

**Integrated Operating Targets**

Like the other VIC's, the Osoyoos – Nk'Mip Gateway Centre has been selected because of its strategic location within the community. The Osoyoos VIC welcomed 33,000 visitors in 2004. However, with the integrated approach and multipurpose functions and increased visibility of the new Gateway, it is anticipated to result in significantly higher attendance.

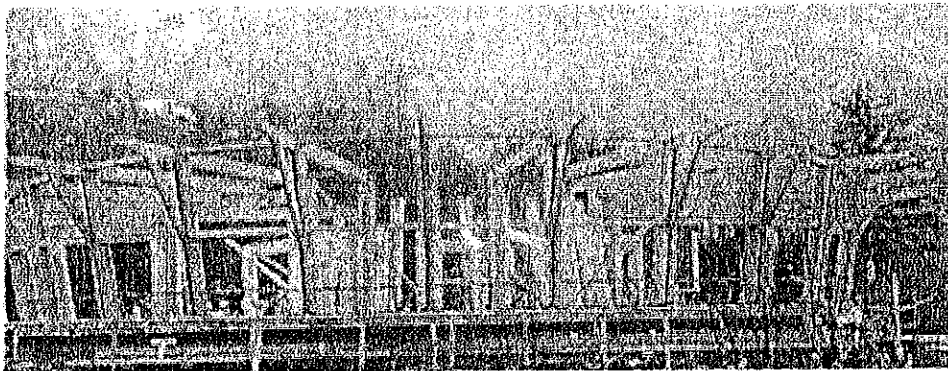
The Centre has been designed to foster revenue through traditional and unique retail space that will contribute to sustainability of operations. Also, cross-purpose linkage of the operations of Destination Osoyoos and Tourism BC have been specifically developed to ensure that services can be provided as efficiently and affordably as possible to achieve the mandates of both organizations. Catering to the corporate space needs and services of Greyhound and their travelling client base has captured further efficiencies and will work towards reducing the risks and maximizing returns for all participants.

## SQUAMISH ADVENTURE CENTRE

### Development concept

The Sea to Sky Adventure Centre has been built in Squamish with the objective of providing a multi-use facility that incorporates distinctive and appealing west coast architectural design highlighting and featuring local wood (Figure 12). The Centre, in-itself will serve to attract motorists who travel Highway 99. Overall, the Centre will be the focal point for many community-driven activities that represent a variety of aspects of the area including sectors and interests like forestry, sport, arts, culture and history, wildlife and aquaculture, as well as local flora and fauna.

Figure 12: Construction of the Sea to Sky Adventure Centre



The site is located at one of the area's oldest homesteads where an extravagant floral garden has been planted and tended to represent the Corridor's rich history. The Sea to Sky Adventure Centre is 8,000 square feet and cost \$2.7 million to build. The federal and provincial governments contributed two-thirds of construction costs with each contributing \$0.9 million.

### Linkage to Business Goals

The Centre acts as a destination along the Sea to Sky Corridor, offering motorists a variety of important services – many of which are linked directly to the local business community including:

- *Key Intervention Point and Information Services* – Until the construction of the Sea to Sky Adventure Centre, no formal visitor information services were available between Whistler and Vancouver. The Centre is now providing those intermediary reception services for travelers wishing to explore more than just southern and northernmost points on the corridor. It is also a logistic resting

point and offers restroom facilities, information, maps, products and services, and refreshments that the traveler may be seeking.

- ***Collaboration, Coordination and Special Partnerships*** – From the Centre, efforts have been initiated to better promote and facilitate collaboration among the local tourism service providers. Tour wholesalers are constantly seeking products for their clients that are new and/or not offered elsewhere. Working together, the community is making efforts to more effectively package and deliver such products in a coordinated fashion.
- ***Central Booking and Packaging of Outdoor Adventure and Tourism Activities*** – Linked into the marketing program, the Centre is now fulfilling the critical central booking role providing travelers and visitors with the opportunity to book a variety of activities from day-based to more prolonged multi-day tourism activities.
- ***Showcase of local Manufactured Products*** – Like the other Centres, the Sea to Sky Adventure Centre will make sure that business interests outside the tourism sector have an opportunity to highlight their products. The Centre will serve as a key tool in ensuring Squamish is able to translate its unique position on the road to the Olympics into spin-off business development.
- ***Local Heritage and First Nations Culture*** – The Squamish First Nations are key partners in the operation of the Centre and are ensuring that local cultural and historical themes are integrated at the Centre. As well, the Centre is located on the site of several earliest Squamish homesteading families and is surrounded by the locally renowned Lily's Garden.
- ***Celebrating Sport History in Canada*** – Located on the key route to Whistler, where many of the venues for the 2010 Olympics are, the Centre incorporates a dedicated space that services as a mini "hall of fame". The focus is on showcasing Canadian athletes that have excelled in outdoor sports.

Collectively, the activities located at the Centre have been pieced together so that they support each business activity and create an opportunity to leverage and cross-link business and community activities.

#### **Integrated Operating targets**

The Sea to Sky Adventure Centre has been built on a scale and in a location to foster several unique and supportive activities. The Centre is establishing new standards in multi-use for a community owned and operated venture. Besides a range of business activities that have been developed for the Centre, the building is also fulfilling an important community niche of providing:

- Office, meeting and training space within the community;
- Presentation space for local activities and projects;
- A tool in engaging youth and a link to community well-being initiatives;
- Greenspace, waterfront and garden centre, and geographic link to the oceanfront and inland trail system for use by visitors and local residents.

Linkages have been established to again ensure a sustainable and successful long-term operation plan.

Once again, the focus has been to create something unique and different but yet, provides the maximum service to the local community with the minimal on-going operating subsidy.

#### COMMON THEMES AND LESSONS LEARNED

All three of these Visitor Information Centres have tried to incorporate several key community elements into the overall design, function, and operations of their VICs. The organizations and communities have paid particular attention to the overall economic development objectives, keeping in mind the need for the delivery of cost effective services. To that end, the best practices displayed by the three case studies centre around partnership and building synergies, specifically:

- **Partner Funding is Critical in Construction** –All three VICs reviewed have been successful at leveraging funding from the provincial and federal government. While at first glance it looks like these facilities were custom designed for current provincial and federal programming; however, the reality is that under the surface there was considerable effort expended by each community in order to secure these key-funding contributions.
- **Syngery with Other Organizations to Ensure Viability** – The community leaders all recognize that the true cost to the community is the resources required to maintain on-going operations. While provincial and federal government money is much harder to secure for on-going operations, the communities have come up with site designs that allow for multiple uses at their facilities. This creates an opportunity for cost sharing with multiple organizations and private sector partners. This approach will go a long ways to mitigate “local operating subsidies” in future years.
- **Location, Location, Location** – All three locations have been targeted at the best possible location in the community. These Centres are being developed as highly visible, ideally located sites, with easy access to the main transportation routes. The idea is to make sure as many visitors as possible can access and visit the site. All three are anticipating significant increases in visitor numbers over previous locations.
- **Market Positioning**— All three Centres have thoroughly researched their position in the market place. Be it half way between Whistler and Vancouver or the entrance to the Okanagan Valley from the United States, they understand what their Centres need to contribute in order to sharpen their tourism advantage and leverage what for the general market place.
- **Economic Development Goals Reflected in Centres** – The local economic development goals are front and centre in all three sites. These VIC leaders have all recognized the importance tourism makes in future business and residential investments in a community. Many residents and business

investments often start off as a tourism visit to an area. All three communities intend to specifically target this avenue at their VICs.

### Appendix 3 – Detailed Methodologies

#### VISITOR VOLUME ESTIMATES

Several key indicators have been reviewed to determine expected future changes in tourism in the Comox Valley. Specifically, local highway volumes, regional and provincial international visitation (both actual and forecast), and Canadian visitation estimates have been reviewed. While we are providing an estimate of future visitor volumes to the Comox Valley, this should not be construed as a forecast. There are factors that we have not studied or considered in our estimates because they extend beyond the scope of this study. These include:

- Future population growth – population is a demand generator because a significant proportion of all travellers are visiting friends and relatives.
- New destination product development – in a small economy, the development (or loss) of a single destination facility can distort the historical trendline. Such events are difficult to predict and incorporate into forecast models.
- Infrastructure development – similarly, major transportation infrastructure improvements (for example a cruise ship terminal), which will have implications for visitor volumes and markets, cannot easily be modelled.
- Primary operator and visitor information – in order to carry out a forecast, original survey information from operators (e.g. business trends, profitability, investment plans) and visitors (e.g. demographic profile, spending habits) would be needed. Such surveys are costly and beyond the scope of this business analysis.

#### Tourism BC Visitor Projections

Tourism BC's Service Plan<sup>15</sup> projects visitation from overnight custom entries from the US and overseas markets to grow 8.8% between 2005 and 2008, an annual rate of 2.9%. Even though total provincial custom entries declined from 5.13 million to 4.94 million during the 2002-2004 period (as a result of 9/11, SARS and wildfire effects), they actually climbed from 676,099 to 773,421, or 4.8%, on Vancouver Island.

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<sup>15</sup> Tourism BC, *Three Year Service Plan Highlights*.

### Canadian Tourism Commission Outlook

Over the long-term, the BC industry appears to have excellent growth prospects. It remains the second leading tourism destination in Canada, after Ontario, and leads the nation in certain categories, including international tourist visits. The Canadian Tourism Commission has projected that six million Canadians will be making an overnight trip in British Columbia by 2026 (versus four million in 2000). The rate of growth will be higher than Canadian population growth, higher than growth in other provinces and higher than the expected growth in Canadians travelling to all destinations.<sup>16</sup>

### Potential Tourism Growth

Reviewing the above indicators we have assumed that the Comox Valley will be able to match, if not exceed, provincial and national tourism growth over the next five years. Local indicators have outperformed provincial and regional indicators in recent years and considering the combined effects of above-average population growth, critical infrastructure investments (e.g. Comox Airport) and the growing presence of destination facilities (e.g. Mount Washington), future growth should, conservatively assessed, match that of the province. Over the next five year period, we estimate Comox Valley visitor entries to grow at between 2.5% and 4% annually.

### Estimated Visitor Market

According to Tourism BC's *Visitor 98* study, 32% of all visitors to BC spent part of their trip on Vancouver Island.<sup>17</sup> Ten percent of all non-residents and 19% of resident travellers visited Northern Vancouver Island in 1998.<sup>18</sup> Applying these shares to Tourism BC's estimate of 2004 visitation to the province indicates of North Island visitor market of roughly 1.1 million in 2005.

Applying our annual growth estimates to 2005 visitor volumes leads us to the following North Island visitor market estimates for 2006 to 2010.

Table 12: Estimated North Island Visitor Market, 2006-2010

	2006	2007	2008	2009	2010
Conservative	1,111,581	1,137,566	1,164,176	1,191,426	1,219,332
Optimistic	1,144,406	1,188,324	1,233,945	1,281,337	1,330,567

<sup>16</sup> Research Resolutions & Consulting Ltd., August, 2004.

<sup>17</sup> TBC, 1998.

<sup>18</sup> The resident and non-resident shares are weighted averages of 11 geographic sub-markets.

**Highway Traffic Trends**

The Ministry of Transportation (MoT) tracks average daily traffic volumes on the Island Highway in the Comox Valley. The data is an indirect indicator of the volume of visitors arriving and leaving by motor vehicle. Table 13 shows annual average daily traffic (AADT) and summer average daily traffic (SADT) travelling in both directions for the count station 0.5 kilometres south of Buckley Bay Main Road. The AADT annual traffic counts have increased steadily each year since 2000. Between 2000 and 2003 the AADT annual traffic counts rose 8.5 % while the local population of Comox and Courtney area increased 6.6%.

The increase in SADT counts has been even more dramatic with an upswing in summer count numbers of 10.9 % between 2000 and 2003. The growing difference between summer and the annual average traffic can be attributed, in part, to rising visitor volumes.

**Table 13: Average and Summer Average Daily Traffic Volumes on Highway 19\*, 2000-2003**

	AADT	% Change	SADT	% Change	SADT - AADT	%Change
2000	7,450		9,090		1,640	
2001	7,652	+2.7%	9,320	2.5%	1,668	1.7%
2002	7,936	+3.7%	9,791	5.1%	1,855	11.2%
2003	8,080	+1.8%	10,077	2.9%	1,997	7.7%

\* Station P-14-5N and P-14-5S.  
 Source: Ministry of Transportation

**Capture Rates**

In order to estimate visitation at the CVDC, a highway traffic capture rate is used. It is a good benchmark for comparing facilities because the Ministry of Transportation tracks traffic volumes across the province using well-defined and consistent methodologies. We have reviewed two VIC facilities (Field and Osoyoos) where the conditions were believed comparable to the proposed site for their highway capture rates. Facilities that were considered regional gateways, on a main highway location, relatively removed from the urban core and on routes where there were high levels of summer traffic were identified. Capture rates of annual average daily traffic ranged from 1.6% (Field) to 1.3% (Osoyoos). We believe the capture rate set for the CVDC is, at 1.1%, a relatively conservative estimate. It is important to note that the capture rate does not presume to distinguish between the various segments (resident, commercial, visitor) comprising total traffic volumes, only that the absolute value of traffic is an indicator of visitation potential as seen at comparable facilities in other communities.

### **BUILDING COSTS ESTIMATES FOR THE CVDC**

Until a firm development concept is completed, capital cost estimates for the CVDC will remain highly uncertain. We have reviewed the budgets and actual costs of new Visitor Information Centres now being built elsewhere in the province to gain an understanding of a likely cost range for a facility in the Comox Valley. The review has also allowed us to assess the effects of the rapid escalation of material and labour costs, as well as the overall shortage of skilled tradespeople, that the commercial construction sector is now facing.

#### **Comparable Building Costs**

One year ago, the Town of Comox was experiencing commercial construction projects at roughly \$100 sq/ft. Since that time, costs in the local construction industry have risen dramatically.<sup>19</sup>

Currently the Village of Valemount is in the final stages of receiving quotes on the construction of their new visitor information centre. They are moving forward on a 3,600 square foot wood frame structure and are anticipating building costs to run between \$125 and \$150 per square foot.<sup>20</sup>

Williams Lake is another community building a VIC and the winning contract bid places the building costs closer to \$225 per square foot. The Williams Lake VIC has been designed to be a higher end showcase type of centre that will feature local wood products and be approximately 5,200 square feet in size.<sup>21</sup>

The Squamish Visitor Information Centre now nearly completion is experiencing a 20% increase (to \$180/s.f.) in construction costs over and above its original estimate of \$150 per square foot.

Current unit costs per square foot range on the Island for higher quality commercial structures is \$200 to \$240 a square foot.<sup>22</sup>

#### **Estimated Costs for the CVDC**

The building cost range for the CVDC is most likely \$150 to \$240 per square foot. Our expectations for costs would not tend toward the lower end of the cost spectrum – if the facility is to be conceived as a showcase then medium to high costs can be expected. Recognizing that it has yet to be determined how the structure will be designed and finished, and based on the experience of other VIC projects in the

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<sup>19</sup> Conversation with Trevor Roberts, Building Inspector, Town of Comox.

<sup>20</sup> Conversation with Doug Fleming, Administrator, Village of Valemount.

<sup>21</sup> Allan Madriga, EDO, Williams Lake.

<sup>22</sup> Butterfield Cost Index.

province, as well as the local construction environment, we have used a mid-range estimate of \$200 per square foot for building costs, if it were to be built in 2005.

#### **ECONOMIC IMPACTS**

The approach in projecting economic impacts is to use recent historical data and extrapolate into the future, making adjustments where necessary in accordance with the characteristics of the project. The data inputs for this analysis are listed in the bibliography.

Both quantitative and qualitative impact estimates are provided. Some "accounts" (e.g. community) do not lend themselves to quantitative analysis because of the lack of sufficient measures or historical detail. The qualitative estimation methodologies used for these other accounts depend on professional opinion and insight.

Readers should interpret the assessments as initial and broad-based as the facility has yet to be built.

Multipliers are used to estimate the indirect and induced employment and income impacts. The multipliers used here are estimates only, but they are based on sophisticated research. They provide the "best" available estimates of demand and inter-sectoral relationships.

#### **Construction Impacts**

Construction impacts were calculated based on the development costs outlined in Table 2 of \$1.53 million (construction costs of \$1.44 million, plus legal, insurance and project management costs of \$90,000). Land contributions do not create any impacts.

Construction employment was derived using the BC input-output model estimate of 9.6 jobs for every million dollars in expenditures on non-residential construction.<sup>23</sup> The assumption is that these impacts are felt regionally, although some jobs could be expected to go to workers outside the region. Indirect employment is determined using the indirect and induced construction employment ratio for the Courtenay-Comox Area of 1.56.<sup>24</sup> The construction wage (\$44,330) and overall average wage (\$40,573) were obtained from Statistics Canada (2001) and updated to 2005 to determine the income impacts of direct and indirect employment.

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<sup>23</sup> Horne, 2001.

<sup>24</sup> Horne, January 2004.

Government revenues gained from payroll taxes were based on the average tax rate for Courtenay/Comox of 16.2% comprises federal (11.1%) and provincial (5.2%) portions.<sup>25</sup> GST and PST impacts were based on tax averages for the construction industry.<sup>26</sup>

### **Operating Impacts**

The tourism impacts associated with the VIC were drawn from data available from TBC.

The key figure driving the tourism impacts is the projected visitation to the CVDC. These estimates were described earlier in this appendix.

Prior to estimating the proportion of visitors who would extend their stay because of a visit to the CVDC, a netdown was applied in order to avoid double-counting. This involved eliminating existing visitors to the Courtenay and Cumberland VICs (approximately 35,000) because the community already benefits from their spending.

In order to estimate the number of VIC visitors who would actually alter their trip plans (and thus generate net economic impacts through new spending), the results of several TBC VIC studies were reviewed. In studies of four VICs found to exhibit similar conditions to the Comox Valley, TBC found that 12% of all VIC visitors indicated they would extend their stay by one or more nights as a result of their stopping at the VIC. The survey results found that only seven percent of all visitors would actually stay longer, but when the results are weighted by length of stay (i.e. many respondents intended to spend multiple nights), the equivalent measure is 12% of visitors staying one extra night.

A per person daily spending average of \$90 and average party size of 2.5 persons were both estimated using recent survey work conducted by the Tourism Association of Vancouver Island.<sup>27</sup>

The product of incremental visitors (44,000 in Year 1), the proportion of visitors extending their stay (12%) and per person spending (\$90) provides us with the net spending impacts of the CVDC in the Comox Valley.

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<sup>25</sup> BC Stats, 2001.

<sup>26</sup> Due to a variety of factors, including rebates and other adjustments, the final flow of consumption taxes to government are actually less than those paid by the project as quantified in Table 2.

<sup>27</sup> TAVI, August, 2003.

Having estimated the incremental spending impacts, coefficients and multipliers can be used to determine the associated economic impacts.

The BC Visitor Study for Vancouver Island indicates that about 18% of all expenditures by visitors is for accommodation.<sup>28</sup> According to the BC input-output model, 14.17 accommodation jobs are created for every million dollars in accommodation expenditures.<sup>29</sup> BC Stats has produced a direct tourism ratio (i.e. the proportion of total tourism jobs to accommodation jobs) for Courtenay-Comox of 4.5.<sup>30</sup> The product of the above three coefficients gives us the direct tourism employment generated by CVDC visitors who will spend an extra night in the community because they stopped at the Centre.

The indirect employment associated the incremental spending of CVDC visitors is calculated using the indirect and induced employment ratio for Courtenay-Comox of 1.21.<sup>31</sup>

To determine the income impacts of tourism employment, a 2005 average tourism wage of \$30,864 for the Comox Valley was used. The 2001 Census average tourism wage of \$28,845 was updated to 2005 using the Canadian Consumer Price Index (CPI). Income impacts of indirect employment followed a similar methodology - the CPI was used to update the overall average wage of \$40,573 (2001) to \$44,330 (2005).

Government revenues consist of income taxes on all construction and operating jobs as well as GST and PST on goods purchased. The payroll taxes accrued by the provincial and federal governments were based on income tax coefficients taken from the Ministry of Finance. The average tax rate for Courtenay-Comox of 16.2% comprises federal (11.1%) and provincial (5.2%) portions.<sup>32</sup>

GST and PST impacts were based on tax averages on six different tourism spending categories (e.g. accommodation, food, transportation) calculated by BC Stats. These front-end taxes were then weighted according to the distribution of spending on Vancouver Island as determined in the Visitor 98 Study to arrive at the following coefficients: GST 6.0% of all spending , PST 2.5% of all spending.

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<sup>28</sup> TBC, 1998.

<sup>29</sup> Home, 2001.

<sup>30</sup> Home, January 2004.

<sup>31</sup> Home, January 2004.

<sup>32</sup> BC Stats, 2001.

**Caveat**

The preceding impacts are associated only with the visitors to the CVDC who decide to extend their stay as a result of stopping at the facility. However, all previous TBC studies of provincial VICs have found that the biggest visitor impacts are not associated with the current trip but with future planned trips. The Mount Robson study found that planned spending on future trips was 22 times higher than current spending. Due to difficulties in attributing the time and place of future trips, and removing the double-counting of visitors, the implications of future trips, though believed significant, were not assessed in this report.