

Terrace Bay Regional Gateway Development Feasibility Study

FINAL REPORT

February 2000

**The Planning Partnership
Schollen + Company
Kuch Stephenson Architects
Cumming Cockburn**

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Executive Summary

EXECUTIVE SUMMARY

Terrace Bay is one of the most scenic communities in Northern Ontario. A planned community nestled in the rock terraces of the Canadian Shield along the shoreline of Lake Superior, it has a rugged, scenic landscape character which is an ideal setting for adventure tourism. The community has an extensive base of recreation facilities on which to build opportunities for adventure tourism. The Aguasabon Gorge observation decks, beach, trails, ski hill, golf course, Recreation Centre and Tourist Information Centre provide amenities which are unmatched for a community of this size in the region.

Adventure tourism is one of the fastest growing markets in the travel and leisure industry today. Tourists are seeking opportunities to learn about, protect and experience the natural resources. The importance of tourism in Northern Ontario has been recognized by the provincial government and their partners through the commitment of substantial funding for capital projects and the focused marketing initiative of the provincial marketing agencies and regional tourist association.

This document describes Terrace Bay's Regional Gateway concept - the gateway to adventure - the **Lake Superior Adventures**. It is an opportunity to establish an adventure tourism attraction that will complete a link in the regional chain of tourism attractions and facilities, both on the water and along the Trans-Canada highway between Thunder Bay and Sault Ste. Marie.

Terrace Bay is located at the eastern gate to the proposed Lake Superior National Marine Conservation Area, currently under study by Parks Canada. If approved, this Conservation Area would highlight the area's unique geologic features, marine features, marine and coastal habitats, biology and archaeological and historic features. Along with the nearby American Isle Royale National Park, the area would constitute the largest freshwater conservation area in the world.

Terrace Bay is the nearest community to the Slate Islands, a cluster of 17 islands located 13 km offshore. Designated as a provincial park to protect outstanding natural and scenic area, the Slate Islands have the southern-most population of native caribou.

Lake Superior Adventures is envisioned as a catalyst for the development of adventure tourism in the region, providing information and a staging point for a variety of year round activities. Careful site design and management of use will ensure that the physical and locational attributes that make the area attractive for adventure tourism are not threatened by over-development. The Township will create a high quality natural experience with an "environment first" approach to all development.

One of the most important aspects of this concept is the development of a strong and recognizable theme. Building and landscape design and materials, signage and gateways will be based on the distinct and unique character of Terrace Bay. The design theme is the rugged natural landscape using such materials as heavy timber, rocks and plant material found in the area for site design.



Aguasabon River



Pedestrian trail over the Aguasabon River



Diversity of winter activities such as cross country skiing

Executive Summary

Terrace Bay Regional Gateway Development Feasibility Study



Lyda Bay



Slate Islands

There are two core facilities in Terrace Bay's **Lake Superior Adventures** - the Information Centre and a new Waterfront Centre. The Information Centre is the first point of contact, providing information on activities in the region to the highway traveler. The existing Tourist Information Centre located on the highway will be expanded to include facilities for day adventure operators. The Waterfront Centre is a new destination overlooking Lake Superior and the Slate Islands. It is a hub of facilities, nestled in the rocky rugged landscape. A new marina, interpretive centre, restaurant and accommodation are proposed. The area surrounding the Waterfront Centre has a base of adventure tourism operators where activities are staged at this waterfront site.

With the new Waterfront Centre and access off the Trans-Canada Highway, there is an opportunity to consider an expansion to the existing nine hole golf course on the west side of the Aguasabon River. The rugged terrain of the golf course could also be used for cross country ski trails.

Residential lots, backing onto the new golf course and located close to the Waterfront Centre and the associated activities are included on the concept plan. There is also the potential to subdivide cottage lots along the shoreline.

The Trans-Canada trail will pass through the site surrounding the Waterfront Centre. It provides an important multi use connection through to the Waterfront Centre and will be ideal for hiking, biking, snowmobiling, cross country skiing and horse back riding. This trail complements the existing extensive snowmobile trail system in the area.

There is a tremendous base of existing adventure tourism operators in the region's communities including Rosspoint, Schreiber, Marathon, Red Rock, Jackfish, Nipigon, Beardmore, Jellicoe, Geraldton, Nakina and Longlac. There are currently businesses offering opportunities for touring, active learning, sports/leisure activities and activities focused on exploring and enjoying natural and cultural resources. Existing activities can be expanded to provide a complete range of products focused on a one to two hour, half day, full day and overnight experience.

The Township will coordinate marketing the **Lake Superior Adventures** through the preparation of distinctive identity packages, brochures, newsletters and presentations. They will also coordinate marketing of the day adventure operations themselves through printed and electronic materials.

There are significant and compelling advantages associated with the implementation of the **Lake Superior Adventures** in Terrace Bay. It:

- provides an opportunity to strengthen the economy of the Township and surrounding region, as well as diversify the tourism offering of the north shore of Lake Superior overall;
- is complementary to (but at the same time not dependent upon) other nature-based and ecological initiatives in the region (such as the Lake Superior National Marine Conservation Area proposal) and the Great Lakes Heritage Coast;

Executive Summary

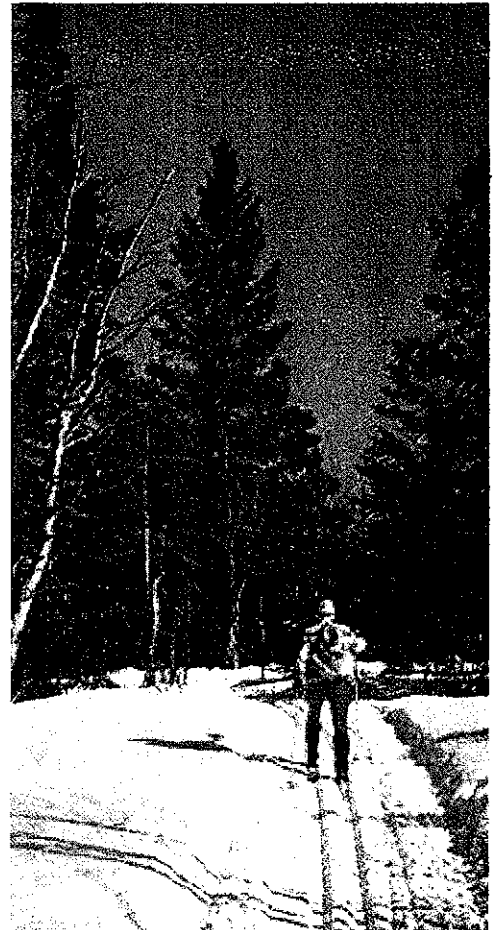
- *would create significant economic benefits in the region (in terms of job and wealth creation);*
- *provides a broad-based platform for the creation of new small business opportunities; and,*
- *will not be a large financial risk to the municipality in operating the development (assuming that the capital cost of the development does not need to be repaid).*

The total capital costs for the project is approximately \$11 million. These costs can partially be offset through:

- *the sale of the cottage lots;*
- *corporate sponsorships (e.g. the donation of land and targeted contributions towards the built components of the development); and,*
- *capitalization of the various income streams accruing to the municipality (i.e. the operation of the marina and the Lake Superior Day Adventures operation).*

This still leaves some cost elements of the overall concept that must be financed directly by the municipality in partnership with higher levels of government.

*With acceptance of the **Lake Superior Adventures**, the Township will embark on an exciting process of marketing, developing and providing opportunities for year round adventure tourism in Northern Ontario. It is highly complementary to other initiatives in the region and will provide an important destination on the Lake Superior Circle Tour.*



Superior Adventures will market opportunities for winter recreation.

1.0 THE TERRACE BAY COMMUNITY

Terrace Bay is a community of about 2,200 located on the north shore of Lake Superior, 250 kilometers east of Thunder Bay, Ontario.

Terrace Bay is one of the most scenic communities on the north shore. It was built to service the Kimberly Clark Mill, and has been relatively prosperous throughout its short history. Developed as a planned community in 1946, the townsite is designed to maintain the terraced and treed landscape of the area. Houses are located in neighbourhoods with curving streets and the single sided retail street is built as a loop which surrounds an open treed green space in the centre of Town. The planned urban structure, with development located to complement the terraces, affords spectacular views of Lake Superior from the Trans-Canada Highway.

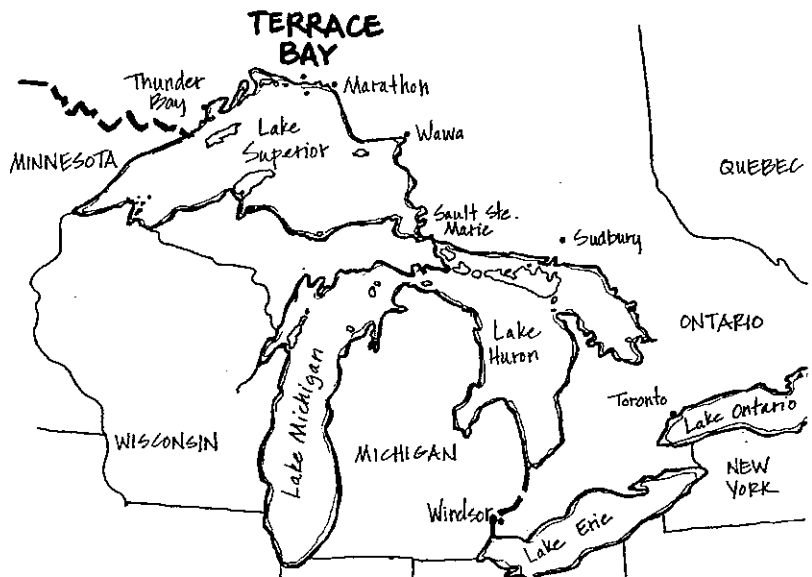


Simcoe Plaza, Terrace Bay

Terrace Bay is widely recognized for its community spirit and tremendous level of volunteer support for community projects. This has resulted in a level of amenity which is unmatched for a community of its size. Terrace Bay has a 9 hole golf course, ski hill, Recreation Centre (with a bowling alley, curling rink, fitness facilities, arena, tennis courts), extensive hiking trails, snowmobile trails, beaches, public boat launch, outdoor swimming pool and a full range of outdoor sports fields.

Terrace Bay is largely a resource town, but is committed to diversifying its economic base by enhancing the tourism sector. To help achieve the objective of economic diversification, the Township completed a Tourism Development Strategy in 1990. The 1990 Strategy identified a number of goals including:

- establishing a unique tourist market niche;
- attracting more first time visitors;
- extending the average length of stay of tourists; and,
- drawing tourists into the commercial core and to the waterfront.



Terrace Bay Context

The success of the 1990 Strategy is evident in the Township's subsequent achievements, including the following developments:

- Tourist Information Centre;
- Aguasabon Gorge observation decks, trails and parking;
- Aguasabon beach;
- extensive tree planting and signage;
- promotional and marketing material;
- TOPS Snowmobile trails and bridges;
- ski hill; and,
- golf club house.

1 Introduction

Terrace Bay Regional Gateway Development Feasibility Study

The 1990 Strategy was updated in 1996 and confirmed the original objectives for tourism development. The update built upon the community's earlier successes and continued motivation. The 1996 Strategy concluded that Terrace Bay should:

- continue to provide more tourism-related facilities that will encourage more tourists to stop in Terrace Bay and to stop for longer periods of time; and,
- develop the community as a destination for tourists through marketing of a broad variety of outdoor recreation opportunities in all seasons.

The 1996 Strategy recommended the development of an 'Adventure Centre', a staging point for adventure-type outdoor recreation activities. The adventure tourism concept takes advantage of Terrace Bay's location in the North of Superior area internationally known for its spectacular wilderness setting, proximity to the Slate Islands Provincial Park and its location within the proposed Lake Superior National Marine Conservation Area and Great Lakes Heritage Coast.

1.1 Purpose of the Project

In the spring of 1999, the Township prepared Terms of Reference for the Terrace Bay Regional Gateway Feasibility Study. The Regional Gateway was envisioned to include such facilities as a marina, Interpretive Centre, four season adventure centre, commercial accommodation, restaurant and cottage lot development. The study was intended to:

- create an overall 'vision' for the Regional Gateway as tourist attraction, including conceptual plans of key development components;
- address environmental impacts, engineering realities and infrastructure locations and requirements;
- identify private sector and public sector development opportunities and partnerships;
- obtain public input through the process;
- establish priorities for development and a practical implementation plan;
- determine the economic benefits that will result from the Regional Gateway development projects;
- prepare a business plan for the development of the Regional Gateway; and,
- develop materials/information packages to communicate the opportunities provided by the Regional Gateway concept to potential investors.



Aguasabon River Gorge Trail



Aguasabon River

Project's Steering Committee

The Regional Gateway Feasibility Study was conducted in consultation with a Steering Committee, chaired by Leslie Dickson. Township staff on the Committee were Kim Rennette, Heather Adams and Dean Main. Councillors Peter Monks and Joe Pelto were also on the Committee. Dave Van Wagoner, Northern Development Advisor (Tourism) represented the Ministry of Northern Development and Mines. Other members of the Committee were:

- Jim Bryson;
- Jim Forbes;
- Ken Martinsen;
- Sherri Jowitt;
- Mike Moore; and,
- Dave Sodaro.

The consulting team met with the Steering Committee four times during the study to review progress. The first meeting was held on May 26, 1999 to initiate the project, review issues and concerns and to set the schedule for the project completion. The second meeting was conducted on June 23, 1999 to review the analysis of existing site and market conditions. The third meeting was held on August 18, 1999 to review preliminary concepts for development of the Regional Gateway facilities and a final meeting was held on December 1, 1999.

1.2 The Consultation Program

The Township was committed to an open and collaborative public consultation program. An extensive contact list with representatives from sports and recreation clubs, tourism related businesses, federal and provincial government agencies and special interest groups was provided by the Township. Each of these groups/individuals was contacted and provided valuable insight to the development of the Regional Gateway concept.

The work program was organized around four public working sessions during the study's key decision-making milestones.

Public Presentation

A public presentation was held at the outset of the project to highlight waterfront development initiatives across North America. The presentation was intended to introduce the project and the development opportunities being explored in other communities.

Workshop 1 – establish key private and public sector development opportunities

Workshop 1 was conducted on June 24 to review the analysis of existing site and market conditions. Sequential working sessions were conducted with representatives of government agencies, representatives of sports and recreation clubs and business operators. The objectives of this first workshop were to consolidate an inventory of issues, concerns and opportunities and to identify and discuss key development opportunities.



Terrace Bay Beach (Mouth of the Aguasabon River)



Danny's Cove

1

Introduction

Terrace Bay Regional Gateway Development Feasibility Study

A public open house and presentation was conducted in the evening, following the afternoon sessions, to provide all residents an opportunity to provide input to the study process.

Workshop 2 – develop alternative concept plans for the Regional Gateway

Workshop 2 was conducted on August 19 to review preliminary concepts for the Regional Gateway. Again, sequential working sessions were conducted to obtain input from representatives of government agencies, sports and recreation clubs and business operators. The objectives of Workshop 2 were to develop, review and discuss alternative concept plans for the Regional Gateway.

A public open house and presentation was conducted in the evening, following the afternoon sessions, in order to provide all residents an opportunity to provide input to the study process.

Final Public Presentation

A public presentation was held on December 1, 1999 to present the final development concept and sketches. The final plans were the product of input received during Workshop 2 and revisions made to the preliminary concepts presented to the community in August.

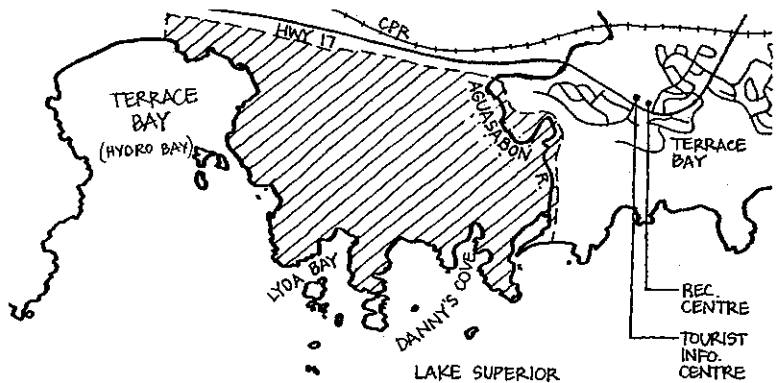
2.0 THE STUDY AREA

2.1 A Spectacular Site

The study area for the development of the core facilities associated with the Regional Gateway was identified in the Terms of Reference as an extensive area of private land located between Hydro Bay (Terrace Bay) and the Aguasabon River, south of the Trans-Canada Highway. It is approximately 420 hectares in area and includes 8 kilometers of Lake Superior shoreline.

The study area is adjacent to the picturesque Aguasabon River Gorge, that includes an observation deck overlooking the gorge and waterfall. The Aguasabon Golf Course is linked to the site via a four season recreational bridge that also serves the Casque Isles Hiking Trail and the Provincial TOPS Trail System.

The site is largely undeveloped with the exception of a segment of the Casque Isles Hiking Trail, the snowmobile trail, the Aguasabon Gorge viewing area and the Shaw Cable property. There are informal camping areas along the Lake Superior shoreline. Adjacent uses include a campground and the Golf Course.



Location of the Study Area

The site is rugged and scenic, encompassing a range of diverse habitats, landscapes and ecological features. Wetland pockets, shallow groundwater fed streams and boulder fields, which are remnants of the Lake Algonquin shoreline, are found throughout the lower areas of the site. These contrast dramatically with the high bedrock ridges along the exposed portions of the Lake Superior shoreline, predominantly along the western portion of the site.

The site is underlain by bedrock of the early Precambrian era consisting of granite intrusive rocks and migmatitic complexes. Overburden is shallow and is comprised predominantly of ground moraines with some glaciofluvial and glaciolacustrine deposits situated on the northern portions of the site associated with the areas of higher elevation.

Soil texture is predominantly silt with pockets of organics existing in poorly drained low-lying areas. The varied topography combined with the context of the site on the shoreline of Lake Superior results in the creation of a diversity of microclimatic conditions, which in turn support a range of vegetation communities. The predominant vegetation is white birch, black spruce, aspen and alder. However, variations in microclimatic conditions result in the establishment of species and associations, which are atypical of the Terrace Bay region including alpine communities and bottomland thicket and understorey communities indigenous to warmer regions. This unique feature of the site presents opportunities for interpretation and exploration complementing the adventure tourism theme.

The shoreline itself is widely variable, comprised of coves and headlands that have resulted in the formation of a range of features such as white sand



Aguasabon Gorge

2 The Study Area

Terrace Bay Regional Gateway Development Feasibility Study



Casque Isles Hiking Trail

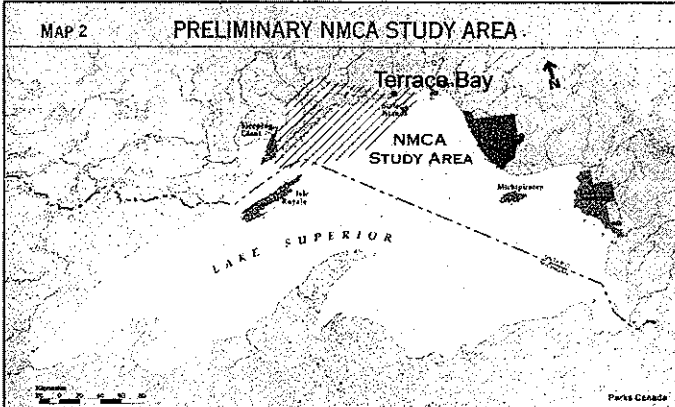
beaches, boulder beaches and rugged and sheer granite ridges. The shoreline extending from the west side of the mouth of the Aguasabon River to the west side of Lyda Bay is relatively accessible, although in some areas the topography presents challenges. Westward from Lyda Bay to Hydro Bay, the shoreline becomes much more rugged and in some places is impassable due to the presence of deep gorges and extreme topography.

Spectacular views of Lake Superior, the study area and the Slate Islands are afforded at several of the high points along the shoreline and inland, including the Lyda Bay and Hydro Bay lookouts located along the hiking trail. Both Danny's Cove and Lyda Bay are sheltered coves that offer a degree of protection from the winds and waves of Lake Superior. The remainder of the shoreline is largely exposed.

2.2 Lake Superior National Marine Conservation Area

Terrace Bay is located on the east side of a proposed Lake Superior National Marine Conservation Area, currently under study by Parks Canada. The area extends from east of the Slate Islands to Silver Islet east of Thunder Bay. Marine Conservation Areas conserve Canada's large marine ecosystems that have unique geologic features, marine features, marine and coastal habitats, biology or archaeological and historic features. The Lake Superior marine region has advanced to one of four new National Marine Conservation Areas

being considered by Parks Canada over the next few years. Established National Marine Parks in Canada are the Fathom Five in Georgian Bay, Gwaii Haana National Marine Conservation Area off the Queen Charlotte Islands in British Columbia and the Saguenay-St. Lawrence Marine Park, where the Saguenay River enters the St. Lawrence River.



Preliminary Location of the National Marine Conservation Area

Lake Superior is the largest lake in the world. This area is dominated by the Canadian Shield with faults, ridges, cuestas, cliffs and shoals. Research has found some of the earth's earliest life forms in the study area. The shoreline is geologically and structurally diverse with many peninsulas and islands with a mix of high bluffs, wetlands, cobble, sand and vegetated shorelines. Vegetation communities of arctic and alpine flora are scattered along the shoreline which are remnants of the last glacial period, 10,000 years ago. The lake is a cool, nutrient poor lake with predominant fish

species of lake trout, speckled trout and ciscoe. Rocky shallow areas provide important lake trout spawning habitat. Several areas along the coast are suspected to be spawning or nursery habitat critical for the Lake's world renowned coastal brook trout population. The combination of high cliff faces, updraughts and a good forage base has made the area attractive to the Peregrine Falcon. The area has a high diversity of migratory birds including great blue herons, ring billed and herring gulls and cormorants. Wolves, bears, moose, deer and caribou are found in the area. Evidence of past cultures are also represented along much of the north shore with concentrations of pictographs and remnants of pukaskwa pits throughout. There are also many shipwrecks which have attracted recreational divers.

The Lake Superior National Marine Conservation Area would enhance the efforts of the Canadian and US governments in partnership with the states

and Ontario to restore degraded areas of the lake. Along with the 500,000 acre Isle Royale National Park, they would constitute the largest freshwater conservation area in the world. Clearly, the National Marine Conservation Area would be appealing for tourism, increasing the regional attractiveness as a national and international ecotourism destination.

Parks Canada is currently consulting the public to discuss the National Marine Conservation Area. In Spring 2000, Parks Canada and the Regional Committee hope to present the preferred option for the Conservation Area proposal. Following the presentations, the Regional Committee will develop recommendations for submission to the Minister of Canadian Heritage for discussion with the provincial Minister of Natural Resources. If the Conservation Area is supported, federal and provincial negotiations begin.

2.3 Slate Islands

The Slate Islands are a cluster of 17 islands located 13 km off the shore of Terrace Bay, accessible only by boat or plane. The Township of Terrace Bay donated the Slate Islands to be designated as a provincial park protecting outstanding natural and scenic areas. The Slate Islands are best known for the herds of caribou and the presence of Arctic plant life.

There are remnants of two native settlements, as well as a former timber operation. There are virtually no facilities on the Islands except for a light house, light house keepers house and a few cabins. The islands are covered with a southern boreal forest with some arctic-alpine flora. The rock is early Precambrian of volcanic and sedimentary origin. There is some speculation that the central islands are the remains of an ancient meteorite.

The Slate Islands' have a unique geological history. Some geologists suggest that the Islands were formed as a result of a meteorite some 900 million years ago. After this cataclysmic episode, glaciers created Lake Superior. The Lake surrounds the central uplift and submerged the surrounding crater formed when the meteorite hit the earth, creating the Slate Islands. More recently, NASA geologists have studied the Islands' shatter cones and breccias. They say that the Slate Islands region is one of the best areas for studying the results of a meteorite-impact crater.

2.4 Great Lakes Heritage Coast

The Ministry of Natural Resources recently announced the launch of the Great Lakes Heritage Coast project, an initiative of *Ontario's Living Legacy*. It extends from Port Severn on Georgian Bay, north through Sault Ste. Marie along the north shore of Lake Superior through Terrace Bay to the U.S. border. The heritage coast is 2,900 km of spectacular coastline with outstanding natural beauty and globally significant natural, cultural, scenic and recreational attributes. The promotion and marketing of the Great Lakes Heritage Coast will highlight the area's rugged landscape, sandy beaches, exceptional mix of plant and animal species, vital fish habitat, parks and protected areas, history, First Nation communities, cities, towns and villages to attract tourists, build new businesses and strengthen communities. Terrace Bay is well poised to become a significant focus along the heritage coast.



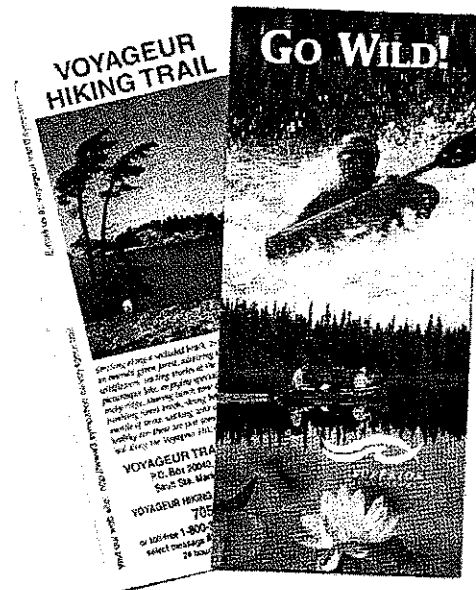
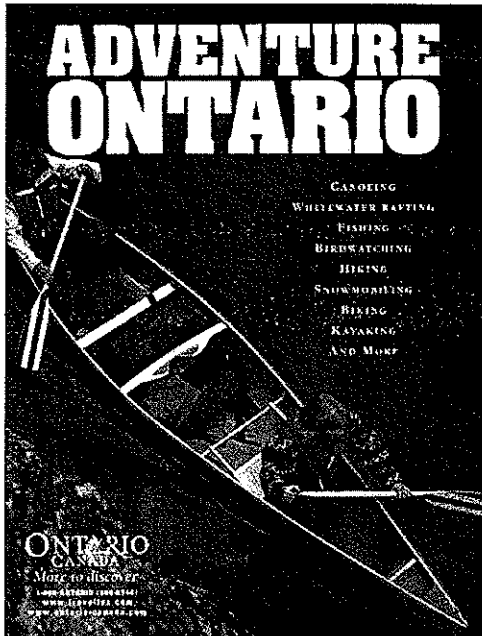
Slate Islands Lighthouse



Slate Islands Undisturbed Habitat

3 Adventure Tourism as a Market Opportunity

Terrace Bay Regional Gateway Development Feasibility Study



3.0 ADVENTURE TOURISM AS A MARKET OPPORTUNITY

3.1 Adventure Tourism is a Growing Market

Terrace Bay has recognized the importance of the tourism sector of its economy. The Tourism Strategy, first prepared in 1990 with the update completed in 1996, has provided the framework for the development of the Township's tourism infrastructure over the past several years.

Adventure tourism is one of the fastest growing market segments in the travel and leisure industry today. The growth in demand is fueled primarily by North American and European baby boomers who are seeking thrilling, exotic and environmentally responsible travel experiences. This has resulted in an explosion of adventure tourism and eco-tourism opportunities around the world. Research conducted recently by the Ministry of Northern Development and Mines has indicated that participation in adventure travel is growing at 15%-20% per year, primarily in vacations that combine adventure by day and comfort by night.

Clearly, the widely reported tourism trends support a concept based on developing facilities, activities and programs targeted to adventure tourism. For example:

- as a result of the baby boom generation inevitably getting older, there will be more leisure time available;
- tourists are placing an increasing emphasis on value for the time they spend while on vacation, and are demanding quality experiences; there is a revival of the "package tour" where all travel arrangements are made and events are organized;
- as another result of an aging population, tourists are increasingly interested in convenient, safe, unique and different destinations; and,
- there is an increasing interest in history, heritage and hands-on participatory experiences (probably also a result of an aging society).

The Ministry of Northern Development and Mines' research has revealed that there is a growing interest in learning about, protecting and experiencing natural resources through study tours. As a result, sustainability of the resource base is becoming increasingly important in tourism development as business operators are embracing resource conservation and management as important business objectives. Competition for the adventure tourism market is becoming more intense, offering an opportunity for coordinated packaging and marketing of activities as a basis for a competitive advantage.

3.2 Related Initiatives

The importance of tourism in Northern Ontario has been recognized by the provincial government and their partners through the commitment of substantial funding for capital projects through the Northern Ontario

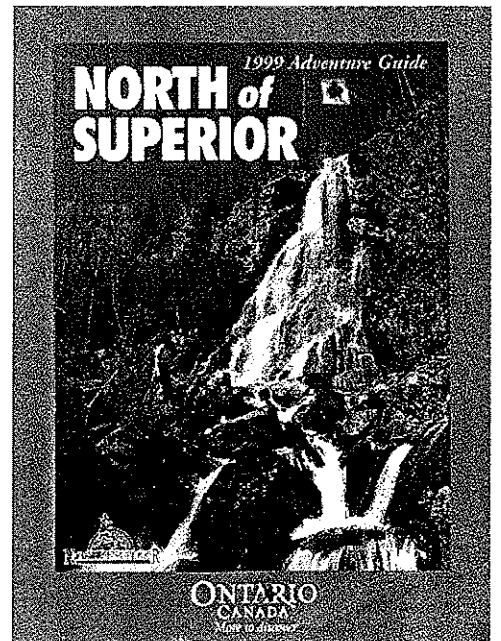
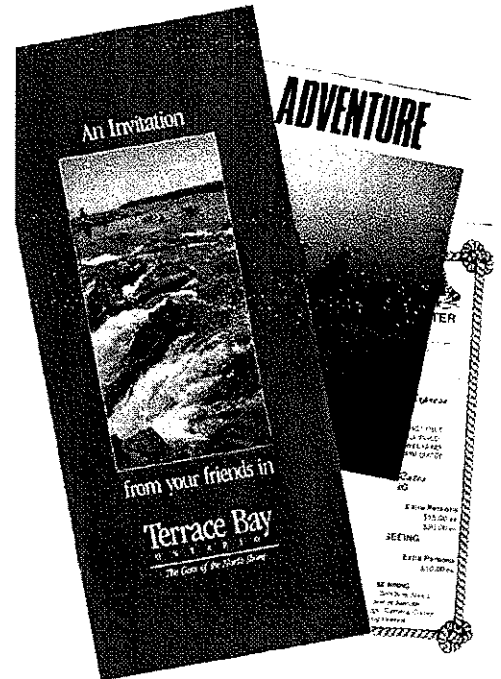
Adventure Tourism as a Market Opportunity

Terrace Bay Regional Gateway Development Feasibility Study

Heritage Fund and the focused marketing initiative of the Northern Tourism Marketing Corporation and NOSTA who has also taken a lead role in marketing Northern Ontario's outdoor product.

The Northern Tourism Marketing Corporation (NTMC) is developing a program to market Northern Ontario as a single unified tourism destination. They intend to increase visitation by 15% by the year 2003, increase expenditures, increase awareness, create new jobs and increase seasonality. In developing a singular and distinct image and identify for Northern Ontario, they are attempting to define and position the "brand" with the theme "Northern Ontario, So Beautiful It's Hard to Share". The NTMC will partner with local businesses to initiate a marketing program to promote four products: outdoor adventure, hunting and fishing, cities/attractions/touring and meetings/conventions. An extensive communications program will be launched early in 2000, offering a tremendous opportunity for Terrace Bay to be prepared to welcome visitors interested in adventure tourism. In particular, the NTMC will be promoting nature tours, canoeing, camping, hiking, snowmobiling, skiing, bird watching, rock and ice climbing and kayaking, all of the activities that can be coordinated through Terrace Bay's Regional Gateway.

The City of Thunder Bay recently completed an update of their tourism strategy. The foundation of the strategy is to build destination tourism by strengthening products and experiences. Outdoor adventure and ecotourism are targets for future tourism growth. Their strategy recognizes that since the sector is dominated by small scale and highly seasonal operators, there needs to be considerable growth in product offerings and the scale of business before the region can become a recognized international destination for outdoor adventure tourism. Therefore, they are focusing on implementing a marketing team to help develop, package, market and sell adventure tourism. Thunder Bay is also hoping to benefit from the proposed Lake Superior Marine Conservation Area. However, they recognize that development will not simply accrue from designating the area for conservation. Use and access will need to be managed to protect the resource without being too restrictive for tourism and recreation. Parks Canada will need to assist with the development of quality outfitting operations and guided tourism businesses and there will need to be coordinated marketing and shared services. Once the adventure product is developed, the strategy suggests establishing an Adventure Centre to sell the products and packages.



Existing Tourists Travelling Through Terrace Bay

Terrace Bay Regional Gateway Development Feasibility Study

Place of Origin	1998 Visitor Profile	1999 Visitor Profile
% Canadian	78%	80%
% from northwestern Ontario	16%	10%
Rest of Ontario	37%	48%
Total Ontario	53%	58%
Quebec	5%	5%
Western Canada (B.C., Alta, Sask. Man.)	17%	14%
Atlantic Canada	3%	3%
United States	18%	15%
border states of Michigan, Wisconsin, and Minnesota	9%	8%
Rest of USA	9%	7%
Foreign	4%	5%
Germany	2%	1%
elsewhere	2%	4%
Total	100%	100%
Total Counts	13,300	13,001

Source: Terrace Bay Tourist Information Centre

4.0 EXISTING TOURISTS TRAVELLING THROUGH TERRACE BAY

Terrace Bay is located on Highway 17, the Trans-Canada Highway. With the recent development of their Tourist Information Centre, the Township has been able to assemble data on the traveling public stopping at the Centre. Some 13,300 visitors were recorded in 1998 in the Terrace Bay Tourist Information Centre between May 15 to October 12, and 13,001 visitors recorded in 1999 over approximately the same period. The proportionate breakdown of visitors is relatively unchanged from 1998 to 1999.

Data from the Ministry of Transportation (MTO) counts gathered in 1996 indicates that 511,000 vehicles traveled through the Highway 17 link from Marathon to Nipigon each year. The method of assessment used eliminates any potential biasing effect of local commuter traffic around Terrace Bay by focusing on just that traffic passing through the entire link. According to MTO, there has been relatively little change in highway traffic on Highway 17 since 1996.

Period	Average Daily Non-Commercial Traffic (vehicles)	Estimated Total Tourist Traffic Over Period (vehicles)
Peak Summer (July, August)	1,420	88,000
Shoulder seasons (April – June; Sept. – Nov.)	1,090	200,000
Winter (Dec. – March)	790	95,000
Total Tourist Traffic		383,000
Average Annual Daily Count	1,050	

Source: MTO 1996 Statistics

The estimates provided by the MTO are that 25% of these are commercial vehicles (i.e. trucks), which equals 383,000 non-commercial vehicles. Given that all the commuter traffic has been accounted for, and the commercial traffic removed, most of this traffic will represent tourists (although there will be some component of business traffic).

Data provided by Terrace Bay indicates that there were 13,300 visitors (more accurately, visitor parties) recorded in 1998 in the Information Centre over the period May 15 to October 12. Over this

same period of time, estimated pass through, non-commercial traffic on Hwy. 17 over this period was 190,000 tourist vehicles (estimated on the basis of the information provided in the following table)¹. The visitors in the Information Centre thus represent a "capture rate" of 7%² - in other words, 7% of the tourist vehicles passing by on Highway 17 actually stopped into the Terrace Bay Tourist Information Centre.

If another 7% of the tourist traffic purchased goods and services in town, without dropping into the Tourist Information Centre, this implies an overall capture rate of 14% (a highly speculative assumption, that may be a liberal

¹ The Calculation was based on the following approach:

Month	Average Monthly Tourist Traffic (from MOT traffic counts)	% of Month Included in Season	Resulting Traffic Estimate
May	34,000	50% (starts mid-May)	17,000
June	34,000	100%	34,000
July	44,000	100%	44,000
August	44,000	100%	44,000
September	34,000	100%	34,000
October	34,000	50% (ends mid-Oct)	17,000
Total Summer Tourist Season			190,000

² Calculated as 13,300, divided by 190,000.

Existing Tourists Travelling Through Terrace Bay

Terrace Bay Regional Gateway Development Feasibility Study

estimate). The conclusion from this is that 86% of the potential market drives right on through Terrace Bay, without stopping. Accordingly a primary ambition of this project is to capture a higher portion of the drive by market.

4.1 The Township's Nearby Ontario Market

According to Statistics Canada, the population of Terrace Bay and Screiber was 2,477 and 1,788 respectively in 1996. This is a decrease of about 6% since 1991. Due to the mine closure, some further population decline will occur over the next few years.

The Thunder Bay area, a 1-2 hour drive from Terrace Bay, is considered by many to be the "local" market. The size of this market is estimated to be about 140,000.

In considering the opportunities for adventure tourism, growth prospects and challenges for a number of markets were reviewed. Clearly, the success of development demands a larger market than the nearby Ontario market.

The growth prospects and market challenges were reviewed for the pass through tourists, specialized seasonal markets (snowmobile and boating) and the specialty destination market (outdoor adventure). Many of these markets are either stable or slightly declining in terms of their size in absolute numbers. Accordingly, the strategic challenge for Terrace Bay and region will be to increase their market share by providing products and services that will appeal to the interests of the particular market segment, rather than relying in intrinsic market growth to provide additional business.

Local Market Area

Community	Population (1996)
City of Thunder Bay	113,662
Shuniah	2,346
Oliver	2,177
Neebing	1,021
O'Connor	739
Gillies	497
Conmee	729
Red Rock	1,258
Nipigon	2,210
Marathon	4,791
Manitouwadge	3,395
Geraldton	2,625
Longlac	2,075
Total	137,525

source: Statistics Canada

Market	Growth Prospects	Strategic Marketing Challenge
• Terrace Bay	• slight decline (source: population statistics previously presented)	• provide recreational opportunities for local residents • provide job opportunities for local residents
• nearby Ontario market	• essentially stable (source: Statistics Canada)	• provide convenient day packages that meet their needs and interests • promote to this group through print and broadcast promotion in the regional marketplace, cooperative promotion with compatible organizations in the region (e.g. Thunder Bay Parks and Recreation Department) • perhaps cooperative promotion through hotels in Thunder Bay (for example, convincing tourists to spend an extra day in Terrace Bay might be one way of getting them to spend an extra night in Thunder Bay)

4 Existing Tourists Travelling Through Terrace Bay

Terrace Bay Regional Gateway Development Feasibility Study



Specialty destination markets



Specialty destination markets

Market	Growth Prospects	Strategic Marketing Challenge
<ul style="list-style-type: none"> pass-through tourists 	<ul style="list-style-type: none"> essentially stable (<i>source: Ontario Ministry of Transportation</i>) 	<ul style="list-style-type: none"> provide convenient day packages that meet their needs and interests promote to this group in advance of their arrival in Terrace Bay through corridor marketing, strategic brochure distribution, highway signage, etc.
<ul style="list-style-type: none"> winter snowmobile market 	<ul style="list-style-type: none"> tremendous growth (<i>source: local interviews; previous studies in northern Ontario</i>) 	<ul style="list-style-type: none"> growth in this market is happening of its own accord assist in the overall growth of this market by ensuring that barriers to growth are removed
<ul style="list-style-type: none"> boating market 	<ul style="list-style-type: none"> has seen slight decline – may be some potential for growth in future (<i>source: local interviews; previous studies in northern Ontario</i>) 	<ul style="list-style-type: none"> carefully assess growth prospects and local economic impact potential of this market if market is attractive, ensure that basic required facilities and services are in place work with regional boating associations to ensure widespread awareness of facilities and services available
<ul style="list-style-type: none"> specialty destination markets – e.g. adventure tourism 	<ul style="list-style-type: none"> growth potential (<i>source: local interviews; New Brunswick experience</i>) 	<ul style="list-style-type: none"> must provide product (facilities and services) that meet the specific needs of this market specialty niche markets such as those interested in adventure tourism tend to be relatively demanding, so product excellence is critical promote through a variety of specialty and highly-directed media (special interest magazines, interest group publications, World Wide Web, etc.)

5.0 EXISTING ADVENTURE TOURISM OPERATORS

Based on a review of printed brochures and information available, the following is a summary of existing businesses offering adventure tourism related products in the Terrace Bay region according to one of four categories: touring, active learning, sports/leisure and natural/cultural:

COMMUNITY	TOURING	ACTIVE LEARNING	SPORTS/LEISURE	NATURAL/CULTURAL
Terrace Bay	Casque-Isles Hiking Trail Caribou Charters Ripple Bay Charters		Aguasabon Golf Club Recreation Centre Trestle Ridge Ski Hill Tao's Archery Aguasabon Falls Campground	Aguasabon Falls and Gorge Slate Islands Provincial Park Terrace Bay Beach
Rosspoint	Casque-Isles Hiking Trail Superior Outfitters Rosspoint Island Tours Elfish Charters North Shore Boat Cruise Island View Charters	Island Charters Superior Outfitters	Rosspoint Inn Willows B+B	Superior Ecoventures Rainbow Falls Provincial Park
Schreiber	Casque-Isles Hiking Trail		Recreation Centre	Worthington Bay Schreiber Channel Provincial Natural Reserve
Marathon		Penn Lake Park	Superior Slopes Ski Hill Peninsula Golf Course	Pukaskwa National Park Neys Provincial Park
Red Rock			Northshore Golf Club Pull-a-Log Park Rendezvous Ski Club Red Rock Inn	
Jackfish		Wilderness Trails		
Slate Islands	Charter Services	MNR Studies		Eco-Tourism
Nipigon	Osprey Fishing Charters Taisey's Cabins and Cruiser Service Royal Windsor Lodge Morningstar Charters Nighthawk Charters Nipigon Bay Resort	Stillwater Park	Normandie Hotel Nipigon Bay Resort North Shore Golf Course	Ouimet Canyon Provincial Park Gravel River Motel Lake Nipigon Provincial Park
Beardmore	Lake Nipigon Marine Area Camp Ltd.			
Jellicoe	Sportsman's Paradise (Air Charter Service) Cedar Shores Resort and Wilderness Camps	Colimar Lodge Black Bear Outpost Camp		
Geraldton	Journeys North Outfitters	Wild Goose Lake Resort	Kenogamisis Golf Club	
Nakina	Northland Outfitters Nakina Outpost Camps and Air Service Ltd. Timberidge Twin Lakes Outfitters Meta Lake Lodge Leuenberger's Fly-in Lodge and Wilderness Outposts			
Longlac	Grant Outfitters Hillsport Wilderness Hunting and Fishing Camp Skinner's Acre Tourist Resort	Grade 'A' Baits	Woodlands Inn Riverview Campground	

6 The New Brunswick Experience

Terrace Bay Regional Gateway Development Feasibility Study

Fundy Coastal Drive Day Adventures



ESCAPE TO THE SEA
Meet whales, porpoise, seals and eagles as you explore the unique marine environment of the Bay of Fundy and the majestic Fundy tides. Notice and experienced paddlers welcome!
Senscape Kayak Tours Inc.
St. Andrews
Tel: 506 529-4856
\$55 per person (half day)
\$99 per person (full day)



FEARSOME FUNDY FISH
Get ready for a saltwater sport-fishing adventure! Fish for striped bass, groundfish or... shark! And catch views of awesome Fundy marine life.
St. Andrews Bay Sportfishing Co.
St. Andrews
Tel: 506 529-8196 or 506 755-3770
Toll-free: 1 888 808-3474
\$57.50 per person
\$46 per child



SPECTACULAR SALMON SUPPER
Gather herbs from our garden, salmon from the sea and your recipe. Then sit down to a five-star salmon supper! Life doesn't get any better than this.
A Marine Walker Estate Heritage Inn
St. Andrews
Tel: 506 529-4210
Toll-free: 1 800 470-4088
\$99 per person



THE LEGEND OF THE LEAPER
Inside these walls are the secrets and stories of the wild Atlantic salmon. Exhilarating interpretive trails and interactive viewing chamber bring the legend to life.
Atlantic Salmon Conservation Centre
St. Andrews
Tel: 506 529-1384
E-mail: ascc@atnbnb.ca
Website: www.ascc.ca
\$20 per person
\$60 per family

Sample of New Brunswick Brochures

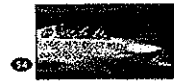
Fundy Coastal Drive Day Adventures



WHALE-WATCHING
Sailing from picturesque Back Bay Harbour, the southern most part of mainland New Brunswick, you'll find yourself only 10 minutes later in whale country.
Interactive Outdoors
St. George
Tel: 506 755-2699
Toll-free: 1 800 214-6906
E-mail: deepsea@atnbnb.ca
\$40 per person
\$20 per child (12 and under)



ZOO NIGHT SAFARI
When darkness falls you'll find yourself in the Deepest Darkest Jungle in Saint John at the Cherry Brook Zoo! Join us on safari in the zoo after dark. Daytime admission rates available.
Cherry Brook Zoo
Saint John
Tel: 506 634-1440
E-mail: moosh@atnbnb.ca
\$12 per person
\$5 per child (12 and under)
\$30 per family



A RIDE YOU WON'T SOON FORGET
Come challenge and tame Reversing Falls aboard our jet boat. The "MUST DO" attraction in Saint John. You'll enjoy 20 minutes of unforgettable thrills.
Reversing Falls Jet Boat Ride
Saint John
Tel: 506 634-8987
\$23 per person



THE BIG SMALLIE SPECIAL!
Catch the excitement of a smallie on your feet! Canoe for smallmouth bass on the St. Croix River with a professional guide, and watch loons, eagles and ducks...
Loon Bay Lodge
St. Stephen
Tel: 506 466-1240
Toll-free: 1 888 LOON BAY
(666-6229)
E-mail: loonbay@atnbnb.ca
\$59.95 per person

6.0 THE NEW BRUNSWICK EXPERIENCE AS IT RELATES TO TERRACE BAY

The concept for developing facilities and programs to market adventure tourism in Terrace Bay was introduced in the 1996 update to the Tourism Strategy. It was modeled after the New Brunswick experience.

The province of New Brunswick has in the past few years made a major commitment to developing and promoting "adventure tourism". As an example, in the 1999 tourist season, New Brunswick promoted 103 licensed day adventure operators throughout the province. The activities offered to visitors included:

- bird watching;
- canoeing;
- caving;
- cycling;
- dog sledding;
- hiking;
- horseback riding;
- kayaking;
- nature photography;
- rappelling / climbing;
- sailing;
- scuba diving;
- whale watching;
- cultural activities;
- aboriginal cultural experiences; and,
- interpretive experiences.

Day adventure operators must be licensed by the province to ensure adherence to safety standards, as well as for quality assurance. Each operator must offer a complete package – usually lasting about three hours - where an "all inclusive" philosophy applies. In other words, the operator must provide all elements of the experience (transportation, equipment, training, food/snack, etc.) for the package price.

6.1 Provincial Support Offered

The province of New Brunswick promotes day adventure operators through two major avenues: tourism promotion, and the "day adventure centres". Promotion includes advertising day adventure opportunities in provincial publications, as well as web site. The second major vehicle, "Day Adventure Centres", are storefront-type physical facilities that house several day adventure package operators, as well as information about other day adventure operations located throughout the province. They are major focal points for adventure tourism activities in the province.

The Province has 5 Day Adventure Centres located in St. Andrews, St. George, Caraquet, Shediac, and Bathurst. Each Day Adventure Centre promotes day adventure operators in the region, as well as those throughout the province. Three to five Day Adventure operators work directly out of the

facility which may also contain the local and regional visitor information centre. Four of the five Day Adventure Centres are run by the municipality and are leased from the province for \$1/ year. In turn, the municipality leases space to operators for nominal amount (e.g. \$500/season). The municipality picks up operating deficit of centres in return for economic benefit generated in the surrounding region.

6.2 Track Record to Date

When examining the success of Day Adventure Centres, it must be remembered that they are still a relatively new operation overall. The Province of New Brunswick has found that there tends to be a relatively high risk with suppliers (i.e. the providers of the day adventure experiences). Some 35% ceased operation after first year of operation, and a further 21% ceased operation after the second year. This is perhaps not surprising given that many of them are new businesses in start-up situations, being run by entrepreneurs who are adventure experts, not necessarily business operators.

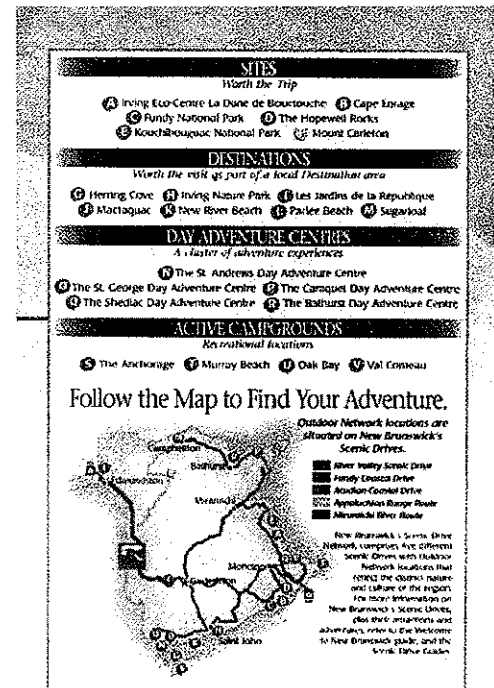
There is some anecdotal evidence that the program is drawing new visitors to the province, and generating additional economic impact. However, a more formal quantitative economic impact assessment was reportedly done in the summer of 1999. Preliminary estimates of impact (additional expenditure) are that each individual will spend an additional \$40 in the community if they partake in a day adventure.

There are several **critical success factors** for Day Adventure Centres:

- there needs to be a critical mass of day adventure activities in a region (average 20), in order to attract the attention of the potential market and provide variety and choice;
- the success of the concept relies on local / regional markets to generate some demand (estimate ranges from 1/3 to 1/2 of overall demand)
- strong provincial support (meaning time and money) is required to stimulate demand (*marketing and promotion*) and for quality assurance
- the Day Adventure Centre operation itself should be in a retail setting, as this itself will draw in additional visitors who may be impulse buyers for a day adventure activity.

6.3 Viability of Similar Concept in Terrace Bay

The following diagram shows the results of transferring the New Brunswick Day Adventure Centre concept to the market context of Terrace Bay. Of the total tourism in an area, a certain proportion are drawn into the Day Adventure Centre through curiosity, an interest in the adventure offerings, etc. – of these, a certain proportion will also purchase an adventure package activity – these purchases will in turn generate economic activity and benefit in the region.



The New Tide of Adventure
New Brunswick

For more information call
1 800 561-0123
or stop at the nearest Visitor Information Centre



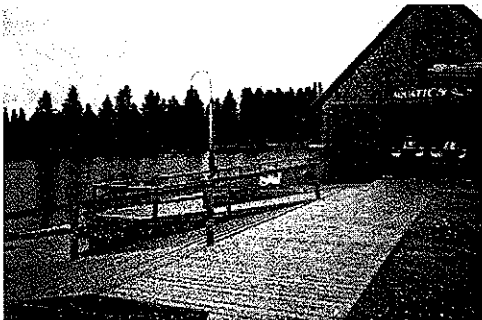
Reception Building – St. George, New Brunswick



Adventure Centre Picnic Area – St. George, New Brunswick

6 The New Brunswick Experience

Terrace Bay Regional Gateway Development Feasibility Study



Jet Ski Tour Operator, St. George, New Brunswick



Reception Reservation Building



Gift Shop/Snack Bar, St. George, New Brunswick



Adventure Centre – St. Andrews by-the-Sea, New Brunswick

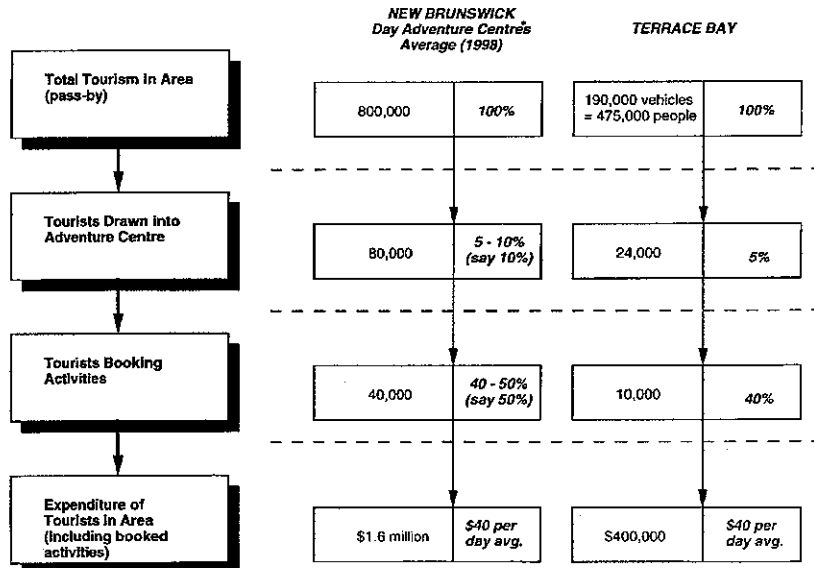
The middle column on the diagram shows the result of this process as it currently operates in New Brunswick, based on data available from the province and interviews with the operators of the Day Adventure Centres. For example, on average, each Day Adventure Centre operates in an environment where there are 800,000 tourists in the vicinity within its operating period. On average, the visitor centre is able to attract between 5 and 10% of this available tourist market into the centre. If, to follow the example shown, a Day Adventure Centre were able to draw 10% of the available tourist market into the facility, the result would be 80,000 tourists in the building. The next step is to look at the proportion of these 'interested' tourists who actually will buy a day adventure package. The New Brunswick experience suggests that between 40% to 50% of these 'interested' tourists will actually buy a package. Again, following the New Brunswick 'average' example, then, of the 80,000 tourists in the Day Adventure Centre, if 50% actually do buy a package, then this is 40,000 actual packages sold. Finally, the New Brunswick experience indicated that on average, each individual purchasing a package also spends an additional \$40 dollars in the region. So, again following through the example, if each of the 40,000 individuals purchasing a package also spent \$40 in the region, the total additional expenditure attributable to these tourists would be \$1.6 million (\$40 times 40,000). This is the average or typical experience for a Day Adventure Centre in New Brunswick.

The right-most column on the diagram shows the results of transferring this experience onto the market context of Terrace Bay. First, assuming that a Day Adventure Centre would operate (at least initially) only during the tourist season (i.e. the mid-May to mid-October period) we know that the available tourist market is 190,000 tourist vehicles. Assuming 2.5 persons per car, this equates to a tourist market of approximately 475,000 individuals. Assuming that a Day Adventure Centre operation in Terrace Bay was able to lure them in at the same level of performance as the operations in New Brunswick, the facility could draw between 5% to 10% of the available market in. The lower end of the range has been used for the purposes of this example (this is probably appropriate at this point, as a Day Adventure Centre operation in Terrace Bay would likely not have the advantages of provincial support for marketing and development that New Brunswick has). Assuming that 5% of the available tourist market would come into the day adventure centre, this would result in approximately 24,000 individuals. If 40% of these individuals would actually buy a package this implies that in the order of 10,000 packages would be sold. At the same expenditure level of \$40 per capita as in New Brunswick, there could an additional expenditure generated in the region of approximately \$400,000.



Adventure Centre Campground – St. George, New Brunswick

Mapping the New Brunswick Day Adventure Experience onto Terrace Bay



7 The Regional Gateway Concept

Terrace Bay Regional Gateway Development Feasibility Study

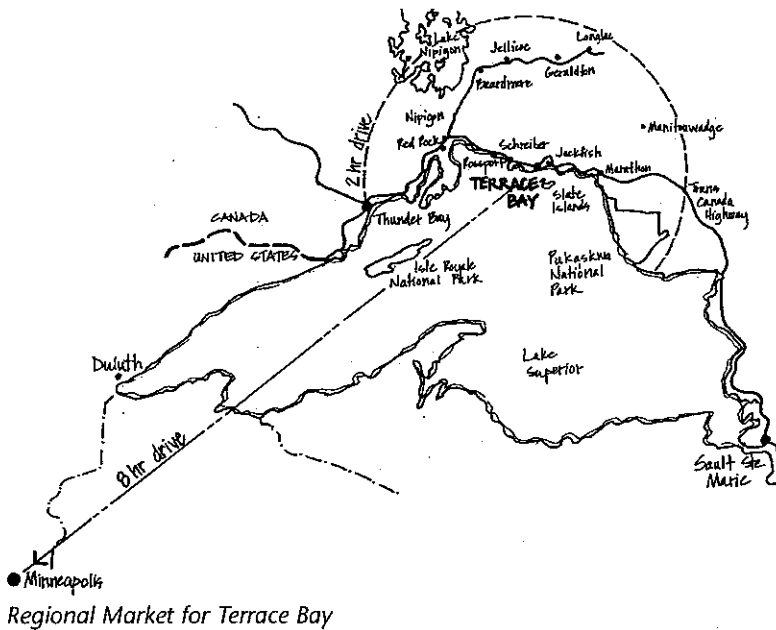
7.0 THE REGIONAL GATEWAY CONCEPT

The Regional Gateway concept is an opportunity to establish an adventure tourism attraction in Terrace Bay that will complete a link in the regional chain of tourism attractions and facilities both on the water and along the Trans-Canada Highway between Thunder Bay and Sault Ste. Marie. It will

become integral to the marketing linked to such attractions as the Lake Superior Circle Tour, the Great Lakes Aquarium at Lake Superior Centre in Duluth, the proposed National Marine Conservation Area for Lake Superior and Great Lakes Heritage Coast.

Terrace Bay is well suited to the development of adventure tourism with its rugged, scenic landscape character ideal for a range of development and recreational opportunities that could complement the Regional Gateway concept.

At the eastern gate to the proposed National Marine Conservation Area and the closest access point to the Slate Islands, Terrace Bay would be the ideal centre of adventure based tourism in this region. The Regional Gateway concept is based on a number of fundamental principles:



Catalyst of development

The Regional Gateway is envisioned as a catalyst for the development of adventure tourism in the region. It will be a recognizable catalyst of a critical mass of adventure tourism activities, providing information and a staging point for a variety of year round activities.

Linked to other local tourist facilities

The Regional Gateway will be linked to other tourism facilities and amenities in Terrace Bay through physical pedestrian and vehicle connections, thematic linkages in terms of establishing a consistent visual character and identity and economic linkages ensuring the new facilities and programs strengthen the tourism economy.

Protect the natural features

The Regional Gateway development will not compromise the ecological integrity and visual character of the area. Careful site design and management of use will ensure that the physical and locational attributes that make the area attractive for adventure tourism are not threatened by inappropriate facilities or over-development. The Township will endeavor to create a high quality natural experience, with an 'environment first' approach to all developments.

Financially viable

The Regional Gateway provides an opportunity for Terrace Bay to diversify its economic base. Development must be financially feasible and economically sustainable ensuring that municipal investment in infrastructure and capital projects is financially feasible and can be developed without undue cost

7.1 Summary of Lake Superior Adventures

The Regional Gateway development is an exciting catalyst for the delivery of outdoor adventure tourism in the Terrace Bay region. ***Lake Superior Adventures*** has two core facilities: the Tourist Information Centre and a new Waterfront Centre. The Tourist Information Centre is the first point of contact, providing information on activities in the region to the highway traveler. The Waterfront Centre is a new destination overlooking Lake Superior and the Slate Islands, where a hub of facilities are nestled in the rocky rugged landscape. A new marina, interpretive centre, restaurant and accommodation are proposed. The Centre also has a base of adventure tourism operators where activities are staged at this waterfront site.

The Waterfront Centre is located at the terminus of a new road that extends south from the Aguasabon Falls lookout along an existing access off the Trans-Canada. The route to the new Waterfront Centre will be marked with a highly visible gateway feature.

With new activity and access, there is an opportunity to expand an additional nine holes to the golf course on the west side of the River. The rugged terrain of the golf course could also be used for cross county ski trails.

With a new road and a possible golf course, there is a tremendous opportunity to develop residential lots that will back onto the expanded golf course and be located close to the Waterfront Centre and the associated activities. There is also the potential to subdivide cottage lots along the shoreline. With a focus of activities associated with the new marina and Waterfront Centre on Danny's Cove, the cottage lots are suggested to the west between Lyda Bay and the Waterfront Centre.

There has been a recent discussions that the south trail link through the site may be registered as part of the Trans-Canada trail, providing an important multi use connection through the Waterfront Centre, envisioned as a year round facility. Used for hiking, biking, snowmobiling, cross country skiing and horse back riding, the site's trail system will provide for a diversity of activity in all seasons.

The following chapters describe the key components of ***Lake Superior Adventures***: the key buildings, marina, private sector day adventure business opportunities and accommodation. The opportunities for cottage lot development are also described.

8 Overall Project Theme and Character

Terrace Bay Regional Gateway Development Feasibility Study

8.0 OVERALL PROJECT THEME AND CHARACTER

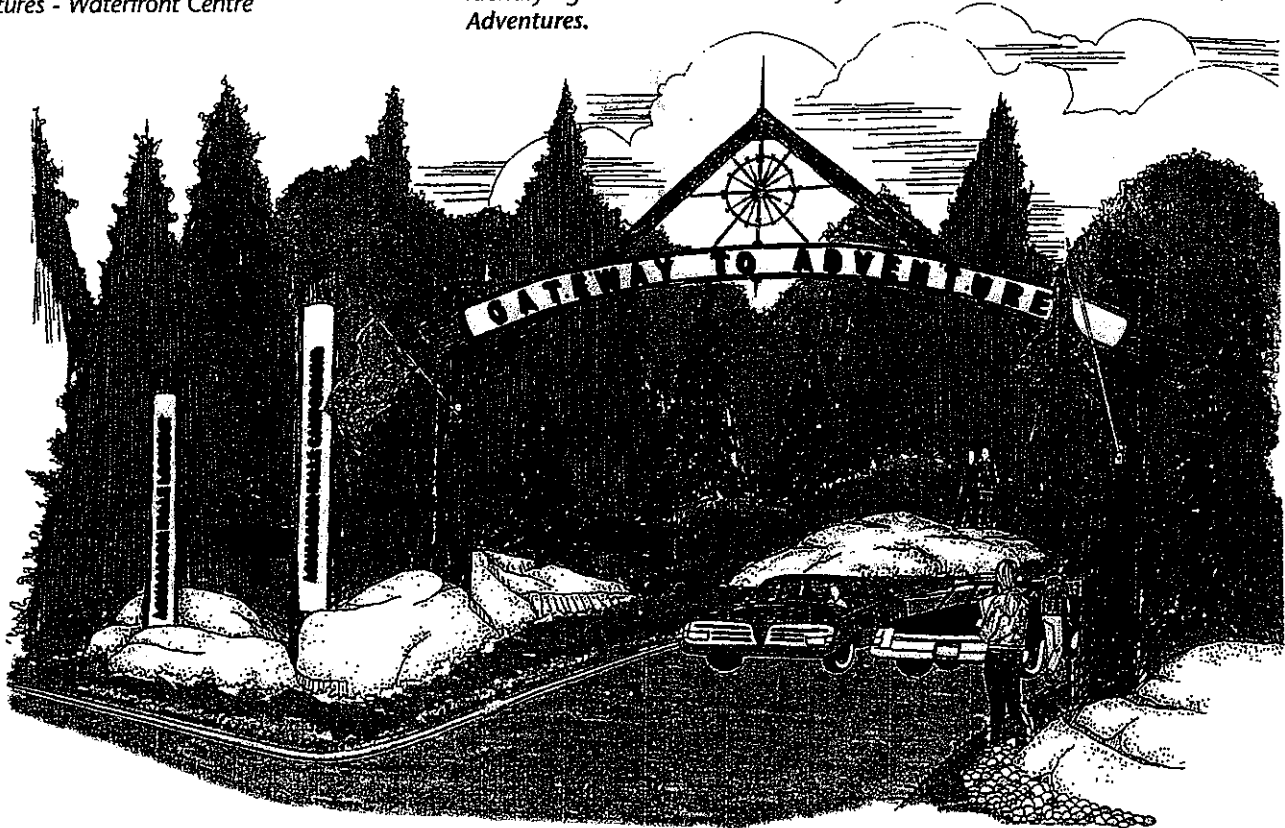
The Regional Gateway Concept will be developed as *Lake Superior Adventures*. One of the most important aspects of this concept is the development of a strong and recognizable theme. Building and landscape design and materials, signage and gateways should be based on the distinct and unique character of Terrace Bay. The design theme is the rugged natural landscape using such materials as heavy timber, rocks and plant material found in the area.

Caribou are selected as a primary marker for *Lake Superior Adventures*. The Slate Islands, one of the most compelling destinations in this region, has the southern-most population of woodland caribou. The life-sized steel silhouette of the caribou will be used to identify key facilities of the *Lake Superior Adventures*.

For example the entrance to the Lake Superior Adventures - Waterfront Centre could be designed with heavy timber posts and rough hewn timbers to identify the road access to the waterfront site. Large rocks, a mix of deciduous and coniferous trees and ground covers such as purple asters, lupines, black eyed susans, daisies, cone flower, hockweed and fireweed give the entrance a high quality and imageable landscape aesthetic. The caribou silhouettes are placed in the landscape. This character should be used for the design of directional signage, trail markers and interpretive signage.

Entrance off Highway 11/17 to Lake Superior Adventures - Waterfront Centre

Ideally, over time this theming should extend throughout Terrace Bay, identifying the whole community as the destination for *Lake Superior Adventures*.



Lake Superior Adventures Buildings 9

Terrace Bay Regional Gateway Development Feasibility Study

9.0 THE LAKE SUPERIOR ADVENTURES KEY BUILDINGS

9.1 Concept

Lake Superior Adventures has two key building components: an expanded Tourist Information Centre and a new Waterfront Centre. The Tourist Information Centre will play the central role in disseminating information on adventure tourism opportunities. The Waterfront Centre will be a staging area from which to operate the adventure activities.

Lake Superior Adventures - Information Centre

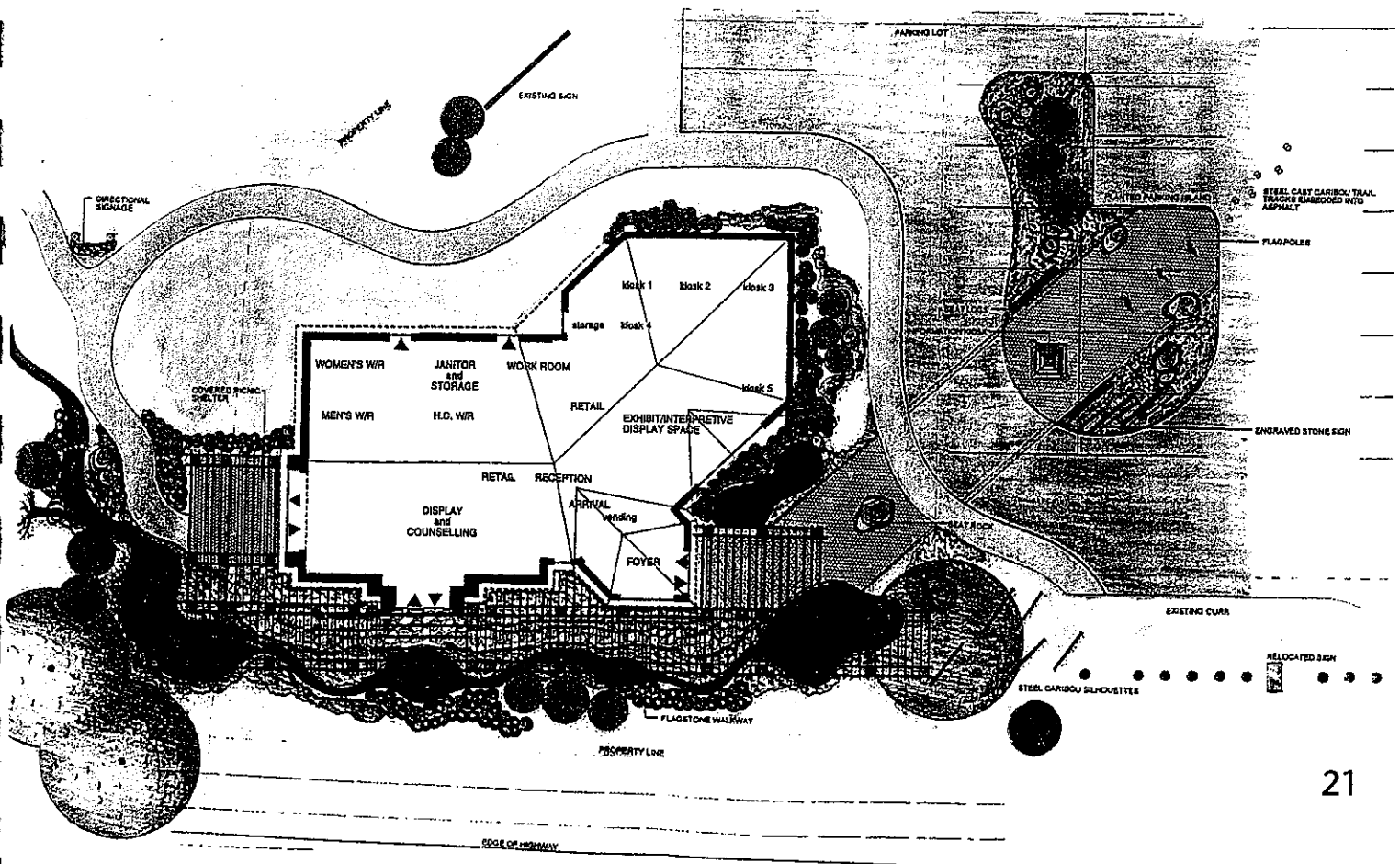
The expanded Tourist Information Centre builds on the existing facility, with an addition for the facilities required to develop the adventure tourism market. The facility is designed to permit efficient operation and management between the two components - general tourist information and adventure tourism opportunities in the region.

The Tourist Information Centre will be expanded to the east with new construction designed to blend with the existing building's materials and colours. The expansion will include a reception counter with computerized booking facilities connected to day adventure operators, a retail area which may provide souvenirs and/or small scale food service and a space for up to 5 day adventure operators in an exhibit hall which will include additional space for static displays.



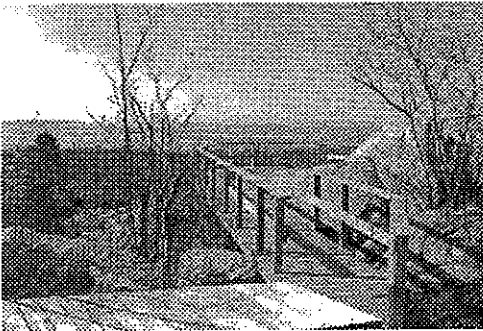
Tourist Information Centre

Lake Superior Adventures - Information Centre Landscape Plan



9 Lake Superior Adventures Buildings

Terrace Bay Regional Gateway Development Feasibility Study



Lookout Behind Information Centre

The expanded Lake Superior Adventures - Information Centre is enhanced with the addition of a rustic log and heavy timber exterior porch-like structure and landscape feature. The timber porch extends across the front of the building along the highway frontage providing a highly visible setting for the display of equipment associated with adventure tourism activities such as canoes, kayaks, etc. A naturalized water feature is proposed that extends along the front of the building and connects to the rock outcrop at the base of the walkway to the adjacent lookout. The entrance to the parking lot is relocated to the west, closer to the expanded centre. The parking will be modified to provide improved drive-through parking and an entrance to the new facility.



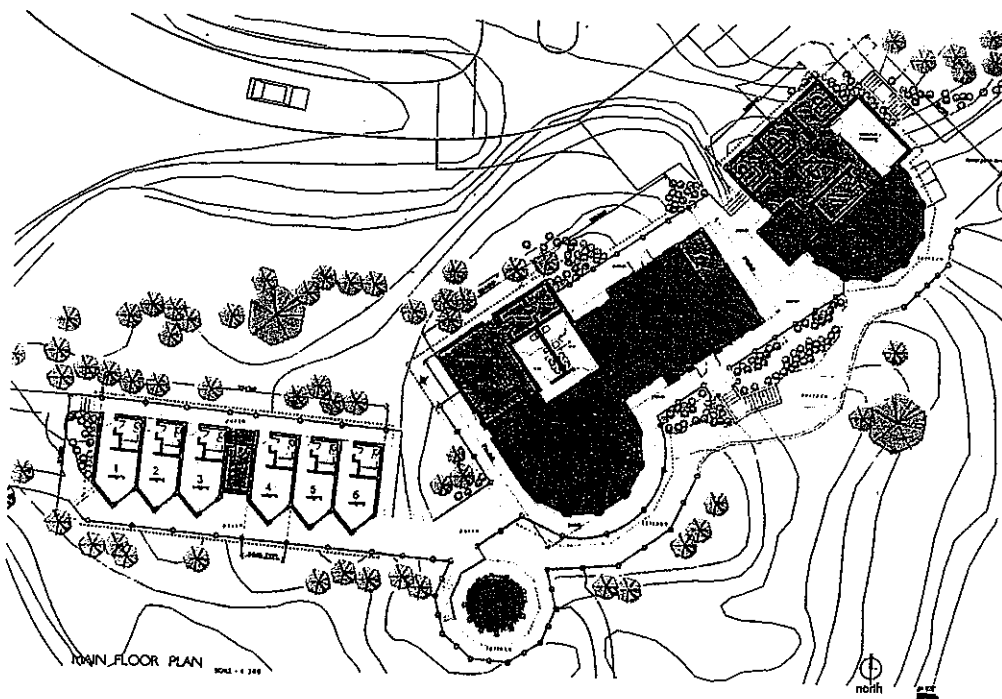
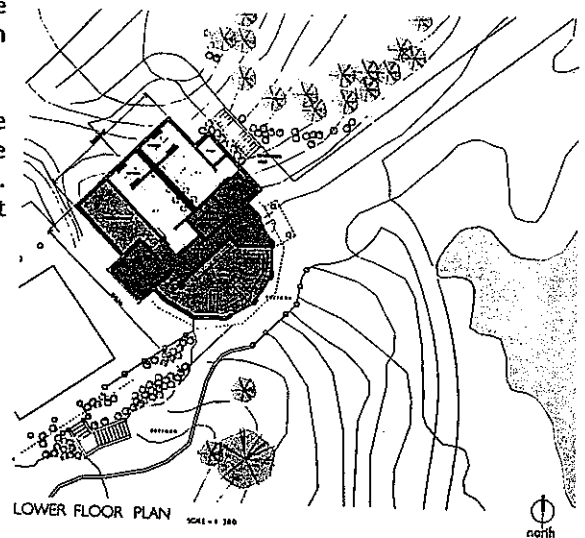
View of Front of Lake Superior Adventures - Information Centre

Lake Superior Adventures Buildings

Lake Superior Adventures - Waterfront Centre

The Waterfront Centre is located on a prominent site on the west side of Danny's Cove offering tremendous views of the Lake. The new facility will be accessed along a new road that is an extension of the road to the Aguasabon Falls lookout. Extending south to the water's edge, the road follows existing grades and preserves significant vegetation communities and rock outcrops. The building hugs the landscape, preserving existing vegetation and rock features. It has a two storey lookout tower. The tower provides a highly visible beacon from the water, clearly identifying the new facility. The Waterfront Centre is linked with exterior decks and covered porches, with an overall rustic character, and is built of stone and wood.

The landscape is designed to blend with the rugged natural site features. The entrance court to the building is highlighted by granite boulders and native plants. Outdoor terraces also function as trail heads and observation areas. Parking is organized into separate areas to service the marina and boat launch with two areas designated for visitors to the Waterfront Centre.



Floor Plan - Waterfront Centre

9 Lake Superior Adventures Buildings

Terrace Bay Regional Gateway Development Feasibility Study

The Waterfront Centre has four key components. The first are facilities for the Lake Superior National Marine Conservation Area. Located at the eastern gateway to the proposed Marine Conservation Area, the Waterfront Centre would be an ideal location from which to provide information, conduct seminars, provide outdoor education, etc. on the resources found in the Marine Conservation Area or the Great Lakes Heritage Coast. The building is designed with a two storey space which includes an amphitheater, office space for 3 staff, a seminar room, storage and a flexible area for an interpretive centre. The space would be suitable for interpretive programs led by other agencies or groups. On the lower level are washrooms, laundry and shower facilities for the marina (described in detail in the next chapter).

The second component is the Waterfront Centre reception area in the middle of the complex which includes a reception hall, office and sales counter which will function both as a booking location for waterfront based day adventure opportunities, a point of sale for the marina and the staging area for boat tours of the Slate Islands Provincial Park. This area will also include stand alone kiosks for adventure tour operators and a small retail space which could be occupied by outfitters or a gift shop. It is anticipated that the retail space will be leased to a private operator.



View of Lake Superior Adventures - Waterfront Centre



Concept Plan - Core Components
Darry's Cove



Lake Superior

Overall Concept Plan



The third component of the Waterfront Centre is the food retail component, including an eating area for up to 60 people, a kitchen and public washrooms. It is recommended that a large eating area, perhaps a fine dining restaurant, be phased in over time as awareness of the facility and demand increases.

The fourth component is accommodation. Six motel style rooms and six cabins are illustrated on the concept (described in more detail in a subsequent chapter).

The area of the Waterfront Centre will also be the location of kiosks for adventure tourism operators. For example, there could be kiosks offering boat tours to the Slate Islands, kayak rentals, mountain bike rentals, etc.

9.2 Phasing

Lake Superior Adventures is modeled on the success of the New Brunswick operation, taking into account the fact that the extent of provincial government support for the development and marketing of the day adventure industry will not be the same as in New Brunswick. As such, it has been assumed that a smaller-scale operation for day adventures will be established in Terrace Bay initially, growing over time to something that might be of the size and scale of a typical adventure centre in New Brunswick.

Accordingly, two phases are envisaged for a Lake Superior Adventure Centre operation in Terrace Bay:

- an initial phase, where day adventures are operated out of the existing Tourist Information Centre, as an adjunct to the existing tourism information function; and,
- a second phase, where (after the initial phase has demonstrated the viability of the concept¹) facilities are constructed specifically to accommodate the continued growth and development of the concept.

In this second phase of the operation, the concept is for two facilities: the first, an expansion to the existing Tourist Information Centre to accommodate up to five kiosk-type stations for day adventure operators, where the day adventure packages could be sold, and the second, the new Waterfront Centre that is a staging area located on the waterfront, where parties could assemble, required training activities could take place and equipment could be stored. This would include road access, servicing and site development. The Waterfront Centre will also double as the Interpretive centre for the National Marine Conservation Area, and the staging area for the Slate Islands Provincial Park.

Also envisaged as part of the second phase of the Waterfront Centre are new accommodation facilities.

¹ ...demonstrated the viability of the concept from both a **product** perspective (i.e. ensuring that there are in fact enough successful day adventure operators to ensure that there is a critical mass of supply) as well as from a **market** perspective (i.e. ensuring that there is sufficient market interest in the concept).

9.3 Market Opportunity

A preliminary estimate of the market potential for *Lake Superior Adventure s* under both the initial and second phases as described above has been outlined. In both cases the estimate of the market is predicated on the New Brunswick experience.

The assumptions underlying the estimate of market potential in each case are as follows:

- in the initial phase, a seasonal (May to October) day adventure operation will perform at the low end of the range of experience seen in New Brunswick (i.e. in terms of the draw of the market into the day adventure centre, and the proportion of the market that will buy)²; and,
- in the second phase, year-round day adventure operation will perform at the high end of the range of experience seen in New Brunswick during the May-October season, and at the low end of the range during the off (winter) season

The market implications of these assumptions are outlined in the following table:

	Initial Phase			Second Phase		
	May – Oct. Season	Rest of Year	Total	May – Oct. Season	Rest of Year	Total
Available Tourist Market (see Chapter 4)	475,000	483,000 ³	958,000	475,000	483,000	958,000
% drawn into TIC	5%	0% (not open)	n/a	10%	5%	n/a
% purchasing day adventure packages	40%	0% (not available)	n/a	50%	40%	n/a
Resulting Market	10,000	0	10,000	24,000	10,000	34,000

² We realize that even at the low end of the range, operations in New Brunswick still have the advantages of provincial marketing and development support, which will not be replicated in Terrace Bay's case. However, offsetting this advantage is the fact that the competition to day adventures from other attractions in New Brunswick is significant. In Terrace Bay, there is not anywhere near the competition faced by potential day adventure operators. These two factors (i.e. lack of provincial marketing support on the one hand, lack of competition on the other) will cancel each other out to a large extent, so we feel that using the New Brunswick figures at the low end of the range is appropriate.

³ Calculated as follows: 383,000 tourist vehicles per year pass by Terrace Bay. Of these, 190,000 pass by in the period from mid-May to mid-October (see Chapter 4). Therefore, 193,000 must pass by in the rest of the year. At an average party size per vehicle of 2.5 persons, this implies 483,000 individuals.

Some concern has been expressed that these operations will be competitive with existing retail outlets in the town. The market analysis undertaken in the first phase of this project indicated that *Lake Superior Adventures* will attract a significant additional market potential into the region. This will be comprised of both people who are currently stopping off in Terrace Bay (but who will spend a longer amount of time in the area as a result of *Lake Superior Adventures*), and visitor parties who would otherwise not stop in Terrace Bay at all. Either way, there will be more people in town who will want to spend money on food and souvenir items. The new concession operations proposed will cater primarily to this additional market potential, which should ensure that existing retailers do not suffer unduly. Of course, there is nothing to prevent existing operations from taking advantage of this enlarged market through promotions, more aggressive advertising, etc.

9.4 Capital Costs

The initial phase of *Lake Superior Adventures* will not require any major capital expenditures because existing facilities at the Tourist Information Centre will be used.

The second phase requires a substantial expansion to the existing Tourist Information Centre, as well as the development of the Waterfront Centre and the road connecting the Waterfront Centre to the Trans-Canada Highway. The capital costs (excluding fees and contingency) for these facilities are identified on the following table:

Information Centre

Tourism Centre Expansion - 1,383 SF @ \$175/sf	\$242,025
Log Pergola Structure - 1,003 SF @ \$50/sf	\$50,150
Fountains and Mechanical	25,000
Parking Lot Expansion (12 spaces)	15,120
<u>earthworks, plants, stone work, carpentry and site furnishings</u>	<u>\$64,130</u>
Total	\$396,425

Waterfront Centre

Interpretative Centre Component - including lower level and observation tower - 3,460 SF @ \$150/sf	\$519,000
Adventure Centre Component - including adjacent retail area - 1,235 SF @ \$150/sf	\$185,250
Food/Retail Component - 1,505 SF @ \$150/sf	\$238,950*
6 motel rooms - 1,505 SF @ \$125/sf	\$188,125
6 cabins @ \$40,000 each	\$240,000
<u>Covered Porches, Decks and Gazebo - 3,494 SF @ \$50/sf</u>	<u>\$174,700</u>
Total	\$1,546,025

Road Extension past Aguasabon Gorge

1.5 kilometers, asphalt, grading, signage, landscape, entry **\$1,700,000**

Waterfront Centre/Marina landscape and site work **

earthwork, parking lots, trails, including boat storage areas, fencing,	\$481,020
marina staging area and stormwater management facilities	\$127,840
planting and habitat structures	\$126,690
stone work	\$109,200
carpentry (boardwalk, interpretive pavilion, stairs)	\$100,050
<u>site furnishing (lighting, signage and railings)</u>	\$944,800

(for marina costs see section 10.2)

Waterfront Centre/Marina Site Services

power distribution from Hwy 11/17	\$140,000
water supply (drilled well)	\$20,000
sewage disposal, inground tank and tile field	\$45,000
<u>telephone</u>	275,000

General Trails and Signage

trail network (13 km)	\$190,000
interpretive and directional signage	\$25,000
40 caribou silhouettes(downtown and along hydro corridor	\$40,000
<u>highway signage and landscape improvements</u>	\$200,000
	\$445,000

Total **\$5,307,250**

*excludes costs for equipping and finishing the kitchen

** see appendix for detailed breakdown of landscape, site work, services, trails and signage.

9.5 Operating Plan and Operating Costs

In the initial phase of operation, the day adventure activities will be run as an adjunct to the existing Tourist Information Centre function. Rather than having operators of day adventure enterprises actually working out of the Tourist Information Centre itself, there would instead be unstaffed kiosks and information panels outlining the nature of the operations available. Staff at the Centre would contact operators to arrange the day adventure trips. Operating costs for this initial phase of the day adventure operation, which is essentially a trial period to ensure that sufficient product and market interest can be generated to make the concept worthwhile, will thus be kept very low.

The municipality is spending about \$35,000 on the maintenance and operation of the Tourist Information Centre. The incremental and additional costs of running the initial phase of *Lake Superior Adventures* operation are estimated to be \$23,000 annually based on:

- seasonal wages and benefits associated with one additional summer tourism councillor to act as the day adventure salesperson and the link to the operators themselves (assume 1 position, 9 to 8 p.m. over the period) \$3,000; and,
- marketing campaign (assume budget of \$20,000 for brochures, signage, possible website, etc.) \$20,000.

The second phase of operation of *Lake Superior Adventures* (after the viability of product supply and market demand has been demonstrated) is quite similar to the operation of such facilities in New Brunswick. The need to have a 'critical mass' of 20 to 25 operators (i.e. providers of day adventure tourism product) in place to provide the requisite variety and diversity of opportunities to the public has already been discussed. It is assumed that this will be in place for the second phase of development.

The basic operating plan for the Day Adventure Complex in the second phase is therefore as follows:

- 5 operators will be located in an expanded Tourist Information Centre;
- each of these operations will have one individual located in the expanded Tourist Information Centre to interact with potential customers, and to sell the packages, and one at the Waterfront Centre (to deliver the packages);
- in addition, there will be one individual associated with the tourism information function at the Tourist Information Centre, and one administrative/maintenance person ('supervisor') to look after the entire complex;
- there will be three concession operations located at the expanded Tourist Information Centre or the Waterfront Centre; and,
- an additional 20 adventure operators will be located elsewhere throughout the region.

The operations within the Centre are essential in order to provide the level of service and convenience that the tourist expects.

Individual day adventure operators will be responsible for their own sales and delivery staff; the municipality would employ the tourism information supervisor (at the Tourist Information Centre) and the complex supervisor. Municipal staff would look after maintenance involved with the entrance off the Trans-Canada Highway, and the road to the Waterfront Centre. It is expected that underused capacity of existing staff and equipment could be drawn upon to accommodate these expanded duties.

The total costs of operation for *Lake Superior Adventures* buildings in a typical year of operation in the second phase are envisaged to be as follows:

Cost Category	Assumptions	Estimated Annual Cost
• seasonal wages and benefits associated with summer tourism councilors	• assume 3 positions, 9 a.m. to 8 p.m., over the period	\$10,000
• shoulder season staffing	• assume 2 positions, 9 to 5, over the period • will be \$2,000 per month, over a 7-month period	\$14,000
• operating costs associated with the facility	• assume double the existing energy cost of \$4,500 to run the expanded Visitor Centre facility	\$4,500 (incremental)
• maintenance (supplies, repairs, etc.)	• assume budget of \$5,000 per year for all components of the complex	\$5,000
• transportation (for complex supervisor)	• assume car/van leasing costs of \$1,000 per month	\$12,000
• marketing campaign	• assume budget of \$50,000 for brochures, billboards, website, etc.	\$50,000
TOTAL ESTIMATED ANNUAL COSTS, SECOND PHASE		\$95,000 (approx.)

This estimate of cost in a typical year of operation of the second phase does not take into account any repayment of the capital required to construct the Centre. It is assumed that such repayment will not be required.

9.6 Projected Revenues

In the initial phase of operation, revenues from the day adventure operators will come from the rental of space in the Tourist Information Centre to operators (for static displays) as well as from a nominal commission charge on packages sold.

Revenues in a typical year in the first phase of operation are expected to be:

Revenue Category	Assumptions	Estimated Annual Revenues
• rental payments for space	• assume charge of \$100 per operating season, per operator who is located in the Centre • assume 10 operators initially	\$1,000
• commission charges on packages sold	• assume commission charge of \$2 per sale • assume that all sales are made with operators through the complex	\$20,000
• sale of advertising	• assume all operators and 10 other local businesses (20 operators total) advertise in publication • assume average cost of \$100 per ad	\$2,000
TOTAL ESTIMATED ANNUAL REVENUES, FIRST PHASE		\$23,000

As it is currently envisaged, revenues will be generated from the second phase of *Lake Superior Adventures* in three ways:

- through rental payments for space occupied in the kiosks at the Tourist Information Centre, and for use of the storage and visitor assembly space at the staging area;
- through concession operations (e.g. snack bar, souvenir shop) located at both locations; and,
- through commission sales to other day adventure centre operators throughout the region.

Revenues in the first year of operation are expected to be as follows:

Revenue Category	Assumptions	Estimated Annual Revenues
• rental payments for space	<ul style="list-style-type: none"> • assume charge of \$1,000 per operating season, per operator who is located in the Centre in summer • assume 5 operators located in the Centre in the summer operating season • assume 3 operators in facility over winter operating season 	\$8,000
• rental payments from concession operations	<ul style="list-style-type: none"> • in total, 3 retail operations will be involved • assume charge of \$500 per month per operation per season, plus 5% of sales • space rental = $3 \times \\$500 \times 12 \text{ months} = \\$18,000$ • assume that 35,000 visitors to Centre spend on average \$2 each at concession operations = total of \$70,000 – 5% of \$70,000 = \$3,500 	\$21,000 (rounded)
• commissions on packages sold	<ul style="list-style-type: none"> • assume commission charge of \$3 per sale • assume that half of all sales (17,000) are made with operators not in the complex (implying that 17,000 of sales are made in the complex) 	\$51,000
• sale of advertising	<ul style="list-style-type: none"> • assume all operators and 25 other local businesses (50 operators total) advertise in publication • assume average cost of \$250 per ad 	\$12,000
TOTAL ESTIMATED FIRST YEAR REVENUES, SECOND PHASE		\$92,000

9.7 Financial Analysis and Pro Forma

The financial analysis shows that from the municipality's perspective, the Day Adventure Centre Complex (including the Waterfront Centre) has the potential to generate an operating profit to offset the costs of running the complex. Moreover, the economic benefits generated in the region are significant. This assumes that the capital cost of building the facilities and infrastructure required is not repaid.

The estimates of costs and revenues for both the first and second phases of operation of the *Lake Superior Adventures* buildings are:

	Initial Phase	Second Phase Year 3
Estimated Annual Operating Revenues	\$23,000	\$110,000
Estimated Annual Operating Costs	\$23,000	\$105,000
Net Profit	\$0	\$5,000

As implied by the table, the initial period of operation will be essentially a break-even operation, where the additional costs to the municipality are essentially offset by the additional operating revenues generated.

In the second phase of operation, which is a more intensive operation, the municipality can generate a small operating profit. It must be emphasized that this does not take into account any costs of repayment of the capital cost of developing the facility. It should also be noted that this assumes a fairly aggressive cost-recovery stance on the part of the municipality or possibly on the part of a not-for-profit arm's length agency operating the facility on behalf of the municipality.

A 10-year pro forma analysis was undertaken on the proposed *Lake Superior Adventures* building operation, focusing on the costs and benefits to the municipality, and on the economic impact generated within the region. The specific viability of private sector operations (i.e. the day adventure operators themselves, concession operators, accommodation providers, etc.) was not examined in detail, as there is no municipal cost involved in the running of these operations.

The second phase of operation, where the Tourist Information Centre is expanded and the Waterfront Centre constructed, is examined. The assumptions underlying this pro forma feasibility assessment are:

- the economic parameters and assumptions governing *Lake Superior Adventures* in year 1 are as outlined previously;
- in years 2 through 10, the total number of day adventure packages sold will increase by 2% over the previous year. This is quite a reasonable assumption, as with greater market awareness, greater market penetration of the Adventure Centre operation within the available highway tourist market and the Thunder Bay market. There is also some possibility that *Lake Superior Adventures* will start to generate some destination visitation;
- also, the proportion of packages sold directly through the Centre, and which are therefore commissionable, will increase slowly over time (by 1 percentage point per year), reflecting the increasing popularity of the Adventure Centre itself, as well as the mix of activities available at the Waterfront Centre;
- in each year, the commission paid by day adventure operators will increase by 25 cents, reflecting the increased popularity of day adventure operations, and the increasingly valuable service the Centre provides in marketing and organizing the activities;
- costs of operation are expected to increase by 5% per year; and,
- the expenditure of visitor parties in the area will increase by 5% per year, as more goods and services are made available to serve this growing market.

The detailed results of the financial assessment are contained in the spreadsheet. The highlights are:

- the number of day adventure packages sold in the region will grow to over 40,000 (compared to the expected 34,000 in the first year of operation);
- the total gross revenues attributable to *Lake Superior Adventures* in year 10 are expected to be approximately \$189,000 (compared to \$105,000 in year one);
- the incremental profitability of *Lake Superior Adventures* to the town is expected to increase considerably, from a slight loss of \$3,000 in year one to approximately \$42,000 in year 10; and,
- total economic impact in terms of additional expenditure generated in the region is expected to increase significantly from approximately \$1.36 million in year one to \$2.5 million in year 10.

9.8 Economic Impact to the Region

In the initial phase of operation of *Lake Superior Adventures*, the number of jobs created and/or supported by day adventure activities will be quite modest: only the operators themselves and their employees (so, in the order of 10 seasonal jobs).

In its second phase of operation, *Lake Superior Adventures* would be expected to support 38 jobs in the region, comprised of:

Job Function	Assumptions	New Positions
Tourism/economic development supervisor	• this position would represent a continuation of the existing Tourism Officer position, and which would assume administrative responsibility for the entire Complex and one new administration assistant	1
Maintenance function	• one new maintenance function	1
Retail operators	• three retail operators will be involved: 2 snack bar operations and 1 souvenir shop • each will employ two persons	6
Day adventure business located in the complex	• each business operating out of the complex will employ 2 individuals; 1 in the Visitor Information Centre and 1 at the Waterfront Staging Area	10
Day adventure businesses located in the complex	• each day adventure centre NOT operating out of the complex will employ one individual	20
TOTAL JOBS (positions)		38

Note that all of these jobs are new to the area. While there is an existing tourism economic development function and a maintenance function, additional positions would be required to meet the needs of the new facilities and activities.

The larger question of viability of this Adventure Centre clearly relates to its potential to create and support jobs in the Terrace Bay area, and to encourage additional tourism, recognizing that tourists spend dollars in the region that generates additional economic impact.

In the initial phase of operation, an estimate of tourism expenditure in the region can be made as follows:

- 10,000 tourists purchase a day adventure package;
- the average price per person is \$25;
- in addition, each tourist spends an additional \$15 in the region on souvenirs, food, supplies, etc.⁵; and,
- thus total additional expenditure in the region will be approximately \$400,000.

In the second phase of operation, an estimate of tourism expenditure in the region can be made as follows:

- 34,000 tourists purchase a day adventure package;
- the average price per person is \$25;
- in addition, each tourist spends an additional \$15 in the region on souvenirs, food, supplies, etc.; and,
- thus total additional expenditure in the region will be approximately \$1.36 million

Note that not all of these benefits will accrue directly to the municipality of Terrace Bay, but rather will be distributed throughout the region including Rossport and Schreiber.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Total Day Adventure Packages Sold	34,000	34,680	35,374	36,081	36,803	37,539	38,290	39,055	39,836	40,633
% of packages sold in Centre	50%	51%	52%	53%	54%	55%	56%	57%	58%	59%
equals commissionable packages	17,000	17,687	18,394	19,123	19,873	20,646	21,442	22,262	23,105	23,974
comission on packages	\$3.00	\$3.25	\$3.50	\$3.75	\$4.00	\$4.25	\$4.50	\$4.75	\$5.00	\$5.25
equals commission sales	\$51,000	\$57,482	\$64,380	\$71,711	\$79,494	\$87,747	\$96,490	\$105,742	\$115,526	\$125,861
plus space rentals	\$8,000	\$8,400	\$8,820	\$9,261	\$9,724	\$10,210	\$10,721	\$11,257	\$11,820	\$12,411
plus payments from concession operators	\$21,000	\$22,050	\$23,153	\$24,310	\$25,526	\$26,802	\$28,142	\$29,549	\$31,027	\$32,578
sale of advertising	\$12,000	\$12,600	\$13,230	\$13,892	\$14,586	\$15,315	\$16,081	\$16,885	\$17,729	\$18,616
Total Revenues	\$92,000	\$100,532	\$109,582	\$119,174	\$129,330	\$140,074	\$151,434	\$163,433	\$176,101	\$189,466
Incremental Costs	\$95,000	\$99,750	\$104,738	\$109,974	\$115,473	\$121,247	\$127,309	\$133,675	\$140,358	\$147,376
Incremental Profitability of Centre to Municipality	-\$3,000	\$782	\$4,845	\$9,199	\$13,856	\$18,828	\$24,124	\$29,759	\$35,743	\$42,089

Economic Impact

Total Expenditure in Region, Per Package Sold	\$40.00	\$42.00	\$44.10	\$46.31	\$48.62	\$51.05	\$53.60	\$56.28	\$59.10	\$62.05
Total Additional Expenditure in Region	\$1,360,000	\$1,456,560	\$1,559,976	\$1,670,734	\$1,789,356	\$1,916,400	\$2,052,465	\$2,198,190	\$2,354,261	\$2,521,414

⁵ Consistent with the finding from New Brunswick that every purchaser of a Day Adventure package spent, on average, an additional \$40 in the region

10.0 LAKE SUPERIOR ADVENTURES • MARINA

10.1 Concept

A central component of *Lake Superior Adventures* is to develop a safe harbour that would enable waterfront-oriented adventure operations to be launched, as well as lakeside interpretive activities that could be associated with the National Marine Conservation Area and the Slate Islands Provincial Park. Elements of this concept would include a breakwall (to create the safe harbour environment), as well as a small-scale marina operation, to cater to local residents and transient tourist boaters. The initial concept calls for an operation with 25 slips, gas, pump-out, washrooms, and perhaps laundry and shower facilities. If successful, this first phase operation could be expanded up to 45 slips.

This operation could clearly complement the Waterfront Centre by offering access to water-based adventure opportunities, as well as opening up the waterfront staging area to the boating market.

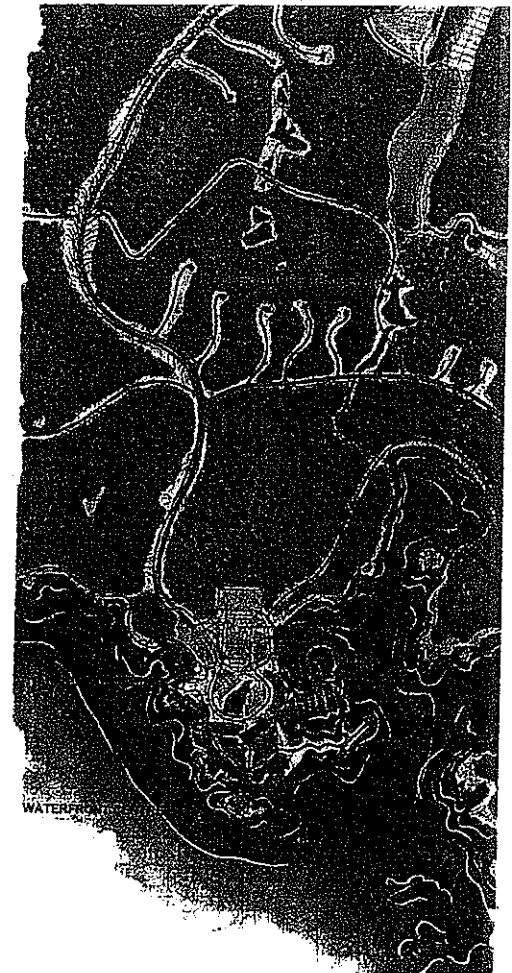
Over the past decade the location of a marina site for Terrace Bay has been reviewed on many occasions. In the context of this study, three potential sites were evaluated: the beach site, Danny's Cove and Lyda Bay. The Danny's Cove site is recommended as the best site for development of a marina for the following reasons:

- available space adjacent to the marina for the full complement of associated facilities, including the Waterfront Centre;
- adequate space to suit up to 45 slips;
- naturally protected from waves from the west and south-west;
- adequate water depth; and,
- with the addition of channel markers, good navigable entrance.

Breakwater

As with all potential sites in the vicinity, a breakwall is required. In the case of Danny's Cove, the breakwall will protect the marina from waves originating from the south and south-west. The length of this breakwater is shorter than in the other options.

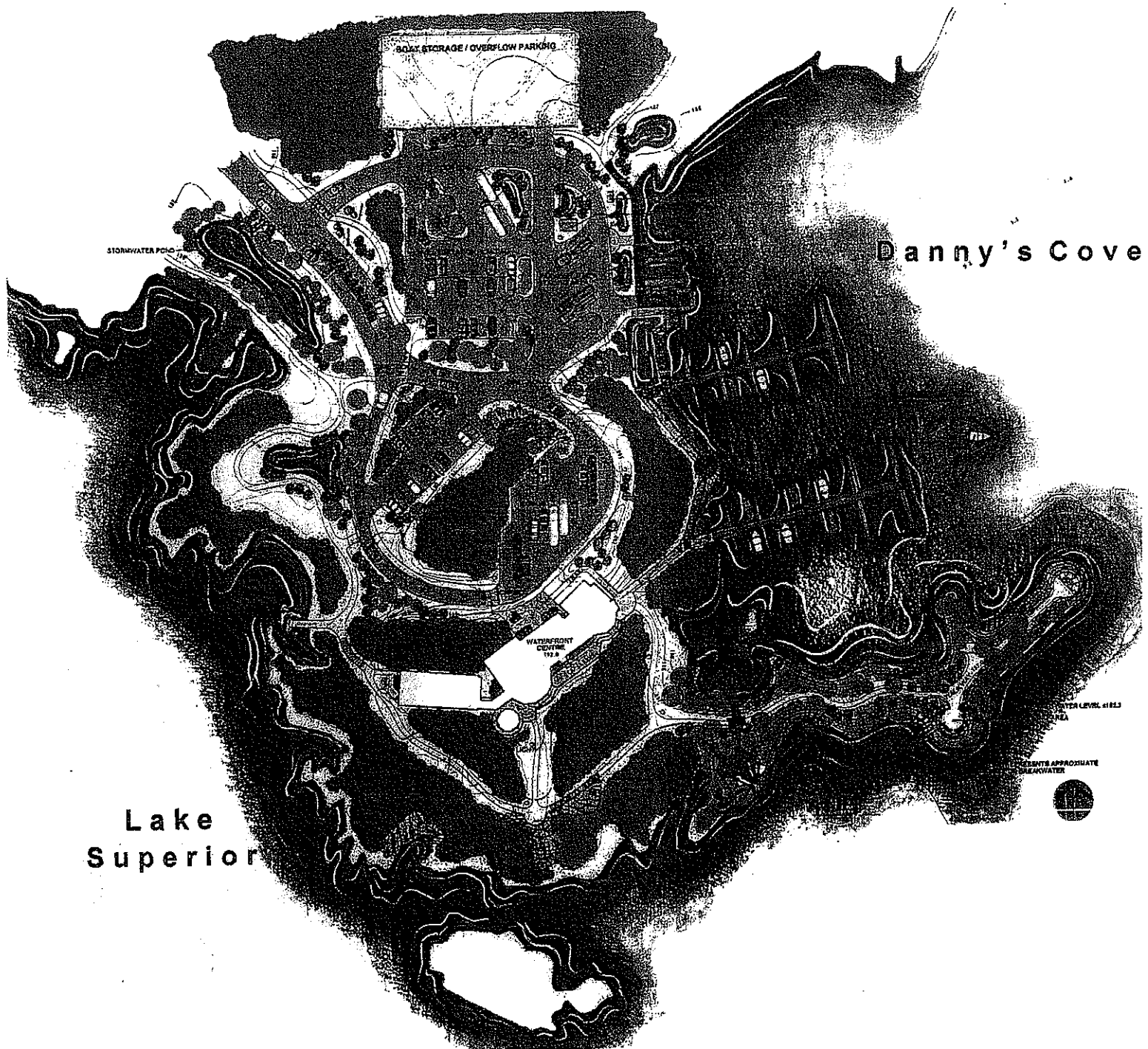
The US Army Corps of Engineers has collected wave data in Lake Superior since 1956. Wave data is available for two locations very close to Terrace Bay. Station S0082 is located at 48° 42'N and 87° 18'W, or about 14.5km south-west of Danny's Cove, and Station S0081 is located at 48° 42'N and 86° 24'W, or about 35km south-east of Danny's Cove. Wave data from these two sources are very similar, so, for simplicity, key highlights of data from Station S0082 are as follows:



Location of Marina at Danny's Cove

10 Lake Superior Adventures Marina

Terrace Bay Regional Gateway Development Feasibility Study

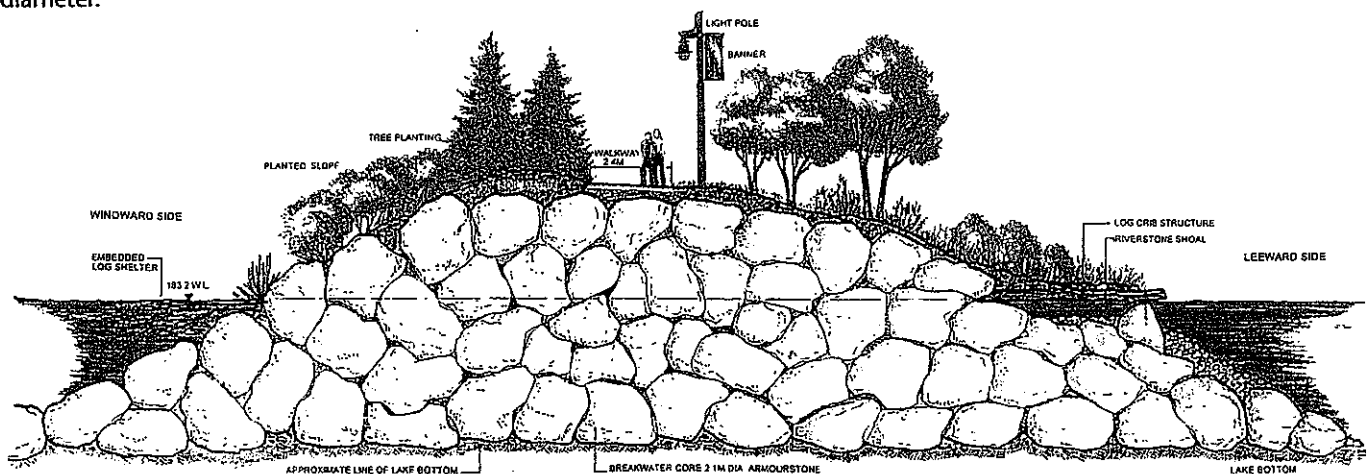


Marina Master Plan

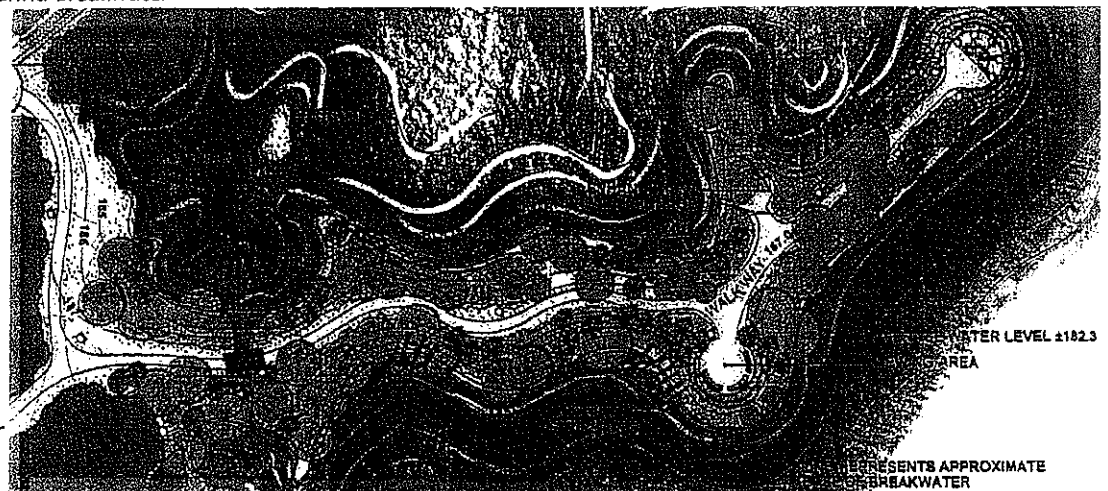
- maximum wave height 9.9 metres, from the south, October 23, 1967;
- 1.5% of the time, waves are greater than 3.5 metres; and,
- 41.2% of the time, waves are greater than 0.75 metres.

Due to the shoaling effect of the shallower water at the Danny's Cove site, the design wave for the breakwater will be considerably lower than the 9.9 metre deep water wave recorded at Station S0082. Nevertheless, a substantial gravity structure is required.

The location for the breakwall was selected to maximize the size of protected water, and to minimize the size of the actual structure. A rubble-mound breakwater is the only practical type of structure. With this type of construction, costs increase as the square of the depth, so care has been taken to place the breakwall in water depth no greater than about 5.5 meters. Armour stone of the order-of-magnitude size 6 to 12 tonnes will be required to protect the breakwall. A 12 tonne armour stone is about 2m in diameter.



Typical Cross Section of Marina Breakwater



Plan of Marina Breakwater

An assessment of fish habitat was conducted for Danny's Cove to assist with the design of the marina and breakwater. (published under separate cover). To compensate for the minimal loss of fish habitat which will result from the construction of the breakwater, a number of habitat enhancement initiatives are proposed. The breakwater will be constructed with a sinuous shoreline incorporating a variety of grades and shoreline treatments with the objective of enhancing habitat diversity. Fish habitat enhancement structures will be integrated into the breakwater, including log crib and rock shelters, submerged gravel shoals designed to support lake trout spawning, planted boulder shoreline to provide refuge, shallow sand shoals with root fans and boulders to provide nursery habitat. Extensive planting along the shoreline will provide shade and create forage. A wetland is illustrated on the concept at the intersection of the breakwater and the shoreline. It is designed to promote walleye spawning. Log cribs and root fans will be submerged under the boardwalk to provide shelter. Interpretive signage explaining the design of the breakwater, Lake Superior fishery and fishery resource management will be incorporated into the trail system and boardwalk.

Marina Design

The marina is designed for a total capacity of 45 boats. The breakwall will be constructed in its entirety at the commencement of the project, however, the docks could be constructed as demand dictates. To accommodate the fluctuating water levels and to allow for removal in the winter, the docks should be floating, anchored to heavy, permanent concrete blocks. Other features of the marina are:

- Floating Docks – 2.0 meter x 8 meter modules for main docks, 3 metre wide gangway landing, 1.2 metre wide finger docks (4 at 7 meters, 10 at 8 metres and 8 at 13 meters) with security gates; slip size based on 7.5 metre to 13.2 metre boats with allowance for a few vessels up to 18.3 metres in length;
- harbour draft minimum 3.5 meters;
- entrance channel draft 4.0 meters;
- boat launch and marshalling pier;
- fueling facilities - 2500 litre unleaded tank, 2500 litre diesel tank, remote fuel line and spill containment area;
- associated Parking/Staging Area – parking capacity for vehicles, trailers, RV's, provision for winter boat storage, launch ramp staging area and secure snowmobile parking. Parking area will ultimately be paved and illuminated, initial stage may be a full or partial granular surface;
- power and water services to some docks;
- sewage pump-out - vacuum pump to holding tank, integral to Fuel Dock; and
- lighting.

Other amenities associated with the marina include:

- trail system and lookout on breakwater;
- interpretive stations;
- canoe/kayak launch dock (west side of Peninsula);
- jet ski launch rental/storage;
- fishing dock (west side);
- trail to end of Peninsula;
- charter boat/cruise boat dock and kiosk;
- picnic shelters; and,
- orientation signage.

Navigation Aids

Aids to navigation will have to be provided to allow for safe entrance and exit from the harbour. There are many shoals in this area, however, there is more than enough room for a buoyed channel. Lateral buoys will be required to mark the port and starboard sides of the channel for a distance of about 200 to 300 meters. In addition, about 5 or 6 hazard buoys should be placed at locations of shoals. One fixed aid to navigation, such as lighted daymark should be placed on the end of the breakwater.

These markers all come under the category of private aids to navigation. The Canadian Coast Guard does not fund aids for a single purpose such as a marina. The marina operator, therefore, will be responsible for purchasing, maintaining and removing these aids in the winter. The Coast Guard does not require these aids to be registered, and will assist with selection and design of the system.

10.2 Capital Costs

The total cost of the marina is estimated to be \$1,600,000. It does not include costs for the provision of power to the site or road access:

mobilization, maintenance of site	\$ 50,000
breakwall	\$675,000
removal of shoals in harbour	\$ 75,000
provision of aids to navigation	\$ 25,000
floating docks (44 boats)	\$148,000
boat launching pier	\$ 50,000
dock at shore for services	\$ 15,000
fill and rough grade	\$ 20,000
shore protection	\$ 40,000
water and electrical service	\$ 31,000
water and electrical, docks	\$ 22,000
lighting	\$ 30,000
harbourmasters building	\$ 10,000
sewage pump-out and holding tank	\$ 75,000
gasoline service	\$127,000
signage	\$ 10,000
canoe/kayak dock	\$ 5,000
breakwater habitat enhancement	\$175,000
TOTAL	\$1,583,000

10.3 Operating Plan and Operating Costs

The plan of operation of the marina is that it would require one supervisor (likely a student position) over the boating season with wages of \$6,000 per season which is equivalent to the operating assumption for the expanded Tourist Information Centre.

Other costs will relate to utilities, maintenance, and the cost of fuel (i.e. cost of goods sold). The assumptions (updating the costs in the 1989 Cummings Cockburn Limited report) are as follows:

- utilities cost will be \$1,000 per season;
- maintenance costs will be \$5,000 per season; and
- the cost of fuel will be 75% of revenues, or \$15,000.

The total operating costs are expected to be about \$21,000 per year.

10.4 Projected Revenues

Revenues from the marina operation will come from several sources:

- transient (tourist) boaters;
- seasonal (resident) boaters;
- the sale of fuel; and,

- use of the laundry operation, and ancillary facilities (e.g. pop machine).

Assumptions regarding revenues from each of these sources are as follows:

- Twelve (12) of the slips would be reserved for transient boaters, and would be used 50% of the time over the 80-day seasonal boating period. This implies 480 user days. At a charge of \$25 per slip per day, this equates to operating revenues of \$12,000;
- The other 13 slips would be charged to seasonal residents, who would occupy the slips 100% of the time over the period. The charge would be \$300 for the season, totaling \$3,900 in revenues from this source. This charge is slightly lower than market rate, reflecting a desire to ensure that the marina is affordable for community use;
- Half of the boat users would purchase fuel, at an average purchase of \$50. Assuming that residents (seasonal boaters) use their boats on average twice per week (say 30% of the 80 days of the boating season equaling 312 user days) and transient boaters use the marina 480 days, as previously calculated, then total use is approximately 800 days. If fuel is purchased on half of these days, then total revenues from this source will approximate \$20,000 (i.e. 400 days x \$50 per day); and,
- Assuming that half the transient boaters use laundry facilities and vending machines, at an average cost of \$5 per user, total revenues from this source may be expected to approximate \$1,000.

The total gross revenues may be expected to be in the order of \$37,000.

10.5 Feasibility Analysis and Pro Forma

The financial analysis shows that from the municipality's perspective, a marina operation has the potential to generate a small operating profit. This assumes that the capital cost of construction of the facility is not repaid.

A simple 'return on cash invested' model was used to estimate the return on investment to a private sector operator in developing and operating the marina. The specific assumptions used in estimating this return were as follows:

- the majority of the capital cost will be borne by various levels of government in order to create the safe harbour environment;
- a private sector operator could build the slips and commercial building component of the marina operation for (say) \$200,000, through a partnership agreement;
- the interest rate will be 10%;
- the debt coverage ratio will be 2;
- the amortization period will be 25 years;

- the operation will generate \$37,000 in gross revenues per year; and,
- annual costs of operation will be \$21,000.

A 10-year pro forma analysis was undertaken based on:

- the overall size of the marina facility (12 transient slips and 13 seasonal slips) remaining constant over the planning period;
- the transient charge increasing by 2% per year, as will the charge for use of seasonal slips; and,
- revenues from fuel consumption and from the use of laundry facilities increasing at 2% per annum.

The detailed results of the financial assessment are contained in the spreadsheet. The analysis indicates that operating profits will increase marginally from approximately \$16,000 to approximately \$20,000 over the 10 year planning period as overall use of the marina is not expected to increase significantly.

The annual cash flow of the investment will be approximately \$16,000 (the revenues of \$37,000 less the costs of operation of \$21,000). Under a debt coverage ratio assumption of 2, the bank will take half of this amount - \$8,000 - to service debt. Under the interest rate and term assumptions articulated here, this annual payment will suffice to cover a loan of approximately \$81,000 (against the aforementioned capital cost of \$200,000). This leaves \$119,000 to be covered by the investor from his or her own sources. The remaining cash on hand of \$8,000 as a return on the amount invested represents about a 6% return.

If, alternatively, the government were to develop a marina for safety and other reasons not strictly related to the market potential of the operation, then an operator could expect to realize in the order of \$16,000 annually in terms of gross profit.

Clearly, a marina operation in this location is an expensive capital undertaking that can only marginally justify a return strictly as an investment vehicle. Rather, the argument for its development must revolve around other factors such as increasing the quality of life for residents, provision of an essential service, creating positive economic impact in the region and as an integral component of *Lake Superior Adventures*. Under a scenario where the government constructs the facility and absorbs the capital cost, a private operator (or the municipality) could generate a positive annual return on the development.

10.6 Economic Impact

Users of the marina facility who are local residents of the region will not be contributing additional expenditure to the regional economy. Only those transient (tourist) boaters who do spend additional monies locally will contribute to economic impact, and are thus considered here.

If it is assumed that 25% of the transient boaters docking at the marina come into the community (i.e. the downtown retail area) and spend money on meals, souvenirs, etc., and if it is further assumed that the expenditure per boating party is \$50, then total additional expenditures might be in the order of \$6,000 (i.e. 480 days x 25% x \$50). Even if 100% of the transient boating parties came into town, and spent at this level, additional economic impact would only be on the order of \$24,000.

As well, there is the practical difficulty of enabling transient boaters to get into the main part of town in the first place. The distance to town is too far to comfortably walk, therefore requiring some sort of shuttle or taxi service into town. There is an existing taxi service in town that could meet this new demand. This may well be a benefit to existing operators who would benefit from the additional business. Without this type of service, the percentage of tourist boaters who would likely come into the community would be quite small.

11 Private Sector Day Adventure Opportunities

Terrace Bay Regional Gateway Development Feasibility Study



Adventure tourism - canoeing

11.0 PRIVATE SECTOR DAY ADVENTURE BUSINESS OPPORTUNITIES

11.1 Concept

This section of the report examines the potential profitability of the individual day adventure operations. There are two types of day adventure operation considered: those that operate out of the *Lake Superior Adventures* facilities, and those that operate elsewhere in the region, and are simply promoted through *Lake Superior Adventures*.

Those operating out of the *Lake Superior Adventures* buildings are expected to be more intensive operations, and will likely cater to a larger market by virtue of proximity to the point of major market concentration – the Tourist Information Centre.

The following list of recreation and adventure opportunities was assembled during Workshop 2. Some of the opportunities are already provided through local businesses, others are new business opportunities. Opportunities are organized according to duration and type: touring, active learning, sports/leisure, and natural/cultural. There is a tremendous range of business opportunities.

1 to 2 Hour Duration

Touring

snowmobile
horseback riding
hiking (short loop)
canoeing
kayaking
dog sledding
sailing
seadooing
bird watching
ballooning
tubing
x-country skiing
airplane
snowshoeing
mountain biking
cycling
4x4/jeep
local boating

Active Learning

fishing
painting/crafts
cooking
canoeing
kayaking
climbing-rock/ice
photography
archery
hunting
windsurfing
hang-gliding/parasailing
curling
golf
scuba diving
dog sledding
horseback riding
mountain biking

Sports/Leisure

golf-driving range
swimming
skating
curling
tennis
picnicking
skiing
paintball
shopping
dining
bowling

Natural/Cultural Experience

tours/natural features (gorge)
tours/cultural heritage
- first nations
- mining/mill
- railway
- art
interpretation
- Slate Islands
- Aguasabon
- site specific
- geology
- archeology



Adventure tourism - snowmobiling

Private Sector Day Adventure Opportunities

Terrace Bay Regional Gateway Development Feasibility Study

Half Day Duration

Touring

boat tour-Slate Island
snowmobile
horseback riding
hiking
canoeing
kayaking
dog sledding
sailing
seadooring
ballooning
tubing
x-country skiing
airplane
mountain biking
cycling
4x4/jeep
fishing

Active Learning

fishing
painting/crafts
cooking
canoeing
kayaking
climbing-rock/ice
photography
archery
hunting
windsurfing
hang-gliding/parasailing
curling
golf
scuba diving
dog sledding
horseback riding
mountain biking
skiing
survival skills

Sports/Leisure

tennis
golf - 9 holes
swimming
skating
curling
picnicking
skiing
paintball
bowling

Natural/Cultural Experience

tours/natural features (gorge)
tours/cultural heritage
- first nations
- mining/mill
- railway
- art
interpretation
- Slate Islands
- Aguasabon
- site specific
- geology
- archeology

1 Day Duration

Touring

boat tour-Slate Island
- Lake Superior shoreline
- Rossport Islands
- snowmobile tour
- one-way destination
- long loop with stopover
hiking - guided
- one-way destination
- long loop with stopover
canoeing
- one-way destination
- long loop with stopover
kayaking
- one-way destination
- long loop with stopover
dog sledding
- one-way destination
- long loop with stopover
horseback riding
sailing
seadooring
x-country skiing
airplane
mountain biking
cycling
4x4/jeep
fishing
- fly in
- off shore
- inland lakes

Active Learning

fishing
painting/crafts
cooking
canoeing
kayaking
climbing-rock/ice
photography
archery
hunting
windsurfing
hang-gliding/parasailing
curling
golf
scuba diving
horseback riding
mountain biking
skiing
survival skills

Sports/Leisure

photography
golf
scuba diving
canoeing
horseback riding
mountain biking
skiing

Natural/Cultural Experience

nature appreciation
- Slate Island Tour
- Rossport Islands Tour
- Birdwatching tour
- Long Lake/interior tour
- geology
- rockhounding

11 Private Sector Day Adventure Opportunities

Terrace Bay Regional Gateway Development Feasibility Study

Overnight Duration

Touring/Camping

- Slate Islands
- Rossport Islands
- Nipigon Bay/St. Ignace
- snowmobile tour (inter hotel)
- hiking/camping
- canoeing/camping
- kayaking/camping
- dog sledding/camping
- horseback riding/camping
- sailing
- x-country skiing
- airplane
- cycling/camping
- 4x4/jeep/camping
- bus tour accommodation

Active Learning

- fishing
- painting/crafts
- canoeing
- kayaking
- climbing-rock/ice
- photography
- hunting
- survival skills

Sports/Leisure

Natural/Cultural Experience

- nature appreciation
- Slate Island Tour
- Rossport Islands Tour
- Birdwatching tour
- Long Lake/interior tour
- geology/rockhounding
- cultural heritage
- railway
- archaeology
- mill



Adventure tourism - hiking

11.2 Market Opportunity

The market opportunity for day adventure operations is as outlined in the previous section for the *Lake Superior Adventures* buildings: in the order of 28,000 tourists who will buy individual day adventure packages. As previously indicated, it is assumed that about half of this market will purchase day adventure packages from the operators located in the Tourist Information Centre, and half from other operators throughout the region. The average price per package per person is expected to be \$25.

11.3 Feasibility Analysis

The table below outlines the order-of-magnitude economics of day adventure operations, for both types of businesses:

	Operators Working out of the Tourist Information Centre	Operators Conducting Business Elsewhere in the Region
Estimated Number of Operators	5	20
Share of the Market	50% (17,000)	50% (17,000)
Implied Customers Per Operator, on Average	3,400	850
Total Revenues (rounded) per operator	\$85,000	\$21,000
Costs as % of Revenues ¹	60%	40%
Total Estimated Costs	\$51,000	\$8,000
Profit (before taxes)	\$34,000	\$13,000

As the table shows, it is expected that both operations using the Tourist Information Centre as well as those operating outside the Centre have the potential to earn a profit. Despite higher operating costs, due to the rental of facilities at the Centre, as well as the likely higher costs of additional staff and equipment, operations working out of the Centre are expected to have a higher profit level as they essentially are in a more favorable market situation.

12.0 ADDITIONAL ACCOMMODATION

12.1 Concept

The concept plan illustrates 6 motel style units incorporated into the Waterfront Centre and 6 cabins located on the site.

The market analysis indicated that *Lake Superior Adventures* could result in additional demand for overnight stays in the Terrace Bay area. This demand could be satisfied in three ways:

- through increased occupancy of the existing base of accommodation in the region (i.e. through existing hotel/motel operations, or campgrounds, being used more frequently during the year);
- through new accommodation facilities (either 'roofed accommodation' such as cabins, or new campground sites) to be built or developed; or
- through new types of accommodation infrastructure to be developed (e.g. the conversion of existing residences to bed-and-breakfast operations during the peak season).

12.2 Market Opportunity

The demand for additional accommodation is calculated as follows:

- the New Brunswick experience suggests that approximately 12% of the day adventure packages sold resulted in an additional night of accommodation being spent in the area;
- thus 34,000 day adventure packages sold would result in another 4,080 persons requiring rooms in the area;
- assume that, on average, there are 2 persons per room; this implies approximately 2,040 room-nights being required;
- assuming that all this demand was for hotel rooms, this demand would be enough to support an additional 6 rooms in the region (2,040 / 365 nights) – note that this assumes 100% occupancy of those rooms over the period; and,
- however, recognizing that additional rooms will not be realistically operating at 100% occupancy, and building in room for additional market expansion which will be the case with a growing market in the second phase of operation of the Lake Superior Adventure Centre, it is recommended that the design plan incorporate in total 12 units of new accommodation.

12 Additional Accommodation

The feasibility of this is examined according to two scenarios:

- new accommodation built by the private sector as a new hotel or motel in the area; or,
- new accommodation provided through bed and breakfast-type operations.

It is assumed that six units of accommodation will be developed in each of these two scenarios. The provision of alternative forms of accommodation makes very good sense in terms of responding to the different needs of the marketplace – some individuals and parties will prefer the relative quiet and charm of a bed-and-breakfast type of situation, while others will prefer to pay a premium to stay in a waterfront inn setting.

Scenario #1 – Waterfront Inn (6 Units)

The likely order-of-magnitude costs and revenues associated with the construction of new accommodation to meet demand are examined.

Gross revenues for the facility are estimated as follows:

- assume that for the operating season, average gross revenues per room per night are \$100 (note that this may peak to rates in the \$120 - \$140 range in the summer season, and drop to rates of \$60 to \$80 in the off season);
- assume that with average occupancy of 65%, 6 units will generate gross revenues of \$142,000; and,
- thus total revenues for six rooms (which is what demand will support in the initial years of operation of the day adventure centre) may be in the order of \$153,000.

The estimate of the waterfront inn is as follows:

- 6 rooms at an average cost of \$50,000 per room construction cost equals \$300,000 (including a portion of the common area costs, covered porches, decks and gazebo rounded to establish a reasonable construction cost/room);
- costs to operate the facility are assumed to be 70% of operating revenues, for:
 - operating supplies
 - staffing (management, maintenance, housecleaning, etc.)
 - costs of operation (insurance, taxes, energy costs, etc.); and,
- thus annual operating costs are estimated to be \$107,000.

A simple 'return on cash invested' model was used to estimate the return on investment to a private sector operator in developing additional accommodation of the type envisaged. The specific assumptions used in estimating this return were:

- the entire capital cost of \$300,000 will be borne by the investor (i.e. no government grant will apply);
- the interest rate will be 10%;
- the debt coverage ratio will be 2;
- the amortization period will be 25 years;
- the operation will generate \$153,000 gross revenue per year; and,
- costs of operation will be 70% of revenues.

Under these assumptions, the annual cash flow of the investment will be \$46,000 (the revenues of \$153,000 less the costs of operation – assumed to be 70% or \$107,000). Under a debt coverage ratio assumption of 2, the bank will take half of this amount – \$23,000 – to service debt. Under the interest rate and term assumptions articulated here, this annual payment will suffice to cover a loan of approximately \$212,000 against the aforementioned capital cost of \$300,000. This leaves \$88,000 to be covered by the investor from his or her own sources. The remaining cash on hand of \$23,000 as a return on the amount invested represents approximately 26% – a reasonable return on investment relative to the risk involved of operating a new accommodation facility in the region. Of course, under more favorable assumptions such as a government grant being obtained for the development, a lower interest rate being obtained from the bank for the initial loan, or a lower cost of operation of the development this rate of return would increase.

Scenario #2 – Bed-and-Breakfast Operations (6 operations)

The likely order-of-magnitude costs and revenues associated with meeting a portion of the additional accommodation demand through the development of bed-and-breakfast operations are examined. One way of doing this would be to have the bed-and-breakfast operations be associated with the additional waterfront residential development; in this way it would have a waterfront situation as well as a location near to the new Waterfront Centre.

Gross revenues for bed-and-breakfast operations are estimated as follows:

- assume that over the operating season, average gross revenues per room per night are \$80;
- assume 50% occupancy of bed-and-breakfast accommodation (occupancy rates will of course will be higher in the peak season and lower in the off season); and,

12 Additional Accommodation

Terrace Bay Regional Gateway Development Feasibility Study

- thus total revenues for six rooms may be in the order of \$88,000 (365 nights x \$80 per night x 50% occupancy x 6 houses).

Assuming, then, that 6 new bed-and-breakfast rooms were to be developed in the Terrace Bay region, an estimate of the cost to develop and operate them is:

- 6 rooms at \$5,000 per room refinishing cost (bearing in mind that the rooms have already been constructed as part of the housing, only the refinishing costs that might be required are considered) equals \$30,000;
- costs to operate the facility are assumed to be 50% of operating revenues, for:
 - operating supplies
 - staffing (management, maintenance, housecleaning, etc.)
 - costs of operation (insurance, taxes, energy costs, etc.)

The annual operating costs are estimated to be \$44,000.

Clearly, it can be assumed that a minimal investment of \$30,000 can be more than offset by the anticipated operating profit in one year of operation.

Comparison of Both Scenarios

A comparison of the two accommodation scenarios clearly shows that the bed-and-breakfast model has a far higher return on investment. This is because in essence there is very little capital cost to pay off as the model assumes retrofitting of existing building stock, rather than new construction.

12.3 Economic Impact

The economic impact of additional accommodation is captured in the aforementioned assessment of the impact of additional day adventure tourism in the region. (See the previous discussion relating to the economic impact of the *Lake Superior Adventures* buildings.)

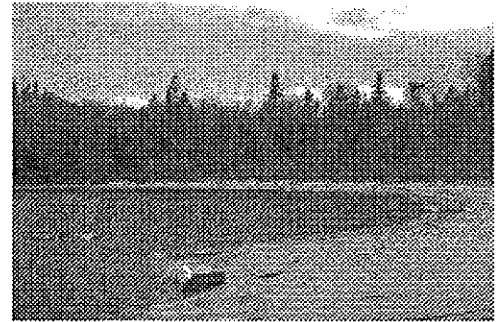
13.0 COTTAGE LOTS

13.1 Concept

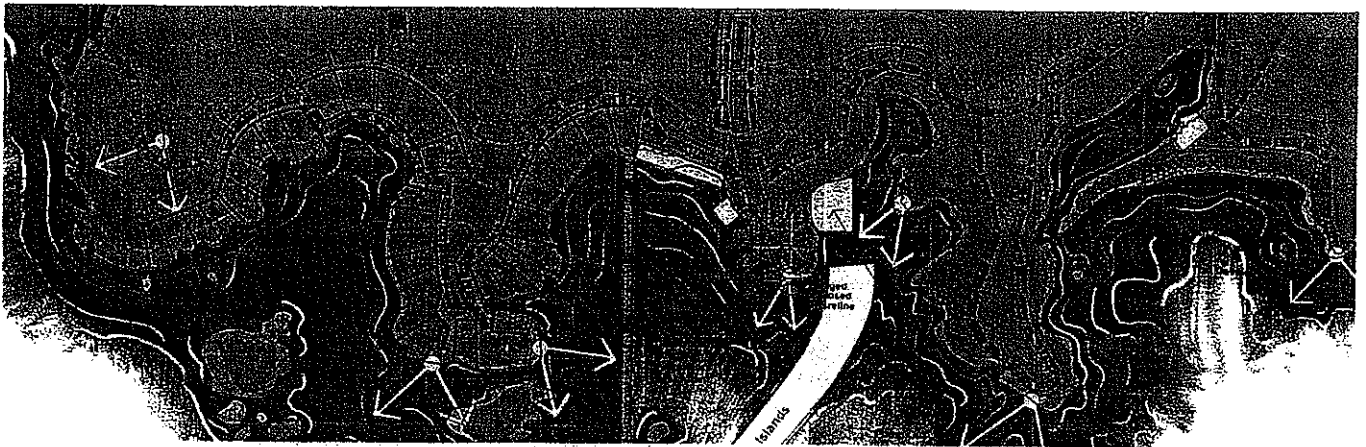
The concept includes cottage lot properties on the waterfront sized to permit permanent homes, developed on the basis of private wells and septic systems with paved road access and hydro.

Based on input received from the public and site constraints, the concept plan illustrates a total of 34 lots located in Lyda Bay and along the central cove. The lots are illustrated with 60 m frontage and a depth of 100m. The shoreline is widely varying with exposed rugged sites, sandy sheltered sites and semi sheltered with boulder beaches. The development plan calls for approximately 10 to 15 cottage lots to be developed in the first phase.

These lots should be released according to a fair and equitable process. They could be sold through the existing network of real estate brokers in the region. Alternatively, if demand was high enough, they could be disposed of through a lottery system. The municipality would, of course, impose appropriate planning and zoning controls to ensure that development was consistent and high quality.



Danny's Cove



13.2 Market Opportunity

An assessment undertaken early on in this project indicated that the market opportunity for waterfront development lots in Terrace Bay might be in the order of 12 units, based strictly on Terrace Bay's share of population in the region, and the number of vacation homes in the region that might be expected to turn over each year. This assumed that demand would come from all over the region, not just Terrace Bay. The actual demand, however, could be greater than this, depending on variables such as price, accessibility, the site and situation of the development, etc.

Location	Shoreline	Dock	Lots
West side of Lyda Bay	A Exposed, rugged	No	4
	B Semi-sheltered bedrock/boulder beach	Yes	5
Beach - Backshore of public beach	C Sandy, sheltered	Yes - communal	6
East side of Lyda Bay	D Semi-sheltered bedrock/boulder beach	Yes	5
West side of second cove	E Exposed, rugged	No	3
	F Semi-sheltered	Yes	5
backshore of public beach	G Sheltered sandy	Yes	6
TOTAL			34

13

Cottage Lots

Terrace Bay Regional Gateway Development Feasibility Study



Shoreline of Middle Cove



Shoreline of Danny's Cove



Shoreline of Lyda Bay

The likely economics of a small-scale (10 homes) development, as an initial market offering is examined. If this initial phase is successful, of course, subsequent phases could develop additional cottage lots.

13.3 Development Costs and Related Price

The development costs associated with this housing development are anticipated to be as follows:

- \$800,000 for construction of ten minimum 1,000 sq. ft. houses (@ \$80 per sq. ft.);
- \$80,000 for servicing costs of the land (assuming an additional 10% of construction costs for servicing); and,
- \$40,000 for the land (assume 2 acres of land at \$20,000 per acre for waterfront property).

The development cost of the entire subdivision is in the order of \$920,000, or \$92,000 per unit.

Another part of the cost to develop the units is an estimated \$750,000 for roadway access (2.3km length, 5m wide granular surface), \$145,000 for hydro service to the cottage lots and \$92,000 for telephone. It has been assumed that this would be part of an infrastructure package developed for the *Lake Superior Adventures Waterfront Centre* and is not reflected in the price of the lots.

13.4 Feasibility Analysis

This price per unit of \$90,000 is somewhat higher than the average market value of any other housing currently on the market in Terrace Bay (prices average around \$60,000). This price is, though, within the range for residential property in the Thunder Bay area and unique waterfront properties of this sort in this location will draw upon the Thunder Bay market. With a high quality development, and unique waterfront setting, this development could have significant market potential.

13.5 Economic Impact

An addition of 10 households to the residential base of Terrace Bay would have a positive economic impact on the community in several ways, including:

- an increase to the residential tax base of the community;
- additional expenditures of residents on goods and services in the community would help support existing and new businesses; and,
- such a development would contribute to a strong positive image of Terrace Bay as a progressive and desirable community.

14.0 IMPLEMENTATION STRATEGY

14.1 Responsibilities

Hire a Lake Superior Adventures Development Coordinator

With acceptance of this vision, the Township will embark on a process to plan and develop the Regional Gateway with a mix of uses and complexity of activities. It is recommended that a new staff position be created to coordinate Terrace Bay's *Lake Superior Adventures*. The coordinator should:

- be able to market the plan to possible developers, investors and business operators;
- understand the development process;
- be familiar with planning, design and engineering; and,
- be able to communicate with Council and other levels of government.

The coordinator would have the primary responsibility for:

- liaison with potential Provincial and Federal government partners;
- liaison with Council;
- coordination of marketing *Lake Superior Adventures* to all potential partners including the private sector, community groups and government agencies;
- monitoring expenditures of the *Northern Ontario Heritage Fund* and other grants and loans, ensuring project schedules and milestones are met;
- maintaining status reports;
- assisting in the preparation of Terms of Reference, proposal calls and recommendations to Council for completion of technical studies, planning, design and engineering for public sector projects;
- coordinating public relations initiatives; and,
- reporting to all stakeholders on the progress of *Lake Superior Adventures*.

Regional Gateway Steering Committee should ensure communication among key stakeholders

There will be a continuing role for a Steering Committee in the implementation of *Lake Superior Adventures*. The Steering Committee will be an important "sounding board" for the Development Coordinator. Township Council should have representatives on the Steering Committee to ensure open communication.

The Steering Committee should determine the need and interest in establishing special task groups to plan and implement particular components, such as trails and interpretive displays.

Federal and Provincial Government agencies

There may be opportunities to secure the interest of other Federal and Provincial government agencies in the development of ***Lake Superior Adventures***. Some of the agencies are already involved in projects through the National Marine Conservation Area initiative, but other contacts that should be maintained include:

- Ministry of Citizenship, Culture and Recreation
- Ministry of Northern Development and Mines
- Ministry of Natural Resources
- Ministry of Tourism
- Parks Ontario
- Ministry of the Environment
- Ministry of Municipal Affairs
- Northern Tourism Marketing Corporation
- FEDNOR
- NOSTA

Special Interest Groups

To be successful, ***Lake Superior Adventures*** must build and maintain support among the various community partners including recreational groups, service clubs, trail organizations, the business community and others. These partnerships are crucial because the ability of the Township to maximize its potential depends on human will, energy, support and commitment. Therefore, potential community partners must be informed about the projects in which they may want to participate.

Special interest groups already identified and involved in the development of the Regional Gateway vision should be kept informed throughout the implementation phase. Groups should be kept informed of progress through newsletters, updates in the local media and special presentations

14.2 Summary of Project Costs

The foregoing analysis has shown that there are significant and compelling advantages associated with the implementation of ***Lake Superior Adventures***. The Plan:

- provides an opportunity to strengthen the economy of the Township and surrounding region, as well as diversify the tourism offering of the north shore of Lake Superior overall;
- is complementary to (but at the same time not dependent upon) other nature-based and ecological initiatives in the region (such as the National Marine Conservation Area proposal and the Great Lakes Heritage Coast);
- would create significant economic benefits in the region (in terms of job and wealth creation);

- provides a broad-based platform for the creation of new small business opportunities; and,
- will not be a large financial risk to the municipality in operating the development (assuming that the capital cost of the development does not need to be repaid).

The following chart summarizes the total capital costs and offsetting revenue inflows of the **early phases** of development from the municipal perspective. As the chart shows, the costs of development can partially be offset through:

- the sale of the lots;
- through corporate sponsorships (through the donation of land, and targeted contributions towards the built components of the development); and,
- through capitalization of the various income streams accruing to the municipality (i.e. the operation of the marina and the Lake Superior Day Adventures operation).

This still leaves some cost elements of the overall concept that must be financed directly by the municipality in partnership with higher levels of government. The following chart summarizes the overall costing situation:

Assumptions

- all costs in year 2000 dollars;
- full sale of all 34 waterfront cottage lot properties;
- full development of 'safe harbour' and associated marina (44 slips); and,
- costs of golf course expansion and golf course lots not included

Costs and Revenue Inflows

Cost Component	Assumptions	Total Costs (\$000)
1) Tourist Information		
Centre Expansion	• see p. 27	\$396
2) Waterfront Centre	• see p. 27	\$1,546
3) New Road to Waterfront	• see p. 28	\$1,700
4) Safe Harbour Creation	• see p. 40	\$1,583
5) Landscape and Site Work	• see p. 28	\$944
6) Other (Trails and signage)	• see p. 28	\$455
7) Site Services	• see p. 28	\$275
8) Road access, hydro, telephone for cottage lots	• see p. 52	\$987
9) Contingency and Soft Costs ¹	• estimated as 15% of foregoing	\$1,000
10) Land		\$2,000
Total Costs		\$10,942

¹ This amount includes salary costs for a project coordinator/manager position, as well as for consulting fees, taxes, etc.

Revenue Inflows Assumptions	Total Revenue Inflows (\$000)
1) Sale of Cottage Lots	
• 34 lots at \$40,000 each	\$1,360
2) capitalization of income stream of Day Adventure operations	
• assume average income stream to municipality in long term of \$42,000 (year 10 of operations)	
• capitalization rate of 10%	\$420
3) capitalization of income stream of marina	
• assume average income stream to municipality of \$20,000 (year 10 of operations)	
• capitalization rate of 10%	\$200
4) Private Sector Contribution Target - land	\$2,000
5) Private Sector Contribution Target – buildings and other	\$1,000
6) Government Contribution	\$6,162
Total Revenue Inflows	\$10,942

14.3 Priority Projects for the Northern Ontario Heritage Fund

The Northern Ontario Heritage Fund is one source of capital funding. *Lake Superior Adventures* concept includes projects with about \$11,000,000 in capital cost.

It is recommended that the first priority for funding from the *Northern Ontario Heritage Fund* are the various components of the *Lake Superior Adventures* buildings (both the expansion to the Tourist Information Centre and the new Waterfront Centre) and the Terrace Bay Marina.

It is understood that funding can be applied for under two programs: *Infrastructure* and *Tourism*. One of the funding priorities under the *Infrastructure* program is to build roads and municipal services to allow economic activity to occur. The *Community Infrastructure Capital Assistance* should be used to fund the development of the public road from the Trans Canada Highway to the Waterfront Centre location and Marina. Marina facilities such as docks, boardwalks or shoreline walls may also qualify for *Transportation Capital Assistance*.

The *Tourism* program is intended to assist with development of major destination and regional attractions “which reflect the way Northerners live and work”. Funding to assist construction of *Lake Superior Adventures* Tourist Information Centre and Waterfront complex should be applied for. This project clearly meets the objectives of the program, including:

- it provides opportunities for a variety of partners, including the private sector, the National Marine Conservation Area and Great Lakes Heritage Coast groups, the Township and its neighbours along the north shore.
- there is strong local support for development of *Lake Superior Adventures* as a major destination attraction;
- *Lake Superior Adventures* would be linked to other attractions in the Township and the north; and,
- there are significant short and long term jobs created through this development.

The funding application for these components would likely need to be made in conjunction with the partners who will be directly responsible for undertaking the development.

14.4 Possible Phasing of Development

The following table summarizes the key components, the primary responsibility for implementation and the anticipated phase of a multi phase development program.

Key Component	Phase	Responsibility
Lake Superior Adventures – Information Centre	First phase	Public sector
Lake Superior Adventures – Waterfront Centre Accommodation	Second phase	Public sector Possible private partnership opportunity
Lake Superior Adventures – Waterfront Centre Interpretive Centre	Second phase	Public sector Possible corporate sponsorship opportunity
Lake Superior Adventures – Waterfront Centre Reception Centre	Second phase	Public sector Possible corporate sponsorship opportunity
Lake Superior Adventures – Waterfront Centre Restaurant	Second phase	Private/public sector
Safe harbour	Second and third phase	Public sector
Road access, servicing, site work	Second phase	Public sector
Cottage lots, road access, hydro, telephone service	TBD	Public sector Possible partnership with developer
Signage, identity features	All phases	Public sector
Marketing of Day Adventure Operations	First phase	Public sector
Trails, interpretive signage	All phases	Public sector
Golf course expansion	TBD	Volunteer/private sector
Day adventure operations	All phases	Private sector

The following are priority actions for the Township who should:

- meet with the landowner to secure long term property use;
- meet with the representative from the Ministry of Northern Development and Mines to work together to make an application to the Heritage Fund for both *Lake Superior Adventures* facilities and associated infrastructure;
- identify the Development Coordinator;
- in association with the Development Coordinator, identify potential operators who could begin marketing their activities out of the Tourist information Centre;

- meet with the Northern Tourism Marketing Corporation to discuss coordinating marketing of the Regional Gateway through the Northern Ontario Marketing program;
- begin detailed design of the municipal road connection and the extension of hydro services to the waterfront site and shoreline; and,
- keep the public informed of progress. There has been tremendous interest in this project and public enthusiasm must be maintained to ensure development remains a priority in the Township.

14.5 Slate Islands Visitation Program

The Ministry of Natural Resources has completed a Management Plan for Slate Islands, which is updated on a periodic basis. The Lake Superior Adventures plan supports and endorses the Management Plan. The Township will encourage the Ministry to monitor resources to ensure that adventure tourism activities are not compromising the natural or cultural features of the Islands. It is envisioned that any excursions or programs planned for the Slate Islands will be done so in collaboration with the Ministry of Natural Resources.

14.6 Changes Required to Planning Policy

Official Plan and Zoning

The Ontario *Planning Act* provides municipalities with a variety of tools to implement development including the Official Plan, zoning by-law, plans of subdivision and site plan control. To implement some of the major components of the Regional Gateway concept, site specific Official Plan Amendments, rezonings and site plan approvals may be appropriate. The following map identifies three new Official Plan designations for the study area. It is recommended that the Township prepare all the necessary Official Plan policies and zoning amendments for the Waterfront Centre/Marina, the Cottage Lots and the golf course expansion as soon as possible. The costs to Terrace Bay to prepare the implementing Official Plan Amendments, zoning changes and plans of subdivision are included in the "soft costs" category in the table in Section 14.2. The following is a brief description of the land use designations/zoning regulations proposed for the study area:

- **Adventure Centre Designation** – a new site specific Official Plan designation to permit the development of the Waterfront Centre and Marina facilities is required. This designation will permit a variety of community facilities as well as ancillary retail uses and a hotel.

Implementing zoning is also required. The zoning applied to this site will further articulate the permitted uses, and will provide guidance for the locations of various buildings on the site.

Further, any private sector development proposed within this designation should be subject to site plan control and/or restrictive covenants registered on title. The purpose of site plan control and the restrictive covenants shall be to ensure appropriate site and building

development in keeping with the design theme established by the Waterfront Centre and Marina.

- **Cottage Lot Designation** – This site specific Official Plan designation will permit the development of detached homes on individual lots on the basis of privately owned and maintained septic systems and wells. The designation will specify a minimum lot size of 2 acres and each lot will have frontage on a public road. This designation will permit year round occupancy. Further technical support may be required to ensure that lot configurations and sizes are appropriate for the private servicing arrangements.

This part of the Official Plan Amendment will require some justification for approval by the Province. Basically, this justification should be based on:

- the need for the subject cottage lots to assist in the overall development of the Regional Gateway concept (as a means to raise funds);
 - the fact that similar lots are not found elsewhere within the 'urban service area' of Terrace Bay; and,
 - that these lots, due to their waterfront or potential golf course access, offer a different form of lifestyle choice for residents of Terrace Bay.
- **Golf Course Expansion Designation** – a substantial portion of the study area has been identified for a potential golf course expansion. This designation would permit the development of a golf course, and related land uses. This site should also be rezoned for a golf course use.

If developed by the private sector, the golf course should be subject to site plan control, and should include policies to protect any adjacent residential land uses.

The remainder of the study area should maintain its existing "Rural" land use designations. Any further development, could be considered, subject to additional Official Plan Amendments and rezonings.

Other Official Plan Amendments may be required to permit home based businesses and Bed and Breakfast establishments within the residential designations of the Township's Official Plan. The following are sample policies:

- **Bed and Breakfast Establishments** - Bed and breakfast establishments may be permitted in any ground-oriented house form within any residential designation, provided the use does not substantially alter the residential nature of the property and that appropriate parking can be provided on site. The zoning by-law should further articulate any necessary regulations and development standards.

14 Implementation Strategy

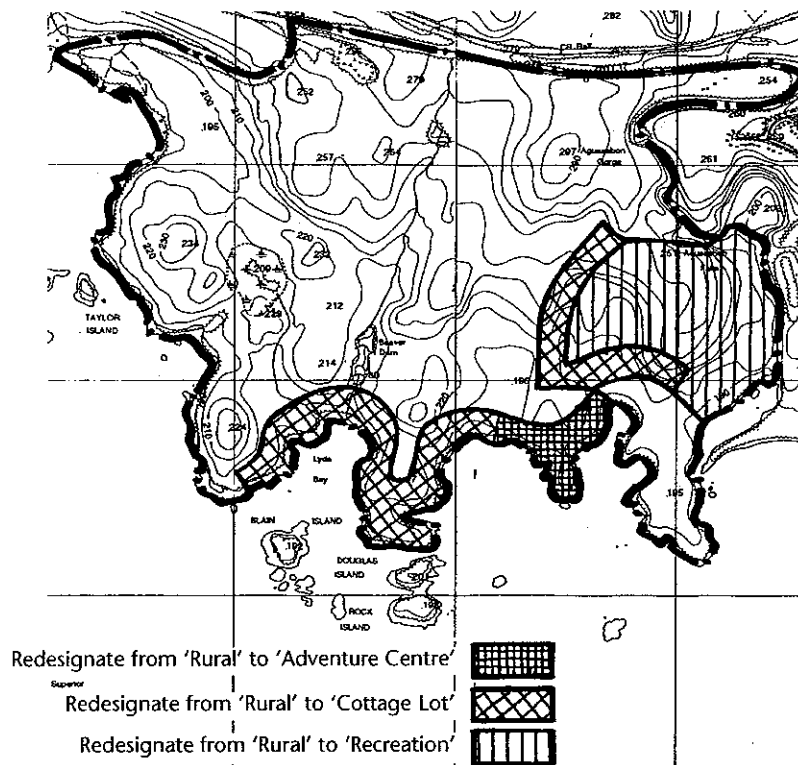
Terrace Bay Regional Gateway Development Feasibility Study

- **Home Based Businesses** - Home based businesses may be permitted in all the residential designations provided the use not a retail commercial use and is accessory and subordinate to the residential use and does not substantially alter the residential nature of the property.

The issue of home based businesses must also be considered in the context of current zoning practices. It must be clear in the Official Plan and in the zoning by-law that the home based business permissions are intended to include small-scale business opportunities in support of *Lake Superior Adventures*. The prohibition on retail commercial home based businesses that currently exists in the by-law should remain. Terrace Bay may also wish to explore the potential for licensing home-based businesses as one way to control impact on adjacent landowners.

Draft Plan of Subdivision

The various developments permitted by the Official Plan Amendment and subsequent rezonings also need specific sites to be delineated and subdivided. It is recommended that the Township prepare a Draft Plan of Subdivision that identifies and creates properties for development within the study area.



Proposed Land Use Designations

15.0 MARKETING STRATEGY

There are two considerations in marketing the Regional Gateway:

- marketing the Regional Gateway to the local and regional community to generate awareness and interest in the plan, or to identify development partners; and,
- marketing the actual day adventure operations.

15.1 Marketing the *Lake Superior Adventures* Concept

Marketing *Lake Superior Adventures* is intended to increase the understanding and significance of the undertaking in the region, Province, Canada and in other countries. These suggestions should be seen as options to be considered, not necessarily as an integrated communications strategy.

a) *Establish a distinctive identity package and unique logo for Lake Superior Adventures*

An identity package including coordinated stationary, a media release and presentation folder should be developed to correspond with agencies, groups, individuals and business operators interested in *Lake Superior Adventures*. This would include the design of a logo and a word mark developed for the Gateway to Adventure.

b) *Prepare a brochure outlining the development concept*

A brochure highlighting the key components of the *Lake Superior Adventures* project should be prepared. The brochure should be full colour and in a 4" by 9" format to allow mailing. A high quality "lure" brochure or the executive summary of the report could be published for senior government distribution and private sector developers interested in *Lake Superior Adventures*.

c) *Issue Newsletters*

Newsletters could be issued periodically during the implementation of the project as updates on progress. The newsletter could be included as a supplement to the newspapers.

d) *Publicize Lake Superior Adventures through presentations*

It is recommended that a slide presentation of the project describing the concept and its components be assembled. Presentations should be planned with local, regional and provincial decision-makers, as well as potential day adventure operators.

15.2 Marketing of Day Adventure Operations Themselves

The second element to marketing is that of promotion of the actual day adventure operations. The initial phase of operation, when a few day adventure operators are promoting themselves out of the Tourist Information Centre, is anticipated to require a relatively small marketing budget. The more ambitious second phase where operators are physically present and operating out of an expanded Tourist Information Centre and a Waterfront Centre, anticipates a marketing budget in the order of \$50,000.

The marketing mix variables that should be considered in promoting the day adventure operations include:

- a brochure, describing the nature and requirements of the day adventure operations;
- billboards or unique signage/identity features to ensure that there is awareness created on Trans-Canada Highway before the "drive by" market reaches Terrace Bay. The concept plan indicates a unique life size caribou steel cut out to give special identity to the area and to mark tourist attractions;
- a web site;
- an advertising program in adventure oriented publications; and,
- participation, where appropriate, in relevant trade fairs and industry gatherings.

The Township should meet with provincial marketing agencies to discuss methods of coordinating the dissemination of information on *Lake Superior Adventures*. Provincial marketing agencies have a mandate to market Northern Ontario as a tourist destination. They are charged with coordinating the marketing of individual operators and are organizing, for example, a Call Centre and website to provide leisure and business travelers with information and a reservation system. Maps will illustrate road, rail, air, snowmobile routes across Northern Ontario. It will detail parks, points of interest and attractions and be distributed in Southern Ontario and US border states. Specialized inserts targeting markets, such as fishing and hunting are also planned.

Two main factors are particularly important to the marketing of day adventures. The single most influential marketing source for adventure vacations is word-of-mouth. It will be extremely important for all providers to understand this dynamic and to be committed to providing a high quality experience and having satisfied customers. For example, the focus of Thunder Bay's tourism strategy in the immediate future is to implement an adventure development and marketing team. The role of this team is to facilitate and assist the development of new adventure businesses and to enhance existing business to ensure market readiness. For example, the team may bring in adventure tourism business and marketing experts or existing operators based elsewhere to work with local businesses under a mentoring program and could include seminars, one-on-one counseling and

on-going advisory services. This should be considered in Terrace Bay, or perhaps Terrace Bay could partner with Thunder Bay.

Merchandise such as bumper stickers, T-shirts, hats, etc., should be planned and coordinated to maximize marketing impact. They should feature the logo or word mark for day adventure operations in Terrace Bay in order to strengthen their marketing impact.

16.0 FINAL COMMENT

With acceptance of this project, the Township will broaden its economic base and continue to provide amenities for its residents that are truly unmatched in small communities. The Township has an incredible history of community spirit that has enabled Terrace Bay to build a diverse base of attractions that provides a solid foundation for continued tourism development.

There has been tremendous public support for this project and the presentation of final concepts was well received by government agencies. Township staff have had unwavering commitment to the successful completion of this Feasibility Study. The challenge will be to maintain that energy and enthusiasm through the next more difficult stage of the project. The competition for funding and private sector investment is intense in Northern Ontario. Terrace Bay must continue to collaborate with its neighbouring communities, residents and government agencies through the preparation of funding applications and the identification of partners.

Judging by the success of Terrace Bay's past community and recreation projects, they will successfully implement *Lake Superior Adventures*. Thoughtful design and careful construction will ensure that *Lake Superior Adventures* sets the highest quality standard for building and landscape development. Together with the internationally recognized resource base, *Lake Superior Adventures* will indeed attract visitors from around the world!

