# NORTHUMBERLAND STRAIT CROSSING (Early Spring 1996)

On the 31st May 1997 Strait Crossing Development Inc., a consortium of Canadian, American, French and Dutch companies will complete the road bridge between Prince Edward Island and New Brunswick. This, the realisation of a 100 year dream, will be one of the world's longest bridges and with the access ramps will span 12.9 kilometres of the Northumberland Strait in the Gulf of St. Lawrence. Initial toll charges will be structured to be the same as the ferry service the bridge replaces, and thereafter will rise at no more than 75% x the Consumer Price Index. The bridge will be 11 metres (36 ft.) wide, accommodate one lane plus an emergency shoulder in each direction and soar 40 m (131 ft.) above the water. The navigational spans will be 60 m (197 ft.) high. It will provide a 24 hour, year round road link to Prince Edward Island. The main advantage initially will be a dependable transportation route: no longer will travellers have to allow for the uncertainty inherent in a ferry service.

In 1994 tourism edged past agriculture to become the province's major industry with earnings of $147 million. 1995 saw a further increase, 9%, in tourism as the low dollar kept Canadians vacationing at home and attracted Americans, mainly from the New England states. This article assesses the potential impact of the fixed link on the hotel/motel industry on the Island.

**Click to view "Origin of the Species data from 1981 to 1995"**

The table shows the origin of visitors to the island during the period May 14th to October 31st, as measured by an entry/exit survey conducted by the Province. There are a number of problems with the data which limit its usefulness in a longitudinal study. The data for 1986 is unavailable and, as far was we could determine, was never published. The data for 1982 is only available as a percentage: the raw figures were never published. In 1992, visitors from Newfoundland were lumped in with "other Canada". The visitor volumes prior to 1992 were estimated based on averages per vehicles: from 1992 onwards actual head counts were conducted. This results in an over-estimate in the table for 1991 of 80,519 (16.8%) … presumably a similar percentage over-estimate also applies to prior years too. However, in the final analysis the missing data is not fatal and the table is valuable in that it reveals the origin of visitors: which origin is important because the fixed link will have a different impact on each group. The 1992 Tourist Entry/Exit Survey attempted to measure this impact and found that Nova Scotia and New Brunswick visitors anticipated that their visits would increase whilst the remaining tourists were largely unaffected.

### Fixed Roof Accommodation

| Type | # Establishments | # Rooms | | |
|---|---|---|---|---|
| | | Total | 0 | s |
| Hotel/Motel – Year Round | 36 | 1,742 | 48 | 44 |
| Hotel/Motel – Seasonal | 59 | 990 | 17 | 18 |

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| | | | | |
|---|---|---|---|---|
| Inns & Tourist Homes | 535 | 2,386 | 4 | N/A |
| **Total** | **630** | **5,118** | | |

Source: Tourism P.E.I. 1996 Visitors Guide.

Our count of the 1996 fixed roof inventory (supply) indicates 5,118 overnight and housekeeping units in 630 establishments (hotels, motels, inns and tourist homes).

The tourist season is very short: seasonal motels open for an average of 4.5 months (June 1st to September 15th) and most have a season of 5.5 months or less.

## Supply/Demand Analysis

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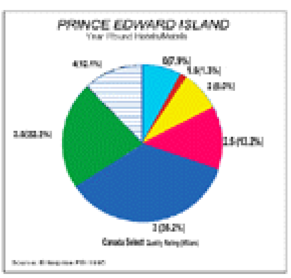


The quality and size of the year round hotels/motels has increased substantially over the past fifteen years. The pie chart indicates the quality as measured by Canada Select in 1996 (* = Clean, comfortable; ** = Clean, comfortable with some amenities; *** = Very comfortable with greater range of facilities, guest amenities and services; **** = The highest standard with an extensive range of facilities, guest amenities and services; ***** = Exceptional, among the best in the country).

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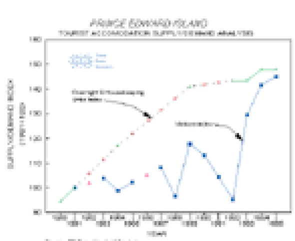


We have plotted the increase of supply in fixed roof accommodation (hotels, motels, inns, tourist homes) against the increase in demand (number of visitors). There is a dearth of hard data on accommodation inventory and we have therefore interpolated between the years for which data was available (shown by "+"). The rapid expansion of supply, far outstripping the growth in demand, was due to government grants through ACOA. For example, Summerside saw the opening of the new ACOA funded, 50 room Loyalist Inn in 1991. As a result occupancy rates of other hotels in the area plummeted by an average of 60%. One, the Best Western Linkletter went bankrupt. [A similar situation occurred in Sydney, Nova Scotia where Government funding encouraged a growth in supply from 537 rooms in 1986 to 851 rooms in 1990, an increase of 58% over this four year period. A spate of bankruptcies resulted including the brand new (ACOA funded) 152 room Sheraton (neé Ramada) Mariner Hotel, Keddy's Sydney Hotel, et al].

The adverse impact of the recession on demand is very evident from the graph, particularly when one bears in mind that it **overstates** visitor volume prior to 1992, because of the methodological problems in the Department of Tourism survey alluded to earlier in this article. Indeed the hotel/motel industry has still not fully recovered as shown by the overall occupancy rate:

| Year | Occupancy Rate (%) |
|---|---|
| 1992 | 46.5% |
| 1993 | 45.1% |
| 1994 | 48.5% |
| 1995 | 51.4% |

This is based on a sample size of 1,019 rooms located in hotels/motels, primarily year round accommodation.

### Seasonal Supply & Demand

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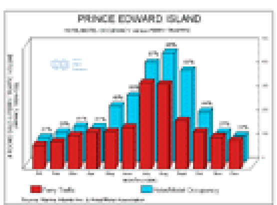


The bar graph shows the monthly hotel/motel occupancy for 1994. The impact of the five month (May 1st to September 30th) tourist season is very evident, particularly the two peak months. Indeed the hotel/motel industry is now running at virtually full occupancy during August and has no available capacity to accommodate additional tourists attracted by the fixed link.

The graph also shows the monthly distribution of visitors and Islanders who utilise the Marine Atlantic Inc. Borden to Cape Tormentine ferry crossing. This is the ferry that will be replaced by the fixed link, next year. The number of hotel/motel room nights sold each month is highly correlated with the ferry traffic volume. The correlation coefficient is 0.91 where +1 or −1 denotes perfect correlation. 83% of the fluctuation in demand for hotel/motel rooms during the year can be explained by the variation in the ferry traffic volume.

### Impact of the Fixed Link

A number of cost benefit analyses were undertaken to determine the financial feasibility of the fixed link. One study (The DPA Group Inc. August 1987) estimated that 125,000 additional tourists, representing 120,000 additional bed nights, would visit the Island. Gardner Pinfold Consulting Economists Limited (September 1993) relying on Geoplan Consultants Inc.'s 1988 report, assumed that induced car traffic volumes at Borden – Cape Tormentine would be 25%, and induced truck traffic would be 5%. Since 75% of the cars were on pleasure trips this would imply 211,631 additional tourists (2.27 per car). 90% of the increased tourist volume is expected to come from Nova Scotia and New Brunswick (The DPA Group Inc. August 1987 study).

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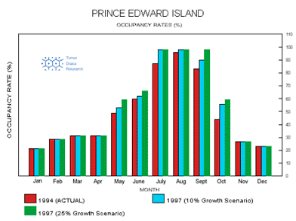


We do not believe that tourism increases of the magnitude forecast by the studies are sustainable given the very limited (4 to 5 month) season, our ageing Maritime population (Newsletter Vol. 2 No. 53) and the financial feasibility of providing good quality hotel/motel accommodation for such a short season. We have therefore carried out sensitivity analysis utilising one time induced increases in Borden – Cape Tormentine passenger traffic of 10% and 25% for the tourist period only, extending from May 1st to October 30th. We have utilised an algorithm to forecast occupancy rates and have "capped out" maximum monthly occupancy at 98%. The results are shown in the graph. The annual occupancy rate under the 10% growth scenario is 52.06%, and under the 25% growth projection, 55.68%.