



Tourism on Vancouver Island

Prepared for the Vancouver Island Economic Alliance and Foreign Trade Zone Vancouver Island by

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February, 2019



Cultural and Eco Tourism Business Case

Product Overview

Tourism is loosely defined as various activities of people which include travelling and staying in places different from their usual environment either for business or leisure purposes. Vancouver Island has a global brand as the place to see natural beauty at its finest. The Cultural and Eco Tourism products considered for targeted foreign direct investment are tourist destinations with fundamental assets such as properties, equipment, or amenities, where an appropriate injection of capital and/or expertise have strong potential to assist with growth and development.

Key components of the tourism industry include tourist destinations and sites, accommodation and food, transportation, tour guide/operators, travel agents and travel information services. In the broadest sense as given by BC's hospitality industry's workforce portal, GO2HR, this sector is comprised of:

- Hospitality (accommodation and restaurants),
- Arts, entertainment and recreation, and
- Transportation activities relevant to the movement of tourists and domestic travelers.

Accommodation and food and drinking services comprises establishments primarily engaged in providing short-term lodging and complementary services to travelers, vacationers and others, in facilities such as hotels, motor hotels, resorts, motels, casino hotels, bed and breakfast accommodations, housekeeping cottages and cabins, recreational vehicle parks and campgrounds, hunting and fishing camps, and various types of recreational and adventure camps. This sector also comprises establishments primarily engaged in preparing meals, snacks and beverages, to customer orders, for immediate consumption on and off the premises.

The arts, entertainment and recreation sector comprises establishments primarily engaged in operating facilities or providing services to meet the cultural, entertainment and recreational interests of their patrons. These establishments produce, promote or participate in live performances, events or exhibits intended for public viewing; provide the artistic, creative and technical skills necessary for the production of artistic products and live performances; preserve and exhibit objects and sites of

historical, cultural or educational interest; and operate facilities or provide services that enable patrons to participate in sports or recreational activities or pursue amusement, hobbies and leisure-time interests.

The tourism and hospitality sector only includes subsectors of the transportation industry that provide water, air, public transit, taxis and sightseeing transportation. Suffice to say there is a substantial multiplier impact on local communities.

For purposes herein, cultural and eco tourism are combined. They represent visitors from regions outside Vancouver Island travelling for the purpose of immersion in a specific culture, most likely indigenous, or to spend time in natural, relatively untouched surroundings. This example of content from a Vancouver Island travel website sums up the rationale for VI tourism:

Learn about the unique culture and history of the Island's First Nations people as you listen to one of the many stories in the Living Languages interactive exhibition at the Royal British Columbia Museum in Victoria. Or learn about the Island's First Nations Peoples' role in local stewardship, conservation, and development, as well as their history, culture, and way of life as you paddle a traditional dugout through the waters of the Pacific Rim with a guide from the Nuu-chah-nulth community.

Dine on freshly caught Dungeness crab or salmon with the Ucluth First Nation, near Tofino, and then head up Island to take refuge, watching the pink salmon gather where the Cluxewe River joins the Broughton Strait before heading upstream to spawn. In Courtenay, discover the beauty of locally carved masks, jewellery, and woven cedar baskets, or wander through Thunderbird Park in Victoria to see one of the world's finest collections of authentic totem poles.

A tremendous opportunity exists for First Nations on Vancouver Island to share their lands and stories of their culture and ancestry with visitors while at the same time supporting sustainable growth in their communities and the communities at large on the Island. The business case therefore seeks

strategic financial investment in infrastructure with added collateral gains of global-tourism expertise and capacity development.

Business Overview

There are 528 Vancouver Island businesses listed in the BC's tourism industries HR database, Go2HR, formally known as the Hospitality Industry Education Advisory Committee. These business types range from transportation services, to accommodations, and food and beverage. There are also a range of goods and services offered while guests are visiting. These include activities such as nature sightseeing with a range of participation difficulties of static nature including museums and sites of cultural significance, to extreme trekking. Educational or wellness activities ranging from workshops to spa or physical and mental wellness sessions are becoming quite important in destination tourism.

Cannabis Tourism

In light of recent legislation, cannabis tourism should be mentioned as a plus-one in the tourism industry on Vancouver Island. With the legalization of the cannabis industry in Canada, this country will be seen as a tourist destination where it is legal to consume cannabis products¹. It is worth reviewing the impact of legalization that was experienced in Colorado and Oregon. One year after legalization in Colorado, a study of visitors found that 4% of people visited the state exclusively for cannabis, 8% shopped at a cannabis retail store, and 23% of visitors were partially motivated to visit the state because of its legalization. The logic is that if 8% of visitors were not going to purchase at a store then perhaps they were consuming as part of hospitality and tourism experiences . If the numbers on Vancouver Island are equivalent, then about 15% of new tourism business on the island means an increase in tourism related revenue of about \$255 million using 2014 numbers.

Any attempt to exploit the opportunity of Vancouver Island as a global tourist destination has to involve leveraging the Vancouver Island brand. There are examples of successful branding from this region. The Haida brand of culture and art is known worldwide and is synonymous with West Coast

¹ *Conversation with Shaman Ferraro, Cannabis Tourism Expert, www.cannago.ca*

villages and rainforests. The Vancouver Island region is the perfect mix of urban life, small town charm, historic architecture, world-class museums, and coastal galleries².

Vancouver Island makes up the second largest share of tourism establishments in BC at about 3000. Growth in this number is steadily increasing as more visitors discover the charm of the coastal lifestyle. Many of the 20,000+ employees in this industry on the Island are baby boomers.

Market Landscape

Global Demand for Tourism

According to the United Nations World Tourism Organization (UNWTO), 2017 recorded the highest growth in international arrivals in seven years³. After eight consecutive years of steady expansion in the 4–5% range, year-over-year growth of 7% in 2017 marked a new record since the global financial crisis in 2009.

UNWTO also predicts growth in 2018 around the 4% range, and more modest growth of 3.8 % until 2020. This is good news for ITAC as a significant driver of this growth is visitor’s search for authentic visitor experiences which provide real benefits to indigenous peoples and nations. There are currently 370 million indigenous peoples in the world, many looking for new economic opportunities and to whom the tourism industry often turns to assist with leading restorative and sustainable tourism practices. As 2017 was the International Year of Sustainable Tourism, development tourism leaders viewed this as a key opportunity for putting indigenous tourism high on the international tourism agenda.

According Indigenous Tourism Association of Canada, international arrivals for Canada are at an all-time high. Research has also shown visitors to Canada are higher-yield and more internationally diversified, leading to greater revenue for the visitor economy. This lines up with conversations with

² *Tourism HR Resources for Employers and Job Seekers in Vancouver Island*, <https://www.go2hr.ca/regions/vancouver-island>

³ *2017-2018 Annual Report, Indigenous Tourism Association of Canada*, <https://indigenoustourism.ca/corporate/wp-content/uploads/2018/07/ITAC-2017-18-Year-End-Report.pdf>

Vancouver Islands First Nation business who expressed a desire to attract premium visitors (those willing to spend more per capita) to mitigate shortfalls in capacity that would exist with higher volumes of tourists.

All stakeholders in indigenous tourism in Canada are after a bigger piece of the global pie. Targets for indigenous tourism in Canada for 2016-2021 include a \$300 million increase in annual Canadian GDP from indigenous tourism. Workforce targets include a total of 40,233 indigenous tourism workers by 2021 with 50 new indigenous tourism operators at export-ready status by 2021.

There also exists opportunity to leverage the Comprehensive Economic Trade Agreement between Canada and Europe (CETA) in attracting tourists seeking indigenous experience. Experience indicates that large numbers of German travelers are fascinated with tourism experiences involving North American First Nations cultures. More than 5 million German long-haul pleasure travelers intend to visit Canada in the next two years⁴. In a 2017 survey of German Tourism, 24% of those thinking about a visit to Canada claimed an “anchor” activity (important enough that they would base an entire trip around that activity) as “aboriginal culture and tradition”⁵. It has been suggested that this is the result of various reasons including:

- Forests in Germany are meticulously manicured and, with the exception of a handful of national parks, nature is extremely ordered and unsightly undergrowth is removed⁶.

⁴ *German Market Highlights, Destination Canada, 2018*

https://www.destinationcanada.com/sites/default/files/archive/306-market-highlights-germany/destinationhighlights_en_2018.pdf

⁵ *Global Tourism Watch, 2017 Germany Public Tourism Watch, Destination Canada,*

https://www.destinationcanada.com/sites/default/files/archive/739-Global%20Tourism%20Watch%20-%20Germany%20-%202017/2017%20GTW%20Germany%20Summary%20Report_Public_English.pdf

⁶ *Eight Reasons Why German Tourists Flock to Canada's Yukon Every Year, 2018,*

<https://www.cbc.ca/cbcdocspov/features/eight-reasons-why-german-tourists-flock-to-canadas-yukon-every-year>

- Wilderness is rare and where it does exist, solitude is nearly impossible. German forests are far from wild. They're heavily groomed and extremely orderly. And where there is real forest there is almost never solitude.

There is also quite a number of direct routes between Vancouver Island and Germany. The Vancouver to Frankfurt air route is very popular with daily flights. Germans are accustomed to long days in summer and short days in winter. The idea of being “north of 60” is perfectly normal for most Germans.

Travelers from the United States are also set to increase. Particularly those seeking a true cultural experience. According to a report published in 2017 by the Indigenous Tourist Association, authenticity is the key to attracting visitors from the United States. US travelers indicated that they prefer one-on-one interaction with aboriginal people, in small, intimate groups. They also want to be actively involved in learning about cultures, traditions, arts, food, storytelling, history and are interested in participating in adventure, both physical and mental. It was clear that they are looking for unique experiences. The survey also suggested that there is an actively engaged segment of travelers in the US positively predisposed toward indigenous cultural experiences. At the same time, awareness and understanding of indigenous tourism in Canada is low.

US travelers who provided insights as to why Canada may be a destination for cultural tourism stated that their impressions of indigenous tourism in the US are often negative. American travellers feel guilty about how the US has historically treated indigenous peoples in the past and continues to treat them today. For some, this contributes to a perception that indigenous people in the US may not truly be interested in interacting with tourists or sharing their culture with them. Americans sense that an indigenous experience in Canada could be more authentic than in the US.

With respect to Asian travel it is estimated that by 2036 there will be 7.8 billion people traveling by air, with almost half of travelling to, from, and within Asia-Pacific⁷. There does not seem to be a shortage of tourists wishing to visit British Columbia. The market is somewhat limited by available

⁷ IATA Annual Review 2018, <https://www.iata.org/publications/Documents/iata-annual-review-2018.pdf>

workforce. In British Columbia, five industries will account for about half of the total job openings projected over the next 10 years⁸. They are:

- Health Care and Social Assistance (148,400 job openings; 16.4 percent of total job openings)
- Professional, Scientific and Technical Services (106,200 job openings; 11.8 percent of total job openings)
- Retail Trade (82,300 job openings; 9.1 percent of total job openings)
- Accommodation and Food Services (61,000 job openings; 6.8 percent of total job openings)
- Finance, Insurance and Real Estate (59,700 job openings; 6.6 percent of total job openings)

Table 9 shows projections of tourism and hospitality industry job openings in British Columbia for the next decade. Vancouver Island is listed as second only to the Lower Mainland in expected job growth. If the cultural tourism business case is vested largely in the First Nations communities then it becomes important to consider First Nation employment.

Table 9 Tourism and hospitality job openings by region 2017-2027⁹

Region	Job Openings		
	2017-2022	2022-2027	2017-2027
British Columbia	56,200	55,143	111,343
Mainland/Southwest	36,547	37,529	74,076
Vancouver Island/Coast	8,740	8,365	17,105
North Coast/Nechako	632	641	1,273
Carriboo	1,079	996	2,075
Kootney	1,323	1,037	2,361
Northeast	681	819	1,499
Thompson-Okanagan	7,197	5,757	12,954

The potential for First Nations tourism to be a large part of British Columbia’s overall tourism product mix has been a recognized for many years. Rates of First Nations participation in tourism and

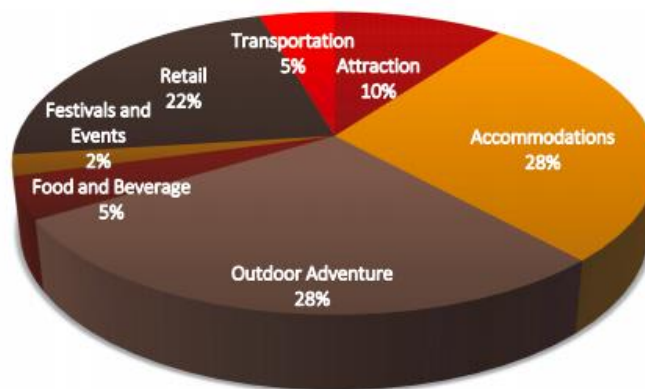
⁸ BC Labour Market Outlook 2018 Edition, <https://www.workbc.ca/Labour-Market-Industry/Labour-Market-Outlook.aspx>

⁹ WorkBC Industry Outlook Profile, Tourism and Hospitality, 2018, <https://www.workbc.ca/getmedia/56a669bb-7e6d-4270-8c64-6396c9aedb58/profile-tourism-and-hospitality-sector.pdf.aspx>

hospitality employment has however, typically been lower than the proportion of indigenous workers in the total provincial workforce. That is starting to change as approximately 3.2 per cent of the tourism sector labour force in BC is now indigenous. The tourism and hospitality industry is twice as reliant on young workers as other sectors in the province, and the indigenous population is relatively young. By 2026, the percentage of First Nations populations 14 years old and younger is projected to be 24% and 35%, respectively, compared to 15% for the total Canadian population. This, combined with the strong growth of indigenous tourism product, means there is potential to further increase First Nations participation in the BC tourism labour force, particularly among youth¹⁰.

Vancouver Island makes up the second largest share of tourism establishments in BC at about 3000, and growth in this number is steadily increasing as more visitors discover the charm of the coastal lifestyle. Many of the 20,000+ employees in this industry on the Island are baby boomers. A 2017 estimation of indigenous tour operators on Vancouver Island indicated that more than 50% of those in the industry were involved in the delivery of accommodations or outdoor adventures.

Figure 9 Indigenous Tour Operators on Vancouver Island by type in 2017¹¹



¹⁰ BC Tourism Labour Market Strategy 2012, <https://www.go2hr.ca/wp-content/uploads/2017/07/go2HR-TLMS-Communications.pdf>

¹¹ https://www.indigenousbc.com/drive/uploads/2018/10/REPORT-ITBC-Audit-2012-2017_FINAL.pdf

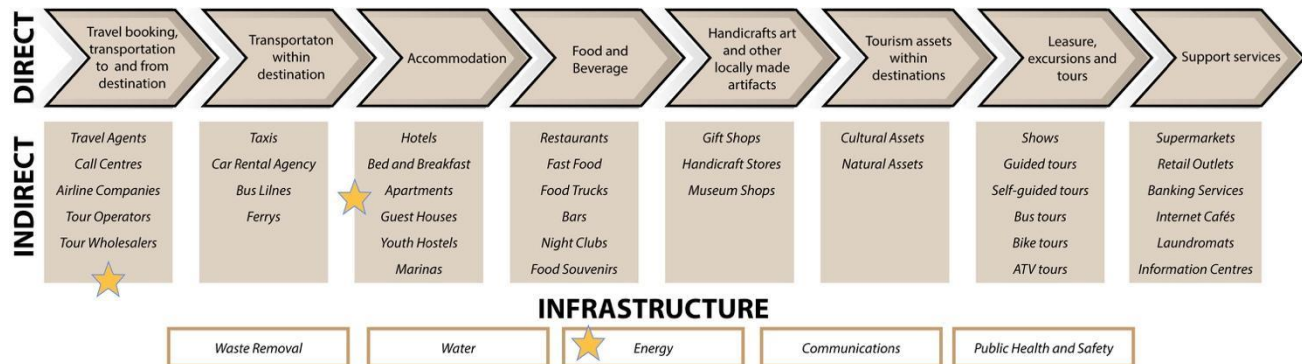
There are, however, workforce challenges to be mitigated in the near term, perhaps using government support mechanisms such as the temporary foreign workers programs. In terms of foreign direct investment, where possible, it is natural to leverage free trade agreements. The Comprehensive and Economic Trade Agreement that Canada shares with Europe has language supporting unlimited travel for individuals seeking to develop foreign investment. An example of the language is as follows:

***The Key Personnel:** The Key Personnel article applies to intra-corporate transferees, investors, and business visitors for investment purposes. The article prevents Canada and the EU from limiting the number of key personnel entrants through either numerical standards or economic needs tests. The Parties may also not require work permits for business visitors for investment purposes, provided individuals not engage in direct transactions with the public or receive remuneration from a source within the host Party.*

Tourism and Hospitality Value Chain

Figure 9 illustrates a tourism value chain. The tourism value chain, like others, has direct and indirect elements. These are the main drivers of value extraction as each is delivered to the end customer. The multiplier is in the goods and services delivered. The indirect portion of the value chain are the numerous business that support tourism and through which the community hosting the enterprise derives value. While Figure 9 depicts a typical value chain and exhibits little difference from any worldwide tourism sector for cultural tourism specific elements may be deemphasized while others may be a closer fit with Vancouver Island community values.

Figure 9 The tourism value chain with stars indicating initial FDI opportunities.



Before value can be derived from cultural tourism, visitor infrastructure must be in place. Investments in capital infrastructure must be made prior to building out the sector in a destination. However, the value derived from the activity, once a threshold of visits has been accomplished, will support future infrastructure capacity building.

Existing regional capacities for delivering tourism on Vancouver Island are quite varied. Tofino is a prime example of a tourist destination with an international brand. Tofino may be oversubscribed as a destination to the point that the negative impacts of tourism are being openly discussed. The same could be said for Victoria where there exists a chronic shortage of hotel rooms in peak season. Such challenges for these specific areas provide an opportunity for a broader range of tourist destinations on other parts of the Island. Places such as Courtney/Comox having dual access to ocean and mountain from the same resort location should be considered prime for investment in tourism. Vancouver Island has a vast amount of real estate and coastline with tremendous potential for foreign direct investment supporting cultural tourism. Tourists from Europe and Asia could be strategic targets for initial consideration. It is worthy to consider investment from for-profit entities specializing in global tourism, where existing supply chains and networks can be leveraged to help in delivering sustainable visitation. There are major tourism consultants who could supply names of such target enterprise.

The other obvious choice in seeking FDI is in building large accommodation infrastructure. While such ventures can be accomplished with domestic or even local investment, having an international partner with global outreach will result in more visitors if their network is leveraged. An example of a destination hotel delivered locally is the Kwa'lilas Hotel in Port Hardy that was built by the k'awat'si Economic Development General Partner Corporation, a distinct entity reporting to the Chief and Council, Gwa'sala-'Nakwaxda'xw Nations.

Another potential target for FDI in cultural tourism is in the infrastructure needed to support a community's long-term strategic plan for tourism. Many remote communities on Vancouver Island are well suited to destination tourism. These communities need significant investment in infrastructure to support visitors. This represents a potential opportunity for an foreign direct investor. Investment in renewable energy as a fundamental component of an infrastructure build-out could be considered. Wind power or wave energy for example, might be suitable for supplying tourism ventures on Vancouver Island's West Coast. Certainly hydroelectricity is still considered a renewal energy supply and there are many run-of-the river hydroelectric projects delivered by small communities. This sort of energy infrastructure may be suitable for FDI.

Financial Overview

It is not appropriate, nor particularly valuable, to define a financial overview for the major elements that make up cultural tourism. It may be useful to discuss the considerations necessary when thinking about the size and complexity of a cultural tourism investment on Vancouver Island.

Accessibility of the destination from major airports is usually a prime consideration. Vancouver Island is serviced by many airports and water aerodromes (Table 10).

Table 10 List of Major Airports and Water Aerodromes on Vancouver Island

Facility	Type	Designator	Regular Schedules
Nanaimo	Airport	CYCD	VI and Eastern and Western Canada, International Charters
Victoria	Airport	CYYJ	International Destinations
Port Alberni	Airport	CYPD	VI and Coast of BC
Campbell River	Airport	CYBL	VI and Coastal of BC
Comox	Airport	CYQQ	VI and Western Canada, International Charters
Tofino/Long Beach	Airport	CYAZ	VI and Coastal BC
Qualicum Beach	Airport	CXQU	VI
Port Hardy	Airport	CYZT	VI
Campbell River	Water Aerodrome	CAE3 (YBL)	VI and Coastal BC
Comox	Water Aerodrome	CCX6	VI and Coastal BC
Nanaimo	Water Aerodrome	CAC8 (ZNA)	VI and Coastal BC
Port Alberni	Water Aerodrome	CPW9	VI and Coastal BC
Tofino Harbour	Water Aerodrome	CAB4	VI and Coastal BC
Quamichan Lake	Water Aerodrome	CRF6	N/A
Courtenay Airpark	Water Aerodrome	CBG9	N/A
Port Hardy	Water Aerodrome	CAW5	N/A
Shawnigan Lake	Water Aerodrome	CAV8	N/A
Gold River	Water Aerodrome	CAU6	N/A
Nanaimo/Long Lake	Water Aerodrome	CAT3	N/A
Ucluelet	Water Aerodrome	CAN3	N/A
Port McNeill	Water Aerodrome	CAM8	N/A
Tahsis Water	Water Aerodrome	CAL9 (ZTS)	N/A
Port Alberni/Sproat Lake	Water Aerodrome	CAA9	N/A
Zeballos	Water Aerodrome	CAA5	N/A

Capital intensity varies tremendously depending on the mode of transportation required to access the property. Consider the town of Bamfield on Western Vancouver Island. Bamfield is a prime example of a remote and beautiful West Coast destination. As yet it is not recognized on the scale of, say, Tofino. There are also some logistical challenges once you are in the town because the community is bisected by the harbor across which a small boat trip is the only option to get to open ocean vistas. At

the same time the geography serves to protect marine assets. There are options for three modes of transportation including road, sea or air. Each comes with a differing level of capital intensity. Road access is less than ideal with about 140 km from the nearest major center with significant portions across gravel. The road is so challenging the owners of the local campsite are considering long-term bookings so customers do not have to drag travel trailers over the road too often. Upgrading the road so that vehicle traffic capacity is consistent with other Island destinations would require many millions of dollars. Bamfield is accessible by float plane. There are 6-8 float plane charters being offered from Island points or from the lower mainland. There is a ferry service to Bamfield three times weekly on Tuesday, Thursday and Saturday with additional sailings during the summer months. This is passenger service only. Existing marine infrastructure is modest but investment could be made to increase capacity. The level of investment would be in the tens of millions or less.

From discussions with a First Nations business group regarding the development of cultural tourism, it is apparent that there is tremendous optimism for wealth generation in support of the community's objectives. There are however investments to be made. One of the more pressing challenges to the fulfillment of cultural tourism objectives is workforce capacity. Many smaller communities, particularly First Nations communities, have a young demographic with extensive knowledge of their natural surroundings. These individuals lack the training necessary to successfully deliver tourism services. As noted on the value chain in Figure 9 there is an extensive array of support services required. Investment in skills training in the hospitality industry is required to meet the global traveler's expectations. From boat operators to hiking guides to food and beverage managers, investment in skills development will be required to attract the necessary workforce. This skills-development component may not be a target for a foreign direct investor, but it will be an important factor in attracting an investor. Skills development will have an ROI in the 2-3 year timeframe if synchronized to match the growth of room availability. The investment is on the order of hundreds of thousands of dollars.

