



Social Enterprises
Knowledgeable Economies
and Sustainable Communities

Coalition for Algoma Passenger Trains

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**A research report prepared for the Northern Ontario, Manitoba,
and Saskatchewan Regional Node of the Social Economy Suite**

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Entreprises sociales
économies intelligentes
et communautés durables



Algoma Central Railway: Wilderness Tourism by Rail Opportunity Study



Prepared For:

COALITION FOR
ALGOMA
PASSENGER
TRAINS.CA



Coalition for Algoma Passenger Trains

And Their Funding Partners:



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Prepared for:

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Prepared by:

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Executive Summary

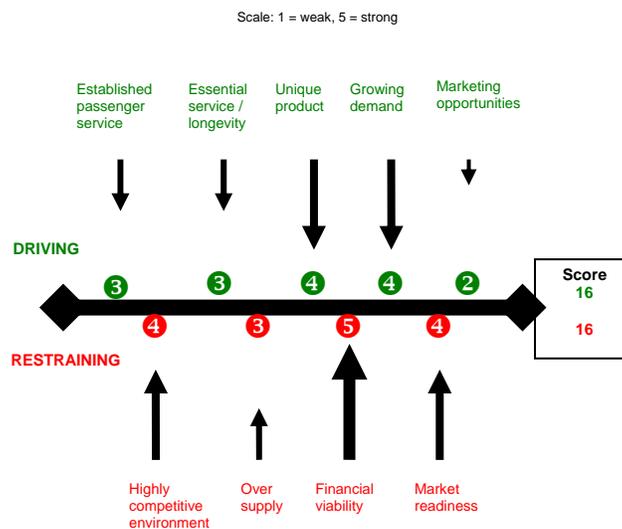
The objective of this undertaking was to determine if the market potential exists to warrant further research on the revitalization of Algoma Central Railway's (ACR) passenger trains as infrastructure for a wilderness tourism rail corridor.

The study used secondary data sources to develop a profile of the study area containing information on the region's socio-economic status, tourism industry and the key characteristics of the ACR passenger trains. The investigation highlighted a number of considerations, or forces, that impact the viability of revitalizing the passenger trains as infrastructure for a tourism corridor. They included financial, economic, social, and environmental as well as tourism considerations.

Force Field Analysis (a specialized method of weighing pros and cons) was used to determine if the market potential exists to warrant further research. Scoring of the forces (considerations) was accomplished with the assistance of a panel of six participants.

Results of the Force Field Analysis point to the conclusion there is market potential for a wilderness tourism by rail corridor, however, its development would encounter many barriers—the greatest of which are financial viability, market readiness issues, and the competitive environment.

Force Field Analysis Diagram



Based on a positive outcome of this study, the intended next step of the Coalition for Algoma Passenger Trains was to undertake a full feasibility study. To complete a feasibility study requires substantial amounts of information and resources (time and money). As witnessed throughout this investigation, critical information necessary to

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successfully complete a feasibility study (financial data, market intelligence) is currently unavailable.

Although proceeding with a feasibility study at this time is premature there are a number of actions that can be taken to improve the probability of successfully developing wilderness tourism by rail in the ACR corridor.

Eighteen recommendations are proposed as a strategy for obtaining the incremental knowledge necessary to ultimately support the development of a business plan for the revitalization of Algoma passenger trains as infrastructure for a wilderness tourism by rail corridor. These recommendations are:

1. Before proceeding with a comprehensive feasibility study on the revitalization of Algoma passenger trains, missing critical base knowledge must be secured.
2. Undertake a tourism product-market match study of the ACR corridor.
3. Undertake a product-facility gap analysis to determine areas that need to be addressed to meet consumers' needs.
4. Coordinate the resolution of identified market readiness issues with operators/suppliers, destination and sectoral marketing organizations and government agencies.
5. Assess the competitive offerings of competitor destinations.
6. Work with operators/suppliers to identify critical attributes of the ACR corridor's tourism products that can be used to differentiate competitive offerings.
7. Work with ACR, operator/suppliers and destination and sectoral marketing organizations to develop a product development and marketing strategy to exploit the corridor's unique selling points.
8. Develop and implement a two-year plan for increasing consumer awareness of the ACR wilderness tourism corridor.
9. Gain a thorough understanding of the Regional and Remote Passenger Rail Services Class Contribution Program.
10. Determine the capacities of the ACR corridor's physical infrastructure and natural environment.
11. Undertake an in-depth examination (case study) of Canadian regional passenger railways managed/operated by not-for-profit associations.
12. Continue open discussions with key players to establish common ground and begin working towards shared visions, objectives and values.

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13. The Coalition develops objectives that articulate the focus, intent, direction and priorities of the organization.
14. The Coalition investigates the merits of incorporating as a not-for-profit association.
15. Expand the scope of the case study of other Canadian regional passenger railways (Recommendation 11) to include fare structures, operating costs and revenues and capital maintenance costs.
16. Continue to seek historical information regarding the financial operation of the ACR under the *Access of Information Act*.
17. Expand the scope of the case study of other Canadian regional passenger railways (Recommendations 11 and 15) to include economic and social benefits and costs.
18. Undertake a regional economic impact assessment of the Algoma passenger train service.

Above Lake Superior

Lawren Stewart Harris (Group of Seven)



The ACR passenger train passes through the iconic Canadian art history landscape where the Group of Seven painted many of their best known works while living in boxcars and train stations on the ACR line from 1919 to 1922. Some art historians consider their experience of living together in the boxcars in the heart of the remote, rugged Algoma landscape to have been crucial to the coalescing of the painters as a group. (Michael Burtch, Director, Art Gallery of Algoma, filmed interview, 2007)

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About the Project

Introduction and Objective

The Coalition for Algoma Passenger Trains (CAPT) was initiated in the spring of 2006 by those concerned with the deterioration of the Algoma passenger train service.

The Coalition consists of tourist operators, recreationists, environmentalists, municipalities and First Nations along the Algoma Central Railway (ACR) line, ACR retirees and former employees and community economic development professionals.

The vision of CAPT is point-to-point ACR passenger train service between Sault Ste. Marie and Hearst as a wilderness tourism rail corridor to facilitate regional economic development and to support and protect the area's cultural and environmental heritage.

The objective of this Opportunity Study is to determine if the market potential exists to warrant further research on the revitalization of Algoma passenger trains as infrastructure for a wilderness tourism rail corridor.

Scope of Work

CAPT, with the support of Algoma University College's Community Economic and Social Development Program, contracted the services of Malone Given Parsons Ltd. (MGP) to help build the foundation on which to develop a future business / operational plan for the revitalization of Algoma passenger trains.

The scope of the study was to use secondary sources of information to develop a profile of the study area containing information on the region's socio-economic status, tourism industry and the key characteristics of Algoma passenger trains and to provide an initial assessment of the viability of a wilderness tourism rail corridor.

Data collection and verification for this project was carried out by researchers at Algoma University College's NORDIK Research Institute. MGP's role in this undertaking was to assist the Coalition's Working Group to conceptualize the research study, prepare a research plan to guide NORDIK research staff in the collection of pertinent information and data, analyze the information and data collected and determine if the market potential exist that warrants further examination.

Opportunity Study

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Opportunity Studies Defined

An opportunity study is the initial phase of advancing a concept into practical options. It is used to identify opportunity and determine areas requiring support (concerns), while developing the scope of a future feasibility study. The prime objective of an opportunity study is to stimulate investment interests; hence opportunity studies can be defined as the transformation of a project idea into a broad investment proposition.

Determining Market Potential

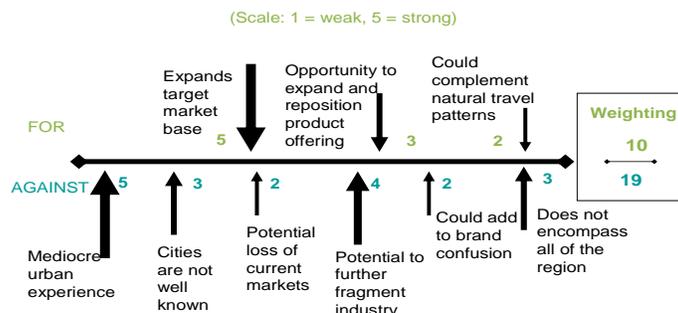
The objective of this undertaking is to determine if the market potential exists to warrant further research on the revitalization of Algoma passenger trains as infrastructure for a wilderness tourism rail corridor. Force Field Analysis is a useful technique for looking at all the forces for and against such a decision.

In effect, Force Field Analysis is a specialized method of weighing pros and cons. *Driving Forces* (reasons for/pros) are seen as pushing for change while *Restraining Forces* (reasons against/cons) stand in the way of change.

A force field diagram is useful to illustrate these opposing forces and set the stage for making the change possible. The balance sheet structure of the force field analysis allows the forces to be weighted (albeit subjectively). Change cannot occur when the driving forces and restraining forces are equal in weight, or when the restraining forces are stronger than the driving forces. For change to be possible, the driving forces must overcome the restraining forces.

An example of a Force Field Analysis Diagram is shown in Figure 1. This example, which pertains to developing a gateway marketing strategy, concludes that the restraining forces against proceeding outweigh the forces to proceed.

Figure 1: Example of a Force Field Analysis Diagram



Source: MGP Ltd.

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Force Field Analysis can also provide insight as to how to improve the probability of success. There are two choices:

- Reduce the strength of the forces opposing a project, or
- Increase the forces driving the project.

In the case of the gateway marketing strategy example, by significantly improving the quality of the urban experience (reduce mediocre urban experience by 3) you increase the opportunity to expand product offering (increase opportunity to expand by 1); by developing a transition strategy to guide the change from the old to the new marketing strategy you reduce the potential to lose current markets; and so on. Only when separate actions have been taken so the driving forces outweigh the restraining forces should consideration be given to implementing a gateway marketing strategy (or any project).

Report Outline

The Opportunity Study of the Algoma Central Railway wilderness tourism rail corridor is presented in four Parts: The Railway, Regional Situational Analysis; Tourism and Analysis and Recommendations.

Part 1 begins with an overview of the Algoma Central Railway's operational history and then moves on to describe the ACR passenger trains in terms of access and ridership, its history of tourism, financial status and economic impact. While analysis of the Algoma Tour Trains is outside the scope of this study, they are mentioned here for the opportunity they present. The chapter concludes with a brief look at four other regional rail operations.

Part 2 describes the physical attributes, current socioeconomic conditions and the future outlook of the Algoma Central Railway Corridor. It begins with a précis of the corridor's physical and human geography and review of the region's historical population and employment profile.

The purpose of **Part 3** is to profile the region's tourism industry in terms of visitation, spending and economic impact, products, and future outlook.

Part 4 consolidates the information of the previous three parts in the form of a force field analysis. The driving and restraining forces are weighted using a modified Delphi technique to determine if the market potential exists to warrant further research on the revitalization of Algoma passengers trains as infrastructure for a wilderness tourism rail corridor. The chapter concludes with recommendations for a go-forward strategy.

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Study Limitations

This study, like most opportunity assessments, is subject to several limitations.

1) Secondary research: Secondary data is data which has been collected by individuals or agencies for purposes other than those at hand. Secondary data can play a substantial role in the exploratory phase of research; it is less expensive to collect secondary data than to obtain primary data and the time involved in searching secondary sources is much less than that needed to complete primary data collection.

While the benefits of secondary research are considerable, so too are their shortcomings—data may be out of date, the reliability of published statistics may vary over time, measurement errors are usually unknown, and source bias may be present.

2) ACR data: Algoma Central Railway statistical information prior to 1993 is accessible through ACR Annual Reports. Although the reports provide excellent detail on freight operations, information pertaining to passenger & tour train services is generally only briefly described in the text. The exception being the years 1980 through 1992 when ridership on ACR Tour Trains (Agawa Canyon, Snow Train and Tour of the Line) was provided.

After 1993, with the purchase of the ACR by Wisconsin Central and then its acquisition by CN, information has not been publicly available due to confidentiality agreements with Transport Canada. Public reporting of CN operations does not provide information specific to ACR (or any other regional line). Financial information regarding the operation of the ACR is virtually non-existent/accessible.

3) Tourism data: Statistics Canada's International Travel Survey (ITS) and Canadian Travel Survey (CTS) are the prime sources of tourist information in Ontario. At the time of writing the most recent data available was 2004 for the CTS, 2005 for the ITS.

A strong economy, the increasing value of the Canadian dollar, and higher disposal income has contributed significantly to the rise in the number of Ontario residents visiting the United States in the past year. Conversely, U.S. visitation to Ontario has steadily dropped in the past months (21% in the first four months of 2007) as a result of the higher Canadian dollar, gas prices, and border-crossing issues. These important changes are not accounted for in the available data.

4) Political Boundaries: The geography of data reporting typically coincides with political boundaries. From Sault Ste Marie to (approximately) Horsey (Mile 273), the Algoma Central Railway passenger train corridor crosses Algoma District then into Cochrane District, terminating at Hearst (Mile 296). Cochrane District is a 141,244 km² area that extends eastward to the Quebec border and contains the City of Timmins, the 5th largest city in Northern Ontario. For the purpose of this analysis, the area of undertaking is narrowly defined as Algoma District as not to inflate the corridor's presence.

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5) Agawa Canyon Tour Train: The Agawa Canyon Tour Train is one of Northern Ontario's largest tourist attractions (in terms of visitor draw) and one of the more popular one-day rail excursions in North America. Although the tour train has a close and complex connections to the ACR's passenger service—they are both operated by ACR/CN and share the same stock of equipment—analysis of the Agawa Canyon Tour Train is outside the scope of this study.



Part 1—The Railway

This chapter begins with a brief overview of the Algoma Central Railway's (ACR) operational history and then moves on to describe the ACR passenger trains in terms of access and ridership, its history of tourism, financial status and economic impact. While analysis of the Algoma tour trains is outside the scope of this study, they are mentioned here for the opportunity they present. The chapter concludes with a look at other regional rail operations.

Figure 2: Algoma Central Railway



Source: CAPTrains, 2007

Opportunity Study

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Operational History

The *Algoma Central Railway* was incorporated on August 11, 1899 under a Dominion charter to build north from Sault Ste. Marie to a connection with the Canadian Pacific Railway and to Michipicoten Harbour where access to iron ore could be had (Helen Mine).

On May 23, 1901 the ACR changed its name to *Algoma Central & Hudson Bay Railway* in anticipation of its extension to Moose Factory on Hudson Bay—which never occurred. In 1914, the ACR reached its terminus in Hearst where it met the National Transcontinental Railway and in 1965, the name reverted back to Algoma Central Railway.

In 1990, the Algoma Central Railway Inc. (ACRI) became a subsidiary of Algoma Central Corporation, which also held interests in shipping, trucking and real estate. On February 1, 1995 the ACRI was acquired by Wisconsin Central Ltd—an U.S. based short-line railway company—and operated as a separate subsidiary until Wisconsin Central was bought by Canadian National (CN) in 2001.

Canadian National is a one of three Class I carriers in Canada; Canadian Pacific Railway Company and Via Rail Canada Inc., being the other two. From its inception in 1918 until 1995 when it was privatized, CN operated as a Crown Corporation of the federal government.

In 1978, CN created VIA Rail as a separate operating entity for its passenger service allowing CN to focus on operating a schedule freight railroad. Later, as a Crown Corporation, VIA became responsible for inter-city passenger service in Canada.

Since 2001 and its acquiring of the ACR, CN has operated the passenger service between Sault Ste. Marie and Hearst as well as ACR's tour trains. Rather than operating it as a separate entity, CN, in 2002, absorbed the ACR into its own operations. This resulted in all financial and operational reporting being integrated under CN.

Algoma Passenger Trains

Originally constructed to provide service for steel production and logging; ACR's dedicated passenger service from Sault Ste. Marie to Hearst began in October 1914. The ACR runs through the heart of Algoma District—an 18,800 square mile recreational wilderness area—providing year round access to several small towns, numerous lakes and rivers, private camps and cottages, a variety of wilderness lodges and numerous tourism and recreation products. In many cases the ACR is the only means of access to this remote region.

Access

The Railway's main line runs 296 miles (476 km) north from Sault Ste. Marie to Hearst. As a passenger service, the ACR makes connections with the Canadian Pacific Railway (CP) line at Sault Ste. Marie and Franz (Mile 195), the Canadian National line at Oba

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(Mile 245) and the Ontario Northland Railway (ONR) at Hearst. While these connections have the potential to increase the popularity and utilization of the passenger service, mismatched schedules and the lack of accommodation at connecting points are problematic.

VIA Rail (Canada’s predominant source of intercity passenger rail service) operates a Budd Car (a self-propelled passenger car) between Sudbury and White River with a scheduled stop in Franz. As shown in Figure 3, the connections between VIA and the ACR are not seamless.

Figure 3: VIA and ACR Scheduled Arrivals at Franz

| | VIA | | ACR | |
|-----------|------------|------------|-------------|-------------|
| | West Bound | East Bound | North Bound | South Bound |
| Monday | | | | 11:15 am |
| Tuesday | 4:30 pm | | | |
| Wednesday | | 10:20 am | 4:05 pm | |
| Thursday | 4:30 pm | | | 11:15 am |
| Friday | | 10:20 am | 4:05 pm | |
| Saturday | 4:30 pm | | | 11:15 am |
| Sunday | | 10:20 am | 4:05 pm | |

Source: VIA, ACR

VIA's regular passenger train has a scheduled stop in Oba at 10:58 p.m. The ACR northbound train arrives at 5:30 p.m. while the southbound train arrives at 9:45 a.m. the next day.

To connect from the ACR and the Ontario Northland Railway requires use of the ONR train shuttle bus between Hearst and Cochrane (leaving at 4:30 a.m.). This is necessary as track conditions cannot accommodate passenger trains—only freight can be safely transported at this time on the line between Hearst and Cochrane.

The CP owned tracks between Sault Ste. Marie and Sudbury are managed by Huron Central Railway. Since 1997, the HCR has operated regularly scheduled freight services on the line; passenger service has been discontinued due to track conditions.

By road, access to the ACR can be had from either of the two trans-Canada highways—Highway 17 in Sault Ste. Marie and Highway 11 in Hearst—or at Searchmont (Hwy. 556), Wawa (Hwy. 101), Dubreuilville (Hwy. 518) and Hawk Junction (Hwy. 101 and 547)

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Ridership

During the 1980s, ACR's regular passenger train service between Sault Ste. Marie and Hearst carried approximately 12,000 passengers annually (CTA 647-R-1989). More recently (2001-2006¹), annual ridership has averaged about 10,600 passengers (or about 200 passengers per week). See Table 1.

Table 1: ACR Passenger Service Volumes, 2001-2006

| Year | Ridership |
|------|-----------|
| 2006 | 10,713 |
| 2005 | 12,567 |
| 2004 | 8,291 |
| 2003 | 10,970 |
| 2002 | 8,557 |
| 2001 | 12,748 |

Source: T. O'Brien, personal communication.

In 2004, winter passenger service was reduced by one to three round trips per week, eliminating the northbound train on Saturday and the southbound train on Sunday. In 2007, summer passenger service was likewise reduced, curtailing all weekend-only rail travel originating from Sault Ste. Marie.

Equipment

Rolling stock for the Algoma Central Railway passenger service consists of three engines (shared with the tour train), two (new) generator cars, three (new) passenger coaches and two (one new) baggage cars. The newly purchased rolling stock is circa 1960, refurbished during the past year and brought into service in April 2007. Funding (\$1.5 million) for the recent replacement of the ACR passenger fleet was provided by Transport Canada. The passenger fleet is owned by CN²

The track bed is also owned by CN. Current track conditions have required the issuance of "slow orders" resulting in a one hour delay on passenger train schedules and 1¼ hours on freight train schedules.

¹ Data compiled with the assistance of the Sault Ste. Marie's Member of Parliament office in Ottawa.

² Personal communication: Kelly Booth, Passenger Sales, ACR-CN.

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A History of Tourism

Although freight—described as the “life blood of Algoma Central” (Nock, 1975, p 188)—was the original purpose, it was not the only business focus of the ACR. As early as 1909 a brochure targeted to tourists included the following comment:

The time has come when tired humanity seeks surcease from heat, smoke, toil and trouble, and the exodus begins, to the waters, where blow cool breezes, and to the woods, where there is rest and shade (Nock, 1975, p 165).

The ACR projected that immigration would bring huge numbers of settlers to the region (Wilson, 1974) and “a healthy tourist trade was anticipated” (Wilson, 1984). It was believed that the remote setting would attract hunters, fishermen and campers who would “hop on and off the train” to rough it in the bush with no accommodations required. The ACR also “contemplated” the construction of six resort hotels along the line to lure “higher class” visitors. For tourists who did not fall into either category, the ACR built rental cabins (Wilson, 1984).

In the early 1900s, the ACR advertised camping and scouting locations along the track to promote regional tourism. On April 29, 1912, *The Sault Star* reported:

The Algoma Central has recently constructed a number of comfortable cottages at points of interest along the line and these can be secured for a modest rental. These buildings are all conveniently located as regards the railway, thus obviating the necessity of packing in or securing your own provisions while in the bush (Cunningham, 1999, p 94).

On August 29, 1912 in another article *The Sault Star* wrote colourfully about the tourist attractions reached by the train:

...at Bass, a large lake exists with excellent bass and trout fishing being afforded. The railway company has constructed a tourist cottage on the lake with ample accommodation. The site is some forty-five miles from the Sault on Lake Achigan. The location is one of the most beautiful bodies of water along the Algoma Central and is a paradise for disciples of the rod and line....

In the area that is about sixty-five miles north of the Sault, two tourist cottages are found at Mongoose Lake and Lake Mitchell. Approaching the Montreal River, eighty miles from the Sault, the most beautiful scenery along the line commences. Many have said that this spot is one of the most beautiful and interesting in the Dominion. The largest steel bridge along the line, 1,550 feet in length, is constructed at this point and is one hundred-thirty feet above the river. The magnificent falls, or rather cascade, are 150 feet in height and are located just below the bridge. The spray from the cascade converts into a huge rainbow in the daylight. At the present time, the bush which has not yet been touched by the woodsman’s axe in the mammoth canyon is just perfect from the sightseer’s standpoint.... (Cunningham, pp 97-98).

An Algoma Central and Hudson Bay Railway brochure from 1920 entitled *A New Fish and Game Country: The Upper Superior Wilderness* had the following description:

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A Primeval Paradise for the Sportsman along the line of the Algoma Central Ry. A wild forest region of Lakes, Streams and Waterfalls, teeming with the gamy speckled Trout, and where Moose, Caribou, Red Deer and much other wild game abound. Ideal cottage and camp life in the woods (Cunningham, p 94).

Today the ACR continues to market the wilderness opportunities of the corridor to outdoor enthusiasts.

From the majestic mountain scapes of the Algoma Highlands, to the back country of Lake Superior Provincial Park or the wild beauty of the Chapleau Game Preserve, the Algoma Central Railway is a truly unique way to experience your wilderness adventure (ACR website).

The ACR marketing includes “Rails to Trails” snowmobile excursions, “Wilderness by Rail”—promoting the activities offered by the area’s adventure travel/ecotour operators—and the well know Agawa Canyon Tour. Marketing materials highlight how visitors can travel between Sault Ste. Marie and Hearst, on the regular passenger train or in vintage (built in 1913) private cars which offer private steward service and lounge and dining facilities. For extended stays, the ACR markets the “Camp Car”—a former Green Bay and Western caboose set-off on a private siding in the Agawa Canyon fully equipped for outdoor adventure.

Financial Status

The ACR’s optimism for massive settlement and industrial development in Algoma District never materialized. In 1977 Algoma Central Railway made application to the Canadian Transportation Agency (CTA) to discontinue the passenger service between Sault Ste. Marie and Hearst as the service was uneconomical and was likely to continue to be so. (CTA 1992-R-376)

Based on submissions from interested parties, the CTA concluded that while the service was and would likely to continue to be uneconomical, the area requires rail passenger transportation. Due to the remoteness of the communities along the line and the absence of suitable alternative transportation modes, the CTA ruled service should not be discontinued. This decision was up-held by the CTA in subsequent statutory five-year reconsiderations in 1982, 1987, and 1992. (CTA 1992-R-376)

The requirements for continuance led to the ACR being subsidized by the Government of Canada for 80 per cent of its losses on this service (Government of Canada, 2002). During the 1980s and early 1990s ACR’s passenger train service had been losing more than \$3 million annually³. In 1988, this subsidy contributed \$2.4 million to ACR revenue; in 2006, under the Regional and Remote Passenger Rail Services Class Contribution Program, the contribution of the subsidy to revenue was \$3.85 million (Disclosure of Grants and Contributions, 2006).

³ ACR submitted the following claims for losses incurred in operating its passenger train service: 1988 - \$2.9 million; 1989 - \$3.2 million; 1990 - \$4.2 million; 1991 - \$3.9 million; 1992 - \$4.2 million; Source: CTA Decision No. 639-R-1992.

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Economic Impact

While the ACR's passenger train do not generate sufficient cash flow to sustain these services, they do generate economic advantages for communities in the corridor in the form of tourist spending on accommodations, food and related services. For many tourism providers (lodges and outfitters) and communities—including First Nations—the passenger train is essential to their livelihood as many of the region's tourism products are only accessible by rail.

A 1987 study for the Ministry of Northern Development and Mines estimated that the total economic impact of the ACR's tour trains to be as much as \$25,300,000 annually (CTA Decision No. 647-R-1989).

Information on the economic impact of tourism in Algoma District is contained in Part 3 of this report.

Algoma Tour Trains

While analysis of the Algoma tour trains is outside the scope of this study, they are mentioned here for the opportunity they present.

In the 1950s, the ACR began to promote the natural beauty of Algoma District to tourists, particularly the Agawa Canyon, a canyon 114 rail miles north of Sault Ste. Marie that is not accessible by road. In 1972 the Railway began a dedicated tour train excursion to the Canyon. Due to its popularity, the Algoma Central Railway would run the longest passenger trains in North America often up to 20 to 24 cars long. During the late 1970s and 1980s around 100,000 visitors each year would tour Agawa Canyon.

The ACR also provides two other Tour Train products—the Snow Train, a tour to the Agawa Canyon during the December to March period, and the Tour of the Line, the regular year-round passenger service between Sault Ste. Marie and Hearst.

Since 1987 there has been a steady decline in tour train ridership (see Table 2). While ridership remained above 80,000 in the late 90s, more recently numbers have dropped significantly with an estimated 40,000 passengers taking the canyon tour in 2006. This decline is due in part to SARS, 9/11, the Iraq wars, West Nile, and a weak U.S. economy, and in recent years the strong Canadian dollar, high gas prices, and the implementation of WHTI as well as the increasing quality of global competition and rising consumer expectations. Significant deterioration of the tour train's line bed and rolling stock may also be a contributing factor to the reduction in ridership.

The popularity of the tour trains may be regarded as a direct competitor to the passenger train service. Alternatively, the Agawa Canyon tours could possess the potential of providing, if only in part, the critical mass necessary to make the wilderness tourism rail corridor a success. Having experienced the Agawa Canyon Tour, tourists may be able to be enticed to return to the area to experience the other wilderness experiences offered throughout the corridor—canoeing, hiking, snowmobiling, skiing, snowshoeing, and wilderness resorts and lodges.

Opportunity Study Algoma Central Railway: Wilderness Tourism by Rail

Table 2: ACR Tour Train Ridership 1979-2006

| Year | Agawa Canyon Tour | Snow Train | Tour of the Line |
|------|-------------------|------------|------------------|
| 2006 | 40,000* | n/a | n/a |
| 2005 | n/a | n/a | n/a |
| 2004 | 55,332 | n/a | n/a |
| 2003 | 60,106 | n/a | n/a |
| 2002 | 72,402 | n/a | n/a |
| 2001 | 70,528 | n/a | n/a |
| 2000 | 82,276 | n/a | n/a |
| 1999 | 88,687 | n/a | n/a |
| 1998 | 87,438 | n/a | n/a |
| 1997 | 80,537 | n/a | n/a |
| 1996 | 82,091 | n/a | n/a |
| 1995 | n/a | n/a | n/a |
| 1994 | n/a | n/a | n/a |
| 1993 | 73,500 | 11,160 | n/a |
| 1992 | 70,000 | 9,000 | 1,700 |
| 1991 | 83,660 | 10,780 | 2,000 |
| 1990 | 89,000 | 12,000 | 2,300 |
| 1989 | 95,000 | 12,900 | 2,500 |
| 1988 | 98,000 | 13,000 | 2,900 |
| 1987 | 102,000 | 10,800 | 3,160 |
| 1986 | 100,000 | 12,600 | 3,000 |
| 1985 | 103,500 | 10,500 | 3,500 |
| 1984 | 98,900 | 10,000 | 3,400 |
| 1983 | 86,800 | 7,900 | 3,200 |
| 1982 | 92,000 | 7,700 | 2,600 |
| 1981 | 106,200 | 10,000 | 2,700 |
| 1980 | 102,200 | 8,800 | 2,300 |
| 1979 | 103,400 | 10,700 | n/a |

Source: ACR Annual Reports (1979-1993). Sandra Paul (2005). Agawa Canyon Tour Train ridership down, again. August 8, 2005, Sault This Week. * Personal communication Terry O'Brien, Senior Manager, Passenger Train Operations.

Opportunity Study Algoma Central Railway: Wilderness Tourism by Rail

Other Regional Rail Operations

In the past two decades, tourism railway operations have become a growing trend well beyond that offered by Canada's traditional railways (Rail Industry Profile, 2002). In 2000 there were more than 25 entries in the market. In this section an overview of four regional railways is presented in terms of their history, ownership and management⁴, this in response to the Coalition's interest in pursuing alternative management regimes for the Algoma passenger train service.

- Ontario Northland Railway – an operational enterprise of the Government of Ontario
- Esquimalt & Nanaimo Railway – not-for-profit partnership of First Nations and local governments
- Tshuettin Rail Transportation Inc. – not-for-profit partnership of First Nations
- Rocky Mountaineer – private sector for profit company

Ontario Northland Railway

The Ontario Northland Transportation Commission (ONTC), an operational enterprise of the Province of Ontario, was incorporated as the Temiskaming and Northern Ontario Railway on March 17, 1902, by an act of the Ontario parliament. The railway's name was changed to the Ontario Northland Railway (ONR) on April 5, 1946 to reflect an expanded mandate.

Headquartered in North Bay and operating primarily in northeastern Ontario, ONTC's non-commercial, or provincially mandated services include the:

- Northlander (passenger train service between Cochrane and Toronto), and
- Polar Bear Express (passenger train service between Cochrane and Moosonee)

Commercial services include:

- The Dreamcatcher Express (fall train excursion between North Bay and Temagami),
- Ontera telecommunication services
- Rail freight and contract services
- Scheduled and charter motor coach services and Bus Parcel Express

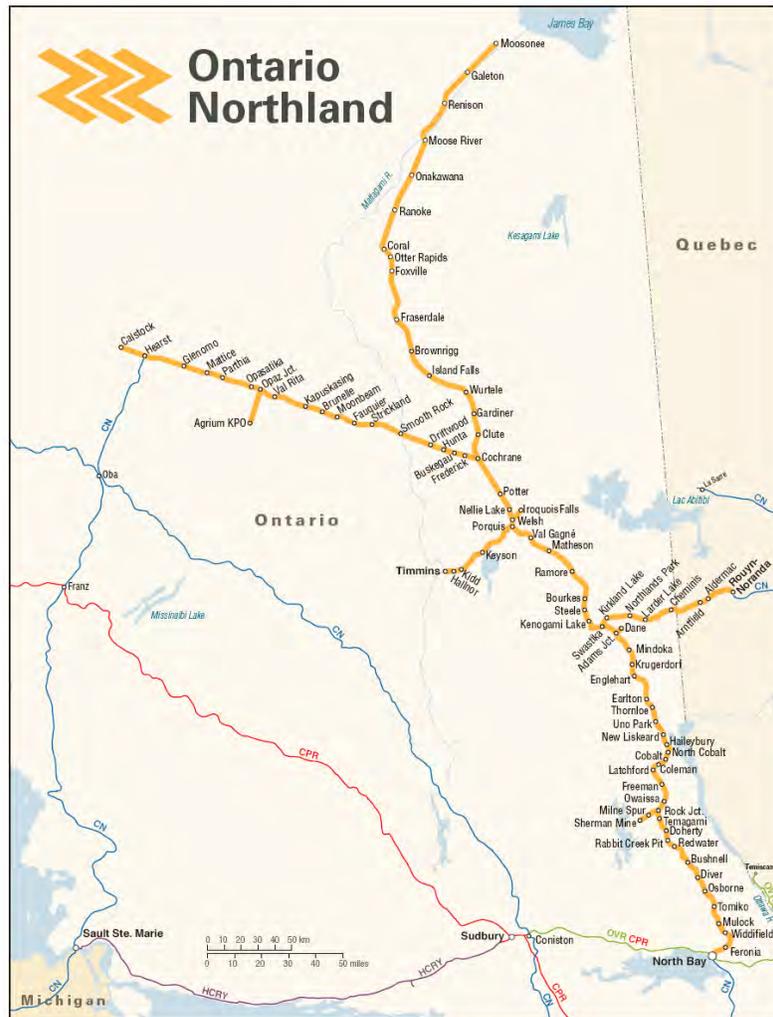
On June 5, 2007, the Government of Ontario and ONTC introduced significant changes to the train service between Cochrane and Moosonee as a result of increasing ridership in Northern communities. The Little Bear (one of Canada's few remaining "flag stop" trains) and the Polar Bear Express train services will be combined and a single passenger train will operate between the two communities. In addition, a separate freight

⁴ Information regarding operational and financial performance was unavailable.

Opportunity Study Algoma Central Railway: Wilderness Tourism by Rail

train will run to accommodate the growth in mineral development activity that has increased movement of freight (ONTC, 2007).

Figure 4: Ontario Northland Railway



Source: Ontario Northland

The ONTC is dependent on government contributions to carry out non-commercial operations (provincially mandated services) (ONR, 2005). ONTC and the Ministry of Northern Development and Mines set annual contribution agreements to define the amount of compensation the Province of Ontario will provide each fiscal year. In 2002, the province agreed to fully reimburse losses on the passenger train services. In addition, a portion of the operating loss of the passenger service between North Bay and Toronto is reimbursed by Transport Canada.

Opportunity Study Algoma Central Railway: Wilderness Tourism by Rail

Operational management of the ONR is the responsibility of the Ontario Northland Transportation Commission. The Commission consists of a chair and nine commissioners appointed by the Government of Ontario for a term of three years. Commissioners represent various communities in the region served and are not remunerated for their service. As of June 18, 2007, the communities represented by the Commission included North Bay, Cochrane, Hearst, Spring Bay, Moose Factory, Kapuskasing, Haileybury and Chaput Hughes.

The Executive Officers of Ontario Northland include the President/Chief Executive Officer, VP Finance and Administration, VP Ontera, VP Passenger Services, VP Rail, and Counsel. The commission employs over 1,000 people, who live and work in northern Ontario and northwestern Quebec.

Esquimalt & Nanaimo Railway

The Esquimalt and Nanaimo Railway was incorporated in 1883 by Victoria B.C. coal baron Sir Robert Dunsmuir, to support the coal and lumber industry and the Royal Navy base at Esquimalt. In 1888, the line was extended to the City of Victoria.

Figure 5: Esquimalt and Nanaimo Railway



Source: Southern Railway of British Columbia

In 1905 the E & N Railway was sold to the Canadian Pacific Railway, who extended the line to Lake Cowichan, Port Alberni, Parksville, Qualicum Beach, and Courtenay. In 1953, CPR discontinued the Port Alberni passenger service. In 1979 VIA Rail assumed operational responsibility of the railway, while CPR retained ownership of the land. CPR sold the east-west corridor—Parksville to Port Alberni—to Rail America in 1998, and entered into an operating agreement for freight operations. At that time approximately

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8,500 carloads of forest and paper products, minerals, and chemicals were transported by rail each year.

In 2001 Rail America lost a major freight customer. With the loss of this significant revenue stream, Rail America consequently announced its intention to cease operation and leave Vancouver Island.

In January 2002, the SaveRail Coalition was formed to save the Esquimalt & Nanaimo Railway. At the same time another campaign known as the Vancouver Island Railway Development Initiative (VIRDI), grew out of a round-table session organized by the Association of Vancouver Island and Coastal Communities on the future of the E&N.

The efforts of the SaveRail Coalition and VIRDI formed the foundation of what is now the *Island Corridor Foundation (ICF)*. In 2006, the ICF became a federally registered charity established for the purpose of owning and managing the E&N Corridor. The Foundation is a unique partnership of the First Nation and local governments along the line.

In 2006 the CPR completed a donation, estimated at a value of \$236 million, to the Foundation. The transfer included CPR's 234 km portion of the E&N right-of-way, land, six historic railway stations and a number of trestles. CPR also donated \$2.3 million in start-up funds to the Foundation. In addition, Rail America donated the ownership of the Port Alberni to Nanaimo portion of the E&N. As a registered charity the ICF was able to provide a charitable tax receipt to CPR and Rail America in return for their corridor assets.

As of July 1, 2006 Southern Railway of Vancouver Island (SRY), a subsidiary of Southern Railway British Columbia, was appointed as operator of the rail line. SRY handles freight and the daily inter-city passenger service from Victoria to Courtenay on behalf of VIA Rail Canada Inc. (SRY website).

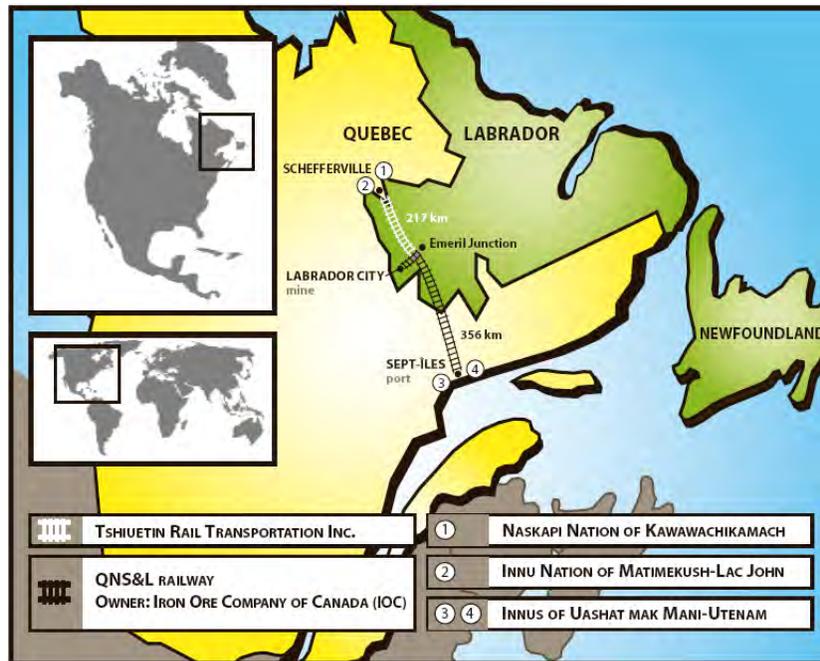
The Island Corridor Foundation is governed by a 12-person Board of Directors. Five directors represent First Nations and five directors represent Regional Districts. Membership is limited to local and First Nation governments whose territories are within the geographic area of the corridor. The five working groups that support ICF operations are the Management Committee, the Human Resources and Audit Committee, the Real Property Advisory Committee and the Rail Operations Liaison Advisory Committee.

Tshuetin Rail Transportation Inc.

Tshuetin Rail Transportation Inc. (TRTI) is a short line railway that stretches 134 miles (217 kilometres) between Schefferville, Quebec and Emeril Junction, Newfoundland. The company is jointly owned by the Innu Nation of Matimekush-Lac John, the Naskapi Nation of Kawawachikamach, and the Innu Takuaihan Uashat mak Mani-Utenam (RailCan, 2007).

Opportunity Study Algoma Central Railway: Wilderness Tourism by Rail

Figure 6: Tshiuetin Rail Transportation Inc.



Source: Tshiuetin Rail Transportation Inc.

TRTI acquired the Menihék subdivision from the Quebec North Shore and Labrador (QNS&L) Railway in December 2005, through an asset purchase agreement with the Iron Ore Company of Canada. The IOC sold the northern portion of the QNS&L Railway and transferred the operation of the passenger rail services to Tshiuetin Rail for the sum of \$1.

The non-profit mixed freight/passenger train service is subsidized by the federal government to provide year-round service—service deemed essential to the remote area. Federal funding is provided through the Regional and Remote Passenger Rail Services Contribution Program administered by Transport Canada.

As an essential service, operations of the TRTI are evaluated by efficiency not ticket sales. With four trips a week, TRTI transported 16,000 passengers and more than 73,000 tons of supplies during its first year of operation.

The Tshiuetin Rail Transportation Inc. is governed by a board of 6 voting members, 2 from each owning First Nation. Each board member is elected by their Band Council for a two-year term.

TRTI employs about 40 fulltime staff including a General Manager, Manager of Operations, and Manager of Mechanical and Track (ADMIN 2017 Report, 2007).

Opportunity Study Algoma Central Railway: Wilderness Tourism by Rail

The agreement between IOC and the three First Nations who own Tshuetain Rail Transportation Inc. is historic in that this is the first time a railway line in Canada was to have aboriginal ownership.

Rocky Mountaineer

In 1990, a federal government decision to reduce VIA Rail's heavily subsidized operation resulted in the privatization of VIA's daylight tourist service through the Rockies. In a competitive bidding process, the Great Canadian Railtour Company (GCRC)—owners of Rocky Mountaineer Vacations—purchased the equipment and operating rights of the VIA rail line that runs from Vancouver and Whistler British Columbia to Jasper, Banff and Calgary Alberta.

Figure 7: Rocky Mountaineer



Source: Rocky Mountaineer Vacations

In 2005, the Armstrong Group Ltd—a family-owned business headquartered in Vancouver B.C.—replaced GCRC as the parent company. Since then, the Armstrong Group has acquired several businesses including the Thompson Hotel and Conference Centre in Kamloops and Gray Line West, sightseeing and charter bus operations. These acquisitions have provided the company with further opportunities to provide a seamless guest travel experience throughout Western Canada. The Armstrong Group's success in developing Rocky Mountaineer Vacations has been achieved without government subsidy (RMV website - Factsheets).

The Armstrong Group's Board of Directors has a Chairman, President and nine directors. Operations of Rocky Mountaineer Vacations are lead by an Executive Team consisting of the President/CEO, Chief Operating Officer, VP Corporate Development, VP Operations, Sr. VP Marketing & Sales, VP Guest Services, Chief Financial Officer, Managing Director, Gray Line West, and VP Human Resources & Corporate Administration.

Opportunity Study Algoma Central Railway: Wilderness Tourism by Rail

Considerations/Summary

The Algoma Central Railway passenger service:

- Is privately owned by CN Railway
- Is a functioning rail passenger service
- Runs 296 miles through a 18,800 square mile recreational wilderness area
- Provides year round access to four-season tourist and recreational experiences
- Is in many cases the only land access to wilderness areas
- Is (theoretically) accessible from CP, CN, and ONR connector passenger rail lines
- Links two major trans-Canada highways
- Has annual ridership of approximately 10,600 passengers
- Replaced its passenger fleet in 2007
- Has a long history as a tourism provider
- Operates the Tour of Line, Wilderness by Rail: All Aboard for Ecotourism, Wilderness by Rail: Lodges Along the Line, and Tracks to Trails Snowmobiling Excursions.
- Is financially uneconomical to operate
- Relies on annual subsidies from the Federal Government
- Has been ruled by the CTA as an essential service
- Has significant regional economic impact by providing access to remote tourism products
- Could obtain critical mass from the Algoma (Agawa Canyon) Tour Trains
- Is in direct competition with the Algoma tour trains

Regional railway operations:

- Exist throughout Canada
- Utilize various forms of ownership and management regimes
- Require government subsidies if focused on passenger transportation services

Part 2—Regional Situational Analysis

This chapter describes the physical attributes, today’s socioeconomic conditions and the future outlook of the Algoma Central Railway Corridor. It begins with a précis of the corridor’s physical and human geography and review of the region’s historical population and employment profile. The chapter then describes the region’s economic development priorities and identifies key organizations and initiatives within Algoma District.

Figure 8: The ACR Corridor



Source: Algoma Central Railway

The Geography of the ACR Corridor

The Algoma Central Railway corridor's landscapes reflect what is commonly associated with Canada's four season geography: lush forests on rugged rocky hills, vibrant autumn colours, snowy winter-scapes and dazzling fresh water lakes and rivers. These are the landscapes that inspired Canada's Group of Seven artists.

Topography

Most the ACR line is located on the Canadian Shield which is composed of some of the planet's oldest rock dating to the Precambrian era (between 4.5 billion and 540 million years ago). The Canadian Shield was the first part of the North American continent to permanently rise above sea-level (CSERN, 2007). Billions of years of folding, rising and falling, erosion and glacier movement created rugged hills, cliffs, canyons, hundreds of lake basins, rivers and waterfalls in the land adjacent to the train line. Much of this diverse topography is still intact wilderness accessible only by train.

Winding its way through hills and valleys, the train climbs and descends striking height contrasts. Hubert (Mile 97) is the highest point on the track—1600 feet above sea level—the lowest point is Sault Ste. Marie at 611 feet above sea level. One of the highest elevations in Ontario is along the ACR route, the Ogidaki Mountain which is 2184 feet above sea level (Vosper, 2002, p 19).

Forests

The ACR passes through the transition zone between Northern Ontario's two main forest regions, the Great Lakes – St. Lawrence Forest Region and the Boreal Forest Region.

From Sault Ste. Marie to Hawk Junction (Mile 165) the forest is primarily coniferous trees such as eastern white pine, red pine, eastern hemlock and white cedar, commonly mixed with deciduous broad-leaved species, such as yellow birch, sugar and red maples, basswood and red oak. Species more common in the boreal forest, such as white and black spruce, jack pine, aspen and white birch also exist here.

From approximately the Hawk Junction area to Hearst, in the Great Clay Belt region, the forest transitions into the Boreal Forest Region which features various forest types consisting of coniferous and deciduous trees, including white and black spruce, tamarack, balsam fir, jack pine, white birch and poplar. In addition, the forest contains hundreds of species of plants, such as ferns, mosses, fungi, shrubs and herbs.

Fauna

Many mammals, birds, fish and insects are found in the Great Lakes-St. Lawrence forest habitats including white-tailed deer, moose, black bear, wolves, lynx, beaver, muskrat and otter, pileated woodpeckers and various migratory birds including hawks, eagles, falcons, loons and ducks. The areas closer to Hearst which are characterized by boreal forests are home to moose, black bear, jays and song birds, wolves, otter, beaver and marten.

Opportunity Study Algoma Central Railway: Wilderness Tourism by Rail

The south end of the ACR corridor, between Sault Ste. Marie and Hawk Junction, is in the Ontario Ministry of Natural Resources' Fishing Division 18; the north end, from Hawk Junction to Hearst, in Fishing Division 19. The fish common to both divisions include walleye, sauger, largemouth and smallmouth bass, northern pike, muskellunge, yellow perch, crappie, brook trout, brown trout, rainbow trout, lake trout, splake, salmon, whitefish and sturgeon (MNR, 2007).

The areas with little to no road access have the greater populations of fish. In addition to spring, summer and fall fishing, ice fishing in the region is very popular. The area is particularly known for Lake Trout, one of the rarest trout species.

The ACR track goes along the eastern boundary of Lake Superior Provincial Park and the western boundary of the Chapleau Game Preserve, the world's largest game preserve. Comprising a combined area of 8,600 square kilometers, the Chapleau Game Preserve and Lake Superior Provincial Park provide special protection for the rich diversity of fish and wildlife in the train corridor.

Figure 9: Provincial Parks



Source: CAPTrains, 2007

Opportunity Study

Algoma Central Railway: Wilderness Tourism by Rail

Watersheds

The ACR crosses two of Ontario's three primary watersheds—the Great Lakes-St. Lawrence Basin and the Hudson Bay Basin. Travelling north from Sault Ste. Marie, the ACR crosses lakes and rivers flowing south to Lake Superior (the world's largest fresh water lake) and then crosses into the watershed of lakes and rivers flowing north to Hudson Bay. This provides for countless canoe, kayak, hiking, and ATV and snowmobile routes for trips that can be launched from the train.

Climate and Seasons

Lake Superior and Lake Huron have a pronounced moderating effect on the climate in the southern part of the corridor by increasing the humidity—producing warmer days in summer and milder days in winter. The climate in the northern part of the ACR corridor has very cold winters and cool summers. These conditions produce excellent four season conditions for recreation and tourism.

Spring, summer and fall are suited for canoeing, kayaking, hiking, birding, fishing, swimming, camping, and resort vacations. The abundance of snow, particularly in the more northerly locations makes winter ideal for skiing, snowshoeing, snowmobiling and ice-fishing.

The variation in seasons also provides the backdrop for artists and writers. The ACR travels through the Canadian art history landscape where the Group of Seven painted many of their best known works while living in boxcars and train stations along the ACR line.

Human Geography

Along the rail corridor there is a rich cultural history and presence from the three founding cultural groups of Canada: Indigenous, French and English. Artifacts indicate that First Nations people have inhabited this area for over 9,000 years. In the 1600s the French settlers arrived, followed by the British in the 1700s.

The ACR goes through the ancestral and current lands of four First Nations—the Batchewana, Garden River, Missanabie Cree and Constance Lake First Nations.

The Batchewana First Nation has begun a process to take possession of St. Mary's Island and the Sault Canal National Historic Site located there. If successful, the island along with Batchewana's existing Whitefish Island Reserve will be used to create (an undisclosed) major tourist development. The Missanabie Cree First Nation is in the process of finalizing a land claim for land adjacent to the ACR corridor and plan to develop tourism products in that area. Constance Lake First Nation opened in 2007, an authentic, yet unique Cree and Ojibwe Historical Centre—Eagle's Earth—45 km west of Hearst that provides interpretation, accommodation and outdoor recreation.

Dubreuilville (mile 184) and Hearst (mile 296) are Franco-Ontarian communities with 95 per cent of their populations speaking French as their first and working language. The other communities in the region are primarily Anglophone.

Opportunity Study Algoma Central Railway: Wilderness Tourism by Rail

The geographic location of Sault Ste. Marie at the hub of the northern Great Lakes—Superior, Huron and Michigan—has made it amenable to important economic activity. For the French fur trade this location, which the Ojibwe called Bawating, “the meeting place”, was an important post where voyageurs met Indigenous trappers.

In the 1800s industrial investors recognized the economic value of the location. The gradient between Lake Superior and the St. Mary’s River was harnessed for hydro power. Accessible by large cargo ships to transport ore, coal, timber and finished products made it an excellent location for steel and paper mills—Algoma Steel and St. Mary’s Paper. Its location at the juncture of the three northern Great Lakes also made it a logical place to construct a shipping canal and a railway link between the northern Great Lakes and the two trans-Canada rail lines.

Following the typical boom-bust cyclical pattern of Northern Ontario resource based industries, steel and pulp/paper in Sault Ste. Marie saw its peak years for employment in the mid 20th century. While those industries continue to experience ups and downs financially, the number of people they employ has steadily declined.

Many of the smaller communities—Wawa, Dubreuilville, White River, Hornepayne and Hearst—also traditionally relied on natural resources for economic prosperity. These communities as well as Hawk Junction, Franz, and Oba exploited their location on major rail lines, becoming railroad towns. With the decline in passenger train service and modern rail technology the railways now employ dramatically smaller numbers of employees in those municipalities. Hence, a major emphasis throughout the region has been placed on economic diversification.

Under the direction of the Economic Development Corporation and its economic diversification strategy *DestinySSM*, multi-modal transportation and tourism initiatives have become a major focus for Sault Ste. Marie. Wawa, Dubreuilville, White River, Hornepayne and Hearst have all developed economic diversification plans which envision the use of their geographic locations for the development of tourism and value-added and non-timber forestry products in addition to their traditional resource extraction industries.

Mining continues to do well in the region and currently the ACR is transporting large amounts of phosphate from mines near Kapuskasing. It is carried by ONR to Hearst where it is then taken by ACR to Oba for routing on CN to Alberta. Exploration of a sizeable phosphate deposit just north of Hearst is currently underway (Market Wire, 2007).

Opportunity Study

Algoma Central Railway: Wilderness Tourism by Rail

Community Profiles

Sault Ste. Marie

| | |
|----------------------|---|
| Location | <ul style="list-style-type: none"> • In the heart of the Great Lakes, in the centre of Canada and North America, on the border of Michigan • Within 1 day's drive of Toronto, Chicago, Cleveland, Thunder Bay and Minneapolis • Within ½ day's drive of Sudbury, North Bay, Saginaw and Detroit |
| Access | <ul style="list-style-type: none"> • Highway 17 and US Interstate 75 • Sault Ste. Marie Airport • Port Facilities Roberta Bondar Marina • Huron Central Railway - freight service only • Algoma Central Railway |
| Major Industries | <ul style="list-style-type: none"> • Steel manufacturing • Pulp and Paper mill • Wood manufacturing • Call Centres • Tourism • Research (forestry, science and health) and innovation • Energy (renewable) |
| Tourism & Recreation | <ul style="list-style-type: none"> • Fishing and hunting • Skiing/cross country skiing • Snowmobiling / ATV • Arts & culture • Birding & wildlife • Rock Climbing/ice climbing • Hiking/biking • Kayaking/ canoeing – Boating/Sailing • Windsurfing/kitesurfing • White water paddling • Tour trains • Beaches & swimming • Driving tours • Museums • Dog sledding |
| Economic Development | <ul style="list-style-type: none"> • Target Growth Areas <ul style="list-style-type: none"> ○ value-added steel and wood products ○ component manufacturing ○ biotechnology ○ logistics transportation |
| Key Initiatives | <ul style="list-style-type: none"> • Borealis Project • Energy • Biotech development • Retail development • Value-added & wood manufacturing projects • Multi-modal opportunities • All Season tourism • Waterfront/downtown development • Post-secondary infrastructure • Research and commercialization (science and technology) • Health/clinical research |
| Key Organizations | <ul style="list-style-type: none"> • Economic Development Corporation • Tourism Sault Ste. Marie • Arts Council of Sault Ste. Marie • Community Quality Initiative • SSM Downtown Association |

Opportunity Study

Algoma Central Railway: Wilderness Tourism by Rail

Township of Michipicoten (Wawa)

| | |
|----------------------|---|
| Location | <ul style="list-style-type: none"> • Between Lake Superior and Wawa Lake • 2.5 hours / 225 km north of Sault Ste. Marie • Centrally located between Sudbury and Thunder Bay |
| Access | <ul style="list-style-type: none"> • Highway 17 (Trans-Canada) and Highway 101 • Algoma Central Railway • Wawa Municipal Airport • Michipicoten Harbour |
| Major Industries | <ul style="list-style-type: none"> • Forestry • Mining • Tourism • Government Services |
| Tourism & Recreation | <ul style="list-style-type: none"> • Hiking, cross-country skiing, ATV and snowmobiling trails • Canoeing & kayaking • Camping • Fishing • Hunting • Touring/Sightseeing • Golf • Ice fishing • Curling • Hockey • 20 remote lodges accessible by air and rail • 17 road accessible lodges |
| Economic Development | <ul style="list-style-type: none"> • 2007 Investment Attraction Priorities <ul style="list-style-type: none"> ○ Industrial and Commercial Land ○ Harbour Development ○ Mining and Exploration ○ Entrepreneurship and Business Attraction ○ Regional Investment Attraction ○ Labour Supply and skills development ○ Bio-energy ○ Business Retention and Expansion ○ Downtown rejuvenation ○ Residential Land development |
| Key Initiatives | <ul style="list-style-type: none"> • Marina development • Exploring opportunities in bio economy, green energy and community forest. • Industrial/Commercial Investment Readiness • Wawa Visitor Enhancement Plan |
| Key Organizations | <ul style="list-style-type: none"> • Economic Development Corporation of Wawa • Municipality of Wawa – Community Services and Tourism Department |

Opportunity Study

Algoma Central Railway: Wilderness Tourism by Rail

Town of Dubreuilville

| | |
|----------------------|---|
| Location | <ul style="list-style-type: none"> • 3.5 hours / 330km north of Sault Ste. Marie • 5 hours / 468 km east of Thunder Bay • Located in the Magpie Forest on the edge of the Chapleau Crown Game Preserve |
| Access | <ul style="list-style-type: none"> • Wawa Municipal Airport • Algoma Central Railway • CN • Canadian Pacific Railway • Highway 519, east of the Trans-Canada Highway |
| Major Industries | <ul style="list-style-type: none"> • Forestry • Tourism • Mining |
| Tourism & Recreation | <ul style="list-style-type: none"> • ATV/Snowmobile trails • Cross-country ski/snowshoeing trails • Canoeing, kayaking • Fishing • Hunting • Swimming • Bird-watching and wildlife viewing |
| Economic Development | <ul style="list-style-type: none"> • Targeted Growth Areas <ul style="list-style-type: none"> ○ Tourism ○ Value-added wood products ○ Non timber forest products |
| Key Initiatives | <ul style="list-style-type: none"> • Hiring an economic development officer • Building a high school |
| Key Organizations | <ul style="list-style-type: none"> • Economic Development Corporation • Tourist Resource/Information Centre |

Township of Hornepayne

| | |
|----------------------|---|
| Location | <ul style="list-style-type: none"> • 400 km north-west of Sault Ste. Marie • Main junction for 3 major Trans-Ontario snowmobile trails |
| Access | <ul style="list-style-type: none"> • Highways 17 & 631 • CN (freight Service) • VIA Rail • Municipal Airport |
| Major Industries | <ul style="list-style-type: none"> • CN Railway • Forestry • Mineral exploration |
| Tourism & Recreation | <ul style="list-style-type: none"> • Fly-in fishing • Hunting • Canoeing • Snowmobiling (Superior Snow Challenge Loop) • Cross-country skiing • Berry picking |
| Economic Development | <ul style="list-style-type: none"> • Strategic developments <ul style="list-style-type: none"> ○ Value-added product development ○ Regional partnership development |
| Key Initiatives | <ul style="list-style-type: none"> • Website development • Community profile development |
| Key Organizations | <ul style="list-style-type: none"> • No local Chamber, EDC or Tourism offices |

Opportunity Study

Algoma Central Railway: Wilderness Tourism by Rail

Town of Hearst

| | |
|----------------------|--|
| Location | <ul style="list-style-type: none"> • Located on Hwy 11, on the Mattawishkwia River • Within a day's drive of five US border crossing |
| Access | <ul style="list-style-type: none"> • Hearst René Fontaine Municipal Airport • Ontario Northland Railway (freight service) • CN Railway • Algoma Central Railway • Highway 11 |
| Major Industries | <ul style="list-style-type: none"> • Forestry and logging • Veneer, plywood, and engineered wood manufacturing • Sawmills and wood preservation • Wood product manufacturing |
| Tourism & Recreation | <ul style="list-style-type: none"> • Fishing, • Canoeing, kayaking, white-water rafting • Curling • Snowmobiling • Cross-country skiing |
| Economic Development | <p>Targeted Sectors</p> <ul style="list-style-type: none"> ○ Bio-Products ○ Value Added Wood Products ○ Tourism ○ Agri-Food |
| Key Initiatives | <ul style="list-style-type: none"> • Green Technology Centre • Various Bio-industry projects • Highway 11 development/downtown beautification |
| Key Organizations | <ul style="list-style-type: none"> • Hearst and Area Economic Development Corporation • Hearst-Mattice Chamber of Commerce • Downtown improvement (Hearst BIA) • Arts Council • Local Radio |

Population and Employment

Population and employment in Northern Ontario are characterized by the following trends:

- a slow but constant regional population decline
- a slow but increasing aging of the population when compared to Ontario
- high rates of youth out-migration
- a dependence on natural resource exploitation industries and a lack of secondary industries
- lower education and literacy levels when compared to Ontario
- high levels of unemployment
- low levels of in-migration and few recent immigrants
- declines in the forest industry
- lower levels of participation rates for women in the labour force
- growth in the regional Aboriginal population

Population

Algoma District's population has remained relatively stable over the past five years. In 2006 the population totaled 117,461 persons, a decrease of one percent from the 118,567 persons in 2001. However, over the past 15 years, the District's population has

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decreased by nearly 8 per cent. This long term trend of decline is representative of the situation in communities throughout the district (see Table 3).

Table 3: Population Profile, Select Communities. 1991-2006

| | 1991 | 1996 | 2001 | 2006 | % chg 01-06 | % chg 91-06 |
|---------------------|--------|--------|--------|--------|----------------|----------------|
| Blind River | 3,355 | 3,152 | 3,969 | 3,780 | -5 | +13 |
| Bruce Mines | 684 | 653 | 627 | 584 | -7 | -15 |
| Chapleau | 3,077 | 2,934 | 2,835 | 2,354 | -17 | -23 |
| Dubreuilville | 983 | 990 | 967 | 773 | -20 | -11 |
| Elliot Lake | 14,089 | 13,588 | 11,956 | 11,549 | -3 | -18 |
| Hearst | 6,079 | 6,049 | 5,825 | 5,620 | -3 | -8 |
| Hornepayne | 1,610 | 1,480 | 1,362 | 1,209 | -11 | -25 |
| Sault Ste. Marie | 81,476 | 80,054 | 74,566 | 74,948 | +1 | -8 |
| Thessalon | 1,543 | 1,485 | 1,386 | 1,312 | -5 | -15 |
| White River | 948 | 1,022 | 993 | 841 | -15 | -11 |
| Wawa (Michipicoten) | 4,154 | 4,145 | 3,668 | 3,204 | -13 | -23 |

Highlighted communities are located on the ACR line

Source: Statistics Canada, Census of Population (1991, 1996, 2001, 2006)

High growth rates in most Aboriginal communities in Northern Ontario show these communities continue to be the most dynamic in the region. Growth rates for the five year period 2001-2006 averaged 16.5%. In Algoma District while the growth rates are below the average for Northern Ontario, they remain positive (see Table 4).

Table 4: Population Profile, Selected First Nations, 1991-2006

| | 1991 | 1996 | 2001 | 2006 | % chg 01-06 | % chg 91-06 |
|---------------------------|-------|-------|-------|-------|----------------|----------------|
| Batchewana First Nation | 1,426 | 1,878 | 2,138 | 2,268 | +6 | +59 |
| Garden River First Nation | 1,476 | 1,799 | 2,017 | 2,148 | +6 | +46 |
| Mississauga | 710 | 873 | 966 | 1,018 | +5 | +43 |
| Thessalon | 266 | 462 | 533 | 572 | +7 | +115 |
| Constance Lake | 1,108 | 1,276 | 1,392 | 1,457 | +5 | +31 |
| Missanabie Cree | 174 | 260 | 343 | 365 | +6 | +109 |
| Michipicoten | 424 | 579 | 701 | 746 | +6 | +76 |

Highlighted First Nations are located on the ACR line

Source: INAC Indian Registry (1991-2006)

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The long range population projections for Algoma District are not optimistic. According to the Ontario Ministry of Finance, the District will continue to experience population declines. By 2031 the population of Algoma District is expected to fall below 110,000 persons. The projections also show an increasing aging population. In 2006 persons under 60 years of age represented about 75 per cent of the population—by 2031 they will represent about 58 per cent.

Employment

Between 1991 and 2001, employment in Algoma District declined by more than 10 per cent. The greatest percentage decline (49%) occurred in the primary industry sector—resource-based industries, while manufacturing and construction employment fell nearly 19 per cent (see Table 5).

Table 5: Algoma District Employment, 1991-2001

| | 1991 | 1996 | 2001 |
|--|---------------|---------------|---------------|
| Total - All industries | 60,340 | 56,045 | 53,915 |
| Persons in agriculture and other resource-based industries (primary) | 4,755 | 2,935 | 2,440 |
| Persons in manufacturing and construction industries (secondary) | 13,260 | 11,710 | 10,765 |
| Persons in service industries (tertiary) | 42,310 | 41,395 | 40,710 |

Source: Statistics Canada, Census of Labour Force

Sault Ste. Marie—the District’s largest urban centre and one of the five major cities in Northern Ontario—posted the largest decrease, with employment falling from 39,375 to 34,885 persons. The most significant decrease (30%) occurring in the manufacturing and construction sectors.

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Table 6: Employment, Selected Communities, 1991-2001

| | 1991 | 1996 | 2001 |
|--|--------|--------|--------|
| Sault Ste. Marie | | | |
| Total - All industries | 39,375 | 36,625 | 34,885 |
| Persons in agriculture and other resource-based industries (primary) | 640 | 725 | 780 |
| Persons in manufacturing and construction industries (secondary) | 10,000 | 7950 | 6940 |
| Persons in service industries (tertiary) | 28,630 | 27,950 | 27,175 |
| Dubreuilville | | | |
| Total - All industries | 525 | 555 | 620 |
| Persons in agriculture and other resource-based industries (primary) | 20 | 25 | 65 |
| Persons in manufacturing and construction industries (secondary) | 350 | 335 | 350 |
| Persons in service industries (tertiary) | 150 | 190 | 215 |
| Hearst | | | |
| Total - All industries | 3,220 | 2,995 | 3,260 |
| Persons in agriculture and other resource-based industries (primary) | 280 | 160 | 285 |
| Persons in manufacturing and construction industries (secondary) | 910 | 700 | 910 |
| Persons in service industries (tertiary) | 2,015 | 2,130 | 2,060 |
| Wawa (Michipicoten) | | | |
| Total - All industries | 2,120 | 2,205 | 2,040 |
| Persons in agriculture and other resource-based industries (primary) | 385 | 440 | 190 |
| Persons in manufacturing and construction industries (secondary) | 200 | 345 | 445 |
| Persons in service industries (tertiary) | 1,545 | 1,420 | 1,400 |
| Homepayne | | | |
| Total - All industries | 875 | 790 | 700 |
| Persons in agriculture and other resource-based industries (primary) | 80 | 15 | 35 |
| Persons in manufacturing and construction industries (secondary) | 55 | 155 | 110 |
| Persons in service industries (tertiary) | 730 | 625 | 560 |

Source: Statistics Canada, Census of Labour Force

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Considerations/Summary

The ACR corridor:

- Has a diverse topography, much of which is still intact wilderness, most of which is accessible only by train
- Is home to a wide variety of wildlife
- Contains Lake Superior Provincial Park and the Chapleau Game Preserve (the world's largest game preserve)
- Has a climate conducive to four season tourism and recreation
- Contains cultural communities representing the three founding peoples of Canada: Indigenous, Francophone, and Anglophone
- Has natural resources with significant economic value—hydro generation, forestry, mining
- Has relied on resource-based industries as the basis for community economic development
- Has several communities whose economic diversification strategies include the development of tourism
- Is reliant on outdoor activities and adventure for its tourism offerings
- Is experiencing a slow but constant decline in population in non-Aboriginal communities
- Is experiencing dynamic growth in regional Aboriginal populations
- Has an aging population
- Is experiencing declines in employment

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Part 3 –Tourism

The purpose of this chapter is to profile the region’s tourism industry in terms of visitation, spending and economic impact, products, administration, and future outlook.

Visits and Spending Over-Time

The most recent information from Statistics Canada—2004—shows slightly less than 2 million people from Canada, the U.S.A. and other countries took same-day or overnight trips in Algoma District, representing about 1.7 per cent of all tourism in Ontario.

Table 7 provides a comparison of tourist visitation, visitor spending and the number of nights spent in Algoma District by visitors from Canada, the U.S.A. and other countries from 2002 to 2004.

Table 7: Comparisons of Visits and Spending, 2002-2004

| | 2002 | 2003 | 2004 | 2002-2004 | 2003-2004 |
|---------------------|---------------|---------------|---------------|-----------|-----------|
| | | | | % Chg | % Chg |
| Total Person-Visits | 2,120,000 | 2,061,000 | 1,966,000 | -7 | -5 |
| Canada | 1,147,000 | 1,229,000 | 1,208,000 | +5 | -2 |
| Ontario | 1,109,000 | 1,191,000 | 1,137,000 | +2 | -5 |
| Other Canada | 38,000 | 37,000 | 72,000 | +88 | +92 |
| U.S.A. | 958,000 | 818,000 | 739,000 | -23 | -10 |
| Overseas | 15,000 | 14,000 | 18,000 | +15 | +23 |
| Person Nights | 3,151,000 | 2,769,000 | 2,902,000 | -8 | +5 |
| Visitor Spending | \$352,390,000 | \$276,414,000 | \$293,986,000 | -17 | +6 |

Source: ITS, CTS

Same-day excursions and overnight visits to Algoma District fell from about 2.1 million person-visits in 2003 to less than 2.0 million in 2004. At 2.0 million, 2004 tourist levels are about 5 per cent lower than during the 2003 SAR year.

The decline in tourism activity in Algoma District between 2003 and 2004 does not reflect tourism activity across Ontario. Across the province, same-day and overnight tourism increased slightly (+3%), from approximately 114.9 million person-visits in 2003 to 118.3 million in 2004.

The number of nights tourists spent in Algoma District and the amount of money they spent increased slightly between 2003 and 2004. Tourist spent about \$294 million in the region in 2004, or about five per cent more than the \$276.4 million they spent during 2003. Nights spent in the region increased from about 2.8 million to 2.9 million between

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2003 and 2004. Over the three-year span 2002 to 2004, visitor spending in Algoma District decreased by about 17 per cent, and nights spent in the region decreased by about eight per cent.

While overseas and inter-provincial visits saw staggering percentage increases in 2004, the two largest source markets for tourism for Algoma District declined between 2003 and 2004. The important Ontario and U.S. markets fell five and ten per cent respectively.

Origin Markets

As shown in Table 8, Canadians account for over half of the 949,000 same-day trips and two-thirds of the 1 million overnight person-visits to Algoma District.

Table 8: Volume of Person-Visits in Algoma District, Same-day and Overnight, 2004

| | Same-day | Overnight |
|----------------------------|----------|-----------|
| Total Person-Visits | 949,000 | 1,017,000 |
| Domestic | 533,000 | 676,000 |
| U.S.A. | 414,000 | 326,000 |
| Overseas | 2,000 | 15,500 |
| Per cent by Origin | | |
| Domestic | 56% | 67% |
| U.S.A. | 44% | 32% |
| Overseas | * | 1% |

Source: ITS, CTS

Table 9 provides information on the number of overnight person visits made by Canadians to Algoma District. Northern Ontario residents account for 34 per cent of Algoma's overnight visits, the majority coming for the North-East region, especially the Regional Municipality of Sudbury (61,000) and Algoma District itself (261,000). As well, Toronto is a major feeder market for the District, accounting for about 9 per cent of all overnight tourism followed by Thunder Bay, Ottawa and Windsor.

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Table 9: Overnight Person-Visits in Algoma District by Major Origin Markets, 2004

| | | % |
|-------------------------------------|------------------|------------|
| Overnight Person-Visits | 1,017,000 | |
| Canada | 676,000 | 67% |
| Ontario | 604,000 | 59% |
| Northern Ontario | 342,000 | 34% |
| North-East | 305,000 | 30% |
| North-West | 25,000 | 2% |
| North-Central | 12,000 | 1% |
| Major Canadian Cities (CMAs) | | |
| Toronto | 92,000 | 9% |
| Sudbury | 61,000 | 6% |
| Thunder Bay | 19,000 | 2% |
| Ottawa-Gatineau | 17,000 | 2% |
| Windsor | 17,000 | 2% |
| London | 16,000 | 2% |
| Quebec City | 12,000 | 1% |
| All Other Canada | 72,000 | 7% |

Source: ITS, CTS

The American market represents about one-third of overnight travel in the Algoma District. Most of these Americans (nearly 63 per cent) live in the border markets of Michigan, Wisconsin and Ohio. Table 10 describes the number of overnight-person visits by Americans to Algoma District.

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Table 10: Overnight Person-Visits in Algoma District by Major U.S. Origin Market, 2004

| | | % |
|--------------------------------|------------------|------------|
| Overnight Person-Visits | 1,017,000 | |
| Total U.S. | 326,000 | 32% |
| Total Border States | 240,000 | 24% |
| Michigan | 126,000 | 12% |
| Wisconsin | 39,000 | 4% |
| Ohio | 39,000 | 4% |
| Minnesota | 17,000 | 2% |
| Illinois | 8,000 | 1% |
| Pennsylvania | 8,000 | 1% |
| New York | 3,000 | 1% |
| Other States | | |
| North Carolina | 22,000 | 2% |
| Florida | 18,000 | 2% |
| Missouri | 12,000 | 1% |
| New Jersey | 11,000 | 1% |

Source: ITS, CTS

The overseas market for Algoma District is primarily European (11,000-overnight visits), dominated by overnight visitors from the United Kingdom and Germany (see Table 11).

Table 11: Overnight Person-Visits in Algoma District by Major Overseas Origin, 2004

| | | % |
|--------------------------------|------------------|-----------|
| Overnight Person-Visits | 1,017,000 | |
| Total Overseas | 18,000 | 2% |
| Europe (Total) | 11,000 | 1% |
| United Kingdom | 3,200 | * |
| Germany | 2,200 | * |
| Asia (Total) | 2,900 | * |
| All Other Countries | 3,500 | * |
| * = less than 1 per cent | | |

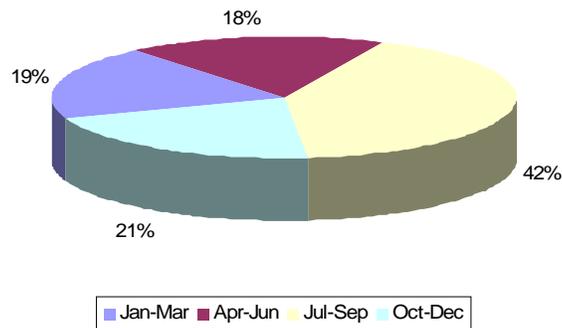
Source: ITS, CTS

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Seasonality

While Algoma District receives visitors year-round, visitors are most likely to arrive in the summer months. More than two in five visitors come to Algoma District in the months of July to September. Of the 583,000 overnight pleasure visitors to the region, 54% come in the summer.

Figure 10: Calendar Quarter of Visits in Algoma District, 2004



Source: ITS, CTS

Activity Profile

Why do people visit Algoma District? In 2004:

- More than half (55%) of all trips were made for “pleasure”
- One-fifth (20%) were made to “visit friends and relatives”
- Business trips comprised 5 per cent
- Some “other” purpose trip comprised 20 per cent

What do people do while they are visiting Algoma District?

Canadians are likely to spend time on their trip:

- Shopping (65%)
- Visiting with friends and relatives (58%)
- Sightseeing (55%)
- Engaging in outdoor/sports activities (49%)
- Visiting nature/provincial nature parks (26%)
- Visiting historic sites (25%)

The most popular outdoor activities within the domestic market are:

- Fishing (24%)
- Boating (20%)

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The American market is drawn by the region's:

- Sightseeing (46%)
- Shopping (29%)
- Historic sites (23%)
- National/provincial nature parks (23%)
- Outdoor/sports activities (22%)
- Casinos (12%)

The most popular outdoor activities within the American market are:

- Fishing (39%)
- Boating (32%)

Lodging Preferences

Visitors from each of the major markets have different lodging preferences. The domestic market has a strong preference for staying in private cottages/homes (59%). Americans tend to stay in roofed commercial accommodations (55%), while overseas visitors stay in roofed commercial accommodations (33%) and private homes or cottages (34%).

Algoma District hotel occupancy rates for 2002-2004 were:

- 2002 – 58.4 per cent (vs. 62% province-wide)
- 2003 – 57.6 per cent (vs. 57% province-wide)
- 2004 – 54.4 per cent (vs. 62% province-wide)

Value of Tourism in Algoma District

In 2004, the 2.0 million visitors from Canada, the U.S.A. and other countries who took overnight and same-day trips in Northern Ontario spent \$294 million on tourism goods and services. This spending represents about 1.7 per cent of the \$17.1 billion spent on tourism in the province in 2004.

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Economic Impact of Visitor Spending

Visitor spending of \$3.0 million on tourism goods and services in Algoma District in 2004 generated nearly \$266.7 million in economic activity (GDP) province-wide of which \$202.3 million stayed in Algoma District.

This level of activity helped to sustain about 4,446 jobs across the province. In Algoma District it sustained almost 2,888 direct jobs and an additional 700 indirect and induced jobs. In turn, the 4,446 jobs generated \$142.5 million in wages and salaries province-wide, of which almost three-quarters (\$103.4 million) stayed in Algoma District.

All levels of government benefited from Algoma District's tourism spending, which generated \$126.3 million in government taxes. On each dollar of tourism expenditure, federal, provincial and municipal governments collected \$0.43 (see Table 12).

Table 12: Economic Impact of Visitor Spending in Algoma District, 2004

| | Total Benefits Across Ontario | Proportion of Total Benefits Retained in Algoma District |
|--------------------------------|----------------------------------|--|
| Visitor Spending | \$293,986,000 | |
| Gross Domestic Product (GDP) | \$266,683,000 | 76% |
| Direct | \$156,398,000 | 91% |
| Indirect | \$46,172,000 | 47% |
| Induced | \$64,113,000 | 58% |
| Wages and Salaries | \$142,472,000 | 73% |
| Direct | \$79,510,000 | 89% |
| Indirect | \$28,025,000 | 47% |
| Induced | \$34,937,000 | 56% |
| Employment | 4,466 | 80% |
| Direct | 3,109 | 93% |
| Indirect | 602 | 47% |
| Induced | 754 | 55% |
| Total Tax Revenue ⁵ | \$126,348,000 | 83% |
| Federal | \$65,756,000 | 81% |
| Provincial | \$51,784,000 | 87% |
| Municipal | \$8,809,000 | 71% |

Source: Ministry of Tourism Regional Profiles

⁵ Includes all direct and indirect taxes.

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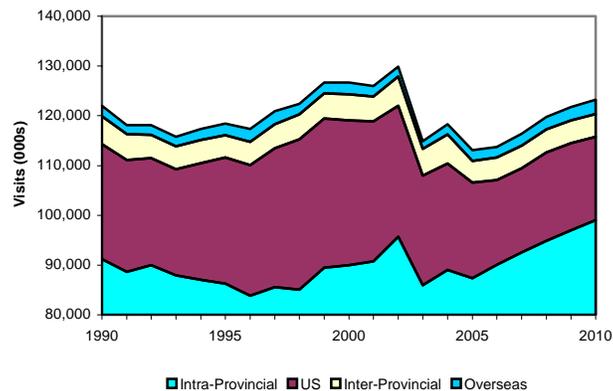
Tourism Outlook

Growth in Ontario tourism is expected to average 1.7 per cent per year from 2005 through 2010, mainly due to increases in intra-provincial travel and visits to Ontario from overseas. By 2010, Ontario inbound visits are estimated to reach 123.2 million, well below the 2002 peak of 129 million.

Growth in tourism in Ontario to 2010 will be shaped by the following factors:

- Intra-provincial visits are forecast to increase at an average rate of 2.5% a year
- Visits from the U.S. will continue to decline at a compounded annual rate of 2.7%
- The outlook for inter-provincial visits is flat, with growth averaging 1.1% a year
- Overseas visits are expected to grow the fastest, at an average rate of 5.7% per year

Figure 11: Ontario Inbound Tourists, 1990-2010



Source: Ontario Ministry of Tourism

Northern Ontario's tourism potential parallels that of the province as a whole. The February 2007 Travel Intentions Survey (Wave 8) suggests travel to Ontario will be no stronger in 2007 than one year ago. According to the survey, some elevated interest in jurisdictions immediately bordering Northern Ontario is evident—specifically Manitoba and North Michigan.

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Tourism Products

Algoma District has traditionally been known for its outdoor environment encompassing vast tracts of pristine wilderness, a myriad of lakes and rivers, spectacular scenery and abundant fish and wildlife populations.

The outdoors is a “hook” that brings visitors to the region. Of the District’s 1 million overnight visitors in 2004, nearly 42 per cent participated in outdoor activities—kayaking, canoeing, sailing, snowmobiling, skiing, hiking, camping, golfing as well as fishing and hunting—and over 50 per cent participated in sightseeing.

While most of its product strengths are based on the natural environment, Algoma District also offers a smaller range of product focused on cultural and heritage, festivals and events, and sport tourism (see Figure 12).

Figure 12: Algoma District Tourism Product Groups

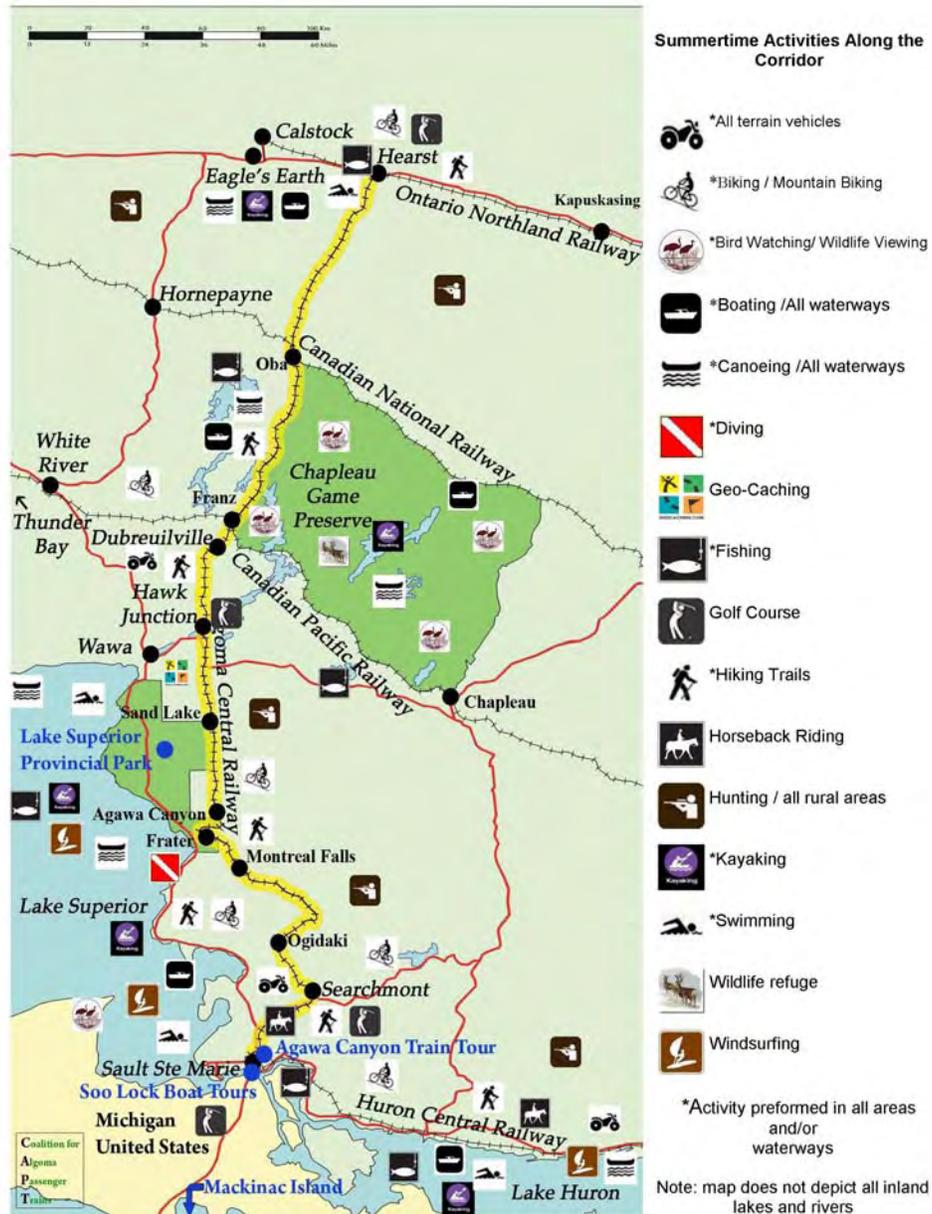
| Product Areas | Key Product Niches | Product Areas | Key Product Niches |
|-------------------------------|--|------------------|--|
| Attraction-oriented Vacations | Touring (driving, trains, group) | Resort Vacations | Outdoor focus Getaway focus |
| Business-related Packages | Meetings/conventions/conferences | Sport Tourism | Event hosting |
| City Excursions | Shopping Festival and events Cultural entertainment Casinos | Summer Adventure | Hiking/backpacking/climbing Camping ATV Biking |
| Cultural Tourism | Aboriginal Francophone Other cultural experiences | Waterways | Canoeing/kayaking/rafting Boating/cruising/boat tours Scuba diving |
| Ecotourism | Wildlife viewing, birding Photography / painting Other nature observation Geo-caching | Hunting | Remote (fly in) Semi-remote (drive-in, boat-in, train-in) |
| Fishing | Remote (fly-in, train-in) Semi-remote (boat-in) Drive-in Ice fishing | Winter Adventure | Snowmobiling Downhill skiing Snowboarding Cross-country skiing |
| Heritage Tourism | Industrial Early settlement | Other Outdoor | Golf |

Source: MGP

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The extent and diversification of activities available to tourists along the ACR corridor are illustrated in Figures 13 and 14.

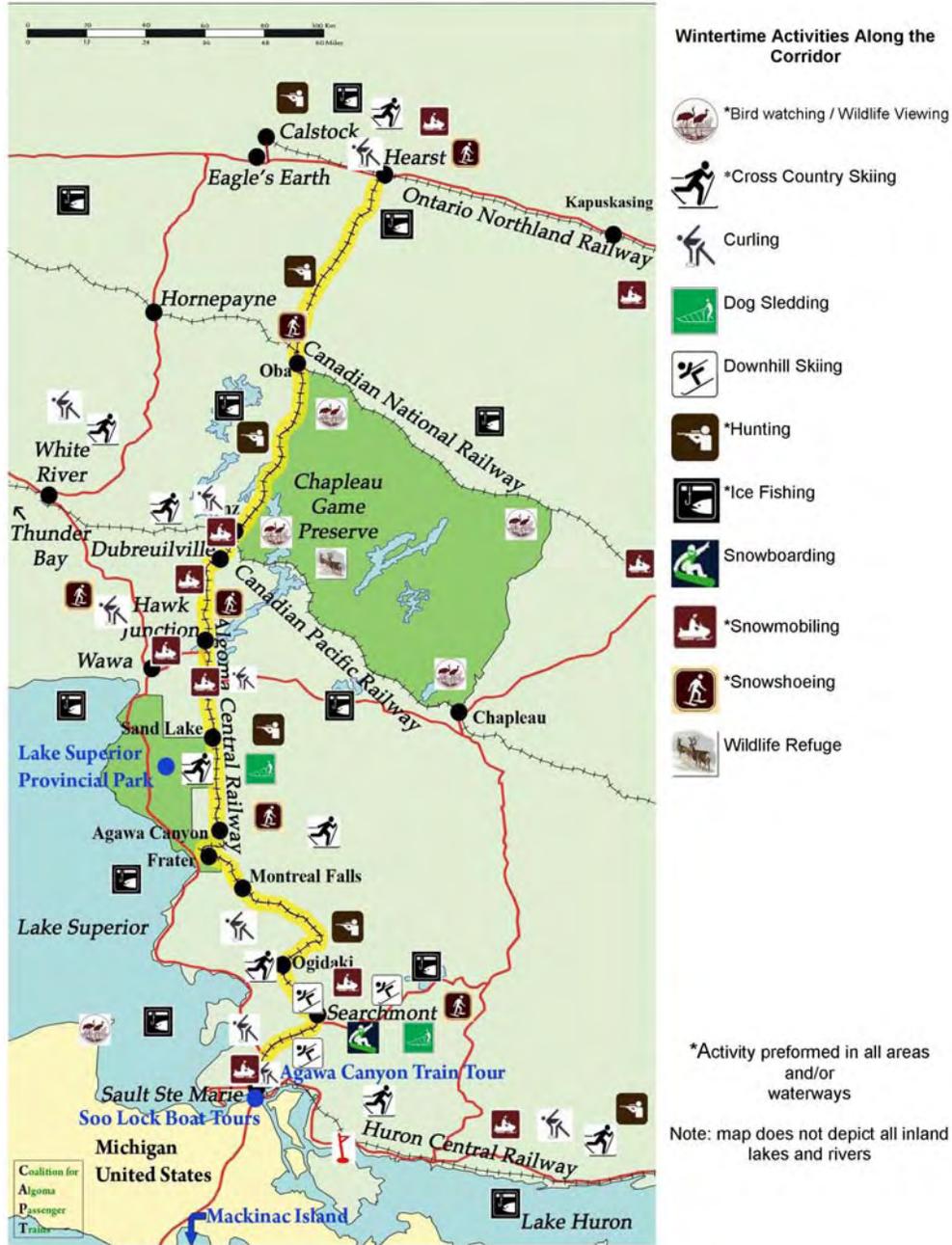
Figure 13: Summertime Activities along the Corridor



Source: CAPTrains, 2007

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Figure 14: Wintertime Activities along the Corridor



Source: CAPTrains, 2007

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Within this range of product offerings, Algoma District has a several attractions that draw domestic and international visitors. The following is a list of Algoma District’s main attractions.

| | | | |
|------------------------|---|----------------------|---|
| Attractions | Canadian Bush Plane Heritage Centre Marine Heritage Centre Art Gallery of Algoma | Protected Wilderness | Chapleau Crown Game Preserve Missiassagi River Provincial Park Lake Superior Provincial Park Batchawana Provincial Park Missinabi Provincial Park Pancake Provincial Bay |
| Historical Attractions | Fort St. Joseph Sault Canal Historic Site Ermatinger-Clergue National Historic Site | Festivals | Shadows of the Mind Film Festival Ontario Winter Carnival Bon Soo Echos Drum Festival |
| Fishing | Trophy fishing Family fishing Tournaments Wilderness experience Ice fishing | Rail Adventures | ACR Tour of the Line ACR Agawa Canyon ACR Snow Train ACR and CPR train-in resorts |
| Touring Routes | Lake Superior Circle Tour | Trail Systems | Voyageur Trail Hiawatha Trail OFSC Snowmobile Network |
| Tour Boat Cruises | Sault Locks | Skiing | Searchmont Ski Resort Stokley Creek Lodge |

Tourism Establishments

According to Statistics Canada’s Canadian Business Patterns⁶ Algoma District supports nearly 1,600 (about 1 per cent) of the approximately 161,800 tourism related establishments in the province.

Within Algoma District, there are nearly 200 accommodation establishments including approximately:

- 25 hotels
- 15 resorts
- 58 motels/motor hotels
- 23 housekeeping cottages and cabins
- 22 RV parks and campgrounds
- 38 hunting and fishing camps
- 7 bed and breakfast

⁶ Statistics Canada’s Canadian Business Patterns includes those businesses that meet at least one of the following criteria: (1) have an employee work force for which they submit payroll remittance to CCRA, or, (2) have a minimum of \$30,000 in annual sales, or, (3) are incorporated under a federal or provincial Act and have filed a federal corporate income tax form within the last three years.

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This includes 12 resorts and lodges that are accessible by train; three of which are open in the summer and winter months (see Figure 13).

Figure 15: Resorts and Lodges in the ACR Corridor



Source: CAPTrains, 2007

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The 300 establishments that serve food and beverages represent almost 20 per cent of all tourism business in Algoma District. At 672 establishments, the retail sector is the largest business segment serving tourists.

Of the 108 establishments in Algoma District's recreation and entertainment industry, there are:

- 5 marinas
- 10 golf courses and/or country clubs
- 6 skiing facilities
- 8 museums

Transportation businesses operating in Algoma District include approximately:

- 14 taxi businesses
- 9 vehicle-rental companies
- 2 scheduled and 9 non-scheduled charter airlines
- 6 truck, utility trailer and RV rental companies

In addition, 12-travel agencies and 5-tour operators service the region.

According to Ontario's Resource-based Tourism Establishment Licence database, as of March 31, 2007, there were 174-tourist businesses licensed to operate on Crown lands and waters in Algoma District.

In the three-year period, 2003-2005, the number of tourism-related establishments in Algoma District has decreased slightly (see Table 13); with the largest declines occurring in the food and beverage and retail sectors.

Table 13: Algoma District Tourism-related Establishments, 2003-2005

| | 2003 | 2004 | 2005 |
|----------------------------------|-------------|-------------|-------------|
| Total Establishments | 1698 | 1699 | 1581 |
| Accommodation | 191 | 195 | 188 |
| Arts, Entertainment & Recreation | 110 | 115 | 108 |
| Food & Beverage | 351 | 352 | 304 |
| Transportation | 51 | 50 | 48 |
| Travel Services | 21 | 21 | 19 |
| Retail | 714 | 710 | 672 |
| Other Services | 260 | 256 | 242 |

Source: Ministry of Tourism Region Profiles

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Tourism Marketing

Tourism marketing in Algoma District is undertaken by a number of organizations and associations. At a local level, tourism marketing is conducted by stand-alone municipal tourism departments or economic development departments. None of Algoma District's cities, towns or townships has a membership-based agency such as Tourism Toronto.

At the regional level, tourism marketing is managed by the Algoma Kinniwabi Travel Association—one of Ontario's six Northern Ontario Regional Tourism Associations⁷ (NOTRAs). Algoma Country, as it is known, runs from Elliot Lake in the east, to Sault Ste. Marie in the southwest, to past Hornepayne in the North.

There are several other organizations or associations that have a pan-north mandate to market tourism that also promote tourism products in Algoma District. Nature and Outdoor Tourism Ontario (NOTO) is an 80 year old non-profit association representing Ontario tourism operators who run wilderness lodges, resorts, camps, canoe outfitters and fly-in services. The Northern Ontario Native Tourism Association (NONTA) is a non-profit organization formed in 1987 to represent aboriginal owned and operated tourism operators and suppliers in Northern Ontario. Direction Ontario, formerly Destination Nord, is a non-profit organization whose mandate is to develop francophone markets in the province.

Other organizations that promote Algoma tourism product include the Ontario Federation of Snowmobiles (OFSC), Ontario Parks, and the Ontario Trails Council.

Consumer Perceptions of Northern Ontario

According to an Ipsos Reid March 2007 report (OTMPC, 2007), consumer perceptions of Northern Ontario are incredibly similar across all markets, both among travellers who have visited Northern Ontario in the past five years and those who have not (non-travellers). They all see Northern Ontario as:

- A land of rugged, natural, untouched beauty with countless lakes, old growth forests and wildlife
- Being known for fishing, hunting, boating, hiking, camping and any other outdoor activity
- Having people who are down-to-earth, laid back and friendly, and living simpler lives in tune with the rhythms of nature

Except for hunting and fishing, non-travellers have low awareness of the products Northern Ontario has to offer. Many express a particular uncertainty about the availability of accommodations and amenities, and the variety of non-outdoor activities. However, non-travellers appear willing to consider travelling to the region if the right information is provided.

⁷ The six NOTRAs operating across Northern Ontario were established under the Ontario Travel Association Program (OTAP) by the Province of Ontario in 1974 to undertake regional-based tourism destination marketing. All are incorporated, not-for-profit, membership-based organizations.

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Within the non-traveller segment, some are looking for more traditional vacations (e.g. all-inclusive Caribbean holidays) and feel it is necessary to “get on a plane” for a vacation. Others agree Northern Ontario likely offers something that would be difficult to find elsewhere on the continent, as they perceive the region to be more untouched, more rugged, etc., than other northern regions of Canada and the U.S.

Motivations for travel are relatively consistent across all markets (see Table 14).

Table 14: Consumer Motivations to Travel

| Travellers to Northern Ontario | |
|------------------------------------|--|
| Prefer... | Are not interested in... |
| Nature | “Touristy” type places |
| Outdoor activities | Top-notch accommodations and amenities |
| Something new | Human-made stimuli |
| Adventure | Interaction with people and culture |
| Peace and tranquility | |
| Alone time | |
| Non-travellers to Northern Ontario | |
| Prefer... | Are not interested in... |
| City life, indoor activities | Nature |
| Something new | Being outdoors |
| Relaxation, but also excitement | Adventure |
| Getting on a plane | Alone time |
| Nice hotels and amenities | Peace and quiet |

Source: Ipsos Reid

Travellers have a strong emotional attachment to Northern Ontario, and thus seek experiences and places that satisfy this need (see Figure 14). They are often escaping the big city or looking for an opportunity to reconnect with loved ones. Non-travellers are aware of the emotional potential of the Northern Ontario experience; however, they have yet to experience it and are therefore more interested in the physical attributes of the region. While they can imagine a more relaxed, peaceful experience in the North, they are concerned there may not be a lot to do, especially those not totally immersed in nature and/or outdoor activities.

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Figure 16: Perceptions of Northern Ontario



Source: Ipsos Reid

Those most likely to plan a trip to Northern Ontario appear to be:

- Outdoors people (hunters, anglers, campers)
- Nature lovers
- Adventure seekers
- Those with children looking for something different to do (i.e. not Disney)
- Empty-nesters or couples with no children looking for a romantic get-away

According to a Decima Research March 2006 report (OTMPC, 2006), Quebec travellers like to stay close to home and immerse themselves in Quebec culture. Their distaste for travel to Ontario is exacerbated by a desire to converse in French, and often view Ontarians as cold and unwelcoming to French-speaking Quebec tourists. Further, they believe that, except for Niagara Falls, Quebec has everything Ontario has to offer. They see Northern Ontario as a no man's land--a vast empty wilderness with few cities and towns worth visiting, suitable for little other than hunting, fishing and camping.

More specifically, Quebec travellers make these associations with Northern Ontario:

- Little variety or choice, not very busy
- Relaxing, not complicated, simple, comfortable
- Poor, empty and rural, not fancy
- Lots of truckers, truck stops, and Tim Horton's
- Fishing and hunting, outdoors, natural beauty, scenic, wilderness, vast and spacious

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The Decima study participants had little awareness of what Ontario has to offer. For Quebec travellers, Ontario doesn't have a recognizable identity, or one that sets it apart from other destinations. Quebec visitors have some recognition of specific attractions, events and festivals, as well as the province's scenic beauty. For Northern Ontario specifically, they are:

- Nature, lakes, scenery
- Camping, nice parks
- Outdoor winter activities
- Lake Superior
- Hunting and fishing
- National parks
- No pollution
- Relaxation
- Good for a small budget

According to the study, the language-issue barrier runs deeper than just Ontarians not being able to speak French. The deeper issue is that Francophones perceive that Anglophones make no effort to speak to them in French and, therefore, do not make them feel welcome when they travel in Ontario.

The greatest travel barrier for the study group, however, was unfamiliarity with what there is to see and do in Ontario. This barrier becomes more pronounced as the distance increases from participants' homes to different regions in Ontario. For Northern Ontario, the travel barriers cited were:

- Fewer activities and choices of accommodation
- Fewer services available
- Too far to travel for same things available in Quebec
- Not welcoming for Francophones
- Language issues

Compared to other destinations that are well promoted in Quebec (New Brunswick, New York, Virginia), Ontario is not among the top-of-mind destinations for Quebec travellers.

Market Potential for Nature-based Tourism

Nature-based tourism is growing worldwide at an estimated rate of 10-30 per cent per annum. In 1999, the World Travel and Tourism Council estimated nature-based tourism accounted for 10–15 per cent of all international travel expenditure. According to the CTC, Canada is known around the world for outdoor adventure and ecotourism—these are real icons for Canada and a core competence of tourism in Northern Ontario.

The remoteness of the Northern Ontario is an influential factor to drawing visitors. Forty per cent of U.S. and 33 per cent of Canadian visitors to Northern Ontario indicate they prefer to visit undiscovered places before too many hotels and restaurants are built (2006 TAMS).

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In the Ipsos Reid 2007 study of consumers' attitudes and perceptions of Northern Ontario (OTMPC, 2007), outdoor activities were cited most often as motivation to travel to Northern Ontario. Interestingly, the one motivation for travelling to Northern Ontario shared by all markets was the northern train (see Figure 15).

Figure 17: Motivations for Travel to Northern Ontario



Source: Ipsos Reid

According to the 2006 Travel Activities and Motivation Survey, outdoor activities are popular among Canadian and American travellers who took at least one overnight trip during 2004-2005. Table 15 shows—for select outdoor activities intrinsic to the ACR corridor—the size of the Canadian and American travel population and the number of travellers that travelled to Northern Ontario who participated in these activities on an overnight trip in the past two years.

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Table 15: Participation in Selected Outdoor Activities

| Activity | Canadian Travel Population | Northern Ontario Visitors | Share | American Travel Population | Northern Ontario Visitors | Share |
|---|----------------------------|---------------------------|-------|----------------------------|---------------------------|-------|
| Total Travellers | 20,875,000 | 3,758,000 | 18% | 176,400,000 | 1,419,000 | 1% |
| Fishing | 13,329,000 | 1,304,000 | 10% | 25,330,000 | 593,000 | 2% |
| Kayaking or canoeing | 2,334,000 | 794,000 | 34% | 8,598,000 | 210,000 | 2% |
| Cross country skiing (overnight touring trip) | 230,000 | 57,000 | 25% | 380,000 | 13,000 | 3% |
| Snowmobiling (overnight touring trip) | 345,000 | 91,000 | 26% | 650,000 | 44,000 | 7% |
| ATV (overnight touring trip) | 433,000 | 90,000 | 21% | 1,759,000 | 29,000 | 2% |
| Hiking in wilderness (overnight camping) | 1,495,000 | 391,000 | 26% | 7,446,000 | 92,000 | 1% |

Source: 2006 TAMS

As shown in Table 15, the potential exists to significantly increase Northern Ontario's share of outdoor tourists.

Considerations/Summary

Tourism in Algoma District:

- Represents a very small portion of Ontario's tourism sector
- Is experiencing a decline in visitation, visitor spending and person-nights
- Is heavily reliant on domestic markets
- Draws the majority of its U.S. visitors from the border states
- Is for the most part seasonal
- Is based on the natural environment
- Has lower hotel occupancy rates than Ontario as a whole
- Generates about \$266 million in economic activity (GDP)
- Sustains nearly 3,600 regional jobs
- Generates about \$126 million in tax revenue
- Has a limited range of tourism product
- Has few demand generating attractions
- Is supported by eight strong destination and sectoral marketing organizations

Tourism in Northern Ontario:

- Is perceived as a vast wilderness with little to do beside fishing, hunting, and camping
- For non-visitors there is a low awareness of the products offered

Nature-based tourism

- Is a growing market globally
- Is a growth opportunity for Northern Ontario

Part 4—Analysis and Recommendations

This chapter consolidates information from the previous three parts into a force field analysis. Driving and restraining forces are scored to determine “*if the market potential exists to warrant further research on the revitalization of Algoma passenger trains as infrastructure for a wilderness tourism rail corridor*” and concludes with recommendations for a go-forward strategy.

Summary of Considerations

The foregoing discussion highlighted a number of considerations, or factors, that impact the viability of revitalizing the Algoma passenger trains as infrastructure for a wilderness tourism rail corridor. They include financial, economic, social, and environmental as well as tourism considerations. The following is a summary of those considerations.

Financial Considerations

Historically, the Algoma Central Railway’s passenger trains have operated at a financial loss. Due to the remoteness of the communities along the ACR line and the absence of suitable alternative transportation modes, the Canadian Transportation Authority has ruled the passenger trains as an essential service that could not be discontinued. This ruling enabled the ACR to receive 80 per cent of its sustained losses on this service from the Federal government’s Regional and Remote Passenger Rail Services Class Contribution Program. The remaining 20 per cent is absorbed by ACR (CN).

The non-profitability of the passenger trains presents a challenge to ACR’s ability to institute an effective and efficient capital replacement program. Funding (\$1.5 million) for the recent replacement of the ACR passenger rail fleet—two generator cars, a baggage car and three passenger cars—was provided by Transport Canada.

Ridership in the past six years has averaged 10,600 passengers (± 20 per cent) annually or an average of 200 people per week. This includes people who rely on the passenger service to access their homes and cottages and use the service for work, education, health and social purposes. It also includes tourists who use the service to access remote and semi-remote areas, including lodges and resorts, in pursuit of outdoor adventure activities. To become financially viable, the level of patronage would need to increase significantly. However, at this time, there are no immediate prospects for substantially increasing the level of demand.

The ACR’s financial history has implications if alternative ownership/management regimes are being considered. Currently, CN relies on the performance of ACR’s freight service and tour trains to offset passenger service losses not covered by government contributions. New private ownership without the benefit of freight service and tour train revenues would require that the passenger service be a financially viable enterprise. This would only occur through increased revenues and/or decreased costs. A not-for-profit model would require the identification of additional funding sources to offset the

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losses not covered by the Regional and Remote Passenger Rail Services Class Contribution Program.

Economic Considerations

While the ACR's passenger train services do not generate sufficient cash flow to sustain these services, they do generate economic advantages for communities in the corridor in the form of tourist spending on accommodations, food and related services.

Algoma District has traditionally relied on resource-based industries for its economic prosperity. While those industries continue to hold a dominant position, the number of people they employ has steadily declined. Many of the smaller communities have exploited their location on major rail lines (CN, CP, ACR, ONR, VIA), becoming railroad towns. With the decline in passenger train service and the introduction of modern rail technologies the railways now employ smaller numbers of employees. As a result, a major emphasis throughout the region has been placed on economic diversification—value added wood and steel products, non-timber forest products, multi-modal transportation, biotechnology and tourism.

Tourism has been identified by many communities along the ACR line, including First Nations, as a priority for economic development. The ACR, which provides access to several small towns, numerous lakes, rivers, and recreational trails, and a variety of wilderness lodges and resorts, is in many cases the only land access to this remote area. Wilderness tourism is a value-added tourism product with higher prices charged per day.

While Algoma District accounts for a very small percentage of tourism in the province, tourism generates significant economic activity (GDP) to Algoma District, sustains thousands of jobs, and generates millions of dollars in tax revenues for all levels of government. These benefits are however eroding with the downturn in tourist visitations.

Social Considerations

The ACR corridor has cultural significance. The ACR serves some 35 communities and hamlets—cultural communities representing the three founding peoples of Canada: Indigenous, Francophone and Anglophone. It passes through the iconic Canadian art history landscape where the Group of Seven painted much of their best known works—while living in boxcars and train stations on the ACR line.

Long range projections indicate Algoma District will continue to experience a slow but constant decline in population. The projections also point to a slow but increasing aging of the District's population. Both trends due in part to the decline in employment in traditional resource-based industries.

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Environmental Considerations

The ACR corridor has a diverse topography, much of which is still intact wilderness and only accessible by train. It is home to a wide variety of flora and fauna—and the world's largest game preserve. Compared to other modes of transportation, train travel produces a lighter ecological footprint.

Wilderness areas are a rapidly diminishing resource yet remain an especially attractive and internationally appealing tourism image. Given the shrinking availability of wilderness elsewhere and the growing demand for it by an affluent traveling public, wilderness will play an important part in the future of tourism. Managing use and preserving the pristine wilderness, so it retains its “wildness” is the key management challenge. Restricting motorized access and built infrastructure (roads) not only preserves the regions tourism appeal it safeguards the environment.

Tourism Considerations

Same-day excursions and overnight visits to Algoma District have declined and the mix of visitors has changed. Since 1998 the number of visitors from the U.S. and other countries has fallen by 40 per cent while visitation by Canadians has increased by nearly 50 per cent.

The outdoors is the “hook” that brings visitors to the region. Nearly one-third of all visitors to Algoma District participate in outdoor activities and sightseeing. For the District's one million overnight visitors, 42 per cent participate in outdoor activities and over 50 per cent participate in sightseeing. While most all of its product strengths are based on the natural environment, Algoma District does offer a small range of product focused on cultural and heritage and festivals and events. However, the region has few demand generating attractions.

Algoma District's climate is conducive to four season tourism. Spring, summer and fall are suited for canoeing, kayaking, hiking, birding, fishing and camping. The abundance of snow, particularly in the more northerly locations makes winter ideal for snowmobiling, skiing, snowshoeing, and ice fishing. The ACR passenger trains provide year-round access to these activities—many of which can be launched from the train.

Accommodation, while not a demand generator, is critical to the success of a tourist destination. Along the ACR line there are 12 resorts/lodges offering a range of quality and amenities—three are open year-round. This limited capacity in the ACR corridor is bolstered by available accommodations in surrounding urban centres (Sault Ste. Marie, Hearst, Wawa), allowing these locations to serve as “base-camps” to the adjacent outdoor activities.

Nature-based tourism is growing worldwide at an estimated rate of 10-30 per cent per annum. Wilderness tourism—a subset of nature based tourism—is a niche market attracting a small, though generally affluent, clientele. Competition for this market is substantial, not only from other destinations throughout Northern Ontario, but from U.S. border states.

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Creating awareness of a destination's distinct products is a key to attracting visitors. Marketing of the Algoma District's tourism offering is supported by six destination and sectoral marketing organizations.

Scoring the Driving and Restraining Forces

Force Field Analysis is a technique for looking at the forces impacting a decision. It is a specialized method of weighing pros and cons (see Page 2—Determining Market Potential). To complete a force field analysis, once the forces for and against change have been identified, a score is assigned to each. In the case of determining if the market potential exists to warrant further research on the revitalization of Algoma passenger trains as infrastructure for a wilderness tourism rail corridor—to aid the process of scoring—a modified version of the Delphi Technique was used to assign scores.

The Delphi Technique is a way of obtaining group input for ideas and problem-solving. Unlike the usual group process, the Delphi Technique does not require face-to-face participation. The method uses a panel of experts who answer a series of questions. Each round of questioning is followed with the feedback on the preceding round of replies. The panel is encouraged to revise their earlier answers in light of the replies of other members of the group. During this process the range of the answers will decrease and the panel will converge towards the "correct" answer.

Scoring of the factors / considerations relating to the market potential of a wilderness tourism rail corridor was accomplished with the assistance of a panel of six participants. Forty-one considerations were scored; the combined results were returned to the panel for comment and/or revision. Individual considerations were then clustered by theme and a final score calculated. The following section contains the results of the analysis and provides commentary related to each factor.

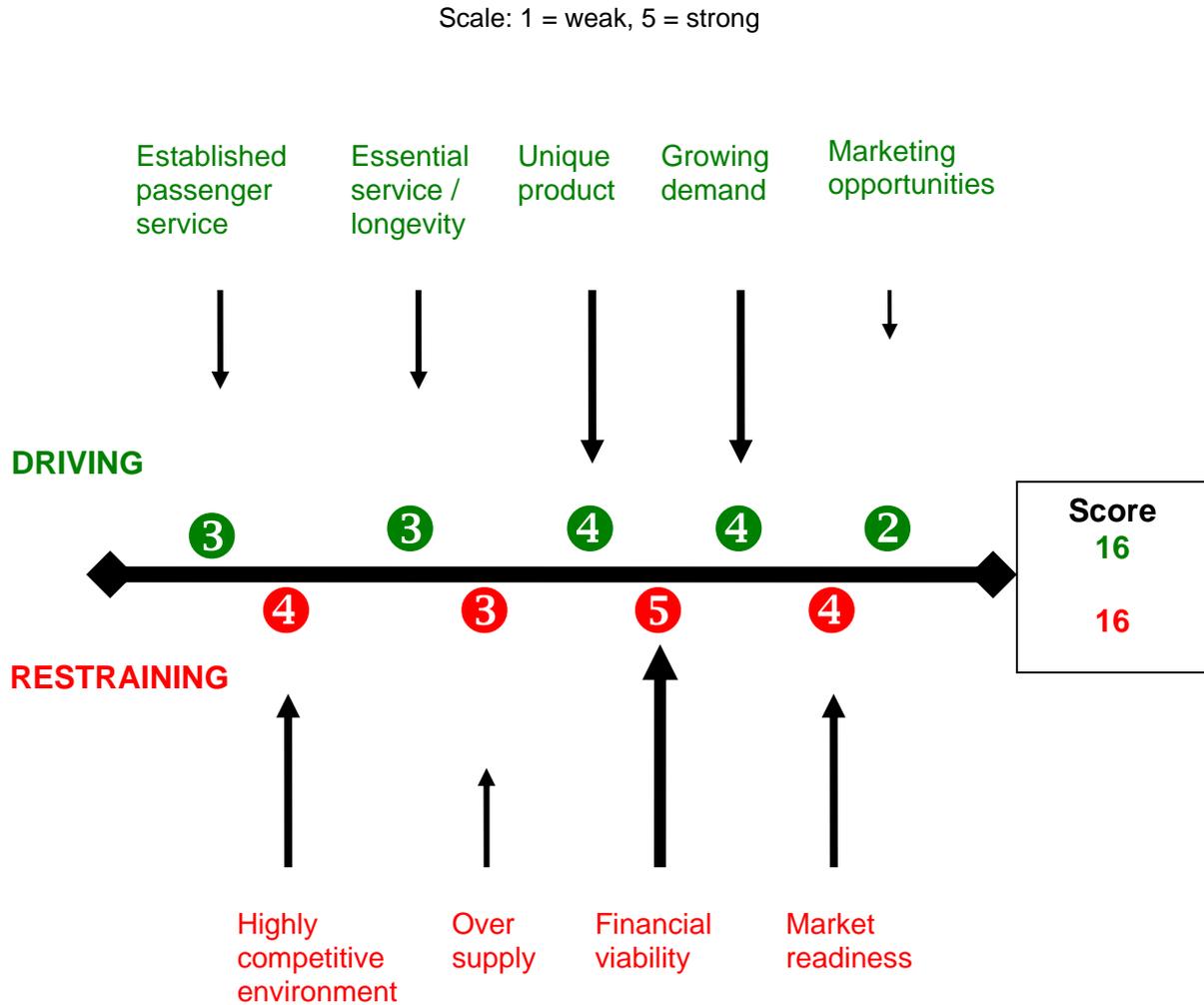
Results of the Force Field Analysis

Question: Does the market potential exist to warrant further research on the revitalization of Algoma passenger trains as infrastructure for a wilderness tourism rail corridor?

As shown in Figure 16, the driving and restraining forces are equal in weight suggesting that while the market potential for a wilderness tourism by rail corridor exists, its successful development will be encumbered by major obstacles.

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Figure 18: Force Field Analysis



Source: MGP

Driving Forces

Established Passenger Service

The ACR passenger train is an established and functioning passenger rail service offering regularly scheduled year-round service between Sault Ste. Marie and Hearst. The ACR passenger train is one of North America's few remaining "flag stop" trains where passengers can disembark or board the train anywhere along the line. After many years of deterioration, the train's rolling stock was upgraded in early 2007 when CN replaced the ACR's passenger fleet.

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Essential Service/Longevity

Due to the remoteness of the communities along the ACR line and the absence of suitable alternative transportation modes, the Canadian Transportation Authority has ruled the passenger trains as an essential service that could not be discontinued. This suggests a sense of permanence—that the service will be provided, at least until the area is accessible by other means.

Unique Product

The ACR passenger train runs through the heart of an 18,800 square mile recreational wilderness providing access to numerous lakes, rivers, and trails and a variety of wilderness resorts and lodges. It revisits the iconic art history landscape where the Group of Seven painted much of their best known works and travels through cultural communities representing the three founding peoples of Canada and the world's largest game preserve. The passenger train passes through the transition zone of Northern Ontario's two main forest regions and crosses two of Ontario's three primary watersheds.

Growing Demand

Nature-based tourism is growing worldwide at an estimated rate of 10-30 per cent per annum. In 1999, the World Travel and Tourism Council estimated nature-based tourism was accounting for 10–15 per cent of all international travel expenditure. According to the CTC, Canada is known around the world for outdoor adventure and ecotourism—these are real icons for Canada and a core competence of tourism in Northern Ontario. The remoteness of the Northern Ontario is an influential factor to drawing visitors. Forty per cent of U.S. and 33 per cent of Canadian visitors to Northern Ontario indicate they prefer to visit undiscovered places before too many hotels and restaurants are built.

Marketing Opportunities

The diversity of the product offering in the ACR corridor presents unique marketing opportunities for the passenger train corridor. In addition to local operators and suppliers and three local destination marketing organizations, the corridor crosses two of Northern Ontario's six regional tourism associations. It offers products and services of interest to Nature and Outdoor Tourism Ontario (NOTO), the Northern Ontario Native Tourism Association (NONTA), Direction Ontario (Francophone tourism), the Ontario Federation of Snowmobiles, Ontario Parks and the Ontario Trails Council. It resonates with the Canadian Tourism Commission's brand identity—"Canada. Keep Exploring." and the Ontario Tourism Marketing Partnership Corporation's brand "Ontario. Yours to discover".

Restraining Forces

Highly Competitive Environment

The tourism landscape has become increasingly competitive. For Algoma District the competition for nature-based tourism dollars not only includes destinations such as British Columbia, Alberta, Michigan, Minnesota and Wisconsin, but other locations across Northern Ontario. Competitive advantage can be gained by capitalizing on a

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destination's unique attributes. Wilderness tourism by rail is a unique selling proposition—and has been successfully leveraged by other regional passenger lines.

Over Supply

Research indicates that beyond a certain point trying to deliver too many tourism products erodes profitability. Algoma District has an over abundance of tourism by rail products—the Agawa Canyon Tour Train, the Snow Train, Tour of the Line, Rails to Trails, Wilderness by Rail: All Aboard for Ecotourism, Wilderness by Rail: Lodges Along the Line, the Canyon View Camp Car and Private Car Excursions. While the tour trains may be considered complimentary to the passenger train service—the passenger train being the carrier to more diverse tourism products with longer stay capabilities—the fact remains Algoma District has an over supply of undifferentiated train products which can lead to market clutter and consumer confusion.

Financial Viability

Over the past many years the ACR passenger train has been operating with a financial loss. Current ridership, about 10,600 passengers annually, would need to increase radically (~200%) to achieve financial viability.

Ridership of the train includes people who rely on the passenger service to access their homes and cottages and use the service for work, education, health and social purposes; it also includes tourists. In recent years both the population and tourist visitations in Algoma District have been decreasing—population, in part, due to reduced employment opportunities; tourism because of the shortage of quality product, the lack of consumer awareness about northern Ontario and increased competition.

Market Readiness Issues

Today's consumers are demanding quality, but not necessarily at the expense of price—they want demonstrated value. In building a successful tourism destination each of the five A's of tourism must be addressed—access, accommodation, attractions, activities, and amenities.

The ACR passenger train corridor without doubt offers spectacular natural attractions and an abundant of nature-based activities, many of which are only accessible by train. This access is however restricted by the mismatched schedules of the ACR with other carriers (VIA and ONR) and the limiting schedule of the ACR passenger train itself—weekend-only travel from Sault Ste. Marie is unavailable. Accommodation along the corridor and at connecting points is limited. Along the ACR line there are 12 resorts/lodges offering a range of quality and amenities—but only three are open year-round. Although ACR just recently replaced its passenger train equipment, the train offers few amenities and food service is unavailable during the eight and a half hour trip.

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The driving and restraining forces are equal in weight suggesting that while the market potential for a wilderness tourism by rail corridor exists, its successful development will be difficult. There are however a number of actions that the Coalition for Algoma Passenger Trains can take to improve the probability of successfully developing wilderness tourism by rail in the ACR corridor. The next section presents recommendations for a go-forward strategy.

Recommendations

Results of the Force Field Analysis point toward the conclusion there is market potential for a wilderness tourism by rail corridor, however, its development will encounter many barriers—the greatest of which are financial viability, market readiness issues, and the competitive environment.

Based on a positive outcome of this study, the intended next step of the Coalition's Research Plan is to complete a feasibility study. Feasibility studies involve in-depth research and analysis to assess the range of costs and benefits associated with various alternatives—that is, to determine the overall viability of a business concept.

To complete a feasibility study requires substantial amounts of information and resources (time and money). As witnessed throughout the Opportunity Study phase, critical information necessary to successfully complete a feasibility study (financial data, market intelligence) is currently unavailable. Although proceeding with a feasibility study at this time is premature there are a number of actions that the Coalition can take to improve the probability of successfully developing wilderness tourism by rail in the ACR corridor.

The following recommendations are proposed as a strategy for providing the Coalition with the incremental knowledge necessary to ultimately support a business plan for the revitalization project.

Recommendation 1

Before proceeding with a comprehensive feasibility study on the revitalization of Algoma passenger trains, missing critical base knowledge must be secured.

For organizational purposes, the remainder of the recommendations follows the dimensions of the business viability framework commonly used when undertaking a feasibility study and developing a business plan. These dimensions are:

- Market
- Technical
- Business model
- Management model
- Economic and financial

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Market

Product-Market Match

Traveller markets are becoming more heterogeneous and complex, and are constantly changing. Knowing the characteristics of a particular type of tourists can help a destination more effectively tailor and promote their products to meet the demands of the target market. Destinations also need to have a good understanding of their key product attributes to determine if they meet the demand of current and potential visitors. This will aid in determining if they should alter or increase the number or type of products that they offer.

Wilderness tourism (in the context of the ACR corridor) is a niche market comprised of soft outdoor adventure (hiking, backpacking, kayaking, canoeing), hard outdoor adventure (ice and rock climbing, rafting), fishing, hunting, non-alpine winter (snowmobiling, skiing, dog sledding), and cultural activities. To be competitive requires knowledge of the match between what is being offered and what the market wants.

Recommendation 2

Undertake a tourism product-market match study of the ACR corridor.

Gap Analysis

Issues arise when consumer expectations are not met by the experience. Understanding demand allows businesses and destinations to address the five A's of tourism—access, accommodation, attractions, activities, and amenities—ensuring the total perceived quality is positive.

During the Opportunity Study phase a number of market readiness issue were identified including the range and quality of accommodations, convenient train schedules, and the absence of amenities.

Recommendation 3

Undertake a product-facility gap analysis to determine areas that need to be addressed to meet consumers' needs.

Recommendation 4

Coordinate the resolution of identified market readiness issues with operators/suppliers, destination and sectoral marketing organizations and government agencies.

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Product Differentiation

Understanding demand allows businesses and destinations to achieve differentiation—the degree to which a destination's product is meaningfully different and superior when compared by consumers to competing products.

Tourism in the ACR corridor operates in a highly competitive environment. Its direct competitors include destinations in U.S. border states and other parts of Northern (and Southern) Ontario, Quebec as well as ACR's tour trains. Differentiating the ACR corridor's products from other similar products can create a competitive advantage.

Recommendation 5

Assess the competitive offerings of competitor destinations.

Recommendation 6

Work with operators/suppliers to identify critical attributes of the ACR corridor's tourism products that can be used to differentiate competitive offerings.

Recommendation 7

Work with ACR, operator/suppliers and destination and sectoral marketing organizations to develop a product development and marketing strategy to exploit the corridor's unique selling points.

Consumer Awareness

Research has shown that among travellers and non-travellers, awareness of Northern Ontario's tourist product offering is low. Wilderness by rail is a unique product; however, as witnessed by the passenger train's low ridership, it is not generating a high demand with nature-base tourists.

Increased awareness can be attained in many ways—marketing communications, publicity, advertising and word-of-mouth. Increased awareness can also occur through increasing the communication reach to include non-traditional stakeholders (e.g., schools, social clubs).

Recommendation 8

Develop and implement a two-year plan for increasing consumer awareness of the ACR wilderness tourism corridor.

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Technical

Federal Government Financial Contributions

CN through the federal government's Regional and Remote Passenger Rail Services Class Contribution Program receives revenues for the operation the ACR passenger trains equal to 80 per cent of reported financial losses. In addition to operating funding, the Contribution Program provides for capital funding and the start-up and capital costs for the transfer of federally-supported regional and remote passenger railway lines and services to new non-VIA operators. Understanding the extent and limitations of the Contribution Program will allow the determination of future opportunities.

Recommendation 9

Gain a thorough understanding of the Regional and Remote Passenger Rail Services Class Contribution Program.

Capacity

In planning for tourism growth consideration must be given to the maximum number of tourists a destination can accommodate. Understanding capacity limits allows destinations to identify and prioritize management action options, e.g., build a new hotel, extend shopping hours, increase parking.

In the context of the ACR corridor there are two components of capacity that must be taken into account—physical infrastructure and the natural environment. Physical infrastructure refers to, for example, the number of room nights available or the number of snowmobiles the passenger train can transport. Natural environment refers to the level of activity, e.g., number of anglers on a lake, the number of hikers on a trail that can be sustained without deteriorating the environment or the quality of the visitor experience.

Recommendation 10

Determine the capacities of the ACR corridor's physical infrastructure and natural environment.

Business Model

Lessons Learned

A case study is a research method which focuses on the characteristics, circumstances, and complexity of a single case, or a small number of cases and is used for identifying best practices and problem-solving strategies.

The current situation of the Algoma passenger trains is not an isolated case in Canada. In the Opportunity Study phase, two regional carriers were identified—Esquimalt and Nanaimo Railway and the Quebec North Shore and Labrador Railway—that experienced

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similar circumstances. Knowing what obstacles they encountered and the solutions they rendered could provide valuable insight and direction to the Coalition.

Recommendation 11

Undertake an in-depth examination (case study) of Canadian regional passenger railways managed/operated by not-for-profit associations.

Management Model

Collaboration and Partnerships

The Coalition for Algoma Passenger Trains was initiated by those concerned with the deterioration of the Algoma passenger train service. To date the Coalition has been very successful garnering support calling on the federal and provincial governments to take affirmative action on the revitalization of the ACR passenger trains. To move forward on the development of a wilderness tourism by rail corridor will require collaborative partnerships with the federal and provincial governments and key players representing CN/Algoma Central Railway, all rail corridor municipalities, First Nations, tourism and recreational interests.

Collaborative partnerships require more than a general expression of support; they require a commitment to co-operate to achieve a common goal, plan and implement joint projects, and to share information, risks and rewards.

Recommendation 12

Continue open discussions with key players to establish common ground and begin working towards shared visions, objectives and values.

Objectives

A key element of business planning is the ability to explicitly state the business's objectives in terms of the results it needs/wants to achieve in the medium/long term. Objectives relate to the expectations and requirements of all the major stakeholders and reflect the underlying reasons for running the business.

Business objectives are the benchmarks of a feasibility study—without them it is impossible to gauge the feasibility of a project.

Recommendation 13

The Coalition develops objectives that articulate the focus, intent, direction and priorities of the organization.

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Incorporation and Not-for-Profit Status

Incorporation as a not-for-profit organization is practical and effective as it provides benefits in terms of legal entity (an incorporated organization has a separate legal personality distinct from its members), limited liability (members of an incorporated organization are not normally personally liable for its debts and obligations) and perpetual existence (if the members change, the incorporated body continues to exist). Incorporation strengthens the operating structure of an organization as it requires the formulating of by-laws—the official rules and regulations which govern a corporation's management.

Most importantly, as an incorporated not-for-profit, an organization is eligible to apply to funding programs available from various provincial and federal agencies. Corporate sponsorship, an important consideration for attaining financial sustainability, also normally requires a not-for-profit organization to be incorporated.

Recommendation 14

The Coalition investigates the merits of incorporating as a not-for-profit association.

Economic and Financial

Accurate financial projections are an essential component of a feasibility study. To assess the financial viability of the wilderness tourism by rail corridor requires knowledge of past and estimates of future costs and revenues.

Financial information regarding other Canadian regional passenger railways would serve as a benchmark by which to gauge the efficiency of the Algoma passenger train.

Recommendation 15

Expand the scope of the case study of other Canadian regional passenger railways (Recommendation 11) to include fare structures, operating costs and revenues and capital maintenance costs.

Under the *Access to Information Act*, requests for historical information regarding subsidies, contribution agreements and passenger service numbers for the Algoma Central Railway have been made to Transport Canada and the Canadian Transportation Authority.

Recommendation 16

Continue to seek historical information regarding the financial operation of the ACR under the *Access of Information Act*.

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Transportation systems are a means of maintaining or improving economic opportunities, quality of life, and, ultimately, incomes for people in a particular region. Their impacts included user benefits (time, safety), growth of direct, indirect and induced economic activity (sales, jobs, wages, value added), maintenance and operations spending, land development (land use, property values), fiscal impacts (government revenues and costs) and environmental and quality of life impacts.

Economic and social impact information regarding other Canadian regional passenger railways would serve as a benchmark by which to gauge the effectiveness of the Algoma passenger train.

Recommendation 17

Expand the scope of the case study of other Canadian regional passenger railways (Recommendations 11 and 15) to include economic and social benefits and costs.

While the ACR's passenger train does not generate sufficient cash flow to sustain these services, they do generate economic advantages for communities in the corridor. Understanding the extent of these economic impacts is crucial to the decision of revitalizing Algoma passenger trains as infrastructure for a wilderness tourism rail corridor.

Recommendation 18

Undertake a regional economic impact assessment of the Algoma passenger train service.

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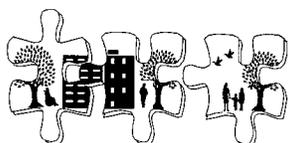
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