Pangnirtung Hotel Feasibility Study
Type of Study: Feasibility Studies
Date of Report: 1986
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11-32-42
CG

\$1.98 mm total
\$0.9 mm gov't
\$1.08 mm private sector

+ gov't support for training programs?
+ allowance for overruns!
+ land?
+ impact on gov't services
+ future commitments?

PANGNIRTUNG HOTEL

FEASIBILITY STUDY

- S/ARDA with support from Parks Canada & CEIC for T.E.
- another Sawmill if it doesn't meet expectations?
- Seat on Board for GNWT support?
- mgmt support systems financial, personnel, standards?

- required IRR established at 25% which is top end of 15-25% range see page 5-3
- NPV 25% is unreasonable
- both IRR & NPV as calculated require higher grant to make project feasible
- why & deliberate or ignorance?
- with \$550K IRR of 17.5% exceeds minimum expectation of 15%. also more realistic discount rate for NPV would likely result in ≥0.

Prepared by:

MARSHALL MACKLIN MONAGHAN LIMITED

BURDETT-MOULTON LTD.

Prepared for:

Department of Economic Development and Tourism

30-86015-R01
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PANGNIRTUNG HOTEL FEASIBILITY STUDY

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1.0 INTRODUCTION

1.1 Background to the Study

The Hamlet of Pangnirtung is located in southeastern Baffin Island, 250 air miles north of Frobisher Bay. There are a number of features that contribute to Pangnirtung's existing and potential tourist attraction including:

- outstanding scenery
- Auyuittuq National Park
- char fishing opportunities and facilities
- hiking trails
- historic/archaeological sites
- Inuit culture (including arts and crafts)

Tourists began to visit Pangnirtung as early as the 1930's on the annual supply ship. The first tourist operation in "Pang" was the Clearwater Fish Camp located in Clearwater Fiord, built in 1968.

In 1972, tourism increased dramatically with the designation of Auyuittuq National Park Reserve.

In 1981, Marshall Macklin Monaghan was hired by the Department of Economic Development and Tourism to assess the opportunities for further tourism industry development in Pangnirtung. The Pangnirtung Community Tourism Study was considered a pilot project study and as such had a double intent.

1. To evaluate the feasibility of expanding and developing tourism in "Pang" and to develop an implementation plan for future tourism development.

2. To develop a methodology which could be utilized to study the possibilities for community based tourism in other communities throughout the N.W.T.

The final recommended approach for tourism development in Pangnirtung was to focus on packaged tourism to ensure the greatest degree of community benefit and control. More specifically the community accepted the "community based learn/observe/experience tourism" approach catering to small general interest type tour groups.

The market analysis component of the tourism study identified and confirmed a relatively large potential market for the Pangnirtung products. In order to capitalize on the identified markets, a series of development opportunities were identified along with recommendations on the types of training programs needed to ensure a skilled and efficient tourism work force.

To guarantee adequate community involvement throughout the tourism study process and to provide direction to the consultants, the Hamlet Council established a local Tourism Board. This Tourism Board in conjunction with the GNWT has successfully implemented most of the recommendations from the tourism study, including the development of historic sites and hiking trails and the construction of a visitor centre. However, the one major constraint to future expansion of the tourism industry continues to be the lack of proper accommodation facilities, to fulfill the market requirements/needs as well as to conform to GNWT health and safety standards. As stated in the terms of reference for this study, from a tourism perspective "package tours are the key to success, but wholesalers will not consider selling group tours until this problem is resolved". Additionally, because of the sub-standard facility, GNWT contractors are not required to stay at the hotel as they are in most other N.W.T. communities.

Several studies were undertaken in recent years to examine the facility and determine first of all upgrading/renovation potential, and secondly to establish a fair market value for sale of the hotel.

The first analysis undertaken by the Canadian Executive Service Overseas concluded that the existing hotel facilty is "not well constructed and would be very costly and almost impossible to remodel."[1] It was suggested that the existing lodge would make an ideal dormitory to complement a new hotel facility.

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1) Letter to Katherine Trumper, Sept. 12, 1983 from T. Maber of the Canadian Executive Service Overseas.

A second report completed by the Department of Public Works in 1984[1] concluded that the Peyton Lodge was considered as being structurally suitable for retrofit.

A third study was undertaken by D.A. Hughes and Associates in 1984 to express an opinion on the market value on Peyton Lodge as if available on the open market. This study concluded that as of July 12, 1984 the estimated market value of the property and assets of Peyton Lodge were worth $450,000 with 50% government funding or $570,000 with 100% government funding. The assessment also identified the reproduction cost for a new (identical) hotel facility in Pangnirtung at $650,000.

None of the aformentioned studies looked at the specific needs and expectations of relevent tourist markets for a hotel facility in Pangnirtung. Nor did any of the studies undertake a market and financial feasibility assessment for a proper hotel facility.

To address these deficiencies the Department of Economic Development and Tourism contracted Marshall Macklin Monaghan Limited to undertake the Pangnirtung Hotel Feasibility Study.

1.2 Study Objectives

The initial overall objective was to conduct a feasibility study to investigate the possibility for purchase, upgrading and expansion of Peyton Lodge to meet the specific needs of existing and potential user groups over the next ten years. The intent was to identify the economic means and develop guidelines for the renovation/expansion of the lodge facility that would satisfy all user needs and reflect the unique nature of the Pangnirtung tourism product. It was also intended that the study would include a preliminary analysis of the potential needs for a new hotel facility in Pangnirtung within the study timeframe. More specifically the objectives were as follows:

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1) Peyton Lodge - Condition Report, July 17, 1984 by Stan Hodgson, Department of Public Works.

- To undertake a **comprehensive market analysis** including an evaluation of available secondary data sources as well as to conduct primary research into the consumer needs as expressed by relevent tour wholesalers/retailers, operators and government officials.

- To **prepare "first cut" physical specifications** and capital cost estimates for an upgraded/expanded hotel facility to meet the needs of projected user groups and traffic volumes.

- To **identify staffing needs and relevent training requirements** for the upgraded new hotel facility.

- To **determine the financial viability** for purchasing, upgrading and expanding Peyton Lodge based on visitor projections, including a detailed cost/benefit analysis. This assessment was to include an assessment of construction alternatives (ie. owner built versus contractor built) as well as varying debt/equity ratios based on potential government funding contributions.

- The final product was to include **guidelines for development** of an upgraded hotel facility and an evaluation of government assistance/involvement required to provide potential private investors/developers with an **adequate return on investment.** Final recommendations would also include preliminary assessment of the future need for a new hotel facility in Pangnirtung.

Part way through the study process, following the initial market analysis and the architectural assessment for retrofitting the hotel it became clear that building a new hotel facility was a more realistic approach. (The logic for this decision is fully documented throughout this report.) Thus, the study objectives were revised as follows:

- To provide a comprehensive market analysis on expressed consumer needs for a facility in Pangnirtung.

- To provide capital cost estimates and feasibility of a new, modest hotel resort facility accommodating between 28-36 beds.

- To provide visitation and income projections, including a detailed cost/benefit analysis. The assessment will include the costing of construction alternatives as well as varying debt/equity ratios based on potential government funding contributions.

- To provide an evaluation of government assistance involvement required to provide private investors/developers with an adequate return on investment.

1.3 Study Process

The project methodology was comprised of the following three phases.

Phase 1 - Situation Analysis

This phase covered the initial background data analysis, the market analysis, and the definition of hotel development guidelines.

Phase 2 - Feasibility Assessment

The study phase involved the detailed financial feasibility assessment of a new hotel facility in Pangnirtung based on the visitor projections identified in Phase 1.

Phase 3 - Implementation

This phase involved the detailing of the implementation plan and submission of the final report.

2.0 SITUATION ANALYSIS

2.1 Past Tourism Visitation to Pangnirtung

The first tourist operation in Pangnirtung was the Clearwater Fish Camp in Clearwater fiord. Built in 1968, it was comprised of several tents and a cook house. The present owners (R. Peyton and D. Cressman) leased the camp from the government in the summer of 1970 for July and August operation. Up to 12 persons per week were flown into Pangnirtung by Nordair for the nine to ten week fishing season. In 1977 the present owners bought the camp from the government.

Peyton and Cressman also built a hotel (originally called Manton House) in Pangnirtung, which in 1973 could accommodate 20 persons in 10 rooms.

With the creation of Auyittuq National Park in 1972, tourism visitation began to increase dramatically in Pangnirtung. This park is Canada's only national park located above the Arctic Circle. In the months of June and July it offers hiking, mountain climbing, and naturalist experiences while during the winter a variety of recreational activities are pursued.

It is somewhat difficult to obtain a clear understanding of the total number of tourists travelling to Pangnirtung each year, and their characteristics. However, it is possible through a variety of sources to identify approximate visitation numbers and visitor characteristics.

Although there may be some degree of overlap and exclusion in the following figures they do provide an indication of overall visitation numbers.

	Total Visitation To		
Year	**Auyittuq National Park**	**Peyton Lodge (tourists)**	**First Air to Pang**
1984	576	267	2,224*
1985	461	116	(1983)

* 1985 data was requested but never received.

In addition to those tourists staying at Peyton Lodge and travelling in the Park there are also a significant number that travel directly from the airport to the two fish camps (Tongait and Clearwater).

The following three visitor surveys were undertaken in recent years in an attempt to define the characteristics of tourist visitors to Pangnirtung.

i) Parks Canada Visitor Survey

A visitor survey completed by Parks Canada for Auyuittuq National Park in 1982 identified the following visitor characteristics.

Visitor Profile	-	majority (93%) from Canada (64.2%) and the U.S. (28%)
	-	male (76%), female (24%)
	-	university educated (94.5%)
Reasons for travel	-	arctic experience, climbing, hiking, backpacking
	-	main destination was the Park for 76% of visitors

Records kept by Parks Canada in 1985 indicated the visitors originated from the following countries.

Canada	75%
U.S.A.	19%
England	3%
France	1%
Germany	1%

ii) Baffin Air Survey

A Baffin Air Survey undertaken in 1985 by Canadian Facts for the Department of Economic Development and Tourism identified the following visitor characteristics.

- the average travel party size was 2.5 persons
- the primary trip purpose for those surveyed was business (64%), vacation/holiday (29%) and commuting/family/other reasons (7%)
- the vast majority of travellers of the Baffin were from Canada with
  - 39% from Ontario
  - 25% from Quebec
- U.S. visitors comprised 15% of the visitors
- approximately 50% of visitors were only going as far as Frobisher Bay
- overall visitors stayed an average of 14 nights in the N.W.T. with business travellers staying an average of 16 nights and others an average of 12 nights
- the majority of visitors to the Baffin stayed at a hotel or motel; the average length of stay for individuals staying in hotels was shorter averaging 7 days.

iii) Pangnirtung Visitor Survey

As part of the 1982 Pilot Study, a survey of visitors to Pangnirtung was carried out in the summer of 1981. The following is a brief overview of survey findings as they relate to the current and projected visitation to any hotel development in the community:

- Origin of visitors was from Ontario (25.8%), N.W.T. (21.9%), the U.S.A. (19.5%) and from Quebec (11.7%).

- Of all visitors, 75% came in groups of 1 to 5 persons, specifically; with friends (27.0%), with a club/group (24.0%), by self (23.5%), with family (19.4%) and as part of a commercial tour package (6.1%).

- The purpose of the visit to Pangnirtung was given as a trip to visit the area (37.7%), for business (22.0%), and to visit friends and relatives (7.4%). For the majority of visitors (99.5%), Pangnirtung was their only destination.

- A typical profile of visitors in this survey indicated that of total nights, 42.4% were spent in Pangnirtung, 18.6% were spent in Auyuittuq National Park, and 21.7% in Frobisher Bay.

- While in the Northwest Territories, 38.1% of total visitor nights were spent in a hotel, 32% in a tent and 11.6% with friends or relatives.

- Information respecting this destination was obtained from friends/relatives (22.2%), from travel agent tour group (17.4%), from Parks Canada (13.5%), from a government office (10.9%) or from an airline (9.6%).

- Activities undertaken while in the Pangnirtung area included photography (71.3%), sightseeing (64.9%), hiking/backpacking (61.2%), buying handicrafts (48.9%), visiting Auyittuq National Park (40.4%), fishing (29.8%), and winter activities (6.4%).

- With respect to satisafaction of accommodation facilities, 58% were satisfied, 20% very satisfied and 19.1% were not satisfied.

- The demographic profile of visitors would seem to indicate that in terms of age and income, visitors are primarily between 21 to 40 years of age (39.5%). Respondents over the age of 57 constituted 21.6% of visitation.

Overall it can be concluded that tourism visitation to Pangnirtung is still quite low and very much focussed on the Canadian markets.

2.2 Peyton Lodge Assessment

Peyton Lodge first opened in 1971 and consisted of twelve bedrooms on the ground floor and a living room, office and kitchen on the second floor. In the ensuing years the facility was expanded to provide a total of 24 rooms with common washroom facilities using honey buckets. In 1978, when running water was installed, the washrooms were expanded and a laundry room was built. Today the facility is comprised of the following facilities:

- 20 bedrooms (19 doubles and 1 single of which 2 are presently occupied by the owner and live-in staff).
- common washroom facilities on ground level to service guests
- Ross Peyton's room has an adjoining washroom
- 1½ washrooms on the second floor
- 1 year round office
- 1 summer office
- kitchen and dining/lounge area.

During the winter months four rooms are blocked off and the dining room/lounge is closed down as possible with guests being fed in the small radio room area.

The guest rooms are very small (10' x 10') and contain two single beds with a night table in between. Windows are small and a number were broken at the time of the site visit in the spring of 1986.

At the present time single occupancy is not possible if the hotel is busy. Similar to most northern hotels, guests are required to double up when full. The current rates are broken down as follows:

room rate per person	$ 70.00
breakfast	12.50
lunch	19.50
dinner	28.00
Total	**$ 130.00**

Meals are served at specific times and service is basically "camp style". The dining area is located in the same room as the T.V. lounge area.

The hotel is heated by 3 forced air fired furnaces located on the ground floor. Plumbing consists of an in-house pressure system with water reservoir. Flush toilets are installed during the summer season only, with honey buckets being used throughout the rest of the year. Sewage is drained to a holding tank and greywater is drained directly outside.

The following drawing illustrates the existing facility layout.

The hotel is well situated with respect to road access and has excellent views of the Fiord and mountains. On a year round basis the hotel receives municipal water, garbage and sewage service on a regular or demand basis. To supplement municipal water delivery in the peak summer season the hotel owner has tapped a nearby creek.

Directly behind the lodge, Ross Peyton owns a small bunkhouse facility which has currently been leased to Tower Arctic for their work crews, through the fall of 1986.

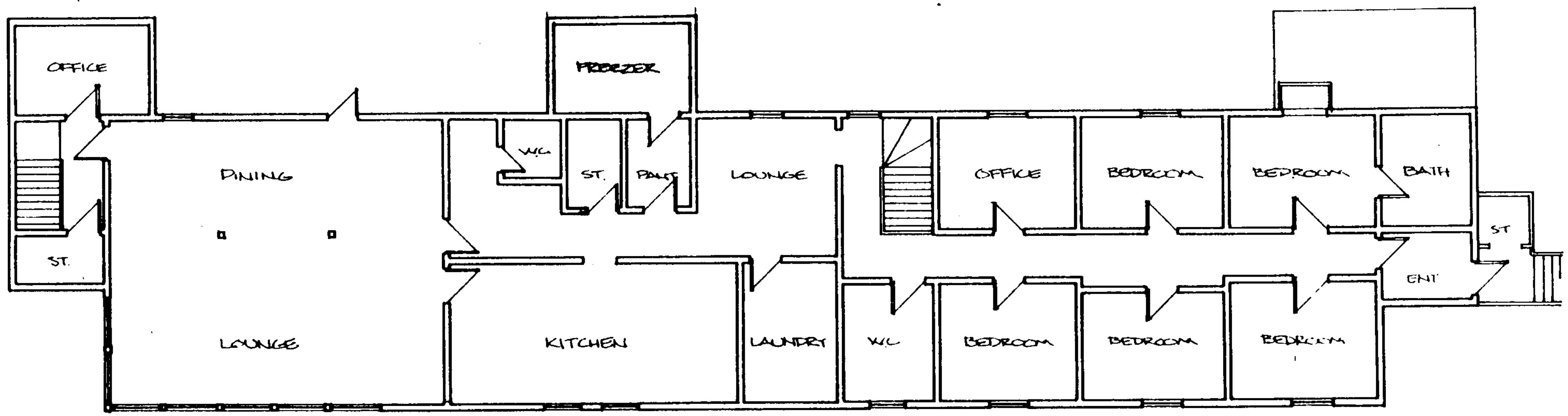
From the outside the hotel does not portray a resort lodge image in the least. The roof is a flat wood-deck with a built up bituminous membrane for waterproofing. The exterior walls are clad with wooden clapboard siding. Several protruding additions have been built on the backside. The surrounding area is covered with garbage, old lumber, oil drums and other discarded paraphernalia, creating a most unaesthetic situation.

The building appears to be in good stuctural condition but due to changing codes, an upgrading of Tourism Standards, and the changing costs of energy, the building has accumulated a great number of deficiencies.

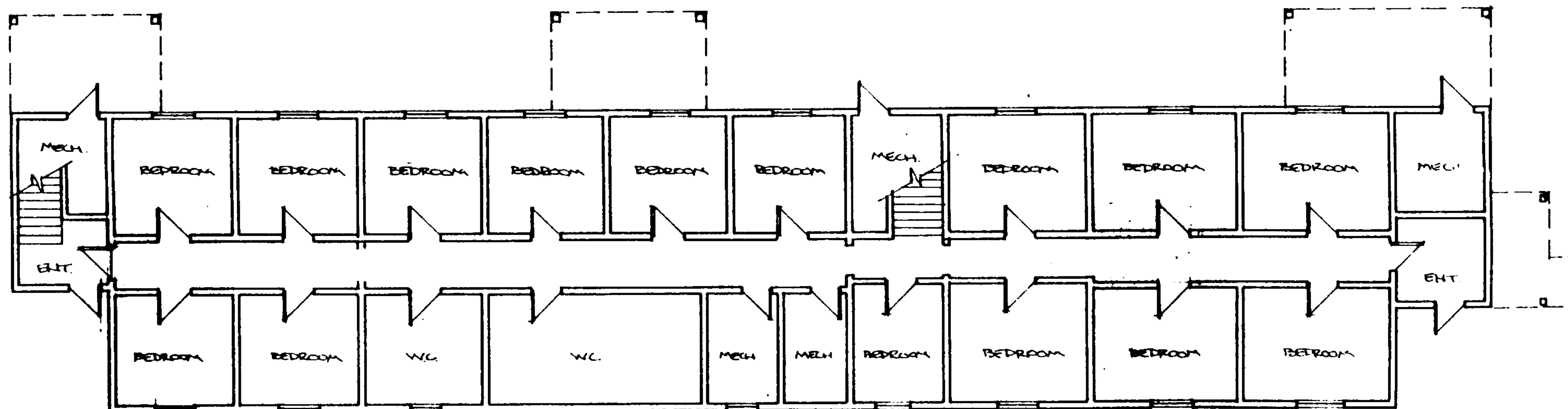
These deficiencies are outlined below:

i) National Building Code:

1. Fire Separations: The present structure does not provide the required 3/4 hr. assembly, nor does it provide the necessary 1 hr. fire resistance rating around the kitchen, the exits, and the furnace rooms. The doors do not satisfy the required fire resistance ratings of 20 min. for the sleeping rooms or 3/4 hr. for the exits. All doors should have a self-closing device.



Second Floor Plan



First Floor Plan

Figure 2 - 1

PEYTON LODGE

PANGNIRTUNG N.W.T.

2. Flame Spread Ratings: The existing finishes throughout do not satisfy the required flame spread ratings of 25 in the corridors and 150 throughout the rest of the building.

3. Exits: The exit at the south end of the building on the second floor is too high above the ground and must be enclosed and brought down to ground level. A section of the corridor on both the ground and second floors is narrower than the accepted width of 1,100 mm. The existing practice of closing off the north end of the facility during the winter results in a dead end corridor and only one fire exit. This will have to be dealt with.

4. The Mechanical System: Two of the three existing furnances are presently located below the exit stairs contrary to code. All the ductwork should be of noncombustible construction. The plywood corners as part of the ductwork in the mechanical room are unacceptable. Where all the existing ductwork penetrate fire separations dampers must be installed. For maintenance reasons the 3 warm air systems should be consolidated into one hot water heating system.

5. Electrical System: The building has recently been completely upgraded to code with surface wiring, but there are already deficiencies due to the lack of maintenance. The system will have to be completely reset within the walls when all the finishes are removed from the walls.

6. Occupancy: The rooms should be a minimum of 7 m^2 (75 ft^2)/single and 4.6 m^2 (50 ft^2)/person in multiple occupancy (i.e. 100 ft^2/double).

ii) **N.W.T. Tourism Standards**

To meet the Northwest Territories Tourism Standards the rooms should be increased in size. The minimum should be 100 ft^2/single and 150 ft^2/double. As well, each bedroom would have to have a flush toilet, a basin, and either a bathtub or bath shower.

iii) Northern Insulation Standards

The construction is structurally sound but the insulation values throughout are extremely low for Northern climates; Walls RSI 2.1 (R-12) and the floor RSI 1.7 (R-10). The roof has a history of repeated failure. The flat roof with built-up bituminous membrane is considered unacceptable for the North. As well the main window type, a horizontal aluminum sliding sash in wood frame is unacceptable for Northern climates.

iv) Architectural Evaluation

The building does nothing to complement the natural surroundings or contribute to the community fabric. Its rather haphazard appearance gives one no sense of cleanliness, quality or comfort. Nor does one feel at all welcomed.

The lack of a clearly defined entrance is disorienting to the first time guest. In fact, the lack of a main entrance gives one the impression that he is entering by a side entrance. This disorientation continues upon entering when there is no clear foyer or any indication where one might find the office.

The location of the office on the second floor is a major problem resulting in security problems, congestion during the arrival of groups, and the unnecessary carrying of luggage upstairs and then downstairs again where the majority of the rooms are found.

The organization of the circulation, storage and washroom space results in unused and wasted space. The separation of the kitchen from the pantry and the freezer space by major circulation is also a drawback. The lounge and dining area are neither an efficient use of space nor cozy and comfortable. The windows in the lounge look out to the view but are primarily oriented across the fiord rather than up the valley. The latter view is breathtaking and should be celebrated and the central focus of the hotel.

2.3 Historical Analysis of Hotel Visitation

There were two types of records used to analyze historical trends and visitation patterns to the facility:

- o Detailed monthly sales sheets which recorded person's room, food, miscellaneous and total bill.

- o Aggregated monthly records which categorized visitors by type.

The aggregated records of visitors by type were assumed to be correct except for August 1984.[1] The detailed records were used to provide estimates for length of stay by dividing room revenue by $70 for each individual.

Tourist visitors were not broken down into package and independent visitors, so the detailed records were utilized to determine the number of package visitors. These were subtracted from the total tourist visitors to determine the number of independent visitors.

2.3.1 - Visitor Analysis

Annual visitation by visitor group is outlined in Table 2-1. The key points of this table are:

- o Business[2], government, and construction groups each represent about 30% of the visitation in 1985.

- o Business has shown the largest increase in the number of visitors from 49 in 1981 to 367 in 1985 or an average increase of 67%.

- o Government visitors have shown a steady increase from 199 in 1981 to 356 in 1985 or an average 17% increase per year.

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1) Having gone through the detailed records, a count of 95 visitors as opposed to 46 in the aggregated records was used.

2) Business was termed "other" in the aggregated hotel records.

Table 2-1

ANNUAL VISITATION

VISITOR GROUP	1981	1982	1983	1984	1985	AVERAGE
BUSINESS	49	83	159	281	367	188
GOVERMENT	199	246	230	307	356	268
CONSTRUCTION	70	58	71	135	370	141
TOURIST	346	287	237	267	116	251
Package				99	74	87
Independent				168	42	105
TOTAL	664	674	697	990	1,209	847

ANNUAL VISITOR PROFILE

VISITOR GROUP	1981	1982	1983	1984	1985	AVERAGE
BUSINESS	7.4%	12.3%	22.8%	28.4%	30.4%	20.2%
GOVERMENT	30.0%	36.5%	33.0%	31.0%	29.4%	32.0%
CONSTRUCTION	10.5%	8.6%	10.2%	13.6%	30.6%	14.7%
TOURIST	52.1%	42.6%	34.0%	27.0%	9.6%	33.1%
Package				10.0%	6.1%	8.1%
Independent				17.0%	3.5%	10.2%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

PERCENTAGE CHANGE IN VISITATION

VISITOR GROUP	1981/82	1982/83	1983/84	1984/85	AVERAGE
BUSINESS	69.4%	91.6%	76.7%	30.6%	67.1%
GOVERMENT	23.6%	-6.5%	33.5%	16.0%	16.6%
CONSTRUCTION	-17.1%	22.4%	90.1%	174.1%	67.4%
TOURIST	-17.1%	-17.4%	12.7%	-56.6%	-19.6%
Package				-25.3%	-25.3%
Independent				-75.0%	-75.0%
TOTAL	1.5%	3.4%	42.0%	22.1%	17.3%

- o Construction visitors had a dramatic increase in number from 1984 to 1985 of 174%.

- o Tourist visitors represented only 10% of total visitation in 1985 which was down considerably from the high of 35% in 1981.

- o Package tourists have decreased from 99 in 1984 to 74 in 1985.

- o Overall visitation to the hotel has increased every year since 1981. The largest increase was 1983 to 1984. The average percentage increase since 1981 was 28%.

Tables 2-2, 2-3 and 2-4 detail the visitation by month. Key seasonal patterns which have emerged are:

- o Business visitors are generally well distributed throughout the year with the exception of a slack period in the winter. Visitation in the other season's tend to fluctuate a great deal annually.

- o Government visitors show a slight over tendency to visit during the months July -October.

- o Construction visitors show very little consistency in their visitation patterns, though January appears to be a low period.

- o Tourist visitation to the hotel is highly concentrated in the months of July and August.

- o Overall visitation in 1985 was generally well distributed with the months of May to October receiving the heaviest visitation and January and February the lightest. In 1984, visitation showed a more irregular pattern as July had nearly a quarter of the annual visitation.

Table 2-2

1985 VISITATION

MONTHS	BUSINESS	GOVERMENT	CONSTRUCTION	PACKAGE TOURIST	INDEPENDENT TOURIST	TOTAL
JANUARY	5	13	4			22
FEBRUARY	14	8	21		1	44
MARCH	35	31	36			102
APRIL	22	15	24		4	65
MAY	35	33	47		2	117
JUNE	52	40	60		3	155
JULY	26	35	45	21	14	141
AUGUST	45	53	10	53	1	162
SEPTEMBER	61	35	52		9	157
OCTOBER	28	59	31		7	125
NOVEMBER	24	19	21			64
DECEMBER	20	15	19		1	55
TOTAL	367	356	370	74	42	1,209

1984 VISITATION

MONTHS	BUSINESS	GOVERMENT	CONSTRUCTION	PACKAGE TOURIST	INDEPENDENT TOURIST	TOTAL
JANUARY	12	19	1			32
FEBRUARY	24	32	5			61
MARCH	9	24	0			33
APRIL	19	14	2	10	5	50
MAY	71	29	3		4	107
JUNE	10	31	1		12	54
JULY	28	37	2	53	109	229
AUGUST	10	22	0	36	27	95
SEPTEMBER	24	46	7		7	84
OCTOBER	29	36	22		4	91
NOVEMBER	32	10	51			93
DECEMBER	13	7	41			61
TOTAL	281	307	135	99	168	990

1983 VISITATION

MONTHS	BUSINESS	GOVERMENT	CONSTRUCTION	TOURIST	TOTAL
JANUARY	0	10	3	3	16
FEBRUARY	9	18	3	4	34
MARCH	4	9	7	12	32
APRIL	7	9	2	8	26
MAY	11	30	5	24	70
JUNE	12	22	4	13	51
JULY	68	34	6	65	173
AUGUST	8	23	11	48	90
SEPTEMBER	4	30	15	14	63
OCTOBER	32	20	13	34	99
NOVEMBER	2	23	2	8	35
DECEMBER	2	2	0	4	8
TOTAL	159	230	71	237	697

Table 2-2 cont'd

1980 VISITATION

MONTHS	BUSINESS	GOVERMENT	CONSTRUCTION	TOURIST	TOTAL
JANUARY	3	3	0	10	16
FEBRUARY	10	25	1	14	50
MARCH	0	20	17	21	58
APRIL	28	9	4	26	67
MAY	25	10	1	7	43
JUNE	5	48	8	42	103
JULY	5	37	11	78	131
AUGUST	1	23	1	40	65
SEPTEMBER	0	26	7	28	61
OCTOBER	1	13	6	5	25
NOVEMBER	2	25	2	14	43
DECEMBER	3	7	0	2	12
TOTAL	83	246	58	287	674
(%)					

1981 VISITATION

MONTHS	BUSINESS	GOVERMENT	CONSTRUCTION	TOURIST	TOTAL
JANUARY	0	1	1		2
FEBRUARY	0	9	3	14	26
MARCH	0	17	2	17	36
APRIL	2	7	1	5	15
MAY	5	12	21	19	57
JUNE	8	35	3	20	66
JULY	7	35	13	76	131
AUGUST	6	35	2	101	144
SEPTEMBER	11	10	6	16	43
OCTOBER	5	23	8	36	72
NOVEMBER	0	12	8	14	34
DECEMBER	5	3	2	28	38
TOTAL	49	199	70	346	664

Table 2-3

1985 VISITOR PROFILE

MONTHS	BUSINESS	GOVERMENT	CONSTRUCTION	PACKAGE TOURIST	INDEPENDENT TOURIST	TOTAL
JANUARY	1.4%	3.7%	1.1%	0.0%	0.0%	1.3%
FEBRUARY	3.8%	2.2%	5.7%	0.0%	2.4%	[illegible]
MARCH	9.5%	8.7%	9.7%	0.0%	0.0%	8.4%
APRIL	6.0%	4.2%	6.5%	0.0%	9.5%	5.4%
MAY	9.5%	9.3%	12.7%	0.0%	4.8%	9.7%
JUNE	14.2%	11.2%	16.2%	0.0%	7.1%	12.8%
JULY	7.1%	9.8%	12.2%	28.4%	33.3%	11.7%
AUGUST	12.3%	14.9%	2.7%	71.6%	2.4%	17.4%
SEPTEMBER	16.6%	9.8%	14.1%	0.0%	21.4%	13.0%
OCTOBER	7.6%	16.6%	8.4%	0.0%	16.7%	10.3%
NOVEMBER	6.5%	5.3%	5.7%	0.0%	0.0%	5.3%
DECEMBER	5.4%	4.2%	5.1%	0.0%	2.4%	4.5%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1984 VISITOR PROFILE

MONTHS	BUSINESS	GOVERMENT	CONSTRUCTION	PACKAGE TOURIST	INDEPENDENT TOURIST	TOTAL
JANUARY	4.3%	6.2%	0.7%	0.0%	0.0%	3.2%
FEBRUARY	8.5%	10.4%	3.7%	0.0%	0.0%	6.2%
MARCH	3.2%	7.8%	0.0%	0.0%	0.0%	3.3%
APRIL	6.8%	4.6%	1.5%	10.1%	3.0%	5.1%
MAY	25.3%	9.4%	2.2%	0.0%	2.4%	14.8%
JUNE	3.6%	10.1%	0.7%	0.0%	7.1%	5.5%
JULY	10.0%	12.1%	1.5%	53.5%	64.9%	23.1%
AUGUST	3.6%	7.2%	0.0%	36.4%	16.1%	9.6%
SEPTEMBER	8.5%	15.0%	5.2%	0.0%	4.2%	8.5%
OCTOBER	10.3%	11.7%	16.3%	0.0%	2.4%	9.2%
NOVEMBER	11.4%	3.3%	37.8%	0.0%	0.0%	9.4%
DECEMBER	4.6%	2.3%	30.4%	0.0%	0.0%	6.2%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

COMBINED 1984/85 VISITOR PROFILE

MONTHS	BUSINESS	GOVERMENT	CONSTRUCTION	PACKAGE TOURIST	INDEPENDENT TOURIST	TOTAL
JANUARY	2.6%	4.8%	1.0%	0.0%	0.0%	2.5%
FEBRUARY	5.9%	6.0%	5.1%	0.0%	0.5%	4.6%
MARCH	6.8%	8.3%	7.1%	0.0%	0.0%	6.1%
APRIL	6.3%	4.4%	5.1%	5.8%	4.3%	5.2%
MAY	16.4%	9.4%	9.9%	0.0%	2.9%	10.2%
JUNE	9.6%	10.7%	12.1%	0.0%	7.1%	9.5%
JULY	8.3%	10.9%	9.3%	42.8%	58.6%	16.8%
AUGUST	8.5%	11.3%	2.0%	51.4%	13.3%	11.7%
SEPTEMBER	13.1%	12.2%	11.7%	0.0%	7.6%	11.0%
OCTOBER	8.8%	14.3%	10.5%	0.0%	5.2%	9.8%
NOVEMBER	8.6%	4.4%	14.3%	0.0%	0.0%	7.1%
DECEMBER	5.1%	3.3%	11.9%	0.0%	0.5%	5.3%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 2-4

SEASONAL PROFILE - BUSINESS

MONTH	1981	1982	1983	1984	1985	AVERAGE
JANUARY	0.0%	3.6%	0.0%	4.3%	1.4%	1.8%
FEBRUARY	0.0%	12.0%	5.7%	8.5%	3.3%	5.9%
MARCH	0.0%	0.0%	2.5%	3.2%	9.5%	3.1%
APRIL	4.1%	33.7%	4.4%	6.8%	6.0%	11.0%
MAY	10.2%	30.1%	6.9%	25.3%	9.5%	16.4%
JUNE	16.3%	6.0%	7.5%	3.6%	14.2%	9.5%
JULY	14.3%	6.0%	42.8%	10.0%	7.1%	16.0%
AUGUST	12.2%	1.2%	5.0%	3.6%	12.3%	6.7%
SEPTEMBER	22.4%	0.0%	2.5%	8.5%	16.6%	10.0%
OCTOBER	10.2%	1.2%	20.1%	10.3%	7.6%	9.9%
NOVEMBER	0.0%	2.4%	1.3%	11.4%	6.5%	4.3%
DECEMBER	10.2%	3.6%	1.3%	4.6%	5.4%	5.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SEASONAL PROFILE - GOVERNMENT

MONTH	1981	1982	1983	1984	1985	AVERAGE
JANUARY	0.5%	1.2%	4.3%	6.2%	3.7%	3.2%
FEBRUARY	4.5%	10.2%	7.8%	10.4%	2.2%	7.0%
MARCH	8.5%	8.1%	3.9%	7.8%	8.7%	7.4%
APRIL	3.5%	3.7%	3.9%	4.6%	4.2%	4.0%
MAY	6.0%	4.1%	13.0%	9.4%	9.3%	8.4%
JUNE	17.6%	19.5%	9.6%	10.1%	11.2%	13.6%
JULY	17.6%	15.0%	14.8%	12.1%	9.8%	13.9%
AUGUST	17.6%	9.3%	10.0%	7.2%	14.9%	11.8%
SEPTEMBER	5.0%	10.6%	13.0%	15.0%	9.8%	10.7%
OCTOBER	11.6%	5.3%	8.7%	11.7%	16.6%	10.8%
NOVEMBER	6.0%	10.2%	10.0%	3.3%	5.3%	7.0%
DECEMBER	1.5%	2.8%	0.9%	2.3%	4.2%	2.7%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SEASONAL PROFILE - CONSTRUCTION

MONTH	1981	1982	1983	1984	1985	AVERAGE
JANUARY	1.4%	0.0%	4.2%	0.7%	1.1%	1.5%
FEBRUARY	4.3%	1.7%	4.2%	3.7%	5.7%	3.9%
MARCH	2.9%	29.3%	9.9%	0.0%	9.7%	10.4%
APRIL	1.4%	6.9%	2.8%	1.5%	6.5%	3.8%
MAY	30.0%	1.7%	7.0%	2.2%	12.7%	10.7%
JUNE	4.3%	13.8%	5.6%	0.7%	16.2%	8.1%
JULY	18.6%	19.0%	8.5%	1.5%	12.2%	11.9%
AUGUST	2.9%	1.7%	15.5%	0.0%	2.7%	4.5%
SEPTEMBER	8.6%	12.1%	21.1%	5.2%	14.1%	12.2%
OCTOBER	11.4%	10.3%	18.3%	16.3%	8.4%	13.0%
NOVEMBER	11.4%	3.4%	2.8%	37.8%	5.7%	12.2%
DECEMBER	2.9%	0.0%	0.0%	30.4%	5.1%	7.7%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 2-4 cont'd

SEASONAL PROFILE [illegible]

MONTH	1981	1982	1983	1984	1985	AVERAGE
JANUARY	0.0%	3.5%	1.3%	0.0%	0.0%	1.0%
FEBRUARY	4.0%	4.9%	1.7%	0.0%	0.9%	2.3%
MARCH	4.9%	7.3%	5.1%	0.0%	0.0%	3.5%
APRIL	1.4%	9.1%	3.4%	5.6%	3.4%	4.6%
MAY	5.5%	2.4%	10.1%	1.5%	1.7%	4.3%
JUNE	5.8%	14.6%	5.5%	4.5%	2.6%	6.6%
JULY	22.0%	27.2%	27.4%	60.7%	30.2%	33.5%
AUGUST	29.2%	13.9%	20.3%	23.6%	46.6%	26.7%
SEPTEMBER	4.6%	9.8%	5.9%	2.6%	7.8%	6.1%
OCTOBER	10.4%	1.7%	14.3%	1.5%	6.0%	6.8%
NOVEMBER	4.0%	4.9%	3.4%	0.0%	0.0%	2.5%
DECEMBER	8.1%	0.7%	1.7%	0.0%	0.9%	2.3%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

2.3.2 - Length of Stay Analysis

Historical length of stay was determined by:

- o Discussions with hotel management.
- o Inspection of detailed records.
- o Solving mathematical relationship with person nights and visitors being the known.

An examination of the detailed records produced initial estimates of length of stay by visitor type for identifiable categories. This included package tourists at 4.8, business at 3.8 and government at 2.8.

A mathematical relationship exists whereby the total person nights = total visitors x length of stay. Using the detailed records we were able to estimate that total person nights were approximately 3,500. The total visitors were 1,209 which means that the overall average length of stay was 2.9 days.

Based on the above analysis, the final estimates for length of stay by visitor category in 1985 was:

o	Business	3.0
o	Government	2.3
o	Construction	3.2
o	Package Tourists	4.8
o	Independent Tourists	1.0
	Overall	**2.9**

3.0 FACILITY NEEDS ANALYSIS

3.1 Options for Renovating Peyton Lodge

In order to undertake a preliminary assessment of viability it was necessary to look at the potential for and costs to renovate/upgrade Peyton Lodge. The following are the estimated capital costs for five options all with the primary objective to bring the building up to acceptable safety standards as per the National Building Code. The first two options (1A & 1B) consider the costs to bring the facility up to code with communal washrooms. The second two options (2A & 2B) consider renovating the facility to code with common washrooms for every 2 rooms. The third option (3) examines the costs to bring the facility up to acceptable N.W.T. tourist standards with 150 ft^2 rooms and individual washrooms.

The following items would be common to all of these options as they are needs to bring it up to Code:

1. Relocate and properly enclose exit stairs.
2. Installation of new wall and ceiling finishes throughout to provide the proper flame spread ratings and fire resistance ratings.
3. Jacking and leveling of the building.
4. New fire rated doors throughout with self-closing devices.
5. Relocated and replace the mechanical system.
6. Relocate and upgrade wiring to Code throughout building.

i) Option 1A

This option includes the above renovations to bring the facility up to Code with provision for 2 communal washrooms each with 2 lavatories, 2 toilets and 2 baths. The N.B.C. requires that a double room be 100 ft^2 and a single room to 75 ft^2. Thus the existing space could contain 11 doubles and 7 singles (29 beds). **$400,300.**

ii) **Option 1B**

This option includes all of Option 1A with the addition of the external retrofit. This would include a new roof, new windows and an increase in wall and floor thickness to bring the building envelope up to standard northern insulation values. **$659,300.**

iii) **Option 2A**

This option brings the facility to Code as in Option 1 and provides one washroom (lavatory, toilet, and bath)/2 rooms. The existing space would allow for 8 doubles and 6 singles sized to N.B.C. minimum requirements (22 beds). **$465,100.**

iv) **Option 2B**

This option includes all of Option 2A with the addition of the external retrofit. **$753,700.**

v) **Option 3**

This option would not only bring the facility up to Code but as well bring the facility up to acceptable N.W.T. Tourist Standards. This requires double rooms of 150 ft2 and single rooms of 100 ft^2. As well this option would provide a washroom (lavatory, toilet, and bath) for each room. The result is 6 doubles and 5 singles in the existing space (17 beds). We have assumed that if one is to make renovations to this standard that an external retrofit would be necessary for this option. **$818,700.**

Note: These prices do not include any re-organization of the existing common spaces nor does it include costs of new furnishings. These costs do include Architectural/Engineering fees. All estimates are in 1987 dollars.

3.2 Results of the Interview Program

An important component of this study involved the provision of a comprehensive market analysis on the expressed consumer needs for a hotel facility in Pangnirtung. In order to accomplish this we undertook an extensive interview program which was comprised of the following major components.

Tourist visitors - to identify tourist needs we interviewed a number of existing and potential tour wholesalers/retailers in Canada and the U.S. and sent telexes to certain key wholesalers in Europe.

Construction visitors - to identify future construction activity in the community and construction worker needs we met with the Department of Public Works and Housing Corporation in Frobisher Bay and interviewed several key contractors.

Government travellers - to identify government employee perceptions and needs with respect to a hotel facility in Pangnirtung we completed personal meetings and phone interviews with most of the Territorial and Federal agencies that currently send representatives into Pangnirtung.

Business travellers - to gain an understanding of the needs and ideas, that business travellers might have with respect to a hotel facility in Pangnirtung we interviewed a number of business organizations that currently do or might travel to Pangnirtung.

Tables summarizing information gathered from the aforementioned interviews can be found in Appendix A.

The following are point form summaries of the major findings.

3.2.1 - Tourist Wholesaler Interviews

Comments on Peyton Lodge/Future Interest in Pang

- of the 19 wholesalers contacted only 4 currently offer packages to Pang; all four indicated that the existing hotel is a real drawback to tourism development in Pang; all four indicated their clientele would increase with improved facilities.

- it appears the existing hotel facility is the primary cause of a declining tourist visitation to Pang.

- 12 of the wholesalers interviewed indicated a real interest in the possibility of developing Pang as a future tour destination; all 12 indicated suitable hotel facilities would be critical as well as suitable activity opportunities related to their primary area of interest (ie. cross country skiing, boat tours, etc.).

Future hotel facility requirements

- a couple of wholesalers indicated they would be satisfied with cleaner communal facilities, however most expressed a need for individual washroom facilities or at most shared facilities between 2 rooms; another alternative suggested several times was for each room to contain toilet and sink with communal showers.

- other critical facility requirements mentioned included separate dining room/T.V. room/and quiet lounge area with facilities for slide shows.

- most wholesalers indicated a need to be able to book at least a few single rooms (paying a single supplement) as well as doubles and even some triples. (ie. with a pull-out bed).

- professional hotel management was expressed as an important requirement.

- the character of the hotel should reflect a "lodge type" atmosphere - not fancy but clean and cosy.

- examples of good quality northern hotels frequently cited included the Arctic Hotel in Jakobshavn, Greenland, Bathurst Inlet Lodge and some of the Norwegian mountain lodges.

- the need for suitable tourism activity opportunities to keep people occupied for several days regardless of weather was stressed.

- tour group sizes for the wholesalers interviewed range from 10-40 persons per group with the majority dealing with small group sizes ranging from 10-12 people.

3.2.2 - Government/Business/Construction Interviews

Satisfaction with existing hotel

- all agencies contacted expressed dissatisfaction with the existing hotel facility in Pang; the major concerns dealt with cleanliness, management related to upkeep of the facility, washroom facilities and the quality of food.

- quite a few individuals indicated that the Pang hotel is the worst in the Baffin, even when compared to Transient Centres.

- positive comments related to the views from the lounge and the location of the hotel.

- the Cape Dorset and Pond Inlet hotels came up in the discussions a number of times as examples of higher quality facilities.

Future Facility requirements

- without exception the need for running water and flush toilets was expressed as top priority.

- most agencies expressed a need for individual washroom facilities or at most shared facilities between 4 people.

- the ability to book single or double rooms was mentioned by a large proportion of respondents.

- other facility needs identified included a separate quiet lounge for reading, larger rooms with desks and a proper entranceway and check-in desk area.

Potential for Conference Facilities

- a significant number of agencies indicated they would be interested in holding conferences/meetings in Pangnirtung if proper facilities were developed and prices were competitive.

- one important suggestion was that a proper meeting/conference facility should have built-in capacity for simultaneous translations.

3.3 Analogous Hotel Assessment

In order to determine major strengths/weaknesses and success/problems of other typical remote lodges and hotels we undertook a number of case studies of analogouts facilities. The following are short summaries of the major findings from these studies.

i) Iglu Hotel, Baker Lake

The Iglu Hotel is owned and operated by Nunasi Corporation. The major objective for Nunasi in running the Iglu Hotel is to provide employment for native people. The hotel employes a total of 14 people of which 10 are local resident Inuit. The hotel has a total of 20 rooms with 4 being occupied by staff. Of the 16 guest rooms available, 15 are double rooms. One room referred to as the bull pen has 6 beds. The standard rate is $165/day for one person in a double room or $145/day for one person sharing a room. Discount rates as low as $100 are offered to contractors and certain groups.

The second largest profit centre in the operation is a fast food outlet which had a gross margin of $78,000 in 1985. The hotel operation had a net revenue of $64,000.

The yearly occupancy for the facility is estimated at 28%.

At present Nunasi is contemplating the addition of 6 more double rooms and conference/meeting facilities for about 75 people. The estimated cost for the addition (3,400 ft^2) including furniture is $475,000. They are anticipating an increase in gross revenue to $110,000 once the addition is finished, with increased expenses at 25% of gross revenues.

ii) **Kingnait Inn, Cape Dorset**

The Kingnait Inn accommodates 25 people in 9 rooms. Each room has part bath facilities with common showers. The facility also contains an apartment for the cook/manager. The owner is planning to add 8 more double rooms with individual baths. The current rate is $140/night with meals.

The hotel currently does relatively well during the tourist season with approximately 30 sports hunters and two groups of 15 each with Canada North. Goligers brings in several groups each year with an average of 20 people per group.

The owner has had considerable success in hosting small meetings during the off-season. In order to attract this business, the rates are reduced considerably. The Hamlet Chambers are used for the meeting facility.

Outfitting services are coordinated by the hotel with the local H.T.A. Two suggestions the owner had for a hotel facility in Pang were:

- run it on a very personal basis
- phase-in the development of the hotel

iii) **Arctic Hotel, Jakobshavn, Greenland**

A number of wholesalers contacted as part of the market analysis indicated that a good example of a well run northern hotel can be found in Jakobshavn Greenland. The Arctic Hotel, a joint venture between S.A.S. and the Greenland Government was described by one tour wholesaler as a modest hotel facility designed to give the feeling of being first class.

The current rate at the Arctic Hotel is 625 krona which is equivalent to $100 with breakfast. It is reportably very difficult to obtain any type of group discount.

The following is a photo copy of the brochure which illustrates the floor plan. With the two building construction, a portion of the hotel including the restaurant can be closed down during the winter.

Outfitting opportunities including boat trips, hiking trips, sleigh rides and fishing trips are all coordinated through the hotel. The hotel has been designed with the tourist in mind.

iv) Tribal Tops, New Guinea

(This is provided only as an example of a successful remote lodge; facilities and construction techniques are considerably different than would be required in a cold northern environment).

The Tribal Tops Hotel is located in a small town in the Highlands called Minj. The hotel can accommodate up to 36 people in separate cabins plus an additional 20 in a bunk house. The cabins are fairly basic with full bath and interesting local decor. All buildings are designed to blend into the surroundings and provide a comfortable unique lodge image.

Facilities include a bar, video room for evening video presentations (educational), a small swimming pool, log fire place, and 9 hole golf course. The lodge is decorated with New Guinea artifacts which are all for sale.

The major attraction to the lodge are the variety of programs offered by the hotel staff and in conjunction with Sobek Expeditions (an international adventure travel wholesaler/retailer).

Typical packages are as follows:

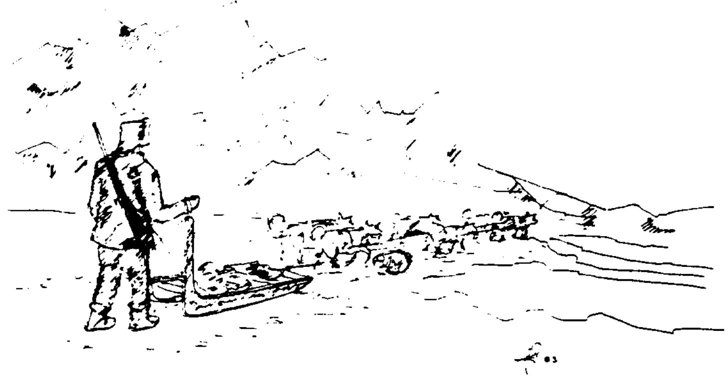
- river rafting expeditions
- mountain trips

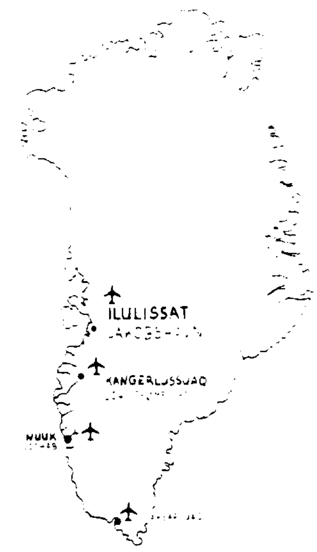
ARCTIC HOTEL JAKOBSHAVN

- Exceptional experiences of Nature
- Boat and hiking trips
- Fishing trips
- Sleigh trips
- Midnight sun

ARCTIC HOTEL JAKOBSHAVN

- *Experience unique de la nature*
- *Randonnees a pied et en bateau*
- *Randonnees de peche*
- *Randonnees en traineau*
- *Soleil de minuit*



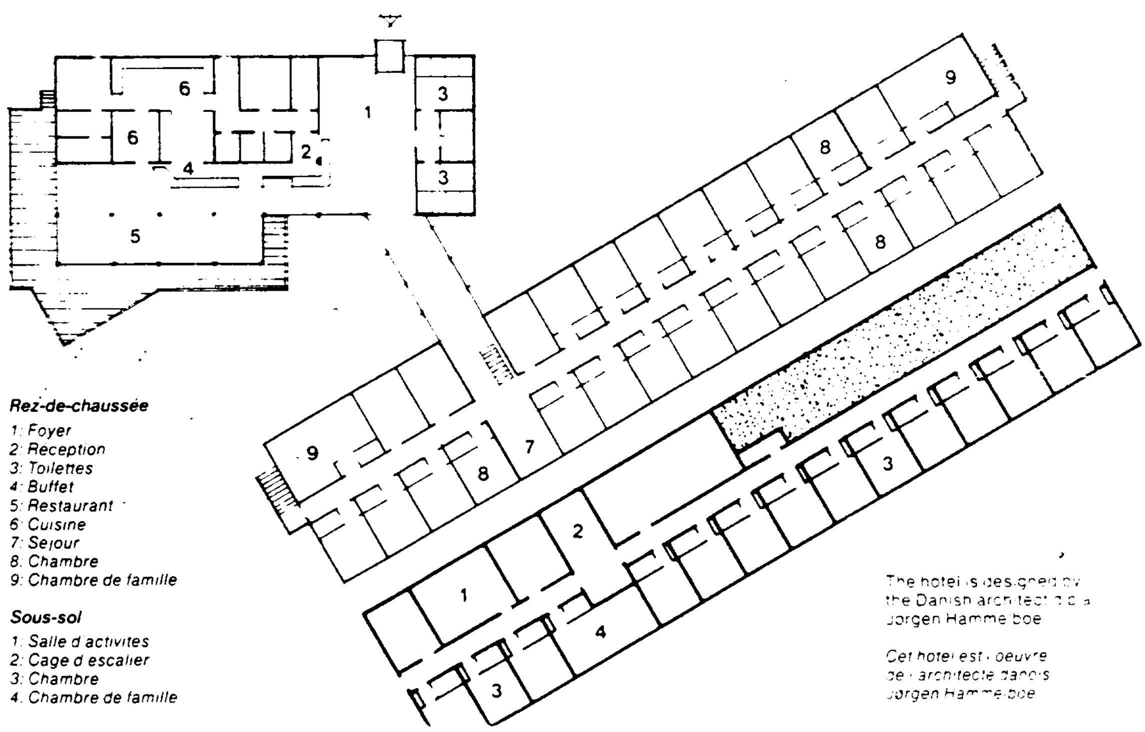


New hotel opens up new possibilities in Greenland

1st October 1984 sees the opening of the new ARCTIC HOTEL JAKOBSHAVN.
The hotel is ideally situated to serve as a base for individual guests and tourist groups who want to combine an experience of Greenland's unique natural beauty with a stay in completely up to date and comfortable surroundings.
Opening at the same time as the hotel is the new airport, which will make Jakobshavn an important travel centre with connections to the Disco Bay area and the northerly districts of Greenland.

Un nouvel hôtel vous ouvre de nouvelles possibilités au Groënland

Le nouvel ARCTIC HOTEL JAKOBSHAVN ouvre en octobre 1984.
Cet hôtel est appelé à constituer le point central de depart des visiteurs et des groupes qui ont envie de decouvrir la nature exceptionnelle du Groënland tout en sejournant dans un décor tout a fait moderne et confortable.
L'ouverture de cet hôtel s'accompagne de l'inauguration d'un nouvel aeroport faisant de Jakobshavn le carrefour d'ou partent les liaisons vers la region de Diskobugt et vers les districts du nord.



Ground floor
1 Foyer
2 Reception
3 Toilets
4 Buffet
5 Restaurant
6 Kitchen
7 Lounge
8 Room
9 Family room

Lower ground floor
1 Activities room
2 Staircase
3 Room
4 Family room

Rez-de-chaussée
1: Foyer
2: Reception
3: Toilettes
4: Buffet
5: Restaurant
6: Cuisine
7: Sejour
8: Chambre
9: Chambre de famille

Sous-sol
1: Salle d'activites
2: Cage d'escalier
3: Chambre
4: Chambre de famille

The hotel is designed by the Danish architect [illegible] Jorgen Hammerboe

Cet hotel est l'oeuvre de l'architecte danois Jorgen Hammerboe

- village studies
- expeditions utilizing scattered overnight base camps

In addition to evening video presentations, local cultural shows are often staged for the guests by local natives.

v) Bathurst Inlet Lodge

Bathurst Inlet Lodge is located close to the two tiny communities of Bay Chimo and Bathurst Inlet. The Lodge is a seasonal operation catering only to tourists who are interested in naturalist type activities. Most guests stay for an average of 1-2 weeks on an all-inclusive package flown in by private aircraft. Total number of guests handled in a year is 100-200.

All outfitting activities are run out of the lodge and include:

- bird watching tours
- fishing
- wildlife viewing treks
- visits to historic sites
- hiking

Weekly events are staged at the Lodge for the benefit of the guests (ie. drum dancing).

According to the owner one of the major strengths of the operation is the staff. For the most part staff members have worked at the lodge since it opened in 1968.

vi) Major Findings

o Most have individual washroom facilities in rooms or cabins (or at most common showers).

- All offer programs and advertise programs through the hotel/lodge (programs available at an additional cost).

- Most of the hotels have been designed to portray a comfortable "lodge type" atmosphere.

- Staging of cultural events and offering educational video programs, lectures in the evenings can greatly enhance the tourist attraction of a remote lodge.

3.4 Pangnirtung Hotel Needs

Based on the market interviews it is evident that Peyton Lodge's existing markets are beginning to level off or are beginning to decline. A significant part of this is due to the poor quality of hotel facilities as compared to other northern communities. In order to reverse this trend, the hotel facilities will need to be improved substantially.

One of the major economic development opportunities for Pang in the future will continue to be the tourism industry and particularly its ability to attract specialized package tours. Thus if we assume that one of the major objectives is upgrading hotel services in Pang is to attract more package tour business, it is important to recognize the potential for this market and the specific needs and requirements with respect to accommodations. The following points reflect the findings from the tour wholesaler interviews.

- There is significant potential to attract tour wholesalers that package adventure tourism as well as general interest tours.

- The agencies like Sobek Expeditions, Mountain Travel and One Step Beyond that expressed a real interest in Pang's tourism opportunities deal with an upscale market; these are individuals who are willing to pay a good dollar to travel to remote destinations like the N.W.T. but they expect value for their dollar.

- In order to attract these groups, Pang will have to provide hotel facilities with:

- professional management,
- rooms built to tourism standards with separate washroom facilities
- suitable tourism operational standards (ie. ability to handle/book single or double rooms, commissions to travel agents, etc.),
- proper tourist services (separated lounge and dining areas, cosy atmosphere, activity programming, etc.).

Preliminary capital cost estimates completed by Burdett-Moulton indicate that to bring the existing hotel up to northern tourist establishment standards (ie. 100 ft^2 per single bedroom, 150 ft^2 per double bedroom) it would cost over $800,000 and the existing hotel structure would be reduced to 6 double rooms and 5 single rooms with separate washrooms (as compared to the existing 18 double rooms and 2 communal washrooms). This figure does not take into account additional furnishing requirements or any other structural changes inside (ie. separating/expanding the dining room and lounge).

The difference between the $800,000 retrofit cost and an estimated $980,000* ($170/ft^2) to build new (assuming the same dimensions) leads us to the conclusion that the community of Pangnirtung would be better served by a new hotel facility built to meet tourist expectations and needs rather than attempting to upgrade/expand the existing facility. This would allow the construction of a facility built with the tourist in mind (ie. taking advantage of views from the rooms as well as the lounge, with proper circulation and lighting, with a suitable atmosphere, etc.). Upgrading the existing facility will compromise the ability to meet tourist requirements and will in all likelihood provide a building with a shorter lifespan.

* This figure is based on a total square footage of 5,764 $ft.^2$.

4.0 MARKET ANALYSIS

4.1 Geographic Market Analysis

From the assessment of past visitation to Pangnirtung it is evident that the Canadian market is still the major market. In order to identify the potential to attract greater visitation from international market origins we completed the following assessments of U.S. and overseas markets. The analyses focus on the potential interest in the adventure/outdoor travel products.

4.1.1 - U.S. Travel Market

Canada's most important source of foreign visitors is the U.S. In 1984, the U.S. travel market accounted for 87% of all person trips by foreign visitors.[1)]

In the case of travel to the Northwest Territories, Canadian travel accounts for 65% of all visitation,[2)] followed by U.S. travellers (27%) and international travel other than U.S. at 8% primarily from the U.K., Japan and Germany.

More specifically, earlier data presented on visitation to Pangnirtung indicated that in 1981-82 U.S. travellers accounted for 19.5%[3)] to 28.5%[4)] of all visitation into the area.

As it is a critical market for the area and the country as a whole and is the best source for increased tourism revenue, the U.S. travel market was selected for an indepth study. This study - **The U.S. Pleasure Travel Survey** was undertaken to provide information upon which to base future coordinated tourism marketing decisions by both private and public sector tourist operators.

The 9,000 sample survey was carried out with persons 16 years of age who had taken a pleasure trip in the past 36 months (ie. 75% of the adult U.S. population).

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1) Tourism Canada, U.S. Pleasure Travel Market, January 1986
2) N.W.T. Travel Surveys 1981 - 82 Summary Report
3) Marshall Macklin Monaghan Pang Visitor Survey, 1982
4) Parks Canada Auyuittuq Visitor Survey, 1982

The U.S. travel market was broken down into eight (8) types of vacations:

- o the VFR vacation (visiting friends and relatives)
- o the touring vacation
- o the close to home leisure vacation
- o the outdoor vacation
- o the resort vacation
- o the city vacation
- o the theme park/special event vacation
- o the cruise vacation

It would seem that travel to Pangnirtung will be comprised primarily of two of these market categories - the outdoor vacation and the touring vacation.

As can be seen from the following Table 4-1, there are distinct differences in what is considered very important by the two major types of U.S. traveller groups expected to come to Pangnirtung.

- o Neither group and especially the "Outdoor" group is particularly interested in going to places many people have not seen. Nor are they very interested in talking about it afterwards.

- o Experiencing different cultures is important to the "Touring" group (question was not asked for the "Outdoors" group).

- o Being physically active is important to the "Outdoor" group.

- o Having lots of things to see and do is important to the "Touring" group.

Other differences and similarities are outlined in the table.

It is important to recognize that both groups have different interests; however, for the Touring group programmed activities are a pre-requisite. The cultural assets of Pangnirtung are also important to this group.

TABLE 4-1

ASPECTS CONSIDERED "VERY IMPORTANT" BY U.S. TRAVELLERS

	Market Touring %	Outdoors %
Going places many people have not seen	30.4	22.9
Talking about the trip later	35.5	25.2
Experiencing different cultures	41.0	N/A
Being physically active	35.1	45.3
Having lots of different things to see and do	61.7	N/A
Finding thrills and excitement	21.5	N/A
Exploring wilderness areas	18.8	34.8
Visiting natural parks	28.8	29.5
Being close to mountains	27.4	31.9
Shopping for arts and crafts	17.7	12.4
Hiking or back packing	8.3	20.0
Taking guided tours	24.7	N/A
Seeing wildlife I don't usually see	27.3	37.8
Going places many people have not seen	30.4	N/A

Although the data from the U.S. Travel survey is more important to the Tour wholesaler than to the Pangnirtung Hotel, the need by the Touring group for:

- Cultural Activities
- Other Activities

and by the Outdoor group for:

- Physical Activities

means that the hotel design will need to include the physical space which will allow the tour operator or other organizations to undertake the appropriate activities.

The Outdoor Vacation

The outdoor holiday accounted for 1.6 M trips into Canada in 1985. At an average length of 6.3 nights this translated into 20% of total trip nights taken into Canada. When compared to the total number of such trips taken by U.S. residents at any location, Canada's share of this travel market is 5.4%.

The outdoors trip is typically taken to a natural area where such activities as camping, hunting, fishing, hiking or rafting are undertaken. The outdoors trip is traditionally taken by a younger American family with children, travelling by surface transportation to a campground or trailer park. This type of trip is typically quite short and is thus taken fairly close to home. This limits the suitability of the Arctic to realistically fall into this category of travel.

The Arctic typically attracts the more rugged and strenuous activities such as climbing, white water rafting, ice fishing or trophy hunting. **Rather than being included in the more broad definition of "outdoors" vacation, the market for Pangnirtung generally reflects the vertical interest segments that are smaller in number than the broader market described in this survey.**

Generally, however in attracting the broader outdoor market, appealing features of an area include scenery, lots of activities to see and do, not too wild, real adventure and good climate.

The survey went on to discuss Canada's image in the U.S. market place with respect to outdoor holidays.

American's typically think of Canada's natural features being beautiful and its fishing and hunting opportunities good, however, American's see their own country as offering these same features.

Therefore, Canada's and specifically the Arctic's strengths in attracting the outdoor vacation market must be in the promotion of it being more natural and untouched and the different lifestyle it affords the traveller.

Further analysis undertaken in the process of this survey revealed that **Canada has specific appeal to a smaller group of outdoor vacationers who typically take a longer holiday, are more interested in hunting/fishing and exploring wilderness areas.**

The group is not "mainstream USA", rather are a market seeking a sense of adventure and looking for natural, untouched areas.

The Touring Trip

The survey indicated that the touring trip has the highest potential for tourism development in Canada. This trip has no single focus. Instead a mix of individual products are offered. It is typically a longer trip taken by air (20%), bus (14%) and rented cars (12%). Hotels/motels are the main types of accommodation utilized.

Main attractions for this market includes areas which offer beautiful scenery, are not dull, and have lots to see and do.

Canada's edge in developing this market was seen to be our image as being a "different culture and way of life".

In the case of the Arctic, touring can only be considered to occur when persons come to the N.W.T. and visit a number of different communities and cities.

The Arctic touring vacation exemplifies Canada's unique blend of cultures - where the traditional lifestyles of the Inuit and southerners meet in our northern most frontier.

4.1.2 - Overseas Travel Markets

As stated previously in this report, the Northwest Territories does receive some visitation from international markets other than U.S. origins already discussed.

This type of travel comprised 8% of visitation[1)] to the Northwest Territories in 1981 specifically from such origins as the U.K., Japan and Germany.

Past studies undertaken by Parks Canada[2)] indicated that visitors to Auyuittuq National Park were from overseas destinations such as England (3%), France and Germany (1% each).

The following is a brief overview of three (3) overseas travel markets[3)] that have significant influence on Canadian tourism as a whole.

4.1.2.1 - United Kingdom

The U.K. ranks first in the number of overseas visitors to Canada, it sends more than twice as many visitors as second place West Germany.

Past visitation has exhibited the following profile:

- Average length of stay was 13.9 nights.
- Primary reasons for visitation were VFR (56%), other (19%), pleasure (17%) and business.

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1) N.W.T. Travel Surveys 1981-82 Summary Report.

2) Parks Canada, Auyuittuq Visitation Records, 1985.

3) Source documents for this section are Tourism Canada Situation Reports of Overseas Markets.

- Seasonality of visitation is highly concentrated in the months of June to September (65% of total).

- Population regions to visit included Ontario (49.6%), British Columbia (20.3%), Alberta (11.8%) and Quebec (9.4%).

- Approximately 40% of U.K. visitors to Canada arrived via the United States.

The primary market for U.K. travel to Canada is concentrated in the higher socio-economic groups with more than 50% of this group older than 35 years and childless.

The attributes which attract this market to the Canadian product include outstanding scenery, plenty of space, the potential for outdoor activities such as hiking, camping and swimming and reasonable prices.

It is expected that winter package tours will play an increasing role, with respect to this market.

4.1.2.2 - West Germany

Visitation to Canada in the past from this market grew gradually to 1976 after which time it jumped. Since 1975 growth in arrivals was by 74.6%.

Travel from this source is concentrated in the months of July to September.

Canada's target market for West Germany is the middle to upper class male aged 18 to 44 who wants to "get away" from dense population, pollution and who wants to "find nature".

This market is typically interested in sightseeing outside cities, touring, biking and climbing, camping, swimming and dining.

As such, this market holds a high potential for tourism to Pangnirtung by virtue of its interests and motives to travel.

Other German speaking markets include Switzerland and Austria.

In order to access these markets, one must sell packages created by wholesaler's through appointed travel agents. Competitive pricing is essential.

An evaluation of packaged tours now being offered to Canadian destinations indicate that there may be interest in developing further tours which focus on backpacking, mountain climbing, spring cross country skiing, naturalist tours and photo safaris as well as winter adventure tours, dogsledding etc.

4.1.2.3 - France

Canada at present claims 12% of France's long-haul tourist traffic.

The French traveller to Canada tends to be young, from upper and middle social classes and predominantly from Paris or the centre-east.

Features of Canadian travel which appeal to this market include our scenery, the local people and quality of space.

Not suprisingly, Quebec is the most popular Canadian travel destination of this market (55% of all visits) followed by Ontario (31%) with a small percentage of travel into British Columbia and Alberta.

The following Table 4-2 presents a selection of operators operating out of these source countries who offer travel packages which relate to the Pangnirtung tourist product.

TABLE 4-2

OPERATORS OFFERING CANADIAN PRODUCTS WHICH RELATE TO THE PAGNIRTUNG EXPERIENCE

United Kingdom	
Dyton Holidays Canterbury, Kent	Fishing packages
Twickenham Travel Twickenham, Middlesex	Canada's Far West and North backpacking and canoeing tours
West Germany	
Airtours International Frankfurt	Winter ski tours
AWTS Reise Gauting, Munich	Trekking tours
Balzar Angelreisen Lauterbach	Fishing programs
CA-Ferntouristik Graefelfing, Munich	Adventure tours, ranch vacations, trail-riding, canoeing and backpacking
Canada Alaska Arctic Bodensee	Fishing and hunting and nature tours to the N.W.T.
Canada Reise Dienst Ahrensberg	Adventuretours, fishing, hunting, outdoor programmes
Deutsches Jugend - Herbergswerk Detmold	Group travel - wilderness, camping and canoeing
Deutsches Reiseburo Eschersheimer	Variety of trips including adventure
Dr. Duedder Reisen Aachen	Individual tours and winter programmes
Haski Tours Gelsenkirchen-Buer	Canoe/adventure tours to the Yukon and and N.W.T.
Hauser Exkursioner Munich	Sporting travel, trekking and hiking in the Yukon
Iarus Tours Koenigstein	Educatonal tours to Western Canada and the Yukon. Adventure-type programmes

TABLE 4-2

OPERATORS OFFERING CANADIAN PRODUCTS WHICH RELATE TO THE PAGNIRTUNG EXPERIENCE

(Continued)

Individuelle Angel und Jagdreisen Kloth KG. Reinback	Fishing and hunting tours
Wengert-Windrose-Safari Muehlhausen	Adventure oriented programmes
Western Adventure Tours Nuertingen	Adventure and recreation tours primarily to Western Canada
Wiemers & Ernst Herne	Winter tours, snowmobiling, ice fishing, dogsledding, whitewater rafing, animal photography
Wikinger Reisen Hagen	Adventure tours and safaris
Inter-Air Voss Reisen Frankfurt	Outdoor holidays-wilderness tours, canoe tours, whitewater rafting, safaris, hikes extensive winter programme
Jerome-Reisen Velpke	Hunting/fishing adventure and survival tours
The Northwest Voyagers Heidelberg	Outdoor trips, canoe tours, hiking tours, whitewater rafting, ranch holidays, survival training
Vobis Reisen Munich	Wilderness camping, adventure holidays
Walz-Wanderferien Neckartenzlingen	Hiking tours, trekking and adventure tours
Switzerland	
Berhardd Trekking Therwil	Spring/summer trekking into the Canadian Arctic
Jugi Tours Sprietenbach	Youth hostel service adventure and camping tours

TABLE 4-2
OPERATORS OFFERING CANADIAN PRODUCTS
WHICH RELATE TO THE PAGNIRTUNG EXPERIENCE
(Continued)

Austria	
Ferntouristik Salzburg	Variety of holidays including special interest programmes
Optimundus Ges. Linz	High arctic hunting and fishing programmes
France	
G.P. Chasse et Peche Paris	Hunting and fishing
Nouvelles Frontieres Paris	Sport and adventure package tours
V.V.T. Paris	Economical tours offering opportunities for meeting Canadians

4.1.3 - Implications

From the foregoing geographic market analysis it is evident that the market interested in remote destinations for adventure/outdoor travel and touring is relatively small and is comprised of specific interest segments (i.e. cross-country ski touring, historical cultural interest tours, etc.). However, the tourist carrying capacity for a small community like Pangnirtung is correspondingly small. In conclusion then, it appears that there is definite potential to attract increased U.S. and European visitation if Pangnirtung can provide a quality product, both in terms of accommodation and related services and attractions/excursions.

The two major opportunities are for adventure/outdoors travel to participate in activities like rock climbing, cross-country touring, sea kayaking, hiking, etc. and touring whereby a package tour would visit a number of communities for a short period of time. The touring market segment requires heavily programmed and easily accessible activities (i.e. like a boat trip to Kekerton Island or a tour of the community).

The cultural element also appears to be extremely important to both market types.

Thus, it will be critical that in conjunction with the hotel development, suitable attraction development and activity planning will take place (i.e. suitable boat for trips to Kekerton Island in all weather conditions, etc.).

The following hotel visitation projections were made on the basis of the market interview program which was described in Chapter 3. However, the projections are felt to be somewhat conservative in the longer term because we were not able to gauge the potential interest from European wholesalers. As a result no allowance has been made for increased European visitation. (None of the European wholesalers that were sent questionnaires by telex responded.)

4.2 Hotel Visitation Projections

4.2.1 - Overview

Annual visitation to the hotel by visitor type and by season was projected based on several factors.

- o Number of visitors
- o Average length of stay
- o Average number of people per room

The initial excercise was to project the number of visitors to the hotel by type. The number of visitors were multiplied by the estimate of the average length of stay to arrive at person nights. Person nights were then divided by the average number of people per room to determine room nights. A monthly distribution of annual visitation was determined based on historical patterns.

There were three projection scenarios utilized to estimate hotel visitation: Optimistic, Expected and Pessimistic. The visitation in these scenarios reflected assumptions as to the number of projected visitors as well as average length of stay. The pessimistic scenario is not felt to be overly realistic, however, it was important to examine the possible implications of the worst case scenario.

Average people per room figures were assumed to be constant over the projection period.

4.2.2 - Determination of Projected Visitors: By Visitor Type

The determination of future visitors to the hotel was based on a number of interviews/discussions with current user groups as well as potential sources. These groups were asked among other things their current use of the hotel as well as their projected use based on renovations/improvements undertaken.

a) Government

From the existing records at the hotel for 1985 there were 356 government visitors. This group represented approximately 819 person nights, which was determined by contacting various government departments to determine their usage of the hotel. A detailed breakout by government department is included in Appendix A.

i) Expected Visitation Scenario

In the expected visitation scenario, the number of government visitors were assumed to increase by 32 from 1986 to 1987 and 60 from 1987 to 1988. After 1988 the visitation was expected to remain flat. These visitor projections were based on the discussions we had with the various government departments (Appendix A). Assuming a constant length of stay of 2.3 days the increases in person nights were utilized to calculate the increase in the number of visitors.

ii) Optimistic Visitation Scenario

In this scenario the visitor increases remained the same as the expected scenario but the length of stay was increased to 3.5. The increased length of stay was based on interviews with government departments and an analysis of detailed historical records.

iii) Pessimistic Visitation Scenario

This scenario assumed that the length of stay was constant at 2.3 and that visitation would not increase as expected but rather remain flat at 356 per year.

There may also be potential to generate small meeting and conference business during the off-seasons using the Hamlet Chambers or Community Hall for the meeting facility. The above scenarios are somewhat conservative in that they do not include this potential opportunity.

b) **Business**

Business visitation has shown a distinct increase over the past few years and was 367 in 1985. The length of stay in 1985 for business visitors was assumed to be 3.0, which was slightly higher than government visitors. Based on two 15% increases from 1985 the base business visitation was assumed to be 485 in 1987.

i) Expected Scenario

This scenario expects the trend of decreasing percentage increases to continue. Thus visitation is expected to increase 10% in 1988, 5% in 1989 and 3% annually thereafter.

ii) Optimistic Scenario

The percentage increases are increased in this scenario to 20% in 1988, 10% in 1989, and 5% annually thereafter. The length of stay was increased to 4.0 to the possibility of longer stays due to improved hotel conditions, which is in line with the analysis of the detailed records.

iii) Pessimistic Scenario

The pessimistic scenario assumes that business visitors will not increase at all but rather stay flat at the 485 level. The length of stay is 3.0 days as in the expected scenario.

c) Construction

Construction visitation of 370 in 1985 reflected a large increase from previous years. The length of stay of 3.2 days for construction workers produced 1,184 person nights in 1985.

The methodology used to determine projected numbers of visitors was:

a) Determine relationship between historical capital exenditure in the community and visitation to the hotel.
b) Project future capital expenditures.
c) Apply relationship in a) to b) to estimate future construction visitation.

Details of methodology are in Appendix C.

i) Expected Scenario

Although the existing length of stay for construction visitors works out to be approximately 3.2 days, we assume a much higher figure of 10 for the expected scenario.* The reason for this is twofold: a) Some of the bunkhouse operations which provide services to long term construction visitors are closing and; b) Improvements to the hotel will likely result in longer stays for construction visitors.

Visitors in this scenario are based on the 1984/85 average of capital cost/visitor construction of $38,793. The average is used as the capital cost/construction visitor ratio changed dramatically from $65,217 in 1983/84 to $12,368 in 1984/85.

The other assumption made was that the 5 year capital plan would not decrease past the year 2 level. This is based on the fact that the next five year plan would in all likelihood include projects in the later years which are not identified in the existing plan (for details of plan see Appendix B).

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* The length of stay could realistically provide to be even higher than 10 days. For this reason the visitation figures can be considered conservative.

ii) Optimistic Scenario

The only difference in this scenario is that the length of stay in assumed to increase to 15 days per construction visitor.

iii) Pessimistic Scenario

As with the optimistic scenario the only difference from the expected is the length of stay. Here it is assumed to be the existing figure of 3.2

d) Package Tours

Package tours were identified in the years 1984 and 1985. In 1985 there were 74 visitors staying an average of 4.8 nights which produced 355 person nights. Detailed breakdown is in Appendix D.

i) Expected Scenario

The expected scenario is based on interviews with existing and potential tour operators into Pangnirtung which determined projected person nights into the hotel (Appendix D). These person night figures were used by dividing to arrive at projected number of visitors by the assumed length of stay. The length of stay is assumed to decrease from the 4.8 in 1985 to 3.5 for two reasons:

- New tour operators indicated that there tours would be of a shorter duration than 4.8 days.
- Faber tours have ceased operations. These tours were significantly longer than their competitors.

ii) Optimistic Scenario

The optimistic scenario is the same as the expected except that it includes an additional 55 visitors per year (this is the number that Faber packaged through the hotel in 1985).

iii) Pessimistic Scenario

The pessimistic scenario is also the same as the expected scenario except for visitation is flat at the 1987 level of 144 visitors.

e) **Independent Visitors**

The independent visitor group of 42 people in 1985 were assumed to stay 1 night as they were most likely making connections to go to Auyuittuq Park. By 1987 this group was assumed to increase to 50.

i) Expected Scenario

A 5% increase per annum until 1991 and 3% thereafter with an average length of stay of 1.5 days was assumed.

ii) Optimistic Scenario

This was the same as the expected except with a 10% annual increase until 1991 and 5% thereafter.

iii) Pessimistic Scenario

In this scenario the visitation is flat at 50 with an average length of stay of 1.0.

4.2.3 - By Season

Visitation by season was projected using the following methodology.

1) Total visitation by month for the 1984 and 1985 seasons were aggregated together.

2) A profile of overall visitation for the combined period 1984/85 was determined based on the aggregated visitation.

3) This profile was then multiplied by the annual total number of projected visitors determined in the previous section.

This methodology assumed that the seasonal distribution would be constant over time. The annual person and room nights projected in the earlier analysis were multiplied by the same 1984/85 average to determine their seasonal distribution.

4.3 Projection Results

Projection results are detailed in Appendix 'E' which are broken out into an annual estimate of visitors, person nights, and room nights for each scenario. Highlights of the results broken out by visitor type are detailed below.

4.3.1 - Visitation Growth

a) Visitors

The number of visitors under the three scenarios are outlined below for the first and last years of the projection period.

	Expected	Optimistic	Pessimistic
1987	1,191	1,246	1,159
1996	1,517	1,807	1,091
Compounded Average Annual Growth	2.7%	4.2%	-0.7%

The compounded growth in the expected scenario is 2.7% per year. The growth in the optimistic scenario is 4.2% annually while the average annual growth in the pessimistic scenario is -0.7%.[1]

1) The projection for the pessimistic scenario is one of no growth except for the first year of construction visitation which is expected to drop thereby creating a negative growth. It is very unlikely that the pessimestic scenario would ever occur.

b) **Person Nights**

The number of projected person nights by scenario are:

	Expected	Optimistic	Pessimistic
1987	4,166	5,930	3,225
1996	4,652	7,233	3,007
Compounded Average Annual Growth	1.2%	2.2%	-0.8%

Person nights do not grow as fast as the projected number of visitors due to the more constant component being the length of stay. in 1996 the optimistic scenario has 55% more person nights than the expected scenario.

c) **Room Nights**

The number of projected room nights by scenario are:

	Expected	Optimistic	Pessimistic
1987	2,507	3,428	2,022
1996	2,897	4,397	1,913
Compounded Average Annual Growth	1.6%	2.8%	-0.6%

Room nights will increase 2.8% annually in the optimistic scenario, 1.6% in the expected and -0.6% in the pessimistic.

4.3.2 - Visitation Profile

Table 4-3 outlines the visitor profiles in the first and last year of the projection period. Highlights of the table are presented below.

Table 4-3

SCENARIO 1 -- OPTIMISTIC VISITATION

	VISITORS		PERSON NIGHTS		ROOM NIGHTS	
VISITOR GROUP	1987	1996	1987	1996	1987	1996
BUSINESS	38.9%	49.9%	32.7%	49.8%	37.7%	54.6%
GOVERNMENT	31.1%	24.8%	22.9%	21.7%	22.6%	20.4%
CONSTRUCTION	10.0%	3.1%	31.4%	11.6%	27.1%	9.5%
PACKAGE TOURISTS	16.0%	17.1%	11.7%	15.0%	11.3%	13.7%
INDEPENDENT TOURISTS	4.0%	5.2%	1.3%	1.9%	1.2%	1.8%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SCENARIO 2 -- EXPECTED VISITATION

	VISITORS		PERSON NIGHTS		ROOM NIGHTS	
VISITOR GROUP	1987	1996	1987	1996	1987	1996
BUSINESS	40.7%	45.4%	34.9%	44.4%	38.7%	47.6%
GOVERNMENT	32.6%	29.5%	21.4%	22.2%	23.7%	22.7%
CONSTRUCTION	10.4%	3.7%	29.8%	12.0%	24.7%	9.7%
PACKAGE TOURISTS	12.1%	16.7%	12.1%	19.1%	11.2%	13.[illegible]%
INDEPENDENT TOURISTS	4.2%	4.6%	1.8%	2.3%	1.7%	2.0%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SCENARIO 3 -- PESSIMISTIC VISITATION

	VISITORS		PERSON NIGHTS		ROOM NIGHTS	
VISITOR GROUP	1987	1996	1987	1996	1987	1996
BUSINESS	41.8%	44.5%	45.1%	48.4%	48.0%	50.7%
GOVERNMENT	30.7%	32.6%	25.4%	27.2%	27.0%	28.5%
CONSTRUCTION	10.7%	5.1%	12.3%	6.0%	9.8%	4.7%
PACKAGE TOURISTS	12.4%	13.2%	15.6%	16.8%	13.8%	14.5%
INDEPENDENT TOURISTS	4.3%	4.6%	1.6%	1.7%	1.4%	1.5%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- Business visitors increase proportionately from 40.7% to 45.4% by 1992. Business person nights and room increase more rapidly as they increase from 34.9% to 44.4% and 38.7% to 47.6% respectively.

- Government visitors show a slight decrease in percentages of total visitors from 1987 to 1996. The proportion of person nights, however, shows a slight increase while the room nights have remained constant at 23.7%.

- Construction visitors are projected to make up a much smaller proportion of visitation in 1996 than in 1987. Visitors will decrease proportionately from 10.4% to 3.7%, person nights from 29.8% to 12% and room nights from 24.7% to 9.7%.

- Package tourists will increase their proportional visitation from 12.1% to 16.7% from visitors, 12.1% to 19.1% for person nights, and 11.2% to 17% from room nights.

- Independent tourists will have increased proportional visitation as visitors will increase from 4.2% to 4.6% of total. Person nights will increase from 1.8% to 2.3% and room nights from 1.7% to 2.0%.

- In summary under the expected visitation scenario, visitation from independent tourists and government will comprise roughly the same proportion in 1996 as in 1987. Proportionally, business and package tourist visitation will increase significantly which will be offset by the proportional decline in construction visitation. The other scenarios show similar proportional change.

4.4 Conclusion

A main objective of the market analysis is to determine the number of rooms needed to satisfy future demand. The critical parameter for determining the number of rooms required is room nights. This is due to the fact that future visitation to the hotel is expected to be charged based on a room charge, rather than a per person charge. Thus guests would occupy a room as opposed to a bed which would be the case in a standard hotel operation.

The peak visitation month is July with 488 room nights projected in 1996. The likely peak visitation by week in July is likely to be significantly greater than 122 (488/4) room nights, however, as an even distribution of visitor per week is unlikely.

This is especially true considering July is the heaviest tourist month and as such could produce a disproportionate number of tours coming into the hotel in any one week. Assuming a 25% increase in visitation for any 1 peak week in July, the number of room nights in a peak week would be 153.

Based on an estimate of 18 rooms being built the monthly room nights available would be 540 or a weekly availability of 135 room nights. This would result in a situation of demand exceeding supply by some 18 room nights for the peak week.

The conclusion is that an 18 room hotel represents a likely logical development scenario since building to a peak week demand is not a logical alternative. It must be remembered, however, that this analysis was undertaken for the expected scenario and also that unknown construction patterns may create other situations of excess demands.

5. FINANCIAL FEASIBILITY ASSESSMENT

5.1 Approach

The financial analysis of the project was based on a 20-year expected cash flow before income taxes, but including financing changes and municipal taxes. The basic parameters used in the pro-forma are detailed in Section 4.2 while equity assumptions and other parameters to testing the sensitivity of the project are also detailed in this section.

For purposes of this analysis, it has been assumed that a new facility would be constructed. Although the historical financial operations of the Pangnirtung Hotel are of interest, it is important to recognize that the operating cost profile of a new facility will be significantly different from the existing operation.*

Cost profiles are, therefore, based on a review of data from other far northern operations and from industry standards, adjusted for a northern operation.

To provide an analysis consistent with the requirement for project evaluation, the financial evaluation was undertaken as follows:

1. A net present value (NPV) was calculated, as was an internal rate of return (IRR) on equity.

2. The foregoing analyses were undertaken on the full 20-year operating cash flow (including financing).

3. In order to assist in the preparation of a prospectus, an Income Statement has also been produced for the first 3 years of operation.

Sensitivity of the project to a number of financial parameters is detailed in Tables 5.5 and 5.6.

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* In addition, the statements for the existing operation include some of the costs and revenues from other divisions of Peyton Enterprises Ltd.

The following is an overview summary of the assumptions made in the process of developing a computer projection of the financial feasibility of the project.

5.2 Assumptions

In order to detail, as much as possible, the various assumptions inherent on the pro-forma analysis, the following has been detailed:

- o Financial Parameters (Section 5.2.2)
- o Capital Costs (Section 5.2.2)
- o Operational Parameters (Section 5.2.3)
- o Revenues (Section 5.2.4)
- o Expenses (Section 5.2.5)

4.2.1 - Financial Parameters

The basic financial assumptions inherent in the cash flow are as follows:

- o An interest rate on commercial debt is incurred for this project at 13%, amortized over a 20-year period.

- o Equity in the project (shareholders, etc.) is set at 25% of the total investors cost of the project (total cost less government grant).

- o Inflation on all revenues and expense items is projected at 5% per annum.

- o Government capital subsidies have been assumed at a level that assures a reasonable return on equity to the investor.

- o Other parameters such as available bed-nights are developed in the market model but are summarized at the start of the operating statements.

- o We have used the discounted cash flow method to evaluate the financial feasibility and grants required for a newly constructed 18 room Pangnirtung hotel. This method takes into account the time value of money. In addition, we have calculated the internal rate of return (I.R.R.) on the initial equity investment. The internal rate of return is the calculated discount rate which equates the estimated 20-year cash flow to the initial equity investment in terms of an annualized percentage return on equity.

- We have assumed that potential investors would require a return on investment of between 15% - 25% (I.R.R.). This is because investors, at present, can obtain relatively risk free investment interest. On a far northern hotel property investors would require a greater return due to the higher risk associated with the tourism industry. The variance can be up to ten percent (10%) above current rates. A lesser return may be acceptable to an operator/investor depending on his investment objectives. "Offshore money" often also commands a lower return.

  For the purpose of this project we have assumed a desirable internal rate of return 25% - 30% (before tax). This will obviously fluctuate with interest rate changes.

5.2.2 - Capital Costs (See Table 5-1)

The capital cost for this project is based on the following:

TABLE 5-1

18	Double Rooms @ 200 ft^2	=	3,600	ft^2
18	Bathrooms @ 35 ft^2	=	630	
1	Dining Room	=	455	
1	Kitchen	=	200	
1	Office	-	100	
1	Foyer	=	100	
1	Television Room	=	300	
1	Lounge	=	300	
1	Laundry & Storage	=	100	
1	Mechanical	=	200	
1	Overflow Room	=	270	
			6,255	ft^2
	Plus Circulation @ 18%		1,125	ft^2
	Total		7,380	ft^2

Cost 7,380 ft^2 at \$200/ft^2	=	\$ 1,476,000
Professional Fees (7.5%)	=	111,000
Bridge Financing	=	143,000
	=	1,730,000
Furnishing		250,000
TOTAL		**\$ 1,980,000**

5.2.3 - Operational Parameters (See Table 5-2)

- o As detailed in Chapter 4, occupancy is assumed to be 1.8 persons per room to account for a small percentage of single guests who will complement the more common two-person party clientele.

- o Projections of bed-nights for each of the five major types of visitors are detailed in chapter 4, and have been summarized in Table 5-2.

  The tables detailing the financial results of expected visitor projections are contained in the body of the report. The details for financial results of the pessimistic visitor projections are contained in Appendix G.

- o Seasonal distribution is as detailed earlier and summarized as follows:

Summer	-	July and August
Shoulder	-	May and June
Winter	-	September through April

- o Occupancy rates (by season) are based on projected Bednights and expected average "persons per room".

- o Room and food rates are based on those prevalent in other northern operations. In the case of package tour rates, the rate reflects comments from tour wholesalers. Rates are assumed to increase at 5% per annum.

  The following rates are assumed:

-	package tours (rooms and meals)	$120 per person/day
-	other visitors (rooms and meals)	$140 per person/day Year 1
		$150 per perons/day Subsequent Years
-	meals alone	$70 per person/day

- o Meals sold reflect the 1985 relationship with visitors to the hotel who only order meals representing, an an annual basis, 6% of visitors who stay at the hotel.

Table 5 - 2

PANGNIRTUNG HOTEL FEASIBILITY STUDY GOVERNMENT GRANT $900,000

PARAMATERS	1	2	3	4	5	6	7	8	9	10
NUMBER OF ROOMS	18	18	18	18	18	18	18	18	18	18
PERSONS PER ROOM	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
PERSON NIGHTS(BY TYPE)										
Business	1,455	1,601	1,681	1,731	1,783	1,836	1,891	1,948	2,007	2,067
Government	892	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030
Construction	1,240	560	560	560	560	560	560	560	560	560
Package Tourists	504	690	774	875	889	889	889	889	889	889
Independent Tour.	75	79	83	87	91	94	97	100	103	106
Total	4,166	3,959	4,127	4,283	4,353	4,410	4,468	4,527	4,589	4,652
PERSON NIGHTS(BY SEASON)										
Summer	1,188	1,129	1,177	1,221	1,241	1,257	1,274	1,291	1,308	1,326
Shoulder	820	780	813	843	857	868	880	891	904	916
Winter	2,158	2,051	2,138	2,219	2,255	2,284	2,314	2,345	2,377	2,410
Total	4,166	3,959	4,127	4,283	4,353	4,410	4,468	4,527	4,589	4,652
OCCUPANCY RATES										
Summer	59%	56%	59%	61%	62%	63%	63%	64%	65%	66%
Shoulder	42%	40%	42%	43%	44%	45%	45%	46%	46%	47%
Winter	27%	26%	27%	28%	29%	29%	29%	30%	30%	31%
average annual	40%	38%	39%	41%	42%	42%	43%	43%	44%	44%
MEALS										
Meals with Room	4,166	3,959	4,127	4,283	4,353	4,410	4,468	4,527	4,589	4,652
Meals only	250	238	248	257	261	265	268	272	275	279
Total	4,416	4,197	4,375	4,540	4,615	4,674	4,736	4,799	4,864	4,931
PRICES										
Packages	$120	$126	$132	$139	$146	$153	$161	$169	$177	$186
Room with Meals	$140	$150	$158	$165	$174	$182	$191	$201	$211	$222
Meals only	$70	$74	$77	$81	$85	$89	$94	$98	$103	$109
AVERAGE FOOD COST PER DAY	$40	$42	$44	$46	$49	$51	$54	$56	$59	$62
COMMISSION RATES ON PACKAGES	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
DISCOUNT FOR CONSTRUCTION	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

- Because of the highly seasonal nature of accommodation demand in Pangnirtung, average annual occupancy rates are very low. It is, therefore, assumed that part of the hotel will not be open during the winter. It is estimated that staff will be adjusted to reflect the number of rooms actually open.

- The cost of food is based on other northern operations at some 60% of retail price.

5.2.4 - **Revenues** (See Table 5-3)

- Revenue is as developed from the Visitor projections and the expected package price.

- Revenues from meals alone are based on the current relationship at the Pangnirtung hotel with visitors who purchase meals only.

5.2.5 - **Expenses** (see Table 5-3)

a) Variable Expense

i) Staff requirements

Staffing is based on a review of other far northern operations as well as staffing profiles for other accommodation facilities of a similar size (15-20 rooms).

In order to reflect the fact that the facility will have a relatively high demand in the summer and much lower demand in the winter, it is assumed that staff levels will be adjusted to reflect a smaller operation in the winter (i.e., it is expected that a section of the hotel will be closed off during the winter).

Table 5 - 3

PANGNIRTUNG HOTEL FEASIBILITY STUDY GOVERNMENT GRANT $900,000

	1	2	3	4	5	6	7	8	9	10
REVENUE										
ROOM WITH MEALS										
Package	$60,480	$86,877	$102,334	$121,551	$129,670	$136,154	$142,961	$150,109	$157,615	$165,496
Other	$495,376	$482,048	$519,374	$554,364	$591,853	$631,696	$674,367	$720,075	$769,045	$821,521
MEAL PLAN ONLY	$17,499	$17,460	$19,111	$20,825	$22,225	$23,637	$25,145	$26,755	$28,474	$30,310
MISCELLANEOUS	$5,000	$5,250	$5,513	$5,788	$6,078	$6,381	$6,700	$7,036	$7,387	$7,757
TOTAL REVENUE	$578,355	$591,634	$646,331	$702,527	$749,825	$797,869	$849,174	$903,975	$962,521	$1,025,083
EXPENSES										
VARIABLE EXPENSES										
PAYROLL										
Front Office	$69,500	$72,975	$76,624	$80,455	$84,478	$88,702	$93,137	$97,793	$102,683	$107,817
(less subsidy)	($18,000)	($18,900)	($19,845)							
Housekeeping	$29,000	$30,450	$31,973	$33,571	$35,250	$37,012	$38,863	$40,806	$42,846	$44,989
Food Service	$36,500	$38,325	$40,241	$42,253	$44,366	$46,584	$48,913	$51,359	$53,927	$56,623
COST OF FOOD SOLD	$176,655	$176,261	$192,926	$210,232	$224,365	$238,625	$253,847	$270,098	$287,451	$305,986
COMMISSIONS	$6,048	$8,688	$10,233	$12,155	$12,967	$13,615	$14,296	$15,011	$15,761	$16,550
TOTAL VBL. EXPENSE	$299,703	$307,799	$332,152	$378,666	$401,425	$424,539	$449,056	$475,067	$502,669	$531,965
OVERHEAD EXPENSES										
PROFESSIONAL FEES	$7,000	$7,350	$7,718	$8,103	$8,509	$8,934	$9,381	$9,850	$10,342	$10,859
MARKETING	$11,567	$11,833	$12,927	$14,051	$14,997	$15,957	$16,983	$18,079	$19,250	$20,502
INSURANCE	$25,000	$26,250	$27,563	$28,941	$30,388	$31,907	$33,502	$35,178	$36,936	$38,783
UTIL & FUEL	$35,000	$36,750	$38,588	$40,517	$42,543	$44,670	$46,903	$49,249	$51,711	$54,296
MAINTENANCE & REP.	$17,300	$18,165	$19,073	$20,027	$21,028	$22,080	$23,184	$24,343	$25,560	$26,838
EQUIPMENT REPL.	$25,000	$26,250	$27,563	$28,941	$30,388	$31,907	$33,502	$35,178	$36,936	$38,783
MUNICIPAL TAXES	$800	$840	$882	$926	$972	$1,021	$1,072	$1,126	$1,182	$1,241
MISCELLANEOUS	$5,000	$5,250	$5,513	$5,788	$6,078	$6,381	$6,700	$7,036	$7,387	$7,757
TOTAL OHD. EXPENSE	$126,667	$132,688	$139,824	$147,293	$154,901	$162,857	$171,228	$180,037	$189,306	$199,060
TOTAL EXPENSES BEFORE FINANCING	$426,370	$440,487	$471,976	$525,959	$556,326	$587,396	$620,285	$655,104	$691,975	$731,024
FINANCING EXPENSE	$115,307	$115,307	$115,307	$115,307	$115,307	$115,307	$115,307	$115,307	$115,307	$115,307
TOTAL EXPENSES	$541,677	$555,793	$587,283	$641,266	$671,633	$702,703	$735,591	$770,411	$807,281	$846,331
NET OPERATING MAR.	$36,678	$35,841	$59,048	$61,262	$78,192	$95,166	$113,583	$133,564	$155,240	$178,752

Staff levels; expressed as equivalent full-time jobs will be as follows:

Function	Equivalent Full-time Jobs		
	Summer	**Shoulder**	**Winter**
Front Office			
Manager	1	1	1 part
Assistant Manager/Reception[1)]	1	1	1
Rooms			
Housekeeping	2½	1	½
Laundry	1½	1	½
Food Service			
Waitress	2	1	½
Kitchen Staff	1½	1	1
Total Staff	**9½**	**6**	**4½**

o Front office expenses include the following:

- 1 Manager at — $33,500 for an 8 month annual contract (including benefits).
- 1 Receptionist/ Assistant Manager (Management Trainee) — $36,000 per year (including benefits). Note: This cost will be subsidized at 50% for 3 years under a government program.

1) Includes promotion activities, telephone switchboard and management training.

- Houskeeping Expenses include the following:

  - the equivalent of 2½[1] housekeeping staff for 2 summer months at $7,000 (incl. benefits)
  - the equivalent of 1[1] housekeepipng staff for 2 shoulder months at $3,500 (incl. benefits)
  - the equivalent of ½[1] housekeeping staff for 8 months at $5,500 (incl. benefits)
  - the equivalent of 1½[1] laundry staff for 2 summer months at $4,000 (incl. benefits)
  - the equivalent of 1[1] laundry staff for 2 shoulder months at $3,500 (incl. benefits)
  - the equivalent of ½[1] laundry staff for 8 months at $5,000 (incl. benefits)

- Food Service

  - the equivalent of 2[1] waitresses for 2 summer months at $6,500 (incl. benefits)
  - the equivalent of 1[1] waitress for 2 shoulder months at $3,500 (incl. benefits)
  - the equivalent of ½[1] waitress for 8 months at $5,500 (incl. benefits)
  - the equivalent of 1½[1] kitchen staff for 2 summer months at $5,000 (incl. benefits)

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1) Primarily part-time

- the equivalent of 1[1)] kitchen staff
  for 2 shoulder months at $4,000 (incl. benefits)

- the equivalent of 1[1)] kitchen staff
  for 8 months at $12,000 (incl. benefits)

Salaries are expected to increase at 5% per year.

b) Professional Fees

An allocation of $7,000 per year has been made for audit and legal fees. These are expected to increase at 5% per annum.

c) Advertizing, promotion and commissions

It is expected that to attract the package tour trade, the hotel will need to institute a policy of commission payments to the package tour wholesalers.

The amount paid in commissions can amount up to 20% of the room rate. In this instance, a rate of 10% (to be applied to the combined food and room revenue) has been assumed.

In addition, marketing costs of 2% of Revenue have been assumed.

d) Insurance

Based on the insurance for similar northern operations and reflecting the fact that a lounge will not be part of the operation, insurance is assumed at $25,000 increasing with inflation at 5% per annum.

e) Utilities and Fuel

Based on a projection for fuel and utility costs for a similar sized operation in Pond Inlet, this cost has been assumed at $35,000 per annum. This assumes a

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1) Primarily part-time

new operation with part of the hotel closed (minimum heat) during the winter (to reduce energy costs). This cost has been assumed to increase at 5% per annum. (Oil use is assumed at 0.35 gal/sq.ft./year and electricity at 8.5 kwt/sq.ft./year.)

f) Repairs and maintenance

This has been assumed at 1% of the total capital asset, increasing with inflation or 5% per annum. Although the actual amount allocated may not be expended every year, it should be accrued. Maintenance/replacement cost for equipment and furnishings is set at 10% of capital cost (increasing at inflation).

g) Miscellaneous expenses

An allowance of $5,000 has been made for such items as permits, telephone, travel and office stationery and other other minor expenses. This amount will increase with inflation at 5% per annum.

h) Municipal taxes

For purposes of the pro-forma, it has been assumed that a municipal taxation system will be put in place. Based on a 1984 assessment of $32,145 and a taxation of 25 mills, the current hotel pays some $800 in taxes. This figure has been retained as legislation enabling a full municipal taxation system in Pangnirtung is not in place.

i) Financing Expenses

Financing expense included in Table 5.3 is the expense that can be carried by this project for an acceptable return on equity to the investor.

As detailed further in Table 5.4, the amount that can be financed is $810,000. Financing is assumed at 13% for a 20 year amortization period.

5.3 **Financial Pro-Forma** (See Table 5-4)

5.3.2 - Cash Flow

As detailed in Table 5.3, at expected visitor volumes, the project will have a positive cash flow from the start. However, net cash flow is only some 6% of Gross Revenue in the first year and even less in years 2 when construction visitation drops off.

When net operating cashflow is compared to equity investment with a government grant of $900,000 the annual return on equity is quite substantial at 22%, 29% and 66% for years 3, 5 and 10 respectively.

Nevertheless, the projected cash flow can support on investment of $1,080,000 (both debt and equity) and give the investor a reasonable return or equity (over 20 years) of 28.7%. Given the expected construction cost of $1,980,000 (including equipment) this will require a government grant of $0.9 million (Note: land cost has been assumed at $0).

The following table details the rate of return to the investor for a range of government grants.

TABLE 5-5

(See Appendix F)

('000)

FINANCIAL PERFORMANCE - EXPECTED VISITOR VOLUMES

Capital Cost $	Government Grant $	Investor Portion $	Investor Equity* $	Investor Debt $	IRR %	NPV @ 25% $
1.98	0.55	1.43	0.34	1.07	17.5%	(136.9)
1.98	0.90	1.08	0.27	0.81	28.7%	51.3
1.98	1.30	0.68	0.17	0.51	57.0%	266.4

* 25% of Investors Portion

Table 5 - 4

PANGNIRTUNG HOTEL FEASIBILITY STUDY GOVERNMENT GRANT $900,000

CAPITAL COST SUMMARY

Land	$0
Building	$1,730,000
Equipment	$250,000
TOTAL CAPITAL COST	$1,980,000
GOVERNMENT GRANT	$900,000
Investor's Portion	$1,080,000
INVESTOR'S EQUITY AT 25%	$270,000
PORTION TO BE FINANCED	$810,000
Interest rate	13%

FINANCIAL ANALYSIS OF PROJECT

ANNUAL RETURN BY YEAR 3	22%	
ANNUAL RETURN BY YEAR 5	29%	
ANNUAL RETURN BY YEAR 10	66%	
INTERNAL RATE OF RETURN ON EQUITY		28.7%
NET PRESENT VALUE DISCOUNTED	25%	$51,295

Because this project is sensitive to visitation, should visitation drop to the level of the pessimistic projections. The financial performance will deteriorate significantly.

Under the pessimistic performance, even by year 10, person nights will only be 3,000 or 65% of those expected. (See Appendix G).

Financial performance is also unacceptable as the project can only support an investment of $380,000 and will therefore, require a government grant of $1.60 million.

Cash flow, although positive, is very small every year (Appendix G). Although we do not anticipate that visitor volumes will be as low as the "pessimistic projection", the financial performance of this scenario underlines the importance of good management, a strong and consistent marketing effort and good cost control.

The following table details the rate of return for the pessimistic visitation projections.

TABEL 5-6
(See Appendix G)

('000)

FINANCIAL PERFORMANCE - PESSIMISTIC VISITATION

Capital Cost $	Government Grant $	Investor Portion $	Investor Equity* $	Investor Debt $	IRR %	NPV @ 25% $
1.98	1.60	0.38	0.10	0.29	24.1%	(2.7)
1.98	1.30	0.68	0.17	0.51	(5.9%)	(164.0)

* 25% of Investors Portion

5.3.3 - Income and Funds Statements

Based on the projected cost flow and required government grant (Table 5-3) and assuming that equipment replacement (but not building maintenance and repair) will be capitalized, the following are the first 3 years' income statements.

TABLE 5-7
PANGNIRTUNG HOTEL
PRO-FORMA INCOME STATEMENT
('000)

	Year 1		Year 2		Year 3	
Revenue		**$578.4**		**$591.6**		**$646.3**
Expenses:						
Variable	299.7		307.8		332.2	
Overhead[1]	101.7		106.4		112.3	
Dep. Bldg.[2]	86.5		82.2		78.1	
Dep. Equipment[3]	50.0		45.0		41.3	
Interest	105.3		104.0		102.5	
Total Expenses		**$643.2**		**$645.4**		**$666.4**
NET INCOME BEFORE TAX		**$(64.8)**		**$(54.2)**		**$(20.1)**

1) Excludes Equipment Replacement
2) 5% declining balance
3) 20% declining balance

TABLE 5-8
PANGNIRTUNG HOTEL
SOURCE AND APPLICATION OF FUNDS
('000)

	Year 1		Year 2		Year 3	
Source of Funds						
Net Income	(64.8)		(54.2)		(20.1)	
Depreciation	136.5	71.7	127.2	73.4	119.4	99.3
Application of Funds						
Principal Repayment	10.0		11.3		12.8	
Capital Investment in Equipment Replacement	25.0	35.0	26.2	37.6	27.5	40.3
CHANGE IN WORKING CAPITAL		$36.7		$35.8		$59.0

6. ECONOMIC IMPACT

6.1 General

The economic impact of the Pangnirtung Hotel will be two-fold. There will be a significant benefit as a result of the construction activity, while there will be an ongoing benefit as a result of operation of the facility (as well as secondary, but direct impacts as a result of additional expenditures in the community).

Because most goods and services are imported into the community, indirect and wage induced impacts will be small. Nevertheless, the community will benefit to a greater extent than that indicated by the direct impacts.

6.2 Direct Benefits of Construction

Based on a review of other construction projects in isolated locations, the total capital cost of a (non-prefabricated) structure to be constructed in Pangnirtung breaks out as follows:

Material cost	55%
Sealift cost	15%
Labour cost	30%

Given the current skilled construction and related labour force in Pangnirtung of:

23	Carpenters;
3	Mechanics;
1	Electrician;
1	Oil Burner Mechanic;
1	Welder; and
1	Plumber
	Unspecified General Labour

It is expected that some 90% of the labour required for this $1,476,000 projected (capital cost) could be provided by the local labour force.

The local payroll as a direct result of the construction of the new Pangnirtung hotel is, therefore, projected at $398,500.[1)]

At an average wage rate of $10, this represents a little over 19 person years of direct employment (over the approximate 12 month construction period).

6.3 Direct Operational Benefit

As indicated in Section 5.2.5, the operation of the hotel will represent an equivalent of 5.6 full-time jobs. In the first few years, one of these positions will be filled by a hotel manager to be hired from outside the community.

Since the majority of these jobs are part-time, a significant number of people will benefit.

Additional wages in the economy are estimated at $135,000.

6.4 Indirect and Induced Benefits

Although indirect and induced benefits will not be large in a community such as Pangnirtung, the following can be expected:

- higher income to artists and others catering to the additional tourists who come to Pangnirtung as a result of this new hotel;
- higher incomes to those who supply services to the hotel; and,
- higher levels of economic activity in the community as a result of the additional wage income in the community.

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1) $1,476,000 x 30% x 90%.

7.0 IMPLEMENTATION

7.1 Hotel Development Guidelines

Based on the detailed market analysis presented in Chapter 4.0, it is evident that the ability to attract package tourism will play an important role in the development of a proper hotel facility in Pangnirtung. There appears to be significant potential to expand tourist visitation to Pangnirtung. In addition, tourism offers the benefit of new money to the N.W.T. economy. In the past, the poor quality hotel has been a major stumbling block for attracting more tourists. Thus in our assessment of the hotel programming needs we have placed a major emphasis on accommodating small to medium sized specialty market tour package business (ie. adventure tourism).

The other major markets which the hotel will cater to will of course include:

- construction workers
- government employees
- business travellers
- independent tourists

The following is a list of guidelines for the development of a new hotel facility in Pangnirtung (assuming there is no competition).

- The hotel shall incorporate the following facilities:
  - 18 double rooms each with separate bathrooms
  - number of portable cots so that three people can be accommodated in a room
  - 1 bull pen or overflow room for peak summer overflow periods, (can be converted to pool room when not in use
  - dining room to accommodate 35-40 people
  - kitchen
  - office
  - foyer and reception area/desk with display area for information on local excursion and outfitting trips

- T.V. lounge to accommodate 15 people
- lounge area with audio visual set-up for slide shows etc, to accommodate 15
- laundry and storage area

o A portion of the hotel (up to 1/3 of the rooms) should be closed down during the winter during slow periods (this might include the bull-pen and the lounge).

o The hotel should have a clearly defined entrance with sufficient space for handling luggage and checking in.

o The architectural design of the hotel, both inside and outside should portray a cozy, good quality tourist lodge which complements the natural surroundings.

o The hotel dining room, lounge and rooms should capitalize on the impressive views down the fiord.

o A limited amount of parking space should be provided to accommodate staff ski-doos, cars as well as taxis and possibly a small bus which would be used to transport guests from the airstrip.

o Local tours and excursions should be advertised through the hotel and the hotel should coordinate outfitters for the guests.

o The hotel should operate as a typical tourist lodge offering commissions to travel agents and providing group discounts.

o The small meetings market offers some potential for the hotel in the off-seasons; any meetings that cannot be accommodated in the facilities listed above could potentially be accommodated in the Hamlet chambers, or community hall.

o Above all, the hotel will require professional management and trained staff. The following section provides an outline of the training requirements.

7.2 Training Requirements

The following sections provide an outline of the training requirements for the new Pangnirtung Hotel.

i) Management and Administrative Skills

Description

Tourism lodge operators require a range of business skills including financial, marketing, personnel management, administrative and general business management skills. Most operators or potential operators do not have the resources or the time to access these skills through institutions and therefore rely heavily on on-the-job training to develop the necessary skills to effectively manage these businesses.

There are two levels of management and administrative skills programs that should be considered for the Pang hotel:

a) Upper/middle management training
b) Operational training for the support services like clerks, housekeeping staff and other staff

Available Programs

There are several courses being developed through the Arctic College in Frobisher Bay relevent to lodge management.

a) Motel/Restaurant Management

This 75 hour course covers such topics as:

- Introduction to the Hospitality Industry
- Location and Construction
- The Legal Environment
- Motel Operations

- Restaurant Operations
- Hospitality Accounting and Finance
- The Total Marketing Plan

There are also several Distance Delivery programs offered including:

- Small Business Management
- Basic Bookkeeping

These programs are provided in a print and audio-visual format with support by a community tutor.

b) Tourism in Nunavut

This 75 hour course includes the following topics:

- Geography, History and Demographics
- Profile of the Tourist to Nunavut
- Outfitting and Tours on the Land
- Package Tour Development
- Arts and Crafts
- Special Events Planning

Recommendations

a) A professional hotel manager should be hired for an 8 month period to train a local person in hotel operations. We have accounted for the appropriate costs in the hotel's pro-forma cash flow analysis.

b) During the other 4 months, the trainee would act as trainer for a second trainee who would logically also work as chamber maid or in some other capacity.

c) The manager trainee should be encouraged to take the Motel/Restaurant Management course in Frobisher Bay. (We are assuming government funding would be available to cover tuition and travel on courses of this nature.)

d) The manager trainee should also be encouraged to work through the Small Business Management and Basic Bookkeeping courses.

e) Some of the key support staff should be encouraged to take the Tourism in Nunavut course offered in Frobisher Bay.

f) It is also recommended that arrangements be made for the manager trainee to attend a training institute in the south such as Georgian College Kempenfelt Centre during the off-season for further hands-on training. The alternative to this would be to have the programmers at an institute like Georgian College assist in setting up a training program at one of the Frobisher Bay hotels in conjunction with the Arctic College.

ii) Culinary Training

Description

In addition to management and operational training programs, a variety of industry specific skills are required in order to enhance the quality of services available and to increase local participation in it. Such skills relevent to the Pang Hotel situation include outfitter training, culinary training and interpretor training. The only one, however, that is directly related to the Hotel is culinary training.

Available Training

The following program is available at the Arctic College or through extension programming (ie. in the community).

a) Introductory Cooking

The course is designed to provide an introduction to the career of cooking. The intent is to provide the basis for further cook training.

Recommendations

a) Arrangements should be made to provide the head chef and assistant with an opportunity to take this course.

b) Following completion of this program, arrangements should be made under the Canadian Job Strategy and similar government programs to hire a professional chef for several months to train the head cook at the hotel.

7.3 Marketing Guidelines

There are three main objectives that the Pang Hotel marketing plan should try to achieve, as follows:

1. To create a market awareness of the new Pang Hotel with travel agents, tour wholesalers, naturalists, other special interest groups and government.

2. To stimulate interest and inquiries from the marketplace using available marketing tools such as a lure brochure and a sales person.

3. To generate direct sales through various marketing efforts including consumer and trade shows, FAM trips, etc.

The following are the major components of the proposed marketing program.

a) Pang Hotel Lure Brochure

The objective of putting together this brochure will be to portray the quality of the product and the quality of the experience to be provided. This brochure will help to establish a physical image of the hotel in the marketplace.

Description: A quality, colour brochure on glossy stock including photography of the area and information on facilities available, air connections and other details.

This brochure would be supplemented with additional inserts providing information on specific programs like small meetings/conferences.

b) **Direct Mail/Rate Cards**

The interest here will be to provide direct information to travel agents and wholesalers on the Pang Hotel in order to stimulate direct bookings.

Description: 4" x 9" card printed in one colour, to include intinerary, prices plus a small line map of lodge location.

c) **Trade and Consumer Shows**

In conjunction with the Baffin Tourist Association, the Pang Hotel should be promoted at certain key trade and consumer shows such as the National Tour Association Trade Show (in Atlanta, Georgia in 1986) or the Chicago All Canada Show in February, 1987. The objective would be to target travel agents, tour wholesalers and special interest consumers.

Description: Shared booth with Baffin Island Association and other Baffin attractions.

d) **Public Relations Articles (Editorial)**

Efforts should be made to attract visiting writers and photographers to introduce them to the facility and try to generate editorial coverage in key southern newspapers (ie. New York Times).

Description: This could involve editorial assistance, mail out articles, press releases, etc. to generate additional coverage.

e) **FAM Trips**

The objective here would be to invite certain key travel wholesalers to Pang to experience the hotel and supporting programs and excursions, (ie. Mountain Travel, Sobek, One Step Beyond).

Description: This would involve travel accommodation and outfitting for a 2-4 day FAM trip to Pang. This would be offered and developed in conjunction with local outfitters.

The following table provides an outline of the marketing plan over a five year period.

TABLE 7-1

PANGNIRTUNG HOTEL MARKETING PLAN COSTS

Component	Year 1 ($)	Year 2 ($)	Year 3 ($)	Year 4 ($)	Year 5 ($)
Lure Brochure	7,000	2,000	2,000		2,000
Direct Mail/Rate Cards	2,000	2,000	2,000	2,000	2,000
Trade/Consumer Shows	2,000	3,000	3,000	4,000	5,000
Public Relations Articles	500	500	1,000	1,000	1,000
FAM Trips		5,000	5,000	7,000	5,000
TOTAL	**$11,500**	**$12,000**	**$13,000**	**$14,000**	**$15,000**

APPENDIX A

MARKET INTERVIEW RESULTS

VISITATION

Name of Organization/ Contact Name	Type of Tours Offered	Potential Future Interest in Pangnirtung	Existing Visitation to Pangnirtung	Projected Visitation With New Facilities	Maximum Rate
Soligers (Toronto) - Cincy Mae Ianetta	o General Interest	o Heightened interest if facilities and services are improved.	o 10-20 bed nights in 86. o This figure was higher (30 bed nights) in previous years but has declined because of the poor hotel facilities.	o 30 bed nights.	$100 with meals is market expectatio $120 is consistent with competition
Canada North Outfitting (Waterdown) - Jerome Knapp	o Fishing/hunting o Cultural o Hiking o Photographic safaris	o New hotel facilities would help to increase business. o May try to promote spring cross country skiing in the future.	o 1 Inuit Art Group of 16 for 3 nights. o 100 people going to Tongait fish camp and Auyuittuq Park (2 nights at most in the hotel)	o With larger boats available 5 or 6 tours/yr more with 12-20/group staying 3 nights. o Without larger boats 1 or 2 tours/yr more with 16-20/group staying 3 nights.	$95/day with meal is ideal
Trail Head (Toronto) - Wendy Grater	o Hiking o Canoeing o Sea-Kayaking	o Would like to develop cross country tours as well as general interest and photographic tours.	o 1 trip/year in July to hike in Auyiutting; 12 people staying at most 1 night in the hotel.	o New destination normally takes 5-6 years to develop. o Start with 1 spring (cross country) and 1 summer trip (photographic/general interest), 6-12 people per group staying an average 5 nights (summer) and 2 nights (spring). o In the long term may take as many as 100 persons per year to Pangnirtung (currently take 100 to Yellowknife area).	$100/day with me
Nordair (Montreal) - Frank Kirleman (Sales Manager, Northern Division)	o Fishing o Sightseeing o Backpacking	o Obvious interest in future promotion of Pangnirtung.		o Dependent on tourist development and marketing initiatives taken. o Facilities by themselves will not increase visitation; will depend on community's ability to host activities. o Better hotel facilities would help to meet peak visitation demand.	Price not a limitir factor.

WHOLESALER INTERVIEWS

VISITATION

Name of Organization/ Contact Name	Type of Tours Offered	Potential Future Interest in Pangnirtung	Existing Visitation to Pangnirtung	Projected Visitation With New Facilities	Maximum Rate
Federation of Ontario Naturalists (Toronto) - Pamela Burton	o Naturalist tours	o Future interest is price dependent.	o Ran 1 tour to Pangnirtung in 1982.	o 1 trip every 2-3 years with 12 people (2 per room) in July, August, staying an average of 3 nights at the hotel.	$110 with meal Oldsquaw Lodge
Horizon Tours (Toronto) - Alina Galica	o General interest (older clientele)	o Would like to find out more about Pangnirtung.	o N/A	o 1 trip in July/August with a maximum of 33 people staying 1-3 nights depending on activities.	$100 with dinne and breakfast
Special Odysseys (Washington) - Susan Voorhees	o General interest (usually wildlife oriented)	o Dependent on activities available o Price dependent	o N/A	o Takes 3 or 4 years to develop a destination. o First year maybe expect 1 tour with 4 or 5 people staying 3 nights maximum. o Second year increase to 14 people. o Third or fourth year run 2 trips 14 people each.	Depends on over tour costs
Equinox Adventures (Toronto) - Jim McLean	o Adventure tours - skiing - kayaking - rafting	o Very interested in developing Pangnirtung as a destination (Frobisher Bay as well for rafting)		o Would take 5 years to develop. o 4-5 trips per year with 10-12 people per trip staying an average of 2 nights in Pangnirtung; these tours would take place in the spring (cross country skiing) and summer (rock climbing).	Would want net and/or commiss
Great Canadian Travel Co (Winnipeg) - Rae Presunka	o Arctic Pass tours for individual travellers.	o Interested if travel costs come down.	o Limited	o Potential for general interest/ adventure travel, F.I.T. travel in the summer. o Total numbers unknown, but would stay 2-3 nights in Pangnirtung, 2 per room.	Costs are curre prohibitive in th north
Top of the World Tour Agency (Yellowknife) - Kim Warner	o Adventure travel - canoeing - hiking - fishing	o Yes, requires a familiarization tour.		o 5 years at minimum to develop markets. o 10-20 persons/year double occupancy - mostly in summer - 4 nights in Pangnirtung	

WHOLESALER INTERVIEWS

VISITATION

Name of Organization/ Contact Name	Type of Tours Offered	Potential Future Interest in Pangnirtung	Existing Visitation to Pangnirtung	Projected Visitation With New Facilities	Maximum Rate
Ecosummer Canada (Vancouver) - Jim Allen	o Adventure Tavel	o Not interested	o Ran a package to Auyintting but found weather to be a major problem.		
Blyth and Company (Toronto) - Linda Cousins	o Adventure Travel	o Will not consider in near future.	o Offered a trip to Pangnirtung in 1985 but did not sell.		
Nortour (Montreal)	o Nature Tours	o Not interested o Have moved to more traditional destinations (i.e. Europe and South).	o Ran tours to Baffin 2-3 years ago.		

WHOLESALER INTERVIEWS

VISITATION

Name of Organization/ Contact Name	Type of Tours Offered	Potential Future Interest in Pangnirtung	Existing Visitation to Pangnirtung	Projected Visitation With New Facilities	Maximum Rate
Arctrek (Edmonton) - Martin Sallom	o General Interest Tours	o Quite interested but the size of the existing airstrip may be a constraining factor (currently charters convairs)		o Has to have more familiarity with Pangnirtung as a destination. o Takes 40-50 elderly people in each tour group.	
Worldwide Nordic USA (Hayward, Wisconsin) - Tom Kelly	o Ski touring adventures	o Very interested in hut-to-hut ski touring opportunities (and lodge based)		o Possibility for: - lodge based skiing-7 days in hotel - hut based skiing-2 days in hotel - maximum in 5 years would be 15 persons/year - in the longer term 25-30 persons per year	$110/day with me
Mountain Travel (Albany, California)	o Adventure travel - hut to hut cross country - trekking	o Very interested in hiking and ski touring opportunities in Auyuitting.	o Ran a trip to the Baffin 4 or 5 years ago.	o Dependent on opportunities. o Perhaps by 1988 or 1989: - 1 tour in spring with 12 people staying 1 night - 1 tour in summer with 12 people staying 1 night o In long term could be considered higher.	$1000 U.S. land costs for 10-11 day trip
Sobek Expeditions (Unionville) - Richard Deacon - John Titchenor from California	o Adventure Travel	o Interested in developing own tours or working with an existing tour operator.		o Would have to become more familiar with opportunities and existing tour operators. o Normally small group sizes (i.e. 10 people)	
One Step Beyond (Canmore, Alberta) - John Amatt	o Adventure Travel and Corporate Seminars and Incentive Travel	o Very intested in Pangnirtung as a possible location for Management Seminars.	o Ran a tour to Pangnirtung in conjunction with Blyth and Company.	o Potential for: - Ulysses Seminars-wilderness based team building forum for company management personnel. (5-7 days) - Adventure tours-physical and comfortable adventure tours. (4 nights in hotel) o Normally maximum of 12 people per group.	Cost is not a major considerati

WHOLESALER INTERVIEWS

HOTEL NEEDS

Name of Organization	Comments on Pangnirtung Hotel	Hotel Needs and Market Expectations	Other Comments
Goligers	o Lounge is quite nice o Rooms are too small, cold and the lock system is poor. o Food is not too bad but does need improvement.	o Preference is for individual bath but would settle for clean, roomy communal facilities with running water. o Operate tours to Greenland where hotels have communal washroom facilities. o Construction workers should eat at a different time.	o Tourism activities need to be improved at the same time. (i.e. larger boats for tours, local tour coordinator)
Canada North Outfitting	o Poor quality.	o Ideally need washrooms with shower or bath in every room. o Professional hotel manager is needed. o Anything over 60 beds would be a waste of money unless the runway was expanded to accommodate jets.	o Should be designed like the hotels (Arctic Hotel) in Greenland; part of the hotel can be shut off in the winter. o Need to increase the activity opportunities for tourists in Pang; i.e. the outfitters should purchase one or two larger (16 - 20 passenger) boats suitable for day boat trips.
Trail Head	o Not suitable	o 2 people/room with 4 people sharing washroom facilities. o Need a common room/dining room and an area to show slides.	o Bathurst Inlet Lodge is a good example of a northern lodge catering to tourists.

WHOLESALER INTERVIEWS

HOTEL NEEDS

Name of Organization	Comments on Pangnirtung Hotel	Hotel Needs and Market Expectations	Other Comments
Nordair	o Location is superb, rooms are fine, eating area is well laid out and the food is good.	o A communal washroom facility with showers and flush toilets would be acceptable. o Beds and windows need upgrading.	
Federation of Ontario Naturalists		o Like a small place (i.e. 15 people). o Can accept spartan facilities if clean and get what is advertised. o Need projector and screen in the common room. o Like to have sinks and toilets in rooms, showers can be shared.	o Old Squaw Lodge is a good example of the type of facility F.O.N. clientele need.
Horizon Tours		o 20 double rooms with individual washrooms with bathtubs. o Ability to book singles with payment of a suitable supplement.	o Currently run a Hudson Bay circle tour; however it will be cancelled for 1986 due to lack of suitable interest; may run again in 1987.
Special Odysseys		o Either individual washrooms or common bath between 2 rooms. o Require a good clean kitchen.	o Good examples are the Pond Inlet and Grise Fiord hotels.

WHOLESALER INTERVIEWS

HOTEL NEEDS

Name of Organization	Comments on Pangnirtung Hotel	Hotel Needs and Market Expectations	Other Comments
Equinox Adventures		o Communal facilities are fine; European style. o Require a common room to sort gear.	o Having a problem with the G.N.W.T. re applications to use rivers for rafting.
Great Canadian Travel		o Prefer separate washrooms but would accept communal facilities.	
Top of the World Tour Agency		o Require professionalism cleanliness and personality in management. o Shared washroom facilities between 4 people.	o Good examples are Frontier Lodge, Bathurst Inlet Lodge and Great Bear Fishing Lodge. o Baffin has excellent potential particularly with Auyuittuq.
Arctrek		o Need to have a reasonable contact person i.e. a person who you can work with. o With respect to facilities most important consideration is cleanliness.	o Currently use tents and tent frames in Resolute Bay.

WHOLESALER INTERVIEWS

HOTEL NEEDS

Name of Organization	Comments on Pangnirtung Hotel	Hotel Needs and Market Expectations	Other Comments
Worldwide Nordic USA		o Communal showers and washrooms are not acceptable. o Food must be plentiful and specific food needs considered i.e. vegetarian high carbohydrate.	
Mountain Travel		o Fairly simple, warm, good food, clean, telex and phone like the Norwegian mountain hotels. o Washrooms in rooms. o Need central marketing agency/ individual.	o Ideally would like dog sled back-up for for ski tours. o Normally hire guides in the local area. o Possibility to combine Greenland and and Baffin.
Sobek Expeditions		o Has to be considered good value for value for money spent.	
One Step Beyond		o Individual washrooms. o Common sauna etc. o Good food. o Aggressive marketing job.	o Arctic Hotel in Jakobshavn Greenland is a good example.

GOVERNMENT/BUSINESS/CONSTRUCTION/INTERVIEWS

Government/Department Organization	Current Visitation To Pangnirtung	Future Visitation Projections	Potential For Conference Facilities	Satisfaction With Existing Hotel	Future Facility Requirements	Maximum Rate
Department of Public Works & Highways	o 32 bed nights, year round, not always at Peytons Lodge, 1-3 persons per trip normally staying 2 days. (Inspections and maintenance).	o To remain constant.	o No	o Unsatisfied becuase of low regard for fire safety and poor sanitation facilities, (Pang's hotel is the worst in the region.	o Private rooms. o Lounge with T.V. and VCR and quiet area for reading. o Running water.	$135-$145/day with meals
Department of Renewable Resources	o 3 or 4 staff persons for 1 week each every year (now only 1 would stay at hotel). o Surveys held every few years will bring 3 people for 1½ weeks.	o Would all stay at the hotel in future if it met basic standards. o Visitation will likely remain constant.	o No - too expensive to hold Regional Conference in Pang.	o Unsatsified - worst hotel in the Baffin; Cape Dorset is one of the best.	o More space in the washrooms. o Better management. o Larger bedrooms with more natural light. o Separate dining and lounge area. o Better food service.	$125/day
N.W.T. Housing Corporation	o 7 people from Frobisher 4-6 times per year, year round, average of 4 nights. o 1 person from Yellowknife once a month for several days.	o In process of hiring 3 new maintenance people. o Number of people going in May double in 2 years and then remain constant after that. o Encouraging home ownership - for each new house they provide a survey crew (2 people, 1 trip), building inspector (5 trips), programmer (2 trips). o If there was a proper hotel D.P.W. people might stay longer each trip. (i.e. 4 nights instead of 2).	o Possibility - conferences and workshops are now held in Frobisher Bay; now looking to hold them in the settlements. - maybe one per year with 40-50 participants.	o Very unsatisfied - the electrical inspector closed it down last year. o Fire trap, poorly lit, rooms are too small, inconsistant food, cold, shortage of water, dirty.	o Flush toilets. o Desk and chair in the rooms. o Individual washrooms or bigger communal facilities. o Separate dining area. o Recreation area with pool table, darts, cards etc. o T.V. lounge.	$150/day - should be separate lower rate for tourists
Department of Social Services	o 8 people staying 1-2 weeks each trip.	o Will likely remain constant.	o Conferences are usually held in Frobisher Bay, Rankin or Yellowknife; gives opportunity for Pangnirtung residents to get out.	o Food is not very good and is expensive.	o Would prefer choice of single and double rooms (like Pond Inlet).	
Department of Education	o Minimum of 28 bed nights (1 week per trip). o Do not use lodge because of poor condition.	o Minimum 28 bed nights at hotel if improved.	o Yes - once per year with 30 persons for a week.	o No Suitable. o Washrooms shared and dirty. o Sharing of room with construction workers who rise/sleep at difficult times.	o Single/double rooms with separate washrooms (or at least shared between 2 rooms). o Separate dining room from a lounge.	Not a criteria as long as it is not excessive

GOVERNMENT/BUSINESS/CONSTRUCTION/INTERVIEWS

Government/Department Organization	Current Visitation To Pangnirtung	Future Visitation Projections	Potential For Conference Facilities	Satisfaction With Existing Hotel	Future Facility Requirements	Maximum Rate
Department of Local Government	o 50-60 bed nights.	o Will stay level or decrease slightly. o If and when Pangnirtung becomes a Village visitation would decrease as they would deal with their own problems.	o No - would most likely use use the community centre.	o Unsatisfactory. o Poor circulation, rundown, management needs improvement.	o Private washrooms preferred but communal are acceptable. o Private rooms preferred.	
Frobisher Hospital	o Dentists and doctors visit as follows: - 14 trips for 1 week with 1 person. - Always stay at the nursing station.	o Will continue to use nursing station.				
Northern Canada Power Commission	o 20-24 nights/department with departments - 70 bed nights - normally early spring - 2-4 man crews	o Will increase over next 3-5 years, dependent on capital budget and allocations. o If a new facility is not built/improved/managed they are considering installing their own transient quarters.	o Hold meetings in Frobisher - easier to commute.	o Unsatisfied. o Facility is poor and needs improved management.	o Flush toilets and running water. o Communal facilities are fine if they are clean. o 2 persons per room is fine (normally have areas of 2 or 4).	$135-$150 as long as they know in advance to budget.
Baffin Regional Council	o In 1985 55 persons went to Pangnirtung for 1 week; they were all billeted because the lodge was viewed as being unacceptable.	o Would be related to conferences. o Cannot guarantee one conference each year; it would depend on facilities. o If a conference was held in Pangnirtung they would stay at the hotel if the facilities are upgraded. (45-50 people).	o Yes - The B.R.C. did a study and found Pangnirtung to be the second cheapest community in the Baffin to hold conferences (next to Frobisher Bay).	o Unsatisfactory. o Counterproductive to the growth of tourism in Pangnirtung. o A new hotel would extend tourist trade into shoulder seasons.	o Washrooms in each room. o Conference facilities including simultaneous translation facilities. o Proper kitchen facilities to take advantage of sealift.	
Baffin Inuit Assoc.	o No anticipated use of the hote or conference facilities.					
Arctic College		o Associated with extension education courses offered on a module basis in the communities. - 2 people for a 2 week period.	o Normally use the Adult Education facilities if available. o During Adult Education season may use conference facilities.		o Room consistant with training needs. - quiet - isolated - good sound - good circulation and lighting	

GOVERNMENT/BUSINESS/CONSTRUCTION/INTERVIEWS

Government/Department Organization	Current Visitation To Pangnirtung	Future Visitation Projections	Potential For Conference Facilities	Satisfaction With Existing Hotel	Future Facility Requirements	Maximum Rate
Parks Canada	o 30 bed nights per year - depends on capital projects - normally don't stay at the hotel because of the poor quality.	o Same	o Conference facilities would have to be competitively priced with Hamlet chambers.	o Not satisfactory		
Department of Indian and Northern/Affairs	o 10 person nights per year. o Sometimes fly in and out the same day.	o Will not increase.				
Telesat	o 25 bed nights/year	o Long term use will stay the same as they are scheduled trips.		o Facility is marginal when compared to other facilities in the north.	o Bunks are fine. o Commercial washrooms are fine if clean.	
Health and Welfare Canada	o 20-30 persons staying an average of 3-7 days (maintenance, environmental health offices, zone nurses etc.) - most stay in nursing station or in private homes.	o Remain constant. o May increase use of hotel if facility is improved.	o Yes - Hold a minimum of one meeting/year (12-20 people) o Also potential for health education seminars etc.	o Unsatisfactory. o Dirty and poorly maintained. o Limited single accommodation.	o Clean single accommodation. o Bathrooms in each room. o A good example is the Pond Inlet Hotel.	Not a major concern
Canada Employment and Immigration	o 6 people staying an average of 3 nights.		o Yes. o Sometimes hold courses which may bring in 6 out of town people for 2 weeks (usually held in Frobisher). o Outreach workers conference once per year. o Staff meetings (6-8 people).	o Very poor. o Even transient facilities in other communities are better.	o Communal washrooms are fine as long as they have flush toilets and are clean. o Desks for working in rooms.	
Public Works Canada		o 86/87 3 people for 10 visits averaging 2 nights each trip.		o Very poor. o No proper exits for fire safety.		
R.C.M.P.	o 35 bed nights/year	o Stay the same - no major capital construction anticipated before 1991-92.				

GOVERNMENT/BUSINESS/CONSTRUCTION/INTERVIEWS

Government/Department Organization	Current Visitation To Pangnirtung	Future Visitation Projections	Potential For Conference Facilities	Satisfaction With Existing Hotel	Future Facility Requirements	Maximum Rate
Department of National Defence	o 50 bed nights	o No major change.	o Unlikely to hold meetings in Pangnirtung; the airstrip is small; normally travel by Hercules.			
CBC	o 1 or 2 people staying an average of 4 nights.	o Follow major governing bodies.				
Department of Fisheries and Oceans	o 6 trips averaging 10 days each.	o Will likely stay the same.	o Unlikely to hold meetings in Pangnirtung.	o Number of rooms is adequate. o Washrooms are quite poor. o Cold. o Lounge is quite nice.		$125-$140
Tower Arctic	o 16 people on average in the bunkhouse. o 3 or 4 subcontractors staying in the hotel.	o By the end of May the members will drop considerably, will not likely have anyone staying in the lodge. o No major construction projects on the horizon.		o Not very good if your're there for more than a couple of days - poor food quality/quantity - inadequate washrooms. o Now use bunkhouse which they renovated for approximately $120 000 - under lease through fall of 1987.	o Number of communal washrooms with lots of space shared by several rooms. o Reduce number of rooms and increase size.	Price is not a major proble as long as all contractors are bidding on the same footing. Right now contractors are not absolutely required to use hotel in Pangnirtung.
Executive	o 4-5 person nights.	o With an improved facility would very likely increase.	o Pangnirtung is an ideal location for meeting facilities for Government Departments and groups like IBC, Healthcare, etc. o Should have built-in capacity for simiiltaneous translation.	o Very poor.	o Depends on timeframe, if 5 years then perhaps communal washrooms are fine. If 20 years then need to provide individual facilities.	
Department of Economic Development	o 12 visits per year from Frobisher staying an average of 2 nights (travelling individually) o 4 trips per year from Yellowknife with 2 people per trip staying an average 2 days.	o Remain constant.	o Has good potential. o Potential to hold/year: - 1 staff meeting 3 days/15 people - 1 training course max 20 people/1 week - 1 guide training course 15 students/1 week in Town.	o Poorest quality facility in the Baffin. o Living room atmosphere is the best part.	o Individual washrooms would be ideal. o Proper sized quiet lounge area. o Good food. o Proper entranceway. o Proper office for checking in and out.	$150

APPENDIX B

GOVERNMENT DEPARTMENT
PROJECTION DETAILS

APPENDIX B

PROJECTED PERSON NIGHTS

Government		1987	1988	1989	1990	1991	Reported Existing at Hotel
1)	Department of Public Works	25	25	25	25	25	25
2)	Department of Renewable Resources	28	28	28	28	28	7
3)	N.W.T. Houseing Corporation	140	280	280	280	280	140
4)	Department of Social Services	80	80	80	80	80	80
5)	Department of Education	28	28	28	28	28	0
6)	Department of Local Government	55	55	55	55	55	55
7)	Parks Canada	15	15	15	15	15	5
8)	Department of Indian - Northern Affairs	10	10	10	10	10	10
9)	Health and Welfare Canada	35	35	35	35	35	25
10)	Canada Employment and Immigration	18	18	18	18	18	18
11)	R.C.M.P.	35	35	35	35	35	35
12)	Department of Defence	50	50	50	50	50	50
13)	Department of Economic Development and Tourism	40	40	40	40	40	40

APPENDIX B
(Continued)

PROJECTED PERSON NIGHTS

Government		1987	1988	1989	1990	1991	Reported Existing at Hotel
14)	Department of Fisheries and Oceans	60	60	60	60	60	60
15)	Executive	10	10	10	10	10	5
16)	Public Works Canada	60	60	60	60	60	60
	Sub-Total	**689**	**829**	**829**	**829**	**829**	**615**
	TOTAL						**819**

Total person nights is 819 which is based on:

a) 615 person nights in our survey

b) An extra 167 person nights from department of public works (for a total of 192). The source was the detailed hotel records. The difference is most likely represented by the inclusion of contractors.

c) 37 person nights detailed in hotel records from government departments not included in our survey.

APPENDIX C

DETAILED METHODOLOGY FOR CONSTRUCTION VISITOR PROJECTIONS

APPENDIX C

DETAILED METHODOLOGY FOR CONSTRUCTION VISITOR PROJECTIONS

1) Estimated Capital expenditures in Pangnirtung[1]
(Fiscal Year April 1 to March 30)

1984/85	-	$2,350,000
1983/84	-	$3,000,000

2) Corresponding construction visitors[2]

1984/85	-	190
1983/84	-	46

3) Calculated capital expenditure/construction visitor

1984/85	-	$12,368
1983/84	-	$65,217
Average 84/85 and 83/84	-	$38,793

4) Capital Plan ($000)[3]

86/87	87/88	88/89	89/90	90/91	Future
4,808	2,178	2,199	875	120	1,100

1) Source: Burdett-Molton
2) Source: Hotel records
3) Source: Department of Public Works

APPENDIX D

PACKAGE TOUR PROJECTION DETAILS

APPENDIX D

PROJECTED PERSON NIGHTS

Package Tours	1987	1988	1989	1990	1991	Reported Existing
A) **Existing**						
Goligers (Summer)	20	30	30	30	30	15
Canada North (Summer)	180	220	220	220	220	150
Trail Head (Spring, Summer)	42	82	82	82	82	12
Tulik	30	30	30	30	30	30
B) **New**						
Federation of Naturalists (Summer)	18	25	36	36	36	
Horizon (Summer)	33	50	66	66	66	
Special Odyssey (Summer)	15	42	42	85	85	
Equinox Adventures (Spring, Summer)	50	60	70	90	100	
Great Canadian Travel Co. (Summer)	15	20	25	30	30	
Top of the World Agency (Summer)	30	40	50	60	60	
Worldwide Nordic (Spring)	35	45	60	70	75	
Mountain Travel (Spring, Summer)	12	16	24	24	24	
One Step Beyond (Summer)	25	30	40	50	50	
TOTAL	**505**	**690**	**775**	**873**	**888**	

APPENDIX E

MARKET PROJECTION DETAILS

SCENARIO I -- OPTIMISTIC VISITATION

Table E-1

VISITATION

VISITOR GROUPS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
BUSINESS	485	582	640	672	706	741	778	817	858	901
GOVERNMENT	388	448	448	448	448	448	448	448	448	448
CONSTRUCTION	124	56	56	56	56	56	56	56	56	56
PACKAGE TOURISTS	199	252	276	305	309	309	309	309	309	309
INDEPENDENT TOURISTS	50	55	61	67	73	77	81	85	89	93
TOTALS	1,246	1,393	1,481	1,548	1,592	1,631	1,672	1,715	1,760	1,807

PERSON NIGHTS

VISITOR GROUPS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
BUSINESS	1,940	2,328	2,561	2,689	2,823	2,964	3,113	3,268	3,432	3,603
GOVERNMENT	1,358	1,568	1,568	1,568	1,568	1,568	1,568	1,568	1,568	1,568
CONSTRUCTION	1,860	840	840	840	840	840	840	840	840	840
PACKAGE TOURISTS	697	882	966	1,068	1,082	1,082	1,082	1,082	1,082	1,082
INDEPENDENT TOURISTS	75	83	91	100	110	115	121	127	133	140
TOTALS	5,930	5,701	6,026	6,264	6,423	6,569	6,723	6,885	7,055	7,233

ROOM NIGHTS

VISITOR GROUPS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
BUSINESS	1,293	1,552	1,707	1,793	1,882	1,976	2,075	2,179	2,288	2,402
GOVERNMENT	776	896	896	896	896	896	896	896	896	896
CONSTRUCTION	930	420	420	420	420	420	420	420	420	420
PACKAGE TOURISTS	387	490	537	593	601	601	601	601	601	601
INDEPENDENT TOURISTS	42	46	50	55	61	64	67	71	74	78
TOTALS	3,428	3,404	3,610	3,757	3,860	3,957	4,059	4,166	4,279	4,397

SCENARIO 1 -- OPTIMISTIC VISITATION

Table E-2

VISITATION

MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
JANUARY	31	34	36	38	39	40	41	42	43	44
FEBRUARY	59	67	71	74	76	78	80	82	84	86
MARCH	76	86	91	95	98	100	103	105	108	111
APRIL	65	73	77	81	83	85	87	90	92	95
MAY	127	142	151	158	162	166	170	175	179	184
JUNE	118	132	141	147	151	155	159	163	167	172
JULY	210	234	249	260	268	274	281	289	296	304
AUGUST	146	163	173	181	186	191	195	200	206	211
SEPTEMBER	137	153	162	170	174	179	183	188	193	198
OCTOBER	122	137	145	152	156	160	164	168	173	178
NOVEMBER	89	99	106	111	114	116	119	122	126	129
DECEMBER	66	73	78	82	84	86	88	90	93	95
TOTAL	1,246	1,393	1,481	1,548	1,592	1,631	1,672	1,715	1,760	1,807

PERSON NIGHTS

MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
JANUARY	146	140	148	154	158	161	165	169	173	178
FEBRUARY	283	272	288	299	307	314	321	329	337	345
MARCH	364	350	370	385	394	403	413	423	433	444
APRIL	310	298	315	328	336	344	352	360	369	378
MAY	604	581	614	638	654	669	685	701	719	737
JUNE	564	542	573	595	610	624	639	654	671	687
JULY	998	959	1,014	1,054	1,081	1,105	1,131	1,158	1,187	1,217
AUGUST	693	666	704	732	751	768	786	805	824	845
SEPTEMBER	650	625	660	687	704	720	737	755	773	793
OCTOBER	582	560	592	615	631	645	660	676	693	710
NOVEMBER	423	407	430	447	459	469	480	492	504	516
DECEMBER	313	301	318	330	339	347	355	363	372	382
TOTAL	5,930	5,701	6,026	6,264	6,423	6,569	6,723	6,885	7,055	7,233

Table E-3

SCENARIO 1 -- OPTIMISTIC VISITATION

ROOM NIGHTS

MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
JANUARY	84	84	89	92	95	97	100	102	105	108
FEBRUARY	164	163	172	179	184	189	194	199	204	210
MARCH	210	209	222	231	237	243	249	256	263	270
APRIL	179	178	189	196	202	207	212	218	224	230
MAY	349	347	368	383	393	403	413	424	436	448
JUNE	326	324	343	357	367	376	386	396	407	418
JULY	577	573	607	632	649	666	683	701	720	740
AUGUST	401	398	422	439	451	462	474	487	500	514
SEPTEMBER	376	373	396	412	423	434	445	457	469	482
OCTOBER	337	334	355	369	379	389	399	409	420	432
NOVEMBER	245	243	258	268	276	283	290	297	305	314
DECEMBER	181	180	190	198	204	209	214	220	226	232
TOTAL	3,428	3,404	3,610	3,757	3,860	3,957	4,059	4,166	4,279	4,397

SCENARIO 2 -- EXPECTED VISITATION

Table E-4

VISITATION

VISITOR GROUPS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
BUSINESS	485	534	560	577	594	612	630	649	669	689
GOVERNMENT	388	448	448	448	448	448	448	448	448	448
CONSTRUCTION	124	56	56	56	56	56	56	56	56	56
PACKAGE TOURISTS	144	197	221	250	254	254	254	254	254	254
INDEPENDENT TOURISTS	50	53	55	58	61	63	64	66	68	70
TOTALS	1,191	1,287	1,340	1,389	1,413	1,433	1,453	1,474	1,495	1,517

PERSON NIGHTS

VISITOR GROUPS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
BUSINESS	1,455	1,601	1,681	1,731	1,783	1,836	1,891	1,948	2,007	2,067
GOVERNMENT	892	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030	1,030
CONSTRUCTION	1,240	560	560	560	560	560	560	560	560	560
PACKAGE TOURISTS	504	690	774	875	889	889	889	889	889	889
INDEPENDENT TOURISTS	75	79	83	87	91	94	97	100	103	106
TOTALS	4,166	3,959	4,127	4,283	4,353	4,410	4,468	4,527	4,589	4,652

ROOM NIGHTS

VISITOR GROUPS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
BUSINESS	970	1,067	1,120	1,154	1,189	1,224	1,261	1,299	1,338	1,378
GOVERNMENT	595	687	687	687	687	687	687	687	687	687
CONSTRUCTION	620	280	280	280	280	280	280	280	280	280
PACKAGE TOURISTS	280	383	430	486	494	494	494	494	494	494
INDEPENDENT TOURISTS	42	44	46	48	51	52	54	55	57	59
TOTALS	2,507	2,461	2,563	2,655	2,700	2,737	2,776	2,815	2,856	2,897

SCENARIO 2 -- EXPECTED VISITATION

Table E-5

VISITATION

MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
JANUARY	29	32	33	34	35	35	36	36	37	37
FEBRUARY	57	61	64	66	67	68	69	70	71	72
MARCH	73	79	82	85	87	88	89	90	92	93
APRIL	62	67	70	73	74	75	76	77	78	79
MAY	121	131	137	141	144	146	148	150	152	155
JUNE	113	122	127	132	134	136	138	140	142	144
JULY	200	217	226	234	238	241	244	248	252	255
AUGUST	139	150	157	162	165	167	170	172	175	177
SEPTEMBER	131	141	147	152	155	157	159	162	164	166
OCTOBER	117	126	132	136	139	141	143	145	147	149
NOVEMBER	85	92	96	99	101	102	104	105	107	108
DECEMBER	63	68	71	73	75	76	77	78	79	80
TOTAL	1,191	1,287	1,340	1,389	1,413	1,433	1,453	1,474	1,495	1,517

PERSON NIGHTS

MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
JANUARY	102	97	101	105	107	108	110	111	113	114
FEBRUARY	199	189	197	205	208	211	213	216	219	222
MARCH	256	243	253	263	267	271	274	278	282	286
APRIL	218	207	216	224	228	231	234	237	240	243
MAY	424	403	420	436	443	449	455	461	467	474
JUNE	396	376	392	407	414	419	425	430	436	442
JULY	701	666	694	721	733	742	752	762	772	783
AUGUST	487	463	482	501	509	515	522	529	536	544
SEPTEMBER	457	434	452	469	477	483	490	496	503	510
OCTOBER	409	389	405	421	428	433	439	445	451	457
NOVEMBER	297	283	295	306	311	315	319	323	328	332
DECEMBER	220	209	218	226	230	233	236	239	242	245
TOTAL	4,166	3,959	4,127	4,283	4,353	4,410	4,468	4,527	4,589	4,652

Table E-6

SCENARIO 2 -- EXPECTED VISITATION

ROOM NIGHTS

MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
JANUARY	62	60	63	65	66	67	68	69	70	71
FEBRUARY	120	117	122	127	129	131	133	134	136	138
MARCH	154	151	157	163	166	168	170	173	175	178
APRIL	131	129	134	139	141	143	145	147	149	152
MAY	255	251	261	270	275	279	283	287	291	295
JUNE	238	234	244	252	257	260	264	268	271	275
JULY	422	414	431	447	454	461	467	474	480	488
AUGUST	293	288	300	310	316	320	324	329	334	339
SEPTEMBER	275	270	281	291	296	300	304	309	313	318
OCTOBER	246	242	252	261	265	269	273	277	280	285
NOVEMBER	179	176	183	190	193	195	198	201	204	207
DECEMBER	132	130	135	140	142	144	146	148	151	153
TOTAL	2,507	2,461	2,563	2,655	2,700	2,737	2,776	2,815	2,856	2,897

SCENARIO 3 -- PESSIMISTIC VISITATION

VISITATION

VISITOR GROUPS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
BUSINESS	485	485	485	485	485	485	485	485	485	485
GOVERNMENT	356	356	356	356	356	356	356	356	356	356
CONSTRUCTION	124	56	56	56	56	56	56	56	56	56
PACKAGE TOURISTS	144	144	144	144	144	144	144	144	144	144
INDEPENDENT TOURISTS	50	50	50	50	50	50	50	50	50	50
TOTALS	1,159	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091

PERSON NIGHTS

VISITOR GROUPS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
BUSINESS	1,455	1,455	1,455	1,455	1,455	1,455	1,455	1,455	1,455	1,455
GOVERNMENT	819	819	819	819	819	819	819	819	819	819
CONSTRUCTION	397	179	179	179	179	179	179	179	179	179
PACKAGE TOURISTS	504	504	504	504	504	504	504	504	504	504
INDEPENDENT TOURISTS	50	50	50	50	50	50	50	50	50	50
TOTALS	3,225	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007

ROOM NIGHTS

VISITOR GROUPS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
BUSINESS	970	970	970	970	970	970	970	970	970	970
GOVERNMENT	546	546	546	546	546	546	546	546	546	546
CONSTRUCTION	198	90	90	90	90	90	90	90	90	90
PACKAGE TOURISTS	280	280	280	280	280	280	280	280	280	280
INDEPENDENT TOURISTS	28	28	28	28	28	28	28	28	28	28
TOTALS	2,022	1,913	1,913	1,913	1,913	1,913	1,913	1,913	1,913	1,913

SCENARIO 3 -- PESSIMISTIC VISITATION

Table E-8

VISITATION

MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
JANUARY	28	27	27	27	27	27	27	27	27	27
FEBRUARY	55	52	52	52	52	52	52	52	52	52
MARCH	71	67	67	67	67	67	67	67	67	67
APRIL	61	57	57	57	57	57	57	57	57	57
MAY	118	111	111	111	111	111	111	111	111	111
JUNE	110	104	104	104	104	104	104	104	104	104
JULY	195	184	184	184	184	184	184	184	184	184
AUGUST	135	128	128	128	128	128	128	128	128	128
SEPTEMBER	127	120	120	120	120	120	120	120	120	120
OCTOBER	114	107	107	107	107	107	107	107	107	107
NOVEMBER	83	78	78	78	78	78	78	78	78	78
DECEMBER	61	58	58	58	58	58	58	58	58	58
TOTAL	1,159	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091	1,091

PERSON NIGHTS

MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
JANUARY	79	74	74	74	74	74	74	74	74	74
FEBRUARY	154	144	144	144	144	144	144	144	144	144
MARCH	198	185	185	185	185	185	185	185	185	185
APRIL	169	157	157	157	157	157	157	157	157	157
MAY	328	306	306	306	306	306	306	306	306	306
JUNE	306	286	286	286	286	286	286	286	286	286
JULY	543	506	506	506	506	506	506	506	506	506
AUGUST	377	351	351	351	351	351	351	351	351	351
SEPTEMBER	353	330	330	330	330	330	330	330	330	330
OCTOBER	317	295	295	295	295	295	295	295	295	295
NOVEMBER	230	215	215	215	215	215	215	215	215	215
DECEMBER	170	159	159	159	159	159	159	159	159	159
TOTAL	3,225	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007

SCENARIO 3 -- PESSIMISTIC VISITATION

Table E-9

ROOM NIGHTS

MONTHS	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
JANUARY	50	47	47	47	47	47	47	47	47	47
FEBRUARY	97	91	91	91	91	91	91	91	91	91
MARCH	124	117	117	117	117	117	117	117	117	117
APRIL	106	100	100	100	100	100	100	100	100	100
MAY	206	195	195	195	195	195	195	195	195	195
JUNE	192	182	182	182	182	182	182	182	182	182
JULY	340	322	322	322	322	322	322	322	322	322
AUGUST	236	224	224	224	224	224	224	224	224	224
SEPTEMBER	222	210	210	210	210	210	210	210	210	210
OCTOBER	199	188	188	188	188	188	188	188	188	188
NOVEMBER	144	137	137	137	137	137	137	137	137	137
DECEMBER	107	101	101	101	101	101	101	101	101	101
TOTAL	2,022	1,913	1,913	1,913	1,913	1,913	1,913	1,913	1,913	1,913

APPENDIX F

FINANCIAL PROJECTIONS - EXPECTED VISITATION

PANGNIRTUNG HOTEL FEASIBILITY STUDY GOVERNMENT GRANT $550,000

CAPITAL COST SUMMARY

Land	$0
Building	$1,730,000
Equipment	$250,000
TOTAL CAPITAL COST	$1,980,000
GOVERNMENT GRANT	$550,000
Investor's Portion	$1,430,000
INVESTOR'S EQUITY AT 25%	$357,500
PORTION TO BE FINANCED	$1,072,500
Interest rate	13%

FINANCIAL ANALYSIS OF PROJECT

ANNUAL RETURN BY YEAR 3	6%	
ANNUAL RETURN BY YEAR 5	11%	
ANNUAL RETURN BY YEAR 10	40%	
INTERNAL RATE OF RETURN ON EQUITY		17.5%
NET PRESENT VALUE DISCOUNTED	25%	($136,903)

PANGNIRTUNG HOTEL FEASIBILITY STUDY GOVERNMENT GRANT $1,300,000

Table F-2

CAPITAL COST SUMMARY

Land	$0
Building	$1,730,000
Equipment	$250,000
TOTAL CAPITAL COST	$1,980,000
GOVERNMENT GRANT	$1,300,000
Investor's Portion	$680,000
INVESTOR'S EQUITY AT 25%	$170,000
PORTION TO BE FINANCED	$510,000
Interest rate	13%

FINANCIAL ANALYSIS OF PROJECT

ANNUAL RETURN BY YEAR 3	60%	
ANNUAL RETURN BY YEAR 5	71%	
ANNUAL RETURN BY YEAR 10	130%	
INTERNAL RATE OF RETURN ON EQUITY		57.0%
NET PRESENT VALUE DISCOUNTED	25%	$266,379

APPENDIX G

FINANCIAL PROJECTIONS - PESSIMISTIC VISITATION

PANGNIRTUNG HOTEL FEASIBILITY STUDY PESSIMISTIC PROJECTION GOVERNMENT GRANT $1,600,000

Table G-1

PARAMATERS	1	2	3	4	5	6	7	8	9	10
NUMBER OF ROOMS	18	18	18	18	18	18	18	18	18	18
PERSONS PER ROOM	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
PERSON NIGHTS(BY TYPE)										
Business	1,455	1,455	1,455	1,455	1,455	1,455	1,455	1,455	1,455	1,455
Government	819	819	819	819	819	819	819	819	819	819
Construction	397	179	179	179	179	179	179	179	179	179
Package Tourists	504	504	504	504	504	504	504	504	504	504
Independent Tour.	50	50	50	50	50	50	50	50	50	50
Total	3,225	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007
PERSON NIGHTS(BY SEASON)										
Summer	919	857	857	857	857	857	857	857	857	857
Shoulder	635	592	592	592	592	592	592	592	592	592
Winter	1,670	1,558	1,558	1,558	1,558	1,558	1,558	1,558	1,558	1,558
Total	3,225	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007
OCCUPANCY RATES										
Summer	46%	43%	43%	43%	43%	43%	43%	43%	43%	43%
Shoulder	33%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Winter	21%	20%	20%	20%	20%	20%	20%	20%	20%	20%
average annual	31%	29%	29%	29%	29%	29%	29%	29%	29%	29%
MEALS										
Meals with Room	3,225	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007	3,007
Meals only	193	180	180	180	180	180	180	180	180	180
Total	3,418	3,187	3,187	3,187	3,187	3,187	3,187	3,187	3,187	3,187
PRICES										
Packages	$120	$126	$132	$139	$146	$153	$161	$169	$177	$186
Room with Meals	$140	$150	$158	$165	$174	$182	$191	$201	$211	$222
Meals only	$70	$74	$77	$81	$85	$89	$94	$98	$103	$109
AVERAGE FOOD COST PER DAY	$40	$42	$44	$46	$49	$51	$54	$56	$59	$62
COMMISSION RATES ON PACKAGES	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
CONSTRUCTION DISCOUNT	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%

PANGNIRTUNG HOTEL FEASIBILITY STUDY PESSIMISTIC PROJECTION GOVERNMENT GRANT $1,600,000 Table G-2

	1	2	3	4	5	6	7	8	9	10
REVENUE										
ROOM WITH MEALS										
Package	$60,480	$63,504	$66,679	$70,013	$73,514	$77,190	$81,049	$85,101	$89,357	$93,824
Other	$375,329	$375,450	$394,223	$413,934	$434,630	$456,362	$479,180	$503,139	$528,296	$554,711
MEAL PLAN ONLY	$13,543	$13,261	$13,924	$14,620	$15,351	$16,119	$16,925	$17,771	$18,659	$19,592
MISCELLANEOUS	$5,000	$5,250	$5,513	$5,788	$6,078	$6,381	$6,700	$7,036	$7,387	$7,757
TOTAL REVENUE	$454,352	$457,465	$480,338	$504,355	$529,573	$556,051	$583,854	$613,047	$643,699	$675,884
EXPENSES										
VARIABLE EXPENSES										
PAYROLL										
Front Office	$69,500	$72,975	$76,624	$80,455	$84,478	$88,702	$93,137	$97,793	$102,683	$107,817
(less subsidy)	($18,000)	($18,900)	($19,845)							
Housekeeping	$29,000	$30,450	$31,973	$33,571	$35,250	$37,012	$38,863	$40,806	$42,846	$44,989
Food Service	$36,500	$38,325	$40,241	$42,253	$44,366	$46,584	$48,913	$51,359	$53,927	$56,623
COST OF FOOD SOLD	$136,723	$133,872	$140,565	$147,593	$154,973	$162,722	$170,858	$179,401	$188,371	$197,789
COMMISSIONS	$6,048	$6,350	$6,668	$7,001	$7,351	$7,719	$8,105	$8,510	$8,936	$9,382
TOTAL VBL. EXPENSE	$259,771	$263,072	$276,226	$310,874	$326,418	$342,739	$359,876	$377,870	$396,763	$416,601
OVERHEAD EXPENSES										
PROFESSIONAL FEES	$7,000	$7,350	$7,718	$8,103	$8,509	$8,934	$9,381	$9,850	$10,342	$10,859
MARKETING	$9,087	$9,149	$9,607	$10,087	$10,591	$11,121	$11,677	$12,261	$12,874	$13,518
INSURANCE	$25,000	$26,250	$27,563	$28,941	$30,388	$31,907	$33,502	$35,178	$36,936	$38,783
UTIL & FUEL	$35,000	$36,750	$38,588	$40,517	$42,543	$44,670	$46,903	$49,249	$51,711	$54,296
MAINTENANCE & REP.	$17,300	$18,165	$19,073	$20,027	$21,028	$22,080	$23,184	$24,343	$25,560	$26,838
EQUIPMENT REPL.	$25,000	$26,250	$27,563	$28,941	$30,388	$31,907	$33,502	$35,178	$36,936	$38,783
MUNICIPAL TAXES	$800	$840	$882	$926	$972	$1,021	$1,072	$1,126	$1,182	$1,241
MISCELLANEOUS	$5,000	$5,250	$5,513	$5,788	$6,078	$6,381	$6,700	$7,036	$7,387	$7,757
TOTAL OHD. EXPENSE	$124,187	$130,004	$136,505	$143,330	$150,496	$158,021	$165,922	$174,218	$182,929	$192,076
TOTAL EXPENSES BEFORE FINANCING	$383,958	$393,076	$412,730	$454,204	$476,914	$500,760	$525,798	$552,088	$579,692	$608,677
FINANCING EXPENSE	$40,571	$40,571	$40,571	$40,571	$40,571	$40,571	$40,571	$40,571	$40,571	$40,571
TOTAL EXPENSES	$424,529	$433,647	$453,301	$494,775	$517,485	$541,331	$566,369	$592,659	$620,263	$649,248
NET OPERATING MAR.	$29,823	$23,818	$27,037	$9,580	$12,088	$14,721	$17,485	$20,388	$23,436	$26,636

PANGNIRTUNG HOTEL FEASIBILITY STUDY PESSIMISTIC PROJECTION GOVERNMENT GRANT $1,600,000

CAPITAL COST SUMMARY

Land	$0
Building	$1,730,000
Equipment	$250,000
TOTAL CAPITAL COST	$1,980,000
GOVERNMENT GRANT	$1,600,000
Investor's Portion	$380,000
INVESTOR'S EQUITY AT 25%	$95,000
PORTION TO BE FINANCED	$285,000
Interest rate	13%

FINANCIAL ANALYSIS OF PROJECT

ANNUAL RETURN BY YEAR 3		28%
ANNUAL RETURN BY YEAR 5		13%
ANNUAL RETURN BY YEAR 10		28%
INTERNAL RATE OF RETURN ON EQUITY		24.1%
NET PRESENT VALUE DISCOUNTED	25%	($2,699)

PANGNIRTUNG HOTEL FEASIBILITY STUDY PESSIMISTIC PROJECTION GOVERNMENT GRANT $1,300,000

Table G-4

CAPITAL COST SUMMARY

Land	$0
Building	$1,730,000
Equipment	$250,000
TOTAL CAPITAL COST	$1,980,000
GOVERNMENT GRANT	$1,300,000
Investor's Portion	$680,000
INVESTOR'S EQUITY AT 25%	$170,000
PORTION TO BE FINANCED	$510,000
Interest rate	13%

FINANCIAL ANALYSIS OF PROJECT

ANNUAL RETURN BY YEAR 3		-3%
ANNUAL RETURN BY YEAR 5		-12%
ANNUAL RETURN BY YEAR 10		-3%
INTERNAL RATE OF RETURN ON EQUITY		-5.9%
NET PRESENT VALUE DISCOUNTED	25%	($164,012)