


A Guide to Starting and Operating a Local Sightseeing Tour Business in Nova Scotia

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SECTION 1

INTRODUCTION

SECTION 1

INTRODUCTION

1.1 Purpose of the Manual

This is one of a series of tourism development manuals commissioned by the Tourism Division, Department of Tourism, Culture and Heritage to assist Nova Scotians in the establishment of tourism businesses and in planning for the delivery of tourism services in the province. This manual deals with establishing a local sightseeing tour. There are other manuals that deal with establishing different kinds of tourism businesses such as an accommodation business, campground, restaurant, tourism retail business, adventure tourism operation and a receptive tour operator. There are also manuals on how to plan for, develop and market tourism in your community, on the operation and establishment of a local visitor information centre, on establishing an attraction and on marketing for tourism businesses. The manuals were originally prepared in 1996 and 1999 and were updated in 2005. A new manual on community festivals and events was prepared in 2005.

The purpose of this manual is to provide you with some of the information necessary in establishing, improving, and operating a Local Sightseeing Tour business in Nova Scotia. It should be noted that this information is a guide only.

It is strongly suggested that the reader undertake efforts to verify any information on which their business plan is based and not rely solely on the information in this manual. There are areas where you may want to consider retaining the appropriate professional expertise to assist you. While the information contained in this manual is believed to be accurate, as of the Winter of 2005 it is not so warranted. The reader should note that federal, provincial, and municipal regulations, taxes, etc. change frequently and it is recommended that you check with the appropriate authorities, listed in the Appendix, including representatives of the Tourism Division, Department of Tourism, Culture and Heritage and your local Business Service Centre (on-line at <http://www.gov.ns.ca/snsmr/>) or at numerous Access Nova Scotia centres around the province, to obtain up-to-date information on these matters.

The publisher is not engaged in rendering legal, accounting or other professional advice. If legal advice or expert assistance is required, the services of a competent professional should be sought. The information and analysis contained herein is intended to be general and represents the research of the authors and should in no way be construed as being definitive or as being official or unofficial policy of any government body. Any reliance on the Guide shall be at the reader's own risk.

1.2 Contents of the Manual

This manual provides information and advice on a variety of topics which will be important in understanding the requirements for success, in assessing opportunities, in planning and development and in starting operations. The following topics will be covered:

- Markets for local sightseeing operations in Nova Scotia;
- Requirements for success;
- Preparing a business concept and strategic plan;
- Feasibility assessment;
- Product development;
- Legal, regulatory, and tax matters;
- Planning for operations;
- The marketing plan;
- Business systems;
- The future.

Appendices at the back of the manual cover the following:

- Market data;
- Market analysis case study;
- Business structures;
- Financing;
- Calculation of net income, cash flow and return on investment;
- List of contacts;
- Standards and Certification.



SECTION 2

The Market for Local Sightseeing Tours in Nova Scotia

SECTION 2

MARKETS FOR LOCAL SIGHTSEEING TOURS IN NOVA SCOTIA

2.1 Types of Local Tours

There are a number of types of local sightseeing tours in the tourism industry, but the more common types include:

- City/local sightseeing tours and excursions by motorcoach, van or taxi;
- Harbour, lake, and river cruises;
- Train excursions;
- Ocean cruises for observing sea life;
- Local community guided and self-guided walking tours;

This manual will focus on these types of businesses.

There are other types of tours, of course, which are not locally based or are based on activities other than sightseeing, for example; guided hiking, biking, and snowmobile tours; self-guided tours based on these types of activities; fishing trips; canoe, and sea kayak trips. A separate manual addresses planning an adventure tourism business and should be referred to if you are planning these types of tours.

2.2 Market Segments

Some types of tourism businesses promote their products to consumers in market areas far from their location. Resorts are an example, as are major attractions and special events. These types of businesses can typically motivate consumers to come to their destination to experience their product.

Local sightseeing businesses, on the other hand, typically depend on people who are coming to the area for other reasons. As a consequence, they focus their marketing activities on people who are already in the area or who are already planning a trip to the area.

It is important that a person planning a local sightseeing business identify the mix of market segments that are likely to patronize the business, so as to better design the mix of services to be offered and to better target marketing activities. There can be significant differences in the needs and preferences of different market segments.

A useful way to define the market segments for a local sightseeing business, for future planning and marketing activities, is as follows:

- Local residents;
- Tourists¹ visiting local residents;
- Other tourists on pleasure trips visiting or passing through the area;
- Business visitors;
- Meeting, conference, convention, and incentive visitors;
- Motorcoach tour visitors;
- Other visitors on package tours or special interest packages.

2.3 The Nova Scotia Market

The markets for local sightseeing tours include visitors from outside the province, as well as residents of the province travelling within Nova Scotia. Nova Scotia receives over 1.5 million visitors from outside the province between the months of May and October. This data includes visitors travelling for all purposes - for vacation/pleasure (approximately 30%), to visit friends and relatives (approximately 40%), for business and conventions (approximately 13%) and for personal and other reasons.

Nova Scotians make 5.8 million trips a year around the province; 3.8 million of these trips are day trips. Appendix I provides some additional details on Nova Scotia's tourism markets.

2.4 Market Trends and Contemporary Consumer Expectations

Consumer tastes and expectations change over time and consumers are becoming more demanding in a number of respects as well. Some of the changes we have seen in recent years with direct relevance to sightseeing tours are presented below:

- Today's well-educated tourists strongly prefer authenticity. People want experiences that are genuine, not contrived, and they are more discriminating in this respect than in the past.
- Travellers today are seeking experiences - experiences that are memorable, unique and provide them with an opportunity to truly participate in the culture of the destination they are visiting.
- There has been a growth in interest in outdoor experiences, such as whale watching and birdwatching, many of which lend themselves to sightseeing tours.
- Well-travelled consumers have high expectations about the standards of hospitality and service they will receive from your staff. They expect your staff to be very knowledgeable about the features of the tour, about the destination as a whole and about the things they will see or experience.

¹ Tourists includes visitors to the province as well as residents of the province travelling within Nova Scotia.

- Commentaries must have a focus on learning which provides visitors with a better understanding of the culture, history, the nature they see on the tour, etc.
- Consumers expect a high standard of cleanliness and maintenance.
- They are concerned about the environment. They expect the operator to observe high standards of environmental practice, and they want to learn about environmental features of the tour.
- Consumers today expect good value; they are prepared to pay for value but expect to receive it. Low cost is not the main concern. They will pay more if it is worth it.
- Consumers, more than in the past, like an adventure, but they want one that is safe. They still like sightseeing but many of them want to participate in activities as well.

2.5 Product Trends

Sightseeing tours have evolved in a variety of ways, in response to changes in the market and the expectations of consumers. Product trends with respect to local tours include:

- A growth in special interest tours - featuring nature observation, history, unique cultures, etc.;
- Specially themed vehicles - replicas of historic boat designs, horse-drawn carriages, steam trains as well as vessels and vehicles that have unique characteristics and appeals.
- Opportunities to participate in activities in addition to sightseeing.

2.6 Nova Scotia's Tourism Industry Today

As a member of Nova Scotia's tourism sector, you need to be aware of the Nova Scotia Tourism Partnership Council (TPC) and Nova Scotia's Vision for Tourism.

Nova Scotia Tourism Partnership Council

The Nova Scotia Tourism Partnership Council (TPC) is an industry and government partnership that shares in planning and decision making for tourism marketing, research and product development in Nova Scotia. The TPC works with industry stakeholders to realize Nova Scotia's potential as a world class four season destination. It was established following a 1996 Tourism Strategy for Nova Scotia that, among other things, called for a true partnership between the tourism industry and government in everything from marketing to research and tourism development.

The Council consists of 16 members, 14 of whom are tourism industry leaders, managers and business owners. Members of the TPC are selected through an industry call for applications. They must be owners, operators or senior managers of tourism related businesses, and consideration is given to various other criteria, in the selection of members.

The TPC oversees the development of the Tourism Plan annually which is presented to the industry at the TIANS fall tourism conference. The Council is also involved in a wide variety of other programs and initiatives. Visit their website at www.nstpc.com for up-to-date information.

The TPC has three core committees - an Executive Committee, a Long-Term Integrated Planning Committee and a Short-Term Integrated Planning Committee.

2.7 Nova Scotia's Vision for Tourism - Challenging Ourselves

“100% Tourism Revenue Growth by 2012”

The Tourism Partnership Council's Vision Committee spent two years (2000-2002) developing a process to create a Vision for Nova Scotia's Tourism industry. The Committee looked at issues that the tourism sector could influence or change that would help to create growth and improve industry performance. After a process that included industry workshops and consultations, 11 Vision recommendations were identified for implementation.

These recommendations cover product development, environment, the administration of tourism, marketing, technology, quality, human resources, transportation and research. Responsibility for leading the implementation of the recommendations has been divided between the Tourism Partnership Council, TIANS and the Department of Tourism, Culture and Heritage. For up-to-date information on the implementation of Nova Scotia's Vision for Tourism, check the Tourism Vision section of the TPC's website (www.nstpc.com and select Tourism Vision from the menu bar).

The Tourism Vision is a catalyst to assist Nova Scotia's tourism industry to evolve and grow. It is not cast in stone and is an “unfolding process”. Achieving the Vision will require change - by all tourism stakeholders including individual businesses - in how tourism is managed and delivered in Nova Scotia so as to improve quality and generate increased tourism revenues.

Success will be measured “not only by growth in revenues but our ability to work together, maintain our culture and authentic character, develop new markets and products, attract new visitors and improve the recognition of our sector's contributions to our province and various levels of government”.

For more information on how you can be involved in the Vision for Tourism visit www.nstpc.com.



SECTION 3

Requirements for Success

SECTION 3

REQUIREMENTS FOR SUCCESS

The local tour business is a challenging one, and success is dependent on a variety of things. The way you design and develop your business, how you operate it, and how you market it will all play major roles in determining how well you do. Rather than leave it to chance, the smart operator is sensitive to success variables in the business.

Each of these are principles of what it takes to succeed. They should be read as an overview of what you need to accomplish. How you accomplish them is the subject of the rest of the manual.

3.1 The Marketing Concept Approach to Designing Your Business

To be successful today, owners and managers of tourism businesses have to have a marketing orientation – a customer focus. That means everyone in the business must make decisions by asking the question, "How can I best meet the needs of the market and the individual customer?" Marketing orientation can be defined as follows:

"Marketing orientation is a way of thinking - a frame of mind. It is, if you like, a business philosophy. If you adopt a marketing orientation, it means that whenever you think about your business, you do so from your customers' point of view, not from your own. It means accepting the idea that the purpose of your business is to serve the wants and needs of your customers, and to meet or exceed their expectations.

In other words, it means putting your customers first. For this reason, it is sometimes also called a customer orientation.²

Why is this so important? Why can't we just do what we think is best? Because satisfying a customer's expectations involves doing a lot of things right, and that doesn't happen easily.

Some tourism businesses think it is good enough to have a decent sign in front of their property and buy an ad in the Nova Scotia Travel Guide ("Doers and Dreamers" Guide) and then wait for customers to come. Others - those taking a marketing orientation to their business - make an effort to identify their best market prospects, modify their product to best serve the needs and demands of the different groups they are targeting, and then design their marketing activities to focus on these groups. While having a good sign and an ad in the "Doers and Dreamers" Guide will very likely be part of this approach, these should not be relied on, by themselves, to bring the business in the door.

3 The Economic Planning Group, Tourism is Your Business: Marketing Management, prepared for Tourism Canada, 1986

In the sightseeing tour business, like many businesses, the fundamental key to success is to design and operate your business in response to the customer's needs and demands. The premise is that you need to focus on the needs and wants of your customers in all aspects of managing your business, and that all management actions should link back to providing the customer with what he or she needs or wants. It forces the manager to look beyond the day to day demands of the business and focus on the customer in decision-making - on how the decision will benefit the customer.

The marketing concept is in contrast to the production concept, in which the business is managed in response to the demands of the facilities and the staff. Too many managers in the tourism industry do this, and it is understandable, because these day to day demands are real and have to be dealt with. But the effective manager has to be looking beyond these demands, at the customers, and at how the customer is going to benefit from the decision being contemplated.

Another common management approach is the sales concept in which the customer is seen to be central to the success formula, not in terms of what the customer needs or wants but in terms of what you have to sell. The challenge is to get the customer to buy what you have to offer, by whatever means possible.

The problem with the latter two management concepts is that they have little to do with the things that are going to build customer loyalty for your business. They have to do with your needs, of course, but not the needs of the person that is really key to the business, the customer. Customer loyalty comes from providing what the customer is looking for. With customer loyalty comes repeat business, word of mouth referrals, and a willingness to pay the price for the product. If enough customers do this, your business will be a success.

3.2 The Strategic Plan

Developing your business in the context of the marketing concept requires a strategic plan for the business, one that identifies the best market opportunities along with all the key business features necessary to successfully and profitably pursue those opportunities. The strategic plan is an overall, long term plan for the business, setting out the following:

1. The long term vision and goals, and the measurable objectives for the business
2. The markets to be pursued and the marketing strategies and networks to be employed
3. The markets and services to be developed and delivered that will have the features necessary for them to succeed in the competitive marketplace
4. The resources that will be bought to bear in achieving success and profitability
5. The tracking tools to measure progress

The specifics of what is required for success are set out below.

3.3 Location, Location, Location

It has been said that in business the three most important things are location, location and location. This certainly applies to many types of tourism businesses, and local tours are one of them. It is vital that you locate your business where there is a ready market for it and where the market is large enough to support it. It is important that there be accommodations and other

attractions in the area to draw and hold visitors, and to expose them to what there is to see and do.

The location has to have product appeals available close at hand.

The site for the departure point of your tours has to be easily accessible to your customers and preferably visible to a significant volume of passing traffic. Being closer to the market is also important when you have competition in the area.

3.4 Market Segmentation

A market segment is a community of prospective customer who share some common characteristics and, presumably, can be appealed to in similar ways. A market segment can be an age group, residents of a particular community, members of an organization, people sharing an interest in birdwatching, and so on.

Careful attention should be given both in the initial planning stages as to the mix of market segments that offers the most potential for your business — particularly those segments for which your tour will have a competitive advantage. Other considerations include market size (Is the market large enough to offer significant potential?), whether it is growing or declining, and whether it's reasonable to expect the people to have an interest in your product.

3.5 Unique Selling Propositions

Marketers talk about USPs, which are the unique selling propositions put forward by a business to maximize market interest and establish competitive advantage. A USP is, in effect, a feature contributing to what makes you special — the unique appeal of your product for the customer.

A USP for a tour is likely to be based on the unique experiences the tour offers, or it might be based on the theming of the transportation equipment used (eg; a steam train rather than a diesel one). It might also be based on a special package, customized commentary, or a special schedule having particular appeal to a particular market segment.

Having at least one, and preferably more than one, USP for each of the major markets you are targeting is fundamental to success.

3.6 Competitive Advantage

A related factor is competitive advantage. This is the advantage one business has over another in the marketplace in its ability to draw customers. It may be a more accessible or convenient location, an exclusive feature not available to competitors, a broader range of services, or simply better or more friendly service.

It is important that you offer as many competitive advantages as you can to your target markets if you want them to patronize your business rather than some else's, particularly if you're new to the market and they're already there. It's tough to change people's loyalties and habits: you have to give them a strong set of reasons to do so.

3.7 Differentiation

The strategy employed to build competitive advantage is called differentiation. It means planning your business in such a way as to make it different from your competition, in ways that will appeal to your target markets.

Preferably you should develop differences that will be difficult for your competition to copy or to counter, as opposed to things such as price, for example, which can be matched quite easily. Examples of differences include; better transportation equipment or unique activities or unique tour highlights.

3.8 Positioning and Brand

The previous four issues - market segmentation, USPs, competitive advantages and differentiation will be implemented within your positioning and branding strategy. Positioning refers to how you make yourself unique in the competitive marketplace - your higher quality, or the most convenient location, or better value, or cheapest, and so on. Branding is how you communicate that positioning in a graphic and/or brief text statement.

In the Nova Scotia Tourism Partnership Council's 2005 Tourism Plan, under 'Brand Positioning Statement' on page 9, the text reads, "The brand positioning statement is the "unique point of difference" we are trying to create in the minds of potential visitors. It aims to define who our customers are, how we would like them to perceive us - and our unique attributes."

Having a positioning and brand strategy is important to businesses promoting themselves in a very competitive marketplace, in which the target audience is bombarded with constant marketing message. The brand and positioning statement helps you get through the clutter for the necessary moment it takes to connect with the audience.

3.9 Quality Website and Internet Strategy

The Internet has rapidly become a vital tool for every tourism business. It provides ready access to all kinds of information of value to the business. It also makes possible the website, which companies are increasingly finding to be their primary marketing tool today. Having a good website is a vital part of every tourism business; not having one, or a reasonably good one, is a dis-qualifier in many markets.

Having a website is not the only issue associated with the Internet, as discussed below. It also makes possible email, and modern e-marketing techniques. And working in conjunction with a company's website, a website visitor registration program and a database system, it provides the basis for direct, one-on-one, highly targeting direct marketing to prospects.

3.10 Customer Relationship Marketing and Loyalty Management

Following from the modern direct marketing methods and internal customer databases available today is the concept of customer relationship management, or CRM, which has become a key strategic focus of many businesses today, including tourism businesses. The idea here is that

once you have a good prospective customer through your marketing efforts, or a prospective repeat customer, along with some information on the purchase preferences of that prospect, you have an opportunity to actually build a relationship with that individual, such that they buy from you; ideally, again and again. They become a loyal customer. Company 'loyalty' programs have further built upon this concept; AIR MILES and Aeroplan are examples.

3.11 Sufficient Market Potential

The preceding features will not be adequate for success if the market isn't big enough to support your business. Small customer numbers on existing tours and low prices in the area are signs of an inadequate market size. On the other hand, large numbers, regular turn-aways because of limited capacity and premium prices are all indicators of a growing market and/or an undersupply of services.

You will want to establish your operation in the latter kind of market environment.

Later, in Section 5 and in Appendix II, we will consider ways of assessing these things.

3.12 Multi-Season Potential

One of the challenges confronting Nova Scotia's tourism industry is its seasonality. The province is more fortunate than many regions of Canada in that it enjoys a long tourism season which extends well into the fall and it is lengthening each year. However, it is still a challenge to maintain sufficient business volumes and high enough rates throughout a major portion of the year.

It is important that the business be able to cater to a combination of markets which, together, have significant potential to sustain the business throughout more than one season, and preferably for several seasons. These should be markets which don't require heavily discounted rates to attract them to your tour.

3.13 Entrepreneurship

Entrepreneurship is the art of being an entrepreneur. An entrepreneur is a business person who, in operating their business, is constantly responding to market opportunities and challenges. In other words, an entrepreneur sees his or her business as a mix of assets and people who can respond to unfulfilled market opportunities that may arise, rather than as a fixed, unchanging product. The entrepreneur operates on the assumption that markets are changing constantly, that competitive advantage is a temporary thing, that customer loyalty is fickle, and that opportunities come and go.

This is in contrast to the business owner who, once they have opened their business, waits for the business to come in and never seeks to modify their product. The business assumption of such an operator is that the market changes little over time and that their customers will keep coming regardless. Too often tourism operators adopt this latter attitude, while, in reality, the marketplace is much closer to that perceived by the entrepreneur.

Taking an entrepreneurial approach to planning and designing your business is vital; but it is also important to continue this management approach in ongoing tour programming, packaging, and marketing.

In fact, entrepreneurship is more than just an approach; it is really a state of mind, a perception of how the world works, an attitude about what is the real role of owners and managers. An entrepreneur believes that the role of the owner or manager is to be creative, constantly on the lookout for information and ideas on how to change and improve.

3.14 Market Information

Useful market information can be vital in both the pre-development and operational phases of a tourism business; in fact, its absence is often the cause of business failure.

The most useful type of information for a local sightseeing tour is a list of prospective clients for groups, particularly tour operators, meeting planners and the like. However, it is also important to collect information on changing consumer expectations, market and product trends, and the competition. We will pursue this topic further in Section 9.

3.15 Flexibility to Adapt and Grow

Part of successful planning for a tourism business is anticipating the need to adapt and grow. Increased demand may dictate an expansion at some point in the future. Initial planning should, therefore, anticipate the possibility of future expansion.

Similar attention should be given to being able to make changes in the business. It may be necessary to shift the market mix of the business if one or more markets are disappointing, if others prove to be better or if entirely new market opportunities open up.

Your original planning and design should anticipate the possible future conversion of your facilities and programming to other uses. To the extent that space uses can be made flexible from the beginning, you are more likely to be able to adapt. Can your cruise boat be readily adapted for a function with catering and then converted for a meeting? Do you have an arrangement with other businesses along the route for custom programming, special meals, etc.? Do you have a variety of suggested customized itineraries to meet the needs of groups?

3.16 Risk Reduction

Initial business planning should provide ways to reduce your risk. This point is connected to the previous one: ensuring that you can adapt to changing circumstances. If demand is too small at your proposed location, are there some other locations in the province with market potential?

3.17 Targeted Marketing

As mentioned above, market segmentation is an important issue in the planning of a business. Its practical aspect is targeting marketing activities at the market segments selected.

Effective targeted marketing is vital if marketing expenditures are to be effective. Unfortunately, much of what is spent on marketing by tourism operators is ineffective, since it is not well targeted to real prospects. We will consider this topic in more detail in Section 9.

3.18 Management Skills

The tourism business is a difficult business at which to excel, and requires concerted effort and professional skills in many areas. This applies to local tour operations as well. Too many investors underestimate the complexities involved and enter the business ill-prepared in terms of expertise and skills.

In addition to entrepreneurial skills, the successful sightseeing tour operator must develop basic understanding in a wide range of areas, as illustrated in Exhibit 1.

3.19 Computer Skills

The computer has become an indispensable tool for every business today, so having computer skills is now a virtual necessity for most business people. Managers and staff need to be able to use word processing to record information and communicate by mail, to send and receive email, to do research on the Internet, to maintain a decent website and to use a spread sheet for budgeting. The computer is also a vital part of virtually all modern internal business systems.

3.20 Staff Skills

Staff skills in many areas are also important, particularly in dealing with the customer. These are addressed in more detail in Section 8.

3.21 Pricing for Profit

Knowledge of pricing techniques is very important. Several objectives have to be achieved: market competitiveness, prices for each target market and each season, yield maximization (balancing price against potential volume to achieve the greatest revenue), variances for children, seniors, groups, and families - all directed at achieving profitability and a good return on investment. This topic will be addressed further in Section 8.

3.22 Sufficient Capital and Affordable Debt

You have to have the investment capital available to establish and develop the business. It is vital that your debt burden not be so high that it drains away your future profits.

You will also face the need for further additions and/or major refurbishing from time to time, and the capital for that should come primarily from earnings retained in the business. Your object should be to retire your debt in an orderly fashion and finance future asset additions out of cash flow to the maximum extent possible.

EXHIBIT 1
BASIC MANAGEMENT SKILLS REQUIRED FOR A
SUCCESSFUL SIGHTSEEING TOUR BUSINESS

ENTREPRENEURSHIP

- & understanding and acceptance of the marketing concept
- & understanding of what the customer is looking for
- & knowledge about how to reach the customer and what will appeal

MARKETING

- & Internet marketing
- & advertising media
- & brochure design and distribution
- & direct mail
- & developing packages
- & public relations
- & contra promotions
- & group sales
- & travel trade requirements
(tour operators, travel agents)
- & marketing effectiveness measurement
- & ad design
- & direct selling
- & market research
- & promotions
- & publicity
- & cooperative promotions with
tourism "partners"
- & pricing, commissions and discounting

HUMAN RESOURCES

- & hiring and training guides
- & staff motivation
- & organizational structure
- & supervision
- & performance measurement

OPERATIONS

- & transportation equipment maintenance and operation
- & licensing and legal requirements
- & reservations systems

FOOD AND BEVERAGE (where applicable)

- & food and beverage administration
- & purchasing
- & menu planning and pricing
- & inventory management and control

ADMINISTRATION

- & sales administration, including
reservations, coordination of groups
- & accounting and financial control
- & property management
- & finance
- & payroll
- & business regulations
- & business planning and budgeting

Suggestions on how to acquire these skills are considered in Section 8.

Once you are in operation, you will also have to have enough ready cash to finance the day-to-day operation of the business. Too many businesses are established without adequate provision for working capital and then initial capital cost overruns can use up some or all of the intended operating capital. A business operating with inadequate working capital cuts back on marketing, staffing, and maintenance: all of which will weaken it. In addition, it will be slow paying its bills and get into trouble with its bank and creditors. It won't last long in this way.

3.23 Memberships

Membership in a variety of professional organizations can be a good way to connect with other people in the industry, to seek out partners for marketing and packaging activities and to compare notes on the operations of your sightseeing tour businesses. We recommend that you consider joining your regional tourism association, as well as the Tourism Industry Association of Nova Scotia (TIANS) and any appropriate sectoral associations.

3.24 Marketing Network(s)

In the tourism industry many companies find it worthwhile to link their marketing efforts to those of others. The idea is to piggyback on the marketing program and resources of others that are targeting the same markets as you and that are willing to work with you, thereby extending your marketing reach and effectiveness. Examples include:

- Nova Scotia Tourism Partnership Council partnership marketing programs
- Your regional or city destination marketing organization, such as Destination Halifax or the South Shore Tourism Association
- The travel trade - tour operators and receptive operators
- Destination management companies (for meetings business)
- Packaging partnerships with suppliers of complementary products and services
- Other 'homemade' alliances of like-minded operators willing to work together

Developing and maintaining such relationships and networks can be very valuable for your business. Also everyone at the destination is part of the 'destination sell' and needs to work together to that end.

3.25 Travel Trade "Culture"

If you are going to deal with the travel trade, that is tour operators and travel agents, it is important for you to understand the nature of their business and what you must do to satisfy their expectations and requirements. These requirements are discussed in Section 9.

3.26 Do I Start a New Business from Scratch or Do I Buy an Existing One?

We offer the following considerations on this question:

- Buying an existing business has several advantages:

- It has an established market presence and clients;
 - It has a track record, which provides some assurance about future performance, and it may make it easier to get financing;
 - The market development and shake down period is in the past — you don't have to live through these pains;
 - You aren't creating a new competitor, dividing the local market share further.
- Starting a new business also has some advantages:
 - You aren't buying someone else's weaknesses, mistakes or problems — you can develop the business the way you want it to be;
 - You don't have to take the bad with the good — you can acquire the assets you need and not be saddled with some you don't want.

3.27 Conclusion

The inescapable conclusion is that the establishment of a sightseeing tour business requires careful planning. All of the foregoing success-related issues have to be adequately addressed before any commitment is made to proceed.

We will now turn to the "how to's" of developing a business plan.



SECTION 4

Preparing a Business Concept and Strategic Plan

SECTION 4

PREPARING A BUSINESS CONCEPT AND STRATEGIC PLAN

4.1 Opportunity Search and Assessment

What type of sightseeing tour business should you establish? Where should it be located? Is there likely to be an adequate market for it?

You need first to build a model of your business concept on paper, defining its main features, its location, its USPs (Unique Selling Propositions) and competitive advantages. You have to draw on your entrepreneurial skills to craft a concept which has a high likelihood of working.

If you've been in the tour business before, you have an advantage since your experience will have taught you valuable lessons. If not, you have to work harder to find the information you need to make good decisions.

The starting point has to be with the target customer - their needs and wants. What will your target markets be looking for in a sightseeing tour? What are they buying in other locations?

We suggest that what you need to do first is develop a winning concept for your business by looking into what has worked well elsewhere and getting good market information on its potential in your area. You will also need to have some possible locations in mind where you think there might be enough market potential.

A detailed market assessment will be made later. At this point you are looking for general information which will help in piecing together a concept for the business and coming up with a short list of locations.

As mentioned, the best way to start the business concept development is to research other similar businesses of the kind you have in mind, both in Nova Scotia and elsewhere. Find out where there are successful examples. Visit them; talk to the owners; find out what makes them successful. What are their USPs? What are the major challenges they face and how do they deal with them? What are their markets? How do they market? How are their markets changing? What product features appeal to what types of markets? What are the major do's and don'ts of the business? Tell them what you have in mind and ask for their constructive criticism.

(While you're talking to them, ask them to tell you how many customers they get each year and what percentage are local and regional residents as opposed to tourists from away. This information will be very useful later in preparing your feasibility study and sales projections,

since it is reasonable to expect that you might have a similar level of market penetration. More on this in the case study in Appendix II.)

As long as these businesses are not going to be competing directly with you in your Nova Scotia market, they are likely to be cooperative. Call them before you visit and get their agreement to talk to you.

What unique experiences can you offer your customers at the locations you are considering? What are the local attractions, the sightseeing features of interest? What sites are there available for the base of your operation? Are there sites available that have advantages over the competitions?

You will be able to strengthen your product and your future marketing by "piggybacking" on other, established attractions in and around the community, by including them in your tour perhaps, or by working with them in packaging and in marketing. Such opportunities should be identified early in your planning.

Is there enough business in the area to support both the competition and your operation? (A good indicator is the level of business being experienced by competing operators in the area.)

Check out the websites of future competitors. Try out the products of your future competitors in Nova Scotia at the locations you are considering. What are they doing right and wrong? Are they including all of the unique attractions of the area in their tours? How can you develop competitive advantages over them? How busy are they in each season? Do they seem to be making money? (Good signals include: Are they keeping their equipment up to scratch? Do they have the money to advertise?)

For the locations you have in mind, collect initial information on the markets available in the community. What is the local resident population? How many tourists come each year? How many meetings and conferences do they have?

Talk to the tourism organizations in the locations you are considering about how they see the opportunity and whether they think there is room for a new operator in the market. What do they think about your ideas? People to talk to locally include:

- The manager of the local visitor information centre (What are the unfulfilled requests? What complaints do they get about local sightseeing?);
- The local/regional tourism association (Do they think that visitors would be interested in the experience you can offer? Is tourism activity growing or declining? What type of growth is it?);
- Hotel marketing staff (What are their customers looking for in terms of local tours? Will they partner with you in marketing?);
- Inbound/receptive tour operators. The Nova Scotia companies that operate tours in the province and those that handle local arrangements for other tour operators (Are their customers looking for new tours? Would they sell your product? How satisfied are they with tours presently available? How much business could they provide?);

- Meeting and convention companies (same questions as for the inbound tour operator).

Talk to the Tourism Division at the Department of Tourism, Culture and Heritage. They can give you market information, suggest contacts, etc. Do the same with economic development officials at the community level and in the Regional Development Authority office.

Ask them to lend you any market studies they might have available containing relevant information for planning a sightseeing tour business such as data on visitation to different communities and regions, market trends, tourism product trends, and the like.

4.2 Target Market Selection

Particularly important is the identification of key target markets for your product, since you want to make sure you develop your sightseeing tour product in a fashion that will have a strong appeal to each market. You may need to offer several different products to different markets. The informal research you have conducted so far should be very helpful in this regard, but you will also have to be open to making refinements later in the planning process.

The target markets offering the greatest potential for the business should be identified on the following basis:

- For which markets will my USPs and competitive advantages have the greatest appeal?
- How substantial are these markets? Are they large enough to justify targeting them in your product and marketing planning?
- Do these markets offer potential in the shoulder seasons (i.e. the months on either side of the peak tourist season)?

For each market segment that rates well on these points, you need to have a good idea of the following:

- Will they pay a decent price for the tour?
- How much do I have to give away in commissions and discounts, and can I justify these because of volume potential and savings in consumer marketing costs?
- Can I afford to promote to that market? Are there cost-effective measures I can use to reach the market?
- How stable is the market likely to be, year after year?
- Which markets are growing? Which are declining?

Exhibit 2 provides some guidelines for making these judgements for the types of markets for sightseeing tours we identified earlier.

EXHIBIT 2
GUIDELINES FOR EVALUATING TARGET MARKETS

Type of Market	USPs/Competitive Advantages	Volume Potential/ Seasonality	Price	Commissions/ Discounts	Market Accessibility	Market Stability
Local Residents	special events/dinner packages/special entertainment/special promotions can be effective - general sightseeing isn't enough	locals are not usually a good market for local tours, unless special events/ entertainment is offered	generally quite price sensitive	discounts not necessary, but can be effective	local advertising is sufficient	stable from year to year
Visiting Friends and Relatives	same as above, except sightseeing is appealing, if it includes the highlights of the area	a good market, hosts will suggest/ arrange things to do for visitors	somewhat price sensitive, hosts will shop for them	discounts not necessary, but helpful	local advertising is sufficient	reasonably stable
Other Pleasure Visitors	the tour should offer the do-not-miss highlights of the area	good market for local tours	not too price sensitive, people will pay if it offers good value	not necessary	difficult and expensive to reach before they arrive, local promotion and cooperative promotions work when they are in the area	variable
Business Visitors	the tour should offer the do-not-miss highlights of the area	only fair market, not a high propensity	not price sensitive	not necessary	can be reached through local tourist guides and hotels	fairly stable

EXHIBIT 2
GUIDELINES FOR EVALUATING TARGET MARKETS

Type of Market	USPs/Competitive Advantages	Volume Potential/ Seasonality	Price	Commissions/ Discounts	Market Accessibility	Market Stability
Meetings, Conventions, Incentive Trips	the tour should offer the do-not-miss highlights of the area, custom arrangements are often necessary	good market in major urban centres	not price sensitive	commissions/discounts necessary	can be reached through meeting planners, hotels, visitor and convention bureau promotions	variable
Motorcoach	the tour should offer the do-not-miss highlights of the area, custom arrangements are often necessary	can be an excellent market for local sightseeing tours, except some operators will want only step-on guide services	generally quite price sensitive	substantial discounts are required, along with other travel trade requirements	has to be sold directly to tour operators or through local receptive operators	generally stable volumes year to year, if product and value is satisfactory, otherwise it can be fickle
Other Packagers, Special Interest Packagers	the tour should offer the do-not-miss highlights of the area, custom arrangements are often necessary	can be substantial if there is a lot of this business in the community	generally price and value sensitive	substantial discounts and commissions required, along with other travel trade requirements	can be reached through tour operators and receptive operators	variable, but can be stable with major tour operators if good value is maintained

Market and Product Trends Assessment

It is also important to look into trends in the product you are considering and in the markets you intend to target. This study will provide you with ideas on how to create your competitive advantages. New product concepts may help you as can new trends in customer demands and expectations.

A valuable resource is the Canadian Tourism Commission's (CTC) business website (www.canadatourism.com). You can subscribe to this site for free and get regular email news as well as access to a wide range of reports, statistics and publications prepared by the CTC. You can also read 'Tourism Online' which features articles about different aspects of Canada's tourism industry.

There are many other sources of trends information worth mentioning, including the Tourism Division of the Department of Tourism, Culture and Heritage which publishes various tourism reports and information. These can be found online at www.nstpc.com/research.html. Check out Tourism Insights (www.gov.ns.ca/dtc/pubs/insights) for up-to-date statistics on tourism activity in the province. You may also want to contact your regional tourism industry association to see if they have collected any research or articles which may be of interest to you.

The Internet is another prime source of trends research. A wide variety of sources of information can be found on the Internet by using search engines (e.g. Google, Yahoo, Lycos search) to search key words, or by looking at Web sites for different types of local tours around Canada and internationally. As well, there are a variety of tourism research databases which contain information that you can download to your computer and print.

Another valuable source of information on consumer and product trends can be other sightseeing tour operators already in business. Talk to people who operate sightseeing tours in Nova Scotia and other provinces and explore with them their experiences in consumer and product trends.

4.3 Product Mix

How do you determine what is the right mix of tour products? Which ones should be given priority? What should go into each product?

The starting point in addressing these questions is with the market. Which are the markets that are likely to produce the most customers at the best prices? We've just addressed how you will approach this question. Prioritize markets in terms of their overall revenue potential.

The second issue to consider is which markets offer the most potential for your business in particular. Those in which you are most likely to be successful. Those in which you will enjoy competitive advantages.

You then want to design tour products for each of the priority markets; customized products that uniquely respond to the demands of the particular markets.

Where you can blend different custom products into a more standardized product, so much the better since it will be much more efficient and profitable to limit the assortment of different

products and standardize the ones you end up with as much as reasonably possible. However, you don't want to do this to the extent that you lose your appeal to key market segments. This will take careful judgment.

You want to end up with as efficient a mix as possible without losing your appeal and competitive advantages in the markets having the greatest potential.

What should go into each product? Again the answer is rooted in the particular needs and interests of the market segments being targeted. Some possibilities follow — some of these markets will work for boat tours and others for sightseeing tours.

Resident Markets

- Entertainment, unique dining
- Catering for parties and functions

Meeting/Conference Attendees

- Catering for receptions and dinners
- Customized itineraries and services
- Spouse programs that fit into conference schedules

Tourists on Pleasure Trip, Visiting Friends and Relatives

- Sightseeing with commentary;
- Souvenirs;
- Visits to attractions;
- Learning about/contact with local culture and history.

4.4 Site Assessment

When selecting a site there are several factors to consider:

- **Visibility:** Is the site visible to passing traffic?
- **Accessibility:** Can your customers get to the site easily?
- **Traffic flow:** Is your site in a high traffic area? Will there be a significant number of cars passing by?
- **Price of the land:** Is it affordable?
- **Availability of services:** Are water, electricity, and sewage disposal available or able to be provided at a reasonable cost?
- **The character of adjacent land uses:** Do they conflict with your tour business or are they complementary?
- **Environmental Constraints:** Are there any potential environmental problems with the site you are considering?

4.5 Packaging

A package in the tourism industry is a mix of tourism attractions and/or activities and associated visitor services that is organized into a single product and sold as such.

A local tour is already a package of experiences and services, but it will also be worthwhile to develop other packages with other tourism operators in the local area. The idea is to extend the market for your product by offering additional options to your customers, as well as obtaining marketing partners to extend the range of your marketing activities.

Packages are a growing tourism product. Customers regard them as comprehensive experiences arranged by those who know the best things to do and see at a destination. They can offer other advantages to the consumer as well, including one-stop shopping, savings, value-added features, and someone else to look after arrangements.

For the tourism operator, a package can strengthen the appeal of his or her product, open up new markets that might not otherwise be available, and divide the marketing costs among several operators.

The business-concept planning process should include consideration of the opportunities from developing appealing packages and thereby diversifying the markets for the tour company. More information on packaging is contained in Section 9.

4.6 Marketing Partnerships

In addition to packaging, there will be other opportunities to develop marketing partnerships within the area, thereby extending your marketing reach. Potential partners include: tourism operators offering complementary experiences and services, such as hotels, local tourism promotion organizations, and other attractions with whom you are marketing packages.

In particular, you should establish arrangements for picking up passengers at local hotels prior to the tour.

Sources of information on potential partners include:

- The local tourism association - their membership list would be helpful;
- Managers of local tourism businesses;
- The yellow pages - look for businesses that cater to visitors to the community or provide entertainment and other leisure-oriented products and services to residents.

4.7 Product and Business Concept Development

The aforementioned activities should enable you to develop a concept for the business, including the following elements:

- The major markets to be targeted;
- A short list of preferred locations and possible sites for the operation;

- Potential tour itineraries and tour features;
- Your proposed unique selling proposition (USPs) and competitive advantages for each key target market;
- Probable seasons of operation;
- The types of opportunities for packaging and partnering in marketing;
- The type of equipment and facilities you will require.

There are some other considerations that deserve careful thought at this stage as well. We will introduce them below, and consider them in greater detail later in the manual.

4.8 Marketing Strategy

The next step in your planning is to establish a marketing strategy, consisting of a list of the priority markets you will be targeting, the products and USPs to be promoted to each one, and the techniques you are going to employ in pursuing each of them.

Separate strategies will be required for each of the key markets, divided into:

- Direct consumer marketing;
- Marketing to the travel trade, i.e. tour operators and receptive operators;
- Packaging;
- Marketing partnerships.

We will deal with this topic further in Section 9.

4.9 Phasing

It is unlikely that you will establish the ultimate scale of your business on day one. You will need to set out your intentions regarding what you will establish in the first phase, and how you intend to extend and expand your business over time. A phased plan is the solution.

A phased plan involves the preparation of a multi-year, say five year, schedule of the following things, to be implemented in stages:

- Tour products;
- Capital investments and financing;
- Target markets to be pursued;
- Major marketing initiatives.

The initial phases should focus on what you expect to be the core products and markets of the business. Other markets and products should be streamed in later in digestible stages. Some should be market tested first if there is any serious question about their potential or their ability to complement to the core business.

It will be important that you design and implement periodic reports on your progress, supported by some customer research and product reviews.

4.10 The Strategic Plan

You should document the previously mentioned planning activities in a written summary, which will form your initial business plan.



SECTION 5

Feasibility Analysis

SECTION 5

FEASIBILITY ASSESSMENT

Will your plan work? Can you get the volume of business you are going to need? Will revenues be sufficient to cover operating costs? Will the business make a profit - enough to pay you a living wage, cover your borrowing, and pay you a return on your equity investment?

These are vital questions you need to address, in order to reduce uncertainties and risk to a minimum. The cost of making major mistakes can be bankruptcy, while the information coming out of a feasibility assessment can help make the business a success. Why risk everything without making the best possible effort to reduce your risks?

While you may be reluctant to spend the time and money necessary for this step or think you don't need to, your banker or other financiers are very likely to insist on it.

So, a proper feasibility assessment should be undertaken. You can do much or all of it yourself, following the process described in the manual.

If your project is larger, more complex one, or if your banker or other sources of financing request it, you may have to have a professional feasibility study undertaken. There are ways of keeping the costs of a professional feasibility study reasonable, and you may be able to get some financial help for the study from prospective investors or a government agency. If you've done the homework described earlier in preparing your business concept and strategic plan, the feasibility study can be done a lot more quickly and economically.

A proper feasibility study, assuming a basic business concept and strategic plan has been developed, consists of the following steps:

- Projections of capital costs and financing requirements;
- Research and analysis into target markets;
- Competitive analysis;
- Projections of revenues, operating costs, debt service, and profits;
- Return-on-investment and break-even analysis.

5.1 How to Do A Feasibility Study

Capital Investment Requirements

We suggest that the first step in preparing a feasibility study should be the development of an estimate of the capital investment required to establish the business, since this can give you an idea of what kind of financing you will need, and this in turn will give you the basis for estimating various numbers you will need in your projections of operating costs.

You don't need a detailed capital-cost schedule or financing plan at this point. You are trying to assess the feasibility of establishing the proposed sightseeing business, not actually planning the business. What you need is an estimate of the realm of magnitude of your capital costs and financing needs.

Exhibit 3 provides a template or worksheet you may find useful.

There are various sources of information you can use in developing this initial capital budget. Suggestions are presented below:

- **Transportation equipment.** Your motorcoaches, vans, cruise boat or whatever you require can be costed by contacting potential suppliers and getting price lists, or quotations where customized equipment is required. If you're considering buying used equipment, local dealers and brokers will be helpful and you can keep an eye on the used equipment ads in trade publications. Be careful to assess the likely costs of converting used equipment or upgrading it for your needs. You will also need to look carefully at the regulations regarding the use of vehicles or vessels since they will have a significant impact on costs - these are described in Section 7.
- **Land, buildings, and services.** If you need a ticket office, administrative office or other buildings, you can look into leasing, buying a used building, or building new. Real estate brokers can help you by seeking out potential sites and advising on the costs of purchasing or leasing. With new construction, the real estate broker can help with land costs, but you'll need some other help to determine the costs of building construction, services, site improvements, etc. Help here can perhaps be obtained from an architect or a builder, particularly if you are a prospective client. An engineer may be required to advise on servicing and mechanical costs. A landscape architect can advise on site finishing costs including such things as parking areas, lighting, signage, etc.

For a preliminary estimate, you may be able to use a cost-per-square foot allowance. You will need some help from local builders to determine what costs are appropriate for your area.

- **Other equipment, such as furnishings, office systems, etc.** Equipment suppliers can give you price lists and can also advise you on your likely needs. It will help if you draw up a list of what you think you might need first and then get their comments.
- **Soft costs.** Soft costs are operating-type costs required to start the business that are capitalized, since they occur prior to the opening of the businesses. They include such things as operating costs incurred prior to opening - management salaries, office operation, initial marketing, website, insurance, etc. They also include one-time costs such as initial training costs, interest during construction, design costs, consultants' fees, etc. You should try to do a work-up of estimates for each relevant item. Where this is not possible, provide for an allowance to cover the item.
- **Contingency.** A contingency allowance should be planned for unexpected cost increases, overlooked items, unanticipated additional costs, etc. The allowance should be between 10% and 20%, depending on how refined your costing has been and how confident you are in the numbers.

EXHIBIT 3
CAPITAL REQUIREMENTS WORKSHEET
(\$)

CAPITAL ASSETS:

Equipment:

Sightseeing Vehicles \$ _____

Other Equipment (uniforms, catering equip., etc.) _____

Land _____

Building _____

Parking _____

Landscaping Services _____

Signage _____

Furnishings _____

Office Equipment _____

Subtotal C _____

PRE-OPENING SOFT COSTS:

(Costs prior to revenue being earned)

Salaries _____

Staff Training, Wages & Costs _____

Pre-Opening Marketing and Public Relations _____

Interest During Construction _____

Design and Consulting Costs _____

Other Professional Fees _____

Incorporation/Registration/Licensing Costs _____

Other _____

Subtotal D _____

WORKING CAPITAL:

Inventory _____

Prepaid Expenses _____

Other Current Assets _____

Cash Reserve _____

Subtotal A _____

Bank Loan _____

Subtotal B _____

Net Working Capital Required (A minus B) E _____

TOTAL CAPITAL ASSET REQUIREMENTS (Subtotal C) _____

TOTAL SOFT COSTS (Subtotal D) _____

WORKING CAPITAL REQUIREMENTS (Subtotal E) _____

CONTINGENCY _____

TOTAL FINANCING REQUIRED _____

- Working capital. Your financing will have to cover not only capital costs and soft costs, but also enough working capital to sustain the operation of the business. Working capital is defined by accountants as the difference between current assets (e.g. cash in the bank, receivables, inventory of resale items and supplies) and current liabilities (e.g. accounts payable, other amounts becoming payable in the current year). In other words, it's the cash available to run the business and deal with short term contingencies.

When you start the business, your working capital will be in the form of cash. There is no fixed formula for how much working capital is appropriate, but a good guideline is to have one to two months operating and capital expenses.

Financing

The total of the above represents the amount of financing you are going to require to start the business. You will now need to prepare a plan of how the financing is to be structured, since the feasibility assessment requires a determination of interest and principal payments on borrowing and the amount of equity to be invested.

Market Analysis

The next stage of feasibility analysis involves an assessment of markets and a determination of market potential.

Research and Analysis of the Target Markets

Your previous work in developing the concept for the business involved identifying the best target markets for the basic sightseeing products you are going to offer. You now need to pull together and analyse some information on each of the key markets. The key first question is:

How big is the market in my area? How many prospective customers are there?

Data on resident populations is available through the census data published by Statistics Canada. You can get breakdowns for municipalities, census regions, provinces, etc. You can download this information directly from Statistics Canada's website (www.statcan.ca) by following the links to Community Profiles. Statistics Canada can provide you with a variety of other useful information including Small Business Profiles which provide business financial statistics and can be used when developing your projections of operating expenses, and information on family expenditures in Canada.

For data on tourist markets, sources include Nova Scotia's provincial visitor-exit surveys, Visitor Traffic Flows and Tourism Insights which can all be accessed through the Tourism division's website (www.gov.ns.ca/dtc) or the Nova Scotia Tourism Partnership Council website (www.nstpc.com).

The Visitor Traffic Flow data will be particularly useful since it provides an estimate of the volume of non-resident tourists visiting specific communities in the province. If your community is not included in this data, you will have to talk to local organizations who may have done some local tourism research in the recent past. Potential sources of information include:

- The local visitor information centre, The Chamber of Commerce, The Regional Development Authority office, regional tourist association, etc.;
- Local hotel managers.

You may need to piece together the market size data using information available from the Tourism Division. For example, they can give you data on the annual occupancy rates at commercial accommodations in your area. You can use this data to estimate the total number of occupied room nights in the area (average occupancy multiplied by the total number of rooms available) and compare this number with a similar calculation for the province as a whole. This will give you a rough estimate of the volume of tourism activity in your area relative to that in the province as a whole.

Whatever combination of means you use, the intent should be to develop a summary of numbers as presented in the worksheet in Exhibit 4.

It will be helpful if you can get a breakdown of different visitor numbers, since different market segments will have very different potential for your operation. Such a breakdown may be possible if you have access to a local visitor's survey from the not-too-distant past. The breakdown you want is the number of:

- Visiting friends and relatives (VFRs);
- Business travellers;
- Convention and meeting attendees;
- Motorcoach tours;
- Other pleasure travellers (touring, vacation, etc.).

How many of these people might I reasonably expect to buy the kind of product I plan to offer?

Once you've been able to pin down the sizes of the key markets for your product, you then need to come up with an estimate of what percentage of people in each of these markets is likely to buy your kind of product. This is called a market penetration analysis. From here, you will need to estimate the degree to which you will penetrate the available market.

This analysis is undertaken in two stages. The first is to determine the amount of business potentially available, both to you and to your direct competitors. The second is to determine how much of the total you can reasonably expect to get. We will discuss these two tasks in turn.

There is no really scientific way to do this and the results of the methods available provide a speculative projection at best. The main methods are consumer research and comparables analysis and you can use them in combination. In addition, you can solicit the opinions of potential marketing partners, which will be helpful in refining your analysis.

Consumer Research

You can commission a consumer survey of some or all of the target market types indicated above and thereby develop a measure of the likelihood of consumers buying your kind of product, and your product specifically.

EXHIBIT 4
BASIC MARKET DATA FOR THE DESTINATION

TARGET MARKETS	# OF PEOPLE
<i>LOCAL RESIDENT MARKET:</i>	
Local Community	_____
Others Within a 1 Hour Drive	_____
	<i>Subtotal</i>
<i>TOURIST VISITORS DURING THE OPERATING SEASON:</i>	
In the Local Community	_____
Others Within a 1 Hour Drive	_____
	<i>Subtotal</i>
<i>SEGMENTS OF THE TOURISM MARKET:</i>	
Visiting Friends & Relatives	_____
Business Travellers	_____
Convention and Meetings Attendees	_____
Motorcoach Tour Customers	_____
Other Pleasure Travellers (touring, vacation, etc.)	_____

Such research is expensive and requires great care in questionnaire design and in the interpretation of the data. In addition, it is necessary in such research to ask respondents to speculate about what they might do in the future. Such research is fraught with complexities. It should only be undertaken for larger projects which can afford several tens of thousands of dollars for research and should only be conducted by consumer research professionals.

While we strongly believe in the value of primary market research, we believe the resource is better used for other purposes. (Section 9 presents a summary of some of the market research techniques available, along with some comments on each of them.)

Comparables Research

Comparables research is research into how comparable attractions elsewhere penetrate their markets. This is a more cost-effective alternative to conducting consumer research for the purpose of developing estimates of market penetration for a new attraction such as a sightseeing operation. Experience has shown that similar types of attractions tend to perform in similar ways when it comes to market penetration rates, at least where the product and market conditions are similar as well.

The major variables which can alter the similarities are:

- Size of the markets (Businesses will normally have lower market penetration percentages in larger markets, reflecting the greater number of alternative things to do.);
- The quality of experience offered by your type of product in your location, compared to alternative attractions and activities available in the area. (If you have the best type of attraction available in the area, the penetration rate will be higher.);
- The image and awareness of the activity in the marketplace. (Must-do types of attractions, such as a visit to Peggy's Cove for Halifax tourists, have established themselves over many years and enjoy a high level of market support.);
- The critical mass of the tours and attractions available. (Several complementary or competing tours/attractions in the same locale will collectively have a larger number of customers than will singular tours/attractions.).

The technique of estimating market penetration rates for a new sightseeing tour business involves developing a profile of comparable operations elsewhere as well as competing ones in your market. You will also need to obtain/develop an assessment of how these comparable operations are penetrating their markets. You then compare your proposed project against the others in terms of the variables listed above and make a judgment as to the likely market penetration rate you might experience. In the author's opinion, this technique is the more reliable of the two methods, since it is based on what people actually do rather than what they say they might do.

In Appendix II, we present a theoretical example of comparables research for a sightseeing cruise operation and illustrate how you can use the information to prepare an estimate of expected market penetration for your type of operation. The case goes on to show how you can complete the next step as well, the competitive analysis, which will help you make a reasonable estimate of your likely market share.

The analytical method requires you to make separate assessments for resident markets and tourist markets. The essence of the technique is to come up with estimates of penetration rates into your resident and tourist markets on the basis of how other operations penetrate their markets.

Exhibit 5 presents a worksheet for recording information on comparable operations.

Exhibit 6 presents a worksheet for calculating market potential using the comparables method. In this worksheet, the different competing operations in a given community should be subtotaled, so that the analysis of market penetration is for the product as a whole in the community, not just for one supplier.

Partner Interviews

While consumer research might give you a perspective on the potential among independent consumers, and comparables analysis an estimate of the possible realm of magnitude of total customer volumes, it will be of limited help in assessing the potential business available through tourism partners you are likely to be working with. These include:

- Local receptive tour operators in Nova Scotia and elsewhere in Atlantic Canada (inbound operators);
- Motorcoach and other tour operators in the origin markets who operate tours to your destination (outbound tour operators);
- Nova Scotia meeting and convention planners (destination management companies, or DMCs);
- Local hotels and others selling packages for your destination.

We recommend that you interview such companies, since the insights you will gain will help to give you some more comfort in your projections and it will be helpful as well in estimating breakdowns in the sources of future business.

Your future partners will be interested in your proposal, since it represents future business opportunities for them. Not only will they be able to give you advice on selling in the local market but they can probably advise you on the potential for your product, on product and service features desired, etc. They may also be able to give you some sense of how much business they might send your way in a given year.

What is the situation likely to be in the future? Will the market grow or decline?

In the last section we talked about how to investigate product and market trends. This investigation will give you insights into what kinds of growth rates, if any, you might expect in the future.

It will also be valuable to look into the local community situation to determine whether there are any trends or future developments in the community which might affect your business. For example, are there any threatened plant closures or new companies moving in? Is the local economy growing or declining? Such factors will affect the size and affluence of the resident market. Talk to economic development officials in the municipality government and in the Regional Development Authority office.

**EXHIBIT 5
COMPARABLES INFORMATION**

Business Name	Description of Business	Tour Products and Prices	Resident Market Size (S, M, L) ³	Tourist Market Size (S, M, L)	Market Position re Alternatives (H, M, L) ⁴	Image and Awareness of Product (H, M, L)	Critical Mass (H, M, L)	Comments

³ Small, Medium, Large

⁴ High, Medium, Low

**EXHIBIT 6
COMPARABLES MARKET PENETRATION WORKSHEET**

Business Name	Type of Operation	Customer Volume	Residents		Tourists		Resident Market Size	Tourist Market Size	Resident Market Penetration	Tourist Market Penetration
			#	%	#	%				
LARGE MARKETS:										
Total Customers										
Average Market Penetration										
SMALL MARKETS:										
Total Customers										
Average Market Penetration										

Talk also to the public works staff in the municipality. Are there any planned changes in roads which might affect traffic patterns by your site or access to the site?

Competitive Analysis

How much of the potential market can I expect to get?

The foregoing analysis will help us determine the potential size of the market. The next step is to try to figure out how that business might be split up among the competition in the future. The variables here are:

- The amount of competition - other sightseeing operations as well as other attractions in the area which will compete for the time and spending of customers;
- Your product appeals compared to those of the competition;
- Price - not just how much, but the relationship of price to value given and how this compares to the competition;
- Reputation for quality, service, value;
- Marketing skills and budgets.

While you should by now have a pretty good sense of the appeal of your product concept, you now have to take a good look at the competition and do so objectively, as a future customer would. You need to try out the competition and talk about them with others in the local tourism industry. You want to learn about their strengths and weaknesses, and try to get an idea about how much business they might be doing. Things to check out and compare to your own plans include:

- Itinerary and schedule - highlights, low points, frequency of departures;
- Standards of equipment used, design, cleanliness, state of repair;
- Location of base of operation and pick up points – access, visibility, convenience;
- Quality of service - professionalism, product knowledge, friendliness, hospitality;
- Prices and value given;
- Relationship with community tourism partners – packaging, co-op promotions;
- Reputation - what do community tourism partners say about guest satisfaction at this operation?
- Years in operation;
- Advertising and promotion - scope of promotion, quality of ads, fit with the demands and expectations of the target markets;
- Customer volumes - penetration with each key target market segment.

By trying out the product and asking around you can fit together a pretty good picture of all but the last item. With respect to this last item, customer volumes, you might be lucky and have someone who knows the competition quite well tell you what the approximate customer volumes are, and maybe even something about which markets the operation is drawing from. In the more

likely event that this doesn't happen, you will probably have to undertake a little detective work. Here are some tricks to piecing together a picture of the business of the competition:

- Talk to local receptive tour operators, local tourism organizations, local hotel and attraction operators. Some of them will have information on how the operation is doing.
- Visit the parking lot at various times during the week and the season and count the cars and buses. This way you can develop an estimate of the approximate customer counts at various times, and together with the schedule of departures for the year, you can get a rough estimate of the number of customers.
- Engage in casual conversation with the staff in the ticket booth and on the tour. Ask them about the operation.

When you're done your detective work, make up a form which allows you to summarize your findings. Use a simple scoring system to rate the competition against your proposed sightseeing business.

Exhibit 7 presents a worksheet for assessing the competition while Exhibit 8 provides a worksheet for calculating expected market share among the competition.

Exhibit 8 provides for data on the current volumes of tour business at your destination and how it is likely to be distributed amongst your business and that of the competition. Exhibit 6, on the other hand, provides data on the average market penetrations and market. These two exhibits should now be used in preparing the worksheet illustrated in Exhibit 9.

Exhibit 9 will help you calculate your likely customer volumes for a future year of mature market penetration. Under Estimated Current Volumes, you enter the total current market penetration and customer volumes of existing local tour operations at your destination to give a measure of the estimated current customer volumes at your destination. This data is drawn from Exhibit 8.

You will also enter the average market penetration percentage from the bottom of Exhibit 6, either for large markets or small markets, and then multiply these percentages by the market sizes (resident and tourist) at your destination. This will give you an estimate of the potential customer volumes based on the market penetration experience of similar operations at other destinations.

The final two columns on Exhibit 9 are used to make estimates of your likely market penetration and customer volumes. Basically, you want to prepare estimates on the basis of whether you think you will be simply sharing in existing customer activity at your destination or whether the experience of comparable operations in other markets suggests that there is additional, latent market potential which can be developed with the addition of your tour operation. This is a judgement call which should be made from your assessment of the results of Exhibits 6, 7, and 8.

The results of your analysis will be entered in Exhibit 10.

The case study presented in Appendix II provides a summarized competitive assessment for a fictitious cruise boat operation and the results of a market share assessment prepared in a similar fashion.

EXHIBIT 7
ASSESSMENT OF THE COMPETITION

Competitor's Name	Business Description/Years in Operation	Products & Prices	Product Strengths	Product Weaknesses	Reputation	Quality of Operation	Quality of Marketing	Competitive Ranking
MY PROJECT								

**EXHIBIT 8
MARKET SHARE WORKSHEET**

Competitor Business Name	Estimated Customer Volume		Competitive Ranking (From Exhibit 7)	Percentage of their Business I can Obtain		Number of their Customers I can Obtain		Comments on the Market Segments I will most likely get from them
	Resident	Tourist		Resident	Tourist	Resident	Tourist	
TOTAL								

**EXHIBIT 9
PROJECTED CONSUMER VOLUMES**

	Market Size	Estimated Current Volumes†		Estimated Potential Volume ‡		My Projected Volume	
		Average Penetration %	Number of Customers	Average Penetration %	Number of Customers	Penetration %	Number of Customers
Local Residents							
Tourists							
TOTAL							
Estimated Tourist Breakdown:							
Visiting Friends and Relatives							
Business Travellers							
Convention/Meeting							
Motorcoach							
Other Pleasure							

† Calculated from Exhibit 8 — Average Resident and Tourist Market Penetrations

‡ Calculated from Exhibit 6 — Estimated Total Customer Volume — Resident & Tourist

EXHIBIT 10
DEMAND PROJECTION WORKSHEET

TOTAL PROJECTED MARKET SIZE OF PEOPLE BUYING LOCAL TOURS IN MY AREA:

Residents _____

Tourists _____

MY PROJECTED MARKET SHARE:

Residents % _____

Tourists % _____

PROJECTED CUSTOMERS IN A MATURE YEAR:

Residents _____

Tourists: _____

TOTAL _____

ESTIMATED DISTRIBUTION BY PRODUCT:

Product A _____ % _____ #

Product B _____ % _____ #

Product C _____ % _____ #

Conclusion of the Market Analysis

The results of the market assessment, market penetration assessment, trends assessment, and the competitive analysis and market share assessment should result in a projection of likely future demand for your proposed sightseeing business. The detailing of this is presented below.

You need to recognize that your calculations to this point are appropriate for some future year after you've established the business and it reaches a fairly mature condition in terms of market penetration and market share.

In addition, you have presumably looked at the market potential as a whole, not the business likely to come for the different sightseeing products or from different markets. To complete your work, you need to proceed into supporting analysis for a projection of revenues. This will involve estimating the business you might get in each year in the future, particularly for the early start up years. It will also involve estimating the breakdown in business for different products you intend to offer and from different markets. This will be our next subject.

5.2 Projection of Revenues

You are well on your way to building a revenue projection for the business since you have prepared a projection of the likely total number of customers you might expect to get once the business reaches a mature market penetration. You now have to convert this into revenue figures for each year, with breakdowns by product, and make a five to ten year projection. To do this, you will need to do several things:

- Determine the likely breakdown in customer numbers for each of your significantly different products. Your interviews with tourism partners, your comparables research, and market share analysis should give you some idea of the relative potential for the different sightseeing products contemplated.

The bottom of Exhibit 10 can be used to assist with this step. You will then move on to Exhibit 12 and prepare separate worksheets for each major product type you intend to offer.

- You will need to estimate the likely prices for each product. At this stage, you will not have the full information necessary to develop your actual prices, so you have to rely on the prices charged by comparable operations in other markets and on competing operations in your own market in estimating what you might reasonably charge. What you are after now is an estimate suitable for use in preparing a revenue projection to determine the likely feasibility of the operation. The premise is, that if you can't make the numbers work at competitive prices, the project isn't likely to be feasible. If the numbers do work on this basis, you will still be facing the challenge of actually covering your operating costs and financing costs at competitive prices, but we'll face that challenge later. (In Section 9 we will deal with the how to's of actually setting your prices.)
- Determine an estimated overall allowance for travel trade commissions, group discounts, off-season/shoulder season discounts, rates for children, families, seniors, school groups, etc. To do this, you need to estimate the breakdown in business (by product if possible, or overall if this is not possible).

The sightseeing business works on commissions and discounts for group buyers, and consumers also expect discounted rates for the off-season, for families, children, seniors, etc., so it will be important to develop a policy in these matters and to project your revenues taking them into account.

Basically, in preparing your projections at this point, you want to look at the practices of comparable operations and your competition in determining estimates for commissions and discounts. Exhibit 11 presents some industry guidelines in these respects.

Again, this issue will be addressed more fully in Section 9 when you're past the feasibility stage and actually into product pricing. At this point, you can be satisfied with estimates based on the competition and comparables. Later, you will want to make sure that the discounts and commissions can be justified by your cost structure.

- Calculate net passenger fare revenues for each year. This also involves the use of a series of worksheets, such as that presented in Exhibit 12, in which the demand for each product is estimated, retail and net prices for each market are calculated, and total revenues for a mature year are derived.
- Estimate how long it's going to take to reach the mature market situation, using percentages of the mature market performance for each year leading up to the mature year. The worksheet in Exhibit 12 allows you to do this for each of your major products, since it is likely that you will reach market maturity at different rates for different products and their markets. For example, you will likely achieve local resident market awareness more quickly than tourist market awareness.
- Estimate the additional revenues from possible food and beverage sales, retail sales, parking charges, etc. These estimates should be based on the sales experienced by comparable operations elsewhere and your assessment of the likely sales of competing operations in your market. The data can then be entered in Exhibit 12.

The case presented in Appendix II includes a table where the demand for each of the five years has been worked out as well as the relationship of that projection to the overall market penetration and the volume of the key competitor. This method is suitable if you are using a simple total customer count, but a more accurate (albeit, more complicated) method is to do this for each of your tour product. This will involve the more complex worksheets we have presented in the preceding exhibits.

EXHIBIT 11
GUIDELINES ON COMMISSIONS AND DISCOUNTS

Travel Agent Commissions on Individual Bookings	10%
Travel Trade Wholesaler Discounts (Reductions from Retail):	
Tour Operator	20% - 25%
Receptive Tour Operator	25% - 35%
Group Leaders, Affinity Groups	5% - 10%
Consumer Discounts:	
Off-Season	10% - 50%
Seniors	20% - 50%
Children	30% - 60%
School Children in Groups	50% - 75%

**EXHIBIT 12
PROJECTION OF REVENUE**

PRODUCT _____

	YEAR					
	Mature Year	1	2	3	4	5
Projected # of Customers						
Retail Fare						
Weighted Average Percentage Discounts & Commissions						
Net Average Price/Yield						
Projected Customer Fare Revenue (A)						
Additional Revenue Per Person: <ul style="list-style-type: none"> • Food & Beverage • Retail • Other 						
Total Sales Revenue: <ul style="list-style-type: none"> • Food & Beverage (B) • Retail (C) • Other (D) 						

5.3 Projection of Operating Expenses and Operating Profit

Next, you need to prepare projections of four kinds of expenses; cost of sales, direct operating expenses, overhead costs and capital-related charges.

Exhibit 13 presents a worksheet for preparing expense projections for the first three of these areas. The numbers can be derived either from a detailed work-up, based on analysis of each item, or industry norms which can be used to provide realm-of-magnitude estimates. The latter method is simpler and probably just as accurate, if not more so. The only caution is that very large items like wages, salaries, and marketing can vary widely, depending on your type of operation and its market situation, so a work-up of these items is advised, and cross-checked against industry norms.

Operating cost norms are generally known by experienced operators, so your research into comparable sightseeing operations should involve a question to the owners about the cost norms in their type of operation. If there is an association of operators, they may be able to help you with this, or refer you to someone in the business who is likely to know these things. Also there may have been a tourism study somewhere which has such data.

Cost of Sales

Cost of Sales involves the costs of items resold to customers. For a sightseeing tour business, this will include the cost of food and beverage for any food services provided as well as the cost of retail merchandise, such as souvenirs, being sold to customers. Such costs will vary depending on the types of things involved.

Direct Operating Expenses

These costs are also referred to as variable operating expenses. In essence, they include the costs that are directly involved in providing your services to your customers and they vary with the frequency of the services operated. In the case of a sightseeing tour operation, these will involve such things as:

- Wages - guides, drivers, ticketing staff, entertainers;
- Supplies - tickets, fuel, kitchen supplies, cleaning supplies, etc.

For a sightseeing tour business, they can be calculated as a percentage of revenues or from the bottom up, e.g. by estimating the number of staff you will need, the number of hours they will work, etc.

Overhead Expenses

Overhead expenses, sometimes call fixed expenses, do not vary very much with changes in the volume of business, as do direct operating expenses. These are the supporting costs of providing service and in general, running the business. The types of overhead expenses you will incur are described in Exhibit 13. Estimates can be developed based on industry norms or on a work-up based on a detailed schedule of likely costs.

EXHIBIT 13
PROJECTION OF OPERATING EXPENSES AND OPERATING PROFIT
(\$)

	YEAR						
	BASIS	%	1	2	3	4	5
COST OF SALES:							
Food	% of Food Sales						
Beverage	% of Beverage Sales						
Retail	% of Retail Sales						
Total							
DIRECT:							
Wages	Worksheet* or % of Total Revenue						
Supplies	% of Total Revenue						
Total							
OVERHEAD EXPENSES:							
Salaries	Worksheet* or % of Total Revenue						
Fringe Benefits	% of Total Revenue						
Marketing	Worksheet* or % of Total Revenue						
Repair & Maintenance	% of Total Revenue						
Utilities	% of Total Revenue						
Office Supplies	% of Total Revenue						
Telephone	% of Total Revenue						
Rent	% of Total Revenue						
Equipment Leases	% of Total Revenue						
Insurance	% of Total Revenue						
Property & Business Taxes	% of Total Revenue						
Bank Charges	% of Total Revenue						
Professional Services	% of Total Revenue						
Travel	% of Total Revenue						
Miscellaneous	% of Total Revenue						
Total							
OPERATING PROFIT							

* Worksheet means that you will have to develop a worksheet to derive exactly what these costs will be for your business.

Operating Profit

The total of the above costs represents the sum of the costs of operating the business. The difference between total revenues and operating costs in a year represents the operating profit or operating income (or loss) of the business. Other costs, including depreciation and interest costs on financing, are discussed in Appendix III, Net Income, Cash Flow and Return on Investment Analysis. You should reference this appendix to calculate the projected net income of the business.

Net Income, Cash Flow and Return on Investment

Having calculated operating profit, it is now possible for you to determine whether or not the venture will be feasible. Simply put, you need to decide whether the projected profit from operations is sufficient to repay any debt and to justify the effort and the risks. This is a judgement call you and your investors (if you have any) have to make.

Appendix III describes the calculations that you have to undertake to determine the net income and cash flow of the business, and to calculate return on investment.

5.4 *Is it Worth it?*

The requirements for completing a credible feasibility assessment for your business proposal are clearly complex and onerous, but it is vital that a proper feasibility assessment be done before major commitments are made to establish the business.

Not all business people make the effort to undertake an assessment of their business plan. Without an assessment, they proceed to stake their capital and their livelihood on instinct, on gut feelings, and on the opinions of others who have nothing at stake. With so much at stake, it is worth a little time, effort, and money.

The techniques of a feasibility assessment are not generally understood and some people believe that it isn't possible to predict the future accurately. This is a poor excuse. It is possible to get some guidance on how to prepare a feasibility assessment (this manual is one source, of course); and it is possible to get help to carry it out. And while it may not be possible to predict the future accurately, predicting the future is not really what's involved here.

What is involved here is risk reduction, moving a business proposal from the pure seat-of-the-pants, "gut-feel" level, to a different level that is almost certain to prove more accurate than a gut feel. There is a myriad of pieces of valuable information out there, some easily obtained, others not, which can help take the unknowns out of a business judgement.

As well, a feasibility assessment allows you to make a series of small incremental judgements and specific estimates rather than one huge one; and the sum of a series of small judgements and estimates has proven again and again to lead to a more accurate prediction of future performance. In fact, when the estimating is broken down into small pieces, more often than not you will be able to find sources of information to help you make your estimates with a degree of accuracy. For example, you may not have any way of guessing what the total operating costs of your sightseeing business are likely to be, since your business will not be exactly like anyone else's. However, your wage costs for guides is likely to be similar to that of other operations, your

insurance rates for a motorcoach will be similar, and your utility costs are likely to be similar to those of other businesses in the community with similar spaces.

Finally, the process of preparing a feasibility study will indicate a whole series of ideas, opportunities, challenges, and problems for you to consider. As a result, you will be able to actually improve your business plan as a result of doing a feasibility study, as well as develop important insights about what it is going to take to be successful in the future.

The best, and perhaps most important, investment you will make in establishing your business is the preparation of a feasibility assessment.

Where to Get Help

Help in preparing your feasibility study can be found from a variety of possible sources:

- Your accountant.
- Other operators of sightseeing operations. You may be able to talk a noncompeting sightseeing operator into coaching you and helping you with projections. You may have to pay them a fee, but, if you're lucky, they might do it for the fun of it.
- Someone who's sold a sightseeing business or has retired from the business.
- An official of a financial agency, such as ACOA, the Regional Development Authority, the Business Development Bank, or the Office of Economic Development.
- A private consultant.

Addresses for many of these sources of help can be found in the Appendices to this manual.

Most of these sources will be free, or at least low cost.

As mentioned earlier, you may decide that the complexities or scale of your project require you to retain some professional expertise to prepare your feasibility study. You may not, in fact, have a lot of choice in the matter, since some lenders and investors will insist on your having a feasibility study prepared by a professional management consultant.

5.5 Preparing a Business Plan

Once you have completed the feasibility analysis, you need to prepare a business plan. The business plan is built on the material you have accumulated to date, and includes a plan of all the steps and processes you need to go through to get the project up and running initially and keep it running successfully in future years. This document should be updated periodically to reflect some of the changes that occur as your plans unfold and should include both strategic issues and normal operating processes. While lenders will almost always ask to review a copy of your business plan, you should consider it as a means of obtaining financing. The business plan is critical to the ongoing operation and success of your business and you should refer to it often.

The plan itself should contain all of the items outlined in Exhibit V-1 of this manual (the suggested table of contents for a presentation for financing, in Appendix V), as well as sufficient additional information to illustrate the steps you will go through to achieve your goal. You will need to document, for example, a Sales and Marketing plan that will provide a strategy and process for you to attract guests to your property. This plan will identify who will be responsible for each task; when it is expected to be done; what the anticipated outcome of the effort will be; and what the effort will cost. Sales and Marketing plans are, on their own, very detailed documents. Some suggestions for the types of things to include in this plan can be found in Section 9.

The business plan will include similar action plans for all other key areas of the company's operations, including organization and staffing, operating policies, internal controls, and information systems, etc.

There is no definitive table of contents for a business plan but some suggestions are provided in Exhibit V-1. Knowledgeable operators all agree that these plans are essential for strategizing the direction that you wish to take and detailing the step-by-step actions you have considered to reach your goals. In general terms, the more you put into the plan and the more you refer to it, the more likely you are to reach the targets and objectives you have set yourself. Furthermore, the business plan should always be considered as an evolving document, being changed as external conditions dictate and your own decisions require. Other aspects of your business plan will be considered further in Section 8, Operations.



SECTION 6

Product Development

SECTION 6

PRODUCT DEVELOPMENT

This section provides some suggestions for product planning.

Each sightseeing tour business is a unique creation based on of the kinds of local tours appropriate to the destination and the markets being catered to. However, some common denominators exist.

6.1 The Experience

A fundamental principle in the tourism business, and most particularly for an attraction like a local tour, is that the customer is seeking an experience; one that may be entertaining, exciting, memorable, educational or just fun. The key thing to remember is that this is an experience business!

Too often owners and managers lose sight of this essential principle, becoming preoccupied with the day-to-day demands of the business: maintaining equipment, dealing with staff, paying bills, handling problems. But all of these things are being done for a more important purpose: providing appealing experiences for customers.

As a consequence, the first priority in product planning is to design an experience of appeal to the consumer (or several different experiences, as the case may be), preferably better than the alternatives available at the destination.

Some guidelines to follow in planning an experientially rich sightseeing tour include:

- Include the best and most unique attractions in the area - piggyback on their appeals to help sell the tour.
- Include some unusual or customized features or programming to give your product a difference and a competitive advantage.
- Adding a theme to its name and some themed features can increase a tour's appeal and uniqueness. An example would be a Victorian Heritage Tour in which the guide wears period dress and which features visits to Victorian homes. This would be quite different than a Centreville Sightseeing Tour, for example.
- Give people a chance to stop, shop, and talk to locals.
- Hire guides with real personalities, who exemplify the local culture of the area, and train them to be entertainers not just commentators.

- Invest the time and effort in developing a rich commentary replete with history and anecdotes, and in training guides to have a comprehensive knowledge about the features of the tour and the destination.
- Some types of tours lend themselves to themed vehicles, such as a London Double Decker Bus, for example, or a steamship replica for a cruise boat. If you do this, try to keep the theming true to the real heritage of the area. Modern tourists are quick to sense genuine features from contrived ones. The former add to entertainment value; the latter diminish the experience.

6.2 Transportation Equipment

If you've done your homework in the concept development stage, you will be able to define the best mix of equipment features for the tour. The issues to consider include:

- Capacity required;
- Themed equipment or not;
- Catering facilities or not;
- Onboard amenities: headsets, TV monitors, washrooms, etc.

How can you determine the capacity you will require? There is a reliable method for making such a calculation. It's called design day analysis. This is a method to determine the average peak volumes for your business or the number of people you will get at one time during peak operating periods.

In the attractions business, it is standard practice to design the business to handle the volume of business on all but the busiest 5% to 10% of days. It's not cost effective to have capacity for the highest volume day in a year, while, at the same time, you don't want to have turn-aways too often if you can avoid it.

Exhibit 14 presents the calculation method and some rules-of-thumb to help in the calculation.

Murphy's Law says "what can go wrong, will go wrong." Make sure you have parts, repair, and maintenance services readily available as well as contingency plans in the event of equipment breakdown; whether it's the ability to consolidate loads, rent equipment or have a mutual support agreement with another company which uses similar equipment.

The vehicles or vessels you use need to be in good repair and kept immaculate. There is no greater turn off to today's sophisticated consumer than dirty or unkempt vehicles.

6.3 Support Facilities

You will need to have a site with adequate parking or arrangements with others for your customers to park on their property. You can determine how much parking you will need with the design day analysis. As noted on Exhibit 14, the parking capacity required can be determined from the average peak customer count.

If evening tours are to be held, the parking area should be well lighted.

EXHIBIT 14
DESIGN DAY ANALYSIS FOR DETERMINING
REQUIRED CAPACITIES

DESIGN CAPACITY ANALYSIS

Start with annual customer volume.

Divide by the number of days in the operating season.

This provides the average number of customers per day throughout the season.

Multiply by a factor to estimate the average **peak** day (A multiple of 2 or 2.5 is probably realistic and is borne out by the experience of attractions. This means that your average busy day will be two to two and a half times as busy as your average day for the season as a whole.)

The average peak day is called the **design day** and this is the daily capacity to be designed into the business.

Divide by the capacity of your vehicle(s) to determine the number of tour departures required that day.

While this will determine the number of departures required, you have to be conscious that the demand won't be spread evenly over all times of the day. To get the vehicle capacity you need, we recommend that you first estimate the percentage of people who will want to go at the more popular times and then divide by the number of departures you can schedule into the more popular times. For example, most attractions find that 80% or more of their attendees will come between 10:00 am and 4:00 pm, a period of six hours. This calculation will give you the capacity required per departure.

If you are building a cruise boat, you can design the boat to handle all the design day volume on the number of departures you can fit into the busy period of the day. If you are acquiring coaches with a predetermined capacity, you can determine the number of coaches you will need in the same fashion.

The same data will allow you to calculate the necessary capacity for such things as holding and queue areas.

EXHIBIT 14 Cont'd
DESIGN DAY ANALYSIS FOR DETERMINING
REQUIRED CAPACITIES

PARKING CAPACITY ANALYSIS

The calculation of parking is a key factor, given the large amount of space required for vehicle and motorcoach parking. It will help you determine the size of the site required for your base of operations. The analysis is based on the results of the design day analysis.

While the previous analysis was designed to determine the capacity of transportation equipment required, this analysis is designed to determine the space required for holding vehicles or the total capacity required at one time, and this capacity calculation can be quite different.

You start with the vehicle capacity required from the foregoing analysis and multiply by the number of tours that will be operating at the same time during the busy portion of the day. For example, if you have a tour leaving every hour and the tour is three hours in length, at any particular moment in time you will have three tours operating. In addition, at the time when one tour is finishing and another is waiting to load, you will need enough parking capacity for both the waiting customers as well as those leaving. In our example, you would add one tour to the **at one time** calculation, giving a total capacity required of four tours.

In summary, you need capacity to handle the parking demand at the turn-around time during the busy period on an average peak day. It is equal to the capacity required at the turn-around time for both the arriving and departing customers as well as the customers out on other tours at that time.

This gives you the parking capacity required in terms of the number of people who will require parking at the same time. You now need to convert it into the number of vehicles. Make the following calculations:

Estimate the percentages of people arriving in the following manners:

- By motorcoach;
- By private auto;
- By taxi or other drop-off method;
- Those you are picking up at their hotels.

You can forget about the drop-off and pick-up people: they don't need parking. (At the same time, it should remind you that it would be a good idea to have a drop-off area as a convenience to customers and will save on congestion at peak times. It will be used not only by drop-off vehicles, but also by motorcoaches and by many other customers who prefer to drop-off their passengers at the ticket office prior to parking their vehicle.)

EXHIBIT 14 Cont'd
DESIGN DAY ANALYSIS FOR DETERMINING
REQUIRED CAPACITIES

You take the number of people arriving by private auto and requiring parking at the same time and divide by an estimate of the average number of people per vehicle. (Our experience suggests that about 2.5 persons per vehicle is about right for tours.)

With coaches, you do the same thing. We suggest that you use an average of, say 30 people, per coach. Most coaches carry 40 to 50 passengers but they won't all be full.

You then multiply the number of cars and coaches by the square footage allowance for each vehicle. If the parking area is to be paved, you can get away with a little space since you can better organize the space with marked driveways and spaces.

You should allow the following spaces to account for both the parking space and the access corridors:

- Autos - 350 sq. ft.
- Coaches - 1,200 sq. ft.

In the layout of the area for coach parking, design it on the diagonal in a manner that allows the coach to drive straight through. This will cut down on the total space required for coaches since they will not require additional manoeuvring space.

Other facilities that you might need include:

- Ticket office;
- Perhaps mobile or stationary ticket booths at high traffic locations in the area;
- Customer waiting/holding area with shelter;
- Gift shop and snack area;
- Administrative and group sales office;
- Shuttle vehicle to pick up people at area hotels;
- Reserved area for coach parking at stopping points on the tour.

Contingency arrangements should be made to handle emergency problems and your staff should be trained in basic first aid and in the procedures to be followed in different problem situations.

6.4 Programming and Scheduling

Every detail of the tour should be carefully planned and negotiated with participating attractions and services. It is a good idea, as well, to establish contingency arrangements in the event of the non-availability of tour features or inclement weather.

It will be the programming, the unique and appealing things to see and do, which will differentiate your tour from the sightseeing tours of your competition. It is worth the time and effort to be creative and diligent in developing such unique features.

The length or duration of a tour should be based, in the first instance, on the variety of quality things to do and see in the immediate area that fit the theme and concept of the tour. However, it is important to consider also the markets you are catering to and their likely comfort levels with different durations. For example, seniors are comfortable with longer tours, families with shorter ones. Asian customers want very short tours, Europeans more leisurely ones. Tours which fit comfortably between meal periods will be more popular than all day ones. Longer tours have to have provision for a meal break.

In the scheduling of departures, you need to give consideration to the following factors:

- Demand levels in different seasons, on different days of the week, and at different times of the day;
- Preferences of major group clients as to the start and end times;
- Linkages with the convenience zones of customers. For example, when they've finished breakfast, checked out of the hotel and can get to your site comfortably; when they like to be finished the tour so they can get to their hotel and check in before 6 p.m.

Packaging is another product related planning issue. We will deal with it later, in Section 9, when we're talking about marketing.

6.5 Business Structures

You should now refer to Appendix IV, which provides information on the alternatives and approaches necessary to establish an organization to operate your business.

The next section of the manual deals with legal and regulatory matters impacting on your sightseeing tour business.



SECTION 7

Legal, Regulatory, and Tax Matters

Legal and Regulatory Issues

Addendum: Food Safety Regulations

November 2005

Readers of this manual should take note of the following addendum with respect to regulations governing food safety in Nova Scotia. These regulations apply to almost all businesses that serve food to the public and impact the type of business for which this development guide is written. These new regulations may change the information in this section of the report regarding Food Establishment Permits. You should review the appropriate regulations (obtained through the following website www.gov.ns.ca/nsaf/foodsafety/) and talk to a representative of the Food Safety Section, Department of Agriculture and Fisheries to obtain detailed and up-to-date information on the requirements for food safety as they affect your business.

The Health Protection Act, effective November 1, 2005, provides for new food safety regulations in Nova Scotia and establishes provincial standards for restaurants, grocery stores and other places where food is served or sold. The Nova Scotia Food Retail and Services Code is an interpretative guideline that explains how to meet the objectives identified in the Nova Scotia Food Safety Regulations contained within this act. Eating Establishment (Provincial) Regulations will also be available. Both can be obtained from www.gov.ns.ca/nsaf/foodsafety/regulations.shtml

There are a wide range of regulations and guidelines contained within this material that may affect your business and it is beyond the scope of this manual to describe them. However, one that should be noted is the requirement for food hygiene training for the managers/supervisors of food establishments or a designated person in their absence. This includes the owners or managers of a bed and breakfast. As well, operators of food establishments must ensure that food handlers have the necessary knowledge and skills to enable them to handle food hygienically. To assist in meeting this requirement, the Nova Scotia Tourism Human Resource Council has introduced BASICS.fst ONLINE, an on-line food safety training course for food handlers. Information on this course can be obtained through the website, www.tourismhrc.com.

SECTION 7

LEGAL, REGULATORY, AND TAX MATTERS

This section addresses legal, regulatory and tax matters concerned with the establishment of your sightseeing tour business. There are a multitude of laws and regulations that affect business and readers should note that the information contained herein is a guide only.

It is strongly suggested that the reader undertake efforts to verify any information on which their business plan is based and not rely solely on the information in this manual. There are areas where you may want to consider retaining the appropriate professional expertise to assist you.

While the information contained in this manual is believed to be accurate, as of the winter of 2005, it is not so warranted. The reader should note that federal, provincial and municipal laws and regulations change frequently and it is recommended that you check with the appropriate authorities, listed in the Appendix, including representatives of the Nova Scotia Department of Tourism, Culture and Heritage and your local Business Service Centre (on line at www.gov.ns.ca/snsmr or at Access Nova Scotia centres around the province), to obtain up-to-date information on laws that may affect your business.

7.1 Permits and Licensing

The licensing regulations that affect your sightseeing tour operation will depend upon the mode of transportation used to escort people on sightseeing trips. For example, if you are planning to operate a sightseeing boat cruise you must adhere to Canadian Coast Guard regulations which govern issues such as ship design and certification, safety and firefighting equipment, crew complement and qualifications. If you will be operating any vehicle with a capacity of nine passengers or more (excluding the driver) to escort your customers, various regulations under the Nova Scotia Utility and Review Board apply.

Vehicle Permits and Licensing

You can either charter any vans or motorcoaches that you require to operate your sightseeing tour business or you can purchase your own vehicles. In the early years of your business, you are most likely going to charter since purchasing vehicles can be very expensive. In this case you do not have to be concerned with vehicle permits and licensing (other than for the driver). However, if you decide at some point to acquire your own vehicles, prior to doing so, acquire your various permits and licenses. In any event, it is helpful if you have an understanding of this issue.

All vehicles used in your operation must have valid permits and licenses issued by Service Nova Scotia and Municipal Relations Registry of Motor Vehicles. In addition, drivers must have the appropriate class of drivers' licenses for the type and size of vehicle they will be operating.

Contact Service Nova Scotia and Municipal Relations' Registry of Motor Vehicles for additional information (www.gov.ns.ca/snsmr/rmv/).

You will require a Motor Carrier License to operate a vehicle that holds nine passengers or more (excluding the driver); or a Commercial Van License for vehicles that carry 8 passengers or less (excluding the driver) and provide a daily, weekly, or other regular service, or a charter or tour service that enters or departs any municipality. These are available by contacting the Nova Scotia Utility and Review Board, Motor Carrier Division (website: www.nsuarb.ca).

If you intend to use a limousine or taxi cab to transport passengers, you must obtain a taxi/limousine operator's license from your local municipality. Your municipality may have specific regulations regarding the number of taxis/ limos it will license, as well as fare limits. In addition, your municipality will likely require an annual inspection of the vehicle for its operating license renewal. It should be noted that a taxicab is considered to be a vehicle that has a seating capacity of 8 passengers or less (excluding the driver) and is operated within a municipality, or under hire on single contracts within the province (one way or return) and is not operated as a regular service or a charter service.

As previously indicated, a Commercial Van License is required if your vehicles accommodate eight people or less, excluding the driver, and provide a daily, weekly, or other regular service, or a charter or tour service that enters or departs any municipality. Under this type of license the owner/operator of a vehicle is subject to regulations, including those relating to hours of work, vehicle inspections and maintenance records documentation; as well as the following required safety features:

- Portable fire extinguisher
- Unitized first-aid kit
- No less than 3 triangular reflectors

As a sightseeing tour operator utilizing a Commercial Van License, you should pay particular attention to the hours of work allowed under the Motor Carrier Act Regulations. If you or an employee will be driving, in addition to performing other duties relating to your business, you will be subject to regulations relating to the number of hours you are permitted to operate a vehicle during a given time period.

For larger vehicles - those carrying nine or more persons, excluding the driver, a Motor Carrier License is required. If you are chartering the vehicles from another company, then the Motor Carrier License is the responsibility of that company and you only need to worry about whether your supplier has the necessary operating authorities.

There are two types of Motor Carrier Licenses which are relevant to this type of business:

- A Charter License, which permits you to hire/charter your vehicle for a lump sum price for the purposes of chartering for groups, tours, and adventure travel;

- A Sightseeing License, which permits you to sell individual tickets for tours using the vehicle.

You can have both types of license but you can only offer the type of products and services that are spelled out in the license. Your license will indicate:

- The type and size of the equipment you are using;
- The prices you will be charging, including regular rates, discounted rates for the travel trade, etc;
- Your itinerary, routes, and where you pick up and drop off passengers (this could cover a large or a very small geographic area). (Note that this is a key requirement for Sightseeing Licenses. For Charter Licenses, the restriction only pertains to the geographic area in which you may operate.)

For a sightseeing tour businesses, the Board recommends that you apply for a Charter License which, if granted, will permit you to hire out your vehicles for the purposes of group charters, tours, and sightseeing excursions.⁵

If you wish to apply for a Sightseeing License, you should be aware that this license will be much more restrictive than the Charter License and will set out *fixed* routes, fares, schedules, etc. This may not be the preferred licensing method for tour operators, since any changes to your tour itineraries, fares, etc. will require amendments to the aforementioned schedules to be approved by the Board prior to their implementation.

The Nova Scotia Utility and Review Board will assist you in applying for the correct license and completing the application forms.

For all license categories, the Utility and Review Board will expect to see a comprehensive business plan identifying your markets and where your business will come from, as well as the financial basis for your operation. In providing Motor Carrier Licenses, the Board attempts to ensure that there is a sufficient market available so that existing operations can continue to operate on a reasonable financial basis, while you also operate a financially viable business.

The process of obtaining a permanent Motor Carrier License takes about six to eight weeks, assuming there are no major objections. Once your application is completed and submitted to the Board, they place an advertisement in the Royal Gazette (two issues), and anyone (existing businesses, the general public) has 21 days to enter an objection. If there are no objections, the application will proceed to the Board for consideration.

If there are objections, they will be reviewed by the Board and the Board may convene a hearing to listen to the concerns of the parties objecting. Parties can object to any element of your

⁵ Many operators in Nova Scotia set up a separate charter company to serve this purpose, with the fluctuating elements of the tour business handled by the main tour company. In this way, you may charter your vehicles to your tour company without having to make license amendments as required for a Sightseeing License.

application, e.g. rates, route, size and type of coach, etc. If there are objections, the process lengthens, usually by about another 30 days but possibly much longer, depending on the scale and nature of the objections.

If you are starting a new business, you may want to consider applying for a Temporary Authority under the Motor Carrier Act. This license costs a bit more but can be granted by the Board without going through the process of advertising for objections. The Temporary Authority is valid for 90 days, can be extended for an additional 90 days and can be granted within a two to three-week period, provided the applicant can establish an immediate and/or special need which might permit the Board to issue this Temporary Authority. Note, however, that being issued a Temporary Authority does not necessarily guarantee that you will be awarded a permanent Motor Carrier License when you apply for one. You may, therefore, want to consider seriously the level of investment you want to make in your business, based only on a Temporary License.

If you already have a Motor Carrier License and want to make changes to any of the items identified above, you will need to apply for an amendment to your license, and this will have to go through the same process as the permanent license. If you are just replacing one vehicle with another of the same size, then you do not need an amendment but if you want to add vehicles, change your prices, or pick up passengers from a different location than is incorporated in your permanent license, then you will need an amendment.

Whether you are applying for a Motor Carrier License or a Commercial Van License, your insurance company will have to complete a Motor Carrier Certificate of Insurance, indicating the carrier of the insurance on your vehicles and the limit of coverage in accordance with the Act and Regulations, and forward it to the Utility and Review Board in order for you to receive your license. In early 2005, insurance requirements for vehicles transporting 20 passengers or less are \$1 million in third party liability coverage, as well as \$2 million in passenger liability & property damage; while vehicles carrying 21 passengers or more must have \$1 million in third party liability and \$3 million passenger liability & property damage coverage. It is advised that you contact the NS Utility and Review Board, or check their website, www.nsuarb.ca, as this information is subject to change.

As well, your vehicles will have to be inspected prior to business start up and every six months thereafter. The inspection covers mechanical and body issues, cleanliness (interior and exterior), and the delivery of service. You will have to have the license renewed on an annual basis, but this is routine (plate renewal) unless you want to make changes.

Given the complexities of obtaining Motor Carrier and Commercial Van Licenses, you should not make any financial commitments to your business (e.g. purchasing vehicles, buildings, etc.) until you have obtained your required Licenses.

Contact the Motor Carrier (Public Passenger) Division of the Nova Scotia Utility and Review Board for further information pertaining to these licenses at (902) 424-3588, or visit them online at www.nsuarb.ca.

Cruise Vessels

Regulatory issues are of major concern to the excursion boat industry. A brief synopsis of the types of regulations you should be aware of for excursion (same-day) or overnight adventure boat operations are highlighted below:

Before You Start, Investigate

Marine Regulations exist to protect human life and the environment. There are penalties for failure to comply with the applicable regulations.

Prior to getting too far into your project, you should investigate the Regulatory requirements. Transport Canada is involved in the regulation of boats through two sectors:

1. Marine Safety's Office of Boating Safety regulates pleasure craft.
2. Transport Canada Marine Safety regulates non-pleasure craft. In almost all cases, a sightseeing tour operation would be a non-pleasure operation. The boat(s) and crew would be required to meet the requirements of Transport Canada Marine Safety, including inspection of the boat, and appropriate certification of the crew.

The differentiation between pleasure and non-pleasure craft is not always clear, although in principle if you plan to earn revenue (directly or indirectly) the vessel is a non-pleasure craft. For instance, by taking paying passengers in your boat or leading a group of boats than this will be a non-pleasure craft (commercial) operation. However, a boat rental operation, provided the renter is operating the craft, is considered a pleasure craft operation.

The application of the relevant regulations is dependent on two main variables; gross tonnage, and, for non-pleasure craft, the number of passengers.

Gross tonnage is effectively a measure of size (volume), not of weight. For most small vessels, it is a function of overall length, the key cutoffs being:

- Less than 8.5 M, 5 tons gross
- Not over 12 M, 15 tons gross

Carriage of any passengers, or more than 12 passengers, will impact the inspection requirements.

Transport Canada Marine safety issues decals with annual update stickers for tour boats that pass their annual inspection. This decal, and other information given to passengers regarding taking a boat tour, can be found on the web at www.tc.gc.ca/marinesafety/CES/Small-Commercial-Vessels/boating-tour.htm

For further guidance, and information on whether your operation is pleasure or non-pleasure, and the relevant regulations, you can consult the following:

- Transport Canada Small Commercial Vessel website: www.tc.gc.ca/marinesafety/CES/Small-Commercial-Vessels/menu.htm

- Small Commercial Vessel Safety Guide TP14070 (hard copy) or online at: www.tc.gc.ca/MarineSafety/TP/TP14070/menu.htm
- Transport Canada Office of Boating Safety website at www.tc.gc.ca/BoatingSafety/menu.htm
- Small Vessel Regulations found at the following website: www.tc.gc.ca/acts-regulations/GENERAL/c/csa/regulations/070/csa076/csa76.html
- Differentiation between ‘pleasure’ and other vessels at the following website: www.tc.gc.ca/marinesafety/bulletins/2000/14e.htm
- You can find the necessary forms at the following website: www.tc.gc.ca/marinesafety/CES/Small-Commercial-Vessels/forms.htm

The legal foundation of most marine regulations is the Canada Shipping Act, found at www.tc.gc.ca/acts-regulations/GENERAL/C/CSA/menu.htm

Or, you can contact the local office by phone, as follows:

Pleasure Craft
Office of Boating Safety, Dartmouth: 902-426-7525 or 1-800-387-4999

Non-Pleasure Craft
Marine Safety

Dartmouth:	902-426-7722
Yarmouth:	902-742-6860
Port Hawkesbury:	902-625-0803
Sydney	902-564-7002

Vessel Classification

There is a basic difference in the regulatory requirements for pleasure and for non-pleasure (commercial & government) craft. If you are profiting in any way by the operation of your vessel, such as by transporting cargo or passengers, you are operating a non-pleasure craft. One exemption is rental craft, where the renter operates the vessel - this is considered a pleasure craft. (If your operation includes rental craft, you should review the regulations and requirements for pleasure craft contained in the Guide to Establishing an Adventure Tourism Business)

Also, for the purposes of this guide, Commercial Fishing Vessels (not carrying passengers) are excluded, as they are inspected under separate Regulations.

Two Inspection Regimes

Non-Pleasure Craft are inspected in accordance with one of two inspections regimes. Which regime is applicable is dependent on size (gross tonnage) and number of passengers.

Non-pleasure vessels 0-15 gross tons (generally up to 12 M in length) that carry not more than 12 passengers are inspected under the Small Vessel Monitoring and Inspection Program.

This program involves an initial inspection, and annual self-inspection. Monitoring and or audit inspections may also take place. A Notice of Inspection will be issued. The Small Commercial Vessel Guide TP (14070, referenced above) is primarily aimed at this group of vessels.

Passenger vessels greater than 15 and up to 150 gross tons, or that carry more than 12 passengers will be inspected annually. Non-passenger vessels may be inspected less frequently. A Certificate of Inspection will be issued; this will be reissued annually or in accordance with the inspection frequency. These vessels are inspected in accordance with the various Regulations and Standards of the Canada Shipping Act.

Inspection Criteria

Each category has specific requirements relating to ship safety (see below).

There are also regulations in place, or under consideration, for Special Purpose Vessels, including amphibious vehicles and river rafting.

For more information, you are referred to the Transport Canada Small Commercial Vessel website, or to the Small Commercial Vessel Safety Guide. If you have specific questions, contact your local Marine Safety office.

Transport Canada Marine Safety inspects non-pleasure vessels, and certifies crew, with respect to the applicable Regulations, and with regard to safety and the environment:

Some aspects you should consider include:

- Vessel Licensing and Registration;
- Vessel Design, Inspection and Certification;
- Lifesaving and Firefighting Equipment;
- Crewing, both Crew Qualifications and Crew Complements.
- Radio requirements
- Vessel operations

An overview of the key issues under each of these follow.

Licensing and Registration

All small commercial vessels not over 15 gross tons, including passenger carrying vessels, are required to be licensed or registered, depending on the preference of the vessel's owner. Vessels over 15 gross tons must be registered, a different process than licensing, with the vessel carrying a name rather than a license number. Most of the forms required for licensing and registration are now available on-line through the Transport Canada Small Commercial Vessel website.

Vessel Design, Inspection and Certification

All passenger vessels must be inspected and certified before entering service by Transport Canada Marine Safety. New vessels may require pre-approval of the proposed design.

Certification requires that vessels conform to a wide range of regulations relating to design, construction materials, stability, mode of power, and a variety of other safety related matters.

The certification also includes voyage limitations which specify what regions the vessel may operate in and whether the vessel may operate overnight or same-day excursion trips. The Safety Inspection Certificate or Notice of Inspection must be posted onboard in a conspicuous place for passengers to see. In general, as safety risks increase, so too do the requirements for certification.

The regulations vary by category of waterway on which cruising occurs. Standards increase in ascending order in accordance with the category. The two categories of interest to you are:

- Minor waters - small lakes and rivers, as well as bays and inlets;
- Home trade waters - coastal ocean waters.

Many of the forms required for vessel certification are now available on-line.

Lifesaving and Firefighting Equipment

Transport Canada regulations dictate requirements for lifesaving, fire detection and firefighting equipment. There are four categories of safety equipment that are covered in Canada's Small Vessel Regulations:

- Life saving equipment - first aid kits, life jackets and life rafts
- Vessel safety equipment - such as bailer, paddles, anchors
- Fire safety equipment - including fire extinguishers and fire axes
- Distress alerting equipment - such as flares

In general, the Small Vessel Regulations are applicable to vessels not over 15 gross tons, Transport Canada encourages all mariners to consult these regulations. For those operating ships greater than 15 gross tons, your local Marine Safety Office should be consulted regarding safety requirements for your particular vessel under the Canada Shipping Act.

Crewing

All passenger carrying vessels in excess of 5 gross tons, regardless of the number of passengers, require a certified Master and some large vessels may require a certified Mate and Engineer as well. Crewing requirements for all vessels are noted on page 16 of the Small Commercial Vessel Safety Guide (TP14070) and should be verified by contacting your nearest Transport Canada Marine Safety Office.

Radios and Navigation Equipment

Regulations dictate the carriage requirements for radios, navigation equipment, radar reflectors, charts and other related items. Radio operator training may also be required.

Vessel Operations

All passenger vessels must comply with the Collision regulations in respect to their equipment, and operation. Various other operating procedures, such as safety briefings, emergency procedures, incident reporting, and pollution prevention/reporting requirements, must also be complied with.

Coasting Regulations

The Coasting Regulations under the Coasting Trade Act restrict coasting voyages to Canadian flagged vessels, unless foreign ships have been granted permission after making a formal application for a Coasting Trade License. These are voyages in Canadian waters, between Canadian ports. In waters bordered by the United States, American vessels compete for the same market directly with Canadians, albeit from US ports.

For a vessel to be Canadian flag, it must meet the following requirements:

- It must be built in Canada to Transport Canada standards, or
- If not built in Canada, it must be Canadian duty paid and brought up to Canadian standards.
- It must be owned by Canadian residents and crewed by Canadian residents who have Canadian certificates.

The Marine Liability Act

In August 2001 the Marine Liability Act came into effect. Its purpose is to “consolidate existing marine liability regimes dealing with carriage of goods & passengers, limitation of liability and pollution claims, etc. into one law.”

Of particular concern to sightseeing boat tour operators are the proposed Regulations on Passenger Insurance pursuant to the Marine Liability Act (Part IV, sec. 39). Under these proposed regulations, passenger liability coverage would become mandatory for those operating overnight & day cruise ships, charter vessels and other tourism operators with marine components to their business.

As of winter 2005 these regulations are not in force. Transport Canada is currently working on a discussion paper concerning changes to the Act that should be available to the public in the summer of 2005. The date when the Marine Liability Act will come into effect has not been finalized. The Marine Liability Act is available on-line through the Transport Canada at: www.tc.gc.ca/acts-regulations/GENERAL/M/mla/menu.htm.

Any operators with questions pertaining to the Act are advised to contact their local Transport Canada Office.

In Conclusion

Marine Regulations exist to protect human life and the environment. There are penalties for failure to comply with the applicable regulations. Prior to going into business take time to consider the possible impact of regulations on your business. As an introduction, first consult the Small Commercial Vessel website, then look through the Small Commercial Vessel Safety Guide (TP14070), available online or in hard copy. Finally, contact your local Transport Canada Marine Safety office (at the numbers listed) to have any remaining questions answered, and to arrange an inspection.

Municipal Regulations and Bylaws

One of the first steps in starting up any new business should be to contact your local municipal office and talk to the Development Officer and Building Inspector. There may be zoning and municipal bylaws which limit or restrict the type of business that can be developed in a given area. Even if you are starting a sightseeing tour business, you may be planning an office building or ticket office, and will also have parking and servicing needs, which means that you will need to talk to your municipality and also be aware of many of the Department of Environment and Labour regulations described later. Most municipalities in Nova Scotia have some or all of the following regulations that can impact on your development.

- Land use bylaws, e.g. zoning, with parking, and open-space requirements;
- Subdivision regulations and bylaws;
- Building bylaws, including plumbing and electrical codes;
- Building permits;
- Occupancy permits;
- Heritage bylaws - some municipalities also have a Heritage Advisory Council;
- Engineering standards for storm and sanitary sewers, and water services, and roads;
- Municipal property taxes and any applicable charges for pollution control, water supply, and sewage disposal;
- Fire inspections;
- Garbage collection;
- Environmental restrictions.

The building inspector ensures that new or renovated buildings meet several standards, the most significant of which is the Nova Scotia Building Code Regulations, part of the Building Code Act and the Fire Prevention Act. A permit is always required for new construction and for major repairs and renovations, and for any structural additions or changes. The building inspector will require that plans be submitted for commercial or public buildings, and these plans must be stamped by an architect or professional engineer licensed in Nova Scotia. The applicant is responsible for submitting copies of the plans to the Fire Marshal's office (see discussion below), although this can sometimes be done through the building inspector's office or your architect may deal directly with the Fire Marshal's office on your behalf.

In addition, the building inspector may require approval from the Department of Transportation and Public Works for the location of any driveways on provincial roads, and approval from the Department of Environment and Labour if you develop a building that has an on-site well or sewage disposal system (see discussion below).

Municipalities now require professionals (e.g. architects, engineers and appropriate other professionals such as a structural or mechanical engineer) to not only stamp the construction drawings, but also to inspect the construction and to certify compliance with the drawings on completion of the construction. This will need to be done before an occupancy permit will be issued. In fact, the municipality will require the owner of the building to provide a letter of undertaking that they will retain professionals to do these inspections and provide the certification, when they (the owner) applies for the building permit. The municipality will also determine from which professionals (e.g. structural, mechanical or electrical engineer, architect, etc.) inspection and certification is needed. These requirements apply to renovations/additions and new facilities for most buildings, and for all public buildings.

Nova Scotia Power issues permits and conducts inspections under the authority of the Department of Environment and Labour for new or renovated electrical systems in all facilities. An electrical permit is required before any electrical work can be carried out. It is the responsibility of the contracted electrician to obtain the necessary permits and arrange the inspection.

Once final inspections are completed, an occupancy permit is issued and the facility is ready to open.

Architects Act and Engineers Act of Nova Scotia

Plans and specifications for larger buildings and developments will require professional services, as legislated in the Architects Act and the Engineers Act of Nova Scotia. This means that your design and construction drawings will need to be stamped, i.e. approved, by professionals, as designated in these acts.

Fire Prevention and Fire Safety

Under the Fire and Prevention Act, no one can alter, construct, renovate, or reconstruct buildings intended for public occupancy until approval has also been obtained from the Office of the Fire Marshal. An application must be submitted to the Office of the Fire Marshal for approval, accompanied by building plans and specifications.

It is best to contact the Office of the Fire Marshal (Plans Examiner) during the design process rather than wait until you have completed the design work; in this way, you can make any necessary changes before your plans are finalized.

The Fire Marshal's office will review the building plans and, where necessary give fire safety advice. In general, it takes at least one month for the Fire Marshal to approve building plans for existing buildings. Once the plans are approved, they may not be altered without consent from the Fire Marshal's Office. (It should be mentioned here that the Fire Marshal will not conduct a pre-sale inspection of an existing property.) In the case of new facilities and larger projects, the building plans must be submitted to the Fire Marshal at least two months in advance of the planned start of construction.

Once construction or renovations are completed, the property must be inspected by the Fire Marshal's Office. The Office of the Fire Marshal will conduct this inspection after the local municipality has issued the occupancy permit.

If you are planning on a restaurant at your base of operations, there are additional fire safety requirements that will need to be met. Contact the Office of the Fire Marshal (www.gov.ns.ca/enla/ofm/) for details.

Department of Environment and Labour

As of October 2000, the Departments of Environment, Labour and a number of other regulatory agencies were combined to become the Nova Scotia Department of Environment and Labour with a mandate that encompasses a wide range of issues around the safety of people and property, a healthy environment, employment rights and consumer interests. The Department has a number

of divisions dealing with different areas of interest. Check out their website (www.gov.ns.ca/enla) for an up-to-date list of these divisions and the regulations they handle.

Water and Sewage Systems

The design of water and sewage systems must be approved by the Department of Environment and Labour (Environmental and Natural Areas Management Division) and the Department must be consulted during the planning stage of your business. Inspections and approvals will also be required as these systems are installed.

Water

All water provided to guests from taps, faucets, fountains, or other sources is required to be potable and suitable for human consumption. Approval may be required from the Department of Environment and Labour to construct and operate a water system supplying water to the public.

If your building is located in an area where there is a central municipal water system, then only the appropriate municipal regulations apply and the operator does not need to contact the Department of Environment and Labour for approval.

Note that there are also regulations in place governing the testing and monitoring of public drinking water on a regular basis. Check with the Department of Environment and Labour for regulations that apply to your size of accommodation business.

Sewage System

For properties that are not connected to a municipal sewage system, it will be necessary to obtain an approval to install an on-site sewage disposal system from the Department of Environment and Labour before constructing the facility.

In areas where central municipal sewage disposal systems exist, only municipal regulations apply and the operator does not need to contact the Department of Environment and Labour for approval.

Other Regulations under the Department of Environment and Labour

The Department of Environment and Labour is also responsible for occupational health and safety, public safety, labour standards, as well as the Office of the Fire Marshal and various other regulations. Specific regulations that might pertain to a sightseeing tour business include:

- Occupational Health and Safety Act that requires employers to adhere to operational and employee safety standards. A brief overview of this Act and the implications for business operations is provided below.
- Labour standards with respect to minimum wage, employee/employer rights, etc. A Fact Sheet providing general information on the Labour Standards Code is published on the Internet at www.gov.ns.ca/enla/labstand/lstcode/ or you can contact the Labour Standards Division of the Department for more information.

- The Pay Equity Act is administered through the Labour Services Division of the Department of Environment and Labour. Pay equity means equal pay for work of equal value and is a concept that bases wages on the value of work performed, regardless of whether a man or woman is doing the job.
- Indoor Air Quality Regulations;
- First Aid Regulations. There is a Guide to First Aid Regulations available at www.gov.ns.ca/enla/ohs/FirstAidGuide.pdf
- Workplace Hazardous Materials Information [WHMIS] Regulations. A guide to these regulations is available through the Environment and Labour website, Publications section, under Public Safety and Occupational Health and Safety. Note that the Nova Scotia Tourism Human Resource Council offers customized WHMIS training programs for the tourism sector. Check their website at www.tourismhrc.com for details.
- The Steam Boiler and Pressure Vessels Act may apply to the facility depending upon the type and size of any steam boilers or pressure vessels utilized.

The Nova Scotia Occupational Health and Safety Act

The current Occupational Health and Safety Act became law in 1997, with some significant implications for businesses in Nova Scotia. The Act is comprised of some key elements as described below. It is administered by the Occupational Health and Safety Division, Department of Environment and Labour - information, including a "How to Guide" can be found at www.gov.ns.ca/enla/ohs/

The Internal Responsibility System concept is the foundation of the Act and, simply stated, places the responsibility of workplace safety on all workplace parties. Workplace parties are defined as anyone connected with a particular workplace, including Employers, Contractors, Constructors, Employees, the Self-Employed, as well as Owners, Suppliers, Architects, Engineers, and Occupational Health and Safety Consultants. The Act states in some detail what the responsibilities (i.e. duties and precautions) of all workplace parties are.

The Act also provides employees with three basic rights. These are:

- The Right to Know - each employee is entitled to information on issues that affect the health and safety of the employee or that of another person in the workplace;
- The Right to Refuse - employees have the right to refuse unsafe or unhealthy work;
- The Right to Participate - employees can participate on health and safety committees or be an Occupational Health and Safety Representative, report unsafe conditions, and voice their concerns or opinions on any issue that affects their health and safety, or that of the workplace.

The Act states that a business employing five or more people on a regular basis is required to prepare a written Occupational Health and Safety Policy indicating that the employer is

committed to occupational health and safety, and that the employer will co-operate with employees in striving to meet the goal of a safer and healthier workplace.

A business employing twenty or more people on a regular basis is required to establish and maintain a written Occupational Health and Safety Program including provisions for:

- The training and supervision of employees;
- The preparation of written work procedures relative to health and safety;
- The establishment of a Joint Occupational Health and Safety Committee or selection of a Health and Safety Representative, where one is required;
- The establishment of a hazard identification program and an accident/incident investigation system;
- The maintenance of records and statistics;
- The monitoring of the implementation and effectiveness of the program.

It is recommended that you obtain a copy of the Occupational Health and Safety Act and any other regulations that may pertain to you.

Department of Transportation and Public Works

The Department of Transportation and Public Works has a number of regulations that relate to signage for tourism related businesses, including both off-premise signage and on-premise signage.

Off-Premise Signage

Service Symbol Signage

This program includes Tourist Attraction Symbols for minor tourist attractions such as golf course or wineries (blue and white), as well as motorist service symbols (brown and white or green and white) for services that are essential to motorists such as gas stations, accommodations, and restaurants. Service Symbol Signs are for 100 series highways only and businesses must be located near a 100 series highway to be eligible. These Service Symbols are placed at the bottom of the green exit signs, and again at the end of the ramp off the highway, and there is no charge to operators. Businesses are responsible for signage after the end of the ramp.

Other Policies for Off-Premise Business Signage on Provincial Roads

There are no provincial policies in place as of winter 2005 regarding the placement of advertising signage within the right-of-ways of secondary roads. Business operators are advised to contact their local municipality regarding policies for advertising signage along public roadways. Business operators should adopt a neighbour-friendly approach and seek permission of abutting landowners before placing any signs, as well as taking measures to avoid blocking existing traffic signage or impede sight-distances. Business operators are also discouraged from placing any

advertising signage on utility poles as it presents safety issues for service and maintenance personnel.

There are likely to be municipal regulations that govern business signage - contact your local municipality for details.

On-Premise Signage

Tourism operators wishing to place signs on their own premises should contact their local municipality for guidelines and regulations. As with other types of signs, operators should adopt a neighbour-friendly approach and consult with abutting landowners before placing of any signs.

For businesses located adjacent to provincial roads, there are regulations that apply to on-premise signage. Signs can only advertise business that is conducted on the premises; any new signs have to go either within 10 m of the main entrance point to the property (e.g. parking lot) or not further than 100 m from the main entrance to the building. Signs must be set back a minimum of 10 metres from the right of way for controlled access highways. Signs can be no larger than 28 square metres in area if there is only one business; if there is more than one business operating in the premises, the signs can be up to 51 square metres in size.

As with all regulations, those respecting on and off premise signage may change from time to time. You should check with the Department of Transportation and Public Works for up-to-date regulations affecting your business and the type of highway on which you are located.

Driveways and Entrances

The Department of Transportation and Public Works also has to approve the driveway/entrance to your property if you are on a provincial highway. This involves consideration of sight lines and speed limits. Contact your regional office of Transportation and Public Works for information.

Navigable Waters Protection Act

If you plan to construct anything in navigable water (e.g. a wharf), you must obtain approval from Transport Canada's Navigable Waters Protection Division. The Navigable Waters Protection Act is a federal statute designed to protect the public right of navigation in navigable waters. For further information contact the Regional Superintendent of Navigable Waters Protection, Transport Canada.

Note that approvals for wharves and ramps must also be obtained from the Nova Scotia Department of Natural Resources and, in freshwater, the Department of Environment and Labour.

Competition Act

Under the Competition Act, it is a criminal offence to engage in certain kinds of deceptive marketing practices, including inflating regular price, and conducting misleading or false advertising. The act applies to all businesses in Canada and is enforced by the Competition Bureau of Industry Canada.

7.2 Serving Food and Liquor Onboard

Serving Food

If your sightseeing tour boat includes food service, you may require a permit from the Nova Scotia Department of Agriculture and Fisheries. An operation which prepares or serves meals onboard must adhere to Department of Agriculture and Fisheries Regulations pertaining to restaurants and eating facilities and requires a Food Establishment Permit. The Department will be concerned with the design and layout of the eating and preparation area, equipment, food preparation, maintenance, and sanitary facilities. One of the requirements for this permit is that you have washrooms onboard.

If you do not plan to **prepare** food on site (i.e. on the vessel), you will not require a Food Establishment permit for that site, however the Department may require information regarding the source/origin of the food and storage methods employed. In addition, if you are serving perishable, pre packaged food, you may also be required to obtain a food shop license through your local municipality. If you are preparing meals elsewhere, the facility where you prepare the meals will need a Food Establishment Permit.

If you plan to serve only nonperishable, prepackaged food items, no permits are required; although, as noted above, the Department may require information regarding the source/origin of the food..

Contact your regional Department of Agriculture and Fisheries - Food Safety Office for copies of the Regulations Respecting Eating Establishments or visit them on-line at www.gov.ns.ca/nsaf/foodsafety .

Before commencing construction of a new eating establishment, or before major renovations are made to an existing eating establishment, an application and plans must be submitted to the Department of Agriculture and Fisheries. Once the application has been received, an inspector from the Food Safety Section will carry out an on-site inspection - this must be done before the permit can be issued. Contact the Department (www.gov.ns.ca/nsaf/) to apply for a Food Establishment Permit. After approval is granted, an operating permit will be issued. This permit must be renewed annually - the Department will send out a renewal notice.

Note that you may also require a Municipal Vendors license; as well some municipalities require that food handlers take Food Handler Certification, also available through the Department of Agriculture and Fisheries. Check with your municipality re local requirements.

Serving Liquor

In order to serve alcohol on a sightseeing boat tour, it is necessary to hold a Nova Scotia Liquor License. The Alcohol and Gaming Authority should be consulted in the early stages of planning for your business so that the application can be made and the required hearing held prior to the opening of the business. As well, it is necessary to consult the Alcohol and Gaming Authority during the planning stages to obtain information on their design and construction requirements and to make sure that your design meets their requirements.

There are ten different types of licenses available and you will have to select the one appropriate to your needs and facility. Descriptions of the licenses are available at www.gov.ns.ca/aga/licenssummaries.htm#liquor

Specific regulations pertaining to the size of the dining area, the number of seats, and the size of washrooms apply. Copies of the Regulations as well as application kits may be obtained from the Alcohol and Gaming Authority through the website referenced above.

All liquor must be purchased through the Nova Scotia Liquor Corporation although you may purchase wine or beer directly from wineries and breweries, which are designated agency locations provided Liquor Commission forms are used.

Strict hours and age restrictions associated with your liquor license must be adhered to and violations are severely enforced. Holders of liquor licenses in Nova Scotia should be forewarned of the potential liability to which they could be exposed should a guest be injured in an accident following consumption of liquor on your premises. Care must be taken to ensure that neither you nor your employees ever serve liquor to guests in situations where they could be considered impaired. If that ever happens, and the guest is involved in an accident, then your business could be held liable for any damages the intoxicated guest inflicts on others.

In order to ensure that you minimize or eliminate that possibility, you and your staff should take the Its Good Business - Responsible Beverage Service Program offered through the Nova Scotia Tourism Human Resource Council (www.tourismhrc.com).

In January 1994, the Alcohol and Gaming Authority made it mandatory for all owners of licensed establishments to take this program within six months of the issuance of their liquor license. The goal of the program is to assist operators in implementing responsible service and developing profitable business practices to reflect changes being experienced in the marketplace. It is not a server intervention program.

7.3 Personal Information Protection and Electronic Documents Act

In January 2004, the federal government implemented the Personal Information Protection and Electronic Documents Act (PIPED). This piece of legislation is applicable to all organizations, including all private sector businesses and outlines the responsibilities of an organization relating to personal information collected and stored through the course of normal business activities.

The primary purpose of the Act is to ensure that the privacy of individual consumers is respected in that any personal information, including that relating to age, name, income, social status and credit records; is used for legitimate commercial purposes only and is stored or maintained in a secure fashion.

Following is a basic overview of PIPED:

- If your business wants to collect, use or disclose personal information about people, you need their consent, except in a few specific and limited circumstances.

- You can use or disclose people's personal information only for the purpose for which they gave consent.
- Even with consent, you have to limit collection, use and disclosure to purposes that a reasonable person would consider appropriate under the circumstances.
- Individuals have the right to see the personal information that your business holds about them, and to correct any inaccuracies.
- There's oversight, through the Privacy Commissioner of Canada, to ensure that the law is respected, and redress if people's rights are violated.

It is recommended that organizations develop in-house policies and procedures relating to the retention of personal information. Many businesses have now taken steps to include their privacy policy in their company literature and have it prominently displayed on company brochures, websites, etc.

The Office of the Privacy Commissioner has an online guide to PIPED and a number of fact sheets for businesses available through their website, which can be viewed at <http://www.privcom.gc.ca>; or by contacting the Office of the Privacy Commissioner of Canada at 1-800-282-1376.

7.4 Insurance

The question of insurance is very important for the sightseeing business. The various types of insurance you may require are discussed below.

Basic Cruise Vessel and Vehicle Insurance

Vehicle insurance covers you in the event of vehicle damage, bodily injury and/or property damage resulting from an accident. Normally, a vehicle is insured based on the make and model of the vehicle, and the vehicle's value.

If you own (not charter) the boats or vehicles you use in your sightseeing operation, you are required by law to hold valid vehicle insurance for each vehicle. The Nova Scotia Utility and Review Board has specific requirements for insurance, as discussed earlier. If you don't own your own boats or tour vehicles, but rather charter or hire them out, you are not responsible for the vehicle insurance - the company you charter from is.

You should check on the status of the Marine Liability Act, mentioned earlier under the section on Cruise Vessels, since its implementation may have some significant implications on insurance requirements for sightseeing tour boats.

General Liability Insurance:

General Liability coverage is insurance for claims against your business for bodily injury and/or property damage that may arise out of your tour operations and for which you are legally liable.

Professional Liability Insurance:

Also known as Errors & Omissions or Malpractice insurance, Professional Liability Insurance protects your company from claims arising out of a negligent act or an error of omission in the professional service given by your company and/or your employees.

While sightseeing tour operators are not required to hold professional liability insurance, it is strongly recommended in order to protect yourself and your company from financial loss.

All types of sightseeing tour operators should hold professional liability insurance, regardless of whether they operate the tours themselves or charter boats and other vehicles from suppliers. Although your charterers may have their own insurance coverage, your company could be held liable in the event of a claim.

For instance, if an accident occurs on a sightseeing coach tour, your company could be held liable for failing to investigate the accident record of the company owning the motorcoach. As well, you may be liable for damages in excess of the coach company's coverage if they are inadequately insured.

In addition, if you don't have insurance, you would have to pay legal counsel to defend your company's position as well as sue the carrier for compensation. Liability insurance is, therefore, considered a must in the industry.

A full program of insurance will cover you for the liability of tour vehicles you own, as well as to non-owned or hired vehicles you charter such as buses or boats.

While your local insurance company may be able to offer general liability insurance, they are not normally able to offer the comprehensive professional liability coverage that is needed by tour operators. Investigate the scope of coverage with a number of insurance brokers, and don't forget that group coverage is available through various trade organizations which might be able to offer access to insurance packages more geared to your particular needs.

Generally, professional liability and general liability insurance are issued at a fixed premium per year, based on a number of factors including the volume of business you conduct, the passenger capacity of your vessels and/or vehicles, and other factors such as the number and length of trips run per day.

7.5 Taxes

Harmonized Sales Tax

The Harmonized Sales Tax (HST) is a 15% value-added tax which replaced the former retail sales tax and GST in Nova Scotia. All sightseeing tour operators are required to register for and collect the HST on the sale of their tours if their total sales revenues are in excess of \$30,000 in a 12 month period. If you operate a tour business which has annual sales revenues less than \$30,000, you are not required to collect the HST. However, you may wish to voluntarily register

for and collect the HST. The advantage of doing this is that you can claim a credit (called an input tax credit) to recover the HST you paid for expenses and purchases used for the business.

In addition, if you are registered to collect the HST, all tour components of your sightseeing trips and packages are taxable. This includes all prepared meals and beverages if you operate an eating establishment such as an onboard restaurant or canteen, or a licensed bar.

When you register for the HST, you are given a reporting schedule to follow for your HST returns, depending on the volume of your business. When you complete your return, you deduct all your input tax credits from the HST you charged on your room sales. You are required to remit the difference if the HST you collect is more than your credits; if your credits exceed your payables, you claim an HST refund.

Contact Canada Revenue Agency either in person, via phone (1-800-959-5525), by mail or through the on-line business registry at <http://bsa.cbasc.org/gol/bsa/site.nsf/en/index.html> and follow the appropriate links for an HST Registration Form.

Employment Taxes

As an employer, you are responsible for deducting income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums from the wages and salaries you pay your employees. You are also responsible for remitting these amounts on a monthly basis to the Receiver General for Canada, along with your share of CPP contributions and EI premiums that you pay throughout the year on your employees' behalf. You are also required to report these amounts on an annual information return and prepare annual T4 information slips for your employees.

The Canada Revenue Agency is responsible for ensuring these requirements are met. The department handles enforcement and some collection activities related to payroll deductions, prepares the Payroll Deduction Tables used by employers for calculating deductions, and determines employee insurable earnings for Employment Insurance and pensionable employment for the Canada Pension Plan.

Contact your local Canada Revenue Agency office for more information and a New Employer kit.

Nova Scotia Workers' Compensation

Under the Nova Scotia Workers' Compensation Act, various industries are mandated to pay for compensation coverage to protect employees from income loss and medical expenses resulting from job-related injuries. Under the Act, you are required to pay a premium based on the dollar value of wages you pay your employees, unless you employ less than three employees. (If you employ three employees or less, you are exempt from this regulation.)

Contact the Nova Scotia Workers' Compensation Board (www.wcb.ns.ca) for additional information regarding regulations, the specific premiums applicable to you and a copy of the registration form.

Corporate Income Tax

Corporations

If your business is federally or provincially incorporated, you must file a corporate income tax return. This requirement also applies to incorporated not-for-profit organizations.

Be sure to file your corporate income tax return within six months of the end of the taxation year. The taxation year of a corporation coincides with its fiscal year. The services of an accountant are recommended in completing your income tax return as financial statements are required to be attached to the T-2 Corporate Return. You can obtain a copy of the T2 Corporation Income Tax Guide and schedules from the Canada Revenue Agency (CRA).

Corporations are required to pay monthly installments to cover Corporation Income Tax in the 2nd year of operation and all following years if their federal taxes exceed \$1,000.

Sole Proprietorships and Partnerships

The income from a sole proprietorship or partnership is accounted for on the personal income tax of the individual proprietor or partner. Your taxable income is essentially your business income minus any eligible business deductions. A separate Partnership return is required if there are more than five partners in the partnership.

For additional information or Income Tax forms, check the Business Section of CRA's website (www.cra-arc.gc.ca) or contact them by phone at 1-800-595-5525.

Business Occupancy Tax

Occupancy tax is an annual municipal tax that is administered and collected by your local municipality. The tax is charged on nearly all commercial buildings in Nova Scotia, and is applied at a fixed percentage based on the assessed value of a building, taking into consideration the commercial value of the building (based on the value of the building and its rent per square foot), and the assessment rate which applies to a particular type of business. The provincial Assessment Division (Service Nova Scotia and Municipal Relations) is responsible for determining the assessment value of your property for occupancy tax purposes.

There are plans to introduce legislation in the Spring of 2005 to eliminate the Business Occupancy Tax in Nova Scotia.

Contact your local municipal tax office or the Assessment Division of Service Nova Scotia and Municipal Relations with enquiries regarding occupancy tax.

7.6 Registration of Companies

Provincial Business Registration

All business owners are required to register the name of their business, although the manner of doing this varies depending on the type of business structure established. Appendix IV provides

comments on different types of business structures and the advantages and disadvantages of each. The Nova Scotia Business Registry is now available on line at www.gov.ns.ca/snsmr/nsbr/

Partnerships and Sole Proprietorships

The Partnership and Business Names Registration Act, administered by the Nova Scotia Registry of Joint Stock Companies, requires the registration of sole proprietorships and partnerships in the province.

If a partnership has two or more partners, the partnership must appoint a recognized agent who is a resident of Nova Scotia. One of the partners may be the agent.

An annual registration fee is charged. The registration year runs from April 1 to the following March 31. In addition, there is a charge for conducting a NUANS (Newly Updated Automated Name Search) to verify that your business name is not already being used by another business in Atlantic Canada. A NUANS search may be ordered through the Registry of Joint Stock Companies, Access Nova Scotia, or a private research house.

The registered name of the partnership or sole proprietorship will be protected and no identical or similar name will be permitted in Nova Scotia.

For further information, contact the Registry of Joint Stock Companies at www.gov.ns.ca/snsmr/rjsc/

Corporations

Corporations are required to be registered in Nova Scotia under the Corporations Registration Act. If you wish to establish a Nova Scotia corporation, the first step is to request a NUANS of your corporate name to verify that it is not already being used in Atlantic Canada. A fee is required for each NUANS request. Incorporated companies are required to include the corporate designation Limited or Incorporated as the last word in the business name.

Once your business name and incorporation has been approved, you are required to pay an annual fee to register the business in Nova Scotia. The registered name of your corporation will be protected and no identical or similar name will be permitted in Nova Scotia. Every incorporated business must appoint a recognized agent who is the person that receives official correspondence. This Agent does not have to be a lawyer but he/she must reside in Nova Scotia.

All business registrations can be completed on line through the Nova Scotia Business Registry (www.gov.ns.ca/snsmr/nsbr/), via phone (1-800-225-8227) or in person at any Access Nova Scotia location.

Federal Business Registration

Partnerships and Sole Proprietorships

There is no business registration for partnerships and sole proprietorships at the federal level. Businesses wishing to operate in more than one province must be provincially registered in each province in which they wish to conduct business.

Canada Corporations

If you are considering incorporation, you have the option of being incorporated at the Federal level under the Canada Business Corporations Act (CBCA). This replaces the need for provincial incorporation.

Federal incorporation is often chosen for the heightened name protection it provides and may be particularly useful to you if you plan to carry on business in more than one province. Location flexibility is another advantage of federal incorporation. For example, the CBCA does not set restrictions regarding the province where your head office is located. However, you may still be required to register with provinces where extra-provincial operations will be carried out. For Nova Scotia, this can be done at the same time as your Federal incorporation is completed on-line.

As with provincial corporate registration, you are required to have a name search conducted (NUANS) and pay an annual corporate registration fee. Your business must be registered to do business in Nova Scotia, even if it is a federal corporation.

Contact Corporations Canada (www.coprorationscanada.ic.gc.ca), or the Canada/Nova Scotia Business Service Centre for incorporation and registration information.

Business Number Registration

The federal government business numbering system, or BN, is a numbering system designed to simplify the way businesses deal with government. When you start a business and open one or more Canada Revenue Agency (CRA) business accounts (e.g., corporate income tax account, payroll deductions account, or harmonized sales tax /goods and services tax (HST/GST) account), you will automatically be assigned a unique Business Number which identifies you and the various accounts you have. This streamlined system allots your business one number only with which to deal with the federal government, replacing the multiple numbers that businesses required in the past. You can register for a BN on line at www.cra-rc.gc.ca/business.

Businesses that register for the BN will obtain one-stop business services from the Canada Revenue Agency, including new business registration, adding new accounts, updating account information, and account enquiries.

In most cases, new corporations will automatically receive a BN from CRA within 45 days of incorporating at the federal or provincial level. Contact CRA if you need to have a Business Number issued to you before this time.

Contact the Canada Revenue Agency for a copy of the registration application form and guide or register on line. You may also register by phone, in person, by mail, or by fax. (If you are a corporation, your company must be registered and you must also provide a copy of your Certificate of Incorporation to be registered for a Business Number.)



SECTION 8

Operations

SECTION 8

OPERATIONS

You have so far developed a concept and strategic plan for the business, assessed its feasibility, and planned the product, based on a full appreciation of the marketplace and the competition. You have also established the business organization and arranged its financing. This section presents suggestions and guidelines for start-up and operation of the business.

8.1 Organization and Staffing

You need to figure out your management and staffing requirements. The areas of management that will have to be covered include:

- General management: banking, planning, budgeting, overall supervision of each area of operation below;
- Marketing: advertising, sales, web site, group sales, promotions, co-op and contra activities, market research;
- Sales administration: liaison with tour and group clients, reservations, and billings;
- Financial control and accounting: bookkeeping, management reports, tax remittances, payroll, collections, and purchasing;
- Personnel: staff hiring and training;
- Tour operations: staff scheduling, supervision, quality control, problem solving, liaison with facilities and services involved in tour services, and equipment cleaning and maintenance.

Larger operations may have departments for each of these activities. Small ones will combine them. For example, the general manager/owner and an assistant would supervise all areas directly, with single employees hired to do each of: sales and handle group client liaison, office administration and bookkeeping, tour operations, and personnel. Keep the management team small initially; you can always add more people if you really need them, but it is much harder to downsize if you have too many.

Other than administration functions, a key requirement in a tour operation is for skilled tour guides.

The skills and knowledge of these staff persons, as well as their ability to provide genuine service to your guests, will have a large impact on your company's credibility and its reputation. Tour guides are recognized as experts in their field and the expectation of guests today in regards to the tour guide is elevated; it is, therefore, essential that your staff are knowledgeable and skilled professionals with a strong service orientation.

Hiring Tips

The following is a list of hiring tips which can be applied to staffing during business start-up or to hiring seasonal or replacement staff:

- Develop job descriptions that will meet the needs of your operation, based on the occupational standards for each occupation.
- Advertise for staff in local media; check out the Nova Scotia Tourism Human Resource Council on-line job board (www.novascotiatourismtalent.com); contact the nearest Human Resources Centre of Canada; contact placement offices of public or private training institutions offering programs in tourism or hospitality; post notices on local community bulletin boards.
- Screen applications and develop a short list of qualified candidates for interviewing.
- Interview applicants: it is recommended that the same list of questions be asked all applicants, and that consistent criteria be used in your evaluations. This will help you to make sound hiring decisions.
- Select final candidates for positions required. Ask for and always check references. The middle of the season is no time to discover that a staff member's poor performance had been experienced by an earlier employer.
- Make the job offer. At this time, clarify roles and responsibilities, training opportunities for staff, performance expectations, remuneration and benefits, terms of employment for the season, etc.

8.2 *emerit Standards and Certification*

Nova Scotia's Tourism Human Resource Council is a partner with the Canadian Tourism Human Resource Council in the development of National Occupational Standards and manages the process for Nova Scotia. Standards and Certification are being developed for occupations in all sectors of the tourism industry, and standards currently exist for 49 occupations. Certification is available for 25 of these occupations.

Standards are statements outlining the attitude, knowledge and skills required of an individual in order to be considered competent in an occupation. Standards clarify expectations and can be used to design consistent training, education and professional development programs. The Standards development process involves the sharing of expertise from industry professionals who perform the job, as well as their supervisors who are recruited to develop the content of the Standards.

Certification is the recognition of an individual's competency in his or her occupation. National Certification is a three-step process involving a written examination, performance review and industry evaluation. It is voluntary, candidate driven and designed to be completed on the job. Professionals who achieve National Certification will be recognized across the country for meeting industry requirements in their selected occupation. The candidate must be employed in

the occupation and must have achieved a minimum number of hours of work experience (the number of hours varies depending on the occupation), prior to completing Certification.

Flexible learning options for the industry now allow new entrants to gain a solid foundation while experienced and knowledgeable candidates can challenge the option that best suits their needs. What each candidate learns is credited towards future learning - creating recognition of prior learning and allowing candidates to move towards the pinnacle - Emerit National Certification - at their own pace.

Learners can select the best option for them:

- Standards/Workbook study
- Online Learning
- Study selected modules to enhance performance of specific skills
- Challenge full certification

The development of Standards and the implementation of Certification is having various positive impacts on the tourism industry, as follows:

- Enhancing the image of tourism occupations;
- Enhancing human resource management skills in the tourism industry;
- Providing practical, realistic training programs for tourism occupations;
- Raising the overall level of professionalism in the industry.

More details on Standards and Certification, and a listing of the occupations for which standards have been developed can be found at www.emerit.ca and in Appendix VII. Additional information on human resource tools and certification can be obtained from the Nova Scotia Tourism Human Resource Council.

First Aid and CPR Certification

Your staff should also be certified in first aid and CPR. First aid training is available through St. John Ambulance and the Red Cross, as well as through industry-specific training courses which address first aid.

8.3 Training

It is important to recognize the benefits of staff training and to consider training, like marketing, to be an investment. Ensuring that your customer service staff are quality service providers who are capable of delivering both the procedural and personal sides of service in a professional and hospitable manner will enhance repeat business and promote word of mouth advertising. The benefits of training in a tour operation are as follows:

- Increases productivity;
- Reduces staff turnover;
- Improves staff morale;
- Improves quality of performance;
- Enhances clients' experiences;
- Provides competitive edge.

Seasonal staff training can take the form of on-the-job training or job shadowing, or formal training, on or off site. You may wish to undertake both. Experienced staff will benefit from spring training (i.e. refresher training), and a good orientation program is a priority for all staff at the beginning of the season. Training should be based on the occupational performance standards and Certification should be a goal for all employees.

Customer service training programs (one or two-day) have been shown to be beneficial to staff; and holding a pre-season seminar on customer service will help motivate staff as they prepare for upcoming tours. SuperHost Atlantic - Expect Excellence! is a frontline program offered throughout the province.

SuperHost Atlantic - Expect Excellence! is an internationally recognized Quality Customer Service Training Program that focuses on communication and customer service. This seven hour interactive workshop examines attitudes to service and interactions with customers. The program is suitable for any business that deals with customers and is an inspiration for commitment to service excellence. Information on SuperHost can be accessed through the Nova Scotia Tourism Human Resource Council (www.tourismhrc.com). The NSTHRC also offers a number of other customer service training programs including Service 1st - Making the Connection!, Team Excellence, Stress Management, Workplace Etiquette, Sales Powered by Service and Managing Service Excellence, as well as a host of other programs.

You could, instead, develop and deliver your own training sessions or hire an outside person or organization to do it for you. Training resource materials can be found through the Tourism Human Resource Council.

Most training for new personnel in a tour operation is carried out on the job, starting with an orientation. The orientation should include the following components:

- Provide information about the company, e.g. mission statement, organizational structure, policies and procedures, and service standards;
- Tour office facilities and working areas;
- Introduce new staff to co-workers;
- Complete employment documentation.

Tour Guide Training

The tour guide standards validated and used by the industry in Nova Scotia outline the skill and knowledge areas for achieving competency in the occupation. In-house training can be developed using the standards as guidelines. A publication entitled Using Standards for Training is an excellent tool for developing and delivering training. The booklet, as well as the standards for Tour Guide, are available through the Nova Scotia Tourism Human Resource Council. The standards can also be used to develop job descriptions and policies specific to your tour operation.

Some Training Tips

- During training exercises, your staff should be made aware of the necessity for providing accurate information and always improving their presentation skills.

- Job shadowing with an experienced tour guide is an effective way for new staff to understand the requirements of the job as well as your expectations, e.g. the company approach to guiding.
- Familiarization or product-knowledge tours focussing on the areas covered by your tours can be done in groups prior to the season's start up. All staff should participate in this type of exercise so that they will all be familiar with new tourism products and services.
- Encourage staff to use humour and local colourful language during tour presentations. Guests want to experience the culture and flavour of the province, region or local area. Tasteful jokes, history, and legends add variety to a guide's commentary.

Product Expertise

Product expertise means the ability to access accurate information for use during the tour presentation or in answering enquiries from tour guests. The commentary used during a tour includes the presentation of facts and information pertinent to the tour itself. The Personal File of each staff member should include the feature by feature commentary you expect your guides to give, along with a variety of data that will enable them to answer pertinent questions on local people and culture, local events, and other points of interest.

Developing and upgrading a Personal File can do the following things for your guides:

- Improve the narrative and the style of your guides;
- Increase the knowledge base;
- Facilitate the exchange of information with other staff;
- Accommodate different interests and levels of understanding;
- Increase self-confidence;
- Aid professional development.

The contents of the personal files for tour guides should be developed by management, and provided to each of your guides. This ensures that consistent information is provided to guests from all company representatives.

Sources of information for putting together the personal files include:

- Media and publications, e.g. websites, visitors' guides, pamphlets, magazines;
- Industry associations and colleges;
- Chambers of Commerce, visitor and convention bureaux;
- Government departments, e.g. Nova Scotia Department of Tourism, Culture and Heritage
- Local visitor information centres;
- Public library, archives, museums;
- Employee handbook;
- Courses, seminars;
- Content experts, e.g. meteorologist, geologist;
- Personal travel experience;
- Local contacts, e.g. residents, native band councils.

There is no way of being prepared for every enquiry that guests may have, but there are a number of types of information that are required for any type of tour. They include:

- Company information, company history, services provided;
- Location, hours of operation, access and applicable costs of community services, events and attractions;
- Natural environment information;
- Government structure;
- Housing;
- Consumer taxes;
- Health benefits;
- Lottery/gambling information;
- Metric conversion, e.g. temperatures (Celsius to Fahrenheit), distance (kilometres to miles), gas prices (gallons to litres);
- Population;
- Foreign exchange rates;
- Local industry and economy;
- Local legislation and regulations, e.g. liquor, traffic, customs;
- Cultural/ethnic influences, for example: aboriginal, European, African-background, current make up;
- Past and contemporary distinctive local people, colourful characters;
- Architecture;
- Mythology, legends, folklore;
- Transportation modes and their history;
- History and events of significance.

8.4 Tour Pricing

The pricing of a tour product should take into consideration the competitive situation, of course, but the core of the pricing method should be based on cost analysis. The objective should be a price schedule which meets all of the following criteria:

- Provides perceived good value to consumers;
- Is competitive;
- Is sufficient to recover all costs and make a contribution to profit;
- Provides for a program of appropriate discounts and commissions;
- Provides the basis for a yield management approach (for information on yield management, see the discussion below).

There are several methods of setting the price for your product, the more common of which are:

- Intuitive: the "gut feel" approach. This method is often practised by small- and medium- size businesses, but there are no advantages to it. How do you know if you have set your prices too low or too high?
- Competitive: based on what your competitors are charging. This approach gives no consideration to the operating and financial realities of your business. Do you know if your competitors are making money?

- Trial and Error: prices are intentionally varied over time to see what revenues they generate. The price/volume combination that produces the highest profit is eventually identified. However, there are many factors other than price that affect volume and they will reduce the reliability of this approach.
- Target Pricing: this is a cost-based pricing method. Your projections of expenses and demand are used to set a rate that will generate the revenue and return on investment you are targeting.
- Discount Pricing: this is a partial pricing method; a process designed to help you make the short-term pricing decisions that may sometimes be necessary to attract business in slower periods.

Exhibit 15 presents a worksheet to assist you in pricing your tour product. The worksheet is designed for a sightseeing tour offered by motorcoach or van, but it can easily be adapted for a sightseeing cruise operation.

The pricing worksheet is presented in four stages. The first page presents the calculation of variable costs per person; in other words, costs that are attached to a specific customer. For a sightseeing tour, these costs will normally be minor but may include such things as the costs of any meals included in the price of the tour, included attraction admissions, etc. The intent is to reduce all costs to a net cost to you, per person. Any savings or supplements for different seasons or customer characteristics should be noted in the right-hand columns.

The second page of Exhibit 15 presents the calculation of fixed costs per tour, that is, costs which are constant regardless of the number of customers on the tour but which would not normally be incurred if the tour does not operate. These include such things as costs associated with operating a motorcoach or cruise boat, for example, along with wages for personnel involved directly in the tour. It would also include costs for ticket office operations. These costs must be allocated first to the day, then the tour, then reduced to a per person number, based on the capacity of the tour. You then have to gross up the cost per person to account for your average expected load factor which will be less than your tour capacity. For example, if you're using a 47-passenger motorcoach, you might use an average load factor of, say, 30 persons per tour. In this instance, you would multiply the cost per person of capacity by $(47 \div 30)$. Again, adjustments for seasonal and other variances should be noted.

The third page presents the calculation of overhead costs per tour. In this case, the costs are annual costs associated with operating the business as a whole and are not directly associated with a particular tour departure. Based on the expected number of tours per year, you will allocate these annual costs to each tour program, then to each tour departure, then to each person. In addition to operating costs, you also want to allocate an allowance for capital related costs such as asset replacement allowance, financing costs, targeted profits, etc. Again, you have to gross up for the expected average load factor on that tour. You may also choose to adjust the overhead allocation for shoulder and off season tours, particularly if you intend to discount the prices of these tours.

**EXHIBIT 15
SIGHTSEEING TOUR PRICING WORKSHEET**

PAGE:											
TOUR COSTS	Retail Value Per Unit	Net Cost Per Unit	Net Cost Per Person	6 Savings/Discounts 7			6 Special Costs/Rates Per Person 7				
				Shoulder	Off Season	Other	Seniors	Children	3rd Person	Single Supplement	Group
VARIABLE COSTS PER PERSON/ PER TOUR											
1. Included Meals											
2. Attraction Admission											
3. Attraction Admission											
4. Hotel Pickup											
5. Included Gratuities											
6. Other											
7. Other											
8. Other											
TOTAL VARIABLE COSTS											

**EXHIBIT 15 continued
SIGHTSEEING TOUR PRICING WORKSHEET**

PAGE:													
	Total Cost Per Day	Cost Per Tour	Allocated Cost Per Person	Load Factor Gross Up	Grossed Up Cost Per Person	6 Savings/Discounts 7			6 Special Costs/Rates Per Person 7				
						Shoulder	Off Season	Other	Seniors	Children	3rd Person	Single Supplement	Group
FIXED COSTS PER TOUR													
Motorcoach Rental													
Driver													
Escort/Guide													
Fuel													
Supplies													
Ticket Staff													
Parking Staff													
Other													
Other													
Other													
Other													
Other													
TOTAL FIXED COSTS													

**EXHIBIT 15 continued
SIGHTSEEING TOUR PRICING WORKSHEET**

PAGE:													
	Total Cost Per Year	Cost Per Tour	Allocated Cost Per Person	Load Factor Gross Up	Grossed Up Cost Per Person	6 Savings/Discounts 7			6 Special Costs/Rates Per Person 7				
						Shoulder	Off Season	Other	Seniors	Children	3rd Person	Single Supplement	Group
OVERHEAD COSTS													
Motorcoach Maintenance													
Property Operation													
Energy Costs													
Insurance													
Municipal Taxes													
Marketing													
Admin. & General													
Asset Replacement Allowance													
Financing Costs													
Desired Pretax Profit													
Other													
Other													
Other													
TOTAL OVERHEAD COSTS													

**EXHIBIT 15 continued
SIGHTSEEING TOUR PRICING WORKSHEET**

PAGE:													
	Cost Allocation Per Day	Cost Allocation Per Tour	Allocated Cost Per Person	Load Factor Gross Up	Grossed Up Cost Per Person	6 Savings/Discounts 7			6 Special Costs/Rates Per Person 7				
						Shoulder	Off Season	Other	Seniors	Children	3rd Person	Single Supplement	Group
TOTAL COSTS													
Gross up Factor for Profit													
Gross Up Factor for Commissions/Discounts													
TOTAL RETAIL PRICE FOR TOUR													

Total costs per person per tour are derived on the fourth page of the Exhibit. The net cost per person is then grossed up to provide an allowance for profit as well as for travel agent commissions and discounts for groups and the travel trade. This will give you a normal price per adult.

You can derive your seasonal variances and your adjustments for particular types of customers and for groups by totalling the right-hand columns, which will give you suggested variances based on differences in cost. This data is only a guideline since you may want to vary these prices on additional variables as well, such as the need to promote slow periods or a desire to encourage families or motorcoach tours.

Whatever pricing method you follow, keep in mind the following rules:

- Make sure you know the costs of supplying each of your products and services;
- Make sure you know the impact of price and cost changes on your sales and profits;
- Follow your competitors only if you stand to increase your profits;
- Never discount your prices below your variable costs;
- Check your pricing decisions against your customers' reactions, not just against your own judgement;
- Never gouge your customers.

You should review your pricing periodically against your operating results and budget and make decisions about any changes to your prices.

Don't forget that you will have to work out prices for adults, children, seniors, etc., as described in the worksheet.

8.5 Budgeting and Review⁶

You should always develop an annual budget for the operation of your business. There are several methods you can use, as follows:

Zero-Based Budgeting

Zero-based budgeting is also known as bottom-up budgeting because one builds the budget from scratch. Activity by activity is addressed, reassessed, examined, and justified. Each of the elements of the operation is examined separately. Funds are then assigned to each activity. In this way, a cost-benefit analysis is built into the budgeting process.

Percentage of Sales Budgeting

A method long used to establish many elements of budgets is the percentage of sales method. Many hospitality firms allocate percentages of gross sales for various cost items, based on historical data and/or industry norms

⁶ This material was adapted from the Nova Scotia HUB and SPOKE Tourism Marketing Seminar Manual, prepared for the Nova Scotia Tourism RITC by The Economic Planning Group and Hospitality Marketing, 1989/90.

This method of budgeting is relatively easy and doesn't require a lot of "input." On the down side, however, are more than enough problems to place the percentage concept into some disrepute.

Industry averages can be misleading. Different companies do their accounting in different ways, and all businesses are different to varying degrees, and who is to say whether the average performance of other businesses is a good yardstick to measure your own business?

Which to Use?

You may end up using a mixture of these approaches. Whatever the case, you should do a budget on an annual basis, at least, and since you are most likely to be a seasonal business, you should do a budget for your operating season and another for the rest of the year.

You must review your actual revenues and expenses against the budget on a regular basis and take corrective action where necessary. Also, make sure you amend your budget if your actual experience suggests that adjustments are warranted.

Financial management and business text books can provide you with details on preparing and monitoring your budget and provide worksheets to assist you.

8.6 Revenue/Yield Management

Revenue management is a proven technique for maximizing revenue and profitability. It is a method of selling the "right inventory unit to the right type of customer, at the right time, and for the right price." It was developed in the 1980s by the airline industry and adapted by the package tour and hotel sectors in the 1990s. It is now being used in the attraction business as well.

Revenue management is a strategy of continually monitoring and forecasting demand, and using inventory and pricing strategies to maximize revenues on a daily basis. Transportation companies generally refer to the practice as "yield management", while most hotels and others refer to it as "revenue management".

Revenue management is characterized by;

- Using different prices to stimulate demand;
- Maximizing yield or the average amount of revenue per available unit of inventory (e.g. admissions ticket);
- Being flexible when necessary, but price restrictive whenever possible;
- Always offering high rates, while offering lower rates only when demand is low and the market demonstrates price resistance.

For a business to take maximum advantage of the technique, it needs to have most of the following characteristics:

- Have markets that respond strongly to price changes;
- Operate with a fixed capacity (e.g., fixed number of visitors that can be accommodated);

- Have similar inventory units (so that the operator can focus on varying the price for a single unit type and not have to cope with different prices for different unit types at the same time, which makes things much more complicated);
- Have markets that can be segmented (e.g., business, group, family);
- Have predictable demand in different market segments - demand that varies by season, month, and day;
- Have high fixed costs (eg: high overhead costs relative to service-related costs);
- Have low variable costs (e.g., the incremental costs of handling an additional customer);
- Maintain advanced bookings and a reservations system;
- Have the ability to customize and price products to suit different customers and markets - with restrictions to make it difficult for other market segments to buy at the discounted price.

The practice is most often associated with transportation and accommodation businesses, for which it can work quite well. However, other tourism businesses can use it to varying degrees, particularly those in package tours and attractions. Today, more and more types of businesses are recognizing the value of revenue management and applying these concepts to increase their profitability in today's complex and highly competitive environment.

Like transportation and accommodations, the tour ticket revenue of a sightseeing business is characterized by having a very high proportion of fixed costs per departure and relatively modest variable costs. In other words, most of the costs are not affected by the addition of a single additional customer. Other than food sales and retail sales, on the tour ticket price, only the costs of printing admission tickets and any other handout materials will increase, and these increases will be minuscule. The variable costs may amount to only a few cents against a tour ticket. In these circumstances, getting extra business at a discounted price is lucrative.

In the sightseeing business, revenue management can be particularly effective in increasing yield in periods of high demand through promoting value-added offers and packages, and giving preference and VIP perks to those that book the higher-priced offer. Staff need to be trained to 'up-sell' people into the value-added offer.

On the discounting side of revenue management for a sightseeing business, since the ticket prices are generally modest compared to airfares and hotel room rates, and since capacity limitations are not necessarily a problem if extra departures can be organized, the use of revenue management is somewhat less effective than it is in these other sectors. It is most effective when discounts are used to stream demand from low price segments, such as school groups, into periods when demand from other segments is soft.

If you can increase the number of visitors in a particular market or time period by reducing the price you charge per customer or in that time period, and if this greater number of visitors and lower price results in more total revenue, and if the discounted price doesn't unduly undermine your ability to get your regular business at your regular prices, then it is to your advantage to offer the discounted price. The trick is to accomplish all of these things at once.

The airline industry accomplishes this by offering deep discount fares but restricting your ability to make changes or to cancel. They also make you sit in the less desirable rear of the aircraft. The strategy is to make it impractical for their bread-and-butter, full-fare business travellers to take advantage of the discounted fares, and to generate new business from non-business traveller clientele who are highly price sensitive.

Doing this in the sightseeing tour business can be accomplished in a different fashion by using the value-added up-sell approach.

8.7 Reservations

If all your business were casual, non-group customers, you probably wouldn't need a reservations system. If a tour is full, customers can be sold tickets for a later departure.

On the other hand, a reservations system will be important if you plan to do group business, charters or cater to motorcoach tours. It will also be helpful for casual customers too, particularly if you're working with local hotels on a voucher system.

There are software systems that can do this and link the reservation system into your group billing system, which is very helpful. With today's reasonably priced computers and affordable software systems, you would be well advised to look into what's available. Talk to other sightseeing operators for ideas and recommendations. Local receptive tour companies also use these systems, and they can advise you too.

8.8 Business Systems

You will need a basic accounting system. Affordable computer software is now available for all of the normal accounting and payroll functions, or you may find it easier to contract your bookkeeping and accounting to a local accountant or bookkeeping service. An accountant can advise you on all of these things.

Sightseeing operations in communities having hotels, restaurants, and other visitor service businesses can set up a voucher program, wherein others can sell your tour for you and turn in the voucher as proof of payment. You can then bill the business that sold the voucher. Larger hotels, companies selling independent tours and packages, and local receptive tour operators use these systems.

8.9 Banking

Talk to several different banks to find one that is supportive of your efforts. Some managers take a helpful approach to small business people, while others treat them like impending bankrupts. Pick one who understands your business concept and is supportive.

You can greatly facilitate your banking relationship by meeting with the manager once a year to keep him or her informed about your business and your plans for the future. A good time to visit is when you have your new annual financial statement ready. Walk them through the results and explain what has changed and why. While they may not necessarily care about the specifics of what you're saying, it is very important that they see that you are on top of the business, committed to its future, etc. The psychology is just as important as the substance. Bankers like to feel that you are taking care of their investment.

If cash flow problems arise from time to time, as they may, meet with the bank to keep them informed about what's happening and what you're doing about it. Nothing makes a banker more nervous than a silent client whose bank account is constantly at its credit limit. On the other

hand, if the bank manager believes you are making an effort to keep him or her informed, the bank will be much more cooperative in helping you through difficult periods.

8.10 *Environmentally Sustainable Operations*

Increasing emphasis is being placed on the operation of tourism businesses in Nova Scotia in an environmentally sustainable manner. The manager and staff of your sightseeing tour business should be aware of the principles of sustainable tourism, and you should operate your business in a manner that is consistent with these principles. For more information, and specific operating guidelines, contact the Tourism Industry Association of Nova Scotia which has prepared Self-Audit Workbooks for tourism businesses.



SECTION 9

The Marketing Plan

SECTION 9

THE MARKETING PLAN⁷

9.1 Introduction

Your marketing plan is a guide for directing your marketing efforts and a tool for monitoring the progress you are achieving. It is generally written annually. Traditionally, the marketing plan is prepared in conjunction with your overall financial planning and budgeting.

The plan might be written by the owner, manager, or marketing manager. However, it should never be prepared in isolation - a good plan requires the support and counsel of key people in your business.

When you are starting up your business, the marketing plan is a crucial element in your overall planning process - without marketing, you will have no customers. Frequently, in small businesses, marketing tends to get overlooked or to be given a lower priority when there are other, apparently more vital demands for available start-up funds. However, marketing must be given a high priority; and developing a good marketing plan is an essential first step.

This section discusses the basics of how to develop your marketing plan and introduces some of the key marketing methods and tools. It also suggests how to use these techniques, when dealing both with consumer markets and the travel trade.

Developing a Marketing Plan

Your marketing plan should contain several elements, as described below.

⁷ The material in this section has been adapted from several sources, all of which were originally prepared by The Economic Planning Group. These sources include:

- *Nova Scotia HUB and SPOKE Tourism Marketing Seminar Manual*, prepared for the Nova Scotia Tourism RITC, 1989/90
- *Tourism is Your Business: Marketing Management*, Published by Canadian Hotel & Restaurant, Maclean Hunter Limited in cooperation with Tourism Canada and the Canadian Government Publishing Centre, 1986
- *Packaging for and Selling in the United States Leisure Market*, Published by Tourism Canada, 1995

Business Assessment

An assessment of your situation - the current status of the market, the competitive environment, trends - including all of the things discussed earlier in sections on preparing a strategic plan and feasibility assessment.

Marketing Objectives

With the assessment completed, develop a clear statement of objectives — sales volume (number of passengers, etc.), total revenues and profit for which you are striving.

Marketing Strategy

This is your overall approach to achieving your marketing objectives. It should include a Positioning Statement — what is the service/product, who is it for, and how is it different?

It should also include a definition of your target markets — each of the market segments you wish to attract. And you must also decide how you are going to attract them.

As described earlier, your major market as a sightseeing tour operator will be visitors to your community and province, travelling either individually or in groups.

For the individual consumer, it is most likely that they will not decide to take your tour until they are in the province or even in your community. Sightseeing tours do not in and of themselves attract visitors to a province, they are an activity people participate in while they are here. As such, there is only a limited return in your marketing directly to travellers who are not already in the province (except for advertising on provincial/regional websites or publications that are used by people thinking of visiting the province - more about that later). Your marketing strategy should focus on attracting visitors who are already in your community, region, or province.

For the group market, on the other hand, almost all decisions will be made before the group visits the province. Therefore, your marketing to this segment of your market will focus on potential group prospects located outside of the province.

The rest of this section of the manual is divided into two parts; marketing to the consumer and marketing to the travel trade, primarily the group market.

9.2 Marketing to Consumers

Website and Internet-based Marketing

The Internet has triggered a complete revolution in how companies market themselves, and this is particularly the case with tourism companies. Even the smallest enterprise can reach out to the world via the Internet. While marketing expertise and budgets still make a big difference in marketing effectiveness, these are no longer the absolute determinants of how broadly and far a company can reach in promoting itself. Even a simple website can be accessed worldwide. The playing field has been considerably levelled for companies large and small.

The big differences today are not in having an Internet presence; rather they are in a) your ability to attract prospects to your website and b) the quality of the website itself in terms of ease of navigating within it and its effectiveness in generating sales.

Internet marketing refers to all forms of marketing associated with the Internet, including websites, website links, database marketing, relationship marketing, web-based advertising and web-based tour operators. We will introduce you to each of them in this section.

Website

The use of a website along with Internet-based e-marketing have exploded onto the scene and today have become a fundamental and central component of most tourism businesses marketing. In fact, many businesses are using their other marketing to drive prospects to their website and some are relying exclusively on their website to market their business.

Early websites were simply electronic brochures people could view on the Internet. Today, many websites are much more sophisticated and provide a number of helpful functions for the user, all of them designed to make it easier and more compelling to buy the products on offer. In the text to follow we summarize the basics involved, and also describe the more sophisticated functions possible today.

URL

This is the address of your website. (URL stands for ‘Uniform Resource Locator’, which is not particularly helpful to know.) But having an easy-to-remember URL, or ‘domain name’, is important. Here are a couple of other important points:

- Your website needs to be a ‘real’ website, not part of a ‘referred’ site, such as those offered by Sympatico and other Internet ‘portals’, in which your web pages are embodied within their website. Search engines will no longer recognize your content if it is part of a referred site. (Problems with spam have forced the search engines to impose this limitation on referred sites.
- Use the name of your business in your URL to ensure it will be picked up by the search engine when someone is searching for your website by business name.
- We recommend you use several different URLs having likely names for your product, all connected to your website, again to optimize access.

It is important to realize that you need to have your own Internet address which makes your web pages into a ‘website’ accessible directly via the Internet through search engines. Just having web pages on someone else’s site does not accomplish this. People won’t find your content without going to the hosting portal website first, which is not what you want.

We are not suggesting you not list on a portal website, not at all, we are simply suggesting that you also need your own separate website, and that any listing on a portal also include a direct hyperlink to your website.

Website Design

The basic website is much like a traditional brochure but with more information available through the use of user-selected topics from a sidebar menu on each page. Lure information is displayed in text and pictures, while more detailed information is accessed via the menu bar. Common topics include who we are, our history, our products and services and how to contact us.

We strongly suggest you also include lure information on your destination area; its attractions and appeals, things to do and see. You first have to sell the destination, then your particular product.

More sophisticated websites offer more customized information based on different user-defined variables, along with such things as a trip planning function, online booking capability and so on. Here are the kinds of features that are becoming increasingly common with tourism websites:

- Downloadable brochure in PDF format
- Customized presentation of information by user-defined factors - their interests, where they live, their language, demographic profile (age, income), the intended season of travel, their previous trip/purchase.
- Different pages for different target audiences, such as individual travellers, tour operators, the media. Separate URLs can also be used to facilitate people in these market segments being led directly to the portion of the site of particular interest to them.
- User opt-in registration for more information - newsletters, contests, offers, promotions
- Trip planning functions, with suggested itineraries and packages, and also do-it-yourself itineraries and packages. A print-ready mini guide of your package can be downloaded and/or printed out. In some cases the user can also register and use an ID to revisit and revise his/her earlier itinerary.
- A booking/buying engine to enable website visitors to book directly online
- Inbound email capability for site visitors to use to send a query to the company
- Features to improve the ease of navigation within the website, including, in addition to a basic sidebar menu, things like:
 - ‘first page approach’ (no scrolling down required),
 - different entry points to the site based on the user-defined factors, such as their country of residence, language, etc.,
 - site map
 - search function
- A built-in content management module to facilitate updating information on the website. It avoids the time and cost involved with having the site designer make all the changes to the site, which should not be necessary.
- Statistical monitoring of website visits and pages viewed

On this last point, an important consideration is getting your website designer to provide your website with a complete analytical system, permitting you to directly download statistical data from the host server.

We strongly recommend you avoid letting the website designer talk you into having a ‘splash page’ at the front of the website. A splash page is a first page that provides pictures, video and often a soundtrack that you have to click through to enter the website itself. While this may be

an aesthetically pleasing introduction to your business, it creates a barrier to search engine maximization and it also is irritating to business people accessing the site, as well as other people wishing to get to the information they want.

A couple of interesting websites that incorporate a number of these features include:

- www.gorp.com (outstanding adventures by destination and by type of experience; a very successful website)
- www.novascotia.com
- www.explorenovascotia.com
- www.travelalberta.com (easy to navigate, good search engine maximization)
- www.colorado.com (good trip planning, customized by travel group composition, interest, region)

Here are some good Nova Scotia tourism business websites:

- www.princegeorgehotel.com
- www.lordnelsonhotel.com
- www.halliburton.ns.ca
- www.capebretonresorts.com/inverary.asp
- www.havenside.com
- www.pier21.ca
- www.upperclementsark.com
- <http://museum.gov.ns.ca/mma>
- www.coastaladventures.com
- www.scottwalking.com

Driving People to the Website

As mentioned, one of the big challenges today is attracting the right visitors to the website. This is accomplished through a number of techniques:

- The use of traditional marketing techniques to attract attention and direct people to visit the website. All your marketing materials should include reference to the website.
- An easy to remember URL.
- Search engine optimization, through the use of search engine registration, content tags, meta tags, targeted key words and instruction codes to search engines to search all words and all pages. (We suggest you get some help from knowledgeable Internet professionals in this regard.)
- Inbound links (see discussion of this later below)

Attracting People Back to the Website

This involves cookie-based user ID or getting site visitors to register and establish a user log-in for a “remember me on this site” function. Next time they visit they are automatically taken to their previously stored information, such as their customized itinerary.

This is not a feature that a small independent tourism operator will likely use, however, it can be very effective for larger chain operations, tour operators and destination marketing organizations.

Links

It is useful to develop a link strategy for both inbound (links from other websites) and outbound links (links to other websites). Inbound links should be maximized to the extent possible. Outbound links should be designed to open in a separate window so that the user is returned to the original site once they close out of the linked site.

Partnerships are a key part of tourism market development. Similarly, website links are a critical element of website development. They are merely on-line partnerships that share web visitors between like-minded operators and those offering complementary products and services. As such, a detailed link strategy should be developed and maintained to ensure as many visitors as possible find links to your website.

This often requires a simple request to partner sites through email. Ideally, a graphic should accompany the email in the event the host website would like to add an image or icon of the province highlighting the link. In addition, the website should have a section in the site encouraging links with a download-able image that can be added to other sites. This additional promotion can be achieved at virtually zero cost; it simply requires time and attention on an ongoing basis to increase the exposure in a wide variety of market segments.

If you are listed in the Nova Scotia Doers and Dreamers Guide, you are automatically listed on the provincial tourism website (www.novascotia.com) with a link to your web site. You are required to provide a reciprocal link to back to www.novascotia.com from a primary page on your web site.

To check how well your site is positioned within the Internet, go to Google (www.google.ca) and in the space where you enter the search instructions, type in 'link(single space):(your domain name)'. Here's an illustration - 'link :www.bobsotel.com'. This will illustrate all the links to your website. If you have more than 40, you are doing OK; if not, your site needs more search engine optimization.

Database Marketing Linked to the Web

If your organization is a major chain, a tour operator or a DMO, you should invite your website visitors to register with you in order to capture their contact information and continue with the relationship that has been started. There should be dominant areas within the website to 'opt in' or leave their email information at a minimum, and ideally additional information that would give a profile of the web visitor for future correspondence. This will provide you with a database for future marketing initiatives.

Today privacy laws require you to obtain permission from an individual to solicit business from them through direct marketing; this is referred to as 'Permission-based Marketing'. People that opt-in to receiving more information by registering on the website can be communicated with in future through email broadcasts of special offers, contests, newsletters and the like. (For more information on this issue, see Section 7 on regulations.)

Customer Relationship Marketing

Some websites take this concept to a higher level, by encouraging people to also register their interests and other information about themselves. This additional information can be entered into a database and the individual subsequently solicited with highly customized communications. This is termed 'Customer Relationship Marketing' today or CRM. With this additional information and contemporary database technologies, direct marketing has become a much more powerful marketing technique than it has been formerly. Conversion rates have skyrocketed from the 2% to 3% level traditionally, to 20% and higher on some programs.

Web-Based Advertising

Another marketing option today is to advertise on frequently visited websites hosted by others. Given its cost, it will only be of interest to major players.

Much effort has been spent in the last couple of years promoting and testing the effectiveness of web-based advertising. Many advertisers have experienced poor performance and questionable benefits by promoting their product through banner ads, pop-ups and other forms of web-based advertising on some of the larger sites, such as news-based CNN, Globe & Mail, Canoe, Yahoo, etc. However, a more targeted approach can be tested, based on a pay-for-performance agreement. Again, tracking can be quite specific, and websites can be very targeted, including websites offering travel directions, such as Mapquest, or even online versions of the specialty magazines such as National Geographic Traveler or National Geographic Adventure.

Web-Based Tour Operators

All tour operators are embracing the Internet as a marketing tool, of course; however, there are a growing number of web-based tour operators; essentially companies that are functioning as resellers and packagers and using the web as both their marketing medium and reservations system. In other words, they are fully online marketers. Examples include Microsoft's Expedia, Sabre's Travelocity and numerous others. The Canadian versions of these two websites are www.expedia.ca and www.travelocity.ca. The USA versions are .com instead of .ca.

Another is a Canadian company, Travelinx, at www.canadatransel.ca. This company also builds websites and hosts websites for destinations, industry organizations and businesses. They employ their powerful booking engine to provide their clients with a state-of-the-art website with full reservations and transaction capabilities. One of such clients, for example is the Canadian Golf Tourism Alliance at www.canadagolf.com.

These are deserving of attention. In fact, this may offer an optional route to achieving a powerful site at reasonable cost.

Other Key Marketing Activities

Media Advertising

Advertising is the most obvious of the marketing activities available but it is also generally the most expensive element of your marketing plan. Effective advertising requires a clear understanding of the target group, your product strengths, and the available media options within

EXHIBIT 16

ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF ADVERTISING

TYPE	ADVANTAGES	DISADVANTAGES
PRINT MEDIA		
Newspapers	<ul style="list-style-type: none"> • reaches more people than other print media • considered to be a good source of info. on travel facilities and services • can be placed at short notice • relatively low cost • wide selection of editorial, so messages can sometimes go in special sections • printed daily or weekly - can hit the market with frequency • provides an opportunity to be creative • offers an opportunity to use coupons 	<ul style="list-style-type: none"> • large readership, but only a small number of readers will have an interest in any one product • has a short lifespan - often read in a hurry • quality of reproduction is poor • pages are large, so small ads get lost
Magazines	<ul style="list-style-type: none"> • more selective readership than newspapers • much longer lifespan than newspapers • higher reproduction quality than newspapers 	<ul style="list-style-type: none"> • long lead times and inflexible closing dates. You have to plan far in advance • low market penetration rates - therefore higher costs • circulation seldom tailored to geographic markets
Guides e.g. travel guides, directories, etc.	<ul style="list-style-type: none"> • highly targeted - may have a low number of readers but they are interested in the subject • listings are sometimes free 	<ul style="list-style-type: none"> • normally long lead times • space may be limited

EXHIBIT 16 continued

ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF ADVERTISING

TYPE	ADVANTAGES	DISADVANTAGES
INTERNET MARKETING		
Website	<ul style="list-style-type: none"> • Extensive reach • Affordable • Customizable for different audiences • Can be kept current day to day • Can assist in building a database of prospects • Can be linked to a booking engine 	<ul style="list-style-type: none"> • Having people finding it on the Internet is a challenge
Database e-marketing	<ul style="list-style-type: none"> • Better quality of prospects, resulting in higher conversion rate • Very affordable • Very customizable • Easy response 	<ul style="list-style-type: none"> • Now requires the permission of the prospect

EXHIBIT 16 continued

ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF ADVERTISING

TYPE	ADVANTAGES	DISADVANTAGES
DIRECT MAIL		
<p>A good mailing list is key - you can buy one, build your own from current and past customers, use phone directories, association lists, etc.</p>	<ul style="list-style-type: none"> • highly targeted - if you have refined lists, then you can be sure only potential customers receive your mailing • extremely flexible • you can reach people at home or at the office • you can personalize your message • you can measure effectiveness and organize on short notice 	<ul style="list-style-type: none"> • relatively costly • postal service can be unreliable • usually a low response rate - frequently only 1% - 2%
OUTDOOR ADVERTISING		
<p>Includes effective signage, mall poster displays, transit advertising.</p>	<ul style="list-style-type: none"> • geographic flexibility • message is there 24 hours per day • particularly effective in reinforcing other types of advertising and in attracting pass-through or transient customers • can provide directions to your business as well • relatively long life-span 	<ul style="list-style-type: none"> • availability of outdoor locations is limited • cannot be targeted to any segments other than geographic ones • can communicate only a limited amount of information • works best for firms with well-established reputations

EXHIBIT 16 continued

ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF ADVERTISING

TYPE	ADVANTAGES	DISADVANTAGES
BROADCAST MEDIA		
Radio	<ul style="list-style-type: none"> • captive audience at any given moment - they will all hear your message • stations have segmented audiences so you can target a group, e.g. young market • very versatile • a live medium - you can do things with this that cannot be done with other media • relatively low cost and fast delivery 	<ul style="list-style-type: none"> • short life span - listeners may miss part or all of the message • poor choice if you need to show a visual image • large number of messages in peak periods - can be disruptive • frequently listened to in the car and can easily be tuned out
Television	<ul style="list-style-type: none"> • excellent way to convey powerful images • audience is somewhat captive • tremendous reach • can show business in very attractive manner 	<ul style="list-style-type: none"> • many of same disadvantages as radio • expensive - both to purchase the time and produce the commercial
CONTRA ADVERTISING	<ul style="list-style-type: none"> • in most cases, no money changes hands so this approach does not deplete your cash assets 	<ul style="list-style-type: none"> • the advertising you get is generally in off-peak, poorer periods • it is not necessarily effective if the media being offered is inappropriate to your business
CO-OP ADVERTISING	<ul style="list-style-type: none"> • economies of scale can provide small organizations with an opportunity to gain exposure in an area of media that would not otherwise be cost effective 	<ul style="list-style-type: none"> • peer pressure can stampede you into going into a venture that is not in your best interest • your exposure may be too small to be noticed if you are in with a large number of bigger operators

your budget. Advertising can create awareness of your business and encourage consumers to try your product.

If you are going to invest anything more than a small amount of money in advertising, then you should seriously consider obtaining professional assistance from an advertising agency. The agency can help you design your ads, identify the best media to use, buy the media, and generally manage your advertising program.

If your advertising program is too small to make using an advertising agency practical, then there are others who might be able to help, for example:

- Local printer: he or she should have some expertise in ad design and layout;
- A local marketing partner selling a product complementary to yours;
- Your local newspaper, radio station, etc.;
- Your local tourist association coordinator;
- A local art or communications instructor/teacher.

The key point is get help from someone who has expertise in marketing and communications techniques.

There are a variety of types of media advertising and some will work better than others for your product. The basic approach to follow when deciding which media to use is to choose those media that reach your target audience most cost effectively. You will have to do some homework to determine this - contact media representatives and ask them to send you an information kit that gives you information on such things as audience profiles, market coverage, and circulation.

Don't forget to look at advertising as an investment not as a one shot deal. You will not always get noticeable results from one advertisement, so stay away from expensive medium if you cannot afford to repeat your advertisement frequently enough to achieve an ongoing awareness.

The main categories of media are: print (newspapers, magazines), outdoor (effective signage), and broadcast (radio and TV). Exhibit 16 summarizes the advantages and disadvantages of each type of advertising media.

Co-op Advertising

Cooperative advertising works on the strength in numbers principle. In general, several organizations (e.g. business, government, associations) with a mutual marketing need will join forces. For example, an area travel association may welcome area operators into sharing the costs of a co-op brochure or a full page ad for the entire destination. This may be effective for you.

Contra Advertising

Contra advertising or swap advertising has long been a factor within the hospitality sector. Basically, contra involves trading media coverage for some of your product. This is often done for contests, where a resort, for example, gives a free weekend as a prize for a radio contest and receives plugs on the air or actual advertisements at no charge.

Direct Mail/Email

Direct mail/email or direct marketing can be a highly effective method of reaching one's audience. It is measurable, can be personalized, and is flexible. However, in the sightseeing tour business, where the majority of your customers are from out-of-province, or at least out-of-your area, it probably has limited potential. It may be useful if you are targeting a highly specialized market and can develop mailing lists from magazines or other such sources, but will not be particularly valuable for mass-interest products.

It can be effective for local resident markets for special group parties and functions.

Collateral Material

Collateral material includes all the printed material you use to market your business - the material you distribute to potential customers. The main types of collateral material you might use are brochures, posters, counter displays, and price lists. Brochures are particularly important and should be carefully designed to make sure that they achieve the following goals:

- **Capture Attention:** First you have to draw the consumer's attention. Use the front cover to do this. Use an attractive, lure picture of your product. Since brochures are frequently displayed with only the top part showing, make sure that the top one third of your brochure describes the experience you are offering.
- **Develop Interest:** Build interest in what you are offering. This should be done on the second panel with photographs and text describing the appeals of your product. Use pictures of people enjoying your product.
- **Create Desire:** Create a desire for the product. Provide enough information for people to decide whether or not they want to experience your tour. Focus on your competitive advantages and unique selling propositions (USPs).
- **Call to Action:** Turn that interest and desire into action. Your back panel should be a call for action and include - where to find you and how to get there, where to phone to make a reservation or for more information, your address, etc.

Your brochures and other collateral material can be distributed through a number of channels:

- **Local visitor information centres:** make sure your local visitor information centre is well supplied with brochures and that the people who work there know all about your product. You may want to take the travel counsellors on a trip in the spring so they have first-hand experience with your product.
- **Other information centres:** you can supply the Department of Tourism, Culture and Heritage's Literature Distribution Centre with a stock of your brochures for distribution to provincial information centres and to other local centres. This service is currently provided free of charge. All you have to do is supply the brochures (they have some guidelines about brochures, which you can get from the Tourism Division of the Department) and indicate where you would like them distributed.

- Local tourist businesses: local, noncompeting businesses such as restaurants, gas stations, and, in particular accommodations and campgrounds, should be well-supplied with your brochures. Again, it is important to make sure that these operators, particularly the accommodation operators, are well-acquainted with your business since visitors will frequently ask "what's there to do here" or "where can I get a tour to..." Again, you may want to take these operators on one of your tours and offer them a commission for any business they send your way.

You can also arrange with these businesses to display posters and/or counter cards in their lobbies and include your brochures among the in-room information they provide to their customers.

Provincial and Regional Travel Literature

The Province of Nova Scotia, through the Department of Tourism, Culture and Heritage, produces and distributes a variety of travel literature and this material affords an excellent means of reaching potential customers. A major vehicle today is the Nova Scotia tourism website - www.novascotia.com. Basic listings on the website and in the Doer's and Dreamer's Guide are free of charge; for other publications and advertisements there is a charge, depending on the size and type of advertisement you want to place. Even where there is a charge, this is a very cost-effective advertising method, since hundreds of thousands of these publications are produced and distributed widely to people travelling in the province.

You may also purchase advertising space in the guide. One thing to remember about this guide is that the deadlines for material are very early - currently July 1st for the next year's publications. Check out the Opportunities section of the Nova Scotia Tourism Partnership Council's website (www.nstpc.com) for details on the provincial travel guide, other website offers and special publication details, and on other marketing partnership opportunities available to you.

Regional Tourism Guides and Websites

The regional tourism associations also have websites and produce travel guides for each region of the province. You should definitely become a member of the RTIA in your area and take advantage of the marketing partnerships they offer that fit with your strategy.

Promotions

Promotion is not just another word for advertising; it is everything that adds fun, excitement and uniqueness to an operation and should be thought of as an event that has a definable start and finish. Examples include a special event, a special dinner on your tour boat, a special package of services for a particular market. Properly planned, promotions can increase the awareness of your business, attract new customers, and keep existing customers coming back.

Promotions include couponing - distributing a piece of paper that has value when redeemed. For example, you may want to have a staff member stand in high traffic locations in your community and distribute coupons offering 10% off your tour price.

Public Relations and Publicity

Public relations and publicity can keep your business in the public eye without your having to pay for advertising. To that extent it is free, so it can be highly cost effective. However, good publicity doesn't just happen, it has to be carefully planned, and it must fit in with your other promotional activities. You can get publicity in the media by making yourself available for interviews or establishing yourself as the local expert on some topic related to your business. You can also stage news events and issue press releases.

Signage

It is important to have good signage for your business, not only to tell potential customers about your business but also to help them find you. Signage on provincial highways is governed by the Department of Transportation and Public Works and the regulations were discussed earlier. In addition, there may be some guidelines on signage design and placement within municipalities.

Whatever signs you put up must be of good quality. Small, falling-down, hand-lettered, and hard-to-read signage does not suggest a quality operation to the potential customer. Search out a local artist or sign maker to design and build some quality signs for your business. Make sure that the signs are big enough for travellers on the road/highway to read them. Remember, they are probably driving at 70 - 80 km an hour, which means they won't have a lot of time to take in the information on the sign. Make sure that whatever you put on the sign is brief and informative. Be careful not to put on information that might change, such as the times of your tours or the prices, except on a panel which can be easily replaced with new information.

Packaging and Programming

Packaging

Packaging can be defined as the presentation as a unit of a number of products and services that would normally be purchased separately but which, in a package, are offered as a single product at a single price, preferably at a lower price than the individual could obtain on their own. Basically, the concept is to provide a comprehensive experience for customers, including all the many tourist services they will require.

Packaging has become an integral part of tourism marketing in recent years, since it generates significant benefits for the tourist operator as well as the customer. Packaging usually offers better value as compared to independent travel, makes it more convenient for the customer to buy the tourism product (one-stop shopping), and improves the appeal of the overall travel experience, since the trip-planning homework is done by those who presumably know the product well. It also provides customers with a measure of quality assurance and security.

Successful packages are those that offer unique, appealing experiences for purchasers, and good value. Tourism today is very much an experiential business, and a well-designed package has the marketing advantage of being built around outstanding experiences.

There are publications available which provide details on how to package, and seminars on this topic are offered from time to time around the province. If you are planning on putting together

some packages, we strongly recommend that you access some of these resources since developing successful, profitable packages can be challenging.

Programming

Programming is generally defined as the enhancement of a single tourism product or service through the introduction of some added activity for entertainment. For example, it may mean adding a special meal or bringing along an expert to provide a lecture to your guests. The idea is to appeal to new customers who might not otherwise be interested in your product.

Special programming can be particularly effective in building business in the shoulder season.

9.3 Working with the Travel Trade and Other Specialty Segments

Travel Trade Structure

There are several types of travel trade players, the main ones being tour operators, travel agencies and receptive/inbound operators. There are also a few other types of businesses that will be of interest to a sightseeing tour business in its marketing efforts.

Tour Operators

Tour operators develop, market, and operate packages as their primary business. There are a number of types of tour operator, the most common types being the escorted group motorcoach tour operator, the independent package (FIT) operator, the special interest/activity packager/operator, and the holiday destination packager.

Sometimes tour operators are referred to as outbound operators to distinguish them from the inbound, or receptive, tour operators.

Some tour operators develop, market and operate all of their own packages whereas others retain an inbound/receptive operator to develop and/or operate their packages. It is this segment of the tour operator market that you are interested in as potential partners.

Travel Agencies

Travel agencies are retailers of travel products who book travel arrangements on behalf of individuals and businesses, earning a commission from the travel-product supplier in the process. They retail all types of travel trade packages and often develop and sell their own packages as well.

Often their own packages are one-offs, developed on behalf of a particular client or group, but some travel agents also develop packages for sale to the general public. Common types of the latter packages include: a package developed for local consumers to attend a special event in another city, a package in connection with a cruise or rail trip, or a package of services to supplement a tour operator's package. (For example, the travel agency will add air travel to a tour package to transport their local clients to the departure point for the tour.)

Receptive and Inbound Tour Operators

The receptive operator specializes in the destination and provides services to outbound tour operators, including trip planning for that destination, negotiating services and rates with suppliers, providing local guides and tours and so on. The outbound tour operator essentially sub-contracts services related to delivering the tour program at the destination. The receptive operator is normally located in the destination region in question. There are several in Nova Scotia.

The inbound operator is a tour operator that develops and sells its own tours. Unlike the outbound operator and like the receptive operator, they are located in the destination and specialize in tours to that destination. Such operators normally provide receptive services as well, which is the case with the various inbound operators in Atlantic Canada.

Incentive Travel Wholesalers

This is a distinctive sector of the market which specializes in premium and incentive travel reward programs that it develops and manages on behalf of its clients, both on a group and individual basis. Like tour operators, incentive travel wholesalers sometimes retain an inbound/receptive operator to make and coordinate all the ground arrangements for their group at a particular destination.

Convention/Meeting Planners (Destination Management Companies or DMCs)

This is another specialized sector of the market which arranges and coordinates meetings, conferences, and conventions. Convention/meeting planners sometimes hire a receptive operator to put together a special program for them or a tour for spouses.

Group Leaders

Group leaders are individuals who organize group trips on behalf of an organization to which they belong. They act as an intermediary between the group and the travel agent and/or tour operator, usually receiving free or discounted travel for themselves. Group leaders are most commonly found planning group travel for seniors.

Sometimes the group leaders themselves organize the trip; in other cases, they may contract with a tour operator or a receptive operator to make the arrangements.

Destination Marketing Organizations (DMOs)

Another potential partner that can be very important to your business is the destination marketing organization in your area. These are often referred to as DMOs. These organizations have a stake in the success of the product or package and may be willing to participate in cooperative marketing efforts with you.

Destination marketing organizations include Chambers of Commerce, visitor and convention bureaus, government tourism departments, and other such organizations which undertake marketing activities on behalf of a community or destination area. In Nova Scotia, the provincial DMO, or 'PMO', is the Tourism Division of the Department of Tourism, Culture and Heritage.

This Division, in partnership with the Nova Scotia Tourism Partnership Council (TPC) invites members of the tourism industry to participate in various cooperative marketing efforts. It is important for you to maximize your involvement in these efforts.

What Does the Travel Trade Expect From You?

Generally speaking, tour operators are looking for the following kinds of things from their suppliers:

- Quality facilities, services and programs at good value prices;
- Consistently friendly service;
- A high standard of cleanliness and state of repair;
- Easy access for seniors;
- Special programming and services for tour customers such as reserved seating or a special host to greet the group;
- A travel trade culture, consisting of:
 - an appreciation by management of the business coming from tours;
 - a willingness by both management and staff to give the best service to groups;
 - an understanding and acceptance of established travel trade commissions and discount structures;
 - honouring commitments made;
 - appropriate policies with respect to block bookings (releases not required until the last 15 or 30 days), deposits (none, please!), acceptance of vouchers, appropriate invoicing procedures, etc.

Scheduled group tour operators, who are the larger volume operators, make their tour arrangements about 12 to 18 months in advance. Don't expect, therefore, to start promoting your tour to tour operators in November and get any business for the following season. It will probably take two to three years for you to develop this business to any significant extent, and this assumes that you meet all of the criteria described above.

Net Rates and Commissions and Other Terms of Trade

If you are going to work with the travel trade, you will have to provide the appropriate discount and commission structure; 'net rate discounts' for tour operators and commissions for travel agencies. This is probably the most important factor of all. In fact, it is a sure disqualifier if you can't meet their requirements. Wholesalers want net prices (discounts); travel agents are looking for commissions.

You should establish a tiered discount and commission structure, with the largest discounts going to the destination specialist receptive operator and scheduled tour operator, and the smallest discount to the group leader or affinity group. Some suggested guidelines on discounts were presented in Exhibit 11.

In addition, you will need to meet their expectations with respect to the following key matters:

- Capacity to handle groups
- Special services for groups
- Willingness to provide block bookings across the full tourism season

- Having a senior person to function as travel trade coordinator
- Having your reservations service open year-round

Marketing to the Travel Trade

The key techniques for marketing your product to the travel trade are as follows:

- Collaboration with your PMOs and DMOs
- Personal Direct Sales;
- Marketplaces;
- Familiarization Tours (FAMs);
- Advertisements in Travel Trade Publications;
- Direct Mail;
- Customized collateral materials
- Website

Working with PMOs and DMOs

One of the most important things you can do to market to the travel trade is work closely with the provincial Department of Tourism, Culture and Heritage. They are an excellent source of information and can provide pre-screened lists of tour operators who have Nova Scotia product. They also establish relationships with these tour operators and are a key source of itinerary planning information for them.

The same is true with the city and regional DMOs, although perhaps not to the same degree as their travel trade marketing efforts are generally more limited.

Direct Sales

Ultimately, the most effective way to develop a partnership with a tour operator is through direct, personal selling opportunities, including sales calls. But this is also among the most expensive forms of selling. In most cases this won't be your first activity; rather, it makes more sense to make initial contact through your PMO or DMO, or at a marketplace, then follow-up with direct selling.

It is important, therefore, to qualify prospects carefully. You should select tour operators and members of the travel trade who operate tours or packages to Nova Scotia. You can get this information from scanning their brochures and talking to other product suppliers in your area who deal with them.

Determine the appropriate person to see (the person who plans new programs, not just the person who handles the buying) and make an appointment. A personalized letter with some advance information on your product might help convince the prospect to see you.

Study the operator's product mix, market positioning, and USPs (unique selling propositions) before meeting them and focus your presentation on how your products and services might fit into their program and what advantages you have to offer their tour program.

Make sure that your sales representative knows your products and destination intimately and that they have the authority to negotiate and make decisions. If the prospect is a major one, it is better to have a member of management accompany your representative or make the call themselves.

In any event, your sales representative should have the following skills:

- Detailed product and destination knowledge;
- A full understanding of the market position and products of the targeted tour operator;
- A full understanding of the unique appeals and competitive advantages of your products and services;
- Strong communications and negotiating skills;
- A high level of commitment to customer service.

Telemarketing is not an effective way to solicit business from tour operators. Your unsolicited intrusion will be resented. Use the telephone to identify the person in the organization you should see and to make an appointment, nothing more.

Marketplaces

The most effective way of making the initial direct contact with a tour operator is likely be at a travel trade marketplace.

Membership in one or more trade associations and attendance at their marketplaces can provide excellent networking and one-on-one selling opportunities. The major tour operator marketplaces are;

- National Tour Association annual meeting and marketplace;
- The ABA (American Bus Association) annual meeting and marketplace;
- The Ontario Motorcoach Association (OMCA) marketplace;
- United States Tour Operators Association (USTOA) annual conference and marketplace;
- Rendez-vous Canada, which includes European tour operators as well as the US travel trade;
- Atlantic Canada Showcase, where Atlantic Canada suppliers exhibit their products to buyers from outside the region.

Don't attend marketplaces unprepared. Make sure you have pre-identified the key prospects and request appointments with them. And don't forget to follow-up your contacts after the show.

It can take a couple of shows before you really get to know your way around, find out who the players are, and determine who are the best prospects for your product.

It will be important to be part of 'Team Nova Scotia' at the marketplace by working with the trade sales team from the Province and the RTIAs as well. They might also sponsor a special event, meal or promotion in which you can participate.

Familiarization Tours (FAM Trips)

The most effective way of motivating a wholesaler to add your tour program is to get them to try it out. FAM trips are an effective means of achieving this, as it is a principle among serious and

successful operators that it is essential to check out a destination, an experience, or a property first-hand before adding it to their product mix.

It is much better to provide a customized, personal FAM tour for a major tour operator prospect, rather than put several of them together or add them to a travel agent's FAM. It is most important that they have an opportunity to meet privately with the product suppliers to discuss negotiable items.

Direct Mail/Email

Direct mail/email is only fully effective if mailings are undertaken in support of other, more focussed marketing activities. Like travel agents, wholesalers receive a flood of literature daily, and most of it is thrown out. Mailings should be customized for the specific operator and personalized to a specific, pre-qualified person in the organization. Your mailing should include:

- A covering letter, customized to the individual involved - use a P.S. to attract attention to key points;
- An information sheet containing the technical information required by the operator;
- A brochure;
- A response mechanism, such as a mailback card for more information (which can help in qualifying prospects for follow-up efforts).

Make sure that you follow-up your mailing with a telephone call or email to see if there is any interest in your services or if the tour operator requires more information.

Advertisements in Travel Trade Publications

If you are a larger operator, it can be worthwhile to advertise your product in one or more targeted travel trade publications. The travel trade is usually diligent in reading these publications to keep abreast of new product opportunities and the activities of competitors. Relevant information from them is routinely circulated within companies.

Suggestions include NTA's Courier, ABA's Destinations and the National Motorcoach Network's Byways, as well as the leading travel trade weekly newsletter-style publications distributed to travel agents.

You may find it more cost effective to work through your destination marketing organization, as part of a program of joint destination awareness/travel product co-op advertising.

As well, you can advertise in the Nova Scotia Travel Guide. Many tour operators use these types of publications to identify potential new tours and inbound/receptive operators.

Website

It will be important to have one or more pages on your website designed for tour operators, summarizing the highlights of your offer to tour operators along with confirmation that you are prepared to meet the normal terms of trade in dealing with them. Key information would include:

- Highlights of the visitor experience
- A map showing your location and communities and other attractions nearby
- Season and hours of operation
- Capacity to handle groups
- Services for groups
- Regular prices along with acknowledgement of your willingness to provide ‘tour operator net rates
- Confirmation of your willingness to meet tour operator expectations with respect to block bookings and etc.
- Contact information for your travel trade coordinator

Customized Collateral Material

The same information should be available in hard copy, in colour in a one-page collateral piece suitable for use at marketplaces and sales call. Keep it brief: tour operators don’t want more paper than they absolutely need.

Having said that, some operators upon entering into an arrangement with you may desire more information for briefing their reservations and sales staff. For this purpose, you should develop a Tour Kit. It should include:

- Copies of your consumer brochure;
- Descriptions of the different types of programs you offer;
- For each package, a concise description of the package elements, the pricing, any extras, departure dates, locations, etc.;
- Slides of the products so that the tour operator can incorporate pictures in to their brochures;
- Your booking and cancellation policies and procedures.

9.4 Measurement

Your Marketing Plan must be continually monitored and reevaluated.

A number of methods may be employed to monitor your plan. For example:

- Track advertising effectiveness. For example, how many coupons were returned?
- Constantly read guest comment cards or use other research tools to determine levels of consumer satisfaction.
- Keep abreast of your accounting reports. Watch for fluctuations in the level of use of your tour business, average rates, menu items sold, inventories, etc.

9.5 Market Research

Marketing research should be considered when you have questions that need answering and when the cost of making a mistake is considerable. It is simply the assembly and evaluation of information. The vast majority of marketing research problems can be reduced to some variation of four basic questions:

- PEOPLE:** How big is the market? Who should my target groups be? What do they look like?
- PRODUCT:** Am I competitive? What do my target markets want?
- PROMOTION:** What should I say? When, where, and how often should I say it? Is what I have been saying being heard, believed, and acted upon?
- PRICE:** What should I charge?

If you are going to do market research, you need to define the problem clearly. What is the purpose of your research? What are the benefits which will be derived and how will you use the information in your business or marketing planning? Then you need to identify what information you already have available before deciding what else you need to collect and what are the best ways of obtaining the information you need. There are a variety of market research methods you can use depending on whom you want to survey and what information you require.

Guest Surveys

You can survey your guests while they are on your tour or after they have left. Options include:

- Interviews: either in person while they are on your tour or on the telephone afterwards.
- Questionnaires: can be completed by guests before they leave or given to them to be mailed back (it is a good idea to give them pre-stamped envelopes), or questionnaires can be emailed or mailed out later.
- Comment cards: same as questionnaires, but only useful if you are looking for a minimal amount of information.
- Telephone interviews: if you have phone numbers for your guests, you can call them up and complete a telephone interview.
- Focus groups: small discussions with groups of your customers. This type of research requires a professional moderator or discussion leader.

Guest surveys have a built-in bias, in that the only people who respond are your existing customers. If you are trying to determine their reaction to your tour, the type and quality of service you are providing, or some changes you are planning, then this is the best research method. However, if you are trying to determine the level of interest in your product in the market place or why consumers are not taking your tour, then you have to use another method.

Consumer Surveys

Here you are surveying the wider consumer market, most of whom are not clients of your business. The challenge with this method is to identify whom you should survey and the best way to survey them. Various options are available, as outlined below. You should probably seriously consider retaining a professional survey company if you want to do this kind of research.

- **Mail Survey:** mail out (or email) questionnaires to a selected list of consumers. You will have to first build a list. You could select names randomly from the phone book or purchase a list from an organization. The response rate for mail-out questionnaires tends to be fairly low (less than 10%), unless you are surveying a highly targeted list, on a topic in which they are interested.
- **Telephone Survey:** this approach is widely used as a survey technique. Potential respondents are randomly selected from the phone book and then called to request their cooperation in completing the survey. Telephone interviews are limited in the amount of time/information that may be secured and the type of information that can be tested. For example, you cannot test a new visual advertisement this way. Telephone surveys are more expensive than mail surveys.
- **Face-to-Face Interviews:** research companies interview people in their homes, places of business, within shopping malls, and on public roads (the last venue involves the technique of intercepts). In-person interviews offer an opportunity to show people products, ads, and other visual materials. This approach is very expensive because of the large amount of time required.
- **Focus Groups:** these provide another face-to-face encounter technique. The focus group is, in reality, a controlled multi-person interview. A moderator conducts a group discussion with 8 to 10 people. The focus group allows for the presentation of visual and for sampling ideas and products. Focus groups are a good way of testing hypotheses but offer limited output and cannot be considered statistically valid.

Up to now, we have offered comments on methods used to secure information on consumers. In addition, you should look at broader market questions and keep tabs on the competitive environment, and the market place in general

Competitive Research

Our competitors are often our best source of advice on how we are doing. Is your parking lot full while the operation's across the road is empty? Or is the situation reversed?

Is your competitor spending more money than you on advertising? Why? Do you read the ads in a detailed way? What is he or she selling? What about prices? What about special deals? Is your competitor advertising for new staff? Is he or she paying more?

The implication of these comments is clear. Keep abreast of what your competitors are up to!

Trend Data

Be aware of trends in the market place. Read trade journals and articles. Join associations and attend meetings periodically.

We understand how very busy you are running your business. We also acknowledge that your time demands must be managed. Manage your reading and media consumption in such a way

that you become conversant with trends and changes that will affect your industry and your operation.

9.6 Pre-opening Activities

The opening of your business for the first time is a major event for you, but it's also a newsworthy event in the community and you should take maximum advantage of the public relations and publicity opportunities. You want to get public awareness of your existence as quickly as possible. Some suggestions follow:

- Prepare a press kit when you're almost ready to open, including pictures and an article on the unique and newsworthy aspects of your business. Distribute it to the local media.
- Host a reception for the managers, but also for the front line staff, of your tourism partners in the community - hotels, restaurants, etc. Give them a brief tour or presentation.
- Stage some special promotions and events to draw public and media attention to your new venture and its appeals.

SECTION 10

The Future

SECTION 10

THE FUTURE

10.1 *The Future*

Consumers are becoming more demanding and their expectations respecting the entertainment value of their tourism and recreation experiences will continue to increase. In the sightseeing tour business, like other attractions and entertainment products, the competitive battle will be fought in the future on the experience provided, on uniqueness, entertainment value, genuineness, quality, and service. People will judge less on price and more on value.

The ways of doing business is changing, particularly with the major advances being made in information technology, that has radically changed the way people shop for products and provides new marketing techniques to reach the consumer. Consumers are now arriving at the destination with considerably more information (and more detailed plans of what they would like to see and do) than they did in the past. And, there are more and more choices of things for them to do.

Sightseeing operators will be challenged to improve their offerings in terms of the foregoing competitive environment.



ACKNOWLEDGEMENTS



ACKNOWLEDGEMENTS

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Christine and Gerald Murphy - Murphy's on the Water;

Peter Graversgaard - Markland Tours.



APPENDIX I

Market Data

APPENDIX I

MARKET DATA

EXHIBIT I-1

VOLUME OF VISITORS TO NOVA SCOTIA:
ANNUAL AND MAY TO OCTOBER
2000-2004
(000's)

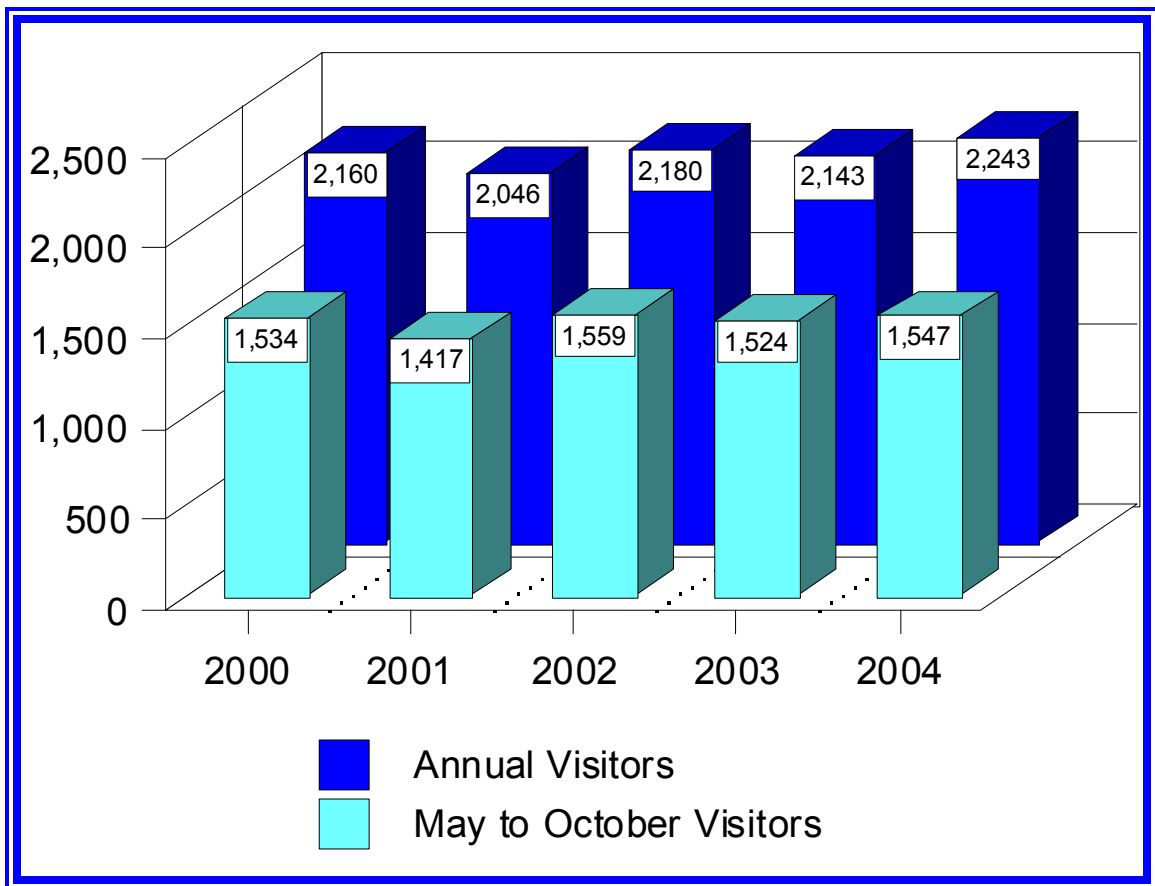


EXHIBIT I-2

**ORIGIN OF VISITORS TO NOVA SCOTIA
January to December 2004**

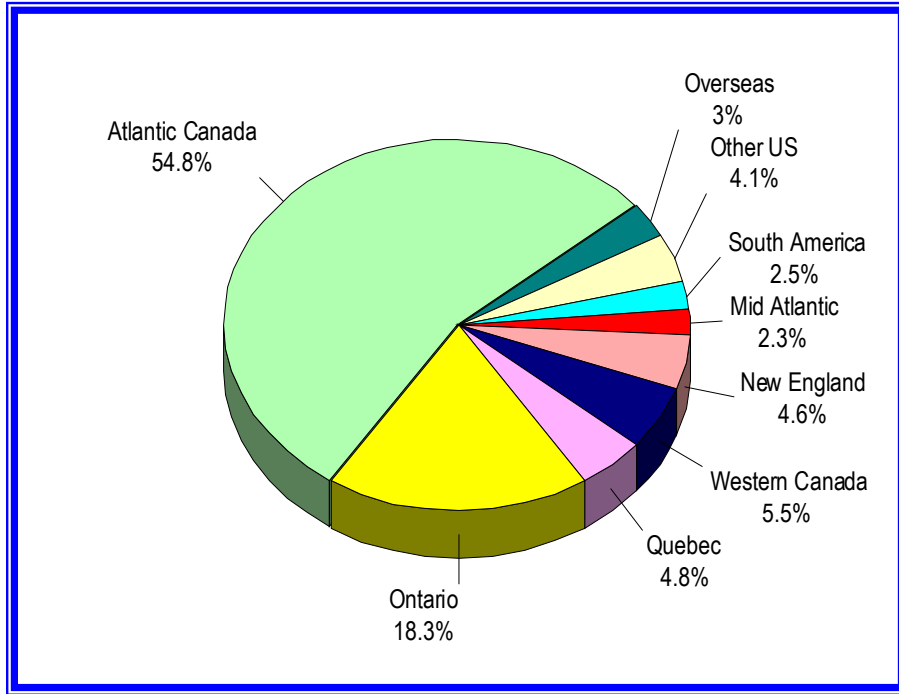
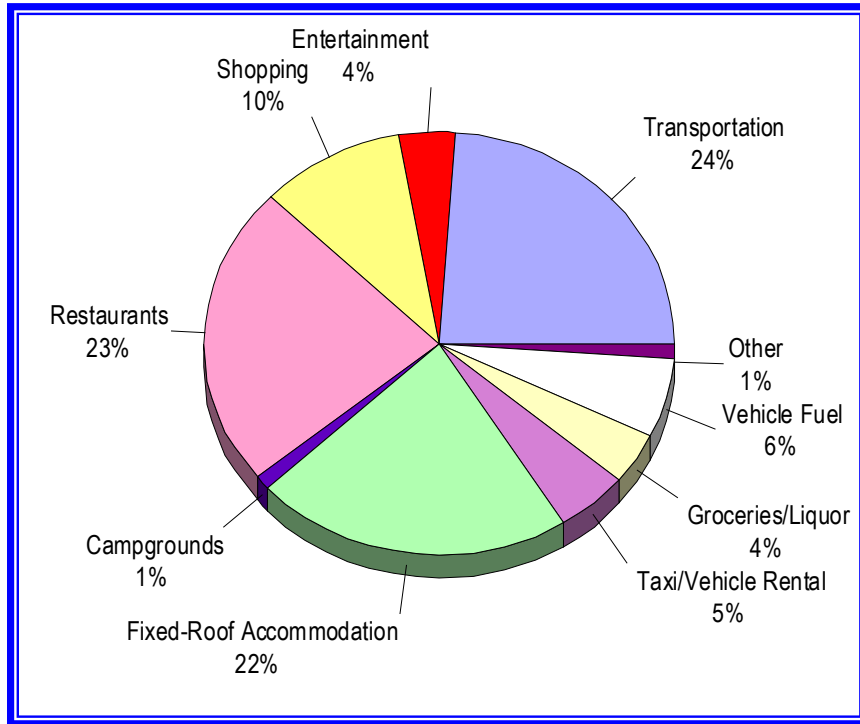


EXHIBIT I-3

NOVA SCOTIA TOURISM RECEIPTS BY EXPENDITURE TYPE. 2003





APPENDIX II

Market Penetration Case Study

APPENDIX II

MARKET PENETRATION CASE STUDY

This case study is presented to illustrate the calculation of expected future business using the comparables analysis method.

In this case a sightseeing cruise boat opportunity is being assessed. The proponent (Mr. Jones) has recently visited with cruise boat operators in other communities and followed the other steps in the method. The findings are as follows:

- Operation "A," a sightseeing cruise boat in a community of 90,000, having seasonal tourist visitation in the area of 250,000, reports carrying 60,000 passengers a year, of whom 85% are tourists and 15% are residents of the area. It is evident that the operation is penetrating its resident market at an annual rate of 10% (60,000 passengers x 15% residents is 9,000 residents divided by a resident population of 90,000, gives a 10% penetration rate) and its tourist market at a rate of 20% (60,000 x 85% tourists divided by a total tourist market of 250,000).
- Operations "B" and "C," both located in the same city of 500,000 people and having a tourist market of 1,000,000, reported having 110,000 passengers a year between them. Assessing the market mix of each operation, it would appear that some 20% of the passengers are residents, 60% are tourists and 20% are on functions and charters (mostly for local companies and groups, some for motorcoach tours and conferences). One of the two companies operates a boat which has catering facilities on board. For the two operations together, the market penetration rates are 4% for residents and 7% for tourists, excluding the function business.
- The operators both stated that most of their function business was local - private parties, business receptions, etc. Mr. Jones allocated the function business on the basis of guesstimates of 75% local and 25% tourist, thereby increasing the resident market penetration number to 8% and, while the tourist market penetration went up slightly, it was still in the 7% area.
- The sightseeing cruise boats in other communities investigated are found to have market penetrations of resident markets in the range of 5% to 18%, and in the tourist market, of 6% to 30%.

Mr. Jones then sorted the data into two categories: large markets and small markets. He found that rates in the large markets ranged from 5% to 12% for resident market penetration and 6% to 11% for tourist market penetration. The rates were higher for the small markets; 10% to 19% for resident markets, and 18% to 30% for tourist market.

As he is planning a cruise operation for a relatively small market (70,000 residents and 325,000 tourists), Mr. Jones decided to rely on the small market data.

The median penetration numbers for the small markets are 14.5% for residents and 24% for tourists. So, should he use these numbers?

No, there are some other things he had to consider first, and he also had to assess how the total business is likely to be split among the local competition. (As we discussed in the text, there are several variables that can affect market penetration rates as well as market share.)

Mr. Jones has already accounted for the first of the market penetration variables, market size.

The second key issue to be considered was the quality of experience offered by his product compared to other experiences available for people in the area. Is a sightseeing cruise in his community going to be the #1, #2, or #3 attraction? How would it rate on the scale of must-do things in the community? Is it a great enough experience that people will travel to the community to seek it out? How does it compare in this respect to the comparable cruises he researched?

The third issue is image and market awareness. Is this a brand new type of experience for visitors to the community or has there been a long established tradition of sightseeing cruises in this community? Are tour operators actively looking for this product or does Mr. Jones have to sell the concept from scratch.

The fourth issue was critical mass. Are there other complementary attractions in the community which will reinforce the appeal of and demand for his cruise? Is his product going to have such an appeal that other tourism operators will want to work with him in packaging and promoting it?

With each of these issues, Mr. Jones is trying to compare his market situation with the situations in the markets in which the comparable cruises operate. What he is working towards is a judgement of whether the market penetration rates for cruising are likely to fall in the high, median or low end of the range experienced by the comparables.

His determinations on these issues are as follows:

- Because of outstanding scenery in the harbour and the rich marine heritage of the community and the region, which is still evident today, Mr. Jones believes the cruise will be among the best tourist experiences available in the region.
- As to awareness, while there is a small cruise operation nearby, it has never achieved its full potential and has not become an established must-do attraction, so Mr. Jones is facing an awareness building challenge.
- As to critical mass, there are some other attractions in the community as well as several hotels/motels and restaurants who are keen to work with him on packaging and marketing.

Taking all the foregoing into account, Mr. Jones concludes that the sightseeing cruise product in his market has potential for slightly higher penetration rates than the median. He decides to use penetration rates two points higher than the median for resident markets and five points higher for tourists.

The result is penetration rates of 16.5% and 29%, resulting in a market potential of some 105,800 projected annual passengers, including 11,550 residents and 94,250 tourists.

This analysis was for the market as a whole. Now he has to figure out how much of that total market (both existing business and latent potential) he is likely to get in his own operation. This involves an analysis of the competition and calculation of market shares. (See the components of this analysis in the text.) His determinations are:

- As mentioned, there is another cruise boat in the area, but it's older than his and the other location isn't as good. The other operator also been doing a poor job in customer satisfaction, cleanliness, and marketing. From what we have been able to learn, it looks like the current operator is probably doing about 60,000 passengers a year.
- There is one other sightseeing operator, providing local tours by van, but the scenery is better from the water.
- Mr. Jones passenger fare will be about the same as that of the other cruise and slightly more than the van tour, but the value will be significantly better.
- Mr. Jones is personally committed to quality service. His front line staff will receive hospitality training and he intends to have an employee service awards program.
- The person he's planning to hire used to be a marketing manager in a successful hotel. She's got the skills and the connections to help him do a first class marketing job.

Taking all of this into consideration, Mr. Jones decides to allocate the potential market as follows:

- Loss of the market to the local van tour operator - 10%. While the total passenger volume for this operator will be significantly more than 10% of the 105,000 sightseeing cruise volume, Mr. Jones notes that some of the other comparable markets had shore tours available too and their counts weren't included in his market penetration calculation for the comparables. (As a result, all he's trying to do here is estimate the amount of business that might normally accrue to the cruise operations but is expected to be lost to other options. In other words, he is guessing that he's going to lose more business to the ground operator than do the comparable operations in other markets.)
- Share of the market retained by the other cruise operator - 40%. Mr. Jones is going to have a better product and do a much better job in marketing, so he believes that he should be able to significantly exceed the market share of the cruise competitor. On the other hand, the competitor has been in business for years and has an established relationship with a number of tour operators. As a result, Mr. Jones is conservative in his estimate of how much of the business he can redirect to his operation.

The result of the analysis is that Mr. Jones expects, in due course, to get 50% of the potential sightseeing cruise business available. This results in a projection of passenger volume of

something over 50,000 passengers per year.

Recognizing that he won't get this volume the first year, Mr. Jones decides to discount the numbers for the early years as follows:

Years	Penetration Rates for both Cruise Operations		Mr. Jones Market Share	Mr. Jones Projected Passengers	Competitors' Market Share	Competitors' Projected Passengers
	Residents	Tourists				
Market Size	70,000	325,000				
Current	0.12	0.16	0.00	0	1.00	60,400
First year of business	0.13	0.20	0.35	25,935	0.65	48,165
Year 2	0.14	0.24	0.40	35,120	0.55	48,290
Year 3	0.15	0.26	0.45	42,750	0.50	47,500
Year 4	0.17	0.28	0.48	49,224	0.45	46,148
Year 5	0.17	0.29	0.50	52,725	0.40	42,180



APPENDIX III

Calculation of Net Income, Cash Flow and Return on Investment

APPENDIX III

CALCULATION OF NET INCOME, CASH FLOW AND RETURN ON INVESTMENT

This appendix presents the calculation of net income and cash flow as well as methods of calculating return on investment, based on professional, accepted standards of analysis.

The first step in any kind of detailed analysis is to calculate net profit and net cash flow.

Net Profit and Net Cash Flow

The proper way to determine the real profitability of a business and its return on investment is to calculate net profit, in accordance with established accounting principles and in the way Revenue Canada calculates business income taxes. By following this method, it is possible both to determine your projected level of income taxes and determine the actual net cash return accruing to you and your investors.

However, there is also a shortcut method which is simpler and will also render a cash flow calculation, although the numbers will, in this case, be pre-tax. If it is your purpose to determine the basic viability of the business proposal by measuring return on investment, pre-tax returns can be just as useful as net returns. We will discuss both methods. You choose the one you want to use.

To complete a detailed analysis, we need to determine pre-tax profit, net profit and net cash flow.

Pre-tax Profit is the Operating Profit minus all other charges against income. These are the non-operating costs of the business, and they include:

- Interest on long-term debt;
- Depreciation.

To calculate the interest on your proposed debt financing, we need to split the mortgage payments between the interest and principal portions for each year. A mortgage program can do this for you. Ask your accountant or your banker to run the numbers for you.

Depreciation should be charged at the Capital Cost Allowance (CCA) rates set out by Revenue Canada for each type of asset. Generally, these are calculated on a diminishing balance basis (a constant percentage is applied each year against the un-depreciated balance in the asset account), although some assets can be depreciated on a straight-line basis (an equal portion of the original

amount each year.) Check with your accountant or Revenue Canada for the CCA rates applying to the major asset items proposed for your operation.

Net Profit is Pre-tax Profit less corporate income taxes. Business income taxes are levied against pre-tax profit. Ask your accountant which tax rates would apply to your business.

The resulting figure, Net Profit, is the accountant's way of telling you what the real profit is in your business. It is a figure which includes the profit that is available to you and your investors at the end of the year as well as the principal portion of any debt that has been paid off, after adjusting for the amortization of the original cost of the assets in the business (depreciation or CCA). In other words, it's the accrued change in the book value of the net worth of the business (i.e. assets less liabilities).

However, this is not the same figure as the amount of real cash you have available from the business, since it includes the principal portion of mortgage payments which have been made and it also ignores any new capital expenditures which have been made over the year (expenditures which would have been capitalized rather than expensed against that year's income). Net Profit is also net of capital cost allowance or depreciation. Indeed, as this is a book entry and not a real cash flow charge, it only distorts the cash flow picture.

To calculate Net Cash Flow, which is the real cash figure, you need to start with Net Profit, add back the depreciation or capital cost allowance, deduct the principal portion of mortgage payments (the interest portion has already been deducted) and deduct an allowance for capital purchases (Asset Replacement) for the year. This is the real cash return - the cash flowing out of the business for the year and available for you and your investors to take out or re-invest.

The short-cut way of calculating cash flow is simply to start with Operating Profit, deduct total mortgage payments (both principal and interest), and deduct any capital Asset Replacement allowance. This will give you the net cash flow prior to business income taxes. It is simpler by far than going through the detailed calculation above (which is only required to derive income taxes), and the pre-tax numbers can be just as readily used for return-on-investment analysis. A worksheet is provided in Exhibit III-1.

Return on Investment

Return on Investment is generally referred to as ROI. Another measure of value is Return on Equity (ROE).

These calculations give you a single measure of the income returned on the invested capital over a period of future years selected by the analyst to represent the life of the investment. ROI is a measure of the return on total capital, both debt and equity, while ROE is the return on equity only. These measures are universally accepted by investors, bankers, and other lenders as means of evaluating the income potential of a business investment.

There are a number of ways to make these calculations, some more complex than others. The more complex methods are, of course, the better methods. We will start with the simplest method.

EXHIBIT III-1

PROJECTION OF PRE-TAX CASH FLOW

	Mature Year	1	2	3	4	5
Operating Profit						
Less: Annual Mortgage Payments						
Capital Re-Investment Allowance						
TOTAL						
PRE-TAX CASH FLOW						

Simple Average Pre-tax or Net ROI/ROE

For a particular year, ROI is the pre-tax net cash flow plus the interest for the year on long-term debt, as a percentage of the original total investment (equity plus long-term debt).

$$\text{ROI} = \frac{\text{Pre-tax or Net Cash flow} + \text{Interest on Long-Term Debt}}{\text{Original Equity} + \text{Original Long-Term Debt}}$$

ROE is the pre-tax or net cash flow as a percentage of the original equity investment.

$$\text{ROE} = \frac{\text{Pre-tax or Net Cash Flow}}{\text{Original Equity}}$$

These numbers can be averaged over a number of years, say ten years, to give an average pre-tax ROI or ROE figure.

These are the simplest calculations. However, they are not well regarded by serious financial analysts because they ignore the time value of money. What we mean is that they give the same value to a dollar earned in the tenth year as they do to a dollar earned in the first year. In reality the present value of a dollar earned in the tenth year is really only a portion of a dollar.

However, the simplicity of this method is its beauty and it is easy to understand. Most bankers will accept such numbers for their purposes. If you are not pressed for a more sophisticated calculation, leave it at this.

For a project to be commercially feasible, the ROI and ROE values have to be positive (i.e. the business is making, not losing, money) and they should exceed the costs of alternative, no-risk investments, such as bonds or guaranteed investment certificates. If they don't exceed these alternatives, why bother taking the risk? Just put your capital in guaranteed investments.

Another factor determining what is a satisfactory return is liquidity. Liquid investments, blue chip stocks and bonds, for example, can be readily and quickly sold, at little cost. An equity stake in a small sightseeing business, however, may be difficult if not impossible to sell, and there may, in fact, be an agreement among the investors restricting their rights in this respect.

The degree these rates of return exceed no-risk investments is primarily determined by the level of risk inherent in the business proposal and, to a lesser degree, the level of liquidity.

Looking at a sightseeing business, its advantages are:

- It can be moved to new location if it doesn't work at the initial one;
- While the equity may be difficult to sell, the assets, most of which will be portable, generally should be saleable on the used equipment market, to the extent there is such a market.

Disadvantages include:

- A high proportion of investment in rolling stock/transportation equipment means a large depreciation in resale value following purchase;

- The business is susceptible to new competition, since it is relatively easy for others to set up or to move from another location.

Everyone has a different view on these matters, but we suggest the following guidelines:

ROI (assuming 50% debt and 50% equity):

- Double the interest rate on long-term debt is **excellent** (provides four-times coverage of interest on debt) (NB: - For the ROI to be double the interest rate, the ROE has to be three times the interest rate.);
- 150% of the interest rate is **good** (provides three-times interest coverage);
- 100% of the interest rate is **poor** from the investor's standpoint - there is no premium for risk - but not bad from the banker's perspective, he or she has two-times coverage on interest;
- Less than 100% - is **not a commercially feasible** proposition and probably not bankable, since the lender has little or no income protection.

Assuming the financing was 50/50 debt/equity and that the interest rate on long-term debt was 10% per annum, an ROI of 20% would produce an ROE of 30%.

ROE:

- Triple the interest rate on long term debt is **excellent**;
- Double is **good**;
- Equal to the interest rate is **poor**;
- Less than the interest rate is **unfeasible**.

Times Loan Payment Coverage

Bankers look at the income protection on their loan. Basically, they want to see operating profit of at least double the level of annual loan payments. Thus, if there was a 50% deterioration in net income, the business could still cover its loan payments. For higher risk businesses, they will want to see triple or better coverage.

This judgement will also be affected by the amount and quality of security you have put up for the loan. If they don't have to rely on business income for loan repayment, they may be a little less demanding on times coverage.

Detailed Return-on-Investment Methods

The more sophisticated methods of calculating return on investment are summarized below. Both of them share the benefit of accounting for the time value of money in calculating return on investment.

Internal Rate of Return (IRR):

This method calculates the percentage of rate of return generated from a stream of income over time, relative to the amount of the original investment. Net cash flow is usually used to represent income, although a pre-tax IRR can be calculated too, if you are using the simpler pre-tax cash flow method of projecting earnings.

Essentially, this method determines the discount rate (rate of return) that, when applied to each future year's cash flow, will result in a total cash flow for all the years equal to the original investment.

Ask your banker or your accountant to do this calculation for you. Most spreadsheet programs today will perform this calculation. To do it manually, you have to be a mathematician!

Net Present Value (NPV):

Net present value (NPV), sometimes called warranted investment, is a very useful ROI measure. Rather than determining the rate of return itself, it asks you to establish a target rate of return and then discounts each year's cash flow at this rate to calculate the level of investment warranted for the project. In other words, it tells you how much you can afford to invest to produce the desired rate of return from the projected cash flow. If the warranted investment is higher than the actual investment required, the project will exceed the target rate of return and vice versa.

Again, the NPV calculation can be done by your accountant or banker.

Time Period for Projections

What time period should we use in measuring ROI?

A primary consideration in this respect is the expected useful life of the investment. The useful life of an investment can be many years. Buildings, for example, can have an effective life of a century or more. Rolling stock may be good for twenty years or more. Other assets may have a much shorter useful life. Assuming, however, that you will be spending enough annually to refurbish or replace items on a periodic basis, the useful life of the assets in the business will be extended indefinitely into the future. On the other hand, new competition could weaken your ability to maintain the business on this basis and its life would be shortened as a consequence. As a result, the expected useful life of an investment is not a sufficient consideration, on its own, for determining the time line for ROI analysis.

A second important consideration is the reliability period of future projections. Some experts believe that any projections beyond five years are so speculative that they are useless. (Some others believe one year is speculative!)

However, the key question is not really how accurate future projections can be but, rather, is it reasonable for you to rely on future income from the investment you're contemplating today and, if so, for how many years can you reasonably expect to continue to earn this income?

We would suggest that a ten-year time line would probably be appropriate for a sightseeing tour business. With reasonable management and investment in marketing, this should be readily achievable. In addition, there's not a lot of value in extending the time line significantly beyond

this, since, with the time sensitive ROI methods, the impact of cash flow more than ten years in the future is quite small.

With the simple ROI method, you should not include years beyond the tenth year in the calculation, since to do so would distort the result by giving too much weight to cash flow in the distant future.

Break-even Analysis

Another useful analysis is break-even analysis. Some financial institutions like it, because it paints a picture of the degree to which a projected level of business exceeds the minimum necessary to survive and provides a measure of the down-side protection in the projected numbers.

The break-even point is the volume of revenue at which all costs are covered and the business breaks even on a revenue-to-cost basis.

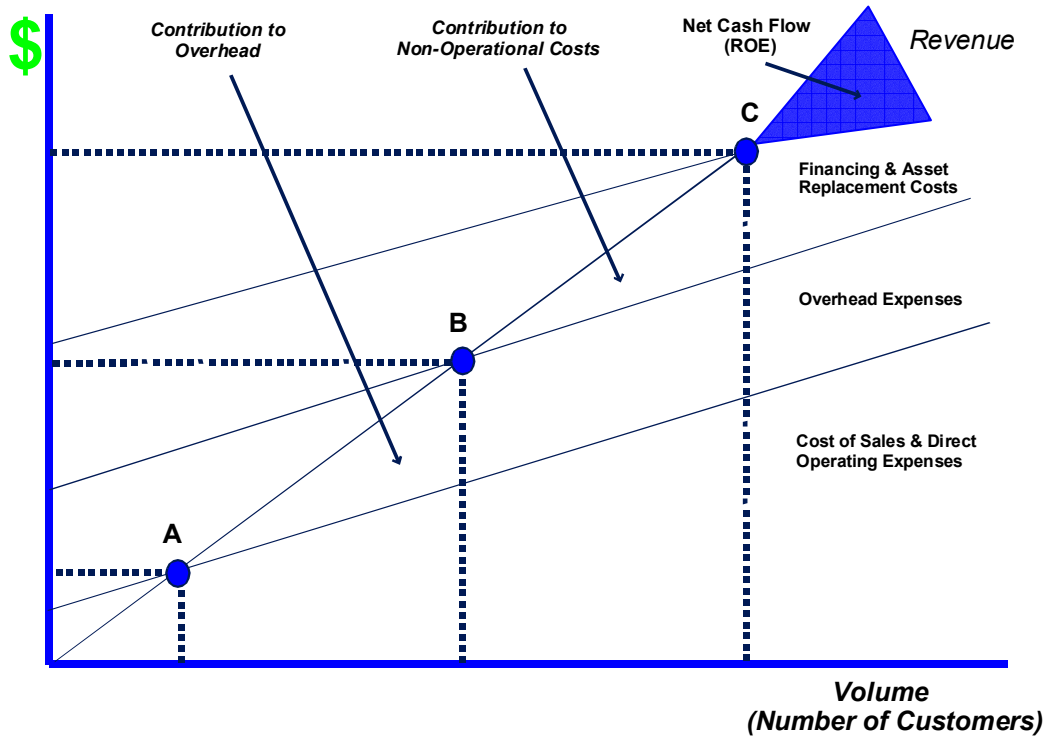
There are several different break-even points, as illustrated in Exhibit III-2. The first comes when the intersection of volume of business and price produces enough revenue to cover variable operating costs (costs of sales and direct operating expenses). The amount of revenue in excess of variable costs is called Contribution to Overhead.

The second level happens when all operating costs, the variable costs as well as all overhead costs, are covered. The surplus is the Contribution to Non-Operating Costs or Contribution to Capital Related Costs.

The third level is when all costs of the business are covered. The surplus is Net Cash Flow or Return on Equity.

Break-even analysis is also very useful to management for the purpose of evaluating feasibility and also because it can be used in pricing and discounting strategies as part of a yield management process. We talked about this in Section 8.

EXHIBIT III-2
BREAKEVEN ANALYSIS



- A** Break even on variable costs (direct costs)
- B** Break even on variable & fixed cost (overhead costs)
- C** Full Break even - covers all variable & fixed costs, as well as financing & asset replacement costs



APPENDIX IV

Business Structures

APPENDIX IV

BUSINESS STRUCTURES

Alternative Forms of Business Structures

This section looks at alternative ways of setting up a business and deals with the major considerations you will face.

The alternative forms of business organization include:

- Sole proprietorship;
- Partnership;
- Corporation - the Limited Company and the Public Corporation;
- Limited Partnership;
- Joint venture.

The features, advantages, and disadvantages of each organizational form are summarized below.

Sole Proprietorship

A sole proprietorship is just what it says. It involves one owner, and that owner and the business are one entity. In other words, the person owns the assets personally, and the liabilities of the business are the liabilities of that person. There is no legal form to a sole proprietorship, although it still has to register itself as a business for the purposes of business licensing and sales tax registration. The legal status of the business is the legal status of the owner as a citizen. The income of the business is the personal income of the owner.

The advantages of this form of enterprise include:

- Simplicity;
- Freedom to make your own decisions.

The disadvantages include:

- No limitation of personal liability for the owner;
- Nobody to share the responsibilities of running the business;
- Limited access to equity other than what you have available personally.

This form of enterprise is only feasible where the business is owned solely by an individual, or perhaps by a married couple, since the laws on marital property will govern the nature of the relationship between the parties.

Partnership

A partnership is a business form intended for two or more owners. Like the sole proprietorship, the owners of the business and the business itself are one and the same for legal purposes. The business has no legal status separate from the individuals involved. The liabilities of the business are the liabilities of the partners. In fact, each and every partner is liable for all of the liabilities of the business. Partners are assumed under the law to have equal interests in the business, unless their partnership agreement specifies differently.

The governing legal instrument is the partnership agreement drawn between the partners. It has legal status as a contract. It normally covers the key arrangements among the partners, for example:

- The proportions of partners' interest, if other than equal;
- Cross indemnification of personal liability;
- Provision for dissolution, or transferring of interests in the partnership;
- The decisions to be made jointly by the partners;
- Prohibited activities;
- Provisions for life and disability insurance to assist surviving partners in acquiring the interest of the deceased or disabled partner, and compulsions on the partner or his or her estate to sell that interest to the surviving partners in the event of disability or death;
- The manner in which partners are to be compensated, as well as distribution of the partnership's profits and losses;
- Procedures for amending or terminating the agreement.

The advantages of a partnership are:

- Basic simplicity;
- Provides for more than one owner.

Disadvantages include:

- Unlimited liability for each partner for all of the liabilities of the business. The partners can have a mutual indemnification clause in their partnership agreement, which can partially offset some of the risk, but this only establishes a claim on the other partners in the event a partner is called upon to cover a business liability.

- Many partnerships fail because the partners do not adequately deal with issues such as those identified above as needing to be included in the partnership agreement.

Corporation

The corporation is a separate legal entity from its owners. It has the status of a person under law. It is created when Articles of Incorporation are filed with the Registry of Joint Stock Companies of the Nova Scotia government in the case of a provincial corporation, or the federal government in the case of a federally incorporated company. You have the choice of provincial or federal incorporation. (There is little point in a federal registration unless the same company is going to be doing business outside of Nova Scotia.)

A corporation issues shares to its owners and equity investors. The liability of the owners and investors is limited to the amount of their investment. (However, if they provide personal pledges or guarantees to the bank or other creditors on behalf of the company, their limited liability does not protect them for the specific liability involved.) In other words, for the most part the company's creditors have only the assets of the company as protection for their credit, not the assets of the owners. There are certain creditors and liabilities which do have a claim on the owners of an incorporated company including the Receiver General of Canada for employee source deductions, the Workers' Compensation Board, and employees for their back wages.

There are two forms of limited liability corporation, the private corporation and the public corporation. The private corporation is the one used by the vast majority of small- and medium-size businesses that are incorporated. In these cases, the investors are informally organized by the promoters of the business. Private corporations are not permitted to promote the sale of their shares to the general public.

In a public corporation, on the other hand, promoters are permitted to solicit the sale of the corporation's shares to the general public through investment dealers and other financial institutions. To do this, however, the promoters have to file detailed information on the business proposal and on many other topics to the Nova Scotia Securities Commission and receive approval to sell the share offering.

The cost of legal, consulting, and accounting fees in developing a prospectus can run to hundreds of thousands of dollars, so this form of business structure is only used for very large businesses.

The advantages of a corporation are:

- Limitation of owners' liability;
- Can have several owners/investors;
- The business can enter into contracts and conduct business in its own name, rather than the names of the owners;
- There can be some tax benefits to the owners as compared with the sole proprietorship or partnership.

Disadvantages include:

- More expensive and complex to establish;
- For very small businesses, much of the advantage of limited liability is usually lost, since bank and lenders will insist on personal guarantees from the owners anyway.

Limited Partnership

The limited partnership is a form of business organization that was popular in the past decade. It is like a partnership in some ways and a corporation in others. Basically, the general partner organizes and runs the business, while the limited partners invest in it. All are partners for tax purposes; in other words, the net income and losses of the partnership flow directly to them. However, the liability of the limited partners is limited to the amount of their investment, as long as they don't engage in the business in any fashion, other than as passive investors. To remain a limited partner, a person must not take part in the management of the firm and may not act on behalf of the company.

In the 1980s limited partnerships have been used to finance many chain and franchise hotels in Canada but they are not as popular now.

Joint Venture

A joint venture is like a partnership but usually involves two or more corporations that enter into an agreement to operate an enterprise under joint ownership. The respective companies usually have some business relationship with the joint venture.

Business Registration

Whatever the form of business structure you choose, you need to register the business. This is discussed in the section of the manual titled Legal, Regulatory, and Tax Matters.

Tax Considerations

There are a number of tax implications with each form of business organization. You are strongly advised to obtain professional tax advice from a qualified accountant, preferably a tax specialist.

Agreements Among Principals

Whatever the form of organization, it is vital that the principals in the business execute a formal agreement among themselves. In the partnership, there is a partnership agreement, while in the corporation it is a shareholder's agreement.

The agreement should cover, at a minimum, the following kinds of issues:

- An understanding as to the purpose of the business, the roles of the principals in it, and any other mutually agreed intentions;
- Decisions requiring approval of all the principals;

- Decisions requiring approval of a majority of the principals;
- Procedures for selling or transferring an interest in the business;
- Procedures for dissolution;
- Procedures for resolving conflicts when there is a stalemate;
- Methods of compensating the principals;
- Issues having to do with the rights of and prohibitions on the principals.

Which Form of Business Should I Use?

If you're in this project on your own, a sole proprietorship is simplest and cheapest.

Incorporate a private company in which you hold all or most of the shares if you want some limitation of liability protection and/or if your tax advisor indicates some tax advantages in incorporation.

If there's more than one owner, and they all want to have a say in the running of the business, form a partnership.

In partnerships, sometimes one partner may be silent, which means he or she will supply the capital while the other supplies the know-how and the hands-on management. In most cases, however, partners work together at the business. Ideally, in a working partnership, each partner will have skills that are different but complementary to the other so that both can contribute to the business in other ways besides supplying money. Whether silent or active, your partner will usually insist on some role in management decisions.

A word of caution here: you should be very careful in choosing a business partner. Many partnerships fail because the partners cannot get along. If you do choose to form a partnership, you should have a detailed and comprehensive agreement drawn up to protect the interests of all partners.

If you have several others who are prepared to invest in the business but are not going to be active in it as partners, then the private corporation may be the best form. Your tax advisor may, on the other hand, suggest a limited partnership since it gives some tax advantages to the non-active partners.

You definitely need expert advice on this.



APPENDIX V

Financing

APPENDIX V

FINANCING

Few people starting a business have enough personal capital to do it on their own. It is much more common for entrepreneurs to need other investors and, usually, some loan capital as well. This section deals with the "how to's" of arranging financing for your sightseeing tour business.

It is important that you learn the basics of business finance if you are going to be seen as credible and competent by a banker or other lender. They don't expect you to be an expert on financing but they do expect you to know enough to be able to meet their needs and provide reassurance about their major concerns. They also expect you to know enough about business finance to be able to manage your business' financial affairs over time.

Rule number one is that you must invest significantly in the business yourself. You have to have your own neck on the line if others are going to risk their capital on your enterprise. Having other equity investors will be helpful, but the lenders will look to the managing principals to have a major, personal equity stake in the business.

Rule number two is that you have to have a credible business plan and preferably a feasibility study too to provide evidence that the business is going to be able to succeed and pay back its financing: first its loans and secondly its outside equity investors.

Bankers and lenders are not risk takers. They not only want the foregoing, they also want some additional security in the form of assets pledged to protect the loan.

We will now briefly explore the different types of financing available and then consider the "how to's" of applying for a loan.

Equity Capital

Your own investment in the business, be it cash, buildings or equipment, is the primary source of equity. Additional equity capital will be invested by partners, limited partners, or other investors who are willing to risk their capital on your idea and your abilities.

Venture Capital Companies

There are many venture capital companies in Canada who invest in small- to medium- size businesses that have growth potential. Venture capital companies commonly invest between \$100,000 and \$500,000.

These companies will put in risk capital but only in ventures that have the potential to grow dramatically and pay large returns within four to five years. They will want to sell their investment after four or five years and realize their gain.

Typically, venture capitalists invest in high tech and other high growth companies when they are in their fledgling stages. While most tourism enterprises don't have the same kind of growth potential, some may, particularly if there is the opportunity to franchise a good concept. Otherwise, this is not a very likely source of financing.

The key things venture capitalists are looking for are:

- Rapid growth potential;
- Strong, committed management;
- A seat on the Board of Directors and pre-emptive rights to replace management if they don't perform on target;
- Large returns over a limited number of years.

Debt Financing

Loans are the predominant form of financing for the tourism industry in Nova Scotia and elsewhere in Canada.

A key lending principle is that long-term assets are financed with long-term loans and short-term assets are financed with short-term loans. Working capital should be financed by a short-term line of credit. In other words, the type of financing should fit the useful life of the asset in the business.

Another key principle, often ignored, is that a business should never commit to loan obligations that it can't comfortably support from its earnings. As a general rule, the lenders will want the business to be able to generate cash flow which is at least 1.1 times, and perhaps as much as 1.5 times, the amount required to repay both principal and interest on an annual basis.

In addition, your loan financing, combined with your equity financing should be sufficient to cover all your costs and provide for contingencies in the event of unexpected costs or overruns in development costs. Otherwise, the working capital of the business will be absorbed by capital commitments and the ability of the business to operate properly will be compromised, if not threatened.

Fixed Assets Financing

Fixed assets are assets fixed in one place, such as land and buildings. They are assets that generally have a long life. Such assets are normally financed with long-term debt, either a mortgage loan or a secured term loan. Mortgage loans extend for the longest period, while term loans are normally for intermediate periods of five to fifteen years.

Lenders don't like to finance more than 75% of the value of assets in this way; they want the rest covered by equity. The lender looks to the projected earning power of the business to pay off the loan, although they also want the security of a claim on the assets themselves in the event of default. They will expect a business plan from you and may also want a feasibility study.

Long-term lenders also look at the overall financing of the business, not just the financing of their secured assets. They look at the debt/equity ratio and don't like to see a ratio of more than 1.5 or 2.0 at the most (1.5 or 2 times as much debt as equity).

Lenders may require other things from you. Typical requirements, in addition to the security for the loan, include:

- Personal guarantees of the main principals for the amount of the loan plus accrued interest;
- A postponement of the repayment of shareholder loans until the loan is repaid;
- Limitation on the salaries and drawings of the principals;
- Restrictions on major capital purchases until the loan is repaid.

Major Equipment Financing

An sightseeing tour operator's major capital equipment is likely to be limited. If you are including a restaurant, then you will have kitchen equipment. If you have no food service, however, you will probably not need any major equipment financing. Long-term mortgage loans are not normally used to finance major equipment purchases. The techniques that are used most often include:

- Secured term loan;
- Conditional sales purchase;
- Equipment lease;
- Sale and Leaseback.

Secured Term Loan

This is a standard term loan, generally of five to fifteen years, in which the equipment is taken as security for the loan, usually in the form of a lien.

Conditional Sales Contract

This is a method wherein the manufacturer of the equipment finances the purchase. The purchaser makes a down payment and monthly payments until the loan is paid off. The ownership of the equipment remains with the manufacturer until the debt is paid.

Lease

Leasing is a very common way to finance equipment. This is like the conditional sales contract, but leases are provided by many different financial institutions, not just equipment manufacturers. With a lease, the equipment is rented for a pre-set period of time at a fixed monthly payment that covers the cost of interest as well as a portion of the original value of the equipment. Depending on the type of lease, the equipment either reverts to the leasing company at the end of the term (although the lessee usually has an option to buy it for a pre-set value) or the lessee must buy it for a pre-set amount at the end of the lease term.

The ownership of the assets usually resides with the leasing company.

Leases are popular since they don't require a large cash outlay at the beginning. They also provide a means of replacing equipment on a regular basis, since it can be returned at the end of the lease period and new equipment leased. It is also attractive for companies wanting to own the equipment, since they can buy it at the end of the lease period, probably for a quarter to a third of the original cost.

Sale and Leaseback

Companies wanting to reduce their existing debt so that they can borrow for new assets they require can sell a fixed asset to a financial institution and then lease it back. They effectively convert a long-term debt into a medium-term lease commitment.

Working Capital Financing

The financing of short-term working capital is generally done with some combination of the following:

- Bank line of credit;
- Character loans;
- Commercial loans.

There are other methods, such as accounts receivable financing and factoring, but they are very unlikely to be used by an sightseeing tour business.

Bank Line of Credit

This is also called a demand loan since the bank can demand payment at any time. The line of credit is really an overdraft privilege with a pre-set limit. It allows you to pay your bills with the bank's money when you're short of cash. The amount of the loan is the amount used and interest is only paid on the amount used.

The bank may require you to pledge your receivables as security for the line of credit and they will probably want regular financial statements and frequent lists of payables and receivables. They will also want personal guarantees.

A hybrid of this is the revolving loan, in which the bank automatically extends you small loans as you draw on the credit available and automatically pays them off as you make deposits. While you may pay interest on a slightly larger average loan, the interest rate is usually lower.

The bank will monitor your line of credit. They like to see it fluctuate and occasionally go to zero. If it is constantly at the limit, they will get concerned. If this happens, you probably should refinance the business to return the line of credit to a fluctuating loan.

Character Loans

These are unsecured loans, generally short-term, which are extended to companies or individuals with excellent credit ratings. The funds can be used at the company's discretion.

Commercial Loans

These are more formal loans intended for short-term uses. The bank generally wants payments on a regular basis and the loan paid off within a year.

Sources of Financing in Nova Scotia

There are a number of agencies which may offer financial assistance for tourism related businesses in Nova Scotia.

The **Business Development Bank of Canada** (BDB - formerly the Federal Business Development Bank) is a federal crown corporation that offers innovative financial and management services that address the unique needs of today's small and medium sized businesses. Assistance is available in the form of loans, loan guarantees, and venture capital. Contact the Business Development Bank of Canada for more specific program details.

The **Canada/Nova Scotia Business Service Centre** (www.cbsc.org/ns/) provides a variety of helpful information including potential sources for funding programs.

The **Nova Scotia Office of Economic Development** can potentially offer funding assistance through various programs including the Small Business Loan Program. Check out their website at www.gov.ns.ca/econ/

Another potential funding source is the **Atlantic Canada Opportunities Agency** (ACOA), which has various assistance programs for business. The programs are designed to help you set up, expand, or modernize your business and focus on small-and medium-size businesses. They can provide tourism-related businesses with access to capital in the form of interest-free, unsecured, repayable contributions. ACOA may also have funding programs available for community development initiatives, such as community attractions. Contact ACOA (or Enterprise Cape Breton Corporation for businesses in Cape Breton) for information on eligibility and program details.

Finally, the **Canada Small Business Financing Act** is a federal government program designed to help new and existing small business enterprises obtain term loans from chartered banks and other lenders for financing the purchase and improvement of fixed assets. Loan assistance is available for the purchase of land, construction or renovation of premises, and purchase of new equipment. The program is delivered through private-sector financial institutions. Further information on the Small Business Financing Act is available from ACOA or your lender.

The Canadian Tourism Commission (CTC) released a publication in 1998 entitled "**A Road Map to Tourism Financing: A Guide for Small and Medium-sized Businesses**" which you may find useful. It can be obtained through their website at www.canadatourism.com or by contacting them directly (see the listing in Appendix I).

Your Presentation and Negotiations

The First Step

First of all, put together a short description of your business concept, in point form if possible, and review it with your local economic development officer or a representative of the Regional Development Authority. They will be able to help you identify what you need if your application is to be considered favourably by a banker.

Next, make an appointment with the manager or loan officer and go to meet with them. (It will help if you review this section before you go so you are able to discuss financing options with some knowledge.)

Make it clear at the outset of your meeting that this is intended to be a preliminary meeting, designed to help you prepare the specific information they are going to need to process your application. It is vital that they understand that you aren't applying for financing at this point, only looking for information and advice regarding a possible later application. They are used to people coming in to make actual applications for financing without having any idea of what's involved. Those people instantly have two strikes against them. Make sure they don't cast you into this lot!

By giving them an overview of the business concept, they will be able to focus in on the forms of financing and types of conditions most appropriate for your business. You may, in fact, learn that they are not the right kind of institution at all and save yourself later frustration.

There are several other advantages of having this initial meeting:

- You will be able to focus your subsequent presentation to them on the things that they indicate will be most important and avoid wasting effort on things that aren't important.
- You will get a sense of the aspects of your concept that make them most nervous and you will be able to concentrate your later presentation on overcoming these concerns.
- It will impress them that you are taking a professional approach; that you recognize their need for information and evidence of the merits of the proposal; and that you have sought their advice. The psychology of this can be most valuable later: they will write in their file, "The principal of this business is taking a professional approach to preparing his or her application," or some such supportive comment.

The Second Step - Preparing Your Presentation

In preparing your written presentation, you will need, directly and indirectly, to address a number of specific concerns that the financial institution will inevitably have:

- The viability of the business concept - potential earnings, risk factors, competitive advantages/disadvantages. With existing businesses, they will, of course, be interested in past growth, revenues, and earnings as well.

- The tourism industry and the sightseeing tour sector in particular - viability, trends, growth.
- The ability of projected earnings to service the financing.
- The opportunity for growth over time.
- The management abilities of the principals - their track records in past projects or jobs, their experience in this kind of business, their formal training and education.
- The financial integrity of the principals - past credit history, reputation in the business community for paying bills and fulfilling obligations.
- The amount of equity in the business, particularly from the main principals.
- The realizable value and marketability of the security that is available to secure the financing.
- The level of professionalism evident in the approach to securing financing - the understanding of the needs of the lender, the use of outside professionals.

The actual presentation will address these issues in the context of the suggested table of contents presented in Exhibit V-1. If you have already prepared a business plan and/or a feasibility study, you can attach them to the submission and reference them where appropriate.

The presentation need not be exhaustive. It can be in a summary form and use bullets to make the points concisely. The financial institution will come back to you for more information where they need it.

You should submit the presentation in person, making an appointment, and then make another appointment to come back and discuss the presentation once they've had a chance to read it.

Negotiations

Honesty and openness in negotiations are critical. It isn't just because you don't want to be caught in deceit or concealment of information, it's also because you are going to have to establish a relationship of mutual trust and maintain it over a period of years. If the financier has any reason to doubt your trustworthiness, honesty, or openness, you will find it very hard, indeed, to get your loan approved.

Discuss your own concerns openly: how you intend to deal with the risks and uncertainties, what you expect to do about major problems that might arise. In general, have an open and full discussion of how the business is going to overcome its challenges. Financiers know very well what can go wrong with a business and they believe in Murphy's Law. In fact, they tend to be cynical about small business, unfair as that may seem. They want you to make them comfortable and give them confidence in your ability to deal with problems.

Don't be intimidated. If you don't understand something, ask. If you don't agree with something, say so. If you think they are being unreasonable in their demands, ask them to explain why the demands are necessary and debate the issue.

At all times be open-minded, non-judgemental, and cool.

This is a normal negotiation. You are free to go elsewhere to get the best deal for your business. However, we recommend that you approach one lender at a time. When you find someone you like and can deal with, stick with them. You should always deal with your banker in good faith. If the manager doesn't think you are serious, or thinks you are wasting his or her time, then you will have difficulty obtaining the financing you require.

Try to get the manager/loan officer to leave their office and come to see your site; give them the tour. Getting them out of their environment into yours is good psychology, and it will help them see your proposal in a more substantial way. It will be real, not just a paper project.

It will take some time and effort to accomplish, but you want to draw your financier into a partnership-style relationship, where they will be more concerned with keeping your business afloat and helping you out, rather than worrying about their loan and wishing you'd take your business elsewhere.

Put yourself in their shoes and act accordingly. Keep them informed. Act like you are in a partnership relationship and treat them like your partner - hopefully, they will respond in kind.

EXHIBIT V-1

SUGGESTED TABLE OF CONTENTS FOR A BUSINESS PLAN, SUITABLE FOR A PRESENTATION FOR FINANCING

Executive Summary:

- Very brief description of the business, the concept proposed, and the capital budget
- An outline of proposed financing
- Summary of revenue and cash flow projections

Background:

- Industry/general tourism trends
- History of the company, date of commencement
- Form of business (partnership, etc.)
- Names of the principals, their involvement, and investment

Business Concept:

- The development concept
- Its unique selling propositions and competitive advantages
- The product mix/product features
- Target markets
- Location and site description
- Proposed assets and capital budget
- Purchase price
- Project phasing

Proposed Financing:

- Equity
- Debt
- Working capital
- Security available

Management:

EXHIBIT V-1 cont'd

SUGGESTED TABLE OF CONTENTS FOR A BUSINESS PLAN, SUITABLE FOR A PRESENTATION FOR FINANCING

Markets and Projected Demand:

- Summary of results of market research and analysis
- Comparable information
- Competitive analysis
- Market trends
- Demand projections

Marketing:

- Pre-opening activities/opening promotions
- Summary of the consumer marketing plan
- Summary of the travel trade and group marketing plan
- Marketing partnerships
- Pricing
- Planned market tracking and research

Operations Plan:

- Staffing and training plan
- Business systems
- Other operational issues

Three to Five Year Operating Projections:

- Revenues
- Operating Costs
- Profits
- Debt service
- Asset additions
- Net cash flow

Initial Balance Sheet:

- Assets
- Liabilities

EXHIBIT V-1 cont'd

SUGGESTED TABLE OF CONTENTS FOR A BUSINESS PLAN, SUITABLE FOR A PRESENTATION FOR FINANCING

Return on Investment:

- Internal rate of return or simple return on investment
- Present value of cash flow
- Times interest earned
- Breakeven analysis

Summary of Key Risks and Contingencies:

- Key risks and management's proposed responses to such threats
- Contingency plans to deal with above

References:

- Financial institutions
- Creditors
- Past business associates - customers, suppliers, partners, etc.
- Banker, lawyer, accountant



APPENDIX VI

List of Contacts

APPENDIX VI

LIST OF CONTACTS

Tourism Division - Tourism Development
Department of Tourism, Culture and Heritage
1800 Argyle Street, 6th floor
Halifax, NS
B3J 2R5
Tel: 424-5000
Fax: 424-0629
Website: www.gov.ns.ca/dtc

Tourism Division - Tourism Marketing
Department of Tourism, Culture and Heritage
1800 Argyle Street, 6th Floor
Halifax, NS
B3J 2R5
Tel 424-5000
Fax: 424-2668
Website: www.gov.ns.ca/dtc

The Nova Scotia Tourism Partnership Council
World Trade and Convention Centre
Suite 603, 1800 Argyle Street
Halifax, Nova Scotia
B3J 3N8
Tel: 424-0048
Fax: 424-0723
Website: www.nstpc.com

Service Nova Scotia & Municipal Relations

Access Nova Scotia
Toll free: Throughout Province:
1-800-670-4357
Website: <https://www.gov.ns.ca/snsmr>
One-stop shopping for government programs and services. Maintain database of contacts for government departments in each region regarding appropriate permits, etc. Also contact for new Nova Scotia Business Registry.

Regional Access Nova Scotia Offices:

Access Nova Scotia - Amherst
Superstore Mall
126 South Albion St.
Amherst, NS B4H 2X3

Access Nova Scotia - Antigonish
20 St. Andrew's St.
Antigonish, NS B2G 2L4

Access Nova Scotia - Bridgewater
77 Dufferin Street
Bridgewater, NS B4V 2W8
Tel: 1-800-670-4357

Access Nova Scotia - Halifax
West End Mall
6960 Mumford Rd.
Halifax, NS B3L 4P1

Access Nova Scotia - Kentville
28 Aberdeen Street
Kentville, NS B4N 2N1
Tel: 1-800-670-4357

Regional Access Nova Scotia Offices
(Cont'd):

Access Nova Scotia - Port Hawkesbury
218 MacSween St., Ste. 22
Provincial Building
Port Hawkesbury, NS

Access Nova Scotia - Sydney
Moxham Centre
380 King's Rd.
Sydney, NS B1S 1A8

Access Nova Scotia - Truro
35 Commercial Street, Suite 101
Truro, NS B2N 3H9

Access Nova Scotia - Halifax
West End Mall
6960 Mumford Road
Halifax, Nova Scotia
B3L 4P1

Access Nova Scotia - Dartmouth
Superstore Mall
650 Portland Street
Dartmouth, NS B2W 6A3

Access Nova Scotia - Yarmouth
Provincial Bldg.,
10 Starrs Rd., Ste. 127
Yarmouth, NS B5A 2T1

Canada/Nova Scotia
Business Service Centre
1575 Brunswick Street
Halifax, NS
B3J 2G1
Tel: 426-8604
Fax: 426-6530
Toll free: 1-800-668-1010
*Information on federal and provincial
government programs and funding assistance
under the Community Business Loan
Program.*

Nova Scotia House of Assembly- Office of
Legislative Council
Website: www.gov.ns.ca/legislature/legc/

Statutes of Nova Scotia

Government Departments

Federal Government

Atlantic Canada Opportunities Agency
(ACOA)
1801 Hollis St., Suite 600
P.O. Box 2284, Station M
Halifax, NS B3J 3C8
Tel: 426-6743
Fax: 426-2054
Toll free: 1-800-565-1228
Website: www.acoa-apeca.gc.ca

Business Development Bank of Canada
Cogswell Tower - Scotia Square, Suite 1400
Halifax, NS B3J 2Z7
Tel: (902) 426-7850
Fax: (902) 426-6783
Toll free: 1-888-463-6232
Website: www.bdc.ca

Canadian Tourism Commission (CTC)
55 Metcalfe Street, Suite 600
Ottawa, ON
K1P 6L5
Tel: 613-946-1000
Website: www.canadatourism.com

Canada Revenue Agency
Business Services
Website: <http://www.cra-arc.gc.ca>
*Payroll, GST/HST
Business Account Registration
Corporations (taxation)
Sole Proprietorships/Partnerships*

Canada Revenue Agency
Tax Services Offices:
Halifax
Ralston Building
1557 Hollis St.
P.O. Box 638
Halifax, NS B3J 2T5
Fax: (902) 426-7170

Sydney

47 Dorchester St.
P.O. Box 1300
Sydney, NS B1P 6K3
Fax: (902) 564-3095

Enterprise Cape Breton Corporation
Commerce Tower, 3rd floor
15 Dorchester St.
Sydney, NS B1P 6T7
Tel: 564-3600
Fax: 564-3825
Toll free: 1-800-705-3926
Website: www.ecbc.ca

Fisheries and Oceans Canada (Maritimes)
P.O. Box 1035
Dartmouth, NS B2Y 4T3
Tel: (902) 426-3760
Fax: (902) 426-5995
Website: www.dfo-mpo.gc.ca

Industry Canada
Corporations Directorate
365 Laurier Avenue West, 9th floor
Jean Edmonds Tower South
Ottawa, ON
K1A 0C8
Tel: 1-866-333-5556
Fax: (613) 941-0601
Website: www.corporationscanada.ic.gc.ca

Industry Canada
Competition Bureau
50 Victoria St.
Gatineau, PQ
K1A 0C9
Tel: 1-800-348-5358
Fax: (819) 997-4282
Website: <http://cb-bc.gc.ca>

Industry Canada
NUANS Search System
C/O NUANS Administrator
Hewlett-Packard Canada
P.O. Box 13000
100 Herberg Rd.
Kanata, ON
K2K 2A6
Website: www.nuans.com

Office of the Privacy Commissioner of Canada
112 Kent St.
Place de Ville, Tower B - 3rd floor
Ottawa, ON K1A 1H3
Toll free: 1-800-282-1376
Tel: (613) 995-8210
Fax: (613) 947-6850
Website: www.privcom.gc.ca
*Personal Information & Protection of
Electronic Documents Act*

Statistics Canada (Atlantic Office)
1741 Brunswick Street
Box 11, 2nd Floor
Halifax, NS B3J 3X8
Toll free: 1-800-263-1136
Website: www.statcan.ca
*Population data, Canadian Travel Survey,
International Travel Survey.*

Transport Canada, Marine Safety
Tower C, Place de Ville
330 Sparks St.
Ottawa, ON
K1A 0N8
Tel: (613) 990-2309
Website: www.tc.gc.ca/marinesafety
*Navigable Waters Protection Program
Office of Boating Safety*

Transport Canada (Atlantic Region)

Dartmouth:
P.O. Box 1013
45 Alderney Drive
Dartmouth, NS B2Y 4K2
Tel: 426-7795

Port Hawkesbury:
811 Reeves St.
Shediac Plaza
P.O. Box 2012
Port Hawkesbury, NS B0E 2V0
Tel: (902) 625-0803

Sydney:
196 George St.
Federal Arts Bldg., 2nd floor
Sydney, NS B1P 1J3
Tel: (902) 564-7002

Yarmouth:
248 Pleasant St.
P.O. Box 850
Yarmouth, NS B5A 4K5
Tel: (902) 742-6860
Website: www.tc.gc.ca/at/

St. John Ambulance Training Offices
Headquarters for Nova Scotia Council
88 Slayter Street
Dartmouth, NS B3A 2A6
Tel: 463-5646
Fax: 469-9609
Website: www.stjohnambulance.ns.ca

Canadian Red Cross
1940 Gottingen Street
Halifax, NS B3J 3Y2
Tel: (902) 423-3680
Fax: (902) 422-6247
Website: www.redcross.ca
First Aid, Water Safety courses.

Provincial Government

Nova Scotia Department of Agriculture & Fisheries - Food Safety Section (Halifax)
PO Box 2223
Halifax, NS
B3J 3C4
Tel: (902) 424-1173
Fax: (902) 424-3948
Website: www.gov.ns.ca/nsaf

Nova Scotia Department of Agriculture & Fisheries - Food Safety Section (Truro)
P.O. Box 550
Truro, NS
B2N 5E3
Tel: (902) 893-7473
Fax: (902) 893-6531
Website: www.gov.ns.ca/nsaf

Nova Scotia Department of Natural Resources
P.O. Box 698
Halifax, NS
B3J 2T9
Tel: 424-5935
Fax: 424-7735
Website: www.gov.ns.ca/natr

Service Nova Scotia & Municipal Relations
1505 Barrington St., 9th Floor, South
PO Box 2271
Halifax, NS
B3J 3C8
Tel: 424-5528
Fax: 424-1298
Website: www.gov.ns.ca/snsmr

Nova Scotia Department of Environment & Labour
5151 Terminal Road
PO Box 2107
Halifax, NS
B3J 3B7
Tel: 424-5300
Fax: 424-0503
Website: www.gov.ns.ca/enla/
*Public Safety Division
Occupational Health & Safety Division*

Nova Scotia Office of Economic Development
P.O. Box 2311
14th floor South, Maritime Centre
1505 Barrington St.
Halifax, NS
B3J 3C8
Tel: (902) 424-0377
Fax: (902) 424-7008
Website: www.gov.ns.ca/econ

Nova Scotia Human Rights Commission
(Central Office):
1690 Hollis St., 6th floor
P.O. Box 2221
Halifax, NS B3J 3C4
Tel: 1-877-269-7699
TTY: (902) 424-3139
Fax: 424-0596
Website: www.gov.ns.ca/humanrights

Nova Scotia Labour Standards
5151 Terminal Road, 7th floor
P.O. Box 697
Halifax, NS
B3J 2T8
Tel: 1-888-315-0110
Fax: 424-0648
Website: www.gov.ns.ca/enla/labstand

Nova Scotia Alcohol and Gaming Authority
40 Alderney Dr.
P.O. Box 545
Dartmouth, NS B2Y 3Y8
Tel: 424-6160
Fax: 424-4942
Website: www.gov.ns.ca/aga

Nova Scotia Utility and Review Board
Motor Carrier Division
1601 Lower Water Street, Suite 300
P.O. Box 1692
Halifax, NS
B3J 3P6
Tel: (902) 424-3588
Fax: (902) 424-3919
Website: <http://www.nsuarb.ca>

Nova Scotia Workers Compensation Board
Main Office (Halifax)
5668 South Street
P.O. Box 1150
Halifax, NS
B3J 2Y2
Tel: 1-800-870-3331 (Halifax)
Website: www.wcb.ns.ca

Nova Scotia Workers Compensation Board
Branch Office (Sydney)
336 Kings Rd., Suite 117
Sydney, NS
B1S 1A9
Tel: 1-800-880-0003
Website: www.wcb.ns.ca

Office of the Fire Marshal
Nova Scotia Environment & Labour
5151 Terminal Rd., 6th Floor
P.O. Box 697
Halifax, NS
B3J 2T8
Tel: 1-800-559-3473
Fax: (902) 424-3239
Website: www.gov.ns.ca/enla/ofm

Nova Scotia Transportation & Public Works
1672 Granville St.
PO Box 186
Halifax, NS B3J 2N2
Tel: 424-2297
Fax: 424-0532
Website: www.gov.ns.ca/tran

Provincial Tax Commission
P.O. Box 755
1505 Barrington St.,
8th floor, Maritime Centre
Halifax, NS B3J 2V4
Toll free: 1-800-565-2336
Tel: 424-6300
Fax: 424-0602
Web: www.gov.ns.ca/snsmr/taxcomm

Nova Scotia Registry of Joint Stock Companies
PO Box 1529
Halifax, NS
B3J 2Y4
Tel: 1-800-225-8227
Fax: (902) 424-4633
Website: www.gov.ns.ca/snsmr/rjsc
*Registration of company and NUANS search of
business name.*

Nova Scotia Museum
Website: www.museum.gov.ns.ca

Educational/Training Resources

Cape Breton University
P.O. Box 5300
1250 Grand Lake Road
Sydney, NS B1P 6L2
Toll Free: 1-888-959-9995
Tel: 539-5300
Fax: 562-0119
Website: www.capebretonu.ca

Dalhousie University
Henry Hicks Academic Administration
Building
6299 South St.
Halifax, NS B3H 4H6
Tel: 494-2211
Registrar's Office:
Tel: (902) 494-2450
Fax: (902) 494-1630
Website: www.dal.ca

Mount St. Vincent University (MSVU)
166 Bedford Highway
Halifax, NS B3M 2J6
Tel: (902) 457-6117
Fax: (902) 457-6498
Website: www.msvu.ca

Nova Scotia Community College (NSCC)
Admissions
P.O. Box 220
Halifax, NS B3J 2M4
Tel: (902) 491-4911
Toll Free: 1-866-679-6722
Fax: 424-0717
Toll Free: 1-866-329-6722
Website: www.nsc.ca

Saint Mary's University
923 Robie Street
Halifax, NS B3H 3C3
Tel: (902) 420-5400
Website: www.stmarys.ca

Nova Scotia Tourism Human Resource Council
1099 Marginal Road, Suite 201
Halifax, NS B3H 4P7
Tel: (902) 423-4480
Fax: (902) 422-0184
Website: www.tourismhrc.com

INDUSTRY ORGANIZATIONS/ SECTOR ASSOCIATIONS

National & International Organizations/ Associations

Canadian Association of Foodservice
Professionals
1644 Bayview Ave., Ste. 1219
Toronto, ON M4G 3C2
Tel: (416) 422-3431
Fax: (416) 421-1598
Website: www.cfsea.com

Canadian Culinary Federation (CCF)
700-1281 West Georgia St.
Vancouver, BC V6E 3J7
Tel: (604) 681-6087
Fax: (604) 688-5749
Website: www.cfcc.ca

Canadian Restaurant and Foodservices
Association (CRFA) - Atlantic Office
5121 Sackville St., Ste. 201
Halifax, NS B3J 1K1
Tel: (902) 425-0061
Fax: (902) 422-1161
Website: www.crfa.ca

Tourism Industry Association of Canada
(TIAC)
803-130 Albert Street
Ottawa, ON
K1P 5G4
Tel: 613-238-3883
Fax: 613-238-3878
Website: www.tiac-aitc.ca/

Provincial Sector Organizations/ Associations

Tourism Industry Association of Nova Scotia (TIANS)

1099 Marginal Road, Suite 201
Halifax, NS
B3H 4P7
Tel: (902) 423-4480
Fax: (902) 422-0184
Website: www.tians.org

Affiliated Associations (Same address, phone & fax as TIANS)

Campground Owners Association of Nova
Scotia (COANS)

Nova Scotia Adventure Tourism Association

Nova Scotia B&B Association

Other Industry Organizations/Associations

Canada Select (Nova Scotia)
1800 Argyle St., Ste. 603
Halifax, NS B3J 2R7
Tel: (902) 424-8929
Fax: (902) 424-0723
Website: www.canadaselect.com

Check In Nova Scotia
2695 Dutch Village Road, Suite 501
Halifax, NS B3L 4V2
Tel: 425-5781
Toll free: 1-800-565-0000
Website: www.checkinnovascotia.com
*Nova Scotia Travel Information and
Reservations.*

Federation of Nova Scotian Heritage
1113 Marginal Rd.
Halifax, NS B3H 4P7
Tel: (902) 423-4677
Toll free: 1-800-355-6873
Fax: 422-0881
Website: www.fnsh.ns.ca

Hotel Association of Nova Scotia (HANS)
P.O. Box 473, Station M
Halifax, NS B3J 2P8
Website: www.novascotiahotels.ca

Nova Scotia Association of Chefs & Cooks
Howe Hall, 6230 Coburg Road
Halifax, NS
Tel: 494-1262

Nova Scotia Restaurant Association
1161 Hollis Street
VIA Rail Station
Halifax, NS B3H 2P6
Tel: 429-5343
Fax: 429-0659

Taste of Nova Scotia
P.O. Box 368
29 Inglis Place, 2nd Floor
Truro, NS B2N 5L5
Tel: 895-3315
Fax 895-1011

Nova Scotia Association of Unique Country
Inns
Website: www.uniquecountryinns.com

Regional Tourism Industry Associations

Antigonish/Eastern Shore Tourist Association
(AESTA)
RR #1 Musquodoboit Harbour, NS
B0J 2L0
Tel: 889-2362
Web: www.rewardyoursenses.com

Central Nova Tourist Association
P.O. Box 1761, 577 Prince Street
Truro, NS
B2N 5Z5
Tel: 893-8782
Fax: 893-2269
Website: www.centralnovascotia.com

Destination Cape Breton
PO Box 1448
Sydney, NS
B1P 6R7
Tel: 563-4636
Fax: 564-5422
Website: www.cbisland.com

Destination Halifax
1800 Argyle Street, Suite 802
Halifax, NS
B3J 3N8
Tel: 422-9334
Fax: 492-3175
Website: www.destinationhalifax.com

Evangeline Trail Tourist Association (ETTA)
654 West Main St.
Kentville, NS B4N 1L7
Tel: (902) 678-1728
Fax: (902) 679-1396
Toll free: 1-866-260-3882
Website: www.evangelinetrail.com

Pictou County Tourist Association (PCTA)
40 Water St.
P.O. Box 1839
Pictou, NS B0K 1H0
Tel: (902) 485-6151
Fax: (902) 485-4415
Toll free: 1-877-81-OCEAN
Web: www.tourispictoucounty.com

South Shore Tourist Association (SSTA)
Box 1390
Lunenburg, NS
B0J 2C0
Tel: 634-8844
Fax: 634-8056
Website: www.ssta.com

Yarmouth County Tourist Association
(YCTA)
Tel: 742-5355
Toll free: 1-866-850-9900
Web: www.aboutyarmouth.com

Regional Development Authorities

Antigonish Regional Development Authority
Farmer's Mutual Insurance Building,
Suite 2-1
188 Main St.
Antigonish, NS B2G 2B9
Tel: 863-3330 Fax: 863-4095
Website: www.antigonishrda.ns.ca

Cape Breton County Economic Development
Authority
338 Charlotte Street, 3rd Floor
Sydney, NS B1P 1C8
Tel: (902) 562-2201
Fax: (902) 562-2866
Website: www.cbceda.org

Colchester Regional Development Agency
P.O. Box 181, 966 Prince Street
Truro, NS B2N 5C1
Tel: 893-0140
Fax: 897-1157
Toll free: 1-866-227-6182
Website: www.corda.ca

Cumberland Regional Economic Development
Association
35 Church Street, Box 546
Amherst, NS B4H 4A1
Tel: (902) 667-3638
Fax: (902) 667-2270
Website: www.creda.net

Guysborough County Regional Development
Authority
P.O. Box 49, 46 Main Street
Guysborough, NS B0H 1N0
Tel: 533-3731
Fax: 533-2064
Toll free: 1-800-355-3731
Website: www.gcrda.ns.ca

Halifax Regional Development Agency
11 Glendale Drive, Unit 9
Lower Sackville, NS B4C 3P2
Tel: 869-4040
Fax: 869-4091 Toll Free 1-800-650-0039
Website: www.hrda.ns.ca

Hants Regional Development Authority
Box 2313
Windsor, NS B0N 2T0
Tel: (902) 798-2284
Enfield Office: (902) 883-3338
<http://www.hantscounty.com>

Straits Highlands Regional Development Authority
P.O. Box 2200
32 Paint St.
Port Hawkesbury, NS B0E 2V0
Tel: 625-3929
Fax: 625-1559
Website: www.strait-highlands.ns.ca

Kings Community Economic Development Agency
28 Aberdeen Street, Ste. #5
Kentville, NS B4N 2N1
Tel: (902) 678-2298
Fax: (902) 678-2324
Website: www.kingsced.ns.ca

Pictou Regional Development Commission
Business Service Centre
980 East River Road
New Glasgow, NS B2H 3S5
Tel: (902) 752-6159
Toll Free: 1-888-412-0072
Fax: (902) 755-2722
Web: www.wearepictoucounty.com

South West Shore Development Authority
P.O. Box 131
Yarmouth, NS B5A 4B1
Tel: (902) 742-3210
Fax: (902) 742-3107
Website: www.swsda.com

Western Valley Development Authority
P.O. Box 278
86 Atlantic Ave.,
Cornwallis Park, NS B0S 1H0
Tel: (902) 638-8100
Fax: (902) 638-8101
website: www.wvda.com

Travel Trade Organizations

Canada

Association of Canadian Travel Agencies (ACTA)
130 Albert Street, Suite 1705
Ottawa, ON K1P 5G4
Tel: 613-237-3657
Fax: 613-237-7052
Website: www.acta.ca

Canadian Bus Association (CBA)
451 Daly Avenue
Ottawa, ON K1N 6H6
Tel: 613-238-1800
Fax: 613-241-4936
Website: www.buscanada.ca

Ontario Motor Coach Association (OMCA)
4141 Yonge Street, Suite 306
Toronto, ON M2P 2A8
Tel: 416-229-6622
Fax: 416-229-6281
Website: www.omca.com

United States

American Bus Association (ABA)
700 13TH St., NW, Suite 575
Washington, DC
20005-5923
Tel: 202-842-1645
Toll free: 1-800-283-2877 (US and Canada)
Fax: 202-842-0850
Website: www.buses.org

American Society of Travel Agents (ASTA)
1101 King St., Suite 200
Alexandria, VA 22314
Tel: 703-739-2782
Fax: 703-684-8319
Website: www.astanet.com

Group Leaders of America, Inc. (GLAMER)
P.O. Box 129
Salem, OH 44460
Tel: 1-800-628-0993
Fax: 330-337-1118
Website: www.glamer.com

International Association of Convention &
Visitor Bureaus
2025 M Street, NW Suite 500
Washington, DC
20036
Tel: 202-296-7888
Fax: 202-296-7889
Website: www.iacvb.org

CrossSphere (formerly NTA)
546 E. Main Street
Lexington, KY
40508
Tel: 606-226-4444
Toll free: 1-800-682-8886
Fax: 606-226-4414
Website: www.crosssphere.com

Travel Industry Association
1100 New York Avenue, NW, Suite 450
Washington, DC
20005-3934
Tel: 202-408-8422
Fax: 202-408-1255
Website: www.tia.org

Travel and Tourism Research Association
(TTRA)
PO Box 2133
Boise, ID
83701-2133
Tel: 208-853-2320
Fax: 208-853-2369
Website: www.ttra.com

United States Tour Operators Association
(USTOA)
275 Madison Avenue, Suite 2014
New York, NY
10016
Tel: 212-599-6599
Fax: 212-599-6744
Website: www.ustoa.com



APPENDIX VII

emerit Standards and Certification

APPENDIX VII

emerit STANDARDS AND CERTIFICATION

The Nova Scotia Tourism Human Resource Council (<http://www.tourismhrc.com>) is a national partner of the Canadian Tourism Human Resource Council and has been actively involved in the development of National Occupational Standards for various occupations in the tourism industry, and is also the certifying body for non-apprenticeable trades in Nova Scotia. As well, the NSTHRC is the local partner for **emerit**, "Canada's best tourism training tools". **emerit** offers flexible learning options including on-line accessibility and traditional workbooks. This allows for self-directed learning of specific skill based modules and also permits individuals to challenge full certification.

Standards

Standards presently (2005) exist for 49 occupations. These are listed on the following page.

What are Standards?

Standards are statements outlining the attitude, knowledge, and skills required of an individual in order to be considered competent in an occupation. Standards clarify expectations and can be used to design consistent training, education, and professional development programs.

How are Standards Developed?

The Standard development process is based on the philosophy that the tourism industry must determine its own direction. The individuals best suited to determine the content of the Standards are those directly involved in the occupation. The mandate of the Nova Scotia Tourism Human Resource Council is to bring together business, labour, education, and training, and other stakeholders to define the standards and to ensure that they guide education and training.

Standards for a specific occupation become National once seven provinces or territories and one national association validate and accept them.

Who Benefits from Standards?

Eventually, everyone in contact with the tourism industry will benefit from the evaluation of performance in relation to industry Standards. As Standards gain recognition, industry professionals will maintain or increase personal skills, resulting in direct benefits to local and visiting consumers.

NATIONAL WORKBOOKS			
	PRICE	ENG	FRE
Bartender	75.00		
Campground Operator	75.00		
Entry Level Cook	75.00		
Food and Beverage Manger Set	275.00		
Food and Beverage Server	75.00		
Freshwater Angling Guide	75.00		
Front Desk Agent	75.00		
Guest Services Attendant	75.00		
Heritage Interpreter	75.00		
Housekeeping Room Attendant	75.00		
Hunting Guide	75.00		
Local Tour Guide	75.00		
Reservations Sales Agent	75.00		
Retail First Level Manager	75.00		
Retail Sales Associate	100.00		
Sales Manager	75.00		
Special Events Coordinator	75.00		
Special Events Manager	75.00		
Supervisory Skills (set of 4)	275.00		
Tour Director	75.00		
Tourism Essentials	75.00		
Tourism Visitor Information Counsellor	75.00		
Travel Counsellor	75.00		N/A
TRAINER'S GUIDES FOR WORKBOOKS			
	PRICE	ENG	FRE
Bartender/ Food and Beverage Server	150.00		
Food and Beverage Manager	150.00		
Front Desk Agent	150.00		
Guest Services Attendant	150.00		
Heritage Interpreter	150.00		
Housekeeping Room Attendant	150.00		
Local Tour Guide/Tour Director	150.00		
Reservations Sales Agent	150.00		
Sales Manager	150.00		
Tourism Visitor Information Counsellor	150.00		
Tourism Essentials	150.00		
CAREER PLANNING RESOURCES			
	PRICE	ENG	FRE
Career Awareness Video	27.50		
Career Expo Manual	45.00		
Career Planning Guide (Updated)	35.00		
The Student's Travel Map: 2002 (Updated)	35.00		
Tourism – A World of Opportunity (CD-Rom)	25.00		
HUMAN RESOURCE BUSINESS TOOLS			
	PRICE	ENG	FRE
Aboriginal Tourism - A Business Guide	25.00		
Performance First Series:	155.00		
Great Performances	25.00		
Less Talk, More Communication	25.00		
Making Training Work	25.00		
One-on-One Training	25.00		
Predicting Performance	25.00		
Setting the Stage	25.00		
Winning Ways	25.00		
Business Builders Series:	160.00		
Developing an Operational Plan	20.00		
Developing Your Business Profile	20.00		
Getting Your Business Market Ready	30.00		
Management and Labour Relations	30.00		
Managing Your Business Finances	20.00		
Marketing Essentials for Small Business	20.00		
Sales Forecasting	20.00		
Shaping Your Business Strategy	20.00		
HR Tool Kit	195.00		
Performance Paks (ELC,HRA, FDA, FBS, TVIC)	25.00		

To order please visit www.emerit.ca or contact 1.800.486.9158.

OCCUPATIONAL STANDARDS			
	PRICE	ENG	FRE
Bartender	40.00		
Beverage Services Manager	40.00		N/A
Banquet Server	40.00		
Banquet Manager	40.00		
Campground Operator	40.00		
Catering Manager	40.00		
Casino Dealer	40.00		
Casino Slot Attendant	40.00		
Catering Manager	40.00		N/A
Director of Sales and Marketing	40.00		N/A
Door Staff	40.00		
Food & Beverage Manager	40.00		
Food & Beverage Server	40.00		
Foodservice Counter Attendant	40.00		N/A
Freshwater Angling Guide	40.00		
Front Desk Agent	40.00		
Golf Club General Manager	40.00		
Guest Services Attendant	40.00		
Heritage Interpreter	40.00		
Housekeeping Room Attendant	40.00		
Hunting Guide	40.00		
In-room Dining Server	40.00		
Kitchen Helper	40.00		
Line Cook	40.00		N/A
Local Tour Guide	40.00		
Night Auditor	40.00		
Outdoor Adventure Guide	40.00		
Professional Cooking	80.00		
Reservations Sales Agent	40.00		
Retail First Level Manager	40.00		N/A
Retail Sales Associate	40.00		N/A
Sales Manager	40.00		
Ski Area/Resort Occupational Guidelines	85.00		
Small Business Owner/Operator	40.00		
Snowmobile Operations	40.00		
Special Events Coordinator	40.00		
Special Events Manager	40.00		
Supervisory Skills	40.00		
Taxicab Driver	40.00		
Ticket Agent	40.00		
Tour Guide/Director	40.00		
Tour Operator	40.00		
Tourism Small Business Owner/Operator	40.00		N/A
Tourism Trainer	40.00		
Tourism/Visitor Information Counsellor	40.00		
Tourism/Visitor Information Supervisor	40.00		
Travel Counsellor	40.00		
Transferable Skills	40.00		
Wine Service	40.00		
ON-LINE TRAINING			
	PRICE	ENG	FRE
Bartender (Bundle)	125.00		
Modules	25.00		
Food and Beverage Server (Bundle)	125.00		
Modules	25.00		
Front Desk Agent (Bundle)	125.00		
Modules	25.00		

For Service Professionals, Standards:

- Identify career paths;
- Identify the skill and knowledge needed
- Enhance the public image of occupations;
- Provide a basis for challenge, self-improvement, and advancement;
- Provide the basis for certification based on competent performance.

For Employers and Owners, Standards:

- Define area where employees must be proficient, which assists in recruiting, training, and development of staff. It is important to understand that Standards are not a training program or a training manual in themselves; they do not specify learning objectives, learning activities or evaluation methods. To serve as a training tool, the Standards need to be translated into a learning experience with detailed objectives, activities, and evaluations.
- They can be used to create job descriptions and conduct performance evaluations, as well as to develop and enhance training programs
- Provide employers with a highly trained workforce, which can increase productivity and decrease costs incurred by staff turnover.

For Educators, Standards:

- Provide the basis for curriculum and program development;
- Identify areas of industry where educational expertise is needed and applicable.

For Students, Standards:

- Promote the tourism/hospitality industry as a viable and fulfilling career choice;
- Identify career options within the industry.

For the General Public, Standards:

- Increase the level of professionalism of employees in the tourism/hospitality industry. This results in a higher level of service to customers and a better image of the industry.

Many Standards are available in a Workbook that is a self-study guide including all the Standards as well as exercises, performance reviews and self-tests. The Workbooks are available through the Nova Scotia Tourism Human Resource Council and can be ordered on-line from their web site.

National Certification

What is National Certification?

National Certification is a three step process. Professionals who achieve National Certification will be recognized across Canada for meeting industry requirements in their selected occupation. The candidate must be employed in the occupation and must have achieved a minimum number of hours work experience (varies depending on the occupation) prior to completing certification.

Candidates may challenge the knowledge component (i.e. the written examination) of the process at any time with no prerequisite. Study materials are recommended to assist in achieving optimal results.

The Certification process is as follows:

Step 1: Written Examination

The examination tests the candidate's familiarity with the knowledge component of the Standards. If unsuccessful, re-testing may be arranged. Oral examinations are available in special circumstances. Some certification exams are available on-line.

Step 2: Performance Review

The Performance Review is derived from the Standards and enables the candidate to practice performance skills on-the-job. The candidate is encouraged to practice the skills outlined in the Standards using the Performance Review as a guide. The review can be completed as it best suits the candidate's situation, but it is recommended that a candidate work together with his or her supervisor or a certified peer to complete it. The supervisor/certified peer can provide feedback for those skills which may need improvement.

When the candidate is ready to have his or her performance skills evaluated, the candidate contacts the Certification Team and requests an Industry Evaluation. In addition, the candidate must have a minimum number of hours experience (varies by occupation) before the Industry Evaluation can be conducted.

Step 3: Industry Evaluation

A trained evaluator observes the candidate on-the-job to ensure the candidate possesses the essential competencies of the occupation as established by the industry.

Certification

The Certification Team reviews the file to ensure that all requirements have been met. The successful candidates receive a certificate, a pin, and the Industry Evaluation comments. Unsuccessful candidates receive the Industry Evaluation comments and are encouraged to reapply.