Short of the Green
Golf as an Economic Development Tool on Prince Edward Island

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About the Author

Ian Munro was born and raised in Charlottetown, Prince Edward Island. He is now an independent consultant based in Halifax, Nova Scotia. During his career, Ian has worked for the federal government, for consulting firms, and for AIMS as its Director of Research in 2007 and 2008. He holds a BA in Economics from Mount Allison University, an MA in Public Administration from Carleton University, and an MA in Economics from Dalhousie University. Ian has worked as an economist and public policy analyst for over twenty years, while sporadically maintaining an intense love-hate relationship with the game of golf.
Acknowledgements

The assistance of current and former officials of the Prince Edward Island Department of Tourism and Culture, and other members of the Island’s golf industry in providing data and insight, is gratefully acknowledged, as are helpful comments provided by anonymous reviewers. Any remaining errors and omissions are the responsibility of the author.
Executive Summary

As golf boomed across North America in the 1990s, the Government of Prince Edward Island decided to make golf development a centerpiece of its tourism and economic development strategies. By the end of the decade, the government owned and operated five courses and a golf school, and was spending large sums on golf-related marketing efforts.

After the turn of the millennium, the golf boom crashed, tourism traffic dropped precipitously, and the provincially owned courses bled red ink. In 2007, the province decided to sell its courses, but after seven years of on-again-off-again efforts, they remain unsold.

A number of basic but critical strategic questions were overshadowed by enthusiasm, hype, and optimism at the beginning of the golf boom in the 1990s. Most importantly, why did the government take on the roles—and risks—of golf course owner and operator, rather than focus on providing a sound business environment in which entrepreneurs could do what they do best?

Additionally, tactical errors were made in relying on simplistic projections, failing to consider risks and alternative scenarios, and justifying investment decisions on the basis of unsound or inappropriate analyses.
Introduction

Jack Nicklaus is arguably the greatest golfer of all time and likely the game’s second-most recognizable figure after Tiger Woods. Some of the most familiar images of Nicklaus come from the final round of the 1986 Masters tournament, when he won his sixth green jacket at the age of 46. What stood out, in addition to his remarkable performance, were the exceptionally ugly plaid pants he wore. Some readers will be too young to remember this, and some older ones will have forgotten, but back in the 1980s, golf was not generally considered “cool” and golfers (and their attire) provided ample fodder for comedians and late-night talk show hosts.

“In the late 1970s and early 1980s, golf did not seem to fit the active life style of the Baby Boomer generation, which did not bode very well for golf’s future prospects. Golf was perceived to be a game played by overweight, middle-aged white guys in double-knit plaid pants. Tennis was hot and golf was not very cool. … Golf seemed to be a dying industry. It had an image of being an expensive game for the elite, even though there was abundant evidence to the contrary that it was a game played predominantly by the middle class.”

Then around 1990, something changed. Golf soared in popularity, in terms of the number of people who played the game and those who watched the professionals on television. The phenomenon only intensified when Tiger Woods burst onto the scene later in the decade. Golf became a very big business.

Tourism had for many years made up a significant share of Prince Edward Island’s (PEI) economy, and in the early 1990s, the provincial government decided to hitch its tourism strategy to golf’s apparently rising star.

Around the turn of the millennium, however, golf’s upward momentum abruptly stalled. PEI was not immune to the popping of the golf bubble.

This paper reviews and analyzes the provincial government’s strategy for golf-based economic development since the early 1990s. The remainder of the paper is structured as follows:

- **Section 2** provides some facts and figures on the growth (and decline) of the game in PEI and more broadly throughout the rest of Canada and the United States
- **Section 3** discusses the various tools and initiatives that the provincial government used to pursue its economic development objectives
- **Section 4** looks more closely at the assumptions and analyses that underlay the government’s decisions and actions, as well as the methods used to sell the story to voters
- **Section 5** presents final critiques and conclusions

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Facts, Figures, and Trends

The Golf Boom

Back in 1986, when Jack Nicklaus won his last major tournament, the number of golfers in the United States was just under 20 million. Steady annual growth led to a figure close to 28 million by 1990. The recession of the early 1990s saw numbers essentially flat-line around the 25 million mark for the next several years, but strong growth resumed at the end of the decade, reaching a peak over 30 million in 2003. The number of rounds of golf played annually in the United States grew by 14.8 percent during the 1990s.

The (net) number of new golf courses also exploded in the 1990s. During the 1980s, 841 new courses were opened across the United States; in the 1990s, this figure more than tripled to 2,641. The projections at the beginning of this era were even rosier, with the National Golf Foundation stating in the late 1980s that, in order to keep pace with the number of new golfers taking up the game, one new golf course would need to be opened in the United States each day through to the year 2000.

Similar trends held for Canada. Reports from the Royal Canadian Golf Association (RCGA) put the number of golfers in Canada in 1990 at 3.9 million, growing to 4.8 million in 1996, and reaching 5.2 million in 1999. This represents a compound annual growth rate (CAGR) of approximately 3.2 percent from 1990 to 1999. With a rate of 20.5 percent in 1999, Canada led the world in golf participation, ahead of New Zealand at 12.6 percent, Japan at 12.5 percent, and the United States at 11.9 percent. (Note that these statistics do not differentiate between casual golfers who play once or twice a year and avid golfers who play dozens of rounds per year.)

Statistics Canada reports the number of golf courses in Canada as growing from 1,162 in 1990 to 1,472 in 1996, representing a CAGR over that period of 4.0 percent. (Unfortunately, this Statistics Canada data series does not contain any figures on golf courses for the years beyond 1996.)

PEI may well have been the epicentre of the 1990s golf boom in Canada. Prior to 1990, there were 11 golf courses on the Island totalling 162 holes (144 of which were open to the general public), as summarized in Table 1.

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3 Hueber and Worzala, p. 7.
7 Statistics Canada, CANSIM Table 352-0001, “Selected Service Industries.”
From 1990 to 2003, 20 new courses were opened across the province. Factoring in expansions and changes at existing courses, the total number of holes available to the public reached 450 (roughly three time the 1990 figure) by 2003, and even rose to 459 for a few years later in the decade before dropping back to the current figure of 432. Note that this growth includes high-end golf facilities targeted at accomplished golfers, mid-range courses geared towards typical recreational players, and other courses that are, essentially, re-purposed cow pastures. As further evidence of the boom mentality at the time, an editorial in Charlottetown’s daily newspaper, the Guardian, noted that in 1998 the provincial government had received 40 proposals for golf course development.\(^8\)

This growth is summarized in Table 2, Figure 1, and Figure 2.\(^9\) A few salient points emerge:

- While the North Shore, Charlottetown/South Shore, and Kings County areas all saw a number of new courses being built, Prince County had only one nine-hole course built during the boom years.
- New courses were built both by the provincial government and by the private sector.
- No new courses have opened since 2003, and the current numbers of courses and total holes have fallen back to 2001 and 2002 levels, respectively.

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\(^8\) “We should take our cue from the banks: Governments may have been smart to jump on the golf bandwagon, but they also have to know when to jump off,” Guardian, Editorial, July 28, 2000.

\(^9\) In a few cases information on the precise year that a course opened was not readily available from public documents or websites, and calls and e-mails to the courses seeking clarification were not answered. However, through the use of available public information and discussions with knowledgeable experts, the date can be closely approximated. Thus, it is possible that a course noted here as opening in, say, 1996 actually may have opened in perhaps 1995 or 1997. These minor variances, marked in Table 2 with italics, do not detract from the general story told by the trends.
Table 2: Golf Course Growth and Expansion on Prince Edward Island, 1990-2014

<table>
<thead>
<tr>
<th>Course</th>
<th>Type</th>
<th>Holes</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prince County (Western PEI)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>St-Felix</td>
<td>Public</td>
<td>9</td>
<td>Opened in 1999</td>
</tr>
<tr>
<td><strong>North Shore (In/Near Prince Edward Island National Park)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anderson’s</td>
<td>Public</td>
<td>18</td>
<td>Opened in 2003</td>
</tr>
<tr>
<td>Darnley (Par 3)</td>
<td>Public</td>
<td>9</td>
<td>Opened in 2001</td>
</tr>
<tr>
<td>Eagles Glenn</td>
<td>Public</td>
<td>18</td>
<td>Opened in 2000</td>
</tr>
<tr>
<td>French River</td>
<td>Public</td>
<td>18</td>
<td>Opened in 1996</td>
</tr>
<tr>
<td>Glasgow Hills</td>
<td>Public</td>
<td>18</td>
<td>Opened in 2001</td>
</tr>
<tr>
<td>Red Sands</td>
<td>Public</td>
<td>9</td>
<td>Opened in 2000</td>
</tr>
<tr>
<td>Serenity Valley</td>
<td>Public</td>
<td>9</td>
<td>Opened in 1996</td>
</tr>
<tr>
<td><strong>Charlottetown/South Shore</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belvedere</td>
<td>Public</td>
<td>18</td>
<td>Opened to non-members in 2009</td>
</tr>
<tr>
<td>Clyde River</td>
<td>Public</td>
<td>27</td>
<td>Expanded to 18 holes in 1996 and to 27 holes in 2010</td>
</tr>
<tr>
<td>Countryview</td>
<td>Public</td>
<td>18</td>
<td>Opened in 1999</td>
</tr>
<tr>
<td>Fox Meadow</td>
<td>Public</td>
<td>18</td>
<td>Opened in 1999</td>
</tr>
<tr>
<td>Glen Afton</td>
<td>Public</td>
<td>18</td>
<td>Expanded to 18 holes in 1999</td>
</tr>
<tr>
<td>Vistabay</td>
<td>Public</td>
<td>9</td>
<td>Opened in 2000</td>
</tr>
<tr>
<td><strong>Kings County (Eastern PEI)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avondale</td>
<td>Public</td>
<td>18</td>
<td>Opened in 2000</td>
</tr>
<tr>
<td>Beaver Valley</td>
<td>Public</td>
<td>18</td>
<td>Opened as 9-hole course in 1996, expanded to 18 in 1999, closed in 2012</td>
</tr>
<tr>
<td>Belfast</td>
<td>Public</td>
<td>9</td>
<td>Opened in 1996</td>
</tr>
<tr>
<td>Crowbush</td>
<td>Public (owned by provincial government)</td>
<td>18</td>
<td>Opened in 1994</td>
</tr>
<tr>
<td>Divine Nine (Par 3)</td>
<td>Public (owned by provincial government)</td>
<td>9</td>
<td>Opened in 1999, closed in 2012</td>
</tr>
<tr>
<td>Dundarave</td>
<td>Public (owned by provincial government)</td>
<td>18</td>
<td>Opened in 1999</td>
</tr>
<tr>
<td>Eagles View</td>
<td>Public</td>
<td>9</td>
<td>Opened in 2002</td>
</tr>
<tr>
<td>Rollo Bay</td>
<td>Public</td>
<td>9</td>
<td>Opened in 1996</td>
</tr>
<tr>
<td>Seal Cove</td>
<td>Public</td>
<td>9</td>
<td>Opened in 1996</td>
</tr>
</tbody>
</table>
Figure 1: Growth in Golf Courses and Total Holes, 1990-2014

Figure 2: Net Change in Total Golf Holes in Five-year Increments, 1990-1994 to 2010-2014
The Golf Bust

Around the turn of the millennium, the boom slowed and then began to regress across North America generally, but in PEI in particular.

A number of factors are cited as contributing to the decline.

Economic shocks such as the bursting of the “dot-com bubble” in early 2000, the 9/11 terrorist attacks, and the financial meltdown of 2008, and the Great Recession that followed, took money out of people’s pockets and reduced their willingness and ability to participate in what can be a very expensive game.

There may also have been cultural and preferential shifts as fewer people were willing to spend five hours or more on a round of golf and as fewer golfers—predominantly men—were choosing to spend a large chunk of their weekends away from their families.

Some developers may have made a strategic error in that many new courses featured high degrees of difficulty, high maintenance costs, and high fees. Many recreational players might try such courses once or twice, but the allure of spending a lot of money to endure several hours of disappointing results and intense frustration quickly wears off. New courses also often were tied into real estate plays in which the developer’s primary goal was to sell homes surrounding the course. As went the financial fortunes of the real estate sector in the 2000s, so went the fortunes of these golf courses.

And then there is the simple economics of supply and demand. When too many people (and governments) decide that golf is the next big thing and rapidly build a slew of new courses, the market soon becomes oversaturated, competition drives prices down, profitability suffers, and courses start to fail and close—the classic boom-and-bust scenario.

On the Island, the key linkage for golf development was to tourism, rather than to real estate. It is doubtful that in the early 1990s anyone thought they could strike it rich by building new golf courses to cater to the province’s tiny population of approximately 130,000, but tourism already was the province’s second most important industry and the trends appeared positive for golf-centred development. In addition to the Island’s natural assets of topography and scenery, and the general growth of the game throughout North America, the Confederation Bridge was set to open in 1997 and a Canadian dollar that spent most of the 1990s below US$0.85 (falling as low as US$0.64 at one point) was expected to induce Americans to visit and Canadians to take their vacations close to home.

In a 1994 report prepared for the PEI Department of Economic Development and Tourism, a KPMG-led consulting team projected the number of visiting golfers growing from 82,600 in 1994 to almost 127,000 by 2005. This growth featured a step change in 1997 (to approximately 100,000 visitors) coincident with the opening of the Confederation Bridge, followed by smooth annual growth from 1998 to 2005.

It appears that these forecasts were based on the assumption that the proportion of visitors who golf would remain roughly constant. Therefore, there was the implicit assumption that the same growth pattern should apply to the overall number of visitors to the Island each year. While historical annual data on the number of golfing visitors do not seem to be available, there are historical data on the total visitor counts. By taking the projected number of golfing visitors in both 1997 and 2005, the projected CAGR over this period can be calculated as 3.0 percent.\textsuperscript{11} Applying this growth rate to the actual total visitor figure\textsuperscript{12} for 1997 allows for the implicit assumed growth in total tourist numbers to be quantified on an annual basis out to 2005; these projected numbers can then be compared to the actual figures, as depicted in Figure 3.

The graph demonstrates that expectations for tourism growth turned out to be highly optimistic. Rather than constant growth leading to a total visitor figure of over 1.9 million by 2005, figures actually declined in five of the eight years from 1997 to 2005 when only 1.2 million visitors were recorded.

**Figure 3: Actual vs. Projected Total Visitor Numbers, 1997-2005**

In addition to the disappointing overall tourism numbers at the turn of the millennium, other signs were appearing that the future of golf-related development on the Island might not be as rosy as originally anticipated.

\textsuperscript{11} The starting point of 1997 was chosen to remove possible distortions stemming from the step change associated with the opening of the Confederation Bridge.

\textsuperscript{12} Actual total visitor figures were obtained from Tourism PEI.
The previously cited July 2000 editorial from the *Guardian* stated the following:

If the provincial and federal governments haven’t already, they should take note of the recent delay in financing for a proposed 27-hole golf course in Cavendish. According to one of the business partners behind the $7 million project, the banks are being a little more cautious in financing golf projects because of a reported decline in golf play this year and a proliferation of courses across the province.

As of early this week, the developer for the proposed Cavendish course did expect a financial agreement within days; nevertheless, it’s fair to conclude that the banks in general seem to be assessing whether the golf boom here has reached the saturation point.\(^{13}\)

The 2002 report of the provincial Auditor General noted that the government had received a consultant’s report in June 2000 warning of market saturation:

The report provided an analysis of the golf market in the Province including supply and demand. It estimated the demand, or rounds of golf played, using 1999 provincial population estimates and tourist visitation statistics. Twenty-five golf courses operated in the 2000 season and the consultant reported the supply of golf courses was sufficient to satisfy demand at that time. The number of rounds played by tourists was 413,000 or sixty-nine percent of the total. The consultant reported that five new courses were approved or under construction and four others were in the proposal stage. The consultant noted that the proportion of rounds played by tourists was high. Therefore, unless the number of tourists increased, as additional courses enter the marketplace, the ability of courses to achieve their optimum and historic volume would be a challenge.…

The consultant’s report indicated demand was equal to supply in the 2000 season and any new courses increase the risk of saturating the market. The report noted that if the potential five new courses they identified were opened there would be an excess supply of 5.5 courses province-wide.\(^{14}\)

In May 1998, the Minister of Economic Development and Tourism Wes MacAleer stated the following:

\(^{13}\) *Guardian*, Editorial, July 28, 2000. The original developers of this course had hoped to open it (under the name Bridgewood Greens) in the spring of 2003, but before that happened a lien was placed on it when three companies claimed they had not been paid for their work in developing the course. The partially completed course was sold at auction for $500,000 in March 2003. The new owner completed development work and opened the course later that year as Anderson’s Creek.

To handle golf development in a more businesslike manner, the province has placed all provincially owned courses, currently three [Brudenell, Crowbush, and Mill River], into a Crown corporation called Golf Links P.E.I. Inc. This agency will operate on money generated by the courses. No money is drawn from general revenue. By paying their own way, golf courses will allow budget dollars to be directed at the government priorities of education and health care. If the government decides, in 10 years, to purchase Brudenell II [later renamed Dundarave and indeed purchased by Golf Links P.E.I. in December 2000], it will be Golf Links P.E.I. Inc. that will purchase the course out of its own revenue....The vision is to have golf development pay its own way.\textsuperscript{15}

As shown in Table 3, however, Golf Links P.E.I. has been a money loser. In February 2008, the province wrote off more than $10 million in bad debt on Golf Links’ books.\textsuperscript{16}

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue</th>
<th>Expenses</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>$4,042,454</td>
<td>$4,843,911</td>
<td>-$801,457</td>
</tr>
<tr>
<td>2011-12</td>
<td>$4,013,563</td>
<td>$5,075,974</td>
<td>-$1,062,411</td>
</tr>
<tr>
<td>2010-11</td>
<td>$4,162,851</td>
<td>$4,971,586</td>
<td>-$808,735</td>
</tr>
<tr>
<td>2009-10</td>
<td>$4,582,891</td>
<td>$5,866,252</td>
<td>-$1,283,361</td>
</tr>
<tr>
<td>2008-09</td>
<td>$4,370,665</td>
<td>$4,928,003</td>
<td>-$557,338</td>
</tr>
<tr>
<td>2007-08</td>
<td>$4,932,367</td>
<td>$5,438,728</td>
<td>-$506,361</td>
</tr>
<tr>
<td>2006-07</td>
<td>$4,789,096</td>
<td>$5,301,166</td>
<td>-$512,070</td>
</tr>
<tr>
<td>2005-06</td>
<td>$4,805,396</td>
<td>$5,159,141</td>
<td>-$353,745</td>
</tr>
<tr>
<td>2004-05</td>
<td>$4,993,830</td>
<td>$5,204,313</td>
<td>-$210,482</td>
</tr>
<tr>
<td>2003-04</td>
<td>$5,586,384</td>
<td>$5,244,660</td>
<td>$341,724</td>
</tr>
<tr>
<td>2002-03</td>
<td>$5,614,395</td>
<td>$5,013,289</td>
<td>$601,106</td>
</tr>
<tr>
<td>2001-02</td>
<td>$5,206,683</td>
<td>$4,869,597</td>
<td>$337,086</td>
</tr>
<tr>
<td>2000-01</td>
<td>$4,960,328</td>
<td>$5,230,854</td>
<td>-$270,526</td>
</tr>
<tr>
<td>1999-00</td>
<td>$4,500,353</td>
<td>$4,399,404</td>
<td>$100,949</td>
</tr>
</tbody>
</table>

Privately owned courses also ran into financial difficulties. In addition to the financial failure of Bridgewood Greens, Avondale was forced into receivership in the spring of 2003.

More recently, in 2012, the Beaver Valley Golf Club closed after a three-year attempt to sell the money-losing course. At that time, the general manager of the Summerside Golf and Country Club noted that the course faced an uncertain future.\textsuperscript{18} The Divine Nine par-three course opened

\textsuperscript{17} Data provided by Prince Edward Island Department of Tourism.
by the provincial government in 1999 also was shut down in 2012 after years of poor financial results. In 2014, the Belvedere Golf Club announced that it was losing money and would need to sell land for condominium development in order to remain viable.

Over the past ten years, overall tourism numbers have fluctuated, with year-over-year increases as high as 7.3 percent (2009) and decreases as low as 5.4 percent (2011). Since 2005, the highest reported figure for annual visitors to the province was just over 1.3 million in 2010; the lowest was just over 1.2 million in 2008. (The CAGR from 2005 to 2013 was only 0.5 percent.\(^{19}\))

**Figure 4: Change in Rounds of Golf Played on Prince Edward Island, 2006-2014**

Looking specifically at golf, the Tourism PEI website has figures for the annual change in rounds of golf played from 2006 through 2014.\(^{20}\) Unfortunately, there is no consistent dataset for the entire period: the data for 2006 through 2009 are for total rounds of golf played, while data for non-member rounds (a proxy measure for golf played by tourists) are provided for the period from 2009 through 2014. Figure 4 presents these two data series. Overall, the trend is negative with five years of decline—including four of the past five years, three years of improvement, and one neutral year. Tourism statistics released in November 2014 showed strong numbers for the year for overnight stays and airport traffic, yet, despite this seemingly successful year for the tourism industry, golf, as measured by total non-member rounds, was down 3.3 percent in 2014.\(^{21}\)

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\(^{19}\) Figures obtained from Tourism PEI.


Given the trends since the turn of the millennium—financial losses, course closures, weak tourism figures, and declining numbers for the amount of golf being played—one might wonder whether the original concept of using golf to lure tourists has been turned on its head so that other means of attracting tourists now are needed to save the golf industry.

There is an alternate explanation to the “golf has crashed” narrative. Rather than viewing the last decade or so as a marked period of decline for golf, it could be considered a return to the more normal situation of the late 1980s and early 1990s, with the period in-between constituting a unique and extraordinary positive blip in the long-term trend line.

Regardless of the narrative to which one subscribes, however, the fact remains that reality has turned out to be disappointing compared to the expectations formed during the boom years.

The Province’s Role in Golf Development

Golf Course Construction and Operation

Public sector involvement with golf in PEI began with the federal government’s development of the Green Gables course, which opened in 1939 as part of the new Prince Edward Island National Park on the province’s north shore.

The provincial government became involved as it attempted to generate tourism and economic development in the eastern and western ends of the province with the opening of, respectively, the Brudenell course and resort in 1969 and the Mill River course and resort in 1971. Next up was Crowbush in 1993 during the early stages of the golf boom, which was built by a private sector firm and then transferred to the province upon completion.

In 1994, following the very positive reviews of Crowbush, the provincial government invited expressions of interest for the development of a second course at Brudenell. A proposal was received in 1996, but was rejected. Although no new formal call for proposals was issued, in late 1997 and early 1998, the government reached a deal with a private sector developer in which the province provided land adjacent to the existing Brudenell course on which the developer agreed to build a new course (eventually to be known as Dundarave). Following completion of Dundarave, the province would enter into a lease arrangement with the developer and operate and manage the course, just as it did with the original Brudenell, Mill River, and Crowbush courses. The lease arrangement included an option for the province to buy the course at the end of the lease’s eleven-year term in December 2008. Additionally, the agreement called for the developer to construct and operate a golf academy—the Brudenell Golf Academy—in the same area, with the government providing course maintenance personnel and equipment.

e especially good tourism numbers could be attributable to special events associated with the 150th anniversary of the Charlottetown Conference.
22 The Liberal government of Catherine Callbeck, elected in 1993 following two previous Liberal administrations elected in 1986 and 1989 under the leadership of Joe Ghiz.
As noted previously, in 1998, the government created a Crown corporation, Golf Links Prince Edward Island Inc. to operate the provincially owned courses. Prior to this, the courses were managed as part of the provincial parks system within the Department of Tourism.

Dundarave and the Brudenell Golf Academy opened in the summer of 1999. In December 2000, Golf Links bought out the lease on Dundarave and became its owner. In the same month, the Brudenell Golf Academy was purchased by a subsidiary of Holland College, the province’s community college. (It later was renamed the Canadian Golf Academy and in 2006 moved to Fox Meadow Golf Course near Charlottetown.) The terms of the sale agreements generated significant controversy. It is beyond the scope of this paper to examine their details, but it is worth noting that the 2002 report of the provincial Auditor General contained a number of criticisms of the transactions. The province also opened a par-three executive course, the Divine Nine, in the Brudenell area in 1999. After an unsuccessful attempt to sell the course, it was closed in 2012 and has now reverted to a hay field.

In July 2007, only nine weeks after being elected, Premier Robert Ghiz announced that the four government-owned courses would be put up for sale. The new premier said he did not believe that privately-owned golf courses should have to compete with publicly-owned ones, and that he wanted to shift his government’s focus to health, education, and social programs.24

The following April, however, Minister of Tourism Valerie Docherty stated that selling the four courses was neither straightforward nor inevitable.25 One year later, in April 2009 – seven months into the financial collapse that began in September 2008 and nine months after rejecting an offer from a local property developer to buy the Crowbush course for $6.6 million – Minister Docherty stated that the sale process was being cancelled in order to avoid a “garage sale” of the courses during the economic downturn.26

In April 2012 the government announced in the Throne Speech that the golf courses would once again be put up for sale.27 The government promised to introduce a public and transparent process, followed by a formal call for expressions of interest in July of that year.28 Seven responses were received in August 2012 and the government whittled that number down to four contenders in November.

Nearly 18 months later, in March 2014, after the province reportedly came close to reaching a deal to sell Crowbush, the government and the prospective buyer walked away from negotiations. At various times, concerns about environmental issues, potential job losses, the risk that private owners might let course quality suffer and thereby degrade the tourism draw, the possibility that one or more courses would be converted into private clubs, and an alleged failure by the government to consult properly with the Mi’kmaq Confederacy of P.E.I. over potential land claims issues were cited as possible hindrances to finalizing a sales agreement. Tourism

Minister Robert Henderson, however, did not identify any specific reason why the deal fell through.\textsuperscript{29} More recently, Minister Henderson stated that discussions are under way with a prospective buyer for Mill River.\textsuperscript{30}

**Provincial Funding**

Beyond direct ownership of golf courses, the provincial government has provided funding to private courses and has spent public funds on other forms of golf-related marketing and development efforts. No comprehensive listing of such expenditures is available, but the following examples provide some sense of the government’s funding activities:

- $640,000 in 2006 and 2007 for the Legends of Golf events that brought star players Jack Nicklaus, Tom Watson, Mike Weir, and Vijay Singh to compete in exhibition matches on Island courses;
- $800,000 in 2008 for a two-year deal with the Golf Channel to promote PEI as a golf destination;
- $71,000 for upgrades and expansion at the Belfast Highland Greens course in 2011.

The provincial government also has provided funding to Golf PEI Inc., an industry association representing golf courses across the province.\textsuperscript{31} However, available online reports from Tourism PEI, the Department of Tourism, and the Department of Finance, Energy and Municipal Affairs are silent on the amount of any contributions made to Golf PEI Inc., and Golf PEI Inc.’s own website does not contain any financial information.

**ACOA Funding**

Additionally, it is interesting to note that the Atlantic Canada Opportunities Agency (ACOA) contributed almost $1.9 million to Golf PEI Inc. between 2006 and 2013. Since 2010, ACOA also has given close to $600,000 to the Atlantic Golf Organization Incorporated, a group created with representatives from the four non-profit golf marketing bodies in the Atlantic provinces—that is, Golf PEI Inc. and its counterparts in New Brunswick, Nova Scotia, and Newfoundland and Labrador. ACOA may have provided golf-related funding prior to 2006 as well, but its online grants and contributions records\textsuperscript{32} go back only to 2006. Furthermore, the grants and contributions listed from 2006 onwards are only those greater than $25,000; it is possible that other, smaller golf-related grants have been provided since 2006.

**Assumptions, Analyses, and Advertising**

The basic theory behind the PEI government’s foray into golf development in the early 1990s was simple and reasonable, at least superficially:

\textsuperscript{29} Teresa Wright, “Deal to sell P.E.I. golf course falls through,” \textit{Guardian}, March 19, 2014.
\textsuperscript{32} http://www.acoa-apeca.gc.ca/eng/Accountability/ProactiveDisclosure/GCAwards/Pages/Reports.aspx.
tourism was an important industry on PEI;
many tourists like to play golf, and the game was experiencing strong growth throughout North America and, indeed, around the world;
with more and better golf courses, more tourists would be enticed to visit the province;
more tourists would mean more money spent and more people employed not only at Island golf courses, but also in its hotels, motels, restaurants, bars, shops, and other tourist attractions;
this in turn would generate more tax revenues for the province.

In selling the idea, the messaging frequently referenced the “economic impact” of golf or the “economic contribution” the game could make, and in the early years the notion that the Island’s courses were, or soon would be, suffering from conditions of “excess demand.”

As noted previously, in 1994, a KPMG-led consulting team submitted A Golf Strategy for PEI to the Department of Economic Development and Tourism. This report reviewed the Island’s then-existing courses and made recommendations for improving the province’s allure as a golf destination.33 Using some data points of questionable accuracy (as admitted by the authors), the “economic impact” of visiting golfers to PEI in 1994 was estimated to be $12.2 million. (Methodological concerns beyond the use of dubious data points are discussed more fully below.) The report also concluded that, without capacity expansion, by the end of the 1990s Island golf courses would suffer from excess demand. This prediction was based on fairly simplistic extrapolations and included no risk assessments, sensitivity analyses, or alternative scenarios that might take into account potential economic downturns, new competition for golf tourism traffic in other jurisdictions such as New Brunswick and Nova Scotia, or the possibility that the golf boom was a temporary fad rather than an irreversible trend.

In 1999, KPMG submitted A Golf Strategy for PEI: Update to 1994 Report, in which the estimated “impact” of visiting golfers had grown from $12.2 million to $70 million. The updated report also found that sufficient excess demand existed for the construction of three more 18-hole courses over the next five years, but cautioned that these courses needed to be “complemented and supported by premier hotels, restaurants, roads, and physical settings such as beaches”34 to be successful.

This purported $70 million economic impact figure then seemed to grow and mutate in the following months and years. It is not certain that all the comments below were based on the KPMG figure, but no other report or data source is apparent as an alternative basis for the claims:

- May 1999: Minister of Tourism Kevin MacAdam cites the $70 million economic impact figure.35
- January 2000: Minister MacAdam is quoted referring to “spinoffs of $70 million.”36

33 Interestingly, in making these recommendations, the report referenced attributes of other successful golf locations such as Florida and South Carolina without ever mentioning the fact that few people would want to visit PEI to play golf from mid-October through mid-May. The fact that any jobs created, for example, would necessarily be for only half the year (at best) was never discussed.
34 KPMG, 1999, p. 10.
December 2001: the executive director of Golf PEI claims $76 million in “revenue stemming” from visiting golfers.  
July 2003: the Guardian’s editorialists cite $80 million in “economic activity” from the province’s golf industry.  
June 2006: Minister of Tourism Philip Brown estimates $90 million in annual tourism spending in PEI’s golf sector.  
August 2007: the Guardian states that golf tourism generates almost $100 million for the provincial economy.

Other groups calculated their own estimates of golf’s importance to the economy. In 2009 and 2014, the Strategic Networks Group prepared reports for Canada’s National Allied Golf Associations. For PEI the 2014 report claimed that golf contributed or generated (figures from 2009 provided for comparison in parenthesis):

- $62.6 million ($60.8 million) in provincial gross domestic product (GDP);
- 2,000 (2,605) “jobs” (this included seasonal and part-time employment and thus did not represent the more useful measure of full-time equivalents);
- $39.6 million ($46.4 million) in household income;
- $6.3 million ($5.6 million) in property and other indirect taxes;
- $10.5 million ($10.4 million) in income taxes;
- $147 million ($134.5 million) in total gross production through direct, indirect, and induced spending impacts;
- $105 million ($81.7 million) in total direct economic activity; and
- $34.4 million ($62.5 million) in revenues from golf courses and their associated facilities.

Findings related to the economic impact of golf tourism from members of the School of Business Administration at the University of Prince Edward Island (and its now-defunct Tourism Research Centre) appear less fantastical than those of the Strategic Networks Group, but perhaps are even more troubling in their own way. In a paper entitled “The Economic Impact of Golf to a Tourist Destination,” the authors include no discussion whatsoever of economic impact measurement methodology as generally carried out by professional economists. They do, however, cite the 2009 report of the Strategic Networks Group and conclude their own report with this gem of authoritative academic insight: “Finally, in [sic] seems safe to conclude that golfers can provide tremendous economic benefits to a community.”

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37 Gary Ready, “Allow us to present the case for golf: Revenue stemming from visiting golfers has grown from $13 million to $76 million,” Guardian, December 20, 2001.
38 “Investment in golf looks like a winner: Where the province can be faulted when it comes to golf is where it has let politics get in the way of the best use of public money,” Guardian, editorial, July 26, 2003.
40 "Tread carefully before selling these courses," Guardian, August 3, 2007.
The tendency for provincial tourism officials to make fulsome or inexact claims about golf’s role in the Island’s economy is consistent with the nature of the annual “economic impact” reports on the province’s tourism sector that the department used to produce. As with the paper by the University of Prince Edward Island professors, these reports have absolutely no connection to actual economic impact analysis as practised by professional economists.

It is understandable when a lay person or even a non-specialist journalist uses a term such as “economic impact” loosely or imprecisely, but for professors in a business school or a government department tasked with an economic development objective, it is sloppy and careless, if not deceptive.

The concern here is more than a merely pedantic one. When figures are quoted by politicians and government officials as meaning something other than what they really are (and then reported and repeated by the press), the public can be misled, and bad policy decisions can result.

Watson et al. discuss the confusion between and misuse of such terms as “economic contributions,” “economic benefits,” and “economic impacts”:

Researchers working in the field of regional economics are often asked to determine the economic contribution, impact, or benefit of various industries, events, or policies in a given region. Local decision-makers come to regional economists seeking answers about how policy changes will affect their economy and use such numbers in the educational or political campaigns to inform policy decisions or garner support for a specific position or business strategy.

However, the terms “contribution,” “impact,” and “benefit” are often used interchangeably in these studies and there is a great deal of confusion as to how these should be applied in a regional economic analysis. This is particularly problematic in situations that are political in nature, given that the inappropriate or inconsistent use of some terms may be misleading. Economic contribution, economic impact, and economic benefit are separate terms for distinctly different metrics and the analysis of each of these, taken separately, may all be perfectly reasonable studies to perform. Therefore, it is imperative that researchers be explicit in their terminology and methodology and that what constitutes a contribution, impact, or benefit in a study must be consistent across the discipline.

This phenomenon is explored as well by John Crompton, a professor in the Department of Recreation, Park, and Tourism Sciences at Texas A&M University, who, in 2007, served on a

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panel of experts hired by various Canadian departments of tourism, including PEI’s, to contribute to a document setting out guidelines for tourism economic impact assessments.45

Economic impact analyses have an obvious political mission. They invariably are commissioned by tourism entities and usually are driven by a desire to demonstrate their sponsors’ positive contribution to the economic prosperity of the jurisdiction that subsidizes their programs or projects. The intent of a study is to position tourism in the minds of elected officials and taxpayers as being a key element in the community’s economy.…

There is a sound conceptual rationale for economic impact studies, and they have a legitimate political role in informing both elected officials and taxpayers of the economic contributions of tourism to community residents’ prosperity. However, this legitimacy is predicated on the studies’ being undertaken with integrity. Because the motivation undergirding them usually is to prove the legitimacy of the sponsor’s economic case, the temptation to engage in mischievous practices is substantial. In some cases, the practices are the result of ignorance and are inadvertent, but too often they are deliberate and enacted with intent to mislead and distort.46

Studies and reports used to promote the importance of golf-related tourism on the Island exhibit some of the typical errors identified by Crompton, but, to be clear, these seem to be a product of ignorance and carelessness, not of intentional malfeasance.

The most common error Crompton identifies is the inclusion of local residents:

Economic impact attributable to a tourism attraction relates only to new money injected into an economy by visitors, media, vendors, exhibitors, volunteers, sponsors, external government entities, or banks and investors from outside the community. Only those visitors who reside outside the jurisdiction and whose primary motivation for visiting is to attend a tourism attraction or who stay longer and spend more time there because of it should be included in an economic impact study.

Expenditures by those who reside in the community do not contribute to an event’s economic impact because these expenditures represent a recycling of money that already existed there. There is no new economic growth, only a transfer of resources between sectors of the local economy.


The Strategic Networks Group studies use the term “economic impact” in their titles, but both their national and provincial figures are based on resident golf-related expenditures. These do not represent net impacts to the jurisdictions in question because, if residents did not spend money in their communities on golf, they would have spent it instead on tennis, bowling, going to the movies, or some other activity.

Crompton notes two exceptions where it would be appropriate to include expenditures of some or all local residents. The first case occurs when the local activity or attraction keeps at home residents who otherwise would have travelled elsewhere. It may have been the case, for example, that government investments in PEI golf courses somehow deterred some Islanders from making golf trips off-island. However, no references to this potential effect are included in any of the “impact” studies under discussion here.

The second case is when the study is not really an economic impact assessment, but rather a significance analysis, also known as an analysis of “economic activity,” “total annual spending,” “gross economic impact,” “economic surge,” “gross economic output,” “gross economic value,” or “total contribution to the economy.”

A significance analysis is “a measure of the importance or significance of the project/program (rather than impacts) within the local economy which shows the size and nature of economic activity associated with recreation/tourism activity in the area” (Stynes 2001). Unlike a legitimate economic impact study, it offers no useful information that would inform the trade-offs involved in decisions regarding how best to invest public funds. Its only raison d’être appears to be to enhance the tourism sector’s political profile.

A significance analysis is a legitimate economic procedure, but it becomes mischievous when the differences between it and an economic impact study are ignored, blurred, or not made explicit. A solution is to state explicitly, unambiguously, and prominently that the study is not an economic impact study but is a significance analysis [emphasis added].

To their credit, the authors of the KPMG report focus only on tourist expenditures when calculating their economic impact estimates, but, they too may have inflated their numbers. The KPMG calculations are based on estimates of the number of tourists who played golf as determined by exit surveys. This is a very different question than asking tourists whether their primary motivation to visit PEI was to play golf—that is, whether the availability of golf in general, or specific golf courses in particular, was the critical factor in their decision to visit PEI. For example, if someone living in Toronto travelled to PEI to visit family but happened to play some golf while there (a “casual”48), this person’s vacation expenditures at restaurants and bars

47 Ibid., p. 72.
48 Ibid., p. 73.
should not be included in a figure of the economic impact of golf, as the trip and related expenditures would have occurred with or without the opportunity to play golf.

The 1994 KPMG report acknowledges this point in the context of expenditures on accommodation, food, and local travel, stating: “It is difficult to make a precise calculation of this amount without knowledge of the percentage of golfing visitors who came exclusively to play golf versus those who came to vacation and happened to play golf.”49 Unfortunately, the text and tables that follow this sentence do nothing to clarify exactly how the figures for accommodation, food, and local travel were derived. Furthermore, the report’s use of the terms “indirect impact” and “induced impact” suggest the authors’ understanding of these concepts is different than that of most professional economists who specialize in conducting economic impact studies. Additionally, business travellers—who are explicitly modelled in the KPMG study—do not come to PEI primarily to play golf and should not be captured in an economic impact calculation.

Another error Crompton catalogues is the failure to use “capture rates.” Supposed economic impact assessments of PEI’s golf industry have incorporated estimates of retail sales of food, beverages, and equipment at Island golf courses, plus golf visitors’ spending at restaurants, bars, and gift shops, among other locations. If a visiting golfer spent $5 on a tuna sandwich, $5 on a beer, and $2 on a bag of tees at the golf course, plus $25 on a salmon dinner and $10 on a glass of wine at a restaurant, plus $15 on a souvenir knick-knack at a gift shop, plus $20 in gas for the car, then the KPMG methodology would calculate $82 in “economic impact.” But, if, in fact, the tuna, beer, tees, salmon, wine, knick-knack, and gas all were imported to PEI, then only the retail margin earned by the vendors, not the full retail price, should be included in a measure of economic impact. If, for example, $12 out of the $15 spent on the knick-knack is paid by the gift shop owner to the importer in Vancouver who brought the item over from the manufacturer in China, then the economic impact on PEI is only $3.

Final Critiques and Conclusions

On the one hand, the strategy seemed compelling: golf’s popularity was taking off and PEI seemed a good locale for golf development—build it and they (the tourists) will come…and stay and eat and spend.

On the other hand, several obvious questions do not seem even to have been contemplated by the politicians and officials of the day.

First, if golf was to be such a sure-fire winner, why did the provincial government need to own (or lease) and operate golf courses? A booming golf sector should have been ripe with investors eager to meet the demands, reap the profits, and bear the risks. Governments have a long history of promoting various sectors in an effort to boost overall economic development within their borders. However, the development toolkit includes such measures as producing a well-educated and skilled labour force, building and maintaining high-quality basic infrastructure (such as roads), ensuring a fair and efficient regulatory regime, and providing reasonable and competitive

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49 KPMG, 1994, p. 22.
tax structures. These are all tasks that, for the most part, only governments can perform, and they are markedly different from inserting government into the role of owner-operator of what could and should be competitive, private sector enterprises. As the golf experiment unfolded on the Island, there appears to have been little appreciation of or debate over this critical distinction. Perhaps the key lesson of this review is the following: when a government proposes to step beyond its basic functions (taxation, regulation, education, highways, etc.) and become an active player in the private sector, it is incumbent upon the opposition, the media, and the public to demand a clear and compelling explanation of the public policy rationale for this intrusion into the competitive marketplace.

Second, further to the prior point, would private investment in new golf infrastructure not be deterred and would business at existing courses not be adversely affected by additional competition from the government? (One must give credit where it is due: this point was made by Premier Robert Ghiz both before and after his election in 2007. Equally important, he raised the notion of opportunity cost: instead of spending taxpayers’ dollars on golf courses, what would be the alternative return to the public if the money were spent on healthcare, education, social services, debt reduction, or tax relief?)

Third, when contemplating the impact that golf development might have on the Island’s economy, did no one consider the fact that the golfing season in PEI is typically less than one-half of the year and that only a tiny number of full-time jobs would ever be created?

Fourth, with regard to jobs that might be created via golf-related expansion of the tourism sector, are largely low-wage, seasonal, and often part-time service sector positions in pro shops, hotels, restaurants, and gift boutiques really the types of jobs that should be the focus of economic development efforts?

Fifth, despite ample historical evidence, did no one remember that, when politicians get involved in running businesses, businesses tend to get politicized through, for example, allegations of nepotism (when the son of a prominent politician got a summer job at Crowbush) or favouritism (as with the controversy over the sale of Dundarave and the Brudenell Golf Academy)? And then there is the just plain odd: the records of the provincial Legislative Assembly show that, on the afternoon of April 28, 1998, Wes MacAleer, Minister of Economic Development and Tourism, made a statement in the House announcing a change in policy…for golf shoes on provincially owned golf courses.

In addition to these errors and omissions in strategy, there were tactical missteps.

The governments of the day in the early and mid-1990s seem to have been swept up in the general hysteria of the golf boom. Decisions and investments were made on simplistic projections of how well things might turn out in the future, rather than sober assessments of possible risks and the implications of alternative scenarios.

Analyses by decision-makers were crude, if not methodologically unsound, and likely poorly understood by the politicians who nonetheless repeated talking points based on the studies’ results and built up unreasonable expectations among the Island’s citizens.
And then there is bad luck. No one saw the 9/11 attacks and the 2008 financial meltdown coming, so it is hard to fault the provincial government for not foreseeing these events and the negative impacts they would have on tourist traffic.

Some 25 years after “teeing off” on golf, the province has spent millions of dollars, remains deeply in debt, and still owns four money-losing courses that it has been trying to sell for seven years. Tourism figures are down roughly one-fifth compared to the late 1990s. While not all golf news is gloomy, media stories continue to appear chronicling the game’s decline and worrying about its future. On PEI the general consensus is that the province remains oversaturated with courses.

Perhaps a fitting postscript to this story is the fact that, in 2010, two decades into the government’s concerted efforts to have golf drive tourism development in the province, PEI was named by the International Association of Golf Travel Operators as the winner of the Undiscovered Golf Destination of the Year Award.
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