

TOURISM Business OUTLOOK

Quarterly
Update

BRINGING OPPORTUNITIES TOGETHER



Winter 2008 - Volume 2

Message from the Deputy Minister



Bill Werry

Deputy Minister of Tourism, Parks and Recreation

In this second edition of the Tourism Business Outlook newsletter, I am pleased to note that we had record attendance at the fourth annual Tourism Investment Symposium held in Edmonton at the Shaw Conference Centre on September 30, 2008, both in terms of communities presenting opportunities and investors attending the event to make business contacts.

There were 15 communities and 1 regional economic development alliance profiled at this year's event, featuring more than 20 tourism investment opportunities such as ski resorts, country vacation operations/guest lodges, hotels and RV parks. For additional information on these opportunities, I encourage you to visit the Department's website at:

www.tpr.alberta.ca/tourism/investment/regionalopportunities/

Thank you to everyone who participated in this year's event. I hope to see you all at our 5th annual Tourism Investment Symposium next September.

Tourism at a Glance

- The total number of person-visits to Alberta in 2006 was 19.56 million, an increase of 4.3% from the estimated 2005 figure.
- Of the 19.56 million person-visits to Alberta, residents of Alberta accounted for approximately 79% of the person-visits. Residents of other Canadian provinces accounted for 12% and international person-visits accounted for 9%.
- Total tourism expenditures in 2006 were \$5.15 billion, an increase of 0.6% from the estimated 2005 figure.
- Of the \$5.15 billion, Alberta residents accounted for \$2.49 billion or 48%. Residents of other Canadian provinces accounted for \$1.24 billion (24%), while international visitors spent \$1.42 billion (28%) in Alberta.

Welcome

Welcome to the second edition of the Tourism Business Outlook.

The aim of this quarterly publication is to keep you up-to-date on activities and information pertaining to the Tourism Business Development, Research and Investment Branch.

Our Mission

Alberta Tourism, Parks and Recreation is committed to facilitating the profitability and sustainability of existing tourism operators and the entry of new operators into the tourism sector.

The Tourism Business Development, Research and Investment Branch is always ready to help investors identify viable tourism investment opportunities. Our knowledgeable and experienced staff provide a wide range of free services that help entrepreneurs make sound business decisions.

Brazeau County Investment Opportunities

Alberta Tourism, Parks and Recreation, working in collaboration with officials from the Town of Drayton Valley and Brazeau County, commissioned a report to identify potential tourism development opportunities in the Brazeau County area. Brazeau County is rich in natural attractions that support a range of four-season recreational opportunities, and is within easy access from Edmonton and other Central Alberta locations. The report identifies the potential for cabins/lodge, RV park/campground and resort/mixed use development to help build the area as a outdoor recreation and ecotourism destination.

Canadian Badlands Investment Opportunities

Alberta Tourism, Parks and Recreation commissioned a study to assess potential tourism investment opportunities in the Canadian Badlands region. The report was a collaborative effort between the Department and the Product Development Committee of Canadian Badlands Ltd. It highlights five exciting resort development opportunities ranging from a RV resort to a 5-star boutique hotel that capitalizes upon the unique geological and paleontological features of the region. The opportunities represent a chance to become involved at an early stage in realizing the tourism potential of this unique and picturesque part of Alberta.

Note: A Canadian Badlands Tourism Development Strategy was unveiled in November 2008 that sets the direction for long-term development of tourism in the region, taking into consideration existing tourism attractors and regional hubs. For a copy of the strategy, please contact: Tina Dool with the Tourism Development Branch 780.427.6544 (toll-free on the Government of Alberta Rite line at 310.0000) or by email at tina.dool@gov.ab.ca

Canadian Resort Investment Conference 2008

The Tourism Business Development, Research and Investment Branch was an exhibitor at this year's event that took place in Kelowna at the Grand Okanagan Lakefront Resort and Conference Centre between October 14-15. The event brought together developers, financiers and investors involved in resort development across Canada. It gave Alberta the chance to profile opportunities from the Tourism Investment Symposium and other regional investment opportunities.

One of the panel sessions at the Conference revealed that credit is becoming more difficult to secure in light of the global economic and financial turmoil. However, some of the presenters provided insights on how developers can navigate through this period. This includes: phasing projects, reducing costs (the "nice but don't need" elements) and deferring projects until financial markets settle. Business Development Bank of Canada, a panel presenter, indicated that they are reviewing applications for new builds and expansions/acquisitions (BDC does not provide financing for condo-strata or fractional projects). Off-shore equity financing sources were also identified as a potential opportunity.

For more information on the tourism investment initiatives, please contact Mr. Bill Hodgins, Manager, Tourism Business Services with the Tourism Business Development, Research and Investment Branch. He may be reached at 780.427.6485 (toll-free on the Government of Alberta Rite line at 310.0000) or by email at bill.hodgins@gov.ab.ca

Useful Websites

Alberta Hotel & Lodging Association
www.ahla.ca

Alberta First
www.albertafirst.com

Travel Alberta
www.travelalberta.com
www.industry.travelalberta.com

Smith Travel Research
www.smithtravelresearch.com

Calgary Economic Development
www.calgaryeconomicdevelopment.com

Edmonton Economic Development Corporation
www.edmonton.com

Alberta Economic Development Authority
www.alberta-canada.com/aeda

The Business Link
www.canadabusiness.ca/alberta

Important Dates

April 1-2, 2009
Canadian Hotel Investment Conference
Fairmont Royal York
Toronto, Ontario
www.hotelinvest.ca

April 5-7, 2009
Alberta Hotel and Lodging Association AGM
Fairmont Lake Louise
Lake Louise, Alberta
www.ahla.ca

April 6-8, 2008
Growing Rural Tourism Conference
Camrose Regional Exhibition
Camrose, Alberta
www.growingruraltourism.ca

Canadian Accommodation Outlook Forum October 2008

National RevPAR Leaders (>\$90)

	2007 RevPAR Actual	2008 RevPAR Forecast	% Change
Calgary Downtown	\$125	\$135	8%
Toronto Downtown	\$119	\$123	3%
Vancouver Downtown	\$113	\$120	6%
Ottawa Downtown	\$99	\$101	2%
Edmonton Downtown	\$89	\$101	13%
Halifax Downtown	\$96	\$100	4%
Calgary Airport	\$97	\$99	2%
Quebec City	\$85	\$99	16%
Calgary South	\$88	\$92	5%
Saskatoon	\$79	\$92	15%
Montreal Downtown	\$100	\$92	-7%
Vancouver Airport/Richmond	\$87	\$90	4%
Victoria	\$91	\$90	-2%
Calgary Northwest	\$89	\$90	1%
Ottawa West	\$85	\$90	5%

Source: PKF Consulting

Western Canada Outlook

	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Forecast	2009 Projection
Calgary						
Occupancy	66%	70%	74%	74%	73%	74%
ADR	\$112	\$116	\$127	\$142	\$156	\$166
RevPAR	\$74	\$81	\$94	\$105	\$114	\$123
Edmonton						
Occupancy	62%	66%	72%	75%	75%	75%
ADR	\$97	\$99	\$104	\$113	\$122	\$132
RevPAR	\$60	\$65	\$75	\$85	\$92	\$99
Alberta Resorts						
Occupancy	57%	61%	62%	64%	64%	64%
ADR	\$202	\$204	\$206	\$211	\$213	\$218
RevPAR	\$115	\$124	\$128	\$135	\$136	\$140
Western Canada						
Occupancy	62%	65%	67%	68%	68%	68%
ADR	\$113	\$114	\$121	\$128	\$135	\$140
RevPAR	\$70	\$74	\$81	\$87	\$92	\$95

Source: PKF Consulting

Canadian Recreational Real Estate Buyers

Harris/Decima Research conducted a survey of 1,004 individuals across Canada to document Canadians purchase behaviour concerning recreational real estate. Of the 1,004 people surveyed, 14% indicated owning some type of recreational property. Of this group, 57% had purchased whole ownership property, while 43% had invested in shared ownership assets including timeshare and fractionals.

In terms of demographic profile, Canadian recreational real estate purchasers are generally high income earners (\$100k plus) and over 40 years of age.

In terms of timing of purchases, 36% of those owning whole ownership property purchased these assets prior to 1990, where as 43% of those owning timeshare units purchased these in the 1990s, and many of those who own fractional recreational real estate property acquired these assets after 2000.

The study found that Canadians who own recreational real estate tend to be more frequent travelers than those that do not.

Of the 1004 respondents, 300 indicated that they are interested in purchasing recreational real estate. The majority of these individuals (71%) favour whole ownership properties, while 15% are interested in timeshare and 14% are interested in fractional ownership.

Source:
Harris/Decima Research and Canadian Lodging News

Year-to-Date Hotel Industry Performance to September 30, 2008

Alberta									
City	# of Rooms	Occupancy Rate %		Average Room Rate \$ CAD		RevPAR \$ CAD		Room Supply	Room Demand
		2008	2007	2008	2007	2008	2007	% Chg	% Chg
Calgary	8,425	73.3%	76.0%	\$155.85	\$144.62	\$114.24	\$109.91	0.8%	-2.7%
Edmonton	8,553	74.2%	75.2%	\$126.00	\$118.59	\$93.49	\$89.18	3.7%	2.4%
Alberta North	3,461	65.9%	73.2%	\$161.37	\$156.83	\$106.34	\$114.80	3.4%	-6.8%
Alberta South	7,901	62.5%	66.5%	\$150.44	\$148.90	\$94.03	\$99.02	3.8%	-2.5%
Total	30,774	68.3%	70.9%	\$134.25	\$128.00	\$91.69	\$90.75	3.0%	-0.8%

Source: HVS, Smith Travel Research

Generating Hotel Business in Turbulent Times

According to information in HVS's Canadian Lodging Outlook, September 2008 edition, sales and marketing activities take on more significance during periods when there are clearly market uncertainties. It suggests that hoteliers look at the best practises of other sectors when employing creative directing selling initiatives. Following on the practices of retailers, it suggests personal phone calls (versus emails and letters) to ask guests about their recent or last stay, and what worked or didn't work for them. Going further, have all departments play their part in the sales effort. This could include managers approaching vendors/suppliers to canvass their individual and group business (staff parties). It is suggested that public relations not be over-looked, and that travel writers and press visits can help build relationships and garner significant coverage for a hotel property (i.e. recent hotel renovations). They recommend working in coordination with local destination marketing organizations to stage visits with local media and those in other geographic markets on an annual basis.

A suggestion was to introduce packages that address travelers specific needs, and perhaps cater to particular lifestyles or trends (i.e. popularity of people traveling with pets). Consider creating promotions to reward your guests such as "in-province traveler" rates or programs to help air travelers pick up their airline baggage fees. They suggest using internet-based social networking sites, linking back to the hotel property, to keep potential guests updated as to special offers and packages. Another option is to undertake sales calls to businesses in the local community, and include a small gift (basket of cookies with leaflet on packages/special rates). They also remind hoteliers not to forget about programs to keep sales team motivated to exceed marketing goals (i.e. exceed goal and get an extra day off on a long-weekend).

Source: HVS, Smith Travel Research

Canadian Hotel Transaction Highlights

It is noted that the stronger operating fundamentals of Canadian hotels versus those in the US continue to make traditional hotel assets in Canada more attractive.

Year-to-date Canadian hotel transactions totalled \$886 million at the end of September, versus the \$3.2 billion recorded during the same time period in 2007. Of the \$866 million, \$407 million and \$459 million related to traditional and strategic hotel transactions respectively. In the comparable period in 2007, hotel transaction volume was dominated by the sale of the Legacy portfolio for \$2 billion.

Over the next 12-24 months, it's anticipated that there will be an absence of the large strategic transactions, but well capitalized investors will be attracted to quality traditional single assets with proven cashflows.

Air Access Corner

Federal, Provincial and Territorial Deputy Ministers of Tourism Meeting

The Provincial-Territorial Deputy Ministers of Tourism met in Charlottetown, Prince Edward Island on September 15, 2008 to discuss a variety of issues for the next Tourism Ministers meeting tentatively scheduled for January 2009. The issues that were discussed included: global competitiveness, air policy, workforce, Western Hemisphere Travel Initiative and tourism research.

Bill Werry, Deputy Minister of Alberta Tourism, Parks and Recreation and Moe Rehemtulla, Director, Tourism Business Development, Research and Investment represented Alberta, and led the discussion around air policy.



Air Canada Restructures Baggage Fees and Adds Fuel Surcharge

Air Canada announced the elimination of all second checked-baggage charges and the introduction of excess baggage fees on North American flights.

The \$25 fee for second checked bags introduced in May for Tango and Tango Plus fares in North America were abolished effective September 23. On October 14, Air Canada implemented a single \$75 excess baggage fee for overweight and oversized pieces of luggage on North American flights.

The airline also incorporated a one-way add-on fuel surcharge between \$20-60 into the published price of base fares on domestic and US transborder flights, in response to the downward trend in oil prices.

WestJet Eliminates Fuel Surcharges

The surcharges WestJet introduced in May on short, medium and long-haul flights were eliminated effective September 18.

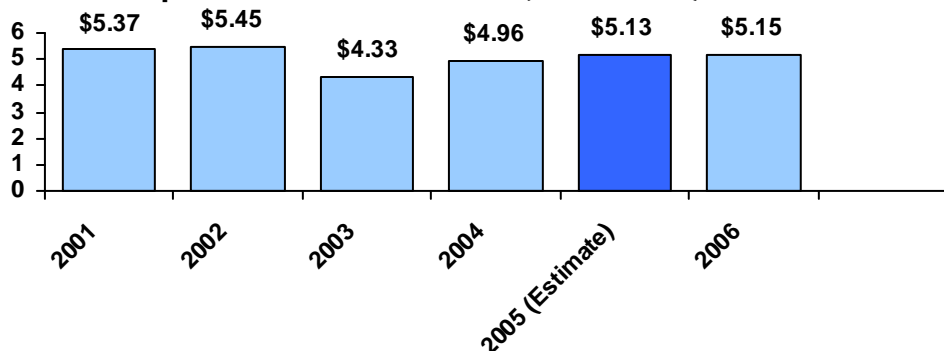
Summary of Total Year-Over-Year Passenger Traffic Performance at Selected Canadian Airports

	Toronto	Vancouver	Montreal	Calgary	Edmonton	Ottawa	Winnipeg	Halifax	Victoria	Kelowna	Saskatoon	Regina	St. John's
Full Year 2007	+1.70%	+3.30%	+8.70%	+8.50%	+16.30%	+7.40%	+5.50%	+2.70%	+6.60%	+11.30%	+8.60%	+10.20%	-0.20%
First Quarter	+6.2%	+9.9%	+5.2%	+6.8%	+8.6%	+7.2%	+5.5%	+11.2%	+5.4%	+6.2%	+12.2%	+7.6%	+2.5%
Second Quarter	+5.7%	+6.0%	+0.5%	+2.6%	+5.5%	+8.7%	+0.2%	+9.3%	+4.7%	+0.5%	+3.9%	+3.6%	+4.8%
July	+3.0%	+0.6%	-2.3%	+1.1%	+7.2%	+9.1%	-1.4%	-3.9%	+5.6%	+2.7%	+8.8%	-1.5%	+0.3%
August	+3.0%	+0.3%	-1.3%	-0.9%	+4.1%	+9.9%	-4.8%	+2.0%	+6.7%	+4.8%	+8.1%	+6.9%	+3.0%

Source: InterVISTAS' Consulting Inc.

Tourism Visits and Expenditures in Alberta

Tourism Expenditures in Alberta (In Billions)



Tourism Visits and Expenditures in Alberta by Origin (2006)

Residents of:	Person-visits (in thousands)	Trip Spending (in millions)
Alberta	15,452	\$2,495
Rest of Canada	2,402	\$1,241
United States	935	\$664
Overseas	772	\$754
Total	19,561	\$5,154

Source: Statistics Canada, Travel Survey of Residents of Canada and International Travel Survey

Direct Entries into Alberta by International Visitors January-September 2008

Alberta's overnight direct entries by international visitors (U.S. and overseas) for January through September of 2008 decreased -1.2%, compared to the same time period in 2007. For Canada as a whole, the decline was -4.7%.

Overnight direct air arrivals by U.S. residents into Alberta had a year-to-date increase of +0.1%, compared to 2007. Nationally, the decline was -6.3%.

Overnight direct entries by overseas visitors into Alberta had a year-to-date increase of +1.9%, compared to 2007. Nationally, the increase was +3.2%.

Overnight visits to Canada by residents of Europe continue to show strength, with year-to-date visits up by +4.2% compared to the same period in 2007.

Source: Statistics Canada

Changes Made to the Measurement of Domestic Travel in Canada

Historically, Canadian domestic tourism volume, value and travel characteristics have been measured by the Canadian Travel Survey (CTS). In 2005, the CTS was replaced by the Travel Survey of Residents of Canada (TSRC). Following is a brief summary of the key differences between the CTS and the TSRC:

- The CTS surveyed residents of Canada 15 years or older, while the TSRC surveys Canadian residents 18 years or older.
- The CTS included travel to attend funerals, while the TSRC does not.
- The CTS defined a trip destination as being a minimum of 80 kilometres or more away from home. In the TSRC, this distance requirement is eliminated for overnight trips and reduced for same day trips. Within the TSRC, overnight trips must be considered "out-of-town" (with no distance minimum) while same day trips must meet this requirement and be at least 40 kilometres from home.
- The distribution of airfare expenditures has also changed. In the CTS, expenditures on airfare were attributed solely to the region of flight origin. In the TSRC, the expenditures are distributed to the region of origin, the destination and any regions where the flight stops en route to the destination.

As a result of these differences, TSRC estimates of domestic tourism volume, value and characteristics are not directly comparable to historical estimates from the CTS. 2006 is the new baseline year for domestic tourism in Canada.

2008 Post-Summer Alberta Tourism Operator Survey

The 2008 Post-Summer Alberta Tourism Operator Survey was conducted from September 18th to 30th. The study obtained feedback from 88 tourism industry operators.

The Post-Summer study found:

- There is a mix of success across the province for the 2008 summer season. Some operators held their own, while others experienced decreases in the range of 5 to 10 percent. Reasons for the decline are varied, but the predominant factor affecting summer travel was the high price of fuel. Other factors included the current state of the U.S. economy, the slowdown in the oil patch, and the Beijing Olympics. Alberta leisure travel continued to increase this year with more local tourists re-discovering their own backyard. Operators are unsure of what 2009 will bring and are looking at shifts in marketing strategy and/or product development to maintain their share of the market.
- The high price of gasoline had an impact on the types and habits of travellers visiting Alberta this summer. While long haul traffic was down, local demand was up, with many local tourists re-discovering their own backyard and doing more spontaneous travel and more short notice bookings. The length of stay at campgrounds and RV parks was positively impacted by the increased cost of fuel, as travellers tended to stay longer.
- Labour shortages continue to be an issue throughout most of the province. Some pressure has been alleviated for operators drawing on foreign workers through such programs as the Temporary Foreign Worker Program. Absenteeism is a concerning issue because more workers are holding two or more jobs, resulting in employee burn-out. Loyalty is also declining as the competitive labour market drives employees to bounce from job to job.
- Operators are faced with the challenge of maintaining international market interest in Alberta even though the cost to travel has increased again this summer. This summer saw boosts in prices to reflect economic factors such as increased fuel costs, the high cost of living, the currency exchange rate, and growing operating costs.
- The U.S. market continued to decrease throughout the summer season for most operators. Until the U.S. economy stabilizes, travel from the U.S. is projected to steadily decline throughout the next year.
- Operators are not complacent. Many are looking at diversifying product, marketing more to local residents, and capitalizing on major events.

To view the full report please go to:

www.tpr.alberta.ca/tourism/research/operatorsurveys.aspx or www.industry.travelalberta.com/research/

Estimated Major Event Attendance Figures 2008

- | | |
|----------------------------------|-------------------------------------|
| • Calgary Stampede: 1,236,351 | • Heritage Days: 340,000 |
| • Ponoka Stampede: 66,465 | • Edmonton Fringe Festival: 500,000 |
| • Capital Ex: 743,374 | • Big Valley Jamboree: 79,000 |
| • Edmonton Folk Festival: 85,000 | • Whoop Up Days: 65,579 |
| • A Taste of Edmonton: 600,000 | |

If you have event attendance figures you would like to submit, please email:

kristy.hubscher@gov.ab.ca

How Can We Help You?

Tourism Business Development

- Provide business information and advisory services to clients who are developing or expanding tourism products such as hotels, resorts, golf courses, guest ranches, ski hills, ecotourism and tourism related events.
- Offer financial advice and facilitate client access to capital.
- Guide clients through the regulatory processes involved in tourism development projects.
- Work with the government departments in an advocacy role to represent the interests of the tourism industry in key policy areas such as improved air access, access to Crown land and product development.
- Advice on tourism-related economic impact assessments.

Tourism Investment

- Work with investors, developers and the financial community to encourage and facilitate investor interest and involvement in Alberta's tourism industry.
- Assessment and linking of investor interests and financial resources with appropriate tourism investment opportunities.
- Generate investor interest through investment attraction activities, such as the annual Tourism Investment Symposium, Tourism Investment website and participation at key industry investment conferences and events.
- Proactively work with Alberta International and Intergovernmental Relations' International Offices to distribute information on tourism investment opportunities in Alberta, with the goal of attracting foreign investment.

Tourism Research

- Conducts research and provides timely, relevant information that enhances understanding of market and consumer trends.
- Measures Alberta's tourism industry performance by collecting and analyzing data from the International Travel Survey and Travel Survey of Residents of Canada.
- Tourism Research clients include Travel Alberta, tourism operators, tourism associations, consultants and other industry stakeholders.
- Tourism Research partners with the Canadian Tourism Commission, other provincial tourism agencies, Parks Canada and many other stakeholders to produce reports, studies and statistics.

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