

**Post-Summer 2006
Alberta Tourism Operator Survey**

SURVEY REPORT

Prepared for:

Alberta Economic Development
4th Floor Commerce Place
10155 – 102nd Street
Edmonton, Alberta T5J 4L6

Prepared by:

Brooks Jobb and Associates
44 Greenbrier Crescent
St. Albert, Alberta T8N 1A3

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Provincial Overview

During the Post-Summer 2006 Alberta Tourism Operator Survey conducted in mid-September, 128 Alberta tourism industry businesses were contacted and 90 businesses participated. Survey participants are located in 36 Alberta communities, Eastern Canada, and the United States.

Tourism operators were optimistic entering the 2006 summer season and results justified that optimism. It was for the most part a very strong summer with both occupancy and revenue increases over 2005. The trend is expected to continue into the fall and winter season. A synopsis of the Post-Summer 2006 survey results is as follows:

- Hotels in Banff and Waterton Lakes National Parks had a satisfactory summer with average occupancy increases of 5%.
- Jasper National Park experienced a summer similar to 2005, but results are disappointing considering the high expectations entering the season. A reduction in group tour travel is the reason.
- Banff Park Corridor properties enjoyed a successful summer season. An increase in US visitor traffic was a positive in Canmore, while regional business proved strong in Kananaskis.
- Jasper Park Corridor hotels operated at or near full occupancy on the strength of energy sector demand. As feared in the spring survey, available rooms for tourism purposes were few.
- Calgary hotels had a positive summer, exceeding expectations. Higher occupancy and average room rates contributed to increased revenues.
- Edmonton hotels had a stronger summer than 2005 in terms of both occupancy and average room revenue.
- Energy sector demand fueled Northern Alberta business. Occupancy at most reporting hotels was at or near capacity throughout the summer with a significant increase in average room rate.
- Operators in Southern and Central Alberta report occupancy at, or above, target levels with revenue exceeding 2005. Average room rates were at, or slightly above 2005 levels.
- Campgrounds and RV parks had a strong year characterized by heavy seasonal use and waiting lists.

- Tour business to Alberta was disappointing, although similar to, or slightly below 2005 levels. Realignment of the tour market from group tour to fully independent travel is the reason.
- Increased regional traffic and good summer weather contributed to a good summer for attraction and event operators.
- Adventure vacation venues report a better year than 2005. Regional visitors led the way.

Respondents provided the following observations:

- Staffing issues are the most critical concern facing Alberta tourism operators. Staff shortages, high labour rates, and in many areas lack of staff accommodation made 2006 a very trying year. Given Alberta's robust economy, this problem is not expected to go away in the short term. Many operators are recruiting off-shore with positive results - attracting well trained and motivated employees. Many larger operators believe that among the solutions, the industry must do a better job of promoting career opportunities for long-term stable hospitality industry employment, especially in the areas of hotel management and food services.
- Heavy energy sector and corporate demand over the summer saw many hotels at or near full capacity. That demand has driven up average room revenue and in many regions, few rooms were available for the tourism sector.
- The stronger Canadian dollar relative to other world currencies has made Alberta and Canada a more pricey vacation alternative. This factor, coupled with good summer weather in Europe and the World Cup in Germany, had a direct negative influence on long haul North American and European visits.
- Long haul coach tours suffered a significant decrease with the decline in the allure of long haul escorted tours. Some operators are replacing this mode of travel with multi modal fully independent tour business.
- Higher gasoline prices and the stronger Canadian dollar did not have the negative impact earlier expected for travel by U.S. visitors. With security becoming an ever larger issue in global travel, Canada offers a secure and safe destination.
- Many operators are looking forward to increased expenditures for tourism marketing initiatives. It is felt that additional marketing assistance is required to promote smaller ethnic or cultural attractions.
- Infrastructure in small communities is important in promoting local area attractions. A detriment to attractions and events in many areas is poor highway signage.

Independent Travellers

Banff and Waterton Lakes National Parks

Historically Banff and Waterton Lakes National Parks are tourist destinations tied to their scenic splendour and the outdoor adventure experience. As such, their regional traffic is often weather related. The spring and summer months of 2006 provided exceptional weather. The good weather, coupled with a buoyant Canadian and Albertan economy, has resulted in an increase of regional business, allowing operators to obtain modest increases over the previous year. Overall business was up by approximately 5%. Many operators indicated business through July was relatively flat and the increase is due to a strong August. There is no evidence of any substantial movement in room rates. Most locations held rates consistent with 2005, and in the odd instance, rates were lowered to gain occupancy.

Operators unanimously indicated regional traffic was up over previous years, but had mixed assessments of their overseas and US trade. While some reported an increase in travellers from the US, others believe American tourist traffic was at best flat, and in some instances, still on the decline. There is consensus that the Asian market, particularly the Japanese market, was slightly up over the previous year. Operators did state that with more internet booking and a marked increase in fully independent travel, it is more difficult to track the point of origin of their customers. Competition for the overseas tourist has increased substantially in the past few years as tourists now have many more options open to them.

In the advent of the summer season, some operators felt the price of gasoline and the strength of the Canadian dollar would adversely impact the normal flow of tourists. Upon conclusion of the season, none believed the price of gasoline had a significant influence on their business and it was largely a non-issue. The strength of the dollar was also considered to have minimal or no significant impact.

September had a strong start and the good showing is expected to extend into the fall. All locations dependant upon ski and winter tourists are looking forward to a good winter. Rates will be maintained into the fall and winter season.

Consistent with other areas within the province, labour remains a critical issue. Some operators were able to minimize the staffing problem by taking advantage of the Alberta Hotel & Lodging Association's initiative to bring in hospitality workers from the Philippines. Taking advantage of the initiative at an early date allowed some operators to have their staffing in place prior to the season and minimize problems. Others, while taking advantage of the federal program, thought the time and paperwork involved was too cumbersome. Another solution to labour shortage used by operators was the re-

deployment of staff and increasing the number of overtime hours. Owner operators often took up the slack by working extra long hours. There was a general concern that the labour issue has compromised the quality of service. While some food service operations were down-sized because of staff shortages, no room nights were lost. Employee housing is always an additional concern for operators, but due to the seasonality of the business in the Parks, the problem is an annual issue that has been addressed to some extent.

Respondents noted that the ability to reserve camping spaces within the National Park campgrounds was a definite asset and well received by campers.

Jasper National Park

2006 is generally viewed as a flat summer by Jasper tourism operators. Although they entered the season an optimistic note, tourism operators did not see the number of visitors they had expected. Several hotels report visitor levels at or below 2005 and for those exceeding last year, occupancy did not reach forecast targets. Early season visitor numbers were a disappointment, but strengthened into the summer. Although average room rates remained stable, isolated reports of competitive price cutting in the market were noted.

The spring survey indicated prospects of a strong group tour market, which unfortunately did not materialize. As summer progressed, there was fall-out with late cancellation or fewer passenger numbers than anticipated. A much stronger regional and Canadian market helped compensate for lower group tour numbers. A noticeable decrease in the number of individual American travellers to Jasper this summer was evident and of concern. Late June and early July saw a lighter influx of European visitors, which may be attributed to soccer's World Cup. As summer progressed, German and UK tourists again made Jasper a mountain vacation destination. A noticeable increase in Australian and New Zealand visitors is reported and a pleasant surprise is the appearance of more South American travellers. The Japanese and other Asian markets do not appear to have returned to Jasper. One respondent mentioned an abundance of motor home visitors in Jasper this summer, indicating people are travelling to the Park.

Labour issues continue to be a concern in terms of availability and cost. Jasper has the additional disadvantage of limited staff housing. Staff accommodation available in private residences in past years was not so abundant this year, as private rooms were being rented to tourists. International security concerns are cited as the reason for fewer foreign group tour visitors in 2006. In conjunction with security issues, the stronger dollar and higher gasoline prices worked against attracting already apprehensive American travellers.

Hotels are forecasting a fall and winter season similar to 2005. Mild early September weather has contributed to a good start to the fall shoulder season. The early Thanksgiving may negatively influence October visitor levels as the fall shoulder season traditionally drops off after Thanksgiving. Several hotels report solid conference and special event bookings as they head into the fall. The winter season is dependent on

snow conditions. Respondents are encouraged by the addition of snow making equipment on six lower runs, which optimistically will result in a better snow base to start the ski season. This, coupled with new direct flights from London to Edmonton, is hoped to attract more UK skiers this winter. For those looking ahead to 2007, security issues appear the major concern for international markets. There is fear group tour business may again suffer and several respondents mentioned cancellations of planned 2007 tours attributed to the London Heathrow incident. In forecasting next year's demand, Alberta's robust economy is a significant positive factor in attracting Alberta-based visitors to the Park.

Several respondents note a more budget conscious clientele in 2006, reflected in lower average food, beverage, and retail revenue. With the influx of new Albertans to the province, one hotel is directing effort at capturing this new growth market. In the competitive national and international tourism marketplace, there is some fear Jasper may be flat-lining in terms of long-term growth. That is why formation of a Jasper tourism authority and increased marketing dollars are welcomed. In order to remain competitive, there is a need to provide a more multi-attraction vacation experience to attract those seeking a more active and exotic type of holiday.

Banff Park Corridor – Canmore and Kananaskis

In the spring of the year, respondents to the Pre-Summer survey were optimistically projecting increases for the months of May and June, and believed that higher occupancy levels would be reached for the remainder of the summer. Their anticipation was well founded as summer 2006 generated higher levels of occupancy and revenue than did the same period in 2005. Operators in Canmore and area produced particularly good results with some stating an increase in occupancy of 5% to 7% and a revenue increase in the 15% range. With the exception of a slow period in late July and early August, 2006 was an equally good summer in Kananaskis.

Contributing factors ranged from the strong economy to the transition of Canmore from a "stop-over" or "catch basin for Banff National Park overflow" to a destination location. Average stay has increased as tourists are taking more time to enjoy the attractions within the area. The combination of higher occupancy, slight rate increases, and the ability to obtain rates previously set in their rate schedules, all contributed to improved performance. The mix of clientele also contributed to the acquisition of higher rates. A noticeable increase in fully independent travellers and higher levels of regional traffic resulted in an increase in "walk-in" trade that generally produces an opportunity for higher rates. This adequately compensated for a drop in tour business that usually is priced out at discount rates. It is reported Banff did some aggressive pricing to get business back and resulted in price stability in the Kananaskis market. The Alberta market was the Kananaskis "bread-and-butter" this summer. The successful promotion of attractions such as golf packages and the excellent summer weather encouraged more Albertans to visit the area. As in other parts of the province, group tour business lost strength from the previous year. This was especially true of the Asian market, down significantly, and a slight decrease in the American tour market.

Of significant note in the Canmore area, the consensus is that traffic from the United States was up. The majority of respondents all commented on this factor, especially after concern in the spring that the higher dollar and the high cost of fuel would contribute to a decline in the number of US tourists. This was obviously not a concern. Belief among some operators is that the American tourist is becoming less concerned with security and is willing to once again travel abroad. With the exception of tours, operators state it is becoming increasingly difficult to pinpoint the country of origin of their “walk-in” clients. Despite this fact, consensus is that traffic from both Britain and Germany was up. There was also a noticeable increase in tourists from South America. In addition to the normal tourist traffic, modest increases in conference business were noted. However, there were fewer meetings held in Kananaskis this summer.

Most respondents do not believe the high cost of fuel had a significant impact on their ability to produce positive results. Labour, as in the rest of the province, was a problem in Canmore. Some operators indicated that housekeeping wages have increased to the \$17.00-\$18.00 per hour range and one operator indicated that overall labour costs had risen by 30%. While no one lost room nights because of the shortage of adequate help, many were concerned with the ability to maintain a high standard of service. In addition to housekeeping, food services were hard hit, as it was particularly difficult to maintain kitchen and food preparation staff. In Kananaskis, labour issues were not a significant problem, since hotels have staff housing. Offshore employees from the Philippines filled housekeeping and kitchen positions. Management staffing is becoming difficult because of the lack of management accommodation in the vicinity.

The brisk activity was continuing into the month of September and expectations are that the fall will produce good results. In Canmore, business prospects for the fall and early winter are positive. Weather and good ski conditions are the determining factors and will greatly influence the ultimate results. Kananaskis expects a strong fall and winter season with solid corporate and conference business on the books. The winter ski season should also be strong, with the joint development of ski packages at Nakiska. With pre-bookings ahead of the same time last year, 2007 is looked forward to with optimism.

Canmore and Kananaskis are now facing the added competition of time-share condominium offerings in Canmore and western BC. Hotels are at a competitive disadvantage with nightly rates for condominium suites similar to those of hotel rooms.

Jasper Park Corridor – Hinton and Edson

As anticipated, summer 2006 met the optimistic outlook of Hinton and Edson operators. Crew and corporate business filled most properties from May to September.

There is no indication this trend will abate, with the forecast of full or nearly full occupancy for the rest of 2006 and into the spring of 2007. Crew business once again dominates demand. It is reported that even during the Christmas break, crews are paying

for rooms to be held until they are needed. With such heavy demand, average room rates have increased and the likelihood is they will continue to do so.

Staffing issues, while a concern, have not been a critical problem to date. Hotels have been able to function without impact on service.

Calgary

The 2006 season was a positive summer for Calgary hotels. Increased occupancy coupled with improved rate schedules resulted in higher revenues for many hotels. Although the Pre-Summer survey forecast some slippage in the months of July and August and difficulty in matching 2005 figures was expected, this did not happen. July business held on par with the previous year as most locations benefited from a very successful Calgary Stampede. Spruce Meadows had a record-breaking year, contributing to an increase in tourist traffic. Some slippage did occur in August, but overall occupancy and revenues were up for the total period.

The tourism component of the business mix was up through the period. Those locations catering to the tour business showed some improvement on a previously good year. Fully independent travel was up over the same period of 2005. The point of origin of most tourists remained largely unchanged with the US and Canada being the major markets. Among overseas travellers, there was some modest group increase from countries like Spain.

September is marked by the tail-end of the tour season and is the beginning of the convention season. There are a number of conventions scheduled for September, including the International Pipe Line Convention, which attracts attendees from around the world. September's strong performance is expected to continue through December, which is often marked by reduced corporate travel and lower occupancy.

It is the general belief that neither the price of gasoline nor the strength of the Canadian dollar adversely influenced business performance. Some operators believe, however, that the high cost of fuel might negatively impact tour operators, with the trickle down effect to be experienced next summer.

Labour, the supply of qualified workers, the escalating cost, and the requirement to provide adequate, affordable housing, is forecast to continue as a major concern throughout the year. The impact of low supply and the ability to forward plan for staff levels varied with operators. Those locations able to recruit out-of-province workers had a problem providing suitable housing at an affordable price. Some locations are investigating the feasibility of converting hotel rooms to apartments to meet staff housing requirements.

Expectations through the end of December are excellent. The continued growth of the business community, the increasing population, and the buoyant economy bode well for continued success. There has been no major market increase in the number of rooms and

the pie has grown larger, resulting in increased business opportunities while maintaining a constant market share.

Edmonton

The Capital Region hospitality industry continues to prosper because of the buoyant and dynamic provincial economy. Both corporate and individual prosperity contributed to the growth of business. The positive economic climate coupled with favourable spring and summer weather had a direct and positive impact on summer events and attractions.

Hotels located in the downtown core often have a larger corporate component to their client mix and as a result of lower corporate travel through the months of July and August the summer is considered a slower business period for them. Despite this normal decline in corporate business, occupancy was up in the 5% to 10% range. Additionally, hotels benefited from an improved rate structure where, in some instances, this amounted to an increase of approximately 15%. September is starting out very strong and expectations are that business will continue to be excellent through December.

Hotels out of the downtown core that are more reliant on tourist traffic also enjoyed improved business through the summer season. Those locations that enjoyed a very strong July and August in 2005 as a direct result of the World Masters Games experienced some decline during those months in 2006. It also appears that the 2006 Grand Prix of Edmonton did not produce the same results as the previous year. Despite the aforementioned setbacks, overall occupancy was up May through Labour Day and September is proving to be an excellent month.

Of particular note in the spring was the Stanley Cup run of the Edmonton Oilers and its impact on the hospitality industry. The run not only brought additional visitors to Edmonton, but also increased the number of local people getting out and about to restaurants and lounges. Hotels and restaurants that organized game packages through the season greatly benefited from the extended season, as did those hotels hosting travelling teams and press corps.

With the exceptions of Capital EX and the Grand Prix, major festivals and attractions enjoyed a banner year. While most benefited from the exceptionally fine weather, the extreme heat may have adversely affected attendance at Capital EX and the Grand Prix. Edmonton's Fringe Festival had a record-breaking year and many venues had issues related to capacity that must be addressed as the festival continues to grow. The City of Edmonton attractions had an overall increase in attendance of 12%.

The labour shortage was a concern for all operators and in many instances directly influenced the quality of service provided. Those operators that had done sufficient forward planning reduced the problems, but did not totally avoid them. A variety of solutions that included changes in recruitment and hiring practices, increased wage and benefit packages, shortening operation hours, closing venues, and redeployment of management staff were utilized to maintain operations. Many of the larger operators

believe the industry has to do a better job of promoting career opportunities within the industry for long-term stable employment. No one sees the labour situation as a short-term problem. Operators did not believe that other potential concerns such as the price of gasoline and the strength of the Canadian dollar significantly impacted the industry.

Northern Alberta

As expected, 2006 was an exceptional summer. Throughout northern Alberta, hotel rooms were in scarce supply. Summer occupancy at many hotels was commonly in the 80% to high 90% threshold, filled by high energy sector demand during the week and travel groups on the weekends. Crew and corporate business was the main room demand driver in Fort McMurray. The successful oil sands tour market filled many of the remaining rooms allocated for tourism purposes. In Grande Prairie, energy and forestry industry demand dominated the market place. In that community, several hotels successfully established package destination tourism to fill lower occupancy periods. Peace River hotel occupancy was much stronger than in 2005 due to the active energy sector. In Whitecourt, occupancy was in the high 90% level led by the energy sector. Smaller Northern Alberta communities report a similar busy summer with high occupancy dominated by energy and construction crew demand. High demand equated to higher average room rates in all northern areas. Regional and western Canadian travellers were more evident in 2006, with equal or slightly lower numbers of US visitors. Reports from Grande Prairie are that American travel to Alaska was similar to previous years.

Labour and housing will be the major issue over the next several years. The concern is the ability to service the high room demand, with one hotel reporting operating at 30% below full staff requirements for part of the summer. Labour cost is another critical factor, up 20% to 30% in most markets. Most survey respondents are now hiring out-of-province, with many recruits coming from the Philippines. With few exceptions, out-of-province recruitment is a lengthy, time-consuming process, but the quality of the people coming over has been high. With more hotels coming on stream, human resource issues could be a long-term problem.

The strong spring and summer room demand should continue. Hotels in most northern communities expect to be near or at full capacity throughout the fall and winter, with pre bookings ahead of 2005 levels. The average room rate continues strong and is rising. Fort McMurray is looking at a strong and growing market with significant rate hike increases. Business is so strong in Fort McMurray that several hotels have forfeited their chain designation. Operators describe Grande Prairie as a great business environment and they look for ongoing growth and increased average pricing. As a growing destination and regional centre for northern Alberta and British Columbia, Grande Prairie is diversified and is not now solely dependent on resource demand to fill rooms. According to Peace River respondents, “things are booming in Peace River” and Whitecourt operators describe Whitecourt as “a boom town”. Expectation from the areas of Athabasca, Bonnyville and Cold Lake is also for a strong fall and winter season with few vacant rooms. All in all, a very positive and optimistic outlook.

The downside of high demand is the ability to provide proper service and that is a major problem for operators. One respondent stated with concern, “Clients are beginning to accept less than top notch service and that is not a good sign.” Another potential long-term problem is, in order to meet the high energy and forestry sector demand, group tour and individual traveller business is being turned away.

Southern and Central Alberta

Operators in southern and central Alberta entered the 2006 summer season on a positive note and their expectations were met. Most hotels report occupancy at or above target levels and revenue exceeding that of 2005. In Red Deer, hotels servicing the oil patch had a strong summer and those with corporate or leisure clientele report a good season comparable to 2005. Sylvan Lake had a busy year helped by the excellent summer weather. Lethbridge respondents experienced occupancy levels consistent with prior years and a higher average room rate. The summer in Medicine Hat hotels was good, with July reported as soft. Smaller southern Alberta communities report an average to better-than-average year. Overall, most are very satisfied with summer 2006.

Local and regional visitors came to Red Deer in greater numbers than in 2005 and western Canadian traffic was consistent with last year. An increase in oil related corporate business was reported in Lethbridge, although crew related activity was not as strong. The Lethbridge regional market was a bit of a disappointment reflecting little or no growth. Travellers from Saskatchewan were evident in much greater numbers. Fewer US visitors, especially from the near border states, came to Lethbridge in 2006 with one venue reporting a 50% decrease in overnight stays. Medicine Hat had a good summer highlighted by the corporate sector. Regional visits led the leisure market and more western Canadians came to the city, but fewer Americans visited this year. The smaller centres, in turn, report a larger number of European and smaller number of American visitors. As an example of how international events directly influence local economies, one hotel traditionally servicing the military at Suffield Range had fewer room nights because UK troops were serving in the Middle East.

The tight labour market is a critical challenge for all respondents. As in other areas of Alberta, hotels are sourcing offshore workers for kitchen and housekeeping staff. Many are down to “bare bones” staffing and are using such measures as retention bonuses to keep staff. High gasoline prices, the stronger Canadian dollar and perceived border issues are reported as catalysts for the decrease in US visitors. One concerned operator mentioned that because of the change in guest profile from family to crew business, hotel security issues were more prevalent, putting their employees more at risk.

Operators are forecasting a strong September and occupancy for the remainder of the year similar to 2005. Red Deer hotels are once again looking at healthy corporate and crew room demand. European travellers will visit Sylvan Lake in September, as in past years, although a noticeable increase in demand from the Dutch was highlighted. Occupancy for the rest of the winter will be filled with seismic crew activity and winter

festivals. Corporate and crew business strength led by the agriculture industry, highlights the Lethbridge market. In Medicine Hat, the corporate sector will provide the fall occupancy demand, followed by solid convention and banquet demand to the end of the year. The Alberta figure skating championships in November is also a welcome addition.

Prospects for 2007 are encouraging. With the prosperous energy sector, operators are optimistic. Most are expected to hold or only slightly increase rate structures. Lethbridge hotels in particular, anticipate ongoing corporate growth, especially in the agriculture sector, and are forecasting more individual traffic next year. The return of US visitor traffic to southern Alberta is a question mark. Gasoline prices and the dollar appear to impact near border US residents, who used to consider the area an economical place to travel. There is also some concern about a possible US recession and its potential negative impact on US travel to Canada.

Campgrounds and RV Parks

As forecast in the Pre-Summer survey, Alberta's campground and RV park operators had a sterling summer. Aided by heavy seasonal bookings, great summer weather, and more regional traffic, campgrounds and RV parks exceeded both 2005 visitor levels and their own 2006 expectations. Seasonal sites at most venues were fully booked with long waiting lists. That translated into full weekends and high mid week occupancy. The absence of a forest fire threat in 2006 was also a contributing factor to growth.

As anticipated, regional Alberta and western Canadian visitors were in abundance, indicating travellers vacationed closer to home this year. In southern Alberta, American visitors tied their vacation plans to the Calgary Stampede and were present in greater numbers, which was a real bonus. Other parts of the province reported fewer US travellers, although American motor home traffic to Alaska was reported in similar numbers to 2005.

Staffing, although tight, is not identified as a major concern by most respondents. Many got through the summer with a good base of core staff. However, it is viewed as a potential concern in the future.

Because of heavy seasonal bookings, several sites have extended their season into mid October. Venues offering winter sites are reportedly full with crew business and have waiting lists. Expectations are that 2007 will continue strong and be comparable to 2006.

As land becomes more valuable for alternate use, some downsizing is happening in the campground and RV business. There is a trend occurring to develop campground property to condominium use. This has already occurred in the Canmore area.

Group Tours

Tour operators report that 2006 was a satisfactory, but not great, summer. Consistent with early season expectations, summer season activity was similar or slightly below 2005, which was considered a fairly strong year.

With the decrease in its allure, long haul coach tours suffered a significant decline. Some operators are replacing this mode of travel with multi modal fully independent travel tour business. Long haul travellers from the eastern United States were fewer in number this year as were Europeans, with the exception of the British. The number of Germans in some Rocky Mountain resorts was down significantly as well. The World Cup negatively influenced early season numbers of European travellers. An increase in Australian and New Zealand tour visitors was evident. Eastern Canadians were also a good market for Alberta this year characterized by fewer coach tour customers, but good increases in longer term stay fully independent travel.

The relative strength of the Canadian dollar against the Euro and pound hurt the summer season. The perception to European visitors is that they are no longer receiving the same vacation value for their currency as they previously did. As an example, the cost of an Alberta vacation for German visitors was reported up 10% just on the currency difference alone. Both air cost and air availability were given as further inhibitors to long haul travellers. The nice summer weather in Europe this year may also have encouraged Europeans to stay closer to home. As mentioned in the Pre-Summer survey, the sinking of the Queen of The North ferry in March 2006 had a negative impact on tours featuring combined BC and Alberta destinations.

Entering the fall season, expectations are for a year similar to 2005 and a stronger winter. Shoulder season Rocky Mountain tours appear popular this year and prospects for 2007 look favourable. With new marketing initiatives, operators are optimistic the North American market will return to Alberta. There are reports the 2007 season is off to a good start, with one operator reporting booking enquiries up as much as 60% from the same period last year. Other operators are more cautious, projecting a similar year to 2006.

In a world of insecurity, personal safety issues are not considered a concern to overseas visitors coming to Canada. However, Canada is no longer considered a “top-ten” tourism destination. European travel has become a strong Alberta competitor for the long haul North American travel dollar, especially Italy, Central Europe, and Ireland. European river cruising vacations are increasing in popularity. Asia is not a short-term threat. In the opinion of operators, border issues will not play a major factor in vacation planning nor will the Heathrow bomb scare have a lasting impact on North American travel.

Attractions and Events

Exceptionally good summer weather and a buoyant economy are the ingredients significantly contributing to a banner year for most of the province's tourist attractions and summer events. With the exception of one or two major events, operators reported a significant increase in both attendance and revenues.

The robust economy and the high level of employment have increased the amount of disposable income and the portion spent on entertainment. This, coupled with fine weather, resulted in families in the local and regional market area getting out and enjoying the recreational opportunities available to them. Two notable exceptions are Capital Ex and the Edmonton Grand Prix, both of which were on during the highest temperatures in the summer. The extreme heat for this area may have negatively influenced attendance at both events and prevented them from achieving higher levels of attendance. Other events and attractions benefited from the good weather, since it was not an impediment to attendance at outdoor venues.

The entertainment dollar is a highly competitive dollar as is the competition for people's time. Those attractions that combined strong marketing activities with quality programmes and upgraded facilities and attractions showed the largest increases in attendance. The ability to partner and package with other tourist oriented businesses provided positive results. Attendance figures were up 12% to 25% in many instances and major events such as the Edmonton Fringe Festival and the summer programmes at Spruce Meadows produced record-breaking attendance.

The increasing costs of doing business necessitated imposition of new fees at some locations and increased fees at other locations. Neither seemed to have a substantial negative impact on attracting guests. The critical element is the strength of the attraction and the ability to provide value.

While many attractions and events are largely dependant on local and regional guests, the tourist component is still critical to their overall success. Improved tour packages enhanced the ability to increase attendance from this market segment. Walk-in traffic is reported considerably ahead of 2005. While country of origin varied from location to location, the number of European tourists (Britain, Germany, and The Netherlands) is reported up. Increased numbers of Spanish and South American tourists were also noted. There is mixed reporting on the number of American tourists, with some operators stating this number as flat or down and others seeing noticeable increases.

Most respondents thought the high cost of fuel had minimal impact on their business. Some even felt it might have helped in achieving higher local and regional traffic levels, but did not think it to be significant. A number of destination attractions thought the high cost of fuel contributed to longer stays within an area and at their locations. The strength of the Canadian dollar was not mentioned as having any impact on visitor numbers.

Labour continues to be a problem for many operators. Many locations rely upon casual and part time staff and both its supply and cost negatively influenced their operations. Those smaller attractions utilizing volunteers also had trouble maintaining their volunteer workforce. Major attractions, with a variety of food and retail outlets, were forced to close some operations and shorten hours in others. Those locations that are unique in nature had minimal problems because they attract a particular component of the workforce.

Many attractions are seasonal in nature and will be closing in early or late fall. They anticipate the stronger performance to date will continue until closing. Year round operations recognize they are dependent upon the strength of their program offering, their ability to promote family and yearly passes, and their diversity of exhibit. They look forward to enjoying strong performance through the year end.

Adventure Vacations

The superb summer weather was a boon to Adventure Vacation operators attracting guests in higher numbers than 2005. One rafting company did report low water conditions restricted several of their rafting runs, but the nice weather more than compensated by encouraging more visits. As one operator expressed with relief, “it looks like we are finally climbing out of 9/11.”

As expected in the Pre-Summer survey, Alberta residents came in higher numbers and were the major focus. More western Canadian visits were also noted. Decline in group and corporate sales was evident, as were the reduced number of international visitors. More British and US clients were seen at several venues, while others noted a decline in American visits. Fewer Germans were evident than in previous years. One trail ride operator attributed that to the fact Germans no longer have the same attraction for “cowboy vacations.”

Finding suitable staff is best described as tough, but not impossible, although several operators worked with skeleton staff as the summer progressed. Male ranch wranglers were difficult to find, female wranglers not so much. Border issues did not represent a major deterrent after some early season decline. One operator did report cancellation of a scheduled US group tour because of high airfare costs.

Many Adventure Vacation operators rely on repeat business and word of mouth advertising. With that in mind, most are optimistically looking for a slightly better year in 2007. Several report advanced bookings up over 2006, although US booking enquiries are down. As many operators held or slightly increased rates in 2006, rate increases are expected in 2007.

Labour availability, border uncertainty, environmental issues, and cost remain the major ongoing concerns.

Post-Summer 2006
Alberta Tourism Operator Survey

Appendix A
Interview Schedule

**POST-SUMMER 2006 ALBERTA TOURISM OPERATOR SURVEY
INTERVIEW SCHEDULE**

Name of Property/Attraction/Business/Region _____

Name of Contact: _____ Phone Number: () _____

Business Address: _____

Email Address: _____

Copy of Final Report: Yes: No: By Email or Canada Post? _____

To verify call Sid Nieuwenhuis at (780) 422-1058 or Bryan Leung at (780) 415-5840.

1. **How has your business fared for the period May through Labour Day weekend this year compared to the same period last year? In particular, how did your property/attraction/business operation perform in July and August compared to the same months last year? How about so far this month compared to September last year?**
2. **Did any of your key markets perform better or worse than usual? If so, what do you attribute this change to?**
3. **Did you experience an increase in demand from any particular visitor origin(s) during the months of June, July, or August? Did you have a noticeable increase in the number of visitors from any new markets that have typically not been a source of visitors for your property/attraction/business operation/region?**
4. **Have any factors such as the relatively high cost of gasoline, the relative strength of the Canadian dollar, or labour supply issues had any impact on the performance of your property/business/attraction this past summer? If yes, please elaborate.**
5. **Overall, what are the prospects for your property/attraction/business operation through the end December this year?*** Do you expect it to be better, worse, or about the same as last year?**

***If the establishment is a seasonal operation that will not be open during the period October through December, ask if the respondent has any preliminary idea about the business prospects for 2006.

6. **Any additional comments?**