

Post-Summer 2008
Alberta Tourism Operator Survey

SURVEY REPORT

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Provincial Overview

The 2008 Post-Summer Alberta Tourism Operator Survey was conducted from September 18th to 30th. Leger Marketing obtained feedback from 88 tourism industry operators located in Alberta, Ontario and the United States.

The Post-Summer study found that 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 following outlines the key results for the 2008 summer season by region and product segment:

- Banff and Waterton Lakes National Parks reported mixed results again this year, with some operators maintaining last year's level of business, while others have experienced a significant drop in business. In Banff, visitors from Alberta, Australia, and Europe, namely Germany and the U.K., were up. Visitors from Australia and Alberta were up in Waterton as well, while visitors from Germany and the U.K. were down slightly.
- Jasper National Park also experienced a mix of results, with some operators experiencing significant increases, while others had significant decreases. Similar to other areas, the local and European markets were able to offset a downward trend in U.S. visitors.
- The Banff Park Corridor had predicted an increase in business last fall, but fell short, with difficult conditions beginning to surface in the spring of 2008, such as poor weather, fuel prices, and unstable U.S. and Canadian economies. The rise in fuel prices encouraged an increase in the local market and, similar to other areas, the U.K. and Australian markets were noticeably up, while U.S. visitors were markedly down. In addition, fewer international visitors attended the Calgary Stampede in 2008, thereby decreasing a normal source of visitor traffic.
- The Jasper Park Corridor summer started slow during May through July due to poor weather, but the area experienced some success in August and September with the return of oil and gas crews.
- Similar to other regions, Calgary encountered mixed results for the summer of 2008 with business ranging from slightly up to significantly down. Events within the city

drew less long-haul tourists than was expected, but managed to still do fairly well with the increase in local patronage.

- Edmonton operators experienced weak May and June months, but occupancy levels in July, August and September remained reasonably steady. Overall, Edmonton operators are pleased with the summer season and attribute their success to decent weather, new partnerships, sponsorships, focused local marketing strategies and events.
- Northern Alberta occupancy levels were mixed, ranging from somewhat worse to somewhat better compared to last year. Those relying heavily on oil and gas and construction crews were negatively impacted by the slowdown in the oil patch, while increased corporate market demand and short-haul travellers benefited many operators in this region.
- Southern and Central Alberta operators experienced mixed results. Local demand was higher; however, many saw a decline in oil and gas crew business, which is a primary market for many accommodation operators in the region. Southern operators were particularly affected by the decline in U.S. tourism.
- Campground and RV park operators saw an increase in local long-term stay demand, but experienced occupancy levels ranging from slightly less to slightly better compared to last year.
- Group Tours experienced varying degrees of peaks and valleys with some experiencing an overall seasonal decline in business and others experiencing a minor increase. Booking channels shifted over the summer; travel agent sales are decreasing and online booking has steadied. However, according to group tour operators, the industry as a whole, not only in Alberta, is being seriously challenged by increasing fuel costs, weakened economies in the U.S. and U.K, fluctuations in exchange rates, and growing operating costs.
- Attractions and Events produced mixed results as well, with business ranging from down slightly to up significantly. Overseas and local market attendance rose throughout the province to help balance a decline in U.S. travellers. Visitors from British Columbia and Eastern Canada were also down somewhat compared to last summer, due to staying closer to home during uncertain conditions and increased fuel prices.
- Adventure vacation business remained flat this summer season with only minor declines cited by some operators. Business was steady throughout the summer months. However, operators in this segment are very concerned because adventure vacations are often an “add-on” to regular vacations and therefore are highly vulnerable to economic uncertainty.

Alberta operators noticed the following characteristics from the summer 2008 season:

- 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 rediscovering 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 the international market's 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 increasing 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 markets, and capitalizing on major events.

Regional Overviews

Banff and Waterton Lakes National Parks

Respondents from Banff and Waterton Lakes National Parks report mixed results, with some maintaining previous business levels, while others report a drop of up to 10% in the number of visitors.

Although gross tourism expenditures in Waterton Lakes National Park this summer were similar to last year, the number of visitors to the park was down significantly. Business was flat during the month of July, due in large part to unfavourable weather conditions. August was a good month for the area, while September saw a slight downturn. Notably, visitors from Australia and Alberta to Waterton Lakes National Park were up, while those from the United States, the United Kingdom, and Germany were down.

Operators in Banff report results generally 10% below last year's occupancy. May and June saw a mixture of business results ranging from very strong to down nearly 10% compared to last year. July was reported to be down, due mainly to poor weather. August was slightly better compared to last year. Tourism in September was down from 5% to 10% compared to last year. Visitors from Australia, Alberta, the U.K. and Germany were up this summer in Banff.

Australian visitors were especially prevalent in May and June in both parks. New markets that are beginning to emerge include visitors from Mexico, Edmonton, and India. This is thanks in large part to new flights being available from Mexico City to Calgary and Edmonton, and a growing economy in India, which means more residents of that country have the disposable income necessary to travel overseas. Operators noted that visitors staying in Banff and Waterton while attending the Calgary Stampede were down this year. Not surprisingly, U.S. visitors were down in 2008 due to a variety of adverse conditions, including poor economic conditions, increased fuel prices, higher airfares, the exchange rate, and passport requirements to cross the border. Following a long-standing trend, the Japanese market was down again this year. Visitors from the U.K. were reported to be down slightly in Waterton due to uncertainty in the U.K. economy and loss of some key airlines.

In both Banff and Waterton, the resident population is small and distant from other population centres. Labour force issues continued, if not increased, in both areas in 2008. Local businesses are working to create winter events that will draw staff and visitors. In addition, efforts to accelerate foreign labour applications through the Temporary Foreign Worker Program have helped significantly in alleviating this problem. Operators report a great deal of satisfaction with workers obtained through the program and have had success in providing accommodations for them.

There is a great deal of uncertainty regarding the upcoming winter season. Weather is always a substantial factor in determining how successful the winter months will be in

areas catering to outdoor activities. Moreover, the economic factors in Canada, the U.S., and especially the U.K. may have a major impact on business through the winter season. Operators are competing on price and are increasingly focusing their marketing, pricing, and packaging efforts on the regional market to help boost their revenues this winter.

Jasper National Park

Summer 2008 saw Jasper National Park operators experience a wide mix of business results, with some operations reporting up to a 10% increase, while others are down nearly 20% compared to last year. On the whole, results show flat to slightly improved business over last year. Business in June was up compared to last year. July was the softest month, with 2% to 10% drops in business, largely due to unfavourable weather. August was the most unstable month, with varied results. September was down, which had been expected as construction crews that were working on a new pipeline in the vicinity in 2007 had completed their work and left the area.

The completion of the pipeline meant the loss of patronage from construction crews. However, an increase in international visitors partially made up for the loss. Visitors from the U.K., Australia, Germany, Denmark, Switzerland, Austria, and Greece were up slightly, while visitors from Alberta and British Columbia were reported by some operators to be up and by others to be down, suggesting that perhaps regional visitors are becoming more price-conscious. Group tours were also reported to be up for some operators. Visitors from Italy and Mexico have remained similar to last year; however, the market from Mexico is expected to increase soon due to new available flights between Mexico City and Alberta. U.S. visitors were down this year, extending a trend seen over the past few years and no doubt influenced by economic conditions and increased fuel prices. Other markets reported to be down were Japan, following a decade-long trend, and Korea and Taiwan.

Operators reported that the price of gasoline has not had a great impact on the local clientele, but it has had an impact on the U.S. market. The exchange rate is also cited as a major factor in the number of diminishing U.S. travellers. In addition, more Americans were staying home this year to watch the Beijing Olympics and monitor the U.S. elections.

The ongoing problem of finding labour has been eased by the availability of foreign workers. While this boost in labour has been a huge help in filling some gaps, a shortage of trade labourers persists.

Overall, Jasper operators are not sure what will happen in the upcoming year and are re-evaluating their business strategies and waiting to see what will happen over the next few months. Many operators are assessing their marketing and packaging strategies in the face of uncertain conditions. Some are planning to offer different services, new packages, and updated websites, while others plan to reallocate their advertising dollars and maximize their rates. Because the winter season is maintained largely by local traffic, operators expect an increase in competition for the Alberta and British Columbia market. Some are

encouraged by the prospects for increased destination tourism marketing which would in turn produce industry growth.

Banff Park Corridor – Canmore and Kananaskis

Operators in the Banff Park Corridor had hoped for an increase in business in 2008 of between 5% and 10%. However, this fell short due to difficult conditions that began to take effect in the spring of 2008.

Compared to 2007, business in 2008 ranged from slightly up to 10% down. While May and June did very well due to large group visits and revamped marketing, July was down significantly, in part due to a lower draw of international visitors during the Calgary Stampede. August ranged from slightly down to significantly up for operators along the Corridor. September experienced a slight drop in visitors compared to last year.

This summer saw significant increases in visits from the local market, which operators attributed to high gasoline prices and the uncertain Canadian economy. Visits from the European market were up compared to last year, especially from the United Kingdom and Germany, as were visits from Australia and New Zealand. As well, more construction was occurring in the area this summer, thereby increasing business from construction work crews. In the opposite direction, tourism from the U.S. market decreased noticeably this summer, and decreases from the Korean and Japanese markets were also noted.

While the price of gasoline, the exchange rate, and the U.S. economy definitely had some impact on U.S. visitors, their impact was not nearly as substantial as anticipated. Some operators remain “cautiously optimistic,” hoping that perhaps these factors will continue to improve over the long-term. As well, despite the summer’s escalation in the price of gasoline, the local market is not staying as close to home as operators thought they would. In particular, business at many of the attractions and events in Canmore was up: success was attributed to lower pricing, catering to a wide market, and having an established customer base. However, the impact of unsettled conditions has been seen in shifts in pre-booking patterns; people are waiting to see how the dust settles before booking their vacations. As a result, operators are seeing more short-notice bookings compared to last year.

Labour issues remain a constant for many operators. Some have been successful in securing workers this year through strategic hiring techniques, including hiring foreign labour. Operators who have successfully attracted foreign workers are now looking towards the Provincial Nominee Program as the next step and hope that the process will be smoothed out soon.

As with other regions heavily reliant on tourism, October and the start of November are shoulder seasons. Winter is historically slower compared to summer, with local visitors followed by the U.K. market providing the bulk of revenues during ski season. Events are hoped to kick off the winter season successfully, including hosting the IBU Biathlon

Youth/Junior World Championships. This winter is difficult for operators to predict because of the increase in short-notice bookings, leaving many hoping to match last year's performance, but without the evidence to confirm it.

Jasper Park Corridor – Hinton and Edson

Operators in Edson and Hinton reported a slow start to the summer during May and June. July was reported to be down slightly, while August and September produced mixed results.

The area relies heavily on oil and gas crews, which were slow to start due to poor weather conditions, but have returned in September and forecast to continue in October. In addition, construction crews are in the area working on both road and building construction. RV traffic continues to pass through the area, providing operators with a steady source of business. Long-haul tourists, especially those from the Netherlands, are up slightly. Cyclists and motorcyclists were also noted to be on the rise, suggesting perhaps a change in the way people are travelling. As found in other areas, the U.S. market was down significantly. However, this did not affect operators overly, as U.S. travellers are not a focus of their business.

As suggested by the name of the area, Jasper Park Corridor provides travellers who are passing through to Jasper and Banff with a place to stay. This year there were more rooms available due to new renovations and a new hotel. This increased the competition for a market that has remained similar to last year. The price of gasoline did not seem to have a huge impact on traffic, aside from a noticeable change in the type of vehicle travellers are using. Moreover, although the exchange rate and gasoline prices did have an effect on U.S. travellers, operators were not overly affected because this is not a major market for the area.

Labour continues to be an issue in the smaller towns. Operators in the Jasper Park Corridor are becoming more sophisticated in finding labour and have been taking advantage of the Temporary Foreign Worker Program. They are extremely happy with these workers, who have an excellent work ethic and positive attitudes.

October is expected to boom, with an increase in crews anticipated during that month. Beyond October, business for some hotels is expected to be busy up until the end of December, while others are closing part or all of their rooms for the season.

Calgary

Similar to other regions, Calgary operators reported mixed results for the summer of 2008. Business ranged from slightly down to up by 10% over last year. May was strong, with group tours boosting business for the month. June was up for some operators, but light for others due to rainy weather. The Global Petroleum Show in June boosted business

throughout Calgary. Overall, July and August produced good results, with business slightly higher than last year. However, business in July was expected to be even higher than was realized, with the Calgary Stampede unable to draw as many long-distance visitors and less corporate “winning and dining.” September produced higher results compared to last year, but again, not quite as much as anticipated.

This year several markets performed better compared to last year. Attractions and events saw an increase in the number of visitors from Calgary, Southern Alberta, and Saskatchewan, most likely due to the local market staying closer to home because of increased gasoline prices. Visiting friends and relatives were also up compared to last year. Some of the international markets saw an increase, especially during September when airfares were lower. The markets where increases were noted included Europe, most notably visitors from the U.K. and Mexico, with the latter a result of new flights from Mexico City to Calgary. Visitors from the U.S. were down slightly, but not as much as had been feared. For most, U.S. visitors have been on a steady decline since 9/11 and it is now at a point where the U.S. is not considered a major client base. Japanese tourists were also down, a factor that is attributed to flight difficulties, the exchange rate, and increased tourism marketing from Asia and Australia in Japan. Travellers from Eastern Canada were also noted to be down.

Overall, operators feel that the price of gasoline and changes in the economy has not impacted business significantly, although they may have had some influence. “Rubber tire traffic” has increased somewhat and some operators have noticed fewer RVs this year compared to last year, suggesting that there has been a slight impact on the market’s travel habits. The slightly lower U.S. traffic is mainly attributed to the performance of the U.S. economy and a downward trend that has become visible since 9/11. The Beijing Olympics was an additional factor keeping tourists either close to home or travelling to Beijing this year. However, with a renewed interest in the Olympics and the 2010 Olympics being hosted in nearby B.C., visitors are interested in Calgary’s former role as an Olympic host.

Labour continues to be an issue, but similar to other locations, operators are taking advantage of the Temporary Foreign Workers Program and most are finding enough foreign workers to obtain some relief. The process is still taking longer than expected, but has improved. Higher levels of employees, from supervisors on up, remain difficult to attract, resulting in operators head hunting within the industry in Calgary.

This summer has seen an increase in marketing to the local travel market, a trend that is expected to escalate over the next year. Naturally, there is some uncertainty for the upcoming year. October and November are expected to be slow as this is the shoulder season. Pre-bookings show that these months will most likely be down compared to last year. The U.S. market is expected to struggle over the next few years. December is expected to be busy up to the Christmas holidays. Maintaining and increasing winter events is expected to draw people in during the winter and the upcoming year.

Edmonton

The summer season for Edmonton operators was healthy again this year. Although there was a slow start in May and June, with June being the softest summer month, occupancy levels in July, August and September remained reasonably steady over the past year. Overall, operators are pleased with the summer season and attribute their success to decent weather, new partnerships, sponsorships, and focused marketing strategies.

Leisure travel to Edmonton strengthened this year, particularly with visitors travelling from Calgary and Red Deer who are staying closer to home to save on fuel costs. These markets are enjoying the benefits of events such as the Fringe Festival and the Rexall Edmonton Indy which were successful at drawing in tourists again this year.

However, given the high price of fuel, operators experienced a decrease in group tour business and tourists from Western Canada. For most, this decrease was offset by the increase in short-haul tourists. As predicted, the U.S. market was slower than last year because of the unstable U.S. economy, high fuel prices and passport requirements.

Notably, Edmonton residents are exploring their own city to a greater degree by visiting local attractions and exhibits more than last year. Since its revitalization, Old Strathcona has drawn a large local appeal. Visitors are enjoying the fashion boutiques, restaurants and hotels in the area.

With the oil industry to the North and medical developments like the Mazankowski Alberta Heart Institute, Edmonton's economic diversity has kept corporate business strong, particularly for operators in the downtown core. The past summer also saw an increase in corporate demand for convention services and team-building activities. The economic prosperity that Edmonton currently enjoys is expected to continue through next year; as such, operators are optimistic and many are now focusing their marketing efforts on corporate markets.

As experienced throughout the rest of the province, staffing continues to be an issue. Although drawing on foreign workers has alleviated some of the labour pressures, front-end and housekeeping staff still remain difficult to recruit and retain. Absenteeism is becoming more prominent as many workers hold two or more jobs, resulting in employee burn-out. The labour shortage, combined with increasing operating costs, is causing operators to increase their rates for the upcoming winter months. Moreover, the uncertainty around the future of the Edmonton City Centre Airport continues to create concern for those in close proximity.

Prospects for the winter months are positive; operators expect to capture the same proportion of tourists as last year. This confidence is evidenced through advanced bookings that some hoteliers are already experiencing. Operators are also developing multiple marketing campaigns to capture a larger share of the local market including package discounts, promotion rates, and extended stay preferred rates. Other strategies include

partnerships with local events and attractions designed to reach a greater quantity of local tourists.

Northern Alberta

Operators in Northern Alberta experienced a summer season ranging from slightly worse than last year to slightly better in terms of occupancy levels. The level and pattern of business depended on the operator's primary markets. Operators that rely heavily on tourists experienced weaker months in May and June due to an initial lack of local demand. This improved during the later summer months. For those operators that rely heavily on crews in the oil and gas industry, business was slightly down all summer due to a slowdown in work. Furthermore, July was particularly slow due to wet weather, limiting the amount of construction work.

In areas with heavy reliance on the ups and downs of the oil and gas industry, corporate travellers provide a stable, prosperous source of business. Compared to last year, the corporate market has improved. Recent renovations in local hotels and new development projects within the area are drawing in more business people than last year. Furthermore, many corporations have signed long-term contracts with local hoteliers to ensure their staff has accommodations while visiting the region.

For those operators not focused on corporate and construction markets, high fuel prices yielded a greater number of "rubber tire" visitors this past summer. These short-haul tourists, primarily from Fort McMurray, Edmonton and Calgary, are discovering what is in their own backyard. Notably, operators have successfully marketed to local tourists by distributing brochures through tourist offices, attending tradeshow in Calgary, and advertising on local tourism lists within Alberta.

U.S. tourism in Northern Alberta was least affected by the instability in the U.S. economy and the high value of the Canadian dollar. American tourists declined only slightly during the summer season, with many continuing to travel through this region to reach Alaska. The number of international travellers also remained relatively steady: visitors from the U.K. and Germany continued to travel through the region in rented RVs from Calgary on their way towards Alaska, the Northwest Territories and the Yukon. However, the local forestry industry was impacted by the unstable U.S. economy, which in turn has affected tourist operators; because there is less demand for lumber, there are fewer forestry workers requiring accommodations.

The lack of qualified and committed labour continues to be problematic for Northern Alberta operators. The limited supply of workers, combined with increased competition for competent workers, has created dramatic wage increases that are difficult to maintain in the long term. Operators are relying heavily on recruiting workers from Eastern Canada and recruiting foreign workers from the Philippines.

Development in Northern Alberta is growing rapidly. Several hotels are being built, creating more competition for those already in business. To combat this, some hotels have started renovations, others are aggressively marketing now before the new hotels open, while still others are attracting new markets by expanding their product/service offerings with local activities such as fishing and hunting. To recapture revenue lost from renovations, increased operating and marketing costs, and high energy prices, room rates have increased within a range of \$2 to \$20 per room.

Overall, operators expect steady to slightly increased business throughout the rest of the year. One respondent described a projected increase from the energy sector by 25% over the next year. Optimism is strongest with respondents that are developing marketing strategies that focus on the local markets, including working with regional representatives to promote tourism throughout Northern Alberta.

Southern and Central Alberta

Operators were optimistic that the summer season would yield higher than normal occupancy levels due to a projected increase in local tourism. While a few operators did reap some rewards from increased local demand, others experienced too strong a downturn in other markets to be offset by the increase in local visitors. Although the summer season started out with promise, the cool and wet weather in July impacted many businesses negatively, particularly those in Central Alberta.

In addition to a boost in short-haul travellers, wedding and reunion business was stronger over the summer compared to last year. The end of summer also saw many senior group bus tours travelling throughout the region. Medicine Hat benefited from an increase in corporate tourism because of CFB Suffield and recent expansions/renovations in and around the city. Meanwhile, operators dependent on oil patch business noticed a decline due to a slowdown in the oil patch and oil well closures. American tourists continued to shrink again this year, presumably because of their unstable economy. Although U.S. travellers are not a primary market for this region, the loss was felt most by Southern Albertan operators. There was an overall decrease in international travellers; however, with international travellers not being a primary market for most, the decrease had little to no impact.

With tourists and visitors were more inclined to stay close to home because of the high price of fuel, many operators in Southern and Central Alberta benefited from people “exploring their own backyard.” However, increasing gasoline prices and the uncertain economic future in the U.S. and, consequentially, in Canada, have left travellers overall with less discretionary income for activities.

As was reported last year, labour again impacted the summer season for operators. While some businesses have drawn from foreign markets to fill gaps, others, particularly in smaller towns, have had to change their operating hours and/or not promote services because of staff shortages. Although not a common pattern, a few small businesses

operating in rural areas are currently faced with the decision about remaining open next year due to increasing operating costs which cannot be recovered through an increase in prices.

Overall, operators are cautiously optimistic that occupancy will remain the same or increase slightly throughout the next year. Shifts in marketing focus towards the local independent traveller and the corporate market are expected to yield positive results. Operators are creating aggressive marketing campaigns and developing new products and services.

Industry Specific Overview

Campgrounds and RV Parks

Campground and RV park operators were anticipating a 10% increase in business during the summer season. It was believed that more events, more long-term occupants, and more local travel would counter-balance any loss of business from oil and gas clientele. While these trends did take place over the summer season, individual operators experienced occupancy levels ranging from slightly less than last year to slightly better. May and June were weaker months, with July and August drawing in the most business.

Oilfield and construction worker demand that had been a strong source of business for Northern Alberta campgrounds and RV parks in the past was weaker through the summer due to a slowdown in oil patch activity. In an attempt to diversify their market portfolio, some operators targeted event customers such as weddings and reunions; this proved to be a successful strategy in filling gaps left from the diminishing oil and construction markets. As anticipated, the Alberta RV and campground market was up, with many visitors staying for longer periods of time compared to last year. These travellers were choosing to stay at one place longer to minimize the impact of high fuel prices. Because of this, operators experienced more long-term occupants.

Although not a major market for campgrounds and RV parks, the American leisure market was noticeably down due to the instability in the U.S. economy. Instead of planning trips in advance, travel from U.S. tourists was more spontaneous and last minute. It is believed that this market was more cautious with discretionary spending because they are wary of their country's economic state.

The strength of the Canadian dollar did not appear to impact the level of international travellers to campgrounds and RV parks through the summer season. In fact, there was a noticeable increase in the number of travellers from New Zealand, Germany and the U.K. Advertising through Travel Alberta is prompting a greater response from the European markets. In the North, German and British travellers are often renting RV's in Calgary or Vancouver and travelling further north, as far as Alaska.

As is seen in all other Alberta segments, labour is still an issue for campground and RV park operators. The work is seasonal and “off the beaten track,” which makes it difficult to maintain a steady stream of employees. Operators in this segment cannot compete with the compensation offered by the oil and gas industry. While there had been some success drawing employees from Newfoundland, at least one operation was being sold because it was proving too labour intensive to maintain.

Anticipated long term contracts, extended stay visitors, and more oil field workers are propelling operators to forecast a stronger summer season next year.

Group Tours

This past summer season brought about varying degrees of peaks and valleys for group tour operators. Some experienced a good start to the calendar year, but experienced a steady decline starting in March. Some remained flat throughout the season, while others were up and down all season long with no general trend. One respondent mentioned that this instability is being seen throughout all group tour destinations and is not specific to Alberta.

Unlike last year, group tour business has begun to rise again. Travel agent channel sales are decreasing; meanwhile, online booking stopped increasing and stayed relatively flat for the first time in the past five years. International travel from Germany remained steady throughout the summer and is projected to continue throughout the ski season. Fly-in group tour traffic from the U.K. declined because of the weaker British economy and a decrease in demand from this market. The bankruptcy of Zoom Airlines has created a “wait and see” attitude with many U.K. travellers growing more hesitant to book travel very far in advance. September has seen an increase in French travellers, a market that declined slightly last year. Some operators are noticing that the Australian market is steadily growing, with increased interest in packages including Jasper and area.

Group tour sales have been down from the U.S. market. Contributing factors to this are the close parity of the Canadian and U.S. dollar, making travel costs for American visitors more expensive, and the instability of the U.S. economy, which is making travellers more hesitant to book large trips. Notably, because of its close proximity to the U.S., Canada is viewed as a destination that is easily accessible at a later date when market conditions are more favourable.

Group tour operators are facing multiple challenges that are becoming difficult to overcome in order to maintain and increase their business. During the summer of 2008 prices were increased due to economic factors such as increasing fuel costs, the high cost of living, the currency exchange rate, and growing operating costs. These increases are being passed along from the operators’ suppliers and are not easily defensible to or absorbed by the end consumer. Some operators are working with their suppliers to develop price reducing strategies intended to stimulate the market, while others are targeting marketing campaigns and packages to capture new markets.

For the remainder of 2008 and into 2009, operators are hesitant to forecast the level of business. There is hope that new strategies will yield positive results and some operators are already seeing strong advanced bookings through group sales. However, group tour operators are cautiously waiting to see what happens to the American economy before making any bold predictions.

Attractions and Events

With the variety of landscapes and diverse cultural and historical backgrounds offered in Alberta, it is no surprise that Attractions and Events ended the summer with varied results. Business ranged from down slightly to up over 20% compared to the May through Labour Day period of 2007. May and June produced good results for metropolitan and traditional tourist destinations compared to last year. July and August gave more mixed results, with the Southern and Central regions of the province coming out on top due to most businesses performing better compared to July and August of 2007. September presented flat to strong results this year, with changes in the tourist markets seen across the province.

During the summer of 2008, visits were up from some markets and down from others. Local markets are on the rise, attributed largely to the rise in gasoline prices and some uncertainty regarding the Canadian economy. More visitors from across Alberta and Saskatchewan were noted, with an increase in visitors from Saskatchewan, especially in South and Central Alberta. International markets on the rise included Europe, especially the United Kingdom and Germany, Australia, and New Zealand. The Mexican market is emerging, with a rise in this market noted in Calgary especially. As well, senior travellers have helped to increase business in the Southern and Central areas of the province. In Northern Alberta, corporate markets and growth in group tours have increased business. Markets that produced fewer visitors this year included the U.S., which was down across the province, British Columbia (in rural Alberta), and Eastern Canada.

A number of factors affected the size of markets visiting Alberta. The price of gasoline was high and likely impacted local markets and provided an incentive for Albertans to investigate the attractions provided closer to home. The economy has been influential in keeping U.S. travellers from venturing across the border, in addition to the price of fuel and the exchange rate. However, for many operators, declines have not been as significant as they feared, and they remain “cautiously optimistic” that further declines will not materialize.

Labour continues to be a challenge for attractions operators. Due to the seasonal nature of many attractions, providing enough work during the shoulder seasons to keep people and attracting foreign workers remains difficult.

Due to the seasonal nature of tourism in Alberta, most operators experience a slow or “shoulder” season during October and November until the snow begins to fall and some even close for the winter. This leaves the spring of 2009 as their next business season. In

the upcoming year, operators remain optimistic that business will remain steady. Increasingly, the local market is being courted through marketing, pricing, new products, and events. This winter, there are some big events happening to help attract visitors, including the IBU Biathlon Youth/Junior World Championships being hosted in the Banff Corridor.

Adventure Vacations

In contrast to the 2007 summer season when operators in this segment experienced a slight increase in business, adventure vacation business remained flat this summer, with only minor declines for some operators. Business remained fairly steady throughout the summer months.

As in 2007, resident Alberta leisure travel business was a major market for adventure vacation operators again this year. Noticeable increases were seen within the Alberta market as more and more local tourists stayed closer to home to help reduce the impact of high fuel prices on pocketbooks. Travellers from the U.S. declined again this year, a phenomenon attributed to high fuel prices, instability in the U.S. economy, and uncertainty about passport requirements at the border. The decline in U.S. visitors has not had a significant impact on operators in Northern Alberta, but has definitely been felt by operators in Southern Alberta. To counter-balance this shortfall, operators in this region have and are focusing their marketing efforts on the Alberta leisure market. Some note a great deal of support and help from local tourism offices in disseminating company information and promoting tourism to Albertans in general.

Even though the Canadian economy continues to be stronger than the U. S. economy, the effect of the U.S. on the Canadian economy is starting to influence Canadian travellers' habits in the adventure vacation segment. Some leisure travellers are hesitant to book adventure vacations because they have less discretionary income to spend compared to last year and adventure activities may be viewed as an "add-on" and not a necessity during vacations. People with limited spending money will take the vacation and forego the adventure activities.

For remote adventure vacation operators, labour is a major challenge. There is often limited available local housing, and gasoline prices are too high for operators to pay for employees' daily commute to and from work. One operator has gone so far as building staff housing on-site to attract summer labour.

Although fairly dependent on the state of the U.S. and Canadian economies, adventure vacation operators remain optimistic that the 2008 summer season levels will be maintained throughout 2009.

APPENDIX A - QUESTIONNAIRE

POST-SUMMER 2008 ALBERTA TOURISM SURVEY INTERVIEW QUESTIONS

Name of Establishment/Attraction/Business _____

Name of Contact: _____ Phone Number: () _____

Business Address: _____

Copy of Final Report: Yes: No: If yes, do they prefer to have report sent by email or by Canada Post?

**CONTACT
PERSON:**

Please update any changes on your phone list with the correct information. Please ask respondent if they have about 5 minutes to answer questions related to the summer tourism outlook for their respective business. Please introduce yourself and indicate that you are conducting this survey on behalf of Alberta Tourism, Parks and Recreation. If anyone wishes to verify this, please have him or her call Kristy Hubscher at (780) 415-1224.

INTRODUCTION:

Purpose: A post-summer survey of how the tourism industry performed during the summer months and their expectations for the remainder of the year (winter).

Reassure them that we will not be releasing any identifying information. The only information that will be released to the public is a summary of provincial and regional results. Ask respondent if they wish to receive a copy of the final report, and if they do, please confirm mailing address so that a copy may be mailed to them.

NOTE:

This interview schedule is not intended to be read verbatim to the respondent, but please ensure that all questions are asked if they apply to the respondent. This is very important so that we ensure consistency in all the interviews.

Several of the questions noted below are geared to hotel/motel properties and should not be asked of attractions, such as Calaway Park or Fort Edmonton Park. In other words, use your judgement on which of the questions noted below are appropriate for the interview you are conducting. In some instances, during an interview in a specific location you will hear something from an operator, such as “we are receiving many last-minute cancellations from tour operators” or “we seem to have fewer inquiries out of the United States than previous years.” Please follow through on comments like this in subsequent interviews with operators in the same location or with similar types of businesses. This helps to determine whether this was just an isolated incident or a more general trend.

Not all questions apply to all operators; please use your judgement.

QUESTIONS:

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?**
4. **Has the high price of gasoline this summer, the relative strength of the Canadian dollar, or the U.S. economic slowdown had any impact on the performance of your property/business/attraction? 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? Probe for estimated percent change.**
***If a seasonal operation not open during from October through December, ask about the business prospects for 2009.*
6. **Any additional comments?**