

SURVEY REPORT

Prepared for:

Alberta Tourism, Parks, Recreation and Culture
6th 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

The 2007 Post-Summer Alberta Tourism Operator Survey report completed in September 2007 is a reflection of comments from operators of 93 hospitality related businesses in 35 Alberta communities, Eastern Canada, and the United States.

The Post-Summer report concludes that summer tourism activity in Alberta was generally as good as or somewhat better than 2006. In particular, Albertans and other Canadians traveling in Alberta continue to be a strong market in all regions of the province. The American market remains weak, as is group tour travel. However, the independent tour market appears to be growing. Overall, most tourism operators are pleased with the results of summer and early fall 2007, with increased occupancy, visitor attendance, and revenue compared to 2006. Most operators are cautiously optimistic about the prospects for the upcoming winter season and spring 2008.

Summer 2007 saw the following results.

- Banff and Waterton Lakes National Parks report a disappointing summer with occupancy below 2006 levels. The regional market continued to strengthen as did visitor numbers from the U.K., Central Europe and Australia, but this was significantly offset by the downward trend in travel from the United States.
- Jasper National Park had a good season highlighted by strong regional traffic and rate flexibility with a down turn in group tour visitors. More U.K. and Central European visitors and fewer Americans were the norm in the otherwise successful summer season.
- Banff Corridor operators expecting a growth year were disappointed as occupancy remained at or slightly above 2006.
- Jasper Corridor hotels experienced occupancy levels down from last summer, resulting from decreased oil patch activity. Hinton hotels were better able to fill lost oil patch demand with tourist activity than were other parts of the region.
- Calgary hotels, after a soft start, report occupancy at or slightly above 2006 levels. With stronger average rates, revenues exceeded last year.
- Edmonton hotels had a successful summer with average occupancy above 2006 and average rate increases of 8% to 10%.
- Northern Alberta hotels experienced mixed results. Fort McMurray reports a strong summer led by crew and corporate demand. A noticeable slow down in the oil patch resulted in higher than expected room vacancies in Grande Prairie, Peace River and Slave Lake. Other centres report a generally good summer fueled by construction demand. In all areas, higher average rates helped to alleviate some of the occupancy downturn.

- Southern and Central Alberta operators fulfilled earlier expectations with occupancies at or slightly below summer 2006. Average room revenue increased over the previous year with corporate and regional traffic being the main occupancy generators.
- Campground and RV park activity was again strong with several parks experiencing record seasons. Heavy demand for seasonal sites was the instigator, as the regional market led the way.
- Group Tour operators report a moderately successful year. Group tour traffic was down, but modest gains in the independent tour market mitigated the severity of the down turn. Contrary to earlier expectations, fewer long haul American tours visited Alberta, but ongoing visitor demand from the United Kingdom was a strength.
- Alberta's Attractions and Events were well attended during summer 2007 with Northern operators having slightly more success than their counterparts in the South.
- Adventure Vacation operators met their expectations for the summer of 2007. Both visitor numbers and revenue were above 2006.

The characteristics of the tourist season were summarized by survey participants as follows:

- The staffing issue remains the most critical factor to Alberta operators. Hiring and retaining suitable domestic employees is difficult in an era of high wages and low unemployment. The Temporary Foreign Worker Program has been a boon to hospitality industry employers by providing qualified and highly motivated employees. A concern with the program is the long turnaround time caused by application processing backlogs at the embassies.
- Albertans once again vacationed close to home this summer and were the backbone of tourist travel in the province. As more people migrate to Alberta, they are exploring their new home and an important "visit family and friends" market has developed.
- American visits to Alberta were fewer in number across the province. Closer parity to the U.S. dollar and border issue uncertainty was the major reason given by respondents. In the international travel market, Alberta and Canada have lost their allure to long haul American visitors seeking a more exotic vacation experience. Alberta is no longer considered price competitive to vacations in central Europe and Asia.
- Visitors from the United Kingdom, Central Europe and Australia remain strong international markets for Alberta. Asian visitors, led by the Chinese, came in similar or slightly increased numbers in 2007.

- The decline in long haul coach tours continues and is being replaced by fully independent tour travel.
- Neither currency nor high gasoline prices are identified as major inhibitors to Alberta's tourism industry for incoming leisure travellers. A longer-term concern is that Albertans may take advantage of our stronger currency by travelling outside of Canada.

Independent Travellers

Banff and Waterton Lakes National Parks

Respondents from Banff and Waterton National Parks report mixed results which indicates there is a competitive market place with an abundance of rooms and choice for the traveller.

Waterton Lakes National Park operators indicate business was good through the summer months. There has been some consolidation of properties in Waterton Lakes Park and comparative figures were not available at reporting time. It is generally believed occupancy levels increased over 2006 and operators benefited from strengthened rate structures leading to higher revenues.

Banff hotel operators experienced mixed results with the majority reporting that business from May through Labour Day was down in comparison to 2006. Occupancy varied from slightly down to slightly up during the months of July and August. In either situation, the percent of increase or decrease was within a 5% margin. Negligible rate growth through the summer caused a definite squeeze on margins. A noticeable increase in weekend business, particularly Friday and Saturday nights, indicated substantial growth in regional business. September occupancy has proven to be relatively flat to date. The competitive nature of the market was such that pricing became an issue as the summer progressed and rate discounting occurred.

The domestic market, primarily Albertans, was excellent. This was especially noted in campground occupancy. For most operators, the drop in American tourists continued. Although there was an increase in leisure traffic from the United States, it did not make up for fewer American tour visitors. Explanations volunteered for the decline suggested less bus tours of American seniors, poorer economic performance in the United States, and record numbers of tourists heading to Europe and more exotic destinations. Some respondents suggested there were lingering effects of SARS and 9-11 in addition to a more negative Canadian profile with many Americans. Some respondents also felt that in the effort to attract new markets, less emphasis was placed on developing the American market. The Asian market has remained flat over the last couple of years, although an increase in groups from China was noted. European, United Kingdom and Australian markets continue to be positive. New flights into Calgary from Paris resulted in an increase in the number of French tourists. A greater presence of Latin Americans has also been reported.

Contrary to hotel operations, day tour operators enjoyed a good season with increases of 10% to 25% recorded through the summer months. One respondent reported that 80% of his bookings were generated in town. This tends to support the idea that the growth in the market is due to day-trippers and regional tourism.

Banff operators, historically faced with importing seasonal workers and finding accommodations for them, have been more adept at bringing in foreign workers and utilizing the programs available to them. Some operators have been importing labour for three or four years and report the Temporary Foreign Worker Program has been of definite assistance to them. Labour does continue to be problematic, but operators are becoming more sophisticated in addressing the situation.

2006 was an exceptional year for snow conditions and this often impacts the following winter season as bookings are made with the expectation of similar circumstances in the year following. As a result, operators are anticipating good winter bookings. The Christmas season is shaping up extremely well with a number of large European group bookings in addition to strong leisure bookings at major facilities. Shoulder season convention and conference business continues to grow and will assist operators through the transitional period between summer and the winter ski season. The construction associated with the upgrading of downtown Banff will be complete this fall and the completed upgrades should produce enhanced opportunities within the downtown area. Overall, the continued strong Alberta and Canadian economy will contribute an optimistic outlook for improved performance in 2008 from Canadian travellers. One respondent reports that a strong group base has already been established for 2008.

Jasper National Park

Jasper operators generally view summer 2007 as a good year, consistent with their early season expectation. Most hotels saw occupancy numbers exceeding both 2006 and their own budget forecasts. July was the softest month and several hotels made rate concessions to encourage regional visitors. Comments regarding rate structure varied from “not a lot of rate resistance in the market” to “2006 rates hit the wall”.

The summer was highlighted by solid regional traffic to the National Park. The increase in regional traffic was led by the “visit family and friends” Alberta market (new Albertans exploring the province with their visitors). There was an increase in the number of visitors to Jasper from other Canadian provinces, which offset a noticeable decrease in American visitor travel to Jasper. The decrease in American traffic is attributed to close currency parity, the uncertain U.S. economy, and border issue concerns. United Kingdom and Australian travel numbers were strong, more Asian visitors came, and central Europeans, especially from Italy and Spain, were more abundant. Although few in number, an increase of South and Central American and Dutch travellers also visited Jasper. Consistent with the past few years, there was little or no gain in the number of visitors from Germany. Motor home traffic was again reported on the upswing, catering to U.S. and German travellers. One operator also mentioned that passengers traveling on the Rocky Mountaineer have been good for Jasper this summer. In addition, pipeline crews are filling rooms in many of the over 200 approved accommodations in Jasper, hopefully not to the detriment of the tourism industry.

Labour issues remain an overriding problem for most operators with one describing it as “ugly”. Difficulty in hiring and retaining domestic employees due to the robust economy and the shortage of employee accommodation continue to be the front running issues. The successful Temporary Foreign Worker Program has helped to alleviate the situation,

but application backlogs now raise a concern. The quality and dedication of the employees accessed is not at question, since they are rated as superb. Seasonal businesses are investigating the program for the potential to share labour between summer and winter venues.

The stronger Canadian currency adversely affected the attractions market. As out of country visitors become more price conscious, tour companies have tried to keep prices at affordable levels and as a result are reducing the level of local attraction side trips to reduce costs.

Hotel operators express confidence as they head into the fall shoulder season. September has been a good month and expectations are for a season similar or slightly ahead of last year. Strong fall conference bookings are reported and one hotel reports that they are sold out for Christmas and New Year. Demand from pipeline crews should fill rooms for those hotels catering to that market. The level of winter and early spring demand is always dependent upon snow conditions, but one hotel reports early ski room demand from the United Kingdom as huge. That is a wonderful sign. Hotels forecast 2008 occupancy at a level consistent with this year accompanied by a higher average room rate to cover rising operating costs. It is expected the market will again be led by the regional traveller and a further softening of the U.S. visitor market because of the strengthening Canadian dollar, American presidential elections, and the uncertain U.S. economy.

In view of the fear that Jasper is losing its competitive position in the international marketplace, the failure of the proposed Jasper Tourism Marketing Authority was a disappointment. To combat that, Jasper hotels have banded together to form a new marketing initiative in an effort to attract visitors to the National Park.

Banff Park Corridor – Canmore and Kananaskis

Banff Park Corridor operators entered the summer with high expectations hoping to build upon a strong showing in 2006. Unfortunately, that was not to be as summer occupancy was flat or just modestly above last year. Overall, it was a good year, but still a disappointment to many, as expectations were not reached.

At best, hotel occupancy and revenue levels were on par with the previous year and in some instances declines occurred. Regional inns and lodges were more successful recording occupancy increases throughout the period with July and August producing results better than last year. There were minimal rate structure “bumps” in 2007, but some locations were able to move to the higher end of their rate schedules in an effort to improve operating margins.

Canmore is becoming an increasingly popular destination for tour operators looking for a less costly alternative to Banff. As a result, group bookings increased at a number of locations in Canmore. Construction crew demand also contributed to higher occupancy at some locations there. Banff, which has experienced some leakage over the years to Canmore, was more aggressive in their rate structures to recapture some of the lost business. By necessity, Canmore rates remained on par with 2006.

Kananaskis is largely a tourist oriented area with some corporate meeting and conference trade. The tourist portion dependant upon outdoor activities, especially the attraction of its golf courses, is very sensitive to weather conditions. The good weather enjoyed in July contributed to a busy occupancy month, but a largely cold and damp August offset earlier occupancy gains. The full summer season was, however, on par with 2006.

Respondents believe Canmore may not be “on the map” when attracting new markets, but exposure comes from those travelling to Banff and finding Canmore as an attractive alternative. As in other parts of the province, more Albertans visited this summer and the area continued to enjoy leisure visitors from Central Europe and Australia in 2007. The overall number of American visitors decreased, but individual leisure travellers from the U.S. did come in similar numbers to previous years.

Many operators believe the comparative strength of the dollar to other currencies is of little concern to individuals when planning a trip to a specific destination. The concern is not about tourists coming to the area, but the possible outflow to out-of-country markets of Canadians taking advantage of our stronger currency. The high cost of fuel has not been a factor as Albertans have taken the opportunity to explore their own province in greater numbers than previously experienced.

The area has not been immune to the labour shortage experienced throughout the province. Turnover of employees is extremely high and smaller operators have had to pick up the extra workload themselves. As the shortage persists, operators are developing ways to mitigate the problem and maintain standards of service.

Expectation of business similar to 2006 is the norm heading into the fall. Bookings for the ski season are up year-to-date at some locations. The winter booking window is short and operators, while optimistic, are cautious to predict occupancy levels. The outlook for the coming year is positive and based upon Alberta’s growing economy, overall increases are being forecast in marketing and business plans. A number of respondents indicate rate structures are under review and anticipate a 5% to 10% increase for 2008.

Over the years, Canmore has become a destination unto itself and some operators believe many repeat tourists to the area are taking the opportunity to purchase condominiums rather than utilizing hotel facilities. The marked growth in the number of condominium complexes being built and their rapid sale tend to give some validity to this comment.

Jasper Park Corridor - Edson and Hinton

Because of new hotel construction, the Edson and Hinton markets are marked by a substantial increase in the number of rooms available. Despite this, occupancy remains near capacity when the oil patch and construction industries are active. During the spring and summer of 2007, oil patch activity was down because of unfavourable weather conditions, which had a detrimental effect on occupancy levels. June and August were particularly wet and oil related activities moved to other areas. While occupancy levels were at 100% for many nights in 2006, at many locations occupancy was down 10% to 15% during the same period in 2007.

During July, respondents in both communities picked up some business as the tourist season gained momentum. Edson's location halfway between Edmonton and Jasper National Park tends to attract only transient tourists caught between the two locations late in the day. The point of origin of the majority of these tourists is either Saskatchewan or British Columbia. Hinton, located much closer to the park entrance, attracts a larger tourist component that will be travelling through or staying in the park. Edson's tourist business spikes substantially during its major slow pitch tournament held each July; 100% occupancy is reached during the tournament weekend and restaurants and licensed premises operate at full capacity.

Although the tourist component is minimal in Edson, there was a noticeable increase in leisure tourist traffic, particularly regional and Western Canadian in origin. Respondents indicate a noticeable decrease in Asian and US tourists. European tourist numbers increased slightly from previous years, which is believed to be a direct result of spectators to the FIFA under 20 World Cup in Edmonton taking the opportunity to visit Jasper and area.

Although oil and construction industry demand still account for the major portion of business, Hinton, due to its proximity to the mountains and Jasper National Park, enjoys a larger tourist component to its customer mix. This allowed Hinton operators to fill in lost oil patch business more successfully with tourist trade than did other locales. Contrary to other areas in the province, Hinton hotels noted an increase in US travellers.

The labour situation remains critical throughout the area. Wage rates for housekeeping personnel reached an all time high and have contributed little to resolving the problem. Operators servicing more than one location have the ability to move staff between locations and alleviate the problem somewhat. To further alleviate the housekeeping shortage, operators must rely on long-term staff and greater managerial involvement in housekeeping tasks. Few operators have taken advantage of hiring foreign workers. Some may take advantage of the program in 2008 and applications are now being made. No operators reported that they were unable to service all their rooms, as was the case in some instances in 2006.

Rate structures were generally consistent with 2006 levels at established locations. The newer locations appear to have set slightly higher rates giving the older locations a competitive price advantage. Most operators predict modest rate increases for the coming year to meet higher costs.

Indications are that oil patch activities are increasing moving into the fall and winter seasons and that area construction will remain at a high level. Consequently, operators are anticipating another busy season with occupancy levels once again near capacity. Most are confident that 2008 will produce positive results as the province's economy continues to grow.

Calgary

May started somewhat soft, but for most respondents the market gained momentum through July. Hotels rate July performance as excellent because of Calgary Stampede

visitor demand and a number of major conventions in the city. Business was again slower in August, but September demand shows growth and that trend is expected to continue throughout the fall.

Occupancy was generally on par or ahead of 2006. Some respondents note increases in the 4% to 9% range. In addition to higher occupancy, responding locations were able to either increase their rates or obtain the higher end of their rate schedules. As a result, revenues were up.

The summer months generally show a marked reduction in corporate activity. Less corporate travel and fewer corporate meetings substantially affect the number of transient corporate room nights through the period. Decreased corporate activity impacts city centre locations to a greater degree than for those operators located on the city periphery. Tourist traffic generated by the Stampede, summer conventions, and to a lesser extent, transient visitor traffic compensate for the decreased corporate demand. There was also a modest increase in weekend business resulting from walk-in guests. Tour and group travel varies from location to location and is not a significant item in the market mix.

The number of hotel rooms available in the downtown core has remained constant for a number of years. Modest expansion with the addition of 250 rooms at the Calgary Airport is expected to have little or no impact on occupancy levels within the city centre.

Hotel operators on the periphery of city have traditionally relied less on corporate business and more on the tourist traveller. Business generated from such events as those held at Spruce Meadows are very significant and critical to their success. Some components of the market are shifting in Calgary, as in other major centres, as corporate offices are moved out of the City centre to more suburban locations. One respondent noted a marked increase in corporate business as a result of this. The suburban operator has the advantage of offering lower rates to the corporate or commercial traveller because of location.

Labour continues to be an issue and runs the gamut from service staff to management. For service staff, many operators have tried to resolve the problem by bringing in foreign workers. This solution has proved successful for some who entered the program at an early date, but users report that process handling can now take six to eight months with delays experienced at both ends of the process. Those who have been successful recommend that the process for next summer's workers must commence immediately for employees to be in place by the beginning of next season. Increases in input costs, fuel and labour, have resulted in pressure on margins and a requirement to increase prices in most venues.

Many respondents believe it is too early to speculate on the impact of the strength of the Canadian dollar. Corporate business is less impacted by such events and little or no change in activity is anticipated.

Business is expected to be strong to the end of 2007. Many operators are looking to increase the catering component of their business with an emphasis on company meetings and corporate events during the holiday season.

Edmonton

Respondents report that industry performance was good to excellent with only modest periods of flat or slow activity. At minimum, occupancy was on par with 2006 and for many operators there were positive increases. Most locations report steady growth in May through September, with July being an exceptional month. Results varied from location to location and often depended upon the influence of the number of major events happening in the city. Rate increases varied from 8% to 10%.

Reduced corporate and government activity in the downtown core during the summer months was supplanted by higher levels of tourist business generated from visitors to the FIFA under 20 World Cup Event and the Ladies Professional Golf Association Championship held in Edmonton. Increases of 20% are reported within the area. The FIFA event brought in a number of international visitors that took the opportunity to experience the area and its offerings. The LPGA tournament also brought to Edmonton a large international contingent with large representations from the United States and Mexico.

The Grand Prix of Edmonton and Capital EX were well attended and positively impacted many of the hotels in proximity to those venues. The Edmonton Fringe Festival and the ongoing attractions of the Old Strathcona Business District directly benefited Edmonton South Side hotels. One respondent reported that there was a greater Calgary/Edmonton interchange of visitors over previous years.

Edmonton's west end showed the greatest increase in available hotel rooms within the region with several new locations. The growth of industrial parks to the north and west, plus a rapidly growing commercial sector is contributing to a much larger corporate market segment requiring hospitality industry services. This growth market, combined with the drawing power of West Edmonton Mall, ensures high occupancy levels for operators within the area. Fantasyland Hotel at West Edmonton Mall reported exceptional occupancy for May and June and excellent July results similar to 2006. Visitors to the hotel are primarily from the rubber tire trade originating in the western provinces.

The summer season also produced excellent opportunities for those in the industry catering to weddings and celebrations. Hotels with courtyard or gazebo facilities capitalized on these facilities to enjoy a greater share of this market.

The service industry labour market continues to be problematic for all operators. To alleviate the problem more hotels are utilizing the programs to bring in foreign workers. The labour shortage creates problems on a number of fronts. In addition to hospitality workers being in short supply, the availability of contract services such as laundry and maintenance are severely limited by their own staff shortages. The shortage of construction trades people is also adversely affecting hotel expansions and renovations.

Most respondents suggest that to date the strength of the Canadian dollar has had little impact on business. Most believe the corporate traveller will continue to travel as

required, with little attention to the dollar. Of greater concern is the impact of new passport regulations and their influence on the hosting of conventions and conferences. Some suggest that the effects of a reduced value for the American dollar combined with border crossing issues will exasperate the problems already present in attracting American tourists.

September has shown signs of continued improvement and expectations for the fall and winter are positive. With the expansion in corporate sector travel and upcoming major events such as the Farm Fair and Canadian Finals Rodeo, opportunities for business growth abound. Respondents agree that the strong economy will lend itself to an active fall season for business conferences and seasonal celebrations.

The ongoing buoyant and dynamic provincial economy continues to contribute to a strong and healthy hospitality industry within the Greater Edmonton Region. While growth of available hotel rooms in the downtown core is negligible, there has been a substantial increase in the number of rooms available in the Capital Region. Expansion in room numbers is not limited solely to Edmonton City proper, but to the surrounding communities of Stony Plain, Spruce Grove, St Albert and the Nisku-Edmonton International Airport corridor. The rapid population increase and the requirement to meet the needs of an expanding economy is the driver of such growth.

Northern Alberta

After a busy winter and early spring season, operators headed into the 2007 summer season on an optimistic note. For some the summer was a pleasant surprise, for others it proved a disappointment.

On the upside, Fort McMurray hotels report summer 2007 average occupancy above expectations. Healthy rate increases from 2006 further contributed to an excellent summer. Crew and corporate business, supplemented by increased oilsand tour visitor numbers, created strong room demand in what is generally considered Fort McMurray's soft shoulder season.

Disappointment was especially evident for Grande Prairie hotels. The early spring breakup, followed by the down turn in oil patch activity over the summer months translated into occupancy levels in some cases significantly below expectation. Average occupancy decreases of as much as 15% to 25% are reported. Room rates remained above 2006 levels, but as summer progressed, pricing adjustments to meet competitive conditions were common. The effect of a slower oil patch was further compounded by reduced activity in the forestry industry. A noticeable decrease in out of area tourist traffic this year was evident, especially from the United States; however, Grande Prairie's position as a commercial centre ensures a steady flow of regional visitors.

Whitecourt hotels also had a slower summer than expected as poor weather adversely affected construction activity in the region. Some hotels report occupancy levels 5% to 10% below 2006. Average room rates generally remained at 2006 levels. In Slave Lake, summer occupancy fell 10% to 15% from the previous year as a result of less oil patch activity and a drop in tourist travel. Average Slave Lake room rates were up slightly, but

not enough to offset the decrease in occupancy. Peace River properties suffered similar occupancy decreases as oil patch activity declined. Occupancy in some instances was down by 20% to 30% from 2006 and fell back to 2004 levels. Room rate increases helped to mitigate some of that loss. Athabasca hotels had a very good summer with occupancy exceeding 2006. This increase was led by construction crew demand and an increase in tourist travel. Other centres report a “status quo” summer resulting from softer oil patch demand.

Staffing remains a negative factor with comments ranging from “horrendous” to “difficult, but better than 2006”. Wage costs are high and service industry jobs continue to be a stepping-stone to higher paying industry positions. Employers are becoming increasingly dependent on foreign workers and are actively using the employee placement program. Although very satisfied with the quality of people employed, several hotel managers express concern over the long processing backlogs. One hotel waited over eight months to have their application processed and to have their employees arrive. The Philippines continues to be the principal source of hire, but some hotels are now hiring from Jamaica. Some properties are now actively recruiting new staff from the Maritimes.

Most venues report a slower than normal September, but business is expected to pick up through the end of the year. The summer’s lower average room rates will increase in the busier fall season. Operator expectations heading into 2008 vary. Hotels dependent upon oil patch demand are not optimistic and forecast stagnant room demand compared to 2006 and the previous few years. Several are predicting that oil patch activity will lag into the fall of 2008. In recognition of potentially lower crew demand, one venue will direct more of their marketing thrust to the tourism industry. Hotels in Fort McMurray anticipate 2008 to be similar or ahead of this year. One Fort McMurray venue reports they already have maximum bookings for the first three months of 2008. An increase in average room rates throughout Northern Alberta is expected next year.

In Grande Prairie it is reported that hotel room inventory has increased by 23% over the past year and by over 50% in the past four years. Operators are concerned about the impact on occupancy levels in a period of declining oil patch and forestry activity. The already tight service industry labour market is also negatively impacted as a result. Other Northern Alberta operators express a similar concern. High gasoline prices, American visitor uncertainty on border issues and the impact of poor weather on outdoor events are considered the main drivers for decreased tourist travel in several areas.

Southern and Central Alberta

Although similar or slightly below 2006 occupancy levels, most operators are pleased with summer results. Average room rates were slightly higher than last year and for the most part held throughout the summer, although some discounting in lower end properties is reported.

Corporate and independent travellers made up the bulk of room demand, most of which were regional visitors. As in other parts of the province, oil patch demand was lower than in previous years. Meetings, banquet, and wedding/family group business was brisk

as expected. Corporate demand maintained occupancy rates over the summer in Red Deer and Lethbridge and in Medicine Hat military exercises at the Suffield base helped to fill rooms. In the smaller communities occupancy varied dependant upon clientele; those serving tourist visitors report a good summer, but for oil patch related venues it was a slower summer than last year. In Southern Alberta, a marked decrease in American visitors was evident, as border-crossing issues appeared to be a deterrent for travel to Canada. Several hotels did notice more visitors from Eastern Canada in 2007.

Labour supply issues remained a challenge and most operators are in a constant hiring mode. At one property, management staff was doing housekeeping duties due to service staff shortages. The employment placement program is getting active use to meet staffing needs, but as reported in other areas, the time required to access foreign workers is a concern. One hotel operator mentioned that because of experienced foreign workers and an enhanced training program, he has noticed an appreciable improvement in service levels, which is a very good sign. Service industry wage rates remain high throughout the region.

Occupancy to year-end is forecast as strong with advance bookings in several instances exceeding those of 2006. The corporate and regional traveller again led the way and this, coupled with major construction projects, should ensure healthy occupancy levels. Prospects for 2008 are viewed with optimistic expectations of similar or higher room demand from 2007. Red Deer is expecting a busy construction season next year and this, combined with their reputation as a conference/meeting centre, should result in a healthy market. A small Central Alberta resort reports pre-bookings for 2008 are ahead of last year. Southern Alberta also anticipates a strong year for construction and with the ongoing growth of convention and business travel, expectations remain positive. As a bonus, Medicine Hat will host the 2008 Alberta Summer Games and the Canada Cup baseball tournament, increasing the summer demand for rooms.

The declining numbers of regional United States visitors to Southern Alberta was identified as a concern and it was noted that more marketing was required to encourage American travel to Alberta.

Campground and RV Parks

Alberta campground and RV park operators had another busy summer in 2007. The optimism heading into the season was rewarded by high demand, increased rates and record years at several sites.

The summer season started strongly with busy Victoria Day traffic and the trend continued through Labour Day. In the months of July and August, many parks were at capacity and turn-away business was often the norm. Weekends were generally full during the season and to encourage mid week occupancy, discounted senior rates were provided by some operators. Seasonal sites are now in high demand and operators are less dependent on good weather for success. On the down side, there are fewer sites available for the casual traveller. High demand equated to higher site fees throughout the province.

Regional visitors led the way as higher gasoline prices encouraged longer stays closer to home. An encouraging sign is reports of more United States visitors, many travelling to Alaska, and in isolated instances, greater numbers of Europeans. In several regions, crew demand supplemented the tourist traffic and contributed to a busy season.

Operators report a busy September. With more winterized recreation vehicles, the traditional season is extending and several parks will remain open into October. The number of year round sites with full facilities has increased and can accommodate winterized RVs. One park reports good demand for their winter sites resulting from a noticeable increase in the number of full time RV users. A successful ending to a successful year.

The outlook for 2008 is positive, based largely on the success of the past several years. As RV sales in Alberta continue to be strong, operators are confident demand for camping sites will continue. The record RV sales indicate that fuel costs are a matter of fact and of little concern in the buying decision. Several critical issues were identified that could cast a cloud on that optimism. The need for more land for expansion and improvements is paramount and there is concern the high demand for seasonal sites at the expense of overnight visitors could have a longer-term negative impact for the industry.

Group Tours

Tour companies centered on the independent tour travel market describe summer 2007 as an “OK season.” Group tour business was a disappointment with fewer long haul tour visitors to Alberta.

Independent tour market growth was about 5%, highlighted by predominantly fly-in visitors. Those coming by ground transportation were in decline. As expected, solid demand from the United Kingdom led the way and one operator reported some recovery from Germany. Visitors from France were fewer this year, perhaps as a result of the national election in that country. Early expectation of strong bookings for long haul tours from the United States did not materialize and tour numbers from that market were off by about 10% in 2007.

There is a positive outlook heading into the winter season. Early bookings for Christmas skiing are strong because of the excellent snow conditions last year. Projections for 2008 are not encouraging with little growth expected by the tour companies. In fact, one mentioned that they would be thankful to achieve 2007 levels. Some of the reasons given are the high priced Alberta tourist industry, strong Canadian dollar in comparison to other currencies, and the cancellation of GST rebates to independent international visitors.

As referenced in the Post-Summer 2006 Alberta Tourism Operator survey, Alberta is losing its reputation as a top travel destination for long haul American visitors. Western Canada is viewed as a high priced vacation and, in combination with closer parity of the Canadian dollar to U.S. currency, the perception of value is now lost to many American travellers. Americans looked for more exotic, price competitive holidays this summer. Travel to central Europe is now a comparatively less expensive vacation for long haul Americans and sales to that area increased at the expense of travel to Western Canada.

Alaska cruise demand was also on the upswing, so the “Great White North” experience was attained on a cruise ship rather than a Rocky Mountain trip to Alberta. Those trends are expected to continue.

Attractions and Events

Alberta is fortunate to have a wide and diverse variety of landscapes as well as a rich, varied cultural and historical background. As a result, there is a multiplicity of attractions and events for the enjoyment of both visitors to the province and local tourists as well. With few exceptions, the majority of events occur during the period of May 24th through the Labour Day weekend. After Labour Day, many seasonal attractions close during weekdays, opening only on weekends and for special events. In 2007, Thanksgiving will mark the closing of most of the seasonal operations. The major fall and early winter events include Northland’s Farm Fair and the Canadian Finals Rodeo, both attracting large regional attendance in addition garnering national and international audiences.

For the most part, the summer of 2007 provided favourable weather for a wide variety of events held throughout the province. Rural Alberta fairs and rodeos were well attended with such varied local events as the Darwell Tractor Pull, Barn Burner Concert, and the Athabasca Fringe Festival attracting record crowds. Day tour operators within the National Parks generally also had good seasons. As always, performance was often weather related.

Major event attendance was generally positive with increases varying from modest to substantial. Revenues were up in most cases as the result of increased fees. The market for Alberta’s attractions and events varies considerably from location to location. The traditional tourist areas of Banff and Jasper have a larger national and international component to their visitor mix, while events like Edmonton’s Capital EX rely more heavily on local and regional visitors. The influx of new Albertans has had a definite positive impact on attendance as many took the opportunity to participate and learn about their new home.

Throughout the province, labour issues continued as a major problem. Food services and concessions were the areas most impacted. Shorter hours, closures, and overworked staff were symptomatic of the problems faced by operators.

Northern Alberta Attractions and Events

The positive outlook for the 2007 summer tourist season was well founded and the optimistic projections realized in most instances. Major Edmonton attractions such as Northland’s Capital EX, West Edmonton Mall, and Fort Edmonton all enjoyed increased attendance over 2006. The summer months of July and August produced excellent results and indications are that September will continue to provide strong attendance levels.

The market for Edmonton area attractions is largely local and regional in nature. One respondent indicated that 80% of their attendance is generated locally from the Capital Region. Fort Edmonton Park had a strong showing in sales of family passes and pass holders made on average five visits per year. Like all businesses, the repeat or return

customer is critical to success. Respondents enjoying strong results all credited enhanced programming, improved facilities, and exciting exhibits as major contributors to their success. There was consensus that Edmonton Tourism initiatives are producing positive results.

Edmonton and its attractions benefit greatly from visitors from the communities of Fort McMurray, Grande Prairie, and Lloydminster. Many of the newcomers to the province locating in these regions travel to Edmonton to learn more about their new home and to enjoy the cultural experiences available in a large metropolitan centre. In addition to visitors to Edmonton from northern communities, a number of respondents indicated that there seemed to be more inter-city visitors between Calgary and Edmonton.

The attractions or events experiencing flat or only modest attendance increases were either undergoing some structural changes or were victims of unfavourable weather. The Edmonton Fringe Festival reduced the number of venues it had over previous years. While this resulted in fewer opportunities for festival goers, it did produce an increased number of “sell outs” on the remaining stages. Cold, damp weather reduced the number of people on the street and increased attendance at inside venues.

While the Edmonton market is described as largely local and regional in nature, the national and international tourist provides excellent growth opportunities. In 2007, a noticeable drop in American tourists was reported and there was an increase in visitors from Eastern Canada, most notably from Ontario and the Maritime provinces. European traveller numbers were on par with previous years. Mexican and South American tourists are now more evident and some respondents are now targeting these areas.

For those attractions remaining open through the fall and winter, the positive results experienced through the summer months are expected to continue. Edmonton Northlands forecasts a strong performance from both the Farm Fair and the Canadian Finals Rodeo. The Farm Fair in particular will bring a large international contingent to the city with visitors from the United Kingdom and Argentina. Seasonal operators are reviewing their marketing programs and pricing structures to insure continued success in 2008. Expanded and targeted programming and flexible fee structures are being developed to attract new markets.

Southern Alberta Attractions and Events

Southern Alberta respondents indicate generally positive, but mixed results for the spring and summer season. Attendance varied from slight decreases to substantial increases, compared to 2006. Almost without exception, respondents did report increased revenues from either greater attendance or higher fee structures.

At the Calgary Zoo, summer expectations were not met. Attendance was good, but suffered from poor weather, especially on the weekends. The baby elephant, expected to garner a lot of interest, was not available for display on a regular basis and this had a slight negative impact on attendance. The Calgary Stampede’s ten day festival produced excellent attendance, with the final gate count only slightly less than the record achieved in 2006. Extremely warm weather during most of the Stampede may have contributed to

a slight decline in attendance by Calgary residents. Organizers believe that the market for the event is 70% local in nature. The rodeo portion of the Stampede performed strongly. It was also noted a major convention in the City took up a large number of hotel rooms that might normally have been available for Stampede-goers.

Spruce Meadows' performance was very strong. As a recognized leading world facility for equine events, it has the capacity to attract strong fields and record crowds to its events. In 2007 prize money for the season totalled \$6,000,000. At its September event, prize money totalled \$1,000,000 and attendance topped 400,000. The presence of both competitors and fans to the season's events has a significant, positive economic impact on the Calgary hospitality industry. In addition to hotel rooms that are seasonally booked for the equine season, more and more competitors are looking to seasonally rent houses. Events from Spruce Meadows are telecast in over 100 countries over a variety of major networks. In 2007, the European contingent was up and that is attributed to European media coverage and improved flights from Europe.

Other Calgary attractions reported visitor traffic on par or slightly ahead of 2006. Revenue was up in all cases. Those attractions with campground facilities attached had record years in the campgrounds.

Drumheller and region attractions continue as a strong tourist draw with reports of attendance increases varying from 9% to 24%. More school tours, newly renovated facilities and exhibits, and more advertising are factors contributing to the improved attendance. As with other locations and attractions, local and regional traffic was up considerably. The western provinces combined with Ontario provide most of the out-of-province visitors into the area.

Southern Alberta attractions and events enjoyed positive results throughout the summer of 2007. In many instances, there were gains in attendance over the previous year and in all instances, revenues were up. Respondents report a higher average return per visitor, largely due to positive gift shop and concession sales. A number of factors are cited for the increases. Operators state that more hotels in the area offer tourists the opportunity to extend their stays and enjoy the attractions available to them. They believe that opportunity allows for a more western cowboy experience with less hustle and bustle of some of the major tourist destinations.

Operators unanimously report increased local Alberta traffic throughout the area. They believe that both long term and new Albertans were taking advantage of attractions and events relatively close to home. Visitors from British Columbia and Saskatchewan were the next largest component of the tourist milieu. The American tourist continues to be down in number, especially those travelling on tours; reports on the volume of rubber tire trade from the USA are mixed. Foreign tourist numbers continue to be dominated by tourists from the United Kingdom, Australia and Germany and the Asian market remains flat.

As in Northern Alberta, the shortage of qualified labour is a major concern. Staff shortages and insufficiently trained staff resulted in lost opportunities and created a climate that may influence future years if tourists endured unfavourable experiences.

Overall, the outlook for the remainder of the year is positive. Expectations for 2008 are excellent as operators become more proficient in mitigating their labour concerns and addressing the markets available to them. There is some concern regarding the strength of the Canadian dollar, particularly its impact on the weakened American tourist market and the possible pull of the United States on regional Canadian tourists.

Adventure Vacations

With only a few exceptions, the Adventure Vacation sector had a summer that met expectations. The consensus was that 2007 was a slightly busier year than 2006. Visitor numbers were up and prices reflected a minimal increase.

The visitor mix was varied, but as in previous years, operators focused on the Alberta resident market. Albertans again elected to vacation in their own back yard and participate in local adventure vacation opportunities. With only one exception, operators report a noticeable decrease in the number of American visitors in 2007. A southern Alberta operator reported a quiet period in the usually busy two weeks of the Calgary Stampede. On the international side, the U.K. visitor market remained strong and there was reported growth from central Europe, especially Italy, France and Spain and from South America. As in the past several years, the number of guest ranch visitors from Germany showed no growth.

Staffing, as always, was an issue and while operators filled positions, it was a costly process. One river tour operator had difficulty filling boat operator positions and to meet his needs for next year is investigating the opportunity to bring in operators from New Zealand. The border crossing issue was identified as the main deterrent in attracting U.S. visitors and high gasoline prices as the reason Albertans stayed closer to home. The summer weather had both positive and negative consequences for operators. The hot July weather encouraged adventure vacation participation. On the flip side, one operator mentioned that fire bans closed part of their riding area and on some days it was too hot for the horses, so rides were cancelled. At another, early season operations were curtailed because of flooding.

Demand into September has been good and for those operators extending their season, business is described as “iffy”. Adventure vacation operators are cautious in their forecasts for 2008, but expect a similar year to 2007 with some upward adjustment in rates.

Post-Summer 2007
Alberta Tourism Operator Survey

Appendix A
Interview Questions

**POST-SUMMER 2007 ALBERTA TOURISM OPERATOR SURVEY
INTERVIEW QUESTIONS**

Name of Property/Attraction/Business/Region _____

Name of Contact: _____ Phone Number: () _____

Business Address: _____

Email Address: _____

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

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. 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 a seasonal operation not open during from October through December, ask about the business prospects for 2008.
6. Any additional comments?