Pre Summer 2004
Alberta Tourism Operator Survey

SURVEY SUMMARY REPORT

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Provincial Overview

During the period April 27, 2004 through May 7, 2004, 117 Alberta tourism operators were contacted by telephone to determine the outlook for their respective tourism-related business during the late Spring and summer months of 2004. Of the 117 contacts that were made, 71 operators responded and are reflected in the following survey results. The respondents represent a cross-section of Alberta's tourism industry, including hotel/motel properties, attractions and events, campgrounds and RV parks, and tour operators. The survey results also represent the opinions of tourism operators throughout the province.

Cautious optimism most accurately sums up the prevailing outlook as Alberta's tourism industry enters the 2004 summer season. In most cases, optimistic operators are forecasting a return to 2002 visitor levels in our province. Still, the difficulties of 2003 remain fresh in the minds of all. As one survey respondent so aptly commented, "We are hoping for the best, but preparing for the worst."

- Winter season activity in the National Parks fell below 2003 levels. Aggressive pricing in the major markets predominated. Fewer American tourists visited the parks, while a recovery of Asian park visitor numbers was noticed. Park corridor venues reported fewer leisure travellers, but that was offset by strong oil patch and construction activity, which contributed to occupancy gains over last year.

- Led by a generally more robust corporate market, tourism in Alberta's largest cities looked promising as 2004 began. Recovery was slight in Edmonton, however, while growth was somewhat stronger in Calgary. Southern and central Alberta communities started 2004 with increased occupancy, highlighted by strengthening business from oil patch and construction crews. Northern hotels report more mixed results, but crew and corporate activity also led occupancy.

- Visitor numbers are slightly ahead of 2003 levels in winter campground/RV parks and in the attraction & event sector.

- A summer tourism increase is expected as pre-bookings exceed those of last year. A strengthening regional market will again lead growth in most sectors, confirming the belief travellers are staying closer to home in 2004.

- The National Parks report stronger bookings, compared to 2003.

- Some bounce in Asian visits is expected, but the number of visitors will not reach 2002 levels. SARS fear persists as an underlying concern for Asian travellers. Europeans will continue to be noticeably conspicuous by their absence in 2004.

- Expectations from hotels and attractions regarding American travellers are mixed. Tour operators are reporting a potentially strong United States travel market for Alberta. A question remains whether the increased American trust in Canadian travel will overcome a historical propensity to stay home during presidential election years.

- Tour operators report excellent early-season demand and expect 2004 to match 2002 levels, which was considered a good year. Alberta has been identified as the #1 destination for American visitors to Canada. Operators advise both European and Asian markets remain soft.

- Campgrounds and RV parks are gearing up for another busy summer. 2003 was not the poor visitor year experienced by other tourism sectors; 2004 is expected to be even better. Regional visitors will lead the way, driven by higher fuel costs to vacation in Alberta. Attractions and events will also feel the positive benefits of more at-home travel.

- Pricing issues are becoming a contentious matter in many areas. In Banff and Jasper, a move to aggressive pricing hit the bottom line of many businesses, adversely impacting returns. In fact, the price structure in Banff is similar to that of five years ago, we are informed. This negative effect, of course, flows out to other venues as well. The park rate structures generally establish room rate parameters for leisure travel, especially in park corridor areas. As one respondent said, “When the parks are busy, so are we.” A Calgary hotel reported rate parity to the National Parks and a subsequent loss of business.

- Although room rates may be down in a historical perspective, tour operators again raise the concern that Alberta product pricing is becoming, in some instances, non- competitive to European markets. This has been compounded for U.S. markets by a strengthened Canadian currency.

- The airline situation is again a concern for many operators, as it has been in the past. Uncertainty has a definite negative impact on international travel plans to Canada and it affects the number of inbound seats to Alberta.

Independent Travellers

Banff National Park

Entering the year with high expectations, hotel operators experienced disappointing visitor numbers in early 2004. Hotels report occupancy levels on average five per cent below 2003 levels. The absence of American guests was especially noticeable, with all reporting venues seeing fewer numbers, one by as much as 50 per cent. World markets, lingering travel fears and the SARS-threat hangover also had negative effects on international visits to Banff. On a positive note, Australian, Japanese and Taiwanese travel markets showed recovery, a trend that bodes well for the coming summer season. Lower visitor numbers contributed to aggressive pricing throughout the park.

Following the slower winter and spring shoulder season, operators are anticipating the summer months with optimism. Bookings are gaining strength and early occupancy indications are for a summer season comparative to 2002. Surveyed hotels all report expected visitor levels exceeding 2003; in at least one site, levels could be up by as much as 20 per cent.

Hotel market rates are now commensurate to Calgary and Edmonton, due to supply and demand pressures. Overall summer rates are considered well priced in the international market and were dropped a bit to be competitive. We are advised occupancy levels have decreased on average 20 per cent over the past five years, while average room rates remain stable.

Operators notice a discernable bounce in Asian bookings and hope it will bring Japanese and Taiwanese visitors back to 2002 levels. There are mixed forecasts on the number of Americans visiting this year, with some hoteliers much more optimistic than others. The question marks affecting U.S. visitor numbers include the presidential-election-year impact, a perceived resistance for out-of-country travel due to the Iraq war and the negative effect of a strengthening Canadian currency. Most hotels are not expecting a large influx of Europeans to visit Banff in 2004 due to economic conditions and travel fears. With the expected return of some international markets, a decline is predicted in domestic visitors, who chose Banff in 2003 for its attractive pricing and room availability. Group and convention business continues to be a stable revenue source and is expected to be a growth market in 2004.

As a one-industry, 95-per-cent, tourism-oriented town, Banff relies on an effective and financially stable airline industry to encourage international visits. The current state of our national carrier and impact of Air Canada’s instability on incoming international travel plans remains a concern.

Jasper National Park

Entering 2004 with guarded optimism, Jasper experienced a winter season undermined by one of the poorest ski seasons in recent history. 2004 was the second successive year of poor snow conditions. One survey participant described 2003/04 as the worst winter in recollection and March as the poorest in history.

Business was generally down across the board, with reported occupancy declines of as much as 30 per cent. Jasper's poor ski conditions contributed to visitor slippage to Banff and Lake Louise. With disappointing occupancy levels, Jasper hotels resorted to aggressive pricing, further compounding deteriorating bottom lines. Increased and focused marketing strategies did not achieve desired results. The bright spots were a strengthened convention market and evidence of more U.K. tourists. These were overset unfortunately by a decline in regional domestic travellers.

Although Jasper hotel operators are cautiously optimistic heading into summer, the outlook is filled with uncertainty. Several hotels report recovery appears evident with much stronger seasonal pre-bookings. Others are more reticent in their projections and are of the opinion that this year will be similar to 2003.

Convention and group travel are viewed optimistically as stable and strong markets. International visitors will not be seen in large numbers this summer, according to our survey. European visitor numbers, with the exception of a strong U.K. market and an increase in Italian bookings, are not expected to show recovery in 2004. The Asian market is not large in Jasper, but a slight increase in the number of Japanese group bookings is evident. Numbers of Americans travelling to Jasper are expected to grow as U.S. travellers seek safe and natural vacations close to home. Regional travellers are expected to predominate in the shoulder seasons, with their summer season travel decisions depending on price and room availability.

Concerns impacting summer expectations relate to the historical effect of U.S. cocooning during presidential election years; the availability of inbound air travel seats for international visitors; and the financial uncertainty of Air Canada and the impact of that on foreign travel plans. More competition, more products and an increase in consumer rate-shopping could also be factors in the success of this year's tourism.

Waterton Lakes National Park

Waterton Lakes National Park primarily serves the summer tourism market with many of the onsite hotels not opening until early or mid May. Shoulder seasons service a strong regional market generally within a four-hour drive. The winter was characterized by generally good seasonal weather and catered to a visitor demand above that of 2003. A decline in visits from the northern United States was evident, however.

"Cautiously optimistic" is the key phrase in Waterton, as in other parts of the province. The pace of advanced booking is up over past years and deposits are comparable to 2002, an increase over last year. FIT and tour bookings are anticipated to return to 2000 levels. With the optimistic outlook, rates are expected to be about the same or slightly increased over last year.

The strong American market is anticipated to remain consistent with past years. More European travellers, led by the British, Germans and Dutch, are expected during 2004. Although relatively few in number, a resurgence in Asian visitors especially the Taiwanese who are booking in the May/June shoulder season appears to be taking place. One operator is forecasting the Korean market will kick in shortly and is also of the opinion Alberta is only five years away from a strong Chinese market.

As in the other National Parks, the impact of air capacity is a concern as it affects off-shore visitors. The number of Americans visiting the Park will be affected by border-crossing problems and the ever-present threat of fire in what to date has been a dry year.

Banff Park Corridor – Canmore and Kananaskis

Heading into 2004 with a positive outlook, Canmore and Kananaskis experienced a generally strong winter season. Several properties exceeded 2003 occupancy levels by five to ten per cent. The ski season enjoyed a good early start to get the year rolling. Strong corporate crew business also supported higher occupancy in Canmore.

The early closure of Kananaskis-area skiing left an unusually long gap between ski and golf seasons, thus negatively impacting mid-April to mid-May occupancy.

Banff Park Corridor – (cont.)

Reports of summer occupancy expectations are varied. Canmore hotels generally advise an increase in pre-bookings. Following a softer May, summer occupancy projections are up over 2003. Room rates appear to be in line with those of 2003. Kananaskis forecasts range from a summer generally similar to last year to a year of reasonable growth.

Park corridor hotels are forecasting the return of Asian visitors and a decrease in the number of European travellers. Fewer U.S. visitors are also expected because of their historical reluctance to travel in presidential-election years. Strong growth is anticipated in the tour market to both areas, with one venue predicting a 300-per-cent increase to their property. Regional rubber tire traffic from Alberta, Saskatchewan and B.C. will also be more abundant this year. A busier wedding season is also being predicted.

Corridor tourism suffers when there are fewer visitors to the Parks, so most operators like to see healthy park traffic. Weak park numbers mean fewer international visitor spin-offs and an adverse effect on room rates.

Jasper Park Corridor – Hinton and Edson

Led by a strong and vibrant oil patch, the Jasper corridor experienced a generally excellent winter season. Crew business, supported by weekend sports teams, helped to boost occupancy. With the exception of a few properties, occupancy was above 2003 levels; in one instance, occupancy was up by as much as 20 per cent.

Hotels enter the summer season on a buoyant note, with a number reporting full or near-full occupancy. Crew business remains strong and steady and will be supplemented by a more vibrant tourism economy. Operators expect increases in both group tour and individual rubber tire traffic numbers. U.S. and regional individual travellers will lead the way. The European visitor market remains weak, but recovery is forecast in Asian visitor numbers. An increase in sports team and wedding business will help to fill weekend vacancy gaps. Visitors and potential visitors are more actively seeking good value for money so rate shopping has become more prevalent this year. Park corridor operators are confident they can meet those expectations.

Uncertainty prevails regarding the impact of park visitor spinoff and, in the case of Edson, what can be expected from the level of spinoff from Hinton this year.

Jasper Park Corridor – (cont.)

Operators do however report steady early-season park traffic. With healthy local economies and corresponding higher wage structures, sourcing employees is becoming a major problem. This could negatively impact operations.

Confident of a better year in 2004, many operators are already looking forward to 2005 and the tourism opportunities to be generated from Alberta’s centennial celebrations.

Calgary

Calgary hotel operators entered 2004 with a bullish attitude; early-season results appear to bear out that optimism. The surveyed venues report occupancy at near 2002 levels, a nice recovery from disappointing 2003 results. Increases in hotel occupancy of as much as eight per cent are reported. A stronger corporate market led gains. Longer-term crew and corporate stays were evident, especially in outlying hotels. Increased leisure-visitor traffic was also noticed.

Operators look ahead to summer 2004 optimistically, buoyed by expectations of a return to 2002 numbers. The National Petroleum convention leads off what is expected to be a very healthy June. One hotel reports bookings up 10 to 15 per cent for the month. July numbers show strength, with Calgary Stampede bookings up at most hotels over 2003. At present, August is shaping up to be a sluggish month, with occupancy even with last year’s levels or below. Overall, a healthy summer season is forecast.

Tourism-related business will be led by individual-traveller traffic, primarily from Canada and, to a lesser degree, the United States. Early group-tour bookings from Japan, New Zealand and the United States are on par with last year. There are noticeable increases in the number of Australians, New Zealanders and Mexicans visiting Calgary this year. Little indication of the return of the European travel market is evident. Hotels report a lingering SARS carryover effect, impacting the recovery of the Asian market. Convention business will be stronger over the summer, but one hotel cautioned convention business has been lost to Banff, due to more rate parity with the National Parks.

Concern is being expressed regarding the need for more inbound seats on our national carrier, although the number of carriers now serving the Calgary air market means it is not a widespread problem. It appears a hangover of SARS-related concerns and the ongoing BSE and West Nile scares have had a negative effect on incoming tourism, especially of an agricultural-related nature.

Edmonton

Following a disappointing 2003, Edmonton began 2004 on a generally optimistic note. First-quarter results started slowly; occupancy during winter and early spring was similar to last year. Noticeable strengthening of corporate business, an upswing in regional leisure traffic and good sports team tournament business was reported. Some BSE hangover has impacted traditional rural markets. Lower anticipated room demand found most venues holding rates at near 2003 levels.

Edmonton hotels approach the 2004 summer season with expectations of a better year, but perhaps not the degree of growth hoped for. All anticipate small occupancy increases over 2003. May, July and August bookings are up. June is questionable, with bookings up slightly or similar to last year.

The regional individual leisure market will once again be the leader. Tour business is expected to be below 2003 with the bright spot being senior tour groups. Corporate, wedding and tournament sports business will be strengths over the summer months. Indication of a stronger American market is worthy of note, although return of Asian and European visitors to Edmonton is not evident.

Edmonton is traditionally the benefactor of a strong regional rural market but the fear is the current agricultural situation and lingering effects of BSE may negatively impact occupancy. Edmonton's summer festival market continues to play a key role in the success of hotel occupancy and revenue statistics. Benefits from Edmonton's 2004 anniversary are expected to be positive, but so far nothing has been identified. Demand for 2005 Alberta centenary events, such as the Masters Games and the Brier, are already being booked in Edmonton hotels.

Some concern is being expressed that Edmonton is not effectively identifying target markets and serving them. Concerned west-end hotel properties identify the surplus of room inventory in that part of the city, with more coming on stream.

Overall, Edmonton operators are approaching the season on a positive note.

Other Alberta Communities

This section reflects the comments of hotel operators in Lethbridge, Medicine Hat, Red Deer, Fort McMurray, Grande Prairie and Peace River. Southern and central Alberta operators generally experienced early-season occupancy increases above 2003. That was not necessarily the case for those in the north.

Other Alberta Communities – (cont.)

Red Deer and Medicine Hat hotels reported on average a stronger season with several operators experiencing increases of 15 per cent. Lethbridge was equal or slightly below 2003 figures with aggressive pricing in that market. Strength in crew and corporate business continued in all markets. Increased walk-in traffic on the upside and a decrease of agricultural-related business on the downside was reported. Strong sports tournament business raised weekend occupancy.

Northern communities did not experience the same degree of growth. Grande Prairie reported growth of between five per cent and ten per cent in a more competitive marketplace. Busy oil patch and forestry sectors contributed to growth with the caveat that crew camps were busier this year. Survey responses from Fort McMurray indicated mixed success, but overall occupancy was below 2003. Corporate and crew business was at a level with last year or slightly below.

Operators enter the summer with some apprehension. Summer is historically a lull in the northern markets with crew business slowing. Southern communities depend to a large extent on the agricultural-dependent rural leisure traveller. Northern hotels project a summer similar to 2003, while those in the south and central look for slightly higher occupancy this year. Medicine Hat is the exception; they are anticipating a much better summer season.

Southern operators are looking for increases in regional rubber tire traffic, from western Canada and the United States. Tour business is not large, but appears stronger than in 2003. Wedding and special event business is also anticipated to be more active. The BSE impact is ongoing and any strengthening of agricultural-related business is not expected, but will be most welcome. Red Deer is forecasting stronger sports-related, wedding and special- event business.

Tour business through northern Alberta appears weaker than in prior years. However, the number of senior tours and length of stays have increased. More movie and film-crew activity is also reported in Fort McMurray, a welcome addition. Reports of aggressive pricing and excessive room inventory are dampening expectations in several communities. Operators for the most part remain optimistic; as one commented, “Pride, enthusiasm and optimism will pay off.”

Campgrounds and RV Parks

As many campground and RV park operators prepare for late April and May openings, they move forward into 2004 with a very positive outlook.

Winter park sites report a busier early season than in 2003. A quiet start has gained momentum. The return of snowbirds is now contributing to a busy April during the final three weeks of the month.

With one exception, sites surveyed report existing booking levels exceeding those of 2003. That augurs well for the upcoming tourist season. The season is shaping up extremely well, with one operator reporting over 33 per cent of capacity booked for the season; others report 75 per cent and 90 per cent to 100 per cent booked for July and August. Still others are already booking into September. Most location sites are fully booked for seasonal long weekends.

Regional visitor demand continues to gain strength as Albertans choose to holiday closer to home. The western Canada market will also represent a ready source of business. An unexpected but decidedly pleasant growth market is the increased demand from United States campers. Americans, still hesitant to fly, are seeking a safe and friendly vacation experience within driving distance of their home base. More tour and caravan bookings will be evident this summer. Most respondents feel European visitors will again be few in number during 2004.

Fuel costs thus far do not appear to inhibit trailer/motor home travel. Several operators report increased demand for larger sites to accommodate bigger units. On the flipside, increased fuel cost is listed as a reason for Alberta and regional travellers to stay closer to home. But campground prices have also become a positive factor; several sites report bookings from visitors turned off by the higher cost of hotel accommodation. Negative issues have not disappeared, however, as the ongoing BSE crisis still affects the travel plans of rural campsite visitors. Border restrictions could also cause problems for American tourists travelling to Canada.

Group Tours

With 2003 under their belts, tour operators are in a decidedly optimistic frame of mind. As one operator said, "We are more positive today than last fall. We must, however, work hard and everyone is doing that."

This level of optimism is further supported by such comments as "The phones are continuously ringing;" "Business seems to be coming back;" "Good numbers are starting to show;" "Good signs of real recovery starting;" and "Looking for a good summer." Operators are confident group-tour activity will surpass 2003 levels and is on track with 2002, still considered a good year.

Reported overall bookings are strong going in to the 2004 season. One operator reports a 100 per cent increase in year-to-date international bookings over the same period in 2003. Another operator reports a 20-per-cent, year-over-year increase with a 100-per-cent rise in European pre-bookings. Other more modest gains are evident, many in the range of six per cent to eight per cent. All in all, the statistics are very impressive.

A bright spot in the recovery of tour business to Alberta is the strength of the United States market. American apprehension for travel to Canada is melting and the trust level is returning. Alberta is identified as the #1 destination for U.S. visitors, with the Rockies, Banff, Jasper and Lake Louise being the areas of demand. Tour companies catering to United States travel into Canada all report booking increases, with one indicating reservations will be up eight to 12 per cent, after being down for the past three years.

Reports of pent-up demand from Europe are encouraging. Increases of five to ten per cent are in the realm of possibility. Operators expect Alberta will see more group tour visitors from the U.K., Germany, Switzerland and the Netherlands in 2004. Predictions are that Australian and New Zealand tourists will also visit Alberta in greater numbers. On the downside, Asian tour visitors are still not returning to the province. Examples given by survey respondents show Asian business being down 15 per cent and Japanese down by 35 per cent.

The level of independent-travel tour bookings has increased at the expense of escorted tours at several agencies. There's a belief that this change represents a move by consumers to make greater use of the Internet to arrange their travel plans.

While operators are very optimistic for the 2004 season, they realize there are challenges to be met. One such challenge is the product of success, with a respondent identifying the biggest challenge as being supplying enough tour guides to meet visitor demand.

Air carrier concerns continue. Uncertainty hurts, especially in the international visitor market, where a lack of confidence inhibits long term travel plans. The number of inbound seats to Alberta is identified as a concern. Air pricing could also become an inhibitor, as the strengthening Canadian currency makes it cheaper in some instances to travel to Europe. One operator looked at the air carrier situation on the bright side, noting Air Canada's problems helped their motor coach business.

Product pricing compounded by the strengthening dollar was also identified as a potential concern. While suppliers may raise their rates only marginally, the more expensive currency magnifies the cost for visitors. The North American product is identified as becoming more expensive in some instances than European, in part because of the higher standard of hotels used in the Canadian product. Tour companies are struggling with the value for money equation in determining their price gaps for future years.

We were pleased to record the compliment, "Alberta is a leader in creative, innovative and professional tourism product and marketing."

Attractions and Events

Alberta Attraction and Event operators are generally approaching summer 2004 as another cautious year. That is, however, tempered by cautious optimism.

Many attractions and events are seasonal in nature. Those providing full-year activities reported similar or slightly increased attendance during the first part of the year. International visitor numbers remained sluggish but a more vigorous regional market was evident. One major attraction also reported more American visitors.

Visitor market expectations have changed to a more regional perspective and international tourist visits are being regarded as a bonus. That is in keeping with the consensus that Albertans and western Canadians will vacation closer to home in 2004.

All operators surveyed project visitor numbers in excess of 2003. Reported group booking is up at many venues, accompanied by expectations of strong individual leisure traffic. Regional markets will provide the principal source of visitors. Albertans represent the largest visitor component at most sites. Western Canadians, especially those from Saskatchewan, are seen as a growth market.

Little recovery in the numbers of international visitors is anticipated. The European visitor market, with the exception of the United Kingdom, will be similar or worse in 2004. There are mixed expectations about American visitor levels; some recovery in the Japanese market is seen. A slight increase in Australian visitors has been noticed.

Many of Alberta’s indoor attractions cater to a decidedly local and regional market, so the quality and uniqueness of events have significant impact on visitor levels. It was evident in this year’s survey that more innovative programming and cross-marketing with other attractions and hotels are receiving a much higher priority. This is being met with success. Larger events and attractions are redefining marketing efforts to a more regional emphasis.