EXECUTIVE SUMMARY

FIXED ROOF ACCOMMODATION STUDY

CANADIAN BADLANDS, ALBERTA

Prepared for:
Alberta Economic Development

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In association with:

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Definition of Area

The defined Canadian Badlands Region, which is comprised of twelve communities with populations in excess of 5,000, and ten communities with populations under 5,000; the communities in SE Alberta are shown on Map A-1. These communities offer a variety of unique travel experiences and types of fixed roof accommodation including full service hotels, motels and lodges, small inns, accommodation facilities with amenities such as spas and meetings venues, and specialty product such as ranches and Bed and Breakfast operations.

Objective and Tasks

PKF Consulting visited and documented the recent historical fixed roof accommodation product physical plant to identify historical performance indicators; the team researched influences on accommodation performance; PKF Consulting developed projections for the fixed roof industry based on appropriate assumptions and, the team considered the nature of the tourism constraints (quantity, quality, economic viability, distribution) relative to the visitation patterns in the region; and, provide recommendations that will alleviate these constraints and enhance the economic viability of the industry throughout the region.

Tourism and Travel and Product Relationships

From a global perspective, the prospects for tourism are very strong. According to the World Tourism Organization, international tourism arrivals will grow by over 4.1% a year to the year 2020 and North America will grow at a compounded growth rate of 3.9%. The Conference Board of Canada forecast of tourism visits to Canada suggests continuing strong growth in overseas travel (5% to 8%), moderate growth (3.0%) for domestic visits, and slower (under 2.0%) growth in U.S. visits. Overall, a 3.0% growth rate in overnight visits is forecast through to 2009. This overall growth will fall disproportionately to provinces and cities. Alberta is forecast to grow at 3.0%, ahead of the national average of 2.8% in 2006. Domestic Canadian markets are of critical importance to Alberta and to the Canadian Badlands. The Canadian economy has seen a strong few years, and is anticipated to moderate only slightly going forward.

Albertans remain the major tourism market for Alberta's industry, and this is reflected in visitation to the Canadian Badlands. Some of the challenges for Alberta in tourism are reflected in the goals of Alberta's Strategic Tourism Marketing Plan, which include the need to increase awareness; increase and diversify product marketing and expand the market readiness and marketing capacity of Alberta industry operators.

Product development is very important to Alberta, and must be addressed in the Canadian Badlands. Historical analysis in Southern Alberta indicates that only 13% of overnight visitors stayed in hotels, compared to 40% in the Rockies Tourism Destination Region and 22% in Calgary. The subject region is somewhat underrepresented in hotel stays compared with these regions, and it is dramatically underrepresented compared with more developed tourism destination areas. It is assumed that as the Canadian Badlands establishes itself as a tourism destination, figures for the Visiting Friends and Relatives market will represent a lower percentage of the total while the percentage of hotel stays will increase.

Research shows that the three primary markets (Alberta, British Columbia and Saskatchewan) for the Canadian Badlands, together, account for 79% of near in markets. A high percentage would choose Alberta as a destination and would prefer a rural experience such as is found In the Canadian Badlands. Work continues on the product development, positioning, packaging and promotion of Canadian Badlands, and it is assumed that the Canadian Badlands will find interesting product offerings - activities, events, attractions, experiences that will appeal to these markets in the near future, and that the outcome of this effort will be increasing demand for overnight accommodation of a type and quality that would appeal to these markets.

The Canadian Badlands tourism industry has been established largely around specific regional attractions, with a concentration on visitation in the peak operating season, strong Visiting Friends and Relatives demand and a strong day trip activity base. The area offers many natural attractions and a number of private sector services. As indicated by various tourism strategies and plans there appears to be an opportunity to enhance the tourism product and services. Studies indicate a potential to alter visitors' travel patterns and length of stay through new product development, expansion of attractor services and new and improved ways of communicating the opportunity. This study concludes that there is an opportunity to capitalize on the current combination of the natural and man made resources, strong economic conditions and high levels of discretionary income and changing consumer vacation needs combined with the proposed capacity increases to be experienced in the market. Exhibit A-2 provides a summary of opportunities for communities in the Canadian Badlands region.

The Canadian Badlands region offers great potential as a tourism destination region that can attract regional, provincial, national and international interest and markets. It is unique in Canada, and for that reason alone it will be of interest to the markets. However weaknesses identified by industry such as scale of attractors; supporting attractions and activities; the business and leisure balance; seasonality and economic constraints to growth need to be addressed. The primary constraint to tourism growth in the Canadian Badlands, in the view of the consultants, is the challenge of growing the destination, its tourism attractors, its tourism services, and its activities in a balanced and supportive fashion over time. The report summarizes new product opportunities and public sector or public/private partnership based product opportunities identified by industry representatives and PKF Consulting for the Canadian Badlands region. The challenge is that businesses cannot survive unless the market is there, and the market will not come in numbers unless a range of these activities is being offered, thus destination marketers and product developers need to work on this issue to grow businesses and markets in tandem.

Based on information provided by Alberta Economic Development and on interviews with tourism and economic development professionals in the region, PKF Consulting identified the marketing and developments activities planned for the Canadian Badlands in the next few years including a proposed Canadian Badlands organization responsible for promoting development and marketing of the region, the implementation of three new Interpretive Centres operating within provincial parks including at Cypress Hills Interprovincial Park, Writing-on-Stone Provincial Park and Dinosaur Provincial Park, supported by additional marketing position and initiatives to promote visitation to historic sites and the provincial parks, the implementation of three 2005 community tourism strategies and similar strategies for Medicine Hat and Cypress County and for the Oyen/Acadia area as well as the Gateway Community Strategies to be prepared in 2006. The Canadian Badlands Marketing Committee has been working on the development of a brand and branding statement. The Canadian Badlands web site redevelopment is underway. Tourism publications will reach broader international and national markets and two Canadian Badlands displays will be placed in key gateway travel Alberta Visitor Information Centres in 2007. Alberta Economic Development plans to work to enhance tour group volume in the region. Alberta Economic Development also plans to study Aboriginal Tourism opportunities in 2006.

Supportive attractions, events and activities are planned or in progress, as can be seen from the long list of initiatives in the report. In order to develop the Canadian Badlands as a tourism destination of significance, the major tourism attractors or destination attractions must be enhanced, developed, maintained and positioned. There are many Provincial Parks located within the Canadian Badlands region. Cypress Hills Interprovincial Park, Dinosaur Provincial Park and Writing-on-Stone Provincial Park are considered the flagship parks for the Canadian Badlands region and are the main tourism focus. Expansions and renovations at the three flagship Provincial Parks were funded by the 2005 Alberta Centennial Legacy projects.

In addition to the regional initiatives summarized above, PKF Consulting outlines the tourism initiatives and tourism opportunities by community in detail within the report. An important component is assurance that the tourism services provide the quality, convenience and accessibility for the market for this destination region demands. The accommodation sector is probably one of the more significant elements of that service offering. While it is presently growing based primarily on business tourism opportunities, the efforts at tourism development outlined above are aimed at ensuring that services are responsive to leisure tourism growth as and when that occurs.

Supply and Demand for Fixed Roof Accommodation

Historical performance and accommodation supply and demand projections have been prepared for Lethbridge, Medicine Hat and Drumheller individually as well as for the "Other Communities", defined as the aggregate of the remaining communities in the region and for the defined Canadian Badlands region as a whole. A summary of historical inventory, performance and supply is summarized in A-2 below.

The overall total inventory of guest rooms in the Canadian Badlands Region was 5,511 rooms as of December 31, 2005. This total includes 301 rooms that opened during the 2005 calendar year. An additional 449 rooms were to be completed or were under construction and scheduled for completion by the end of 2006. PKF Consulting identified a further 260 rooms scheduled to be developed after 2006.

Based on the assumption that new supply would be predicated on occupancy reaching the high 60.0% range and taking into account the seasonality of the tourism demand in the region, and an eventual reduction of commercial demand such as oil and gas and construction related special project demand, it is reasonable to assume that Canadian Badlands Region could accommodate a guest room inventory increase of between 14.7% and 20.8% over the calendar year period from 2006 to 2015. Based on the growth range identified in the study, this would allow for a range of 400 to 740 additional rooms to be developed by year end 2015 in addition to the 260 rooms already proposed for the region. This results in cumulative growth of rooms in the market of 21.3% to 27.8% from the 5,210 rooms in 2004. This represents an increase in available room nights from 1,906,860 in 2004 to between 2,306,435 and 2,430,535 available room nights in 2015. This equates to an increase of between 399,575 and 523,675 available room nights in the entire Canadian Badlands region from 2004 to 2015 and a new capacity of approximately 796,194 to 839,034 room nights annually in the peak period of 126 days as defined by the survey respondents.

The PKF Consulting sample of property information for a full year in 2004, collected through the interview and survey program had an existing supply of 3,544 rooms in 2004, representing 68.0% of the total accommodation supply in the entire Canadian Badlands region. PKF Consulting projects that supply in the entire Canadian Badlands accommodation market will increase to 4,287 guest rooms throughout the 2005 to 2015 period. Additions to accommodation supply include several new properties as well as expansions to existing properties. The following table summarizes the proposed additions to supply over the 2005 to 2015 period by area for the entire Canadian Badlands region.

PROJECTED SUPPLY ADDITIONS 2005 TO 2010
ENTIRE REGION
CANADIAN BADLANDS, ALBERTA

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
Existing Supply	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544	3,544
Supply Additions	N/A	132	313	143	85	0	80	0	0	0	0	0
Total Supply	3,544	3,676	3,984	4,122	4,207	4,207	4,287	4,287	4,287	4,287	4,287	4,287
% Change	N/A	3.7%	8.5%	3.6%	2.1%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: PKF Consulting research

Projected industry scenarios developed in the report reflect demand increases by market segment for the entire Canadian Badlands hotels, for the larger urban centres and for aggregated "Other Communities, taking into account potential demand from specific, major identified projects. All projections are based on the PKF Consulting data sample. Growth is projected for each of the general market segments: commercial/corporate/work crew/government, tourist/leisure and meetings/conference. The scenarios reflect demand changes by market segment, taking into account potential demand from specifically identified projects.

Projections also account for additional marketing and promotion activities currently being developed in the Province and Canadian Badlands by the Alberta Government. Growth rates prepared by Alberta Economic Development for the Tourist/Leisure segment begin impacting demand for accommodation in the demand in 2007 in these scenarios.

It should be noted that although there are percentage of growth declines projected for some markets in these scenarios, each year's growth is based on a higher base. The nature of resource industry and construction projects and commercial activity is that accommodation demand related to one project replaces that of another project that is completed. The scenarios incorporate a responsive demand cycle in conjunction assuming cyclical oil and gas industry performance. Hence ongoing increases in demand tend to reflect multiple project increases as well as general business improvements. Major specific projects are those deemed likely to have a significant impact on demand. However the nature of crew activity is such that it is possible that in future years the volume of work activity could decline, thereby resulting in greater availability of guest rooms for other market segments.

The recent strength of the oil and gas and construction industries has in many cases led to shortages of rooms during peak tourist times particularly in the summer months of July and August as some property owners have given priority to crew business over tourists. Over the past couple of years many of the communities within the Canadian Badlands region have experienced demand patterns that are very different from the previous year's experience in the region and in other parts of Canada. Recent demand in this region has tended to shift around from community to community as different oil and gas and construction projects start and finish. In some cases corporate and crew demand has not been able to be accommodated by one particular community causing demand to shift to communities that may be as far as two hours drive away.

There is only one project on the Alberta Major Projects List that is confirmed and is deemed by PKF Consulting to have a significant impact on hotel demand in the Canadian Badlands region, the Luscar Ltd. Bow City Power Project (located 25 kilometres southwest of Brooks). Luscar Ltd. is planning to submit an application to the Alberta Energy and Utilities Board in the first quarter of 2006 with approval expected by the end of 2006. Construction of the facility is projected to span a four year period from 2007 to 2010. The second phase is expected to be completed in 2014 however as an application has not yet been submitted for the first stage, planning for the second stage is very preliminary. Other proposed projects are not confirmed at this time and cannot be assumed to proceed. The other major projects that have been focused on because of their significant room night potential are the proposed meeting/conference space developments in Drumheller and Lethbridge.

Projections for Luscar related person and room demand has been estimated based on two scenarios, with and without the introduction of one or more work camps and with assumptions of penetration of transient fixed roof demand of 20.0% for Medicine Hat, 10.0% for Drumheller, 55.0% for "Other Communities" and 5.0% for Calgary. The details behind Luscar demand assumptions are included in the report. Because of the extensive travel distances between the various communities and the associated costs to be incurred by paying workers for up to three hours a day in travel time, the more probable scenario is that of a work camp being constructed to accommodate Luscar project related demand.

IMPACT ON ACCOMMODATION IN THE CANADIAN BADLANDS REGION
LUSCAR LTD. BOW CITY POWER PROJECT – WITHOUT A WORK CAMP

	Year 1	**Year 2**	**Year 3**	**Year 4**
	2007	**2008**	**2009**	**2010**
Total No. of Workers (Daily)	100	200	750	1,000
Occupied Room Nights/Year (No Camp)	2,400	4,800	18,000	24,000
Occupied Room Nights/Year (With Camp)	960	1,920	7,200	9,600
Source: PKF Consulting Research				

The study findings support the importance of a gateway role for Lethbridge, however the Lethbridge accommodation market differs from the other communities in the region. Lethbridge sees a much smaller percentage of their business coming from the oil and gas industry and a broader range of demand and as a result PKF consulting prepared demand scenarios that exclude the City of Lethbridge from the market projections.

Fixed Product Opportunity

The opportunity for development of new supply is predicated on many factors, notably current and projected economic conditions, historic and projected guest room demand levels, the availability of suitable sites for construction, projected development costs and the age, quality and service levels at existing properties and the need to match opportunity with appropriate product. Operating cost projections and proposed development costs must then be proven to be financially viable for any proposed development.

It is difficult to indicate a “benchmark” or optimal occupancy level by market to support the notion of new supply development. With the exception of a rare instance where an abnormally high average daily room rate could be achieved, it is typically expected that when market occupancy reaches the 68.0% to 70.0% range or higher in this region, new development may occur. New properties are often deemed more physically attractive than existing supply, however, being new is not necessarily an indicator of the property's potential occupancy performance, as existing properties may satisfy demand primarily based on price point or style.

Project research indicates that there is potential for development of additional new accommodation within select markets within the Canadian Badlands Study Region, some of which is already being satisfied through the recently completed or pending hotel development projects. In many geographic markets, the volume of oil and gas crew activity as well as projected growth in other market sectors, such as leisure travel generated from increased tourism marketing initiatives scheduled to commence in 2006, suggest that guest room demand levels would lead to higher occupancies in the near term and help to justify the construction of new guest room supply and create some supply induced demand, since the volume of demand projected could not be accommodated within the current supply. In particular the proposed Luscar Ltd. project is assumed to be a source of considerable accommodation demand with or without construction camps. Camps by definition are meant to: provide short to mid term accommodation, reacting to specifically identifiable unusual demand levels, without perpetually compromising the long term viability of the hotel industry in an area; to provide lower cost housing alternatives in price sensitive markets; and/or to reduce travel time for workers.

In most larger urban centres, the majority of the accommodation demand can be predicated on the basis of a penetration exercise. This is not the case in the Badlands, and particularly in the "Other Communities" area. Commercial accommodation is driving the market occupancy higher than in previous years and sometimes exceeds the current Sunday or Monday to Thursday availability of demand. Depending on where the construction project occurs, demand is being shifted to communities at some distance away from the source of the business (and sometimes leisure) activity. When new supply as proposed by private developers occurs, the accommodation demand may not reside where it was in 2004 or 2005, because specific projects have been completed and new projects may be located elsewhere; or because some portion of the demand was displaced to another accommodation facility outside the community, rather than being retained at the site of the activity. So the demand in communities without new supply may and probably will be penetrated or changed once the new supply occurs.

There were 753 limited service hotel rooms confirmed to be proceeding or proposed for development as of the Fall of 2005. As shown in a previous section, with the exception of a possible hotel convention facility in Drumheller all of the known potential additions to supply in the Region are for limited service hotel product.

PKF Consulting projections indicate that there may also be opportunities for a range of approximately 400 to 740 additional hotel guest rooms in the region between 2005 and 2015 if these assumptions materialize. Several specific communities were identified as having the potential for an additional supply of hotel guest rooms. If additional major projects solidify in the region or if a second Luscar phase occurs there may be additional capacity in the latter years of the projection period however at this point in time it is not easy to identify a specific community that could handle additional supply beyond that discussed herein in the long term without negative impact on the existing operations. With such a long projection period and supply additions under construction or proposed in many of the communities it will be necessary to take some time to see how the individual communities and the region as a whole absorb the supply and how the market performs. During the latter years of the projection period should commercial growth continue, major projects such as the Luscar Bow City Power Project Phase II go ahead, and growth of the tourism industry in the region occur as projected, the region as a whole could require additional room supply. In the highest growth scenario projected herein by PKF Consulting it is projected that the “Other Communities” subset of the market could accommodate approximately 160 additional rooms beyond what is projected herein over the projection period.

With the new supply that has entered the market in 2005, the148 units that are under construction and are assumed herein to be in place by December 31, 2006, and with the additional 260 units in specific locations assumed to enter the market in the next five years, to be developed by the private sector and in particular by Canalta Group, it is expected that many of the supply and demand issues currently facing the Badlands Region will be rectified. Demand will shift to reflect more accurately the origin of demand. The proposed Luscar demand however will put pressure on the accommodation plant in a concentric ring around its base for a four year period (of which two years are projected to show more significant demand), with the intensity of that pressure in the hotel community being dependent on whether camps are developed.

This study reviews opportunity for and general characteristics of various product types including Limited Service Hotels, Full Service Hotels, Work Camps, Bed and Breakfast operations, Guest Ranch operations and Focus Service Resorts.

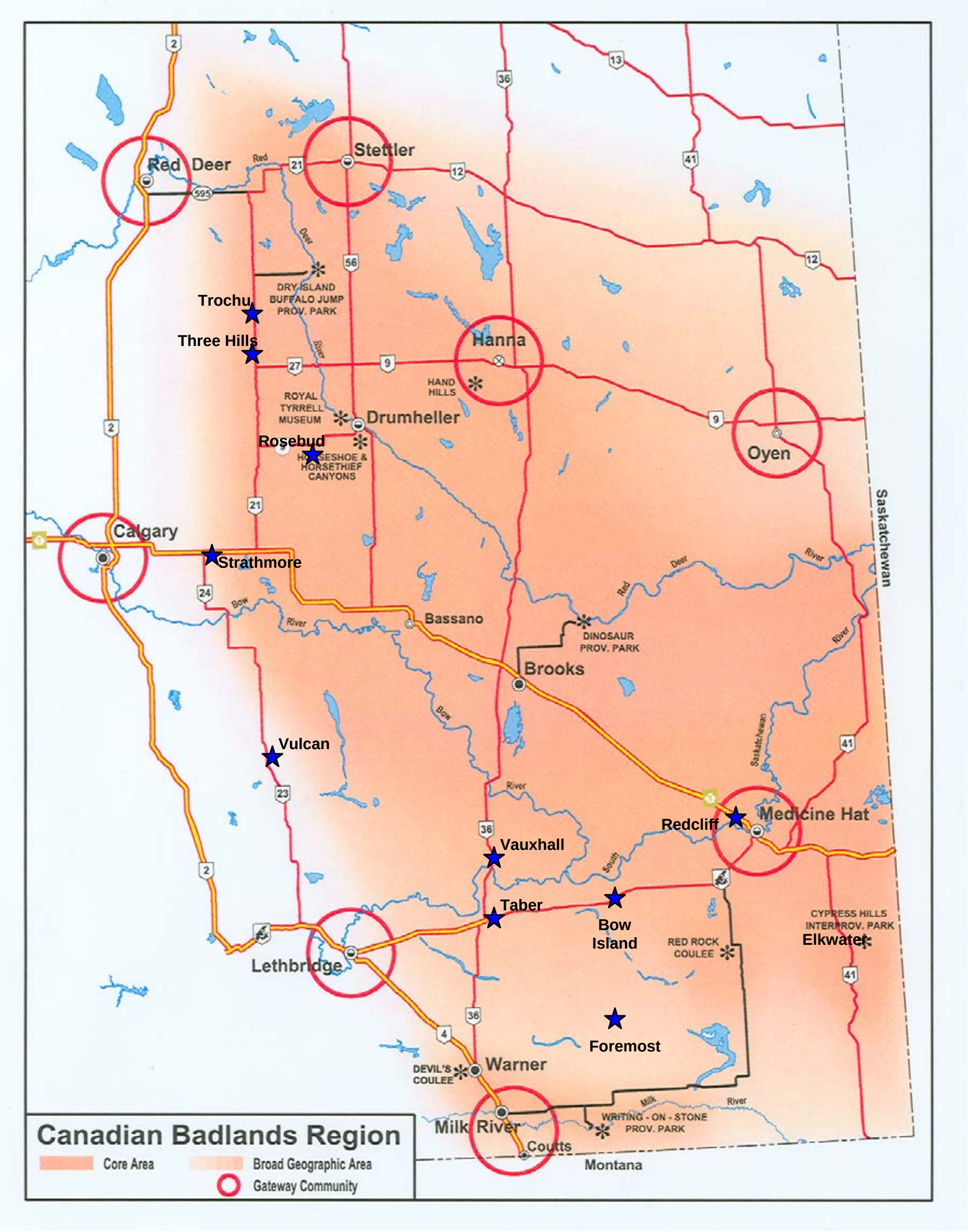
Entry costs are lower for limited service hotels than full services hotels, the industry trend shows higher profitability ratios in limited service hotels and the limited service product is suitable for local market given that a high percentage of recent demand and accommodation demand for at least the next five to ten years will be from commercial project management and work crews who have some budget sensitivity.

Hotel development costs are substantial and hotels require ongoing capital replacement to sustain a healthy business environment. Recent construction costs for actual hotel projects in Alberta and Saskatchewan for budget and mid level limited service properties indicate costs ranging from approximately $50,000 to $100,000 per room with knowledgeable construction experts estimating construction cost increases in the range of approximately 1.5% per month.

Readers should note that the information herein does not constitute sufficient information for reliance for a market and/or financial feasibility for a hotel in a specific location. Quite apart from detail related to specific demand components, there are also many factors such as cost of construction, property taxes, insurance, availability of labour, visibility and suitability of a location and the qualifications of management specific to a proposal that cannot be considered herein. All things are not equal amongst the communities or hotels.

Fixed roof accommodation related opportunities and initiatives are summarized in Exhibit A-2 and are discussed in more detail within the report.

EXHIBIT A-1
COMMUNITES IN THE CANADIAN BADLANDS
SOUTHEASTERN ALBERTA



Source: Alberta Economic Development

EXHIBIT A-2
OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
2005 - 2015

Community	*2004 Properties/Guest Rooms*	*Year - Proposed Rooms*	*2004 Market Occupancy %*	*2004 Market Average Daily Room Rate*	*Opportunity in Relation to Canadian Badlands Region*	*Fixed Room Accommodation Opportunity*
Medicine Hat	28 properties 1,496 guest rooms	2005 – 45 rooms 2006 – 91 rooms	67.4%	$83.08	• Enhance the role as a gateway community into the region providing services to travellers from Saskatchewan, British Columbia and the United States • Continued role as a primary access point to Cypress Hills Interprovincial Park and promotion of the new visitors centre at the park • Renovation of and creation of tourist attractions such as the Medicine Hat Stampede and National Historic Site of Medalta Properties • Development of the Meetings and Conventions Service Department of Tourism Medicine Hat • Promotion of the recently opened Esplanade Arts and Heritage Centre • Develop community tourism strategy • Potential to capture secondary accommodation demand related to the Luscar project	• Absorption of new supply that entered market in 2005 • Potential opportunity for approximately 160 to 240 rooms of new accommodation product during 2010 to 2015 period • Prospective opportunity for branding of independent motel properties

Source: Fixed Roof Accommodation Study, Canadian Badlands, Alberta, PKF Consulting, based on 2004 data from 77 participating accommodation properties (supply, occupancy, average room rate, segmentation, seasonality information) and interviews with tourism operators and industry representatives.

EXHIBIT A-2
OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
2005 - 2015

Community	***2004 Properties/Guest Rooms***	***Year - Proposed Rooms***	***2004 Market Occupancy %***	***2004 Market Average Daily Room Rate***	***Opportunity in Relation to Canadian Badlands Region***	***Fixed Room Accommodation Opportunity***
Lethbridge	24 properties 1.349 guest rooms	N/A	53.6%	$75.19	• Market as a gateway city into the region for travellers from British Columbia and the United States • Increase the number of year round attractions • Promote the Sir Alexander Galt Museum currently being expanded (opening May 2006) • Promote the new meeting space at Lethbridge Centre opening in late 2006 • Explore the potential for development of the Canadian Pacific High Level Bridge as a tourist attraction • Potential for secondary demand for accommodation generated by the Luscar project	• Potential opportunity for approximately 80 to 160 new rooms of accommodation product during the 2012 to 2015 period • Possible opportunity for branding of independent motel properties as a competitive strategy

Source: Fixed Roof Accommodation Study, Canadian Badlands, Alberta, PKF Consulting, based on 2004 data from 77 participating accommodation properties (supply, occupancy, average room rate, segmentation, seasonality information) and interviews with tourism operators and industry representatives.

EXHIBIT A-2
OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
2005 - 2015

Community	***2004 Properties/Guest Rooms***	***Year - Proposed Rooms***	***2004 Market Occupancy %***	***2004 Market Average Daily Room Rate***	***Opportunity in Relation to Canadian Badlands Region***	***Fixed Room Accommodation Opportunity***
Drumheller	29 properties 559 guest rooms	2005 – 31 rooms 2006 – 43 rooms 2007 – 35 rooms 2008 – 35 rooms	66.5%	$71.74	• Augment role as the heart of the region • Significant opportunity for tourism development including tours, further attraction development, branding of the region • Leading community in such initiatives as the Canadian Badlands Organization, the Canadian Badlands Marketing Committee, a Canadian Badlands tourism publication, and improvements to the website for the region • Opportunity to capture secondary demand for accommodation created by the Luscar project	• Absorption of new supply that entered market in 2005 • Potential opportunity for approximately 150 rooms during the 2006 to 2010 period either as currently proposed or by one or more interest parties either limited service or full service with conference centre
Brooks	12 properties 590 guest rooms	2005 – 91 rooms 2007 - 50 rooms	70.9%	$75.96	• Continued role as primary access point to Dinosaur Provincial Park • Promotion of the new visitor centre at Dinosaur Provincial Park • Improvements and increased promotion of local attractions such as the Brooks Aqueduct and Tillebrook Provincial Park • Opportunity to lead the effort to capture the demand from the Luscar project in a way that will be most beneficial to the community	• Continued absorption of new supply that entered market in 2005 • Potential opportunity for approximately 80 rooms during the 2006 to 2015 period in addition to the rooms proposed by Canalta • Opportunity for development of work camp, temporary, or multi use convertible accommodation product to capture Luscar demand without negatively impacting leisure markets

Source: Fixed Roof Accommodation Study, Canadian Badlands, Alberta, PKF Consulting, based on 2004 data from 77 participating accommodation properties (supply, occupancy, average room rate, segmentation, seasonality information) and interviews with tourism operators and industry representatives.

EXHIBIT A-2
OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
2005 - 2015

Community	***2004 Properties/Guest Rooms***	***Year - Proposed Rooms***	***2004 Market Occupancy %***	***2004 Market Average Daily Room Rate***	***Opportunity in Relation to Canadian Badlands Region***	***Fixed Room Accommodation Opportunity***
Bassano	4 properties 88 guest rooms	N/A	52.5%	$39.05	• Potential as a spillover community for the Brooks market demand • Close proximity to Brooks could create potential to capture demand generated by the Luscar project	• Possible opportunity for renovation or conversion and branding of accommodation product post oil and gas and construction boom
Strathmore	7 properties 353 guest rooms	N/A	68.2%	$67.15	• Improved role as a gateway community into the region for travellers from Alberta and British Columbia • Location on the Trans Canada highway could create potential for demand to be realized from Luscar project	• Potential opportunity for approximately 80 rooms during the 2006 to 2015 period
Stettler	7 properties 208 guest rooms	2006 – 104 rooms	81.0%	$62.99	• Continued role as a gateway community to the region for travellers from northern Alberta	• Absorption of the additions to supply currently under construction in the community
Hanna	6 properties 198 guest rooms	N/A	Sample size too small to provide data on the community.	$70.00	• Entry service area for travellers from Alberta and Saskatchewan • Execution of community tourism strategy including development of a railway theme, touring options, and continued promotion of Geo-Cache sites	• Potential for renovation or conversion and branding post oil and gas and construction boom

Source: Fixed Roof Accommodation Study, Canadian Badlands, Alberta, PKF Consulting, based on 2004 data from 77 participating accommodation properties (supply, occupancy, average room rate, segmentation, seasonality information) and interviews with tourism operators and industry representatives.

EXHIBIT A-2
OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
2005 - 2015

Community	***2004 Properties/Guest Rooms***	***Year - Proposed Rooms***	***2004 Market Occupancy %***	***2004 Market Average Daily Room Rate***	***Opportunity in Relation to Canadian Badlands Region***	***Fixed Room Accommodation Opportunity***
Oyen	3 properties 43 guest rooms	2006 – 54 rooms	Sample size too small to provide data on the community.	$65.00	• Attract overnight accommodation from northern Alberta and in particular from Saskatchewan • Develop community tourism strategy similar to what was developed for Hanna, Brooks and County Newell, and Warner and Area	• Absorption of the proposed additions to supply
Rosebud	6 properties 30 guest rooms	N/A	43.3%	$81.07	• Enhance role as a small destination community • An example of successful alternative accommodation products	• No specific additional accommodation product opportunity identified
Trochu	4 properties 35 guest rooms	N/A	40.2%	$32.63	• Continued role as a small destination community and • An example of successful alternative accommodation product base	• No additional accommodation product opportunity identified
Three Hills	4 properties 92 guest rooms	2006 - 44 rooms	71.1%	$73.35	• Potential as a spillover community for the Drumheller market	• Absorption of the additions to supply currently under construction in the community
Taber	5 properties 209 guest rooms	N/A	50.8%	$67.31	• Opportunity to become a spillover community for the Lethbridge market • Location between Brooks and Lethbridge may create opportunity to capture demand from Luscar project	• At this time, no development opportunity identified
Vulcan	4 properties 81 guest rooms	2007 – 50 rooms	Sample size too small to provide data on the community.	$35.00	• Sustained development and enhanced promotion of the unique destination theme	• Absorption of the proposed addition to supply

Source: Fixed Roof Accommodation Study, Canadian Badlands, Alberta, PKF Consulting, based on 2004 data from 77 participating accommodation properties (supply, occupancy, average room rate, segmentation, seasonality information) and interviews with tourism operators and industry representatives.

EXHIBIT A-2
OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
2005 - 2015

Community	*2004 Properties/Guest Rooms*	*Year - Proposed Rooms*	*2004 Market Occupancy %*	*2004 Market Average Daily Room Rate*	*Opportunity in Relation to Canadian Badlands Region*	*Fixed Room Accommodation Opportunity*
Milk River	3 properties 31 guest rooms	N/A	Sample size too small to provide data on the community.	$75.00	• Further develop role as a gateway community to the region for travellers from the United States • Enhance role as a primary access point to Writing-on-Stone Provincial Park	• Prospective opportunity for development of alternative accommodation such as bed and breakfasts, small country inns, or guest ranches
Warner	1 property 9 guest rooms	N/A	N/A	N/A	• Enhanced development as a gateway community to the region for travellers from the United States • Further develop community as a primary access point to Writing-on-Stone Provincial Park	• Potential opportunity for development of alternative accommodation such as bed and breakfasts, small country inns, or guest ranches
Elkwater		2005 – 43 rooms (Opened in June 2005)	N/A	N/A	• Continued role as a primary access point to Cypress Hills Interprovincial Park • Enhance promotion as a destination resort within a unique setting	• Continued absorption of new supply that entered market in 2005 • No opportunity identified at this time for further development
Redcliff	3 properties 33 guest rooms	N/A	N/A	N/A	• Potential as a spillover community for the Medicine Hat market • Location on the Trans Canada highway in close proximity to Medicine Hat may create opportunity for accommodate demand from the Luscar project	• No opportunity for additional accommodation product identified
Foremost	1 property 13 guest rooms	N/A	N/A	N/A		• No additional accommodation product opportunity identified

Source: Fixed Roof Accommodation Study, Canadian Badlands, Alberta, PKF Consulting, based on 2004 data from 77 participating accommodation properties (supply, occupancy, average room rate, segmentation, seasonality information) and interviews with tourism operators and industry representatives.

EXHIBIT A-2
OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
2005 - 2015

Community	*2004 Properties/Guest Rooms*	*Year - Proposed Rooms*	*2004 Market Occupancy %*	*2004 Market Average Daily Room Rate*	*Opportunity in Relation to Canadian Badlands Region*	*Fixed Room Accommodation Opportunity*
Bow Island	1 property 16 guest rooms	N/A	N/A	N/A		• No additional accommodation product opportunity identified
Vauxhall		N/A	N/A	N/A	• Location between Brooks and Lethbridge may create opportunity for capture of Luscar demand	• No additional accommodation product opportunity identified
Jenner	1 property 23 guest rooms	N/A	N/A	N/A	• Develop role as an access point to Dinosaur Provincial Park • Proximity to Brooks may create opportunity to accommodated demand generated by Luscar project	• No additional accommodation product opportunity identified

Source: Fixed Roof Accommodation Study, Canadian Badlands, Alberta, PKF Consulting, based on 2004 data from 77 participating accommodation properties (supply, occupancy, average room rate, segmentation, seasonality information) and interviews with tourism operators and industry representatives.