



**FIXED ROOF ACCOMMODATION STUDY
CANADIAN BADLANDS, ALBERTA**

**Prepared for:
Alberta Economic Development**

Prepared By:

PKF
Consulting

In association with:



March 2006



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March 31, 2006

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ATTENTION: **Ms. Elizabeth Kuhnel**
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VIA E-MAIL: **Elizabeth.Kuhnel@gov.ab.ca**

Dear Sir or Madam:

RE: CANADIAN BADLANDS FIXED ROOF ACCOMMODATION STUDY

In accordance with the terms of our contract, dated September 1, 2005, Pannell Kerr Forster Consulting Inc. ("PKF Consulting" or "PKF") is pleased to provide the results of the Canadian Badlands Fixed Roof Accommodation Study prepared for the Minister of Economic Development at Alberta Economic Development.

Throughout the study we have appreciated, and benefited from, the input and assistance of many individuals representing both private and public sector interests in the Province of Alberta. We would also like to acknowledge the timely direction and information provided to us by those members of the Advisory Committee who actively participated in the process. The contributions of these individuals greatly facilitated the study process, and enhanced our ability to understand needs and objectives as they relate to the Canadian Badlands Region.

We are confident that the implementation of findings including the substantive proposed private sector accommodation plant proposed in the region and recommendations arising from this study will lead to the enhancement of a sufficiently high quality fixed roof accommodation product that will be attractive to destination markets and allow a higher sense of connectivity between consumers and providers of tourism

product and improved tourism experiences with the planned better overall utilization of the region's significant tourism resources. This will not be achieved without the dedication and coordination of fiscal and human resources in the key government departments of Alberta Economic Development, regional economic and tourism representatives and the private sector. The participation of private sector operators in accommodation product and government in combination with industry organizations in the creation of niche products will be critical to the overall success of building tourism within the region.

The Canadian Badlands has been defined as a region by inclusion of specific communities as per the terms of reference. The number of communities comprising the Canadian Badlands was expanded during the course of this study from 16 to 22 and during the study the number of properties was ascertained to be approximately 20.8% larger than anticipated in the Terms of Reference, when including Lethbridge in this analysis as originally planned.

The objective of the study was to undertake situation analysis for the fixed roof accommodation industry and to identify the nature of the constraints (quantity, quality, economic viability, distribution) relative to the visitation patterns in the region, and to provide recommendations that will alleviate these constraints and enhance the economic viability of the industry throughout the region.

PKF Consulting and Western Management Consultants have appreciated and enjoyed this opportunity to be of service. If there are any questions regarding this report, or if clarification of the recommendations contained herein is required, we would be happy to respond at your convenience.

Sincerely,

A handwritten signature in cursive script that reads "PKF Consulting".

PKF CONSULTING

Beth Walters
Director

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EXECUTIVE SUMMARY

FIXED ROOF ACCOMMODATION STUDY, CANADIAN BADLANDS, ALBERTA

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, the 148 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.

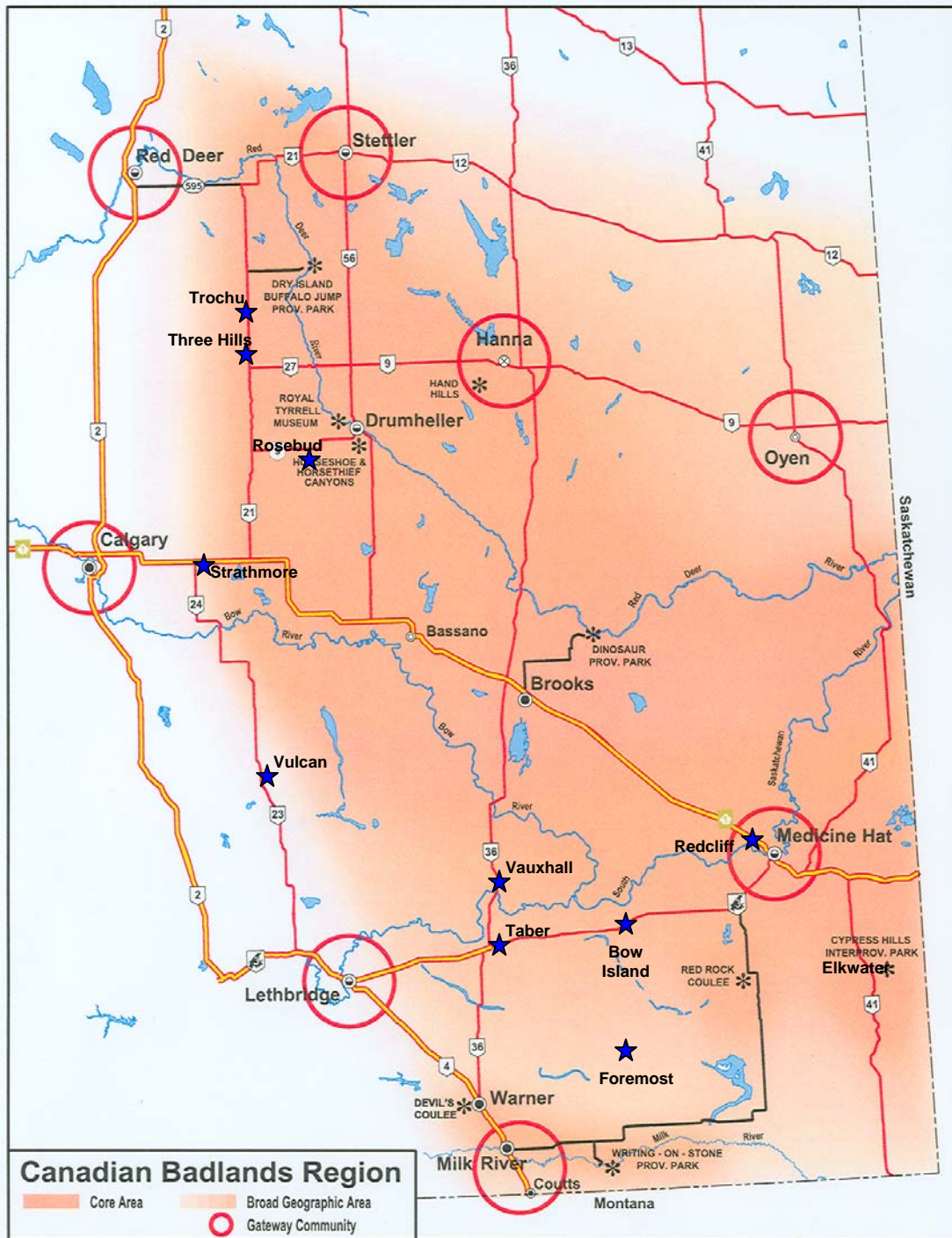
Hotel development costs are substantial and hotels require ongoing capital replacement to sustain a healthy business environment. Recent construction costs for actual hotel projects in Alberta and Saskatchewan for budget and mid level limited service properties indicate costs ranging from approximately \$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
COMMUNITIES 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Continued role as a gateway community to the region for travellers from northern Alberta 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Absorption of the proposed additions to supply
Rosebud	6 properties 30 guest rooms	N/A	43.3%	\$81.07	<ul style="list-style-type: none"> • Enhance role as a small destination community • An example of successful alternative accommodation products 	<ul style="list-style-type: none"> • No specific additional accommodation product opportunity identified
Trochu	4 properties 35 guest rooms	N/A	40.2%	\$32.63	<ul style="list-style-type: none"> • Continued role as a small destination community and • An example of successful alternative accommodation product base 	<ul style="list-style-type: none"> • No additional accommodation product opportunity identified
Three Hills	4 properties 92 guest rooms	2006 - 44 rooms	71.1%	\$73.35	<ul style="list-style-type: none"> • Potential as a spillover community for the Drumheller market 	<ul style="list-style-type: none"> • Absorption of the additions to supply currently under construction in the community
Taber	5 properties 209 guest rooms	N/A	50.8%	\$67.31	<ul style="list-style-type: none"> • Opportunity to become a spillover community for the Lethbridge market • Location between Brooks and Lethbridge may create opportunity to capture demand from Luscar project 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Sustained development and enhanced promotion of the unique destination theme 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Continued role as a primary access point to Cypress Hills Interprovincial Park • Enhance promotion as a destination resort within a unique setting 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • No opportunity for additional accommodation product identified
Foremost	1 property 13 guest rooms	N/A	N/A	N/A		<ul style="list-style-type: none"> • 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		<ul style="list-style-type: none"> No additional accommodation product opportunity identified
Vauxhall		N/A	N/A	N/A	<ul style="list-style-type: none"> Location between Brooks and Lethbridge may create opportunity for capture of Luscar demand 	<ul style="list-style-type: none"> No additional accommodation product opportunity identified
Jenner	1 property 23 guest rooms	N/A	N/A	N/A	<ul style="list-style-type: none"> Develop role as an access point to Dinosaur Provincial Park Proximity to Brooks may create opportunity to accommodated demand generated by Luscar project 	<ul style="list-style-type: none"> 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.

SECTION 1 INTRODUCTION AND SCOPE OF THE STUDY

The Canadian Badlands Region is located in southeast Alberta, and offers a variety of unique travel experiences to visitors. Small to mid size communities are located throughout the region, and these communities offer various types of fixed roof accommodation to travellers, defined in the Terms of Reference as full service hotels, motels and lodges, small inns, specialty accommodation such as spas and ranches and Bed and Breakfast operations. Six communities with populations in excess of 5,000, and ten communities with populations under 5,000 were identified in the Terms of Reference for inclusion in this study. Subsequently six additional communities with population under 5,000 expanded the study area. Although it was included in the Terms of Reference, there has been some debate during this study about the inclusion of Lethbridge because of demonstrated differences in industry operating patterns that emerged during this study.

The objective of the study was to analyze whether tourism visitation is being constrained by the fixed roof accommodation capacity in the region. This was considered to be of particular relevance on a seasonal basis in Drumheller, a recognized leisure tourism destination and in communities such as Brooks that play a supporting role to tourists to Dinosaur Provincial Park, where there has been concern expressed about preserving capacity for tourism as well as in other areas where there is limited supply of hotel rooms. The objective of the study was to identify the nature of the 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.

Methodology

The proposed study work plan developed by PKF Consulting in association with Western Management Consultants incorporated an extensive listing of study tasks. The plan as designed was intended to meet the objectives noted in the Terms of Reference.

PKF Consulting conducted primary and secondary research to arrive at a profile of current visitation to the region. The research was conducted from two perspectives – the first being an analysis of visitation levels, distribution within the region, seasonality of demand and visitor demographics, and the second being to review the tourism resources of the region including natural and man made attractions, transportation routes, services, marketing and promotional programs and the overall quality of the “tourism plant”.

Primary research undertaken during this study included interviews with representatives at the primary attractions of the region and with municipal/regional/provincial economic development and tourism

representatives and other parties deemed knowledgeable about tourism in the area. PKF Consulting has augmented this research with a review of secondary materials such as publications, marketing materials, web sites, a review of the Canadian Badlands Eco-Tourism Destination Assessment and other materials referenced in the Terms of Reference or sourced directly by the Study Team.

In order to effectively assess the relationships between supply and demand in the region, PKF Consulting visited as many of the fixed roof facilities as possible, to interview those owners or managers that wished to participate in the study. Approximately 68.0% of the operators participated in the study.

PKF Consulting representatives made telephone contact with approximately 150 properties and visited the properties in person, with the exception of six properties in communities added into the region subsequent to the fall site visits. PKF Consulting visited the sites to better understand the concept, services offered, the overall quality of the product and the views of management with respect to demand levels, seasonality of demand, market mix, expansion plans, location relative to transportation routes and attractions, and general market trends and opportunities. Some of the properties in the market are participants in the PKF Trends program, and thus were familiar with PKF Consulting and our sensitivity to the economic realities of the industry. PKF Consulting was selected for this assignment in part based on our proven track record of maintaining confidentiality of information about specific properties. With the exception of the list of proposed supply, all information in this study is provided on a consolidated basis as a basis for an objective assessment of the market.

Facility and operating information received from the foregoing interviews has been augmented by a review of the PKF Consulting Trends in the Hotel database and other secondary materials to determine other factors that are influencing demand levels and business viability in the region.

Concurrently, PKF Consulting interviewed planning/economic development representatives, regional and community tourism representatives, representatives of destination tourism marketing organizations to understand factors influencing the local economy in each community or sub region. This information contributed to an overview of economic/tourism development plans and development and plans for listed events and the much smaller list of major projects and development projects that are likely to occur or are announced, and to discuss initiatives in the area that could result in significantly increased demand levels. PKF Consulting extensively interviewed regional tourism representatives, destination marketing organization management and other key tourism industry stakeholders, attraction representatives and both PKF Consulting and Western Management Consultants conducted interviews with a variety of economic and tourism representatives. PKF Consulting spoke with project management at specific major projects deemed likely to

significantly influence accommodation demand within the region.

This study includes information about the existing fixed roof accommodation plant, historical performance information including demand levels expressed in occupied rooms, segmentation of demand, seasonality and demographic information (where possible). The study documents new accommodation developments, expansions or significant renovations to existing fixed roof accommodation including for each of the areas, an indication of current demand levels, the segmentation of this demand, as well as demand seasonality and visitor demographic information.

PKF Consulting obtained accommodation operator input as to the factors that influence the level of economic viability of properties in the region, including but not limited to major growth or decline in key industry segments, labour cost or availability, energy costs, taxes, demand levels, cost of financing, presence or absence of destination marketing efforts, an indication of the primary constraints to industry growth in the market area and other factors identified during our interview process.

SECTION 2 ECONOMIC OVERVIEW – MARKETS, SITUATION AND TRENDS

2.1 Introduction

Future prospects in the Canadian Badlands will be influenced by the economies of Canada, Alberta, and our origin markets, by political factors, competitive factors, and by the tourism economy and markets. We explore these factors in this section.

The accommodation forecast for this region is a relatively long term forecast, looking out some ten years into the future. In this rapidly changing global environment, looking forward ten years or more is an exercise fraught with risk. It is comforting, therefore, to be aware of a finding of the Canadian Tourism Commission's Long Term Trends and Cycles in Canadian Tourism, (CTC, August, 2004).

This study found that in the long term, cyclical variation in Canadian Gross Domestic Product (GDP) explained:

- 86% of cyclical variation in demand;
- 88% of cyclical variation in supply of total tourism commodities; and
- 92% of cyclical variation in tourism Gross Domestic Product.

If this information can be applied to the provincial level, and we are reasonably confident of Alberta's economic growth prospects in the longer term, we can be reasonably confident of the growth potential for tourism in this area.

2.2 Global Perspective: Growth in Tourism

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, with arrivals numbering 1.56 billion by that year. While North America will grow more slowly, a compounded growth rate of 3.9% over such a long period is truly a high growth rate. Some 282 million international arrivals to North America are expected by 2020. International revenues are forecast to grow even more rapidly than the arrival figures.

During the coming few years, to beginning of 2008, World GDP growth is anticipated to be in the order of 7.0% or greater in trade volume and about 4.0% or greater in terms of real GDP. The mature areas of Europe and

North America are forecast to grow at 2.0% - 3.0%, the Asia Pacific region at 2.5% - 4.0%, and the emerging economies of India and China at 5.0% - 8.0% (Economic Intelligence Unit, Economist).

In the next few years, slower growth is anticipated in the economies of Germany, France and Italy due to structural economic issues that must be addressed. Unemployment, now at over 12% in Germany, will remain high, and available disposable income will remain low. These are key factors in determining outbound tourism potential from these regions.

While Britain is economically strong, its growth rate is forecast to decline in the coming few years, implying a potential decline in outbound travel.

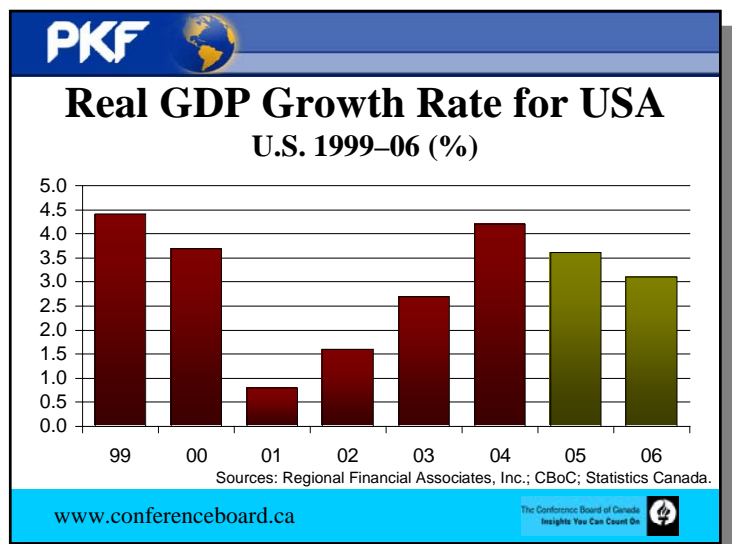
The Asia Pacific is facing structural economic reform in the near term. This will slow its rate of growth. This important Alberta market has returned since 9/11 and is forecast to be strong going forward.

The China economy is booming and will continue to do so going forward if it can ensure its raw material supplies. With Approved Destination Status (ADS) anticipated for Canada in 2006, Alberta can expect strong growth from this market to the icon destinations in the province of Alberta, albeit that volumes are modest today.

2.3 North American Growth Expectations

While the Mexican economy is important under the NAFTA agreement, Mexico does not represent a strong outbound tourism market for Alberta yet. Early work is being conducted in this market, and it may yield well for Alberta in the longer term.

The U.S. market is, of course, the major tourism market from outside Alberta. The U.S. economy is expected to grow at over 3.0% per annum through 2006 (Conference Board, Oct, 2005). This economy is responsible for 70.0% of Canadian exports, and tourism is a small component of these export figures. The table following illustrates the cyclical nature of the U.S. economy.



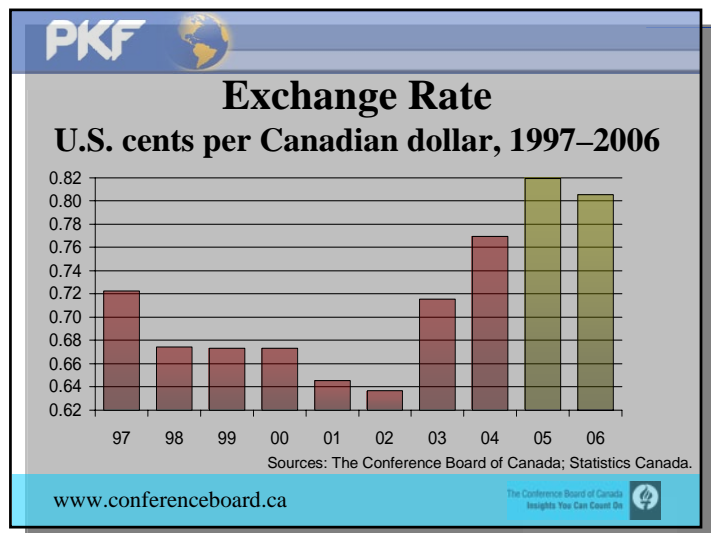
The economic issues facing the U.S. are significant:

- The twin deficits – both the external and the fiscal deficit are very large, and whether this borrowed money will be “called” is an ongoing question.
- The U.S. housing bubble, if it bursts, may drive this economy into cyclical decline.

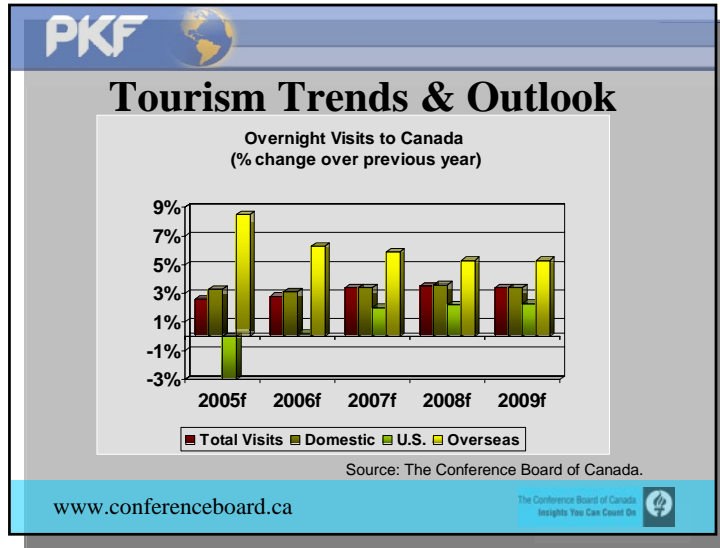
There are significant issues with U.S. travel to Canada as well:

- The Western Hemisphere Travel Initiative, while it seeks to achieve border security in the longer term, is expected to decrease U.S. travel to Canada by almost 10%, or some 2 million person visits in 2008.
- The impact of WHTI on Alberta will not likely be as significant as in other provinces because most travel to/from Alberta is by air. Air travelers generally have passports, and the impact is estimated to be much lower, in the order of 1.5% decline. However, there is a projected decline in U.S. markets as a result of the WHTI.
- While the research is not yet published, indicators are that a significant proportion of our traditional U.S. market either thinks Canada is “nothing new” or they do not think we like them as much as in the past.

Finally, Canada’s exchange rate with the USA is a critical factor in tourism export growth. Conference Board of Canada tracks a Canadian dollar that declined to a low of \$0.63 USD by 2002. It has risen to a present day rate of some \$0.86 USD at the end of 2005. The Conference Board anticipates a Canadian dollar in the range of 0.80 USD going forward to 2006 and beyond. The Board does not foresee a drop in the Canadian dollar to levels experienced in the past in the coming decade. The strong Canadian dollar, then, will have a moderating influence on U.S. visitation going forward.



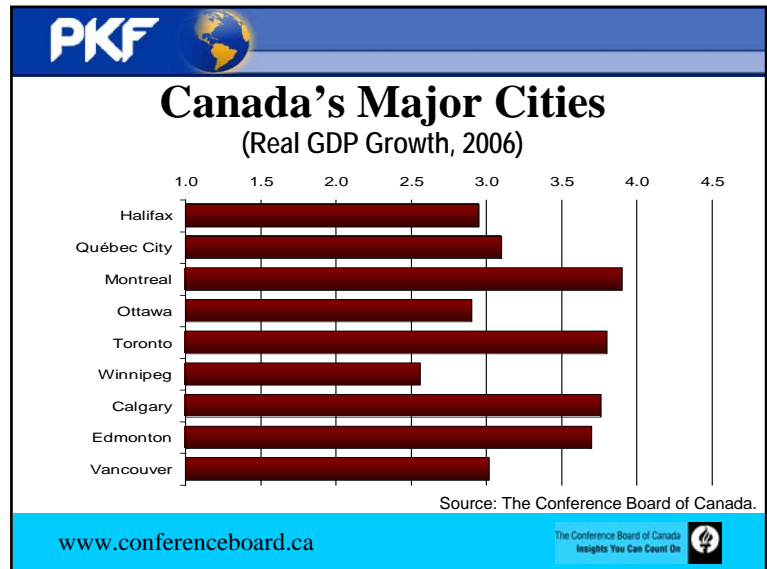
2.3.1 Overall Tourism Growth to Canada



The Conference Board summarizes its assessment in a forecast of tourism visits to Canada. This forecast to 2009 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.

There have been recent indications, particularly from the U.S. market, that Canada's product has not been renewed to respond to market. The new Canadian Brand launch by CTC is one attempt to address this issue. The National Tourism Strategy, a collaboration of governments in Canada is another. Alberta product, like the rest of Canadian product, must be renewed, and new experiences must be created, to entice international markets to our region. Canadian Badlands will need to focus on product creation if it is to achieve its growth goals and capture a fair share of growth markets to Canada.



2.4 Canadian Market Perspective

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. Export growth, the mainstay of the Canadian economy, is forecast to grow by 3.1% in 2006. The strong growth in the U.S. and the international economies of China and India auger well for growth in raw materials from Canada.

Price inflation, a potential dampener of growth, is expected to remain within the 2.0% target core inflation parameters of government through 2006 and beyond.

Canada is highly urbanized, and the strength of tourism hinges to a strong extent on the available disposable income of those who live in cities. Major Canadian cities are expected to perform strongly in 2006 according to Conference Board. Montreal, Toronto, Calgary, Edmonton, Quebec City and Vancouver, will all grow at rates at or exceeding 3.0%. These are strong growth rates for large urban economies. These rates imply low unemployment, high disposable income for working people, and the potential for the high associated available disposable income. The further implication is that these people will want to take leisure trips in addition to their business related trips.

Canadian provinces and urban centres are source markets for Alberta's leisure tourism product. Strong growth in these markets implies that Alberta will have Canadian market for which it can compete.

2.5 The Alberta Market Perspective

Albertans remain the major tourism market for Alberta's industry, and this is reflected in visitation to the Canadian Badlands.

Alberta has grown and is projected to grow at rates that lead the country in the coming years. Alberta has a compounded annual real growth rate averaging 3.4% in the past two decades, according to Alberta Economic Development. It had \$73 billion in exports in 2004, over half from oil and gas exports. Investment per capita is twice the national average, with some \$48 billion invested in 2004 and over \$100 billion in planned investment going forward.

Alberta's unemployment rate, at about 4.6%, is the lowest in Canada, and 434,000 new jobs have been created since 1994.

The longer term forecast for Alberta is very positive. An estimate 400,000 new jobs will be created by 2010, unemployment will remain low, and disposable income will remain high. Population growth is anticipated in the 7.0% to 8.0% range to 2010, while population growth in the major source regions for Canadian Badlands, major urban centres in Alberta, is forecast to grow by over 220,000 people to 3.03 million by 2010.

A growing population, high rates of employment, high available disposable income, and new projects coming forward all bode well for Canadian Badlands, provided its product grows in lockstep with economic growth.

Some of the challenges for Alberta in tourism are reflected in the goals of Alberta's Strategic Tourism Marketing Plan, which include:

- Increasing 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 Canadian Badlands. Accommodation development can be considered part of product development, but it is the Attractors (major attractions) that bring market and hold it in the region. These Attractors must be created and renewed for a destination to succeed.

2.6 The Canadian Badlands Regional Situation

The Canadian Badlands, as a regional economy, is not defined with specific geographic boundaries against which data has been collected. The perspective on its economy must therefore come from other sources.

The following table captures a region that is somewhat larger than Canadian Badlands. However, it does reflect the pattern of economic growth that is familiar throughout Alberta in the near future.

**TABLE 2-1
FORECAST ECONOMIC GDP GROWTH RATES ALBERTA AND ITS ECONOMIC REGIONS, 2005-2010**

	2005	2006	2007	2008	2009	2010	2005-2010
Alberta							
Conference Board ¹	4.2%	3.2%	2.9%	3.4%	3.2%		3.5%
Calgary²	4.6%	3.8%	3.6%	3.5%	3.5%		3.4%
EMPL ²	2.0%	2.2%	2.0%	2.1%	1.8%	1.7%	2.1%
Edmonton	2.0%	3.7%	3.1%	3.0%	3.0%		3.4%
EMPL ²	2.8%	2.6%	2.6%	2.3%	2.2%	2.3%	2.4%
Red Deer							2.2%
EMPL ²	1.8%	2.3%	2.2%	1.7%	1.1%	1.3%	1.7%
Camrose/Drumheller							2.2%
EMPL ²	1.4%	1.5%	1.3%	1.4%	1.0%	1.2%	1.3%
Lethbridge/Medicine Hat							2.2%
EMPL ²	1.5%	1.6%	1.6%	1.7%	2.1%	2.1%	1.6%
Tourism Demand³							
Alberta	3.0%						
Calgary	3.3%						
Edmonton	2.9%						
Population							
Alberta	3,240	3,277	3,313	3,349	3,385		+145K
Calgary	1,057	1,075	1,092	1,109	1,126		+69K
Edmonton	1,013	1,025	1,036	1,048	1,060		+47K

The table illustrates that real GDP growth rates in Canadian Badlands region are forecast to lag urban centre and Alberta growth by about 1 point annually through 2010. Employment growth rates in these regions average from 1.3% to 1.6% through 2010. While these rates are moderate relative to the urban centres, they are respectable growth rates going forward.

This data can be considered from another angle by looking at the growth rate and population increases in the major urban centres and Alberta as a whole. If Alberta's population will increase by 145,000 to some 3.4 million people by 2009, Canadian Badlands will have an increased market for its tourism product. This market will have available disposable income, and will be interested in traveling on overnight trips to destinations such

¹ *Metropolitan Outlook, Autumn, 2005, Conference Board of Canada*

² *Alberta Regional Occupation Outlook: 2005-2010, September 2005*

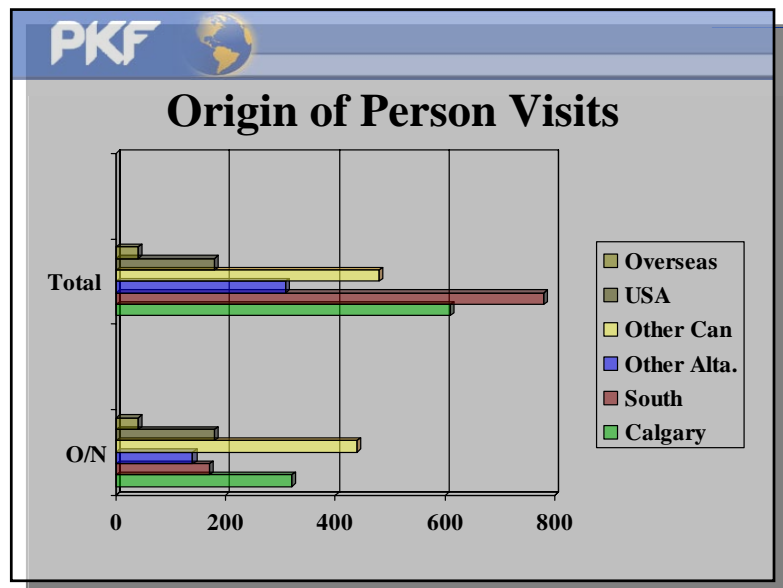
as Canadian Badlands. The Canadian Badlands will need to ensure the product is there to satisfy these markets.

2.6.1 Travel to Alberta South

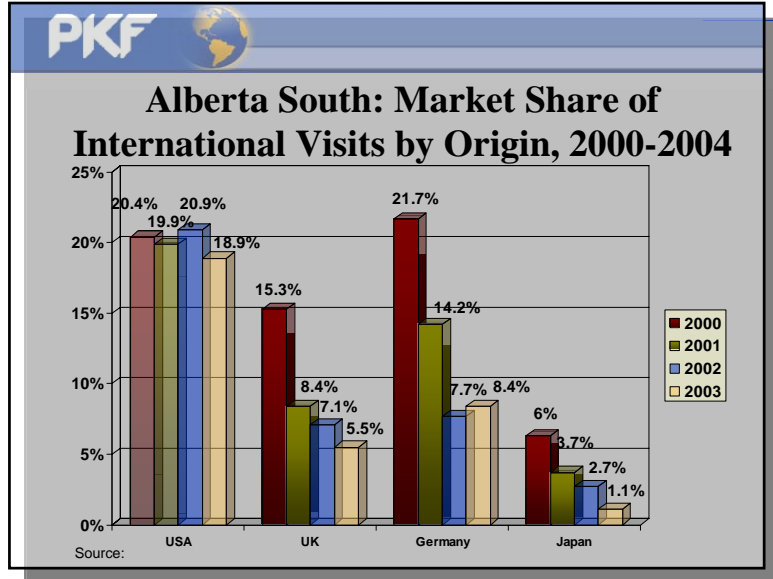
Alberta South as a Tourism Destination Region is the closest match to the Canadian Badlands geographically, and for which systematic information has been gathered over time. Key indicators of the situation in Canadian Badlands can be gleaned from this data for 2003:

- 2,389,000 person visits;
- \$287 million in revenue; \$13 million from overseas, \$39 million from U.S., and \$236 million from Canadian sources;
- 13% of all Alberta person-visits;
- 19% of all US person-visits; and
- 91% of all visitors are Canadian; 71% are Albertans.

The origin of visitors to Alberta South, both overnight and total visitors, is illustrated for 2003 in the graphic following. The graphic illustrates, using absolute numbers, that almost all person visits from overseas, USA and Other Canada are overnight visits, while there are many more same day visits from Southern Albertans, Calgarians and Other Albertans respectively. Strong overnight markets come from these longer haul origins, and those who come to this region do stay overnight.



Overseas visitors to Alberta South number some 40,000 person-visits, and these people virtually all stay overnight. U.S. person visits number some 180,000 and they, too stay overnight. In some of these market segments by origin, however, Canadian Badlands has been losing market share for some years. The data shown illustrates the market share Alberta South has of total Alberta visitation by year. While the share of U.S. visitors is fairly stable at 19% - 20%, the share of UK, German and Japanese



visitors to Alberta fell dramatically during this period. While one explanation could be the Bovine Spongiform Encephalopathy (BSE) scare, there is not a satisfactory explanation as to why such dramatic share decreases occurred during this period.

These findings might suggest that destination attraction and service development could increase share in these markets, bringing them back to share levels experienced at the millennium.

The trip purpose data for Alberta south is also interesting, with the following for overnight visitors:

TABLE 2-2 MAIN TRIP PURPOSE AND OVERNIGHT SPENDING BY PERCENT ALBERTA SOUTH, 2003		
Trip Purpose	By Trip Purpose	By O/N Spending
Business	7%	15%
Visiting Friends, Relatives	38%	28%
Pleasure	42%	44%
Other	13%	13%
Total	100%	100%

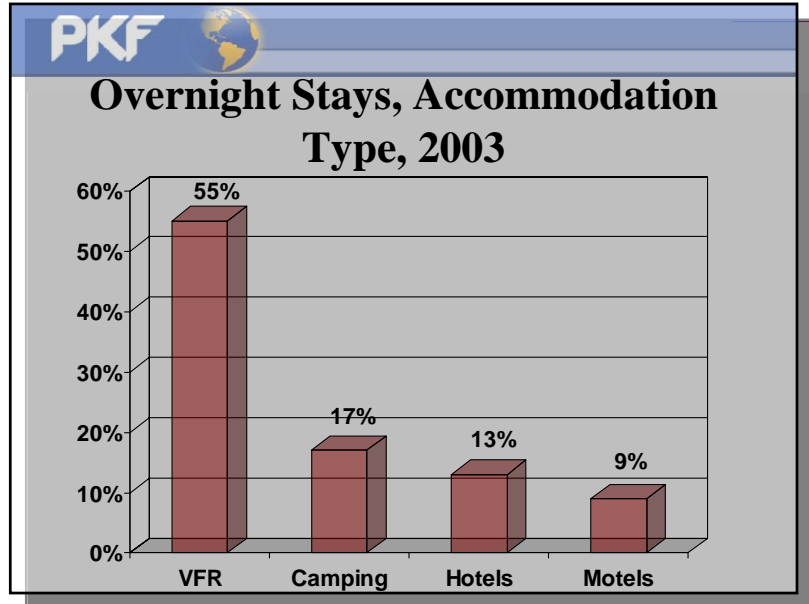
The figure that is noticeable is the high level of VFR visitation in the region, much higher than the level of VFR evident in a major tourism destination area. Also, the VFR visitors contribute a much lower share to spending than they do to visits because many are staying at the home of friends and relatives. However, VFR is only 10

points or so higher than in some other travel regions in Alberta, and is lower than others.

2.6.2 Where Do Visitors Stay?

Overnight stays represent \$225 million of the total spending in the region, with Same Day stays accounting for only \$72 million in 2003. Overnight visitors stay in the following settings.

Of note are two things. Some 55% of all overnight stays involve people staying at the homes of friends or relatives. This is very different than you would normally find in a major tourism destination. For example, the Canadian Rockies similar number is under 10%. However, this VFR figure compares well to regions outside of the Rockies in Alberta.



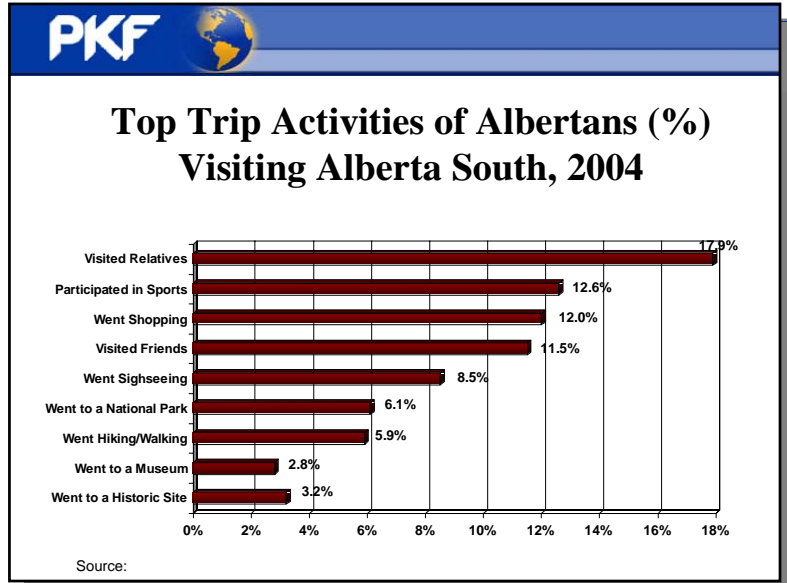
In Alberta South, only 13% of overnight visitors stayed in hotels. This compares with figures like 40% in the Rockies TDR and 22% in Calgary. The region is somewhat underrepresented in hotel stays compared with these regions, and it is dramatically underrepresented compared with tourism destination areas, one example of which is the Rockies TDR.

As Canadian Badlands establishes itself as a tourism destination, these figures for VFR stays will become a lower percentage of the total and the percentage of hotel stays relative to the total will increase.

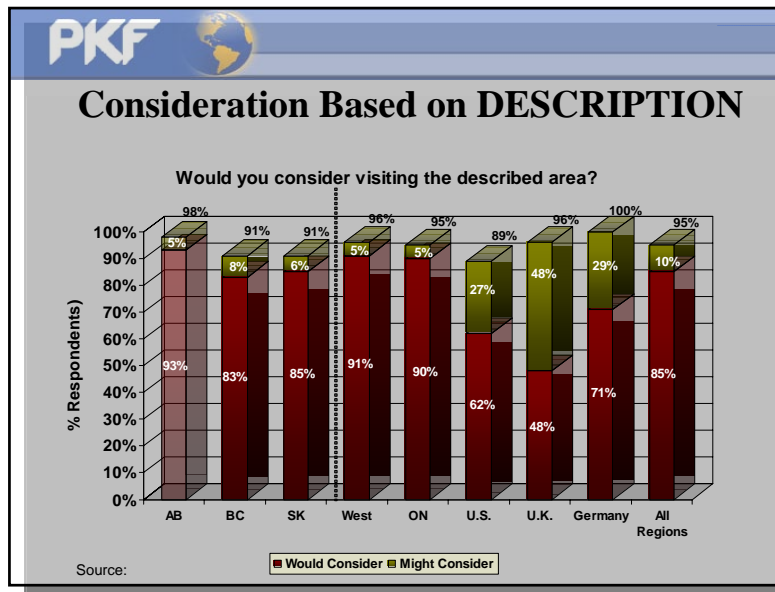
2.6.3 Visitor Activities

The chart illustrates the most common activities of Albertans who visited Alberta South in 2004. Similar data for non-Albertan visitors was not readily available.

Significant results in this data set focus on the low numbers of people who went shopping. In major tourism destinations, this figure is usually over 75%. However, this data set only represents Albertans and may understate the importance of shopping for tourists in the region.



2.7 Looking Ahead: Interest in Canadian Badlands



Recent work conducted for Alberta Economic Development asked respondents from various market origins if they would consider a visit to the Canadian Badlands.

This data suggests that a high proportion of many markets by origin would consider visiting the Canadian Badlands when the nature of the product was described to them. These figures exceed the number who would consider visiting based on the name only.

While this is a small indicator of potential, it is strikingly positive for a region that many had never heard of in the travel search process. It suggests that strong product development combined with strong positioning and marketing, can lead to successful destination area development in the region.

Product development requires a strong match of the products of the area with the interests of market segments that you wish to attract – the product-market match.

2.8 Market Segments for Canadian Badlands

The key market segments that will grow the Canadian Badlands destination in the near term are primarily the Alberta and near in markets from Saskatchewan and B.C. Alberta's recent In Alberta research and marketing sheds light on the four major segments.

2.8.1 Albertans and Near In Market Segments

Albertans and near in market segments from British Columbia and Saskatchewan were recently assessed by Travel Alberta In-province. The segments with greatest potential as a match with the Canadian Badlands are summarized following:

2.8.1.1 Accomplishers

Forming about 28% of the market, accomplishers like the unfamiliar (78%), outdoor activities/ action (74%), excitement/adventure (64%), and unique rural experiences (73%). A high percentage of Albertans and Saskatchewan residents would choose Alberta for a visit.

Positioning for the British Columbia Accomplishers market should include outdoor adventure and cultural activities and action oriented experiences and events in unfamiliar landscapes – like Canadian Badlands.

Alberta Accomplishers should respond to truly unique experiences in the Alberta setting, with active outdoor activities as part of the mix.

2.8.1.2 Comfort Seekers

Comprising 24% of the market, Comfort seekers are looking to get away (80%), relax (80%), strengthen family bonds (71%), have fun with friends (57%) and participate in outdoor activities (55%). Family oriented

activities focused on enjoyment, entertainment, outdoor activity, variety with an enticement to “come and try it” will resonate with this group, whether from B.C., Alberta or Saskatchewan. Almost half of comfort seekers from Alberta and Saskatchewan would choose Alberta as a destination.

2.8.1.3 Real Relaxers

At about 27% of the near in market, Real Relaxers look to get away from daily routine (87%), seeking peace and quiet (66%) in new places (56%), to strengthen family bonds (45%). Canadian Badlands could create experiences and events that would appeal to the desire for rural areas. Over 40% of Albertan and Saskatchewan relaxers would choose Alberta as a destination.

2.8.1.4 Urban Explorers

At 21% of the market, urban explorers are looking for city excitement, and are not a primary market for Canadian Badlands.

2.8.1.5 Summary

The three primary markets for Canadian Badlands, together, account for 79% of near in markets. A high percentage would choose Alberta as a destination, and a high percentage of the three primary segments would prefer a rural experience such as could be provided by Canadian Badlands.

Work continues on the product development, positioning, packaging and promotion of Canadian Badlands, and it is not for this study to summarize that effort. Rather, it is an assumption of this report that the Canadian Badlands will find interesting product offerings - activities, events, attractions, experiences that will appeal to these markets, that this will be done 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.

2.8.2 Tourism Trends

A number of broad tourism trends should be noted, as they have an impact on product development and positioning for the Canadian Badlands. Very brief summaries of these trends are provided following.

Tourism Experiences – Tourism market segments are moving increasingly to demand meaningful and often *transformative experiences* as part of their tourism visit. Creating such experiences requires operators who

are raconteurs, actors, animators and orchestrators. In addition to landscapes, it requires people with creativity and a sense of awe about their place. Canadian Badlands has some of the best examples of people who have this level of creativity (Rosebud, Passion Play, Wayne, Writing-on-Stone, Dinosaur Park). The “products” still need to be created, tested and put to market. Accommodation can become part of this product and experience.

Learning Vacations – Active, participatory learning vacations are a trend, linked very much to the experiential trend. Staging these experiences requires talent and focus. Canadian Badlands, through the interpretation of the landforms, soil, dinosaur heritage, mining and many other interesting aspects, has a strong opportunity to create learning experiences for all markets.

Time Pressure/Short Getaway – Short haul destinations near urban centres are increasingly popular, as time pressures, especially on families with two working adults increases. Alberta has one of the highest levels of two working parents, the highest labour force participation rate, and the lowest unemployment rate in the country. This implies time pressure on urban Albertans, and the desire for short breaks. Canadian Badlands can offer an alternative to a mountain break for this market, especially if it positions family oriented activities.

Heritage Interest Trend and Segment – Heritage interest markets are a growing segment of the North American market. Over 40% of Americans cite heritage activities as a trip purpose, while some 75% describe heritage interest as one of their desired activities while traveling. With higher incomes, higher education, a higher proportion of adults/no kids, the heritage interest market is a desirable, high spending segment. This segment exhibits the experience and learning trends cited above, and focuses on “value of the experience” rather than cost. They generally desire smaller, high quality accommodations with high service levels. They would be comfortable in some of the excellent bed and breakfast properties in the region, and would stay in higher end hotels.

Growing Interest in Light, Active Outdoor Activities – As the demographic mix becomes older, active outdoor pursuits will increasingly trend toward the more sedentary – walking, trekking, bicycle, and other active, but less “hard adventure” activities. The Canadian Badlands is an ideal area to stage such activities, requiring only tourism product development to get going.

Spa/Pampering – The increasing interest in spa/pampering is linked to demographic changes, and again is an ideal product to add to the Canadian Badlands experience, and particularly to the accommodation product. Pampering, however, is larger than just the spa experience. This trend reflects the increasing disposable income of the aging population, who are prepared for a rigorous walk in the Badlands, but want to follow that

up with an evening of excellent dining and a very comfortable sleep.

The Canadian Badlands can respond to these trends, providing products that appeal to the market segments identified as well as to the trends in those markets. A differentiated product, with groups of hotels, attractions, events and experiences that focus on each of the major segments and responding to the various trends will spell success for Canadian Badlands. The type, configuration, size, branding and positioning of accommodation properties will ideally be tailored to these segments and trends.

2.9 Forecast Economic Growth for Canadian Badlands

The key drivers of tourism growth in the Canadian Badlands in the coming ten years will be growth in the core urban economies of Alberta. In addition, positioning for the key tourism market segments from Alberta, Saskatchewan and B.C. will generate significant growth.

The data shows Calgary growing at an average 3.4% per annum, with employment growing at 2.1% over the period. Population is anticipated to grow by 69,000 during the period, and all other factors – employment levels, household average disposable income, savings rates, and household debt - are very positive. This suggests that a prosperous population will want to travel on “Getaway” trips in Alberta, and that they will have the money to spend on attractive experiences.

Edmonton will grow at a 2.4% per annum, with employment growth averaging 3.4% per year. Population will grow by 47,000 over the period, and all other economic factors are as positive as they are in Calgary.

Together, Calgary and Edmonton economic regions account for almost 70% of Alberta’s GDP. Their economic status and growth rates can, in our view, be considered a reliable “driver” for our forecast, subject to some discounting for regional growth.

While longer term tourism forecasts are not available, the 2006 conference Board forecast for tourism demand to Alberta tracks well against the GDP forecast. The Canadian Tourism Commission, in its long cycle analysis of tourism, has concluded that GDP variations explain 92% of tourism variations, and these data appear to confirm that pattern on a provincial basis.

Based on a review of Alberta, Conference Board of Canada and selected financial institution projections, as well as PKF Consulting and Western Management Consultants representative discussion with Planners, Economic Development, Municipal representatives as well as hotel owners and operators throughout the

region the project team analyzed long range economic growth rates, as follows:

TABLE 2-3 TOURISM ANNUAL DEMAND GROWTH FORECAST, CANADIAN BADLANDS, 2005 - 2015		
Region	2005 – 2009	2010-2015
Canadian Badlands	3.0%	2.8%
Lethbridge/Medicine Hat Sub region	2.9%	2.8%
Camrose/Drumheller Sub region	2.8%	2.7%
Source: WMC Research		

As with all forecasts, there are both explicit and sometimes tacit assumptions underlying them. In this case, one would include all the assumptions behind the provincial and conference board projections as well as the normal and reasonable assumptions such as the Canadian dollar being around \$0.80USD, no major crises, etc.

It should be noted that hotel demand and economic growth are not necessarily linked. Sustained hotel demand of 2.0% - 3.0% is considered strong growth, however sustained growth of over 3.0% over many years has been rare in Canada. The hotel industry has tended to be cyclical in nature in most locations, with fixed room accommodation operators experiencing decreases as well as increases over time. Hence, while the performance of the hotel industry is influenced to the economics of an area the hotel industry projections shown herein do not directly correspond to economic growth rates.

The primary risk in an Alberta forecast involves the volatility of oil and gas pricing. While Alberta is in a high point on the curve today and the longer term forecast projections are positive, there may well be volume and potential pricing troughs in the years ahead. These will impact the actual growth in this region.

Another assumption for the Canadian Badlands region that should be stated explicitly is that tourism product is and will be developed to service the emerging demand. It is assumed that new tours, attractions and services will be developed to meet latent demand or the region will never realize the potential growth identified here. Tourism development activities are discussed in a later section.

One set of scenarios herein reflects demand increases by market segment, taking into account potential demand from specific, major identified projects. It should be noted that although percentage of growth declines in 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. 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.

A scenario that incorporates a responsive demand cycle in conjunction with more cyclical oil and gas industry performance has been prepared.

SECTION 3 EXISTING ACCOMMODATION SUPPLY AND DEMAND ANALYSIS

3.1 Entire Canadian Badlands Region

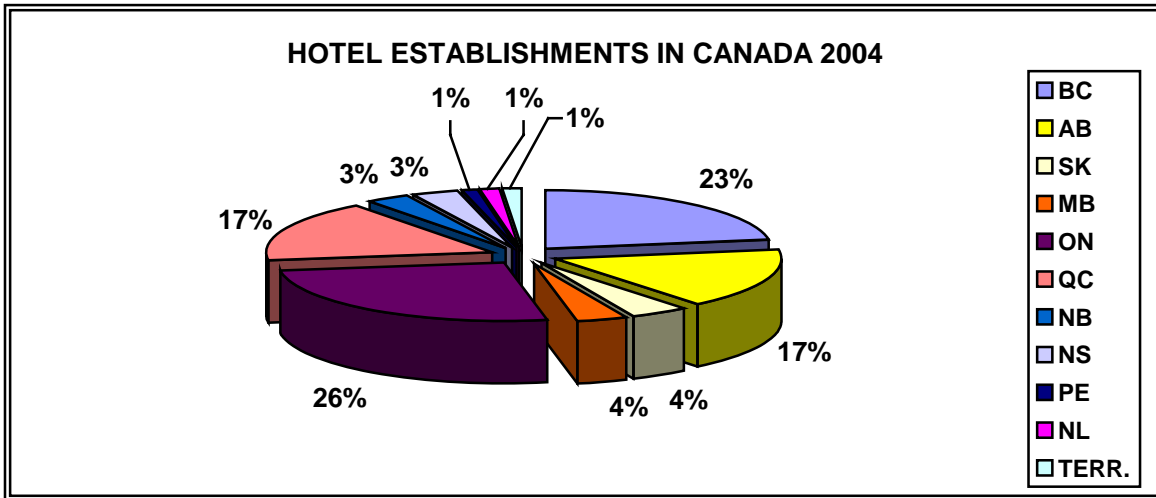
This section of the report provides a summary of the information gathered through the PKF Consulting interview and survey program, as well as information obtained from Alberta Economic Development and other secondary sources. The supply inventory information was compiled using the 2005 Official Alberta Accommodation Guide, the Alberta Hotel and Lodging Association 2005 Membership Roster & Purchasing Guide, information provided by Alberta Economic Development, and the Advisory Committee for this study. The remainder of the sections including historic supply and demand, market segmentation 2004, seasonality of demand, visitor origin, origin of room night demand and quality assessment reflect the information obtained through the PKF Consulting interview and survey program. The PKF Consulting samples do not contain all of the properties in each market as some operators declined participation in the study. The PKF Consulting sampling in each market represents between 58.0% and 86.7% of available rooms in the market. Exhibit 3-9 is a map of the Canadian Badlands region, which displays all of the communities, included in the study. The accommodation supply in the Entire Canadian Badlands region currently consists of 155 establishments with 16 full service hotels, 29 limited service hotels, 61 budget/motel properties, 34 bed and breakfast operations and eight country inns and seven ranch/cabin/cottage type properties.

PKF Consulting using the PKF Consulting Trends in the Hotel Industry 2005 Canadian Edition as well as the PKF Consulting Hotel Industry Supply database has compiled the following information with regard to hotel establishments in Canada, Alberta, and the Canadian Badlands Region.

In 2004, there were 595 hotel properties with over 30 rooms in Alberta comprising 53,640 guest rooms. The Alberta Lodging Industry generated revenues of \$2.3 billion in 2004. The “value-added” generated by the industry was \$2 billion. About 46,070 people were employed directly or indirectly in the lodging industry on a full time, part time or seasonal basis with total salaries and wages estimated at \$988 million. Revenues generated for all three levels of government were estimated at \$745 million.

The following chart shows that 17% of hotel establishments with a complement of over 30 rooms within Canada are in Alberta.

Chart 3-1

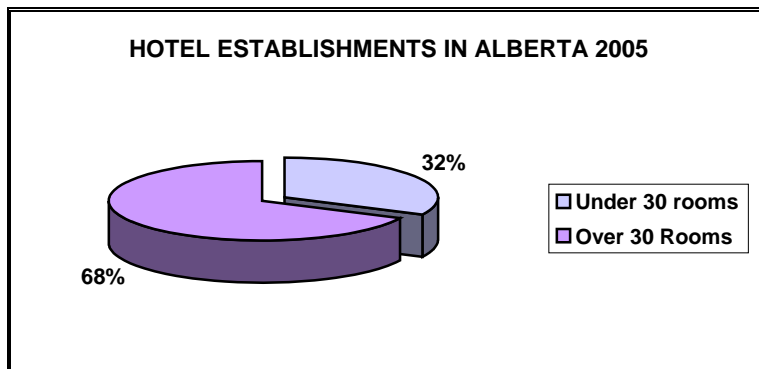


Source: PKF Consulting Trends in the Hotel Industry and PKF Consulting Hotel Industry Supply database

According to PKF Consulting Hotel Industry Supply database, as of December 31, 2004 the Province of Alberta had a total of 881 properties, comprising 58,423 guest rooms. As of December 31, 2005, there were 887 properties in Alberta, with 601 properties having a complement of over 30 rooms representing 54,361 guest rooms.

The following chart shows the number of hotel establishment in Alberta under and over 30 rooms in 2005.

Chart 3-2



Source: PKF Consulting Trends in the Hotel Industry and PKF Consulting Hotel Industry Supply database

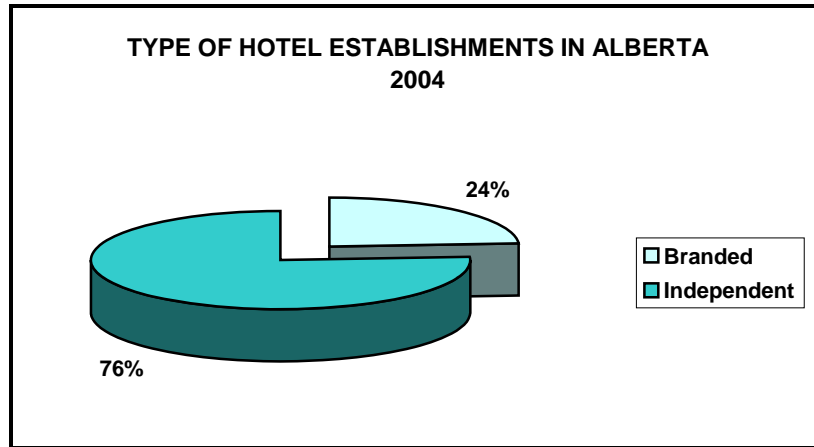
PKF Consulting is aware of 5,210 guest rooms in the area defined in this study as the Canadian Badlands area in 2004. This includes properties that did not participate in the interview and survey conducted by PKF Consulting. A total of 37 properties are branded comprising 2,628 guest rooms. Of the properties that participated in this study, a combined \$53,611,199 in revenue was generated in 2004. Of all the properties in the Canadian Badlands, there were 68 properties with over 30 guest rooms in 2004.

**TABLE 3-1
TYPES OF HOTEL ESTABLISHMENTS 2004
CANADIAN BADLANDS, ALBERTA**

	# of Properties over 30 rooms	# of Branded Properties	# of Branded Rooms	Total Revenue*
Communities				
Bassano	1	0	0	N/A
Brooks	8	4	289	\$7,190,663
Drumheller	6	4	242	\$1,943,495
Hanna	3	1	50	N/A
Lethbridge	16	12	962	\$17,062,676
Medicine Hat	18	8	653	\$17,202,325
Milk River	0	0	0	0
Oyen	1	0	0	\$685,152
Rosebud	0	0	0	N/A
Stettler	4	2	83	\$1,904,664
Strathmore	6	3	179	\$5,134,572
Taber	3	2	122	\$1,525,489
Three Hills	1	1	48	\$962,163
Trochu	0	0	0	N/A
Vulcan	1	0	0	N/A
Warner	0	0	0	N/A
Jenner	0	0	0	N/A
Vauxhall	0	0	0	N/A
TOTAL BADLANDS	68	37	2,628	\$53,611,199
TOTAL ALBERTA	595	211	N/A	N/A
*Revenue includes only the properties that participated in the PKF Consulting interview and survey program and does not represent the entire market. and is not comparable sampling to the other columns				
Source: PKF Consulting Analysis				

Exhibit 3-9 shows the location of Canadian Badlands communities. Of a total 881 properties in Alberta in 2004, 211 were branded accommodation properties and 670 were independently operated accommodation properties. The following chart illustrates the percentage of branded and non branded hotel establishments in Alberta.

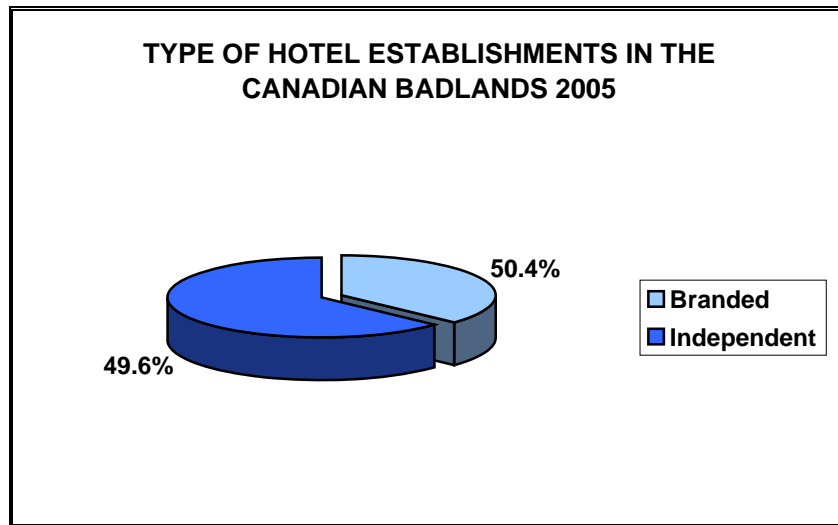
Chart 3-3



Source: PKF Consulting Trends in the Hotel Industry and PKF Consulting Hotel Industry Supply database

Table 3-1 illustrates the percentage of branded and non branded hotel establishments in the Canadian Badlands. The percentage of branded establishments in the Badlands is higher than for the Province as a whole.

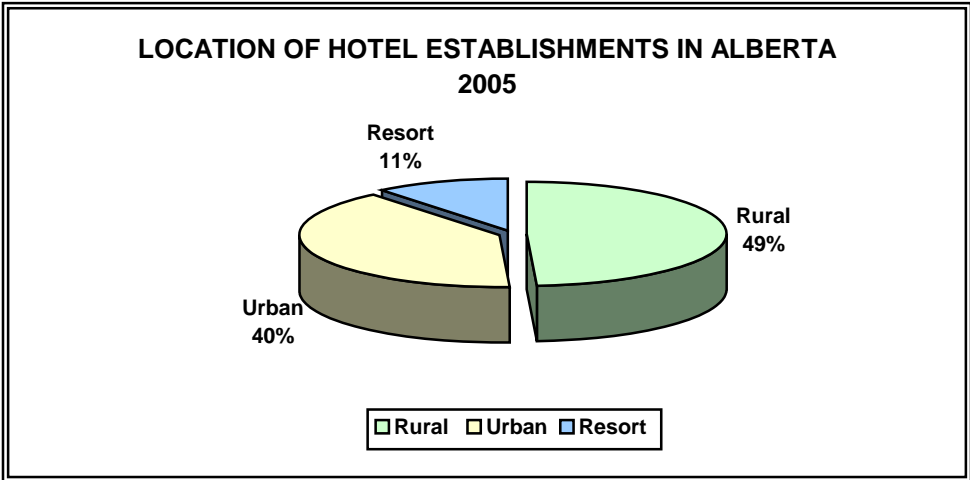
Chart 3-4



Source: PKF Consulting Trends in the Hotel Industry and PKF Consulting Hotel Industry Supply database
Note this selection of properties excludes Bed and Breakfast operations

The PKF Consulting Economic Impact of the Canadian Hotel Industry study indicates that of 887 hotel establishments in Alberta, 11% are in resort areas, 40% are in urban areas, and 49% are in rural areas.

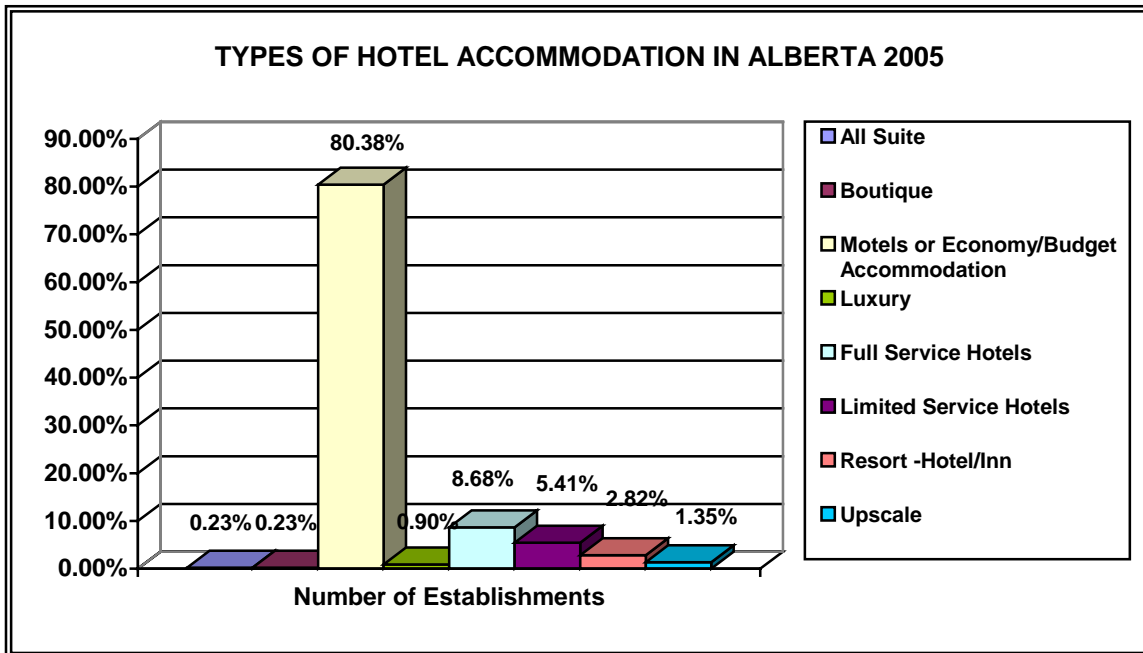
Chart 3-5



Source: PKF Consulting supply database

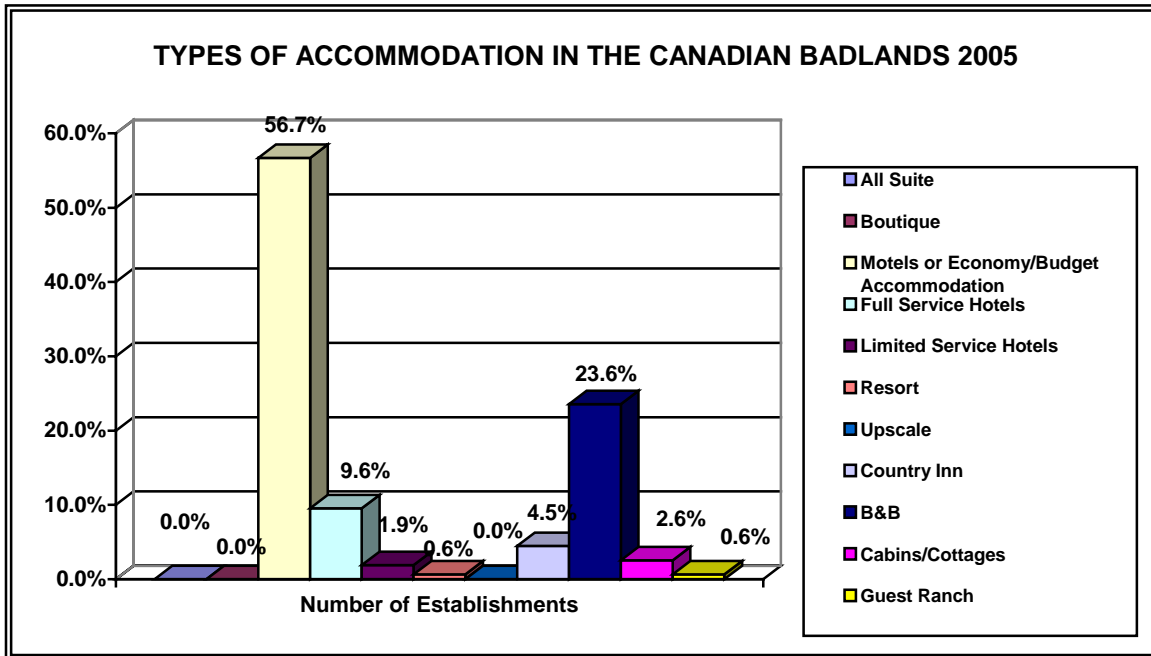
The majority of hotel accommodation types are motels or economy/budget accommodation (80.4%), followed by full service hotels at 8.4%, limited service hotels at 5.4%, and resort properties at 2.8%. The PKF Consulting Alberta Supply database was compiled for a specific purpose identifies hotels with fewer than 30 rooms, therefore some Bed and Breakfast operations, country inns, cabins/cottages and guest ranches are not included.

Chart 3-6



Of 157 properties in the Canadian Badlands, 56.1% are motels or economy/budget accommodations, 23.9% of bed and breakfast operations, and 9.7% are full service hotels. There are no all suite hotels, boutique properties, or upscale resort or hotel accommodations in the Canadian Badlands, however there are small inns that service the upscale market.

Chart 3-7



Source: PKF Consulting research

There are several different accommodation types found in the Canadian Badlands including hotels, motels, bed and breakfasts, country inns and ranches. According to the American Automobile Association, properties are classified by the style of operation and are defined in the following manner:

Bed and Breakfast: Small scale properties emphasizing a high degree of personal touches that provide guests an “at home” feeling. Guest units tend to be individually decorated. Rooms may not include some modern amenities such as televisions and telephones, and may have a shared bathroom. Usually owner-operated with a common room or parlour separate from the innkeeper’s living quarters, where guests and operators can interact during evenings and breakfast hours. Evening office closures are normal. A continental or full, hot breakfast is served and is included in the room rate.

Condominium: Vacation-oriented or extended-stay, apartment-style accommodations that are routinely available for rent through a management company. Units vary in design, décor, and often contain one or more bedrooms, living room, full kitchen, and an eating area. Studio-type models combine the sleeping and living areas into one room. Typically, basic cleaning supplies, kitchen utensils, and complete bed and bath linens are supplied. The guest registration area may be located off site.

Cabin/Cottage: Vacation-oriented, small-scale, freestanding houses or cabins. Units vary in design, décor and often contain one or more bedrooms, living room, kitchen, dining area, and bathroom. Studio-type models combine the sleeping and living areas into one room. Typically, basic cleaning supplies, kitchen utensils, and complete bed and bath linens are supplied. The guest registration area may be located off site.

Country Inn: Although similar in definition to a bed and breakfast, country inns are usually larger in scale with spacious public areas and offer a dining facility that serves at least breakfast and dinner.

Motel: A one to three story establishment typically with exterior room entrances facilitating convenient access to parking. The standard guest units have one bedroom with a bathroom and are typically similar in décor and design throughout. Public areas are limited in size and/or the variety of facilities available.

Ranch: Typically a working ranch with an obvious rustic, western theme. In general, equestrian-related activities are featured, but ranches may include other animals and activities as well. A variety of guest unit styles are offered in a family-oriented atmosphere.

Small scale Hotel (Limited Service): A multi storey establishment typically with interior room entrances. A variety of guest unit styles are offered. Public areas are limited in size and/or the variety of facilities available.

Large scale Hotel (Full Service): A multi storey establishment with interior room entrances. A variety of guest unit styles are offered. Public areas are spacious and include a variety of facilities such as a restaurant, shops, fitness center, spa, business center, or meeting rooms.

3.1.1 Existing Supply Inventory

There are 157 accommodation properties located in the entire Canadian Badlands region, offering a combined total of 5,210 guest rooms of various types as at the fall 2005. This total accommodation inventory includes new properties that entered the market in 2005. The new properties will appear as accommodation supply additions in the PKF Consulting demand projections in Section 5 of this report as the calendar year 2004 is used as a base line. The properties located in the Canadian Badlands region differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. The Exhibits 3-1 to 3-8 list the properties by community and provide a summary of facilities at each property. It should be noted that estimations were made in some cases for number of rooms where PKF Consulting was unable to make contact with a representative of the property or due to the refusal of some property management to provide information. Some properties in the region that declined to participate in the study are not listed in the 2005 Official Alberta Accommodation Guide or any accommodation sites on the Internet, thus facility and amenity information is not available for these properties from any known third party source.

3.1.2 Historic Supply and Demand

In this section of the report the historical demand for hotel accommodation in the entire **Canadian Badlands Region** as defined by the communities identified by the study and the main characteristics of the market are described. This demand can be referred to as "demonstrated demand". It is demand that can be quantified by examining the aggregate occupancy level for the competitive supply.

The recent historic performance of the competitive hotel market in the entire Canadian Badlands region is summarized in the following table. Unfortunately due to small sample size and a lack of historic information available from secondary sources for the community of Drumheller, only one year of historic information is presented.

**TABLE 3-2
HISTORIC MARKET PERFORMANCE
ENTIRE REGION
CANADIAN BADLANDS, ALBERTA**

Year	Available Room Nights	Percent Change	Occupied Rooms	Percent Change	Occupancy Percent
2004	1,297,044	--	815,869	--	62.9%

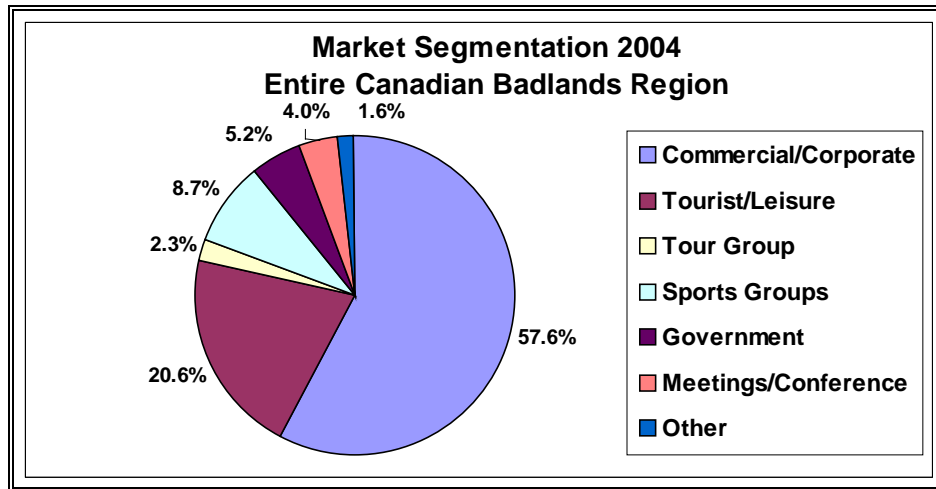
Figures may not be exact due to rounding
Source: PKF Consulting analysis, secondary sources

3.1.3 Market Segmentation 2004

According to the definition by the Canadian Travel Survey and the International Travel Survey, anyone traveling 80 kilometres or more, excluding for the purpose of commuting, plus any traveler staying overnight away from home is considered a tourist. Within the broad definition of tourism therefore all paid or unpaid corporate and commercial travelers, all leisure travelers and travelers traveling for the purpose of meetings or conferences would be included as tourist. Travellers staying with friends and relatives and hotel guests are both included within the definition. In the balance of this report, tourism refers to Leisure tourism which would include a host of types of visitation with the main purpose of travel being leisure oriented.

Accommodation demand in the Canadian Badlands is generated from many sources including commercial/corporate, tourist/leisure, tour group, sports groups, government, meeting/conference, and other sources including weddings and family reunions etc. Chart 3-8 shows the market segmentation for the entire region from all sources of demand. Research conducted in the market area indicates the following demand segmentation in the entire Canadian Badlands region in 2004:

Chart 3-8



Source: PKF Consulting research

For the purposes of demand projections presented in Section 5 of this report PKF Consulting has grouped the seven segments used in the interview and survey program into three general segments: Commercial/Corporate/Work Crew/Government Demand, Tourist/Leisure (including tour group, sports groups, and other) Demand and Meetings/Conference Demand. An analysis of each of the three general market segments used for demand projection purposes follows.

Commercial/Corporate/Work Crew/Government Demand

The Commercial/Corporate/Work Crew/Government market represented 62.8% of overall demand in the entire Canadian Badlands Region in 2004. This segment includes corporate representatives of agricultural, oil and gas and petrochemical firms operating in the region, suppliers and distributors of raw materials and manufactured goods and research specialists. Work crew demand is generated primarily by oil and gas drilling crews, seismic crews, maintenance crews for highway, irrigation and industrial developments and some housing and pipeline construction/maintenance crews. The high volume of residential, commercial and industrial construction in Alberta has led to shortages of qualified workers in many areas. Consequently, construction trades people and crews have been temporarily relocating to communities throughout the Province. Work crews typically require blocks of guest rooms and are often long term rentals. They are typically rate sensitive and will relocate to properties offering similar or identical facilities and amenities on this basis. Long stay work crews prefer properties with kitchenettes or

at very least, refrigerators and microwaves. Where suitable, the accommodation is often shared due to lack of recent available hotel rooms in peak periods and as a cost saving measure. Travellers with all levels of government including judicial representatives, agricultural scientists and health inspectors are also included in this segment.

Leisure/Tourist Demand (including tour group, sports groups, and other)

Leisure and tourist markets generated 33.2% of demand at the properties in the entire Canadian Badlands region in 2004. The majority of demand occurs in the summer months of June through September and to a lesser extent the months of May and October. Other tourist demand is generated during the fall and early spring.

Most sports teams include both youth and adult participants and escorts. Much of this demand is generated on Fridays and Saturdays as groups arrive for weekend events. Other weekend or weeklong events are frequently held during school holidays at Christmas, March break and in summer months. Sports teams are typically rate sensitive and frequently request a high multiple occupancy. Many sports groups are billeted or a combination of billeted and paid accommodation and typically prefer to utilize accommodation located close to their competitive venues.

Tour groups visit the Canadian Badlands region for tourist, leisure or recreation purposes. This includes motor coach bus tours which arrange overnight hotel accommodations in the communities located within the Canadian Badlands region, especially Drumheller.

Other leisure demand comes from visiting friends and relatives, and those attending special events within the individual communities such as weddings and family reunions.

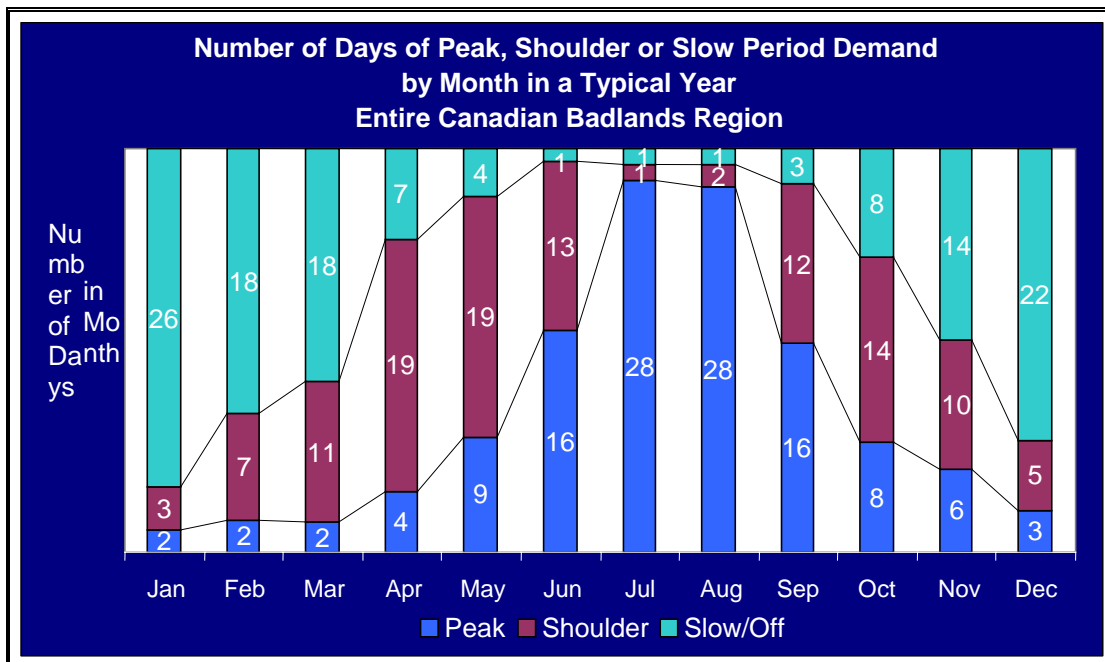
Meetings/Conference Demand

The Meetings and Conference market generated 4.0% of demand at the properties in the entire Canadian Badlands region in 2004. The meetings and conference market accounts for rooms demand generated for the purpose of attending meetings and/or conferences internally within area hotels, which offer public assembly facilities. Events include all forms of meetings, conventions, conferences and banquets.

3.1.4 Seasonality of Demand

As part of the interview process PKF Consulting asked operators to provide information about seasonality of demand. There was very limited response to a request for percentage of occupancy by month or season. Of the 74 useable surveys completed by operators in the region only nine properties completed the estimate of occupancy percentage by month or season. Operators were also asked to identify how many days of each month of the year fell into each of the seasonal categories Peak, Shoulder and Slow/Off Season and the response to this question was quite good. Because of insufficient specific monthly information PKF Consulting has not been able to draw conclusions about occupancy rates by month or season. However, the seasonality data collected is useful in presenting a pattern that clearly identifies how operators view the variability of their peak, shoulder and slow demand periods by month and within months as is shown in the graph below which displays the aggregate seasonality of demand for the entire Canadian Badlands region.

Chart 3-9



Source: PKF Consulting research

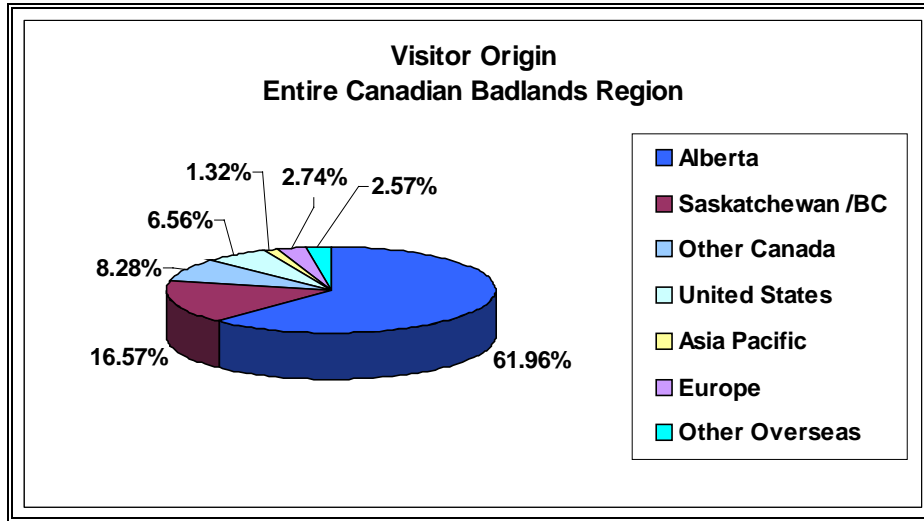
As the graph shows, the demand pattern experienced by the properties in the Canadian Badlands region varies by season with the strongest peak demand experienced during the summer months and the lowest demand experienced during the winter months as might be expected. For example, in the months of July

and August, 28 days out of 31 are considered by operators to be peak days which implies that the properties experience high occupancy rates on these days and on many days in these months the properties may be at or near full. During the months of April, May, June, September, and October the majority of days in the month were considered by operators to fall into shoulder season. During the shoulder season months, occupancy rates are often still quite good particularly in the markets that are receiving demand from the corporate/commercial/work crew segment of the market. In fact during these months operators may experience some days of high occupancy rates and may be at or near full. At the same time they will also likely have days with very low occupancy rates for example on weekends when the corporate demand goes home. The months of January, February, March, November, and December are considered by operators to be the slow/off season. These months are typically when operators experience their lowest occupancy rates. In the past couple of years in the Canadian Badlands region the differences between the seasons have become less pronounced than they had been in the past as the demand from the corporate/commercial/work crew segment has increased significantly with the strength of the oil and gas and construction industries. Advances in technology in these sectors have allowed exploration to proceed on a year round basis.

3.1.5 Visitor Origin and Origin of Room Night Demand

While the majority of visitors to the Canadian Badlands are from Alberta, the area also attracts visitors from other areas of Canada and locations as far away as Europe, Southeast Asia, and Australia. The following chart displays the Origin of Visitors to the Canadian Badlands region as defined by the operators in response to PKF Consulting survey questions.

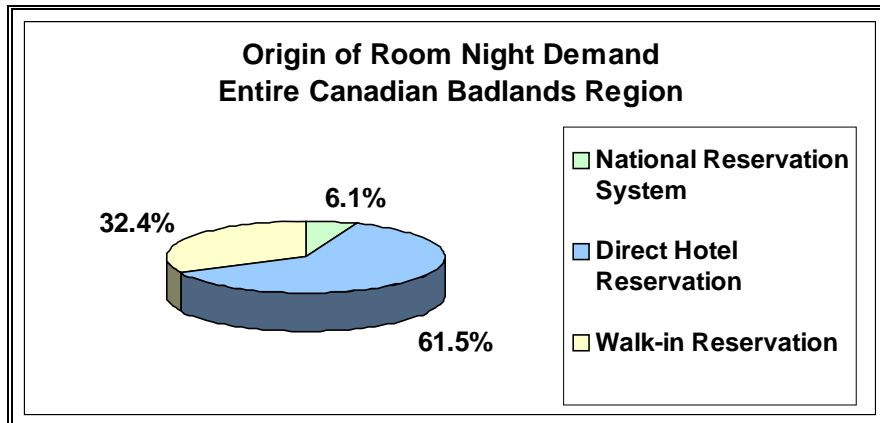
Chart 3-10



Source: PKF Consulting research

Room night demand can be accessed from a variety of sources including a national reservation system for chain hotel properties, reservations through an Internet site, direct hotel reservations, and “walk-ins” (hotel guests who arrive without reservations). Operators were asked to estimate what percentage of their demand came from each of these demand sources. The aggregate results for the entire Canadian Badlands region are displayed in the following pie chart.

Chart 3-11



Source: PKF Consulting research

As shown in the graph most visitors make reservations ahead of time either directly with the property or through a hotel chain reservation system or Internet site. However, according to the data collected from operators in the region almost one third of visitors are arriving at accommodation properties without an advance reservation. Walk-in reservations can be particularly challenging for hotel operators during the peak season months of July and August when properties operate at or near full on many days. Recently it has also become more difficult for operators to accommodate walk-in guests during the shoulder seasons because of the increased demand created by the increased use by the oil and gas and construction industries. The high volume of walk-ins indicates an opportunity for tourism organizations and hotel companies to coordinate and broadcast information about availability in peak seasons and to train regular hotel guests to book in advance.

3.1.6 Quality Assessment

For each property that was toured by PKF Consulting, a consultant analysis form was filled out that ranked the condition of the properties in terms of location, exterior condition, interior condition of public areas, and condition of guest rooms. The ranking system developed has five categories, New/Recent Complete Renovation, Regular Maintenance/Capital Improvement, Partial Maintenance/Capital Improvement, Delayed Maintenance/Capital Improvement and Unrenovated. Note that product type (budget or mid level) does not demote quality, but references service levels. A clean, well cared for budget property may be successful in meeting needs especially in a high volume work crew oriented market. A description of each category follows:

New/Recent Complete Renovation

Hotels in this category meet these criteria:

- Property is brand new or received a comprehensive recent renovation;
- Case goods, carpets, window coverings, fixtures are new and free from damage. Interior design and decoration are of a very high standard and very attractive;
- Bathroom linens and bed-coverings are new or in excellent condition;
- Bathrooms are new or have been recently renovated. Bathroom amenities and towels are of excellent quality and go beyond guest expectations;

- Exterior walls, roof, windows are new or recently renovated. Exterior and landscaping attractive and well cared for;
- Public areas are new or received a recent renovation and the lobby is inviting and has guest seating/waiting areas that exceed guest expectations; and
- Ongoing maintenance is assumed.

Regular Maintenance/Capital Improvement

Hotels in this category meet these criteria:

- Recent renovation completed and receives ongoing maintenance to meet standards specified by brand/franchise, independent owner, or rating program (Canada Select or AAA);
- Case goods, carpets, window coverings, fixtures are fairly new and free from damage;
- Bathroom linens and bed-coverings are fairly new;
- Bathrooms are newly renovated and up to date, vanities and fixtures in very good condition, bathroom amenities high quality;
- Exterior walls, roof, windows in very good condition and are receiving regular maintenance. Some landscaping surrounding the property;
- Public areas are quite new and up to date, lobby is inviting and has sufficient guest seating/waiting areas; and,
- Ongoing maintenance is assumed.

Partial Maintenance/Capital Improvement

Hotels in this category are rated because:

- Some ongoing maintenance and renovation has been completed;
- Case goods, carpets, window coverings, fixtures in good condition, upgrading may be necessary within next few years;
- Bathroom linens and bed-coverings in good condition;
- Bathrooms in good condition and are receiving ongoing maintenance;
- Exterior walls, roof, windows in good condition and are receiving regular maintenance;
- Public areas in good condition; and,
- Ongoing maintenance is assumed.

Delayed Maintenance/Capital Improvement

Hotels in this category are characterized as:

- No recent renovations completed;
- Case goods, carpets, window coverings, fixtures have not been recently upgraded;
- Bathroom linens and bed-coverings have not been recently updated;
- Bathrooms are not upgraded – i.e. flooring, toilets, vanity, tub surround;
- Exterior walls, roof, windows have not been recently upgraded;
- Public areas have not been updated recently; and,
- Upgrading and renovation may be necessary in near future.

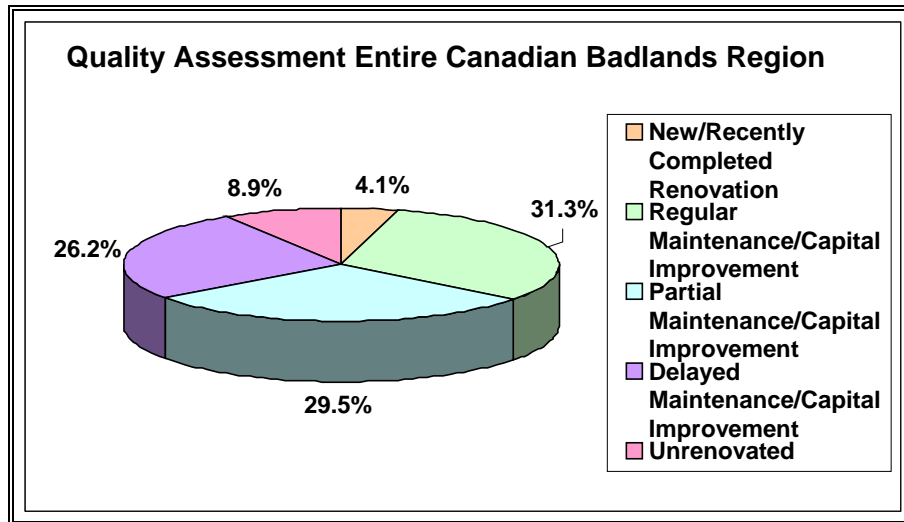
Unrenovated

Hotels in this category reflect these conditions:

- No recent renovations have been completed;
- Case goods, carpets, window coverings, are not uniform and are in poor condition;
- Bathroom linens and bed-coverings appear tired and have not been upgraded;
- Bathrooms do not appear to be updated – i.e. replacement of flooring, toilets, vanity, tub surround;
- Exterior walls, roof, windows appear tired and have not been recently upgraded;
- Public areas are unrenovated and require updating to increase appeal to guests; and,
- Upgrading and renovation may be necessary in near future.

Based on the above categories, PKF Consulting assigned an overall ranking to each property that was toured by a PKF Consulting Consultant. Individual rankings are confidential. The aggregate results for the entire region are displayed in the following pie chart. The percentages represent the percentage of properties in the entire region that fall into each category. It should be noted that these figures represent only the properties that were toured by PKF Consulting personnel in September 2005 and therefore they do not include all properties in the region. They also do not include any new properties that may have opened after the fieldwork was completed.

Chart 3-12



Source: PKF Consulting research

Hotels typically renovate every five to seven years and are therefore fairly capital intensive. These figures represent a snap shot of the market at a specific point in time and should be used as a basis for future reference and comparison. Opportunities exist for operators in one quarter of the hotels under the category of delayed maintenance to forestall new competition entering the market and maintain their position in the industry by investing in maintenance and capital improvements. If properties get to a point where they do not meet current budget or mid level expectations then new hotel product will be encouraged in the area.

The quality assessment is similar in the Medicine Hat and Lethbridge markets as well as many of the other communities. Some of the individual community data is skewed due to the small participant sample sizes. For some communities only one or two properties were toured and therefore the data does not accurately represent all accommodation products in the market. Hence, the data has been combined for the entire region in order to provide the most accurate picture of overall quality levels in the region.

3.2 Medicine Hat

3.2.1 Existing Supply Inventory

The accommodation supply in Medicine Hat currently consists of two full service hotels, four limited service hotels, eight budget/motel properties, nine bed and breakfast operations, four country inns and

two ranch/cottage/cabin type properties. There were 28 accommodation properties located in the Medicine Hat area offering a combined total of 1,496 guest rooms in 2004. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. The most recent additions to supply in the Medicine Hat market include the addition of 13 rooms to the Best Western Inn in 2001, the addition of 20 rooms to the Comfort Inn & Suites in 2002, the opening of the 76 room Days Inn in 2002, the addition of 34 suites to the Medicine Hat Lodge in 2003, and the opening of the Motel 6 in 2004. Exhibit 3-1 lists the properties and a summary of facilities.

**EXHIBIT 3-1
Accommodation Facility Chart**

MEDICINE HAT

	# of Guest Rooms	Posted Room Rates	Canada Select Rating (Stars)	Air Conditioned Rooms	Guest Laundry	Courtesy Coffee in Lobby	Complimentary Continental Breakfast	Licensed Bar/Lounge	Licensed Restaurant	Business Centre	In Room Internet	Meeting Space/ Conference Rooms	Swimming Pool Indoor/Outdoor	Waterslide	Hot Tub/Whirlpool/Sauna	Exercise Room	Kitchenettes	Wheelchair Accessible
Bel-Aire Motel	12	\$35-\$46		✓														✓
Best Western Inn	122	\$99-\$249		✓	✓	✓	✓		✓	✓	✓	I			H	✓	✓	
Callaghan Inn Hotel & Convention Centre	65	\$61-\$125		✓				B	✓	✓	✓	I			H	✓		
Circle T Lodge	38	\$64-\$89		✓	✓													✓
Comfort Inn & Suites	101	\$79-\$349		✓	✓	✓	✓			✓	✓	I			H	✓		
Days Inn	76	\$118-\$199	3	✓	✓	✓	✓		✓	✓	✓	I	✓		H			
Howard Johnson Hotel	42	\$60-\$100		✓	✓	✓		L,B	✓		✓				H	✓		
Imperial Inn	102	\$69-\$84	3	✓	✓	✓		L	✓		✓	I			H	✓		
Medicine Hat Lodge	221	\$109-\$219	4	✓	✓	✓		B,L	✓	✓	✓	I	✓		H,S	✓		
Medicine Hat Sun Dek Motel	49	\$69-\$79		✓	✓	✓												✓
Michael's Motel	13	\$35-\$49		✓	✓	✓				✓								✓
Motel 6 Medicine Hat	79	\$69-\$79		✓	✓													
Ramada Limited	58	\$55-\$125		✓	✓	✓	✓			✓	✓	I			H	✓	✓	
Ranchmen Motel	44	\$45-\$65		✓	✓	✓												✓
Satellite Motel	23	\$45-\$65		✓	✓	✓												✓
Super 8 Motel	70	\$86-\$139		✓	✓	✓						I			H	✓	✓	
The Medicine Hat Inn Downtown	34	\$58-\$68		✓	✓			L	✓									
Travelodge Hotel Medicine Hat	91	\$79-\$145		✓	✓	✓	✓	L	✓	✓	✓	I,O	✓		H,S	✓		
Pals Motel	41	N/A																
Groves Bed & Breakfast	3	\$45-\$60		✓	✓	✓	✓											
Little House on the Prairie Hideaway B&B	2	\$65														H		
The Gables Bed & Breakfast	3	\$75-\$85																
Friendz of Ours Bed & Breakfast	3	\$50-\$65																✓
Revival Ranch B&B	4	\$60-\$80			✓	✓	✓											
El Bronco Motel	22	N/A																
Parklane Motor Hotel	70	N/A																
Rancho Waterslide Motel	15	N/A																
Holiday Inn Express	93	N/A		✓	✓	✓	✓		✓	✓		I	✓		W	✓	✓	
Total	1,496																	

Note: Estimations were made when number of rooms was not available

Source: PKF Consulting research

3.2.2 Historic Supply and Demand

In this section of the report the historical demand for hotel accommodation in Medicine Hat and the main characteristics of the market are described. This demand can be referred to as "demonstrated demand". It is demand that can be quantified by examining the aggregate occupancy level for the competitive supply.

Medicine Hat was host to approximately one quarter of the identified room demand in the Canadian Badlands in 2004. The recent historic performance of the competitive hotel market in Medicine Hat is summarized in the following table:

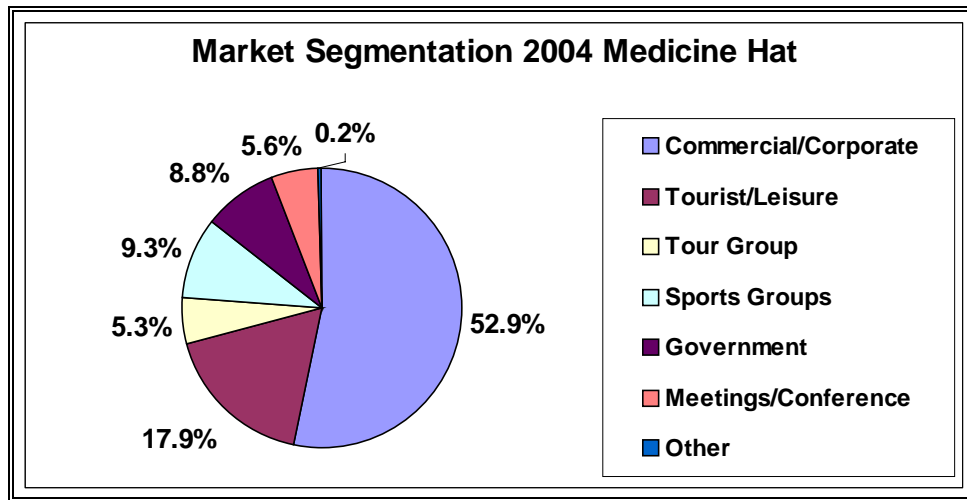
TABLE 3-3 HISTORIC MARKET PERFORMANCE MEDICINE HAT, ALBERTA					
Year	Available Room Nights	Percent Change	Occupied Rooms	Percent Change	Occupancy Percent
2003	286,160	5.1%	191,858	6.5%	67.0%
2004	310,368	8.5%	209,176	9.0%	67.4%

Figures may not be exact due to rounding
Source: PKF Consulting analysis

3.2.3 Market Segmentation 2004

Accommodation demand in Medicine Hat is generated from many sources including commercial/corporate, tourist/leisure, tour group, sports groups, government, meeting/conference, and other sources including weddings and family reunions etc. Medicine Hat experiences a broader mix of market segments and more tour, sports and government than other urban areas identified in this study and accordingly Medicine Hat accommodates a smaller proportion of leisure travellers. The chart below shows the market segmentation for Medicine Hat from all sources of demand in 2004.

Chart 3-13

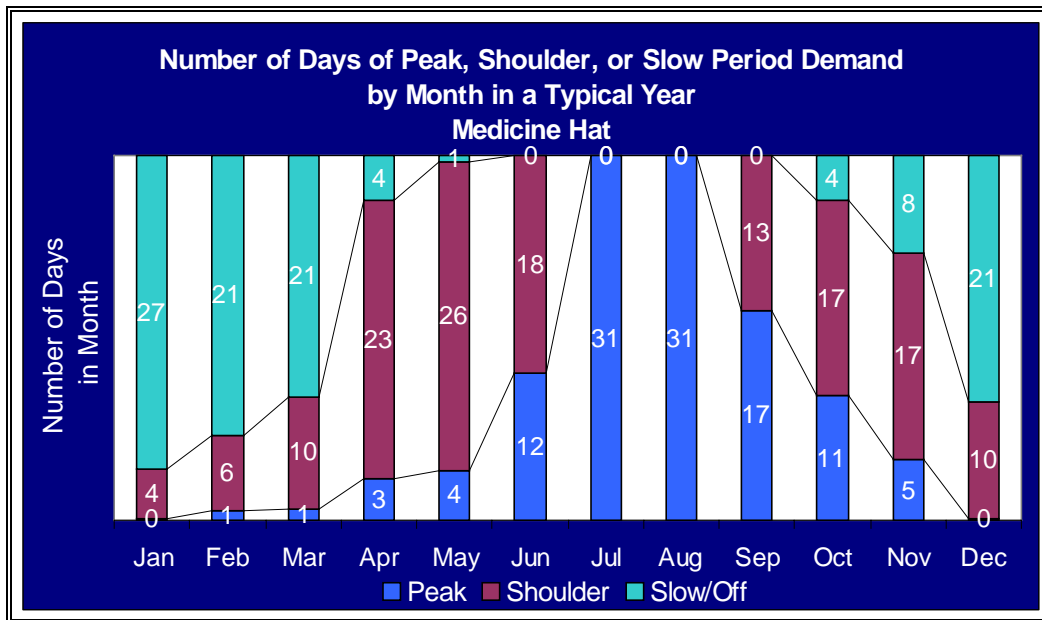


Source: PKF Consulting research

3.2.4 Seasonality of Demand

As part of the interview process operators were asked to estimate the seasonality of demand by month for their property. Operators were asked to estimate how many days of each month of the year fell into each of the seasonal categories Peak, Shoulder and Slow/Off Season. Medicine Hat exhibits stronger shoulder seasons and fewer slow/off season days than in the Other Canadian Badlands region as a whole. The following chart displays the aggregate seasonality of demand for Medicine Hat.

Chart 3-14

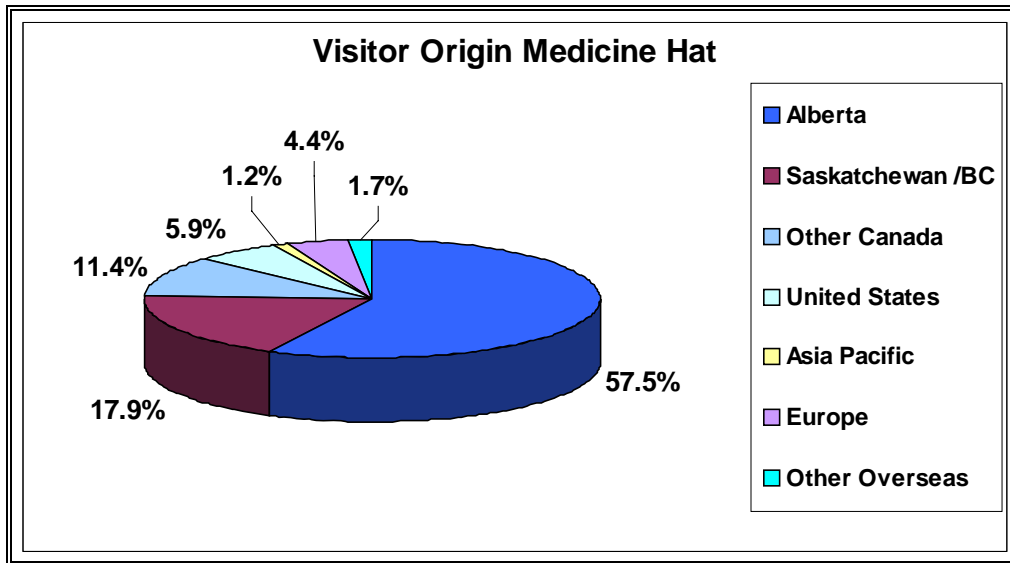


Source: PKF Consulting research

3.2.5 Visitor Origin and Origin of Room Night Demand

While the majority of visitors to Medicine Hat are from Alberta, the area also attracts visitors from other areas of Canada and locations as far away as Europe, Southeast Asia, and Australia. These hotels attract a higher percentage of their demand from the combined Western Provinces and Other Canada than the other communities. The following chart displays the quantification of origin of visitors to Medicine Hat.

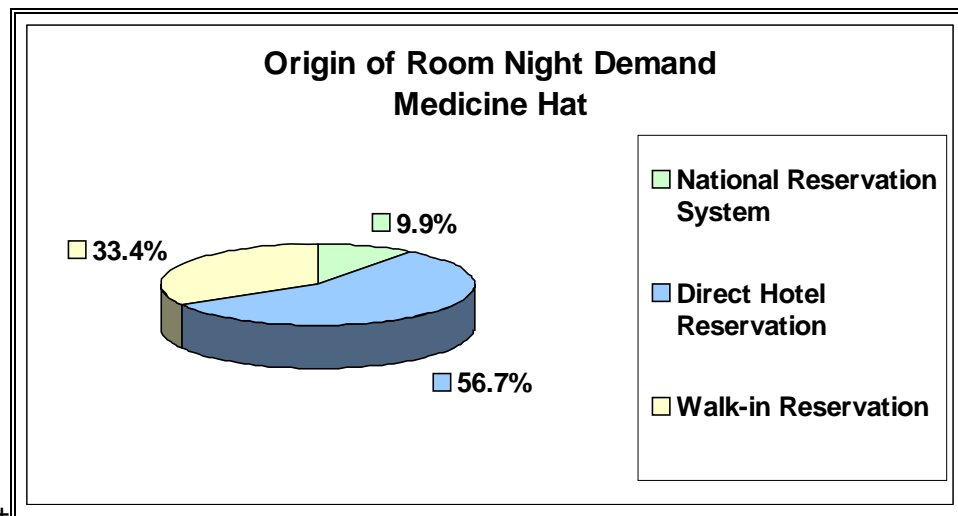
Chart 3-15



Source: PKF Consulting research

Room night demand can come from a variety of sources including a national reservation system for chain hotel properties or reservations through an Internet site, direct hotel reservations, and walk-in reservations. Operators were asked to estimate what percentage of their demand came from each of these demand sources. The aggregate results for Medicine Hat are displayed in the following pie chart.

Chart 3-16



Source: PKF Consulting research

3.3 Lethbridge

3.3.1 Existing Supply Inventory

The accommodation supply in Lethbridge consists of four full service hotels, ten limited service hotels, four budget/motel properties, five bed and breakfast operations and one country inn. There are 24 accommodation properties located in the Lethbridge area offering a combined total of 1,349 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. The most recent additions of accommodation product to the City of Lethbridge were the addition of several rooms to the Econo Lodge in 1999, the opening of the 119 room Ramada Inn & Suites in 1999 and the opening of the 102 room Holiday Inn Express in 2000. Exhibit 3-2 lists the properties and a summary of facilities.

**EXHIBIT 3-2
Accommodation Facility Chart**

LETHBRIDGE

	# of Guest Rooms	Posted Room Rates	Canada Select Rating (Stars)	Air Conditioned Rooms	Guest Laundry	Courtesy Coffee in Lobby	Complimentary Continental Breakfast	Licensed Bar/Lounge	Licensed Restaurant	Business Centre	In Room Internet	Meeting Space/ Conference Rooms	Swimming Pool Indoor/Outdoor	Waterslide	Hot Tub/Sauna	Exercise Room	Kitchenettes	Wheelchair Accessible
Alec Arms Hotel	10						✓											
Best Western Heidelberg Inn	65	\$99-\$116						✓	✓	✓	✓				S	✓		
Chinook Motel	20	\$60-\$75	2.5	✓			B	✓		✓					H			
Comfort Inn	58	\$79-\$115		✓	✓	✓	✓			✓		I			H			
Days Inn Lethbridge	91	\$80-\$96		✓	✓				✓	✓		I			H	✓		
Best Value Inn (formerly Econo Lodge)	56	\$65-\$75	2	✓	✓	✓	✓			✓	✓	I			H		✓	
Econo Lodge and Suites	43	\$65-\$70	2	✓	✓	✓	✓			✓								✓
Holiday Inn Express Hotel & Suites	102	\$120-\$225	3.5	✓		✓	✓			✓	✓	I			H			
Howard Johnson Express Inn	37	\$60-\$75		✓	✓		✓			✓		O			H	✓		
Lethbridge Lodge Hotel	190	\$89-\$169	3.5	✓			B, L	✓		✓	✓	I			H			
Lethbridge Village Inn (former Travelodge)	32	\$79-\$89		✓		✓	✓			✓		O						
Parkside Inn	65	\$40-\$50		✓	✓		B, L	✓		✓	✓				H			
Ramada Hotel & Suites	119	\$145-\$155		✓	✓	✓	L	✓		✓	✓	I	✓		H		✓	
Sandman Hotel Lethbridge	139	\$130-\$140	3.5	✓	✓		L	✓	✓	✓	✓	I					✓	
South Country Inn	50	\$69-\$90		✓	✓	✓				✓					H	✓		
Super 8 Lodge	91	\$67-\$75		✓	✓	✓		✓	✓	✓		O						
Thriflodge	56	\$48-\$65		✓	✓					✓		O			H			
Travelodge Hotel & Convention Centre	105	\$49-\$79	3.5	✓	✓		L	✓		✓	✓	O			H			
A Coulee View Getaway	3	\$65-\$110				✓	✓			✓					H		✓	
Bed & Breakfast in Paradise Canyon	2	\$60-\$110		✓	✓	✓	✓											✓
Enid's Bed & Breakfast	3	\$60-\$80				✓	✓											
Chellsea House B&B	3	\$70-\$85		✓			✓											
Russells' Country B&B	2	\$55-\$70					✓											
Westminster House	7	\$65-\$85					✓											
Total	1,349																	

Note: Estimations were made when number of rooms was not available

Source: PKF Consulting research

3.3.2 Historic Supply and Demand

The historical demonstrated demand for hotel accommodation in Lethbridge and the main characteristics of the market are shown below. The Lethbridge market is larger than that of Medicine Hat or the “Other Community” demand. This hotel market serviced approximately one third of the total room demand in the defined Canadian Badlands region in 2004, albeit at an occupancy percentage 9.3 to 13.9 percentage points lower than in any of the other defined subsets.

The recent historic performance of the competitive hotel market in Lethbridge is summarized in the following table:

TABLE 3-4 HISTORIC MARKET PERFORMANCE LETHBRIDGE, ALBERTA					
Year	Available Room Nights	Percent Change	Occupied Rooms	Percent Change	Occupancy Percent
2003	427,050	0.0%	227,905	-3.5%	53.4%
2004	428,220	0.3%	229,594	0.7%	53.6%

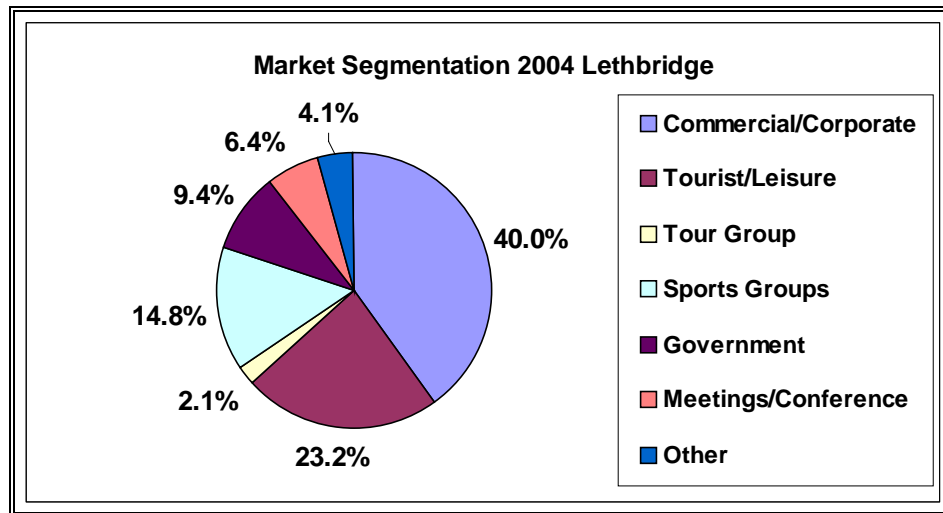
Figures may not be exact due to rounding
Source: PKF Consulting analysis

3.3.3 Market Segmentation 2004

Accommodation demand in Lethbridge is generated from many sources including commercial/corporate, tourist/leisure, tour group, sports groups, government, meeting/conference, and other sources including weddings and family reunions etc. The occupancy percentage was lower in Lethbridge than in other areas in part because they do not have as much commercial/work crew demand. Commercial demand only forms 40.0% of the total demand mix compared to a range of 53% to 75.0% in other study areas. Commercial and work crews typically provide for a flatter annual demand pattern. This market does exhibit a well developed sports group market.

The following chart displays the market segmentation for the Lethbridge market from all sources of demand in 2004.

Chart 3-17



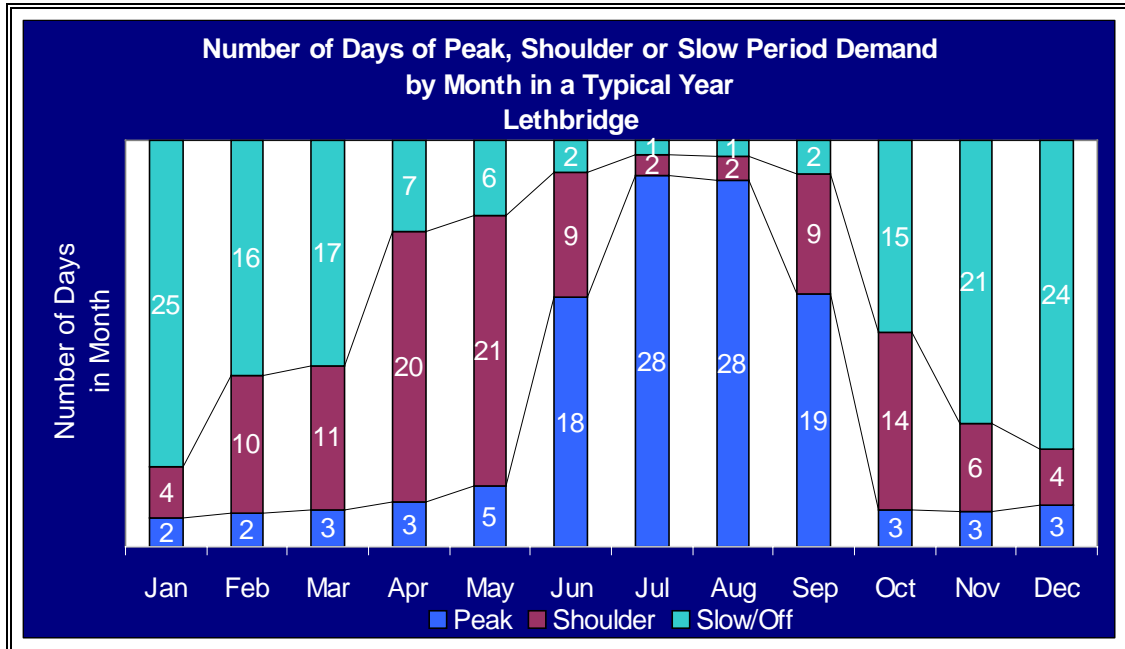
Source: PKF Consulting research

3.3.4 Seasonality of Demand

As part of the interview process operators were asked to estimate the seasonality of demand by month for their property. Operators were asked to estimate how many days of each month of the year fell into each of the seasonal categories Peak, Shoulder and Slow/Off Season. Lethbridge operators indicated that their slow/off peak period was much higher at 137 days than in Medicine Hat at 107 days or the whole Canadian Badlands region, at 123 days.

The graph below displays the aggregate seasonality of demand for Lethbridge.

Chart 3-18



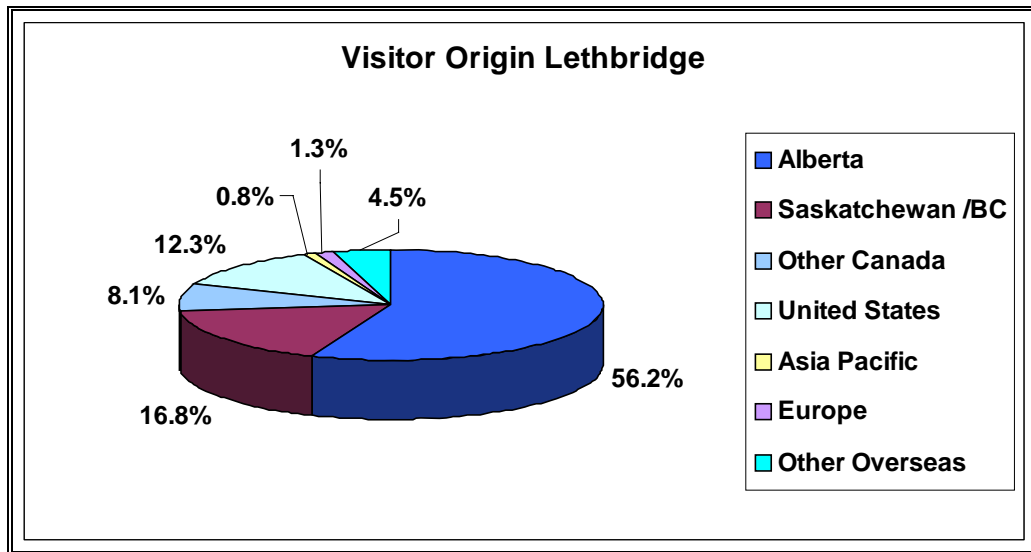
Source: PKF Consulting research

3.3.5 Visitor Origin and Origin of Room Night Demand

While the majority of visitors to Lethbridge are from Alberta, the area also attracts visitors from other areas of Canada and locations as far away as Europe, Southeast Asia, and Australia. At 12.3% of total demand, the proportion of American visitors is two to three times higher than in the other regional subsets, indicating that Lethbridge plays a gateway role in Alberta. Note that the new convention facility may influence this demand pattern over time.

The following chart shows the origin of visitors to Lethbridge.

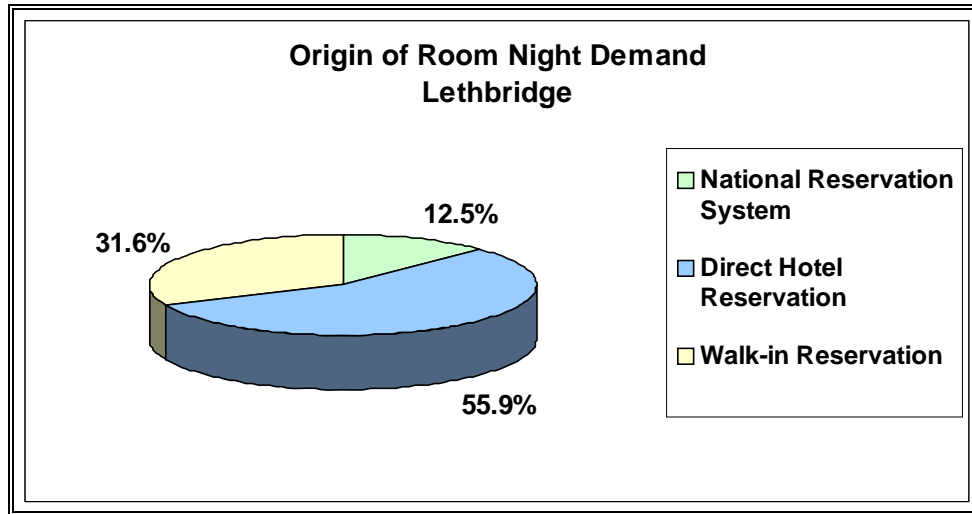
Chart 3-19



Source: PKF Consulting research

Room night demand is achieved via a variety of sources including a national reservation system for chain hotel properties or reservations through an Internet site, direct hotel reservations, and walk-in reservations. Operators were asked to estimate what percentage of their demand came from each of these demand sources. The aggregate result for Lethbridge is displayed in the following pie chart. The ten branded properties foster a relatively large number of bookings through national reservation systems relative to other Canadian Badlands subsets, with over 30.0% of the demand booked through this avenue, compared to the next highest estimated in Medicine Hat to be just under 10.0%.

Chart 3-20



Source: PKF Consulting research

3.4 **Drumheller**

3.4.1 **Existing Supply Inventory**

The accommodation supply in Drumheller consists of two full service hotels, two limited service hotels, eight budget/motel properties, eight bed and breakfast operations, four country inns and five ranch/cottage/cabin type properties. PKF identified 29 accommodation properties located in the Drumheller area offering a combined total of 559 guest rooms in 2004. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. The most recent additions to supply in the Drumheller market were the opening of Heartwood Haven sister property to the Inn at Heartwood Manor in 1999 and the opening of the 74 room Ramada in 2005. Exhibit 3-3 lists the current complement of accommodation product in Drumheller and summarizes the facilities.

**EXHIBIT 3-3
Accommodation Facility Chart**

DRUMHELLER

	# of Guest Rooms	Posted Room Rates	Canada Select Rating (Stars)	CAA/AAA Rating (Diamonds)	Air Conditioned Rooms	Guest Laundry	Courtesy Coffee in Lobby	Complimentary Continental Breakfast	Licensed Bar/Lounge	Licensed Restaurant	Business Centre	In Room Internet	Meeting Space/ Conference Rooms	Swimming Pool Indoor/Outdoor	Waterslide	Hot Tub/Whirlpool/Sauna	Exercise Room	Kitchenettes	Wheelchair Accessible
Badlands Motel	23	\$70-\$98	2		✓														✓
Best Western Jurassic Inn	49	\$129-\$239			✓	✓	✓	L	✓			✓	I			H	✓	✓	
Drumheller Travelodge	49	\$129-\$159			✓	✓	✓	L	✓								H		✓
Super 8 Motel	70	\$149-\$425			✓	✓	✓	✓					I	✓	✓	H	✓	✓	
Ramada Drumheller	74	\$59			✓	✓	✓					✓	I	✓	✓	H			
Dinosaur Hotel & Bar	10																		
Drumheller Inn	100	\$105-\$160	2.5		✓			B,L	✓		✓	✓	I			H			
East Coulee Motor Inn	16				✓	✓													
Hoo-Doo Motel	32	\$95			✓	✓													
Newcastle Country Inn	11	\$85-\$150	3		✓			✓											
The Lodge at Drumheller	55	\$60-\$70			✓														✓
Waldorf Hotel	10																		
McDougall Lane B&B	3	\$75-\$110			✓	✓													
Pearl's Country Cottages	4	\$125-\$175					✓	✓											
Pope Lease Pines B&B & RV Resort	3	\$80																	
Rosedeer Hotel & Saloon	7	\$35			✓			L											
River Bend B&B	2	\$80-\$95			✓														
Silver Fox Country Inn	3	\$69-\$99					✓	✓											
Taste the Past	3	\$85-\$100					✓	✓											
The Miners Haven	4	65-\$90					✓	✓											
The Sanctuary Guest House	2																		
The Victorian House	3	\$69-\$109					✓	✓											
Ghost Pine Cabin	1																		✓
Sunflower Cottage	2																		
Echo Coulee Guest Ranch	4	\$85-\$575																	
Heartwood Haven	5	\$110-\$250															H		
The Inn at Heartwood Manor	10	\$110-\$250										✓				H			✓
Willow Creek Cottage	2	\$170																	
Urban Place B&B	2	\$80-\$120			✓	✓													
Total	559																		

Note: Estimations were made when number of rooms was not available

Source: PKF Consulting research

3.4.2 Historic Supply and Demand

The historical demonstrated demand for hotel accommodation in Drumheller and the main characteristics of the market are described

The recent historic performance of the competitive hotel market in Drumheller is summarized in the following table. Unfortunately due to small sample size resulting from a lack of participation by several properties in the PKF interview and survey program and a lack of historic information available from secondary sources, only one year of historic information is presented.

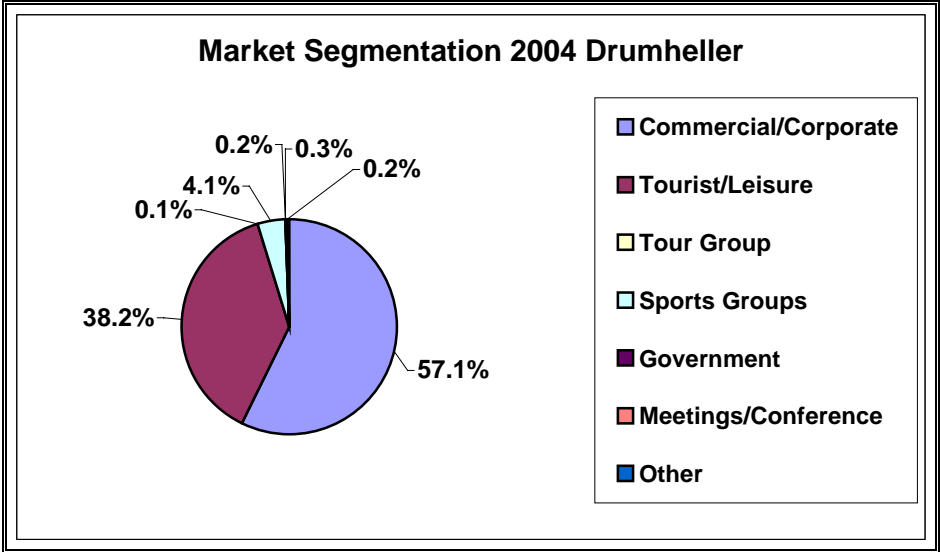
TABLE 3-5 HISTORIC MARKET PERFORMANCE DRUMHELLER, ALBERTA					
Year	Available Room Nights	Percent Change	Occupied Rooms	Percent Change	Occupancy Percent
2004	150,426	--	100,000	--	66.5%

Figures may not be exact due to rounding
Source: PKF Consulting analysis, secondary sources

3.4.3 Market Segmentation 2004

Accommodation demand in Drumheller is generated from many sources including commercial/corporate, tourist/leisure, tour group, sports groups, government, meeting/conference, and other sources including weddings and family reunions etc. The lack of variety in the market mix is noticeable, as tour, sports, government and meetings represent less than 5.0% of the overall demand in 2004 while business is approximately 57.0% of the demand. This mix would likely change somewhat with the addition of a quality convention facility. This community exhibits the highest dependence on the leisure market, reporting over 38.0% of the total demand from this source. The mix of demand is influenced by the complement of Bed and Breakfast operations as well as by the high volume peak season opportunity afforded the hotels in this destination in conjunction with the Dinosaur and fossils themes. The chart below shows the market segmentation as reported by the participating operators for the Drumheller from all sources of demand in 2004.

Chart 3-21

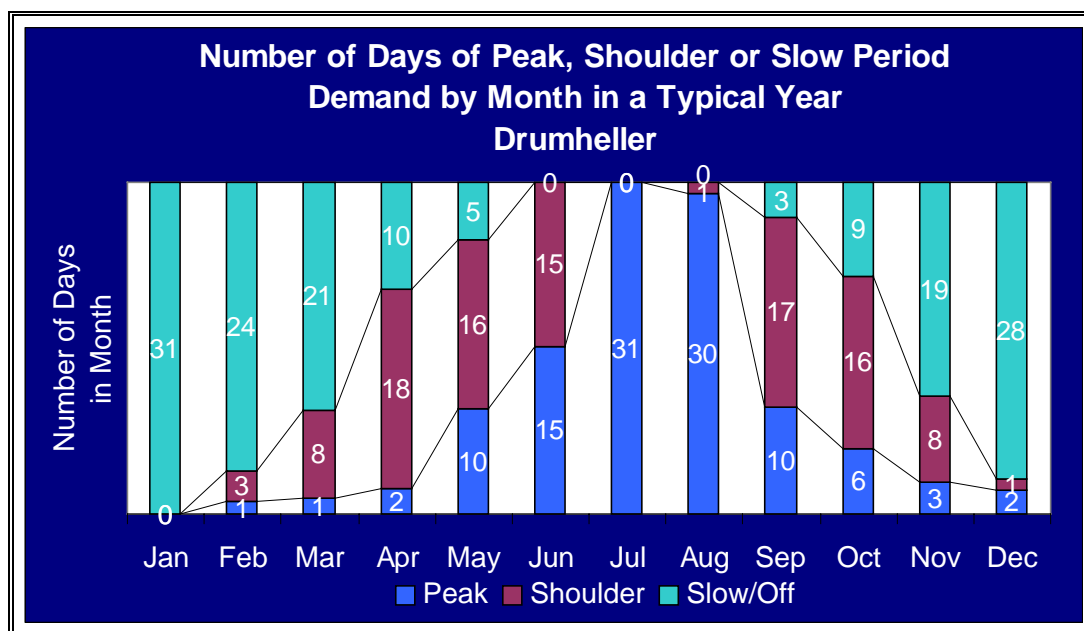


Source: PKF Consulting research

3.4.4 Seasonality of Demand

As part of the interview process operators were asked to estimate the seasonality of demand by month for their property. Operators were asked to estimate how many days of each month of the year fell into each of the seasonal categories Peak, Shoulder and Slow/Off season. The graph below displays the aggregate seasonality of demand for Drumheller.

Chart 3-22

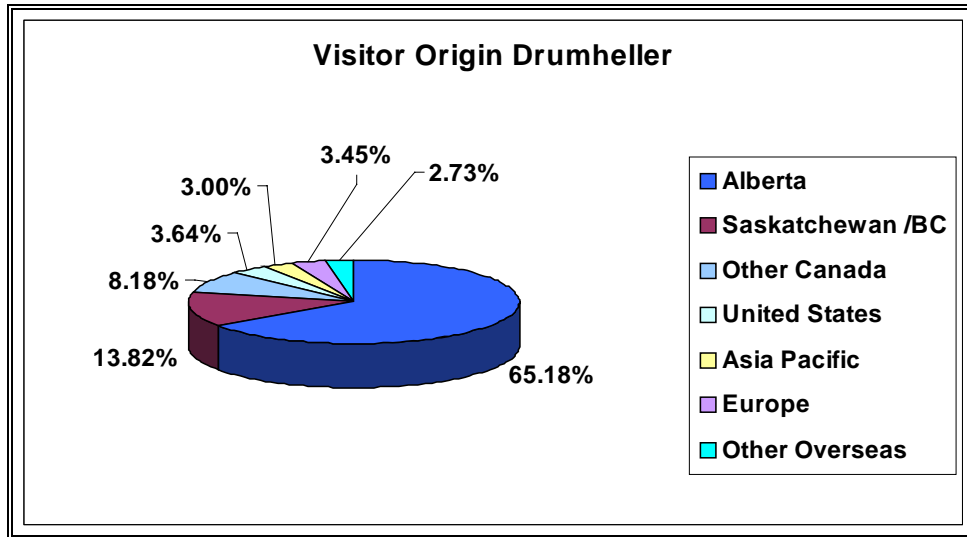


Source: PKF Consulting research

3.4.5 Visitor Origin and Origin of Room Night Demand

While the majority of visitors to Drumheller are from Alberta, the area also attracts leisure visitors from other areas of Canada and locations as far away as Europe, Southeast Asia, and Australia. The following chart displays the origin of visitors to Drumheller. Drumheller properties reported relatively strong demand from Asia Pacific (3.0% and Europe (3.45% and Other International (2.7%), over 40.0% higher than the average for the Entire Canadian Badlands region. Drumheller benefits extensively from the Paleontological destination attractions and tourist activities, thus a larger percentage of demand from distant (non Alberta) locations is evident.

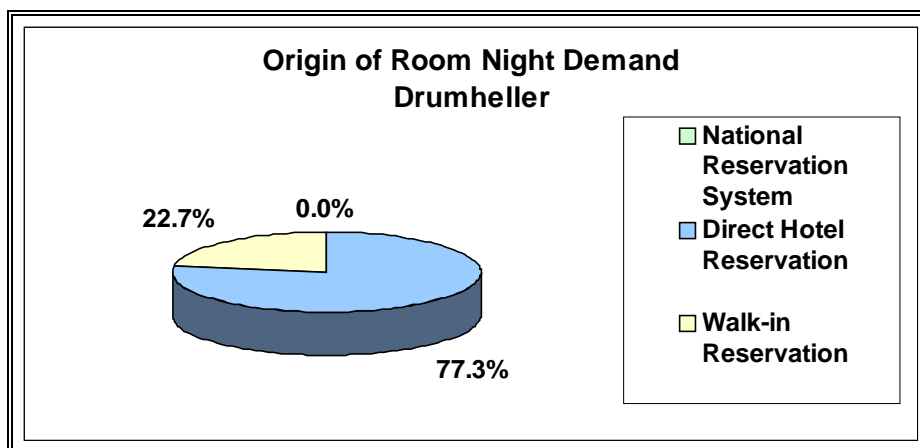
Chart 3-23



Source: PKF Consulting research

Room night demand can come from a variety of sources including a national reservation system for chain hotel properties or reservations through an Internet site, direct hotel reservations, and walk-in reservations. Operators were asked to estimate what percentage of their demand came from each of these demand sources. The aggregate results for Drumheller are displayed in the following pie chart.

Chart 3-24



Source: PKF Consulting research

3.5 Supply Inventory - “Other Communities” in the Canadian Badlands

Existing Supply Inventory

Due to the small number of hotels in the “Other Communities” located in the Canadian Badlands region, data for each community cannot be presented separately. Therefore, PKF Consulting has grouped the remaining communities together in order to present historic supply information. This grouping contains the communities of Brooks, Bassano, Strathmore, Stettler, Hanna, Oyen, Rosebud, Trochu, Three Hills, Taber, Vulcan, Milk River, Warner, Elkwater, Redcliff, Foremost, Bow Island, Vauxhall and Jenner. The accommodation supply in the “Other Communities” in the Badlands Region consists of full service and limited service hotels, motels, bed and breakfast operations, inns and ranches. In the Fall of 2005 PKF Consulting identified 75 accommodation properties located in the “Other Communities” of the Canadian Badlands, offering a combined total of 2,072 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. Exhibit 3-9 shows the locations of the “Other Communities” in the Canadian Badlands.

3.5.1 Brooks - Existing Supply Inventory

The accommodation supply in Brooks consists of a complement of one full service hotel, several limited service hotels, motels, bed and breakfast operations and inns. There were 11 accommodation properties located in the Brooks area in 2004 offering a combined total of 499 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. The most recent additions to supply in the Brooks accommodation market were the opening of the 61 room Heritage Inn and Suites in May 2005 and the addition of 30 rooms to the Best Western in summer of 2005 resulting in a partial year weighted total of 555 guest rooms and combined total of 590 guest room in 2006. Following a description of the supply inventory in each community Exhibits 3-4 to 3-8 list the properties in each of the communities in the “Other Communities” subset of the Canadian Badlands region along with a summary of facilities for each property. Exhibit 3-4 displays the facilities in Brooks.

3.5.2 Bassano - Existing Supply Inventory

The accommodation supply in Bassano consists of one limited service hotel, two motels and one bed and breakfast operation. Altogether there are four accommodation properties located in the Bassano which

offer a combined total of 88 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. There have not been any recent additions to supply in the Bassano accommodation market. Exhibit 3-4 lists the properties and a summary of facilities.

3.5.3 Strathmore - Existing Supply Inventory

The accommodation supply in Strathmore consists of full service and limited service hotels, motels, bed and breakfast operations and inns. There are eight accommodation properties located in the Strathmore area offering a combined total of 353 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. The most recent additions to supply in the Strathmore market were the addition of 35 rooms to the Best Western in 2000 and the opening of the Travelodge with 60 rooms in 2003 and an additional 61 rooms in 2004. Exhibit 3-5 lists the properties and a summary of facilities.

3.5.4 Stettler -Existing Supply Inventory

The accommodation supply in Stettler is represented by one full service hotel, limited service hotels, motels and one bed and breakfast operation. Research indicated that there were seven accommodation properties located in the Stettler area offering a combined total of 208 guest rooms in the base year. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. Exhibit 3-5 lists the properties and a summary of facilities.

3.5.5 Hanna - Existing Supply Inventory

The accommodation supply in Hanna is comprises limited service hotels and motels and one bed and breakfast operation. There are six accommodation properties located in the Hanna area offering a combined total of 198 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. The most recent additions occurred when That Country Place B&B opened a second room in April 2005 and when the Best Western added 13 rooms in summer 2005. Exhibit 3-5 lists the properties and a summary of facilities.

3.5.6 Oyen - Existing Supply Inventory

The accommodation supply in Oyen consists of motels and one bed and breakfast operation offering a combined total of 43 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. Exhibit 3-6 lists the properties and a summary of their services.

3.5.7 Rosebud - Existing Supply Inventory

The accommodation supply in Rosebud consists of an inn and numerous bed and breakfast operations. PKF Consulting identified six accommodation properties comprised of an inn and five Bed and Breakfast operations that are located in the Rosebud area, which collectively offer 30 guest rooms. The seasonal, sporadic nature of accommodation demand is highly dependent on the Rosebud Theatre. Visitors to Rosebud for the theatre have been accommodated by a growing collection of Bed and Breakfast operations, which are open year round. The properties are similar in terms of facilities, product quality, rate structure and market orientation. Exhibit 3-6 lists the properties and a summary of facilities.

3.5.8 Trochu Existing Supply Inventory

The accommodation supply in Trochu consists of limited service hotels, a guest ranch and an inn. PKF Consulting identified four accommodation properties located in the Trochu area offering a combined total of 35 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. Exhibit 3-6 lists the properties and a summary of facilities.

3.5.9 Three Hills - Existing Supply Inventory

The accommodation supply in Three Hills consists of one branded motel property and three independent motels. There are four known accommodation properties located in the Three Hills area offering a combined total of 92 guest rooms. The properties are fairly similar in terms of facilities, product quality, rate structure and market orientation. Exhibit 3-6 lists the properties and a summary of facilities.

3.5.10 Taber - Existing Supply Inventory

The accommodation supply in Taber consists of one full service hotel and four motels offering a combined total of 209 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. Exhibit 3-7 lists the properties and a summary of facilities.

3.5.11 Vulcan Existing Supply Inventory

The accommodation supply in Vulcan consists of three motels and a bed and breakfast operation. There are four accommodation properties located in the Vulcan area offering an aggregated total of 81 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. Exhibit 3-7 lists the properties and a summary of facilities.

3.5.12 Milk River - Existing Supply Inventory

The accommodation supply in Milk River consists of a motel, an inn and a bed and breakfast operation with a combined total of 31 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. Exhibit 3-7 lists the properties and a summary of facilities.

3.5.13 Warner - Existing Supply Inventory

The accommodation supply in Warner consists of one nine room motel. Exhibit 3-7 lists the property and provides a summary of its facilities.

3.5.14 Elkwater - Existing Supply Inventory

The accommodation supply in Elkwater consists of one 44 room, full service hotel/resort, a recent addition. Exhibit 3-8 notes the name of the Lodge and a summary of facilities.

3.5.15 Redcliff - Existing Supply Inventory

The accommodation supply in Redcliff consists of motels and a bed and breakfast operation. There are three accommodation properties located in the Redcliff area offering a combined total of 33 guest rooms. The properties differ based on facilities, product quality, rate structure and market orientation. They also vary in age, quality and level of services and amenities. Exhibit 3-8 lists the properties and a summary of facilities.

3.5.16 Foremost - Existing Supply Inventory

The accommodation supply in Foremost consists of a single 13 room motel. Exhibit 3-8 identifies the property and a summary of facilities.

3.5.17 Bow Island - Existing Supply Inventory

The only known accommodation in Bow Island is a motel with 16 guestrooms. Exhibit 3-8 lists the properties and a summary of facilities.

3.5.18 Vauxhall - Existing Supply Inventory

The accommodation supply in Vauxhall consists of one ten room motel. Exhibit 3-8 lists the property and a summary of facilities.

3.5.19 Jenner - Existing Supply Inventory

The accommodation supply in Jenner consists of a 20 room motel. Exhibit 3-8 shows a summary of its facilities.

3.6 Summary “Other Communities”

The following exhibits list the accommodation properties in each community of the “Other Communities” subset of the Canadian Badlands region and a summary of the facilities at each property.

**EXHIBIT 3-4
Accommodation Facility Chart**

BROOKS	# of Guest Rooms	Posted Room Rates	Canada Select Rating (Stars)	CAA/AAA Rating (Diamonds)	Air Conditioned Rooms	Guest Laundry	Courtesy Coffee in Lobby	Complimentary Continental Breakfast	Licensed Bar/Lounge	Licensed Restaurant	Business Centre	In Room Internet	Meeting Space/ Conference Rooms	Swimming Pool Indoor/Outdoor	Waterslide	Hot Tub/Sauna	Exercise Room	Kitchenettes	Wheelchair Accessible
Best Western Brooks Inn	89	\$109-\$129			✓	✓	✓	✓	L	✓	✓	✓	I	✓	H	✓	✓		
Callaghan's Inn	58	\$59-\$64			✓				B,L	✓	✓	✓							
Brooks Heritage Inn & Convention Centre	106	\$87-\$105			✓		✓		B,L	✓	✓	✓				H,S	✓	✓	
Heritage Inn & Suites	61	\$87-\$97		3	✓		✓	✓			✓	✓	I			H		✓	
Holiday Inn Express Hotel & Suites	78	\$109-\$129			✓	✓	✓	✓			✓	✓	I			H	✓		
Plains Motel	53	\$71-\$85			✓	✓					✓		I			S		✓	
Tel-Star Motor Inn	52	\$62-\$70	2.5		✓	✓	✓	✓	B,L	✓	✓								✓
Travelodge Brooks	61	\$82-\$92			✓	✓		✓			✓	✓							
Westbrook Motel & R.V. Park	21	\$44	1.5		✓		✓												✓
The Douglas Country Inn	6	\$50-\$83						✓	✓							H			
A Lake Shore Bed & Breakfast Spa	3	\$89-\$129			✓			✓								H			
Prairie Haven B&B	2	\$75-\$80						✓											
Total	590																		
BASSANO																			
Prairie Schooner Motel (2000)	20	\$42-\$47			✓														✓
Mid-Way Motel	21	N/A																	
Bar B Guest House	3	\$40-\$70																	
Imperial Hotel	44	\$45-\$60							B										
Total	88																		

Note: Estimations were made when number of rooms was not available

Source: PKF Consulting research

**EXHIBIT 3-6
Accommodation Facility Chart**

	# of Guest Rooms	Posed Room Rates	Canada Select Rating (Stars)	CAA/AAA Rating (Diamonds)	Air Conditioned Rooms	Guest Laundry	Courtesy Coffee in Lobby	Complimentary Continental Breakfast	Licensed Bar/Lounge	Licensed Restaurant	Business Centre	In Room Internet	Meeting Space/ Conference Rooms	Swimming Pool Indoor/Outdoor	Waterslide	Hot Tub/Whirlpool/Sauna	Exercise Room	Kitchenettes	Wheelchair Accessible
OYEN																			
Antelope Inn	36	\$52-\$60			✓	✓	✓												
Mini Motel	5																		
Prairie Bell Bed & Breakfast	2																		
Total	43																		
ROSEBUD																			
Field of Dreams	3	\$90-\$200					✓	✓								H	✓	✓	
Rosebud Country Inn	12	\$100-\$155	3.5		✓				✓				✓						✓
Queen Regent B&B	7	\$60-\$100					✓	✓											
Rose Cottage B&B	3	\$69-\$75					✓	✓											
Horseshoe Canyon B&B	3	N/A					✓	✓											
Lambsdowne B&B	2	\$65-\$120					✓	✓											
Total	30																		
TROCHU																			
St. Ann Ranch Country Inn	9	\$50-\$95											✓			H			
Trochu River Road Inn	10	\$49-\$54							✓										✓
TL Bar Ranch	6	\$60-\$130						✓											✓
D&D Yale Hotel	10	\$35								B									
Total	35																		
THREE HILLS																			
Lamplighter Inn	13	\$55-\$70			✓														✓
Rest-Easy Motel	22	\$50-\$65	2.5		✓		✓												
Super 8 Motel Three Hills	48	\$80-\$84	2.5		✓	✓		✓					✓						
Three Hills Inn	9	\$40-\$45								B			✓						
Total	92																		
Note: Estimations were made when number of rooms was not available																			
Source: PKF Consulting research																			

**EXHIBIT 3-7
Accommodation Facility Chart**

	# of Guest Rooms	Posted Room Rates	Canada Select Rating (Stars)	CAA/AAA Rating (Diamonds)	Air Conditioned Rooms	Guest Laundry	Courtesy Coffee in Lobby	Complimentary Continental Breakfast	Licensed Bar/Lounge	Licensed Restaurant	Business Centre	In Room Internet	Meeting Space/ Conference Rooms	Swimming Pool Indoor/Outdoor	Waterslide	Hot Tub/Whirlpool/Sauna	Exercise Room	Kitchenettes	Wheelchair Accessible
TABER																			
Heritage Inn	74	\$79-\$115			✓	✓	✓	B,L	✓			✓				H,S	✓		
Super 8 Motel	48	\$79-\$110			✓	✓	✓					✓							
Taber Motel	18	\$40-\$60			✓	✓	✓												✓
The Lodge Motel	54	\$49-\$79			✓		✓							O					✓
Palace Hotel	15	N/A																	
Total	209																		
VULCAN																			
Vulcan Country Inn	35	\$55-\$65	2.5		✓			B	✓	✓		✓							✓
Wheatland Motel	25	\$40-\$74			✓	✓													✓
Vulcan Hotel	19																		
Your Tree House B&B	2													O					
Total	81																		
MILK RIVER																			
Milk River Inn	10	N/A																	
Southgate Inn 98	20	N/A			✓	✓		B	✓										✓
Roxie Smith Bed & Breakfast	1	N/A					✓	✓											
Total	31																		
WARNER																			
Warner Hotel	9	N/A			✓			B	✓										
Total	9																		
Note: Estimations were made when number of rooms was not available																			
Source: PKF Consulting research																			

**EXHIBIT 3-8
Accommodation Facility Chart**

	# of Guest Rooms	Posted Room Rates	Canada Select Rating (Stars)	CAA/AAA Rating (Diamonds)	Air Conditioned Rooms	Guest Laundry	Courtesy Coffee in Lobby	Complimentary Continental Breakfast	Licensed Bar/Lounge	Licensed Restaurant	Business Centre	In Room Internet	Meeting Space/ Conference Rooms	Swimming Pool Indoor/Outdoor	Waterslide	Hot Tub/Whirlpool/Sauna	Exercise Room	Kitchenettes	Wheelchair Accessible
ELKWATER																			
Elkwater Lake Lodge and Resort	43	\$105-\$295			✓			L	✓			✓	I			H			
Total	43																		
REDCLIFF																			
Redcliff Hylton	18	\$105-\$295			✓			L	✓			✓	I			H			
Pallas Hotel	12	N/A																	
Nagels Sunset View Bed and Breakfast	3	\$40-\$60			✓		✓										H		
Total	33																		
FOREMOST																			
Cedar Villa Motel	13	N/A																	
Total	13																		
<i>*This property does not have any information posted in the accommodation guide or on any website and would not participate in this study.</i>																			
BOW ISLAND																			
Sliver Sage Motel	16	N/A																	
Total	16																		
<i>*This property does not have any information posted in the accommodation guide or on any website and would not participate in this study.</i>																			

3.7 Historic Supply and Demand

In this section of the report the historical demand for hotel accommodation in "Other Communities" of the Canadian Badlands region and the main characteristics of the market are described. This demand can be referred to as "demonstrated demand". It is demand that can be quantified by examining the aggregate occupancy level for the competitive supply.

The recent historic performance of the competitive hotel market in the "Other Communities" is summarized in the following table.

TABLE 3-6 HISTORIC MARKET PERFORMANCE OTHER COMMUNITIES CANADIAN BADLANDS, ALBERTA					
Year	Available Room Nights	Percent Change	Occupied Rooms	Percent Change	Occupancy Percent
2003	390,125	--	256,806	--	65.8%
2004	419,010	7.4%	282,955	10.2%	67.5%

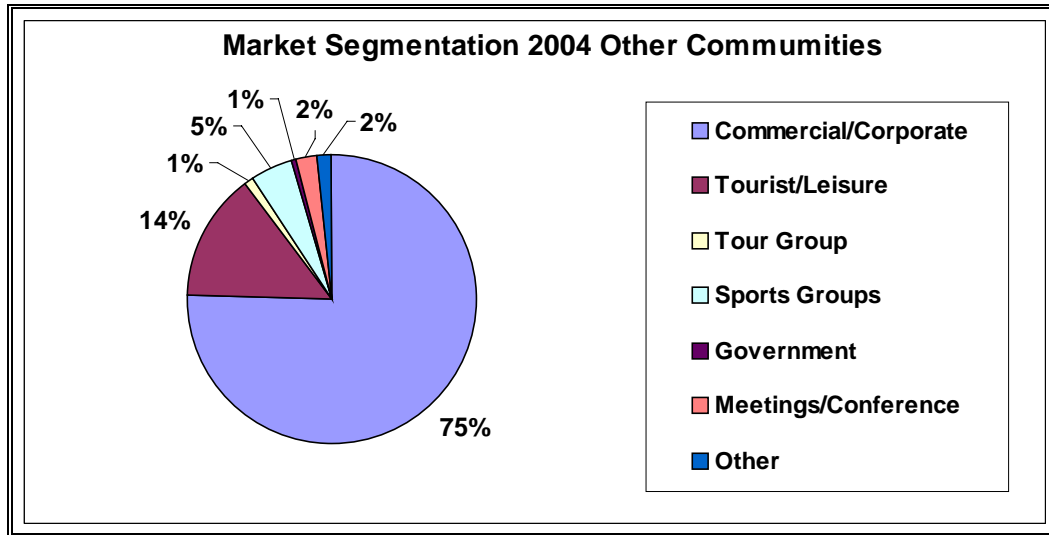
Figures may not be exact due to rounding
Source: PKF Consulting analysis

3.8 Market Segmentation 2004

Accommodation demand in the "Other Communities" is generated from many sources including commercial/corporate, tourist/leisure, tour group, sports groups, government, meeting/conference, and other sources including weddings and family reunions etc. The operators in this subset are heavily vested in the work crew and related corporate markets in the 2004 period. This region shows strongest demand from this particular segment at 74.0% of all the reported demand. These properties frequently rent on a weekly or longer term basis. These communities maintain their fair share of the sports market at about 5.0% of their total demand. The leisure market is minor at 14.0% of the total volume and is based in part by the proximity of the community to tourist attractors.

The chart below shows the market segmentation for the "Other Communities" from all sources of demand in 2004.

Chart 3-25

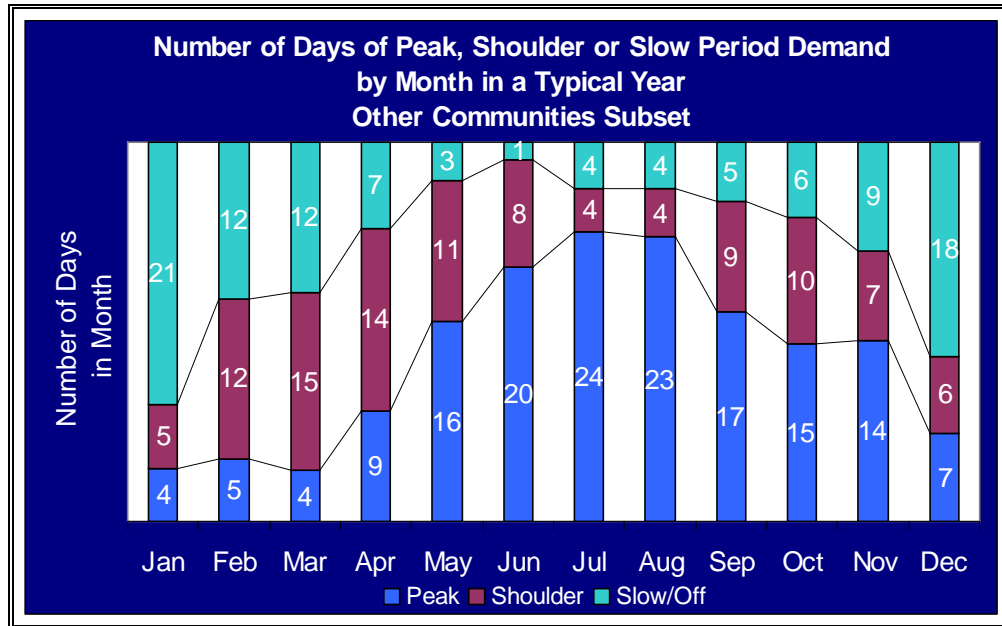


Source: PKF Consulting research

3.9 Seasonality of Demand

As part of the interview process operators were asked to estimate the seasonality of demand by month for their property. Operators were asked to estimate how many days of the month fell into each of the seasonal categories peak, shoulder and slow/off season for each month. The “Other Communities properties reported a lower number of should and slow/off season days than the comparative subsets, perhaps because shoulder seasons are broadened out in destinations and because of the high proportion of commercial demand at this time. This may concern tourism industry representatives if they find there is insufficient capacity in peak seasons... The graph below displays the aggregate seasonality of demand for the “Other Communities”.

Chart 3-26

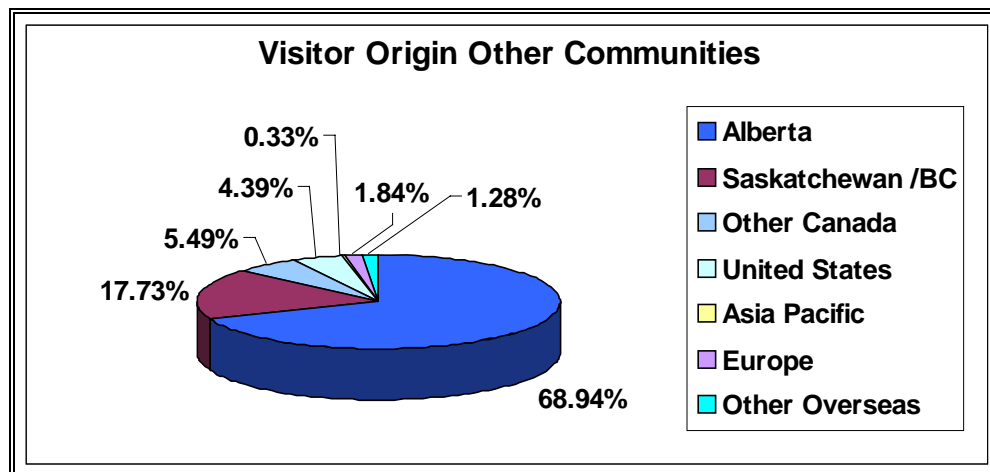


Source: PKF Consulting research

3.10 Visitor Origin and Origin of Room Night Demand

While the majority of visitors to the “Other Communities” of the Canadian Badlands are from Alberta, the area also attracts visitors from other areas of Canada and locations as far away as Europe, Southeast Asia, and Australia. The following chart displays the origin of visitors to the “Other Communities”.

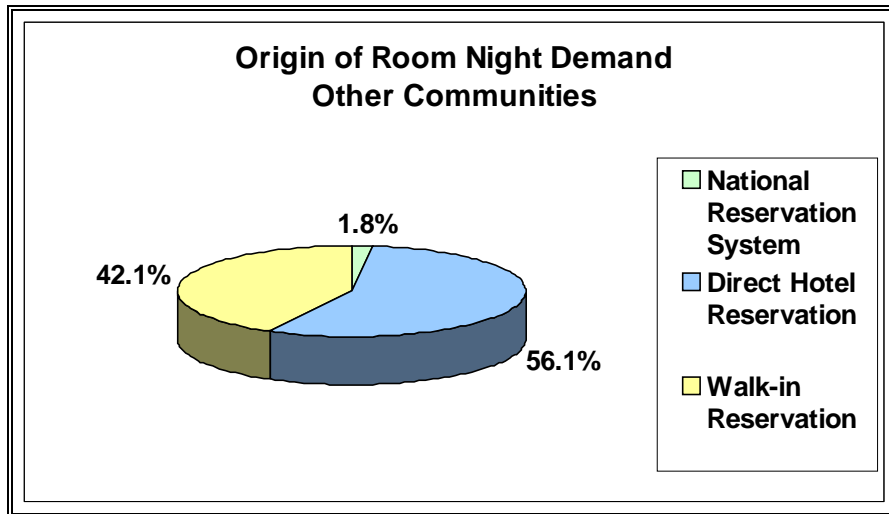
Chart 3-27



Source: PKF Consulting research

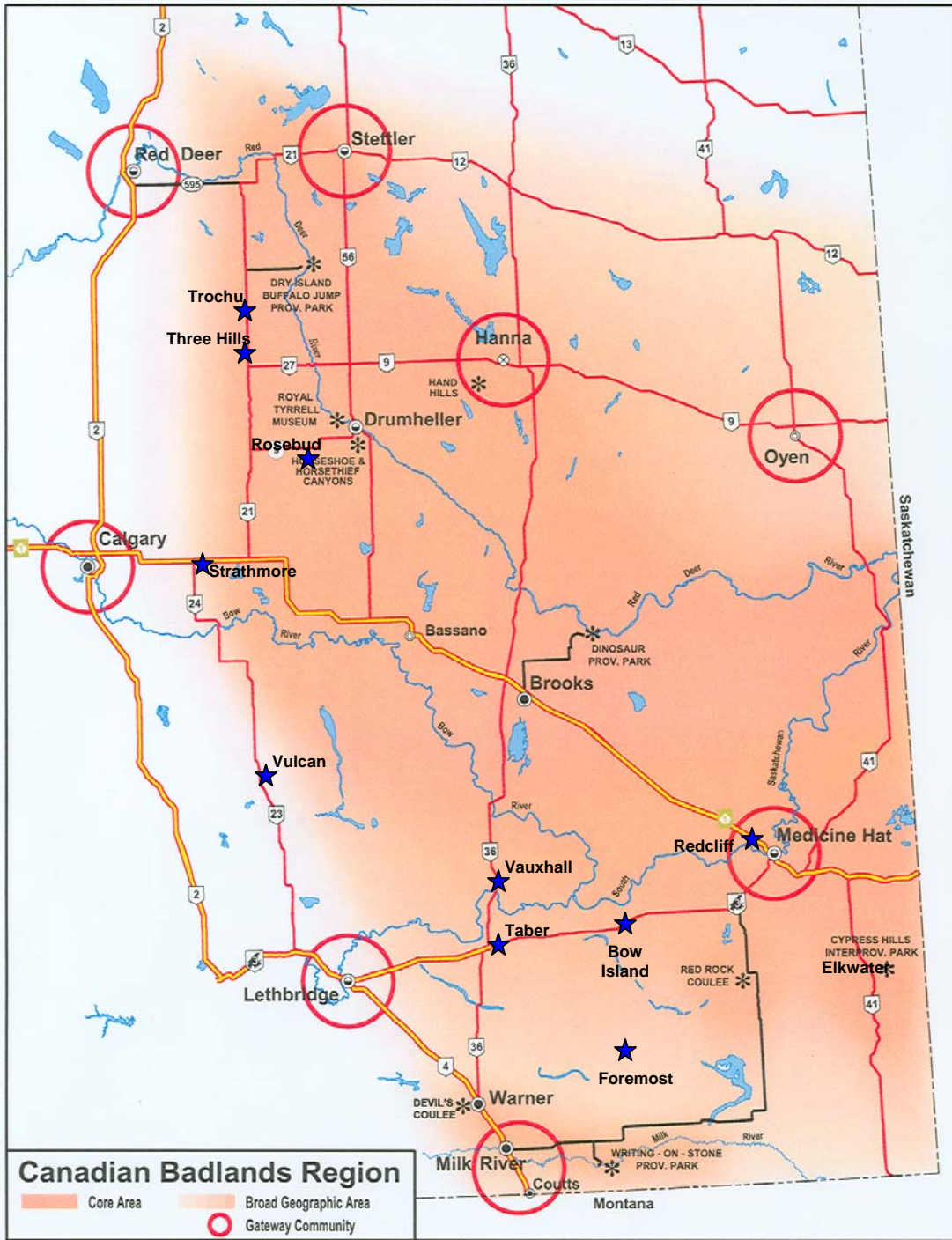
Room night demand can come from a variety of sources including a national reservation system for chain hotel properties or reservations through an Internet site, direct hotel reservations, and walk-in reservations. Operators were asked to estimate what percentage of their demand came from each of these demand sources. The participating hotels indicated a larger percentage of their guests were “walk ins” or arrived without a reservation than is typical in the overall sample. The majority of the guests booked directly with the hotels. The aggregate results for the “Other Communities” are displayed in the following pie chart.

Chart 3-28



Source: PKF Consulting research

**EXHIBIT 3-9
COMMUNITIES IN THE CANADIAN BADLANDS
SOUTHEASTERN ALBERTA**



Source: Alberta Economic Development

SECTION 4 TOURISM INITIATIVES AND OPPORTUNITIES

Introduction

The Canadian Badlands region is recognized by Government and by the tourism industry in Alberta as an area that 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, the Canadian Badlands tourism destination area is very much a “work in progress”. While the opportunities are great, the region suffers from a number of weaknesses, some of which are:

- **Scale of Attractors** – Where the Royal Tyrell is clearly a national scale attraction, there are few other attractions at this time that are equipped to handle the scale of tourism that is implied from national and international interest. The tourism service economy is scaled according to the major attractions, and therefore this sector in most areas of the region is under the capacity required. The challenge is to grow the tourism leisure demand for the Attractors in lockstep with supply growth of the tourism service businesses in the region.
- **Supporting Attractions and Activities** – Leisure markets seek many and varied things to see and do in a destination. The Canadian Badlands offers strong core activities in some areas, but is weak in ancillary tourism activities such as walking tours, guided Badlands tours and so on. This is typically a “chicken and egg” problem, and the challenge for regional tourism development is to grow the capacity of the tourism activity side of supply in a balanced way with the growth of the destination interest and traffic.
- **Business and Leisure Balance** – The region has strong business activity, and hotels are often full with crew business. While this is excellent for the regional economy, it may cause difficulty on the leisure development side of the industry. While full hotels should stimulate new demand, entrepreneurs need to feel that the business economy will remain strong for many years before they will invest in new supply. While crew are in the hotels, it is more difficult to host leisure visits, rates are higher, and it may make leisure tourism growth more difficult. Most operators in the Badlands region, however, would agree that this is a happy problem relative to the options. Also, business visits create leisure visits, and some of the oil patch workers will bring their families to the region.
- **Seasonality** – The seasonal nature of the leisure tourism business is a challenge to every tourism destination area in Canada. Regions “starting out” face a greater challenge and hurdle from this cyclical nature, as their debt load often makes their businesses more precarious. The existing strong business

market mitigates this issue for accommodations operators in the Badlands. However, it remains a challenge for activity suppliers and other service businesses that rely primarily on leisure markets.

- **Economic Constraints to Growth** – The Canadian Badlands as a whole and its communities individually face the same issues as other tourism regions in Alberta due to Alberta's strong economy:
 - **Labour supply issues**, and the wage push that occurs as a result of lack of supply. While skilled labour is a challenge in Alberta, less skilled labour is in seriously short supply throughout the Province.
 - **Energy costs**, and the increasing operating costs of properties as a result of energy cost. While this issue exists across the country, new properties reliant on leisure markets are sensitive to these rising costs in relation to what the market will bear in terms of price of rooms.
 - **Financing Availability**, while less an issue for business-focused development of hospitality properties today, remains a challenge for leisure-focused properties.

While the three points above are important they are not specifically considered a constraint to product development in any specific communities.

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 supportive activities in a balanced and supportive fashion over time. This, however, is the challenge of all developing tourism destinations, which often tend to “lurch forward” and “fall back”, rather than moving smoothly upward. Coordinated tourism development activities can mitigate these issues and better realize opportunities. Fortunately, a good deal of work on developing these opportunities is underway, and results should be evident on the ground in due course.

It is the view of the consulting team that to grow the Canadian Badlands as a leisure tourism destination, to grow the leisure components of the fixed roof accommodation in the region, and to realize the potential of this region, industry, government and communities will need to act on many of the initiatives identified in the sections following.

4.1 Canadian Badlands Eco-Tourism Destination Assessment

The following is the summary of the Ecotourism Development Strategy taken from *The Canadian Badlands Eco-Tourism Destination Assessment* by Malone Given Parsons Ltd. in association with Verburg and Associates Economic Research Associates which was published in September 2004. The Strategic Plan

reflects a collective intention to:

1. Build organizational capacity, including building a united organization for tourism in the Badlands, to aid in product development and product packaging;
2. Define integrating themes to better tie the region together: including defining themes, organizing web and paper marketing materials, and developing regional “activity portals”;
3. Expand interpreted eco-tourism in and outside provincial parks: this includes developing new interpretive programs at the parks (which are currently underway as part of the expansions to the Visitor Centres at the three major provincial parks) and developing packaging to link the Parks to “adventure” experiences;
4. Expand the eco-tourism product base through packaging by linking complimentary activities, attractions, and events;
5. Expand the eco-tourism product base through new product and program development: including development of Aboriginal tourism products, packages for Dry Island Jump Buffalo Provincial Park and development of more programming with existing assets and create new program-based products including themed tours, themed events, and cross-marketing of interpretive products; and,
6. Expand the eco-tourism product base through new infrastructure development including new accommodation facilities and new activity support facilities.

The information in 4.1.1 and 4.1.2 summarizes identified information opportunities for the Canadian Badlands region as contained in the Eco-Tourism Destination Assessment.

4.1.1 New Product/Business Opportunities

The study notes the following new product and business opportunities:

- Interpretation of river valley ecology and/or human history;
- Interpretation of Aboriginal history and relationships to the landscape and the spirit world;
- Trail rides through a coulee to the prairie tableland, perhaps with camping out under the stars and a "round-up breakfast";
- Skills development workshops, for example in photography or painting;
- Coach tours with their own interpreters, taking their guests into provincial parks to enjoy/discover Park assets independently of the Park's own programs;
- Supply of transportation from area nodes into provincial parks,

- Supply of transportation within provincial parks;
- Aboriginal story telling among the hoodoos;
- Sunrise/sunset viewing at scenic lookouts over the Badlands;
- Hot air balloon rides across the badlands near Drumheller or Dinosaur Provincial Park;
- Night sky and full moon or lunar eclipse viewing at key vantage points, including the Hand Hills and the Cypress Hills;
- Packaging with rodeos, or viewing of the annual "Stampede" stock drives to Calgary;
- Packaging with stock auctions;
- Half or whole day tours of arts and crafts studios and/or small museums and other attractions in the region's smaller centres;
- Aboriginal tourism experiences, at in-reserve attractions, parks, or other sites;
- Coach day tours to Dry Island Buffalo Jump Provincial Park (DIBJPP) from Calgary and Drumheller, with interpretation, lunch, and return to Calgary via the Dinosaur Trail, in part if not all the way in to Drumheller;
- Ranch stays and trail into Dry Island Buffalo Jump Provincial Park (DIBJPP), packaged with one or more interpretive tours on the same themes as above, and/or with other experiences;
- Tours of the Red Deer River within Dry Island Buffalo Jump Provincial Park (DIBJPP) itself on a one or two day stay, or further downstream for longer in-region stays;
- Packaging of experiences, as outlined above, by Alberta-based receptive tour operators;
- Staging of more events at the Canadian Passion Play site in Drumheller;
- Aboriginal story tellers or interpreters giving talks on coach trips between assets;
- Palaeontologists and ecologists giving interpretive talks on coach tours between Drumheller and Dinosaur Provincial Park, or between Calgary and the Royal Tyrell Museum;
- Badlands stories CD's, recounting the history of the landscape and its occupation over time;
- New accommodations facilities; and,
- Bus package travel from gateways to attractions at Dinosaur Provincial Park (DPP), Siksika, Head Smashed in Buffalo Jump and Writing-on-Stone Provincial Park (WOSPP).

The challenge of these opportunities goes to the "chicken and egg" issue. These 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. Destination marketers and product developers need to work on this issue to growth businesses and markets in lockstep to the extent possible.

4.1.2 Public Sector or Public/Private Partnership Based Product Opportunities

The study outlines the following opportunities:

- Creation of regional "activity portals";
- Positioning of regional gateways as "access portals";
- Creation of a marketing alliance(s) to develop web portals supporting travel planning and purchasing decisions;
- More narrowly focused but deeper interpretation of Park assets for smaller groups;
- More comprehensive, smaller group tours in shoulder seasons, targeting adult only segments;
- Interpretive programming in parks with non-staff experts on such matters as birding, ecology, photography and painting, etc.;
- Tours guided by palaeontologists showing how potential find sites are scouted in Dinosaur Provincial Park or Dry Island Buffalo Jump Provincial Park;
- Visits to and meals at Hutterite communities;
- Participation in Pancake Breakfasts and Fall Suppers;
- Creating themed tours of the region;
- Creating themed events like "Wings over the Hoodoos" - annual birding events around migrations, modelled on the Wings over the Rockies event in the Golden area of BC;
- Working with theatre students out of Rosebud to stage encounters with coal miners at the Atlas Mine site or the suspension bridge at Rosedale;
- Additions and enhancements to local trail systems, including development of new sections on abandoned rail alignments, refurbished bridge connections, interpretive storyboards, way-finding signage, etc.;
- New multi-use trail point to point sections along abandoned rail lines elsewhere in the region;
- Access points to the region's rivers, for put-in and take-outs in centres and rural areas, and overnight camping to support river tours;
- Camping or picnic and put-in/take-out spots at river crossings;
- Signage and supporting print or CD materials for loop tours at local and larger scales throughout the Badlands, as was done in the past for the "Badlands and Bones" now "Dinosaur" loop upstream of Drumheller;
- Signage and interpretive story boards at major viewpoints;
- Creation and/or identification of points of interest along travel routes, including smaller centres and their restaurants, museums and other attractions, look out points, camp, picnic and/or put-in/take-out

- points at river crossings; all on regional paper travel maps and web maps; and,
- Implementation of a signage system for way and attraction finding.

Again, the challenge is for these businesses to survive the early growth stages of the destination.

4.2 Entire Canadian Badlands Region

Based on information provided by Alberta Economic Development and on interviews with tourism and economic development professionals in the region PKF Consulting has identified the following marketing and developments activities planned for the Canadian Badlands in the next few years.

A Canadian Badlands organization responsible for promoting development and marketing of the region has been proposed and is expected to be formed within the next six months. A regional meeting was held with a Mayors and Reeves Steering Committee in the region at the end of January to obtain endorsement for the incorporation of the organization.

There are currently six self guided tours being developed for the region. It is anticipated they will be completed by the end of March at which time marketing will be undertaken to attract Albertan and International visitors. An additional six to eight tours will be developed in 2006 with introduction to the market planned for 2007.

Three new Interpretive Centres are under construction at provincial parks in the region as discussed in greater detail elsewhere in this report. Community Development hired a marketer in 2005 to promote visitation to historic sites and the provincial parks. This is a newly created position.

Three community tourism strategies were prepared in 2005 as discussed in detail elsewhere in this report. Two more strategies are currently being prepared for Medicine Hat and Cypress County and for the Oyen/Acadia area. Gateway Community Strategies will also be prepared in 2006.

The Canadian Badlands Marketing Committee has been working on the development of a brand and branding statement which is scheduled for completion in the spring. The Canadian Badlands web site is also currently being redeveloped and such ideas as to micro sites with stories on topics such as live theatre, coal mining history, and finding fossils are being considered. The new website is expected to be operational before the summer season.

The publication will be sent to international and national markets. Two displays will be developed for the region and will be placed in key gateway travel Alberta Visitor Information Centres in 2006. Alberta Economic Development plans in 2006 to work with tour operators to bring tour groups into the region. Alberta Economic Development also plans to study Aboriginal Tourism opportunities in 2006.

These coordinating and collective activities are precisely the initiatives that will support balanced growth of the destination region, so that markets can grow in lockstep with new business growth, mitigating the cycle of business boom and failure that is characteristic of some destination area development.

4.2.1 The Provincial Parks

There are several Provincial Parks located within the Canadian Badlands region including Cypress Hills, Dinosaur, Writing-On-Stone, Dry Island Buffalo Jump, Midland, Tillebrook, Kinbrook Island, Little Fish Lake, Bleriot Ferry, and Wyndham Carseland. 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 focus of this section.

According to Alberta Community Development Provincial Parks and Protected Areas, visitation to the three parks is seasonal in nature, with 60% of visitation occurring in the peak season of July and August, 30% occurring in the shoulder season of May, June, Sept and October and the remainder occurring in the slow or off season period of November to April.

Expansions and renovations of the three flagship provincial parks are currently underway. The expansions are 2005 Alberta Centennial Legacy projects that received Legacy Project funding from the Alberta Government. Below are descriptions of the improvements to the Visitor Centres.

Cypress Hills Interprovincial Park

Construction of the new Visitor Centre is currently underway. Completion and the grand opening of the new facility are scheduled for the spring of 2006. The new facility will include the following a public information area and gift shop, a multi purpose room that will also serve as the public theatre and space for the park interpretive and education staff and a new gallery of approximately 250 square metres which will have as its central feature a six metre high archaeological “peel” covering an 8,500 year time period which is the time of human occupation in the hills. This centre will also act as a gateway to other parks and protected areas and historic sites in the region including Dinosaur and Writing-on-Stone Provincial Parks.

Dinosaur Provincial Park

Construction of the new Visitor Centre/Field Station is currently underway. Construction began in early 2005 and in November of 2005 the park was reopened to the public allowing for access to the day-use area, two outdoor fossil displays, four self guiding trails, and approximately 50% of the campsites. The Visitor Centre is still under construction and is scheduled to re-open in late spring 2006. The expansion totals 420 square metres and will include the following, an enlarged theatre, public area and reception area, gift shop and multi purpose room and a new gallery of approximately 160 square metres with the primary focus on presenting the park's contemporary natural history themes. It is anticipated the new facility will be LEED™ (Leadership in Energy and Environmental Design) Silver status certified. The park intends to promote this certification through display signage, interpretive brochures and personal service programming. It should be noted that it is a goal to have the other two park facilities be LEED™ certified as well.

Writing-on-Stone Provincial Park

As with the other two parks, construction of the new Visitor Centre is underway at Writing-on-Stone Provincial Park as well. It is anticipated that construction will be completed and a grand opening will occur in spring 2006. The new facility will be located on the prairie level (above the flood plain) overlooking the Milk River Valley and the Sweetgrass Hills. The building is going to have an exterior coloration pattern that will mimic the surrounding landscape. The Visitor Centre will reflect the First Nations symbolically with the primary building featuring a circular gallery that surrounds the centrally located orientation/theatre space (which will also be circular in shape). The orientation/theatre space will resemble a tepee. The gallery and orientation space will occupy approximately 200 square metres. The primary emphasis for the gallery will be cultural history both First Nations and European history. The building will also be a public information centre, will provide a gift shop, multi purpose room, and office space.

Projected Visitation to Interpretive Centres at Cypress Hills Interprovincial Park, Dinosaur Provincial Park, Writing-on-Stone Provincial Park

In 2003, Alberta Community Development Provincial Parks and Protected Areas commissioned Western Management Consultants to conduct a market assessment and prepare visitor projections for the three flagship Provincial Parks in the Badlands region, Cypress Hills Interprovincial Park, Dinosaur Provincial Park, and Writing-On-Stone Provincial Park. The projections prepared forecast visitation to the Interpretive Centres at each park in 2005, 2010, 2015, and 2020. The projections used a base year of 2002. The projections were

made in advance of the renovations and expansions to the Interpretive Centres that are currently underway at each of the parks however, the projections were made with the assumption that significant improvements would be made to the Interpretive Centres. Based on conversations with Alberta Community Development Parks and Protected Areas and information obtained from the *Market Assessment and Visitor Projections* prepared by Western Management Consultants in 2003, the following tables contains the projected visitation to each of the three provincial parks in five year increments up to 2020. It should be noted that these figures only represent figures for visitation to the Interpretive Centres and not total visitation to the park. Total visitation to the parks as displayed in the attractions portion of Section 4 of this report is much higher than the figures provided here.

TABLE 4-1 TOTAL FORECAST VISITATION TO INTERPRETIVE CENTRES AT DINOSAUR PROVINCIAL PARK, CYPRESS HILLS PROVINCIAL PARK, AND WRITING-ON- STONE PROVINCIAL PARK, 2002-2020					
	Base				
	2002	2005	2010	2015	2020
Dinosaur Provincial Park	35,000	52,345	62,151	69,646	77,484
Cypress Hills Provincial Park	23,000	26,447	39,708	43,854	48,792
Writing-on-Stone Provincial Park	25,000	33,043	37,177	40,908	45,166
<i>Source: Market Assessment and Visitor Projections, Western Management Consultants, March 2003</i>					

4.3 Medicine Hat

The City of Medicine Hat has an array of attractions and events to cater to every age and visitor and is marketed as the sunniest city in Canada. The most popular event of the year is the Medicine Hat Exhibition and Stampede that is a professionally sanctioned event and features professional bull riders. Throughout the year the exhibition site hosts a farmers' market, Christmas market, a horse show, trade shows, exhibitions and many other events. The exhibition and stampede site encompasses the Cypress Centre which is a 33,000 square foot Auditorium and Pavilion that hosts annual trade and exhibition shows such as the Great West Home Expo and Leisure Show, the Annual Sunshine Home Expo and Leisure Show, and the Gas City Petroleum Expo. According to information provided to PKF Consulting the Medicine Hat Exhibition and Stampede site attracts an estimated 273,500 visitors annually. In 2004, attendees visiting Medicine Hat for the purpose of an event at the exhibition site spent an estimated \$6 million locally. Over the past five years, approximately \$1.3 million has been spent on new buildings and major redevelopment on the exhibition site. Renovations and maintenance is reported to be constrained due to lack of funding as the facility has become

more expensive to operate due to its age.

The opening of the 37 room and six cabin Elkwater Lake Lodge and Resort in the Spring of 2005 has increased visitation to the area due to its unique features such as an indoor salt water pool and hot tub, conference centre, seasonal spa, on-site designated relaxation areas and because of its relationship to Cypress Hills Provincial Park. The Elkwater Lake Lodge and Resort is located approximately 35 kilometres southeast of Medicine Hat.

There are three 2005 Alberta Centennial Legacy projects that the City of Medicine Hat will showcase in 2006 for its centennial celebration on May 9, 2006. The Esplanade Arts and Heritage Centre opened in 2005 with a 750 seat theatre, art gallery, museum, gift shop, café and box office. The Centre features ballet, theatre, and concert productions and is undergoing some expansions. The Regional Echo Dale Park within Medicine Hat is expanding with the addition of a historic mine that will be made available to the public. The Echo Dale Park also features a historic farm and man made lake. The third Alberta Centennial Legacy initiative is the renovation of the National Historic District of Medalta Potteries, a clay manufacturing company that produced and distributed bricks, tiles, and other clay products all over Canada in the early 1900's.

The City of Medicine Hat has implemented annual marketing initiatives to increase awareness and visitation to the City. Tourism Medicine Hat publishes an annual twelve page magazine that is inserted into major Albertan newspapers such as Calgary Herald, Regina Leader-Post, and the Edmonton Journal to increase awareness of local attractions, events and expositions. Tourism Medicine Hat also produces city maps and a visitor information relocation guides for visitors.

Below is a brief summary of new and existing plans for tourism development as reported to PKF Consulting by representatives in the Medicine Hat area.

4.3.1 Tourism Development and Opportunities

1. There is a 2006 Municipal initiative to encourage meetings and conventions to the City of Medicine Hat. Recently it was announced that the City approved funding for a Meeting and Convention Services department within Tourism Medicine Hat for the solicitation of public assembly business.
2. The Cypress Centre Auditorium and Pavilion which is located on the Medicine Hat Exhibition and Stampede Grounds is currently undergoing renovations to enhance its quality and

atmosphere.

3. Development of Guided Tours of the area. To support anticipation increasing numbers of delegates at meetings and conventions and other leisure guests there is a requirement to develop guided tours within the City. Accordingly there is a plan for this to be developed.

Renovation of Visitor Centres at nearby Provincial Parks is planned. Cypress Hills Interprovincial Park and Dinosaur Provincial Park are undergoing renovations to their visitor centres due to availability of Provincial Government funding. This is considered one of the major industry product development activities.

4.4 Lethbridge

The City of Lethbridge offers several seasonal attractions in addition to the year round Sir Alexander Galt Museum and Fort Whoop-Up. The local Exhibition Park in the City of Lethbridge hosts annual trade and expositions throughout the year such as the Agricultural Show, the Farmer's Market, the Home and Garden Show, Fort Whoop-up days, the Spirit of Lethbridge Trade Show, the Country Christmas Craft Fair, and many more. Exhibition Park is open year round and comprises over 125,000 square feet site of trade and exhibition space. The City of Lethbridge is able to host small to mid size conventions with up to 1,000 delegates. Lethbridge Centre, a commercial centre, will open in late 2006 and will feature quality meeting space that can accommodate meetings and conferences of a maximum of 260 people. The meeting space also includes several breakout rooms that are reported to be much needed, to support the increasing number of larger meetings and conventions being attracted to Lethbridge. In addition to events and local attractions, Fort Whoop-up will soon present the opportunity for visitors to try tepee camping.

The expansion of the Sir Alexander Galt Museum is a 2005 Alberta Centennial Legacy project that the City of Lethbridge will showcase in 2006 for its centennial celebration in May 2006. The Sir Alexander Galt Museum is currently undergoing significant renovations and an expansion that will add 13,627 square feet to its existing 27,243 square foot facility. The Museum is located within the Park Place Mall and will feature archives, a gift shop, collections, and an education aspect. The Museum will educate visitors and citizens of Lethbridge about the unique history of the people through art collections.

The Alberta South marketing initiative is intended to increase promotion of Southern Alberta through magazine inserts in Alberta newspapers including the Calgary Herald, Edmonton Journal, and the Red Deer Advocate. A marketing campaign also includes television commercials on CTV and CBC channels and a website component advertising packaged weekend getaways. Alberta South has published an information visitor

guide consisting of 90 pages, mostly containing advertising in the past. In 2006 this information visitor guide will be reduced to 20 pages and will contain more specific information about Southern Alberta and less advertising. The Chinook Country Tourism Association is proactive in promoting hotels, restaurants and golf within Lethbridge and assists with marketing by publishing the Lethbridge Visitor Guide. In addition, Lethbridge Economic Development will be dedicating a position solely for the marketing of Lethbridge in the near future.

Below is a brief summary of new and existing plans for tourism development and opportunities in the Lethbridge area.

4.4.1 Tourism Development and Opportunities

1. Lethbridge Economic Development indicated that there was a need for more year round attractions: Lethbridge currently has three fully developed attractions, Fort Whoop-up; the Nikko Yuko Japanese Gardens; and, the Sir Alexander Galt Museum. The Sir Alexander Galt Museum is the only attraction that is open year round and after extensive expansion and renovations will open in May 2006. Although the tourist season is in the summer months when these attractions are operating, the City of Lethbridge is in need of attractions that can operate on a year round basis to be able to support visitor activities year round and in the interim attract tourists in the shoulder months.
2. The Canadian Pacific High Level Bridge. There is tourism potential with opportunity to create a tourist attraction with the Canadian Pacific High Level Bridge constructed between 1907 and 1909 and built as part of a major diversion of the Crowsnest Pass route between Lethbridge and Fort Macleod. A committee has been formed in Lethbridge for the creation of a tourist attraction that would include a small tourist train that could bring tourists on the bridge. The railway is in use today and visitors cannot walk or ride a historical passenger train. Lethbridge Economic Development is in the process of working with Canadian Pacific Railway to develop a National Historic Event attraction, however this is seen as a long term initiative.

4.5 Town of Brooks and County of Newell

Between February and April, 2005, a volunteer Working Group of community representatives from the Town of Brooks and County of Newell, developed a Community Tourism Strategic Plan. The Tourism Development Branch of Alberta Economic Development provided funding for the plan and Jan Bloomfield of *Strategy Plus* facilitated the process and compiled the tourism plan.

Top priorities for tourism development outlined in the Tourism Action Plan include opportunities at Tillebrook Provincial Park such as re-opening of the day use area, development of an interpretive centre, craft shop and wildlife and bird watching. There is also the possibility of developing a shuttle to Dinosaur Provincial Park for overflow campers, for use of the park as a starting point for tours and a possible location for a visitor information centre.

Dinosaur Provincial Park is currently undergoing a complete redevelopment of the Field Station. Other opportunities at the park identified in the study include increasing the capacity of the park for tours by extending the operating season, creating bird watching and wildlife viewing packages, development of shuttle services to Brooks and campgrounds, river use and expansion of evening programming such as sound or light shows.

Tour development has also been identified as an opportunity. Possibilities include arts and craft studios, agritourism, movie sites, and other interesting places that incorporate hands-on-learning experiences. Potential for packaging of the Silver Sage Rodeo and other events with accommodation has been recognized. There is also potential for behind the scenes tours and learning activities i.e., learn to ride.

Opportunities for the Brooks Aqueduct National Historic Site include extending the operating season, adding additional staff and activities, improvement of signage, inclusion on tours of the area, development of a demonstration section of the aqueduct and encouragement of operation of the site to be relocated to the local area (currently operated by Alberta Government).

With regard to the Crop Diversification Centre opportunities include development of better signage, tours, improvement of the rose garden, linking to a tour, either guided or self guided and brochure development.

The tourism plan identified potential for redevelopment of the Brooks Museum / Visitor Information Centre including upgrading of the building to extend the operating season, incorporation of more activities to reflect a living museum, implementation of a charge for entry, and relocation of the visitor information centre to a more

visible location.

There are several other opportunities identified in the plan that are not considered top priorities at this time. Those that require some coordination, packaging, and promotion include golf packaging of stay and play tours for the four rural courses, development of a Central Booking Service for accommodation in the area, marketing and inclusion in tours or brochures of the EID Park in Scandia and development of the Bassano Dam as an attraction which would involve coordination with Siksika Nation to resolve issues of recreational access and would require marketing of the attraction.

Those options that are not a top priority and would require some physical development include upgrading of wetlands trails, expansion of camping facilities, and possibility of providing recreation equipment rentals at Kinbrook Island Provincial Park and working with staff at the Canadian Pheasant Hatchery regarding signage, tours of the facility and inclusion as part of tours of the area. Also mentioned is the possibility for development of alternative accommodation including encouraging development of farm and ranch vacations, B&Bs, use of college campus residences, and development of rental cabins, cottages, condos, or RVs on Lake Newell.

Further to these opportunities the Tourism Strategic Plan mentions other possibilities for tourism development in the future such as a fountain in Stafford Lake as part of the Centennial Legacy Foundation project, development of a new movie theatre with the old one to run "old movies", development of unique shops and retail outlets, evening shopping, area tours, tour desk at hotels, casino with a badlands or irrigation theme and recreation equipment rental for use on trails.

4.6 Hanna and Area

Between February and April, 2005, a volunteer Working Group of community representatives from the Town of Hanna and surrounding area, developed a Community Tourism Strategic Plan. The Tourism Development Branch of Alberta Economic Development provided funding for the plan and Jan Bloomfield of *Strategy Plus* facilitated the process and compiled the tourism plan.

There were several opportunities for tourism development outlined in the Tourism Action Plan. They included opportunities for product development as well as opportunities for packaging and improvements to existing tourist/leisure product.

The first tourism opportunity explored in the plan was the possibility of developing a railroad theme. Ideas put forth in the plan include possible relocation of the CNR Station closer to the highway for use as a Visitor

Information Centre, shop for arts & crafts sales, and office space for group use such as the Chamber of Commerce and development of the CNR Roundhouse as a tourism facility and attraction in conjunction with the current owner. Potential uses for the CNR Roundhouse include developing working railway exhibits, a performing arts theatre, providing sleeping cars for overnight guests, a venue for a farmers market, or other use. Based on information provided the Director of Economic Development and Tourism for the Town of Hanna, the town is currently continuing to investigate the rail theme development with some planning taking place within the town. Nothing has been officially announced as at January 2006. They are currently in the process of building a business plan for the relocation of the CNR Station for use as a Visitor Information Centre.

Another possibility for the Hanna area explored in the tourism plan is the development of guided tours of the area with an initial focus on industrial activities in the area including the Sheerness Power Plant operated by ATCO and Luscar Coal Mine. The Director of Economic Development and Tourism informed PKF Consulting that there was no pilot guided tour developed in the summer of 2005 as there were greater barriers to development than at first realized to developing a tour that included the proposed locations. For example the Sheerness Power Plant operated by ATCO requires 48 hours to do security clearances on people wanting to tour the plant. They will also not allow private tours on site via a private tour operator however they will support a community initiative. The guided tour project is still on the list of possible tourism initiatives in the future however it has become a lower priority at this time.

Other opportunities for product development identified in the tourism plan include development of Agri-Tourism opportunities with a focus on developing awareness with local farmers/ranchers of the opportunities available for developments such as guest ranches, farm vacations, day visits for working ranch activities, and setting up Geo-Cache sites which involve looking for hidden "treasure" using GPS coordinates. Once found, participants can retrieve a small item from the Geo cache boxes to keep. There is also a registration book that participants can sign. According to the Town of Hanna, the Geo-Cache sites have been developed and have been utilized.

Opportunities for self guided tours were identified in the plan. The self guided tour program is expected to be introduced in 2006 and the Town of Hanna has indicated that it plans to use the tours as possible templates for creating additional tours to target new markets. They have also indicated a desire to integrate the self-guided tours with geo-cache sites.

Opportunities for packaging and improvements to existing tourist/leisure product include possible development of the Centennial Trail on the dike around the lake at Prairie Oasis Park, The Hanna Golf Course Board is expanding the nine hole, Les Thurber designed, championship golf course to 18 holes and is also developing

an adjacent campground. The golf course expansion will be complete and open to the public in the late summer 2006. The golf course is interested in “stay and play” package development possibly with other courses throughout the Canadian Badlands region.

The Hanna Pioneer Museum and Village Board is planning to develop a walking tour of 25 heritage buildings in Hanna. They are also in the process of developing Alberta History Cards and well as a treasure hunt for children. The Hanna Pioneer Museum and Village has also made contact with schools in the area to discuss new programming opportunities.

There are trails in the town of Hanna that will link to the existing trail to Fox Lake. There are also plans to expand the campground and boat ramp at Fox Lake Park.

Hanna receives visitors to the area on an annual basis who are in the area for the purpose of hunting. At this time there is little proposed for developing interest in coming to the area. Current plans include collecting information about hunters calling to request information to determine if there are other facilities or services that could be offered to hunters in the area.

Different opportunities to develop nature based tourism are also being explored at this time. Hanna is home to several unique bird species and the town has put together a list of rare bird species in the area and is currently exploring options for promotion to birdwatchers.

4.7 County of Warner and Area

Between February and April, 2005, a volunteer Working Group of community representatives from the County of Warner and area, developed a Community Tourism Strategic Plan. The Tourism Development Branch of Alberta Economic Development provided funding for the plan and Jan Bloomfield of *Strategy Plus* facilitated the process and compiled the tourism plan.

There were several opportunities for tourism development outlined in the Tourism Action Plan. They include development of soft adventure activities including development of activities that such as guided wildlife photo safaris, trail rides, and other water based activities and additional development Village of Stirling National Historic Site and Galt Historic Railway Park such as development of a walking tour brochure for Stirling, additional interpretation and marketing and promotion.

Construction of a new interpretive centre at Writing-on-Stone Provincial Park of approximately 6,000 square

feet is underway with completion scheduled for June 2006. Once complete the new facility will offer opportunities for an expanded season of interpretive programming and guided tours.

Opportunities have been identified for development of shuttle services between Writing-on-Stone Provincial Park and area campgrounds, communities, and other attractions.

Opportunities at Devil's Coulee Dinosaur Heritage Museum include potential future expansion of the facility, expansion of guided tours to the site, extension of the operating season of the museum and packaging with other area attractions or accommodation.

As in other areas of the Canadian Badlands, development of guided and self guided tours of the area is underway. Tours could highlight agricultural practices, unique and interesting landscapes, area history and oil and gas activity. The self guided tour program is expected to be introduced in 2006, with introduction to the public during the summer tourist season. Agri-tourism/farm/ranch vacations including tours of working farms and ranches, guest ranches and Hutterite Colony tours are also possible tourism development opportunities identified in the tourism plan.

With regard to area parks and campgrounds the focus is on extending the season as it stays warmer in this area for longer than in other areas. The plan also recommends additional promotion of fishing and water based activities.

Finally, there is an opportunity identified in the plan for development of a Railroad Theme as a unifying theme for communities in the County of Warner based on each community's role as a water stop for the trains for the 1890 Galt Railroad Lethbridge to Great Falls. Creation of the theme of "Follow the Steel Rail Trail for 1890" with a caboose in Coutts, other cars in Milk River, Warner etc and the locomotive in Stirling all leading to the Galt Historic Railway Park. Each rail car would have a common appearance, and would include parking, a picnic area, washrooms and information/historic interpretation. Based on correspondence with the regional Economic Development officer for the County of Warner the following updated information has been obtained. The community has undertaken further research into the Railcar initiative. The biggest challenge with this initiative is the costs associated with the relocation of the cars.

An idea that was not put forth in the aforementioned study but is currently being investigated is the geo-cache sites tour which involves looking for hidden "treasure" using GPS coordinates.

4.8 Vulcan

The town of Vulcan is a great example of how a community can develop a unique destination theme that will attract visitors to the community. Due to the emerging trend for science and Star Trek, the Town of Vulcan along with support from the Vulcan and District Chamber of Commerce, Vulcan County Economic Development and the Vulcan Association of Science and Trek, decided to support this growing market by adopting the Star Trek theme within Vulcan. The entire town has adopted the theme and this can be seen all through the town. Street signs with directions to the nearby ice complex are decorated with small green aliens ice skating, as well as street signs for the golf course, elementary schools, rodeo, campgrounds etc. The Tourist and Trek Station located at the entrance of the Town of Vulcan opened in October 1998. This Tourist Visitor Centre is not the average visitors bureau in Alberta, the building is a Star Trek space ship from the exterior and the theme is consistent in the interior. The Tourist and Trek Station has a small souvenir shop, information booth, washrooms and a costume area where tourists can dress up and take photos with life size photos of stars from the hit television show. Every year hundreds of people attend the Galaxyfest Star Trek Convention and Spock Days in costume. The three day event is held in the second week of June and includes fireworks, an art show, bed races and a parade.

4.9 Canadian Badlands Attractions

There are many natural and man made attractions located in the Canadian Badlands region. The diverse landscape of prairies, river valleys, coulees and hoodoos are attractions in and of themselves. The region contains museums, historic sites, interpretive centres and galleries that compliment the unique and diverse landscape of the Canadian Badlands.

The following table displays historic visitation information for attractions located in the Canadian Badlands region collected through PKF Consulting telephone interviews as well as secondary sources of statistical information. PKF Consulting placed phone calls to each of the attractions identified on the major attractions list compiled by Western Management Consultants and approved by the advisory committee for this study.

**TABLE 4-2
CANADIAN BADLANDS HISTORIC VISITATION**

Attractions	Location	Visits			
		2001/02	2002/03	2003/04	2004/05
Dinosaur Provincial Park	Dinosaur Provincial Park	86,000	75,490	N/A	~90,000
Field Station of the Royal Tyrrell Museum of Palaeontology	Dinosaur Provincial Park	28,111	23,251	12,400	11,410
Helen Schuler Coulee Centre	Lethbridge	26,428 (2002)	25,977 (2003)	27,929 (2004)	23,228 (2005)
Kinbrook Island Provincial Park		41,627	40,051	N/A	N/A
Royal Tyrrell Museum of Palaeontology	Drumheller	392,940	363,907	339,208	330,000
Writing-On-Stone Provincial Park/ Aisinaipi National Historic Site	Milk River	43,272	42,439	N/A	~60,000
Cypress Hills Interprovincial Park	Medicine Hat area	167,828	131,203	N/A	~200,000
Dry Island Buffalo Jump Provincial Park		7,547	32,002	N/A	N/A
Brooks Aqueduct	Brooks area	2,473	2,218	3,430	2,755
Last Chance Saloon in The Rosedeer Hotel, Wayne Ghost Town	Wayne	~30,000	~30,000	~30,000	~30,000
Medicine Hat Clay Industries National Historic District	Medicine Hat	~4,000 (2002)	~4,000 (2003)	~5,000- 7,000 (2004)	~5,000- 7,000 (2005)
Rosebud Theatre	Rosebud	37,000 (2002)	26,000 (2003)	26,000 (2004)	35,000 (2005)
Taber & District Irrigation Impact Museum	Taber	927 (2002)	1,031 (2003)	1,140 (2004)	N/A
Hanna Pioneer Village & Museum	Hanna	~400	~425	~475	~525
Redcliff Museum	Redcliff	~1,000	~1,000	~1,000	~1,000
Southern Alberta Art Gallery	Lethbridge	22,800 (2002)	22,200 (2003)	24,200 (2004)	N/A
Canadian Badlands Passion Play	Drumheller	9,923 (2002)	10,212 (2003)	7,144 (2003)	6,886 (2005)
World's Largest Dinosaur	Drumheller	277,735 (2002)	386,113 (2003)	476,985 (2004)	

Source: PKF Consulting telephone interviews, Community Tourism Strategic Plan Appendices Canadian Badlands Visitor Information & Statistics April 2005, Keith Bocking Heritage Appreciation Team Leader AB Community Development Parks and Protected Areas SE and SW Areas
~ = Approximate, as reported by the operator

Other attractions within the Badlands region for which visitation data was not compiled either because they could not be reached or because they do not track visitation statistics include Devil's Coulee Dinosaur Heritage Museum, Fort Whoop-up Interpretive Centre, Nikka Yuko Japanese Gardens, Historic Atlas Coal Mine, Red Rock Coulee, Sir Alexander Galt Museum, East Coulee Museum/Achieves and the Medicine Hat Museum & Art Gallery. Other attractions in the region such as Horseshoe Canyon, Horsethief Canyon, Drumheller's Little Church, Hanna's Prairie Oasis Park, the Saamis Tepee in Medicine Hat and the Drumheller Dinosaurs are additional attractions for visitors to see while in the area but actual visitation numbers are not tracked and would be very difficult to estimate as these attractions are not staffed.

4.9 Conclusions

In order to develop the Canadian Badlands as a tourism destination of significance, the major tourism "Attractors" – the destination attractions must be enhanced, developed, maintained and positioned. In this region progress on major attractors in Provincial Parks (Interpretive Centres), in Communities (Medalta Potteries), and throughout the region are under way. Supportive attractions, events and activities are also planned or in progress in each community, as can be seen from the long list of initiatives above.

The other critical step in destination development is developing the Brand – as both a brand promise and a differentiating and compelling image for the markets. This work is also being done.

Another step will be to aggressively and collectively position that brand – the Canadian Badlands – to succeed in target markets.

The final critical step is to ensure that the tourism services complex provides the quality, convenience and accessibility 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 will ensure that it will grow to respond to leisure tourism growth as and when that occurs. The consulting team is confident that the opportunities and initiatives outlined in this section will attract market and increase demand for accommodation development over time.

SECTION 5 PROJECTED ACCOMMODATION SUPPLY AND DEMAND ANALYSIS

Accommodation supply and demand projections have been prepared for Lethbridge, Medicine Hat and Drumheller individually as well as for the aggregate of the remaining communities in the region and the defined Canadian Badlands region as a whole. Due to small number of hotels in many of the communities and to guard the confidentiality of individual property information, PKF Consulting is unable to present individual community projections for supply and demand for any of the communities with the exception of the larger centres. This section of the report summarizes the demand scenarios that have been prepared for each of the subsets of the region and for the region as a whole (Entire Canadian Badlands Region). Subset 1 is the City of Medicine Hat, Subset 2 is the City of Lethbridge, Subset 3 is the Town of Drumheller and Subset 4 is the remaining "Other Communities".

5.1 Entire Canadian Badlands Region

The following scenarios for projected supply and demand for the 2005 to 2015 period have been prepared by combining the projections from Lethbridge, Medicine Hat, Drumheller and the remaining other communities in the defined Canadian Badlands region.

5.1.1 Projected Additions to Accommodation Supply

Based upon conversations with municipal planning officials, economic development personnel, hotel developers, owners of competitive properties, franchise representatives and other relevant accommodation industry officials, table 5-1 summarizes the additions to supply in 2005 as well as the proposed additions to supply during the 2006 to 2015 period. The projections have been prepared based on known supply proposed at fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for in the projections.

The PKF Consulting sample of property information collected through the interview and survey program had an existing supply of 3,544 rooms in 2004 which represents a sample size of 68.0% of the total accommodation supply in the entire Canadian Badlands region in 2004. All projections herein have been made using the PKF Consulting sample of data. 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. Table 5-1 summarizes the proposed additions to supply over the 2005 to 2015 period.

**TABLE 5-1
PROPOSED ADDITIONS TO SUPPLY
ENTIRE REGION
CANADIAN BADLANDS, ALBERTA**

New Projects	Proponents	Number of Rooms Proposed	Timing
Ramada Drumheller	Canalta Group	74	2005
Brooks Best Western Expansion	Canalta Group	30	2005
Brooks Heritage Inn & Suites	Magenta Management	61	2005
Medicine Hat Holiday Inn Express	Lodge Motel (Kelowna) Ltd.	93	2005
Elkwater Lake Lodge and Resort		43	2005
Proposed Brooks Super 8	Canalta Group	50	2007
Stettler Ramada	Canalta Group	74	2006
Stettler Best Western Expansion	Canalta Group	30	2006
Three Hills Super 8 Expansion		34	2006
Three Hills Lamplighter Inn Expansion		10	2006
Proposed Oyen Super 8	Canalta Group	44	2006
Oyen Antelope Inn Expansion		10	2006
Proposed Vulcan Super 8	Canalta Group	50	2007
Best Western Drumheller Expansion	Canalta Group	70	2007
Proposed Drumheller Hotel	Canalta Group or Other Developer	80	2010
Total		753	

Source: PKF Consulting research

Note: PKF Consulting has made estimations where exact numbers could not be confirmed

Based on the supply additions in the previous table, Table 5-2 displays the resulting increases in accommodation supply during the 2005 to 2010 period. It should be noted that when a hotel opens at any time other than January 1 of a given year, its impact on the market is annualized and some of the impact is allocated to the following year. For example if a property is scheduled to open in July 2006 half of the total number of rooms is allocated to 2006 and half to 2007. Based on this method of allocation the following table summarizes the additions to supply for the entire Canadian Badlands region.

**TABLE 5-2
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

5.1.2 Introduction – Accommodation Demand

PKF Consulting conducted secondary and targeted primary research with regard to the details of demand generators for 22 communities in the designated Badlands area and for the area as a whole in preparation of accommodation demand projections. The research included analyses related to certain major potential sources of demand within the Canadian Badlands region that PKF Consulting identifies as having potential to create significant accommodation room nights. There are many other developments proposed in the region and some confirmed in the region that are expected to be major economic generators for the community. Exhibit 5-1 is an Inventory of Major Alberta Projected Listed by Sector. These are distinct from other smaller projects. Construction accommodation demand is more likely to simply replace departing prior demand and thus not result in a higher volume of room nights to the region. An example of a major project that is not considered to be of significant long term hotel impact for the Badlands might be the meat packing plant at Lethbridge. While there may be considerable short term demand for accommodation from the construction industry to do with the project, the ongoing hotel demand level is assumed to be moderate, despite the fact that it will have other important economic impacts and long term benefits for the community. The two major projects that have been focused on because of their significant room night potential are the Luscar Ltd.'s Bow City Power Project (located 25 kilometres southwest of Brooks) and the proposed meeting/conference space developments in Drumheller. There are two Drumheller proposals, the proposed construction of approximately 21,000 square feet of meeting space as part of an expansion of the Best Western Jurassic Inn and as well there is a Town of Drumheller proposal for a new comprehensive community/recreation centre that would include public assembly and conference space that could accommodate up to 500 guests in the main hall. It is

possible that either or both could occur. The new Lethbridge Centre will also draw new inbound demand to the region.

It should be noted that while extensive research has occurred relative to the 22 communities in the Badlands during this study, the accommodation demand projections in this report were not prepared with the level of due diligence and extensive interviewing specific to local community demand or the in depth economic and tourism research and analysis normally undertaken for a local market feasibility study undertaken by PKF Consulting. 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.

The demand in the Badlands is reported to be stronger in the past two years because of increased project activity, particularly in the oil and gas industry. Because of the small size and limited number of accommodation facilities in many communities and unprecedented crew activity the availability from night to night has resulted in properties at some distance obtaining demand.

Also, the Alberta Special Projects Lists produced by Alberta Economic Development show potential for a few other projects to occur within or just outside the defined region. PKF Consulting had no indication of other confirmed major projects from the myriad of local, regional and provincial representatives interviewed. However, any major pipeline projects or other long term projects that require on-going market support would supplement the demand being projected.

5.1.3 Projected Demand Scenario 1

The growth rates were applied to the PKF Consulting sample of total market demand in 2004. The PKF Consulting sample data collected through the Fixed Roof Accommodation Study interview and survey program represents approximately 68.0% of total available room nights in the entire region in 2004. Projections herein are made utilizing the PKF Consulting sample. It should be noted that both the total sample for the entire Canadian Badlands region and the PKF Consulting sample include a variety of sizes, concepts and types of accommodation including hotels, motels, bed and breakfasts, inns and ranches.

Projected Demand Scenarios 1 and 2 have been analyzed by market segment. Projections have been completed for growth in each of the three general market segments commercial/corporate/work

crew/government, tourist/leisure and meetings/conference as described in an earlier section of this report. These scenarios reflect demand increases by market segment, taking into account potential demand from specifically identified projects. It should be noted that although percentage of growth declines in some markets in these scenarios, each year's growth is based on a higher base. The nature of resource industry and construction projects and intense commercial activity is that the accommodation demand related to one project replaces that of another project. Ongoing increases in demand tend to reflect multiple project increases as well as general business improvements but economic growth out paces hotel demand.

Specific projects are likely to have a significant impact on demand. In considering the impact of specific projects on demand for hotel accommodation PKF Consulting along with Alberta Economic Development examined the Alberta Major Projects List. This list attached as Exhibit 5-1 is compiled by the Alberta Government from newspaper articles with some additional research into the details and timing of the projects. This list represents projects that have a value of \$2 million or greater. The Regional Projects List is a similar compilation for projects valued at less than \$2 million.

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. Many of the projects on the list will generate significant economic growth for the communities in the region but will primarily use local labour and incoming hotel demand will replace existing project demand. Unless the number of required rooms magnifies or multiple projects occur (more than in previous years), construction projects tend to replace one another year over year and thus do not create increased demand for hotel accommodation year over year. Many projects are not confirmed at this time and cannot be assumed to proceed.

Luscar Ltd. is proposing to build a two unit megawatt clean coal fired power plant and associated coal mine facility near Bow City, Alberta. Bow City is located in the County of Newell, 25 kilometres southwest of the Town 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 and little information is available at this time as to the possible impact that the second stage would have on accommodation facilities in the Canadian Badlands Region.

Personnel from Luscar Ltd. indicated to PKF Consulting that they are looking into building a work camp in the area to house workers during the construction phase. It is likely that while a work camp would decrease the

level of demand for hotel accommodation it would not eliminate it entirely. There would still be a fairly significant increase in hotel demand in certain communities particularly in the final two years of construction when there will be significant numbers of workers required for the project. Luscar also indicated that due to capacity issues in some of the smaller communities it would be likely that some of the work crews would use hotels as far away as Medicine Hat and Calgary.

**Exhibit 5-1 a
Inventory of Major Alberta Projects
All Listed by Sector**

Agriculture & Related					
Company Name	Project Description	Project Location	Cost in Millions	Construction Schedule	Remarks
Bayer CropScience	Canola Seed Processing Facility	Lethbridge	\$8.00	2005-2006	Announced. Planned construction start fall 2005.
Northwest Cattlemen's Alliance	Meat Packing Plant	Lethbridge area	\$100.00		Proposed
Pioneer Hybrid Production Ltd.	Office, Warehouse and Seed Cleaning and Treatment Plant	County of Lethbridge (W of Coaldale)	\$5.00	2005-2006	Announced
Special Areas Board	Special Areas Water Supply Project	near Stettler to Special Area 2	\$192.00		Proposed
TK Ranch Natural Meats	Slaughter Plant	Special Area 2 (Hanna)	\$4.50		Proposed. Feasibility and business plans completed.

Commercial/Retail					
Company Name	Project Description	Project Location	Cost in Millions	Construction Schedule	Remarks
Chinook Credit Union	New Building	Strathmore	\$2.50		Proposed
Community Savings	New Branch	Medicine Hat	\$3.00	2005	Nearing completion. Contempora Construction.
First Choice Savings and Credit Union	New Building	Lethbridge	\$4.20	2005	Nearing completion
Loblaw Properties West Inc.	Extra Foods Grocery Store	Drumheller	\$4.10	2005	Nearing completion
Wal-Mart Canada Inc.	New Store #1049	Strathmore	\$5.00	2005-2006	Under construction
Wal-Mart Canada Inc.	New Store	Drumheller	\$6.80	2005-2006	Under construction
Wal-Mart Canada Inc.	New Store	Taber	\$4.50	2005	Nearing completion

Infrastructure					
Company Name	Project Description	Project Location	Cost in Millions	Construction Schedule	Remarks
Alberta Infrastructure and Transportation	Highway 9 Re-alignment, Widen and Re-surface	Drumheller to W of Horseshoe Canyon	\$8.00	2005	Completed. Carmacks Enterprises. Phase 1 of Highway 9 Project.
Alberta Infrastructure and Transportation	SH 539 Bridge (Bow City Bridge)	Vulcan County	\$7.50	2005-2006	Announced. Graham Construction.
Alberta Infrastructure and Transportation	SH 539 Reconstruction by Bow River	Vulcan County	\$3.10	2005	Completed. Graham Construction.
Alberta Infrastructure and Transportation	Highway 1 Pavement Overlay	County of Newell (E of Bassano to E of Hwy 36)	\$4.80	2004-2005	Completed. Lahrman Engineering Inc.
Alberta Infrastructure and Transportation	HIGHWAY 3 ADDITION OF 24 KM OF PASSING LANES	between Medicine Hat and Crowsnest Pass	\$9.00		Proposed. Locations to be identified. Planned construction start in 2006.
City of Lethbridge	Road Construction 28 St N	Lethbridge	\$4.40	2005	Completed. De Graaf Excavating.
City of Lethbridge	New Water Reservoir and Pumping Station	Lethbridge	\$8.00	2005-2006	Announced
City of Lethbridge	Water Distribution System Improvements	Lethbridge	\$26.00	2000-2010	Phased development
City of Medicine Hat	Water Treatment Plant #5 Expansion and UV Addition	Medicine Hat	\$22.50	2005-2007	Announced.
County of Lethbridge	Water and Wastewater Project	County of Lethbridge (Diamond City)	\$3.50		Proposed

Exhibit 5-1 b
Inventory of Major Alberta Projects
All Listed by Sector

Lethbridge Airport Authority	Runway Upgrades	Lethbridge	\$3.50	2005	Completed
Town of Brooks	Water Treatment Plant Upgrades	Brooks	\$2.20	2005-2006	Under construction. Treated water storage and pumping upgrade.
Town of Vulcan	Tri-Services Building (Fire, EMS and RCMP)	Vulcan	\$3.20		Proposed. Viability being investigated.
Town of Vulcan	Sewage Lagoons	Vulcan	\$5.50		Proposed
Town of Vulcan	Biomass Energy Project	Vulcan	\$15.00		Proposed. Pedersen Engineering. Construction expected within two years (by April 2007).

Institutional					
<i>* Procurement activities under direction of associated School Board</i>					
Company Name	Project Description	Project Location	Cost in Millions	Construction Schedule	Remarks
Alberta Infrastructure and Transportation*	Addition / Modernization	Taber	\$3.40	2005-2006	Under construction. Taber Central School. Ward Bros. Construction.
Alberta Infrastructure and Transportation*	Modernization	Stettler	\$5.90	2005-2006	Announced. William E. Hay Composite HS.
Alberta Infrastructure and Transportation*	Combined Public High School (Grades 9 to 12) and Catholic High School (Grades 10 to 12), West Lethbridge	Lethbridge	\$39.00		Proposed for 2006-2008. Public HS, Catholic Central HS satellite campus and public library branch.
Alberta Infrastructure and Transportation*	School Consolidation	Drumheller	\$24.70		Proposed. Reduction from five schools to two.
Alberta Infrastructure and Transportation*	Upgrades / Expansion	Bassano	\$5.50		Proposed. Bassano.
Chinook Regional Health Authority	Lethbridge Regional Hospital Re-development	Lethbridge	\$55.50		Proposed. Planned construction start fall 2006 or spring 2007.
David Thompson Health Region	Stettler Hospital and Care Centre Re-Development	Stettler	\$17.50		Proposed
Lethbridge Community College (LCC)	Cousins Building Renovation	Lethbridge	\$7.00	2006-2007	Announced. Planned construction start May 2006. RFP for construction management services closes Oct 6.
Medicine Hat College	Power Engineering Technology Lab Upgrade and Re-location	Medicine Hat	\$3.80		Proposed
Medicine Hat Regional College	Building Improvements / Upgrades	Medicine Hat	\$2.20		Proposed
Palliser Health Authority	Medicine Hat Hospital Renovations	Medicine Hat	\$140.00		Proposed
Palliser Health Region	Re - development and Expansion of Renal Dialysis Unit	Medicine Hat	\$2.50		Proposed
University of Lethbridge	Upgrades to University Hall	Lethbridge	\$5.00		Proposed
University of Lethbridge	Imaging Addition to Canadian Centre for Behavioural Neuroscience (CCBN)	Lethbridge	\$2.00		Proposed for 2005 - 2006.
University of Lethbridge	Centre for Leadership and Innovation	Lethbridge	\$15.00		Proposed

**Exhibit 5-1 c
Inventory of Major Alberta Projects
All Listed by Sector**

University of Lethbridge	Water and Environmental Research Building	Lethbridge	\$20.00		Proposed for 2006-2007. Pending approvals.
University of Lethbridge	Regional Health and Wellness Centre (Phys Ed Building Renovation / Addition)	Lethbridge	\$24.50	2005-2007	Under construction

Pipelines					
Company Name	Project Description	Project Location	Cost in Millions	Construction Schedule	Remarks
Southeast Alberta (SEA) Water Co-operative	Water Pipeline	Milk River Ridge Reservoir to AB-SK border	\$22.00	2004-2005	Completed
Stettler Regional Water Supply Committee (SRWSC)	Water Pipeline	County of Stettler	\$64.00		Proposed
Town of Coalhurst	Potable Water Supply System Upgrade	County of Lethbridge	\$2.60		Proposed
Town of Strathmore	Bow Tertiary Outfall Pipeline (previously listed as Wastewater Effluent Pipeline)	Wheatland County (Strathmore to Bow River)	\$9.00		Proposed for 2005. Possible construction start late October / early November. Tender closes Oct 13.

Power					
Company Name	Project Description	Project Location	Cost in Millions	Construction Schedule	Remarks
Alberta Electric System Operator (AESO)	Electrical System Upgrades (240kV)	SW Alberta (Pincher Creek to Lethbridge)	\$80.00		Proposed. EUB approval May 2005.
ENMAX Corporation	Wind Power Generating Facility (80MW)	MD of Taber	\$140.00	2005-2006	Announced. Pending approvals, planned construction start fourth quarter 2005.
Luscar Ltd.	Bow City Power Project (1,000MW) phases 1 and 2	County of Newell (SW of Brooks)	\$2,400.00		Proposed for 2007-2010 (phase 1). Two units each approximately 500MW.
Montana Alberta Tie Ltd.	Montana - Alberta Transmission Line (300MW)	Lethbridge to Great Falls	\$110.00		Proposed. AMEC.
Suncor Energy Products Inc. / EHN Wind Power Canada / Enbridge Inc.	'Chin Chute' Wind Farm (30MW)	MD of Taber (SW of Taber)	\$25.00	2005-2006	Under construction. Approved Aug 2005.

Residential					
Company Name	Project Description	Project Location	Cost in Millions	Construction Schedule	Remarks
Axxess Development	Condominium Building	Brooks	\$4.30	2005-2006	Nearing completion
Chateau Three Hills Properties Inc.	Seniors Housing Complex	Three Hills	\$5.50	2005-2006	Announced
Georgia Strait Construction	Atrium Building Restoration into Affordable Housing	Lethbridge	\$4.20	2005-2006	Announced
Medican Developments	'Sierras of Courtyard Terrace' Stage 2 Seniors Condominiums	Lethbridge	\$5.90	2005	Nearing completion
Medicine Hat Women's Shelter	Second Stage Housing Project	Medicine Hat	\$2.10		Proposed

Exhibit 5-1 d
Inventory of Major Alberta Projects
All Listed by Sector

Company Name	Project Description	Project Location	Cost in Millions	Construction Schedule	Remarks
City of Lethbridge	Galt Museum Expansion	Lethbridge	\$5.10	2004-2005	Completed
City of Lethbridge / Rotary Club of Lethbridge	Upgrades to Galt Gardens, phases 2 to 4	Lethbridge	\$3.60	2005-	Announced
JMT Properties	Tyrell Hotel	Drumheller	\$2.40		Proposed
Lethbridge and District Exhibition	Facility Upgrades and Other Capital Projects	Lethbridge	\$6.50		Proposed. Funding from Alberta Lottery Fund.
Lodge Motel (Kelowna) Ltd.	Hotel	Medicine Hat	\$6.20	2005	Nearing completion
Medicine Hat Exhibition and Stampede	Facility Upgrades and Other Capital Projects	Medicine Hat	\$5.70		Proposed. Funding from Alberta Lottery Fund.
Town of Stettler	Stettler Leisure Centre	Stettler	\$5.50	2005-2006	Under construction. Pentagon Construction.

Source : www.alberta-canada.com/statpub/albertaConstructionProjects

Based on conversations with the planner for the City of Brooks, the Economic Development Officer responsible for Brooks and a representative at Luscar Ltd. regarding the Bow City Power Project, Tables 5-3 and 5-4 summarize the projected impact on accommodation of two possible scenarios, the impact on accommodation. The first makes assumptions for a scenario where there is no work camp built and the second considers the impact if there is a work camp built. PKF Consulting believes that due to the travel distances between the various communities and the associated costs that would be incurred by paying workers for up to three hours a day in travel time, that the more probable scenario is that of a work camp being constructed, however projections for both scenarios have been prepared. Luscar Ltd. has indicated that they plan to consult with various communities in the area with regard to development of a work camp within the next year.

The impact of the Luscar project has been incorporated into the Commercial/Corporate/Work Crew/Government segment of the market. Scenario 2 demand projections at the community level include provisions for increases in room night demand without a work camp generated throughout the 2007 to 2010 period. The following table summarizes the additional demand that will be generated in the Commercial/Corporate/Work Crew/Government throughout the 2007 to 2010 period.

TABLE 5-3
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	
Accommodation Demand Without Camp					
% requiring rooms	25%	25%	25%	25%	
No. of workers requiring rooms	25	50	187.5	250	
workers/room	2	2	2	2	
No. of rooms	12.5	25	93.75	125	
Number of nights/year	192	192	192	192	
Occupied Room Nights/Year	2,400	4,800	18,000	24,000	
Room Nights Captured by Communities					
	Share of Demand	Number of Room Nights			
Medicine Hat	20%	480	960	3,600	4,800
Drumheller	10%	240	480	1,800	2,400
Other Communities	55%	1,320	2,640	9,900	13,200
Calgary	10%	240	480	1,800	2,400
Lethbridge	5%	120	240	900	1,200
Source: PKF Consulting Research					

Demand Scenario 1 also accounts for additional marketing and promotion activities currently being developed by the Alberta Government and projected to begin impacting demand for accommodation in the Tourist/Leisure segment of demand in 2007. Growth rates for this segment of demand were provided to PKF Consulting by Alberta Economic Development and are based on their projections for growth in this segment as a result of marketing and promotional activities currently under development for the Canadian Badlands region.

In addition demand Scenario 1 – Entire Canadian Badlands also includes demand growth in the meetings and conference segment of demand that is driven primarily by the projected development of a convention centre in Drumheller which is projected to create an additional 3,800 room nights approximately of demand in this segment in that community. The projected number of rooms is extracted from the Graham Edmunds, PKF

Consulting and Conventional Wisdom 2001 study. Development plans for a convention centre are discussed in greater detail in the Section 5.5 on Drumheller projections.

Exhibit 5-2 summarizes the demand projections for Scenario 1 (assuming no camp development).

The ability to accommodate additional leisure and tourism demand at certain properties and markets can be impacted by other segments of business activity occurring within the community or region. This is currently demonstrated in the towns of Hinton and Edson where there is a high volume of oil and gas related work activity occurring within this region that is generating high occupancy for local accommodation properties. As a result, there has been a significant volume of leisure and tourism demand that has been turned away by accommodation operators. Additional pick up of demand by the new hotels being constructed in these markets by contractors and crews has been determined, for the years during which the intensive activity remains.

An example of the constraints on tourism created by intense periods of business demand that requires long term stays can be shown by the situation in Hinton, where a regional youth figure skating competition that has occurred for many years was cancelled for 2006 due to the lack of availability of local accommodation. PKF Consulting held discussions with representatives at certain accommodation properties in Hinton in August 2005. Many operators had to turn away leisure travelers during the busy summer travel season as they had already committed rooms to oil and gas work crews. In previous years, the operators sought to accommodate a high volume of leisure travelers in summer months as they typically achieve higher room rates from these sources, whereas work crews are typically rate conscious and seek lower room rates based on their long stays. However in most recent times, the operators accommodated the work crews during the busy summer season in order to ensure they would also capture this demand during the fall, winter and spring.

In Edson, the lack of available rooms in commercial accommodation properties has had similar impacts on participation in sporting events by non local teams and individuals. The accommodation properties in Edson are also full due to commitments made to oil and gas crews. Organizers of local sporting events and competitions have either cancelled their activities or had lower turnouts than anticipated given that non local registrants were unable to secure accommodation in the community.

The nature of oil and gas crew activity is such that it is possible that in 2007 and future years the volume of work activity could decline, thereby resulting in greater availability of guest rooms for other market segments. More detailed research would be required to gauge the volume of crew activity that is likely to occur. For the purpose of this report it is assumed that demand decline in seven or eight years.

Operators of small accommodation properties, such as country inns, guest homes and bed and breakfast operations, should be less inclined to accommodate long stay work crews at discounted room rates and because of the impact of industrial crews in terms of equipment, early rising, and wear and tear on the rooms. It is suggested therefore that these types of accommodation represent the best opportunities to generate demand from more lucrative demand sources, including leisure travelers.

The seasonality of guest room demand in the Canadian Badlands region varies by community and year. Generally, there is a higher volume of leisure and tourist travel during the months of May through September, which results in higher occupancy levels. However, in certain markets, current high volumes of work crew demand skew the seasonality trends. In many instances, demand from work crews is high during the winter period, when frozen ground enables better access to work sites. Other types of crew activity, however, can occur during the spring through fall. In addition, in recent years there have been advancements in technology that are enabling oil and gas crews to do a greater share of their work when the ground is not frozen. This trend is still emerging and creates a yield management challenge for operators, as was the case in summer 2005 in Hinton, where historically accommodation operators generated a substantial portion of demand from leisure travelers. However, in 2005, due to high demand from work crews, many operators limited their availability to leisure markets by committing rooms to lower rate paying crews.

The tourism industry operators should encourage accommodation operators to look at the “big picture” and to maintain some rooms for regular corporate business clientele as well as for leisure tourists, especially on week ends or peak periods. The failure for the operators to do so on a regular basis will be amongst the main reasons that new competitive accommodation will be constructed, which will ultimately dilute their own occupancy when the short to mid term oil and gas industry occupancy recedes again. Obviously the issues will become paramount in the high season if the crew business maintains prime status. The operators can be encouraged to have crews remove their belongings on weekends and to return the rooms to transient use on weekends. Sometimes the provision of storage lockers on site can accommodate the “regulars”. If tour operators cannot find accommodation in a series of communities the requisite five hours drive apart, then the whole tour is cancelled, so operator support to this industry should be encouraged to the benefit of Alberta.

Exhibit 5-2
Scenario 1
Entire Canadian Badlands Region, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't												
<i>occupied room nights</i>	512,323	537,071	561,150	588,375	612,932	645,476	647,802	643,264	660,106	675,809	691,084	706,709
demand growth		4.8%	4.5%	4.9%	4.2%	5.3%	0.4%	-0.7%	2.6%	2.4%	2.3%	2.3%
Tourist/Leisure (including Tour, Sports, Other)												
<i>occupied room nights</i>	271,165	279,425	285,014	292,801	302,093	311,724	319,207	326,607	333,411	340,359	347,452	354,694
demand growth		3.0%	2.0%	2.7%	3.2%	3.2%	2.4%	2.3%	2.1%	2.1%	2.1%	2.1%
Meetings/ Conference												
<i>occupied room nights</i>	32,382	32,705	33,033	33,496	34,233	35,787	38,158	38,540	38,925	39,315	39,708	40,105
demand growth		1.0%	1.0%	1.4%	2.2%	4.5%	6.6%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Canadian Badlands Region Supply												
<i>available room nights entire region</i>	1,906,860											
<i>available room nights PKF Consulting sample</i>	1,297,044											
<i>PKF Consulting Sample - % of Entire Region Supply</i> ¹	68.0%											
Market Projections												
PKF Consulting Sample Subset 1 - Medicine Hat Total Demand												
<i>occupied room nights</i> ²	209,176	213,372	219,762	227,198	235,231	245,685	248,515	249,947	255,601	260,587	265,670	270,855
demand growth ⁶		2.0%	3.0%	3.4%	3.5%	4.4%	1.2%	0.6%	2.3%	2.0%	2.0%	2.0%
PKF Consulting Sample Subset 2 - Lethbridge Total Demand												
<i>occupied room nights</i> ³	229,594	238,238	246,574	255,786	264,058	273,150	280,889	286,150	293,238	299,729	305,563	311,513
demand growth ⁶		3.8%	3.5%	3.7%	3.2%	3.4%	2.8%	1.9%	2.5%	2.2%	1.9%	1.9%
PKF Consulting Sample Subset 3 - Drumheller Total Demand												
<i>occupied room nights</i> ⁴	100,000	102,571	105,210	109,175	114,455	121,850	126,691	125,963	129,050	132,214	135,456	138,779
demand growth ⁶		2.6%	2.6%	3.8%	4.8%	6.5%	4.0%	-0.6%	2.5%	2.5%	2.5%	2.5%
PKF Consulting Sample Subset 4 - Other Communities of the Badlands Region Total Demand												
<i>occupied room nights</i> ⁵	282,955	295,021	307,651	322,513	335,515	352,303	349,072	346,351	354,554	362,953	371,554	380,361
demand growth ⁶		4.3%	4.3%	4.8%	4.0%	5.0%	-0.9%	-0.8%	2.4%	2.4%	2.4%	2.4%
PKF Consulting Sample Entire Region Total Demand												
<i>occupied room nights</i>	815,869	849,202	879,196	914,672	949,258	992,988	1,005,167	1,008,411	1,032,443	1,055,482	1,078,244	1,101,509
demand growth ⁶		4.1%	3.5%	4.0%	3.8%	4.6%	1.2%	0.3%	2.4%	2.2%	2.2%	2.2%
PKF Consulting Sample Entire Region Total Supply												
<i>available room nights</i> ⁷	1,297,044	1,341,680	1,455,925	1,508,120	1,543,362	1,539,145	1,568,345	1,568,345	1,572,642	1,568,345	1,568,345	1,568,345
supply growth ⁸		3.7%	8.5%	3.6%	2.1%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	62.9%	63.3%	60.4%	60.6%	61.5%	64.5%	64.1%	64.3%	65.7%	67.3%	68.8%	70.2%
PKF Consulting Sample Market Rate	\$74.73	\$76.60	\$78.52	\$80.48	\$82.49	\$84.55	\$86.67	\$88.84	\$91.06	\$93.33	\$95.67	\$98.06
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes modest general business strength, continued strength in the Oil & Gas sector and some absorption of demand from the Luscar Project in 2007 to 2010.

³ Assumes improved general business strength and continued strength in the Oil & Gas sector.

⁴ Assumes continued strength in the Oil & Gas sector, some absorption of demand from the Luscar project in 2007 to 2010, Government of Alberta tourism promotion impact, and convention centre development.

⁵ Assumes continued strength in the Oil & Gas sector, primary absorption of demand from the Luscar project in 2007 to 2010 and Government of Alberta tourism promotion impact.

The actual results achieved in each market over the projection period will vary from the information presented herein and the variations may be material.

⁶ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁷ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁸ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Canadian Badlands Region and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns and ranches

Note: The Canadian Badlands Region is as defined by Alberta Economic Development for the purposes of the Canadian Badlands Fixed Roof Accommodation Study

5.1.4 Projected Demand Scenario 2 – Including Luscar Related Work Camp Assumptions

Demand Scenario 2 differs from Demand Scenario 1 only in the projected impact of the Luscar project on demand for accommodation in the commercial/corporate/work crew/government segment of demand. This demand scenario assumes that a work camp is built to accommodate workers and thus the demand for hotel/motel accommodation is lower than if no camp were constructed. The following table summarizes the additional demand that will be generated in the commercial/corporate/work crew/government throughout the 2007 to 2010 period.

TABLE 5-4					
IMPACT ON ACCOMMODATION IN THE CANADIAN BADLANDS REGION					
LUSCAR LTD. BOW CITY POWER PROJECT – WITH A WORK CAMP					
	Year 1	Year 2	Year 3	Year 4	
	2007	2008	2009	2010	
Total # of Workers (Daily)	100	200	750	1,000	
Accommodation Demand With Camp					
% requiring rooms	10%	10%	10%	10%	
# of workers requiring rooms	10	20	75	100	
workers/room	2	2	2	2	
# of rooms	5	10	37.5	50	
Number of nights/year	192	192	192	192	
Occupied Room Nights/Year	960	1,920	7,200	9,600	
Room Nights Captured by Communities					
	Share of Demand	Number of Room Nights			
Medicine Hat	20%	192	384	1,440	1,920
Drumheller	10%	96	192	720	960
Other Communities	55%	528	1,056	3,960	5,280
Calgary	10%	96	192	720	960
Lethbridge	5%	48	96	360	480
Source: PKF Consulting Research					

Demand projections for the other two segments tourist/leisure and meetings/conference remain the same as in demand scenario 2.

Exhibit 5-3 summarizes the demand projections for Scenario 2 .

Exhibit 5-3
Scenario 2
Entire Canadian Badlands Region, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't	Luscar Luscar Luscar Luscar Luscar Potential Phase 2											
<i>occupied room nights</i>	512,323	537,071	561,150	587,079	610,340	635,756	634,842	656,224	673,394	689,414	705,011	720,965
demand growth		4.8%	4.5%	4.6%	4.0%	4.2%	-0.1%	3.4%	2.6%	2.4%	2.3%	2.3%
Tourist/Leisure (including Tour, Sports, Other)	Gov't of Alberta Tourism Promotion											
<i>occupied room nights</i>	271,165	279,425	285,014	292,801	302,093	311,724	319,207	326,607	333,411	340,359	347,452	354,694
demand growth		3.0%	2.0%	2.7%	3.2%	3.2%	2.4%	2.3%	2.1%	2.1%	2.1%	2.1%
Meetings/ Conference	Convention Centre Development Drumheller											
<i>occupied room nights</i>	32,382	32,705	33,033	33,496	34,233	35,787	38,158	38,540	38,925	39,315	39,708	40,105
demand growth		1.0%	1.0%	1.4%	2.2%	4.5%	6.6%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Canadian Badlands Region Supply												
<i>available room nights entire region</i>	1,906,860											
<i>available room nights PKF Consulting sample</i>	1,297,044											
<i>PKF Consulting Sample - % of Entire Region Supply</i> ¹	68.0%											
Market Projections	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PKF Consulting Sample Subset 1 - Medicine Hat Total Demand												
<i>occupied room nights</i> ²	209,176	213,372	219,762	226,910	234,655	243,525	245,635	252,827	258,553	263,598	268,742	273,987
demand growth ⁶		2.0%	3.0%	3.3%	3.4%	3.8%	0.9%	2.9%	2.3%	2.0%	2.0%	2.0%
PKF Consulting Sample Subset 2 - Lethbridge Total Demand												
<i>occupied room nights</i> ³	229,594	238,238	246,574	255,714	263,914	272,610	280,169	286,870	293,980	300,489	306,339	312,304
demand growth ⁶		3.8%	3.5%	3.7%	3.2%	3.3%	2.8%	2.4%	2.5%	2.2%	1.9%	1.9%
PKF Consulting Sample Subset 3 - Drumheller Total Demand												
<i>occupied room nights</i> ⁴	100,000	102,571	105,210	109,031	114,167	120,770	125,251	127,403	130,526	133,727	137,007	140,369
demand growth ⁶		2.6%	2.6%	3.6%	4.7%	5.8%	3.7%	1.7%	2.5%	2.5%	2.5%	2.5%
PKF Consulting Sample Subset 4 - Other Communities of the Badlands Region Total Demand												
<i>occupied room nights</i> ⁵	282,955	295,021	307,651	321,721	333,931	346,363	341,152	354,271	362,672	371,274	380,083	389,104
demand growth ⁶		4.3%	4.3%	4.6%	3.8%	3.7%	-1.5%	3.8%	2.4%	2.4%	2.4%	2.4%
PKF Consulting Sample Entire Region Total Demand												
<i>occupied room nights</i>	815,869	849,202	879,196	913,376	946,666	983,268	992,207	1,021,371	1,045,731	1,069,087	1,092,170	1,115,764
demand growth ⁶		4.1%	3.5%	3.9%	3.6%	3.9%	0.9%	2.9%	2.4%	2.2%	2.2%	2.2%
PKF Consulting Sample Entire Region Total Supply												
<i>available room nights</i> ⁷	1,297,044	1,341,680	1,455,925	1,508,120	1,543,362	1,539,145	1,568,345	1,568,345	1,572,642	1,568,345	1,568,345	1,568,345
supply growth ⁸		3.7%	8.5%	3.6%	2.1%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	62.9%	63.3%	60.4%	60.6%	61.3%	63.9%	63.3%	65.1%	66.5%	68.2%	69.6%	71.1%
PKF Consulting Sample Market Rate	\$74.73	\$76.60	\$78.52	\$80.48	\$82.49	\$84.55	\$86.67	\$88.84	\$91.06	\$93.33	\$95.67	\$98.06
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes modest general business strength, continued strength in the Oil & Gas sector and some absorption of demand from the Luscar Project in 2007 to 2010.

³ Assumes improved general business strength and continued strength in the Oil & Gas sector.

⁴ Assumes continued strength in the Oil & Gas sector, some absorption of demand from the Luscar project in 2007 to 2010, Government of Alberta tourism promotion impact, and convention centre development.

⁵ Assumes continued strength in the Oil & Gas sector, primary absorption of demand from the Luscar project in 2007 to 2010 and Government of Alberta tourism promotion impact.

The actual results achieved in each market over the projection period will vary from the information presented herein and the variations may be material.

⁶ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁷ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁸ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Canadian Badlands Region and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns and ranches

Note: The Canadian Badlands Region is as defined by Alberta Economic Development for the purposes of the Canadian Badlands Fixed Roof Accommodation Study

5.1.5 Projected Demand Scenario 3 – Excluding Lethbridge

The City of Lethbridge was included in the Badlands Region communities in the study terms of reference. The City of Lethbridge has been identified for the purposes of this study as a gateway community for the Canadian Badlands region. During the course of the research conducted for this study it has been ascertained that the Lethbridge accommodation market differs in many ways from the other communities included in the study. While much of the demand for accommodation in the other communities is generated by the oil and gas industry, Lethbridge sees a much smaller percentage of their business coming from the oil and gas industry. Corporate and commercial demand sources for Lethbridge include agriculture, construction, and demand related to local businesses located within the City of Lethbridge. The City of Lethbridge has also focused more on attracting demand from the meetings and conference market than other communities in the region. With the development of new meeting space at Lethbridge Centre the City intends to continue to focus on attracting meeting and conference demand in the future. Historic performance of the Lethbridge market in terms of occupancy rates has also been lower in Lethbridge than in other communities in the study area.

At the request of the Advisory Committee for this study and Alberta Economic Development a separate demand scenario has been prepared that excludes the City of Lethbridge from the market projections. Exhibit 5-4 is Scenario 1 excluding Lethbridge and displays the projected demand for accommodation under each of demand Scenarios 1 and 2 as discussed earlier in this section for the entire Canadian Badlands Region excluding the City of Lethbridge.

Exhibit 5-4
Scenario 1
Entire Canadian Badlands Region (Without Lethbridge), Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't				Luscar	Luscar	Luscar	Luscar				Luscar Potential Phase 2	
occupied room nights	398,836	417,116	435,077	455,878	475,020	501,398	498,412	491,088	503,365	515,149	527,211	539,559
demand growth		4.6%	4.3%	4.8%	4.2%	5.6%	-0.6%	-1.5%	2.5%	2.3%	2.3%	2.3%
Tourist/Leisure (including Tour, Sports, Other)												
occupied room nights	169,678	175,909	179,427	184,575	191,161	198,019	203,228	208,308	212,747	217,281	221,913	226,644
demand growth		3.7%	2.0%	2.9%	3.6%	3.6%	2.6%	2.5%	2.1%	2.1%	2.1%	2.1%
Meetings/ Conference												
occupied room nights	17,761	17,938	18,118	18,432	19,019	20,421	22,638	22,864	23,093	23,324	23,557	23,793
demand growth		1.0%	1.0%	1.7%	3.2%	7.4%	10.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Canadian Badlands Region Supply												
available room nights entire region	1,413,126											
available room nights PKF Consulting sample	868,824											
PKF Consulting Sample - % of Entire Region Supply ¹	61.5%											
Market Projections	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PKF Consulting Sample Subset 1 - Medicine Hat Total Demand												
occupied room nights ²	209,176	213,372	219,762	227,198	235,231	245,685	248,515	249,947	255,601	260,587	265,670	270,855
demand growth ⁶		2.0%	3.0%	3.4%	3.5%	4.4%	1.2%	0.6%	2.3%	2.0%	2.0%	2.0%
PKF Consulting Sample Subset 3 - Drumheller Total Demand												
occupied room nights ⁴	100,000	102,571	105,210	109,175	114,455	121,850	126,691	125,963	129,050	132,214	135,456	138,779
demand growth ⁶		2.6%	2.6%	3.8%	4.8%	6.5%	4.0%	-0.6%	2.5%	2.5%	2.5%	2.5%
PKF Consulting Sample Subset 4 - Other Communities of the Badlands Region Total Demand												
occupied room nights ⁵	282,955	295,021	307,651	322,513	335,515	352,303	349,072	346,351	354,554	362,953	371,554	380,361
demand growth ⁶		4.3%	4.3%	4.8%	4.0%	5.0%	-0.9%	-0.8%	2.4%	2.4%	2.4%	2.4%
PKF Consulting Sample Entire Region Total Demand												
occupied room nights	586,275	610,963	632,623	658,885	685,200	719,838	724,278	722,260	739,205	755,753	772,681	789,996
demand growth ⁶		4.2%	3.5%	4.2%	4.0%	5.1%	0.6%	-0.3%	2.3%	2.2%	2.2%	2.2%
PKF Consulting Sample Entire Region Total Supply												
available room nights ⁷	868,824	914,630	1,028,875	1,081,070	1,115,142	1,112,095	1,141,295	1,141,295	1,144,422	1,141,295	1,141,295	1,141,295
supply growth ⁸		5.6%	12.5%	5.1%	2.9%	0.0%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	67.5%	66.8%	61.5%	60.9%	61.4%	64.7%	63.5%	63.3%	64.6%	66.2%	67.7%	69.2%
PKF Consulting Sample Market Rate	\$74.55	\$76.42	\$78.33	\$80.29	\$82.29	\$84.35	\$86.46	\$88.62	\$90.84	\$93.11	\$95.44	\$97.82
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes modest general business strength, continued strength in the Oil & Gas sector and some absorption of demand from the Luscar Project in 2007 to 2010.

³ Assumes improved general business strength and continued strength in the Oil & Gas sector.

⁴ Assumes continued strength in the Oil & Gas sector, some absorption of demand from the Luscar project in 2007 to 2010, Government of Alberta tourism promotion impact, and convention centre development.

⁵ Assumes continued strength in the Oil & Gas sector, primary absorption of demand from the Luscar project in 2007 to 2010 and Government of Alberta tourism promotion impact.

The actual results achieved in each market over the projection period will vary from the information presented herein and the variations may be material.

⁶ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁷ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁸ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Canadian Badlands Region and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns and ranches

Note: The Canadian Badlands Region is as defined by Alberta Economic Development for the purposes of the Canadian Badlands Fixed Roof Accommodation Study

Exhibit 5-5
Scenario 2
Entire Canadian Badlands Region (Without Lethbridge), Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't												
				Luscar	Luscar	Luscar	Luscar					Luscar Potential Phase 2
occupied room nights	398,836	417,116	435,077	454,654	472,572	492,218	486,172	503,328	515,911	527,994	540,362	553,023
demand growth		4.6%	4.3%	4.5%	3.9%	4.2%	-1.2%	3.5%	2.5%	2.3%	2.3%	2.3%
Tourist/Leisure (including Tour, Sports, Other)												
occupied room nights	169,678	175,909	179,427	184,575	191,161	198,019	203,228	208,308	212,747	217,281	221,913	226,644
demand growth		3.7%	2.0%	2.9%	3.6%	3.6%	2.6%	2.5%	2.1%	2.1%	2.1%	2.1%
Meetings/ Conference												
occupied room nights	17,761	17,938	18,118	18,432	19,019	20,421	22,638	22,864	23,093	23,324	23,557	23,793
demand growth		1.0%	1.0%	1.7%	3.2%	7.4%	10.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Canadian Badlands Region Supply												
available room nights entire region	1,413,126											
available room nights PKF Consulting sample	868,824											
PKF Consulting Sample - % of Entire Region Supply ¹	61.5%											
Market Projections	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PKF Consulting Sample Subset 1 - Medicine Hat Total Demand												
occupied room nights ²	209,176	213,372	219,762	226,910	234,655	243,525	245,635	252,827	258,553	263,598	268,742	273,987
demand growth ⁶		2.0%	3.0%	3.3%	3.4%	3.8%	0.9%	2.9%	2.3%	2.0%	2.0%	2.0%
PKF Consulting Sample Subset 3 - Drumheller Total Demand												
occupied room nights ⁴	100,000	102,571	105,210	109,031	114,167	120,770	125,251	127,403	130,526	133,727	137,007	140,369
demand growth ⁶		2.6%	2.6%	3.6%	4.7%	5.8%	3.7%	1.7%	2.5%	2.5%	2.5%	2.5%
PKF Consulting Sample Subset 4 - Balance of the Badlands Region Total Demand												
occupied room nights ⁵	282,955	295,021	307,651	321,721	333,931	346,363	341,152	354,271	362,672	371,274	380,083	389,104
demand growth ⁶		4.3%	4.3%	4.6%	3.8%	3.7%	-1.5%	3.8%	2.4%	2.4%	2.4%	2.4%
PKF Consulting Sample Entire Region Total Demand												
occupied room nights	586,275	610,963	632,623	657,661	682,752	710,658	712,038	734,500	751,751	768,598	785,832	803,460
demand growth ⁶		4.2%	3.5%	4.0%	3.8%	4.1%	0.2%	3.2%	2.3%	2.2%	2.2%	2.2%
PKF Consulting Sample Entire Region Total Supply												
available room nights ⁷	868,824	914,630	1,028,875	1,081,070	1,115,142	1,112,095	1,141,295	1,141,295	1,144,422	1,141,295	1,141,295	1,141,295
supply growth ⁸		5.6%	12.5%	5.1%	2.9%	0.0%	2.6%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	67.5%	66.8%	61.5%	60.8%	61.2%	63.9%	62.4%	64.4%	65.7%	67.3%	68.9%	70.4%
PKF Consulting Sample Market Rate	\$74.55	\$76.42	\$78.33	\$80.29	\$82.29	\$84.35	\$86.46	\$88.62	\$90.84	\$93.11	\$95.44	\$97.82
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes modest general business strength, continued strength in the Oil & Gas sector and some absorption of demand from the Luscar Project in 2007 to 2010.

³ Assumes improved general business strength and continued strength in the Oil & Gas sector.

⁴ Assumes continued strength in the Oil & Gas sector, some absorption of demand from the Luscar project in 2007 to 2010, Government of Alberta tourism promotion impact, and convention centre development .

⁵ Assumes continued strength in the Oil & Gas sector, primary absorption of demand from the Luscar project in 2007 to 2010 and Government of Alberta tourism promotion impact.

The actual results achieved in each market over the projection period will vary from the information presented herein and the variations may be material.

⁶ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁷ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁸ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Canadian Badlands Region and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns and ranches

Note: The Canadian Badlands Region is as defined by Alberta Economic Development for the purposes of the Canadian Badlands Fixed Roof Accommodation Study

5.1.6 Product Development Opportunities – Entire Badlands Area

In any accommodation market, 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. Assuming all of the above is in order, then the financial operating projections and proposed development costs must then be proven to be financially viable for any proposed development.

We believe that, based on the limited field research possible within this study that there is evidence to suggest that there is potential for development of extensive new accommodation within select markets within the Canadian Badlands Study Region. If we hypothetically exclude the confirmed and projected additions to the competitive supply of accommodation as outlined in Table 5-1 of this study and focus on the historic existing inventory, market conditions would appear favourable for new development in select communities in the study region. In many geographic markets, the ongoing volumes 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 and help justify the construction of new guest room supply. Specifically there would be 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 within the study region, depending on the size of or availability of one or more worker construction camp(s) developed within easy travelling distance of the company activities.

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. In some markets, a lower occupancy may justify construction of new rooms, depending on the volume of competitive supply, if a significant portion of the supply is “focused service” (specialty) product; if there is lower occupancy in terms of comparable annualized performance because of the seasonality of their demand but a high room rate; or, that the market itself is projected to experience a sustainable increase in demand. Alternately, in some smaller markets if there has been no increase in competitive supply over a number of years and the existing product is not well maintained and/or poorly managed, a new property may enter the market and significantly penetrate existing demand levels, regardless of projected demand growth. 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.

As mentioned in Section 3.1.1 of this report, 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 which opened during the 2005 calendar year. As shown in Table 5-1, approximately 449 rooms have been completed in 2005 or are under construction and scheduled for completion by the end of 2006. PKF Consulting has projected a further 260 rooms approximately to be developed based on announced projects identified during the course of study research. 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 we have identified, 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.

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; and because some portion of the demand was displaced to another accommodation facility outside the community, rather than 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.

5.1.7 Focus Driven Accommodation Product

Opportunities may occur for some or all of these styles of hotel operations. PKF Consulting offers the following comments on the applicability to the Badlands market:

5.1.7.1 Limited Service Hotel Product

As shown elsewhere in the report there are 753 limited service hotel rooms confirmed to be proceeding or proposed for development at this time. 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. This is in direct response to an industry trend that shows lower profitability ratios in full service hotels and also because of the suitability of limited service product 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 crews who have some budget sensitivity. Limited service hotels are efficient from a staffing perspective, easier to manage and are often more profitable than full service hotels, assuming of course that there is sufficient demand to adequately support the hotel in the first place. Thus it is likely that this trend in building will continue into the foreseeable future. Limited service options are desirable to companies and individual workers who share for cost savings or efficiency. Commercial work crew markets find units with two or more queen or double beds to be the best option; units where beds are separated for privacy in any manner are preferential, as workers tend to be unrelated parties. Loft units, the use of Murphy bed units (which offer comfortable mattresses as opposed to beds on pull out couches) and extended stay units (separation of sleeping areas) with some level of cooking facilities (in-room preparation of some meals means that the workers take home more disposable income) are useful options.

5.1.7.2 Work Camp

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. Luscar Ltd. representatives indicated that they plan to consult with various communities in the area with regard to development of a work camp within the next year. Potentially Luscar Ltd. could develop its own camp, however another option is for private sector development and/or ownership for camps, such as has occurred in such communities as Worsley, Alberta, where there are four separately owned 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. PKF Consulting research indicates that during a four year project, Luscar will create strong demand for two years and then there will be two further years with more intense levels of demand. The timing of a potential second phase is not yet being considered. One advantage of smaller camp settings over new accommodation supply is the flexibility of building and removal of supply, allowing capacity without crippling the market in subsequent years.

5.1.7.3 Private Sector/Community Government or Agency Joint Venture Work Camp

It is recommended that community government agencies look at their long term needs to see if a participatory joint venture program might induce locally owned work camps in the area. PKF Consulting recommends that municipal and other service sector organizations be encouraged to consider an option that would see a joint venture proposal for the development of one or more permanent physical structures that would provide hotel accommodation to meet identifiable projected demand, similar to that mentioned in the preceding point, but designed for conversion of the structure to a predetermined secondary use such as a municipal office, a seniors' residential facility, a medical facility or other type of "public use". Such a joint venture would have the net effect of retaining the workers accommodation demand for major projects and would ensure capture of significant economic impact within the area or in a specific community.

5.1.7.4 Bed & Breakfast

The Bed and Breakfast or small inn style of development provides for quality and varied product that can range from budget to luxury. Where a special built property with higher capital costs may not be able to be sustained with inconsistent demand periods or low year round occupancies, bed and breakfast operations, limited service hotels with live in management or very small inns may be able to accommodate flux in demand in part because it provides a means of establishing or maintaining life style. Thus, in communities where there is destination tourism demand, development of alternative style and probably smaller sized accommodation is ideal and should be encouraged. For example, this style of development has been well suited to the needs of Rosebud, a community which has a unique character that is attributed in part to its small and quaint bed and breakfast operations, theatre, museum, and art galleries. Thus, it is recommended that in smaller communities such as Vauxhall, Jenner, Elkwater, Bow Island and Foremost, unless major projects materialize in these communities demand generators may not be sufficient to support additional hotel development and overall occupancy is quite low. Potentially Milk River and Warner may be suitable for alternative physical development such as bed and breakfast operations that would be attractive for independent leisure traveller or friends and family visiting the area should be encouraged in order to maintain sufficient peak period capacity for leisure tourism because of their placement vis a vis primary tourist facilities. Larger groups visiting Writing-

on-Stone Provincial Park, which is in the south area of the Badlands on a major transportation corridor, will continue to be accommodated in the nearby City of Lethbridge.

5.1.7.5 Dude Ranch or Guest Ranch

There may be opportunities for additional **dude ranch or guest ranch operations** in similar river valley settings to that of Trochu or retreat centres, as there is a suitability of the landscape, however it is assumed that only a few if any facilities of this style will be developed. There are high entry threshold of extensive land requirements which often involve crown or land leases, high capital requirements, the high costs of insurance, training costs for specialists in their field, extreme management sensitivity, difficulties in attracting year round demand because of seasonality variations and the likely competitive nature of the industry are likely to constrain entry to this market. Guest ranches are small by definition, as communal meals and group activities are key to the experience.

5.7.1.6 Resort Development

There may be potential for resort development in the area. However such opportunities will be predicated upon the knowledge, expertise, intended life style option and attributes of specific operators. A resort would need to develop its own demand such that the facility could be self sufficient on a year round basis. The described types of properties tend to be small, are extremely management sensitive and are not liable to be attractive to large numbers of developers, however they may present an option or opportunity for the area. One such recent development is the Elkwater Lake Lodge and Resort, which has responded to specifically identified opportunities emanating from leisure travel in the Cypress Hills area. Creative resort development would take advantage of dramatic scenery and the peaceful settings. Operators have put on their creative thinking hats in Canada in recent years in terms of physical product with less traditional facilities such as yurts and soft roof accommodation and that stretches the capacity at lower cost such as tepees and fully furnished wilderness tents.

5.1.7.7 Spa Facilities

The Terms of Reference specifically mentioned spa accommodation. The developer of the Inn at Heartwood Manor, the only spa in a hotel within the region had the foresight to build in a unique service amenity in the region in support of her two small properties. In many situations spas lease retail space from hotels and management is not connected. A spa is an amenity and as with other specialty products requires a certain type of expertise, a consistent labour pool for a potentially inconsistent market demand. Spas, similar to

meeting rooms, are useful to hotels when their availability results in actively delivery of destination accommodation room nights. It is difficult to recommend a specific location or community that might benefit. However, because of the lack of existing infrastructure of this nature and as the leisure tourism industry develops based on planned activities, there may be opportunities for destination “resort” services such as a spa specific to an operator’s credentials or as a service in an existing or proposed property. PKF Consulting clients with spas note that a major issue has been finding suitably trained management and retaining key staff in small communities. Also, spas require extensive capital as equipment is very expensive.

5.1.7.8. Public Assembly Space/Meetings and Conference

Because of the financial challenges for hotels with large public assembly space, many communities are finding that the answer is to provide incentives if they want to attract this type of amenity that would benefit the whole community. There are a variety of mechanisms that have been used over time in this country including reduction or waiving of property tax for a period of time or permanently, the provision of “in kind” services such as snow clearing or other services over a period of time, direct, transparent financial contributions or subsidies, ownership of convention developments by a third party, or supplemental activity development of a mixed use nature that coincides with the hotel/convention or resort development or mixed use zoning that allows for components that provide a higher return. An example of such development in Nanaimo sees a major municipal contribution towards a conference centre along with the development of a big plaza, expansion of an existing theatre, relocation of an expanded museum, a hotel and condominiums on a higher floor, thus spreading the costs amongst a number of projects and benefits. Another high profile example is in Halifax which is going through a similar planning process for the waterfront, where the key element is an expansion of the Maritime Museum of the Atlantic, which will gain size, stature and importance for the community; a hotel, retail commercial and other development will help offset the costs in that case. Some communities have considered the mutual uses of multiple users who have associated meeting needs; one example combines the offices of RCMP, a community college and recreational facilities while the community benefits from the availability of a meeting and special event venue. There are hotels in British Columbia where a hotel ballroom was sold to an independent investor, and the hotels pay annual leases to a private owner. Sometimes thinking out of the box has long reaching effect. Each community has to weigh such costs and benefits, but the possibility of negotiating for the mutual net gain of several parties may exist. It is recommended that any community that has identified that it could benefit from such physical plant might consider the alternatives uses and support mechanisms within their short or long term budget that might foster such a development.

A hotel with meeting and conference space requires sufficient space for break out space. It is most efficient where the largest space can be divided into multiple uses and the space should allow for one group to be

accommodated for simultaneous meetings and meal set up. Attention to sound proofing and service access corridors are also important.

5.2 Medicine Hat and Area

5.2.1 Projected Additions to Supply

In 2005 two new properties opened in the Medicine Hat area. The 93 room Holiday Inn Express opened in October 2005 in the City of Medicine Hat. The Elkwater Lake Lodge opened in the summer of 2005 at the site of the former Green Tree Motel in Elkwater, which is located approximately 35 kilometres southeast of Medicine Hat. Based upon conversations with municipal planning officials, economic development personnel, hotel developers, and owners of competitive properties there is no known additions to supply proposed for Medicine Hat throughout the projection period as at the time of PKF Consulting's research.

The following table summarizes the known additions to supply for the Medicine Hat fixed roof accommodation subset throughout the 2005 to 2015 period.

TABLE 5-5 PROJECTED SUPPLY ADDITIONS 2005 TO 2010 MEDICINE HAT, ALBERTA												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Existing Supply	848	848	848	848	848	848	848	848	848	848	848	848
Supply Additions	N/A	45	91	0	0	0	0	0	0	0	0	0
Total Supply	848	893	984	984	984	984	984	984	984	984	984	984
% Change	N/A	5.3%	10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: PKF Consulting research

Projected Demand

The growth rates were applied to occupied room nights in the PKF Consulting sample of total market demand in 2004. The PKF Consulting sample data collected through the Fixed Roof Accommodation Study interview and survey program represents approximately 60.4% of total available room nights in Medicine Hat in 2004. Projections herein are made utilizing the PKF Consulting sample.

As explained earlier in this report PKF Consulting does not believe that Scenario 1 projections are likely to be achieved and as a result a second scenario that incorporates a more responsive demand cycle in conjunction with more cyclical oil and gas industry performance has been prepared.

5.2.2 Projected Demand Scenario 1

Projected Demand Scenarios 1 and 2 have been prepared by market segment. Projections have been completed for growth in occupied room nights in each of the three general market segments commercial/corporate/work crew/government, tourist/leisure and meetings/conference as described in an earlier section of this report. These two scenarios reflect demand increases by market segment, taking into account potential demand from specifically identified projects in particular the Luscar Ltd. Bow City Power Project.

The impact of the Luscar project has been incorporated into the Commercial/Corporate/Work Crew/Government segment of the market. Scenario 1 demand projections for Medicine Hat include provisions for increases in room night demand without a work camp generated throughout the 2007 to 2010 period. The following table summarizes the additional room nights that will be generated in Medicine Hat in the Commercial/Corporate/Work Crew/Government throughout the 2007 to 2010 period.

TABLE 5-6 IMPACT ON ACCOMMODATION IN MEDICINE HAT LUSCAR LTD. BOW CITY POWER PROJECT WITHOUT A WORK CAMP				
	2007	2008	2009	2010
Additional Total Occupied Room Nights	480	960	3,600	4,800
Source: PKF Consulting research				

Demand Scenario 1 also accounts for additional marketing and promotion activities currently being developed by the Alberta Government and projected to begin impacting demand for accommodation in the Tourist/Leisure segment of demand in 2007. Marketing and promotion activities currently being developed by Alberta Economic Development were discussed in detail in Section 4 of this report. Growth rates for this segment of demand were provided to PKF Consulting by Alberta Economic Development and are based on their projections for growth in this segment as a result of their marketing and promotion programs currently under development for the Canadian Badlands region. This scenario also projects modest growth in meetings and conference demand throughout the projection period.

Exhibit 5-6 summarizes the demand projections for Scenario 1.

5.2.3 Projected Demand Scenario 2

Demand Scenario 2 differs from demand Scenario 1 only in the projected impact of the Luscar project on demand for accommodation in the commercial/corporate/work crew/government segment of demand. This demand scenario assumes that a work camp is built to accommodate workers and thus the demand for hotel/motel accommodation is lower than if no camp were constructed. The following table summarizes the additional demand that will be generated in the commercial/corporate/work crew/government throughout the 2007 to 2010 period.

TABLE 5-7 IMPACT ON ACCOMMODATION IN MEDICINE HAT LUSCAR LTD. BOW CITY POWER PROJECT WITH A WORK CAMP				
	2007	2008	2009	2010
Additional Total Occupied Room Nights	192	384	1,440	1,920
Source: PKF Consulting research				

Exhibit 5-7 summarizes the demand projections for Scenario 3.

5.3 Lethbridge

5.3.1 Projected Additions to Supply

Based upon conversations with municipal planning officials, economic development personnel, hotel developers, and owners of competitive properties there are no known additions to supply proposed for Lethbridge throughout the projection period as at the time of PKF Consulting's research.

The economic growth rates applied to Lethbridge are as follows:

**TABLE 5-8
TOURISM ANNUAL DEMAND GROWTH FORECAST
LETHBRIDGE, ALBERTA 2005-2015**

Region	2005-2009	2010-2015
Lethbridge	2.9%	2.8%

Source: Western Management Consultants Research

Exhibit 5-6
Scenario 1
Subset 1 - Medicine Hat, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't				Luscar	Luscar	Luscar	Luscar					Luscar Potential Phase 2
<i>occupied room nights</i>	129,119	131,830	136,708	142,246	147,971	156,051	156,824	156,150	160,054	163,255	166,520	169,850
demand growth		2.1%	3.7%	4.1%	4.0%	5.5%	0.5%	-0.4%	2.5%	2.0%	2.0%	2.0%
Tourist/Leisure (including Tour, Sports, Other)												
<i>occupied room nights</i>	68,369	69,736	71,131	72,909	75,097	77,350	79,283	81,265	82,891	84,549	86,240	87,964
demand growth		2.0%	2.0%	2.5%	3.0%	3.0%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%
Meetings/ Conference												
<i>occupied room nights</i>	11,688	11,805	11,923	12,042	12,163	12,284	12,407	12,531	12,657	12,783	12,911	13,040
demand growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Medicine Hat Market												
<i>available room nights entire market</i>	513,498											
<i>available room nights PKF Consulting sample</i>	310,368											
<i>PKF Consulting Sample - % of Market Supply</i> ¹	60.4%											
Market Projections	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PKF Consulting Sample Total Demand												
<i>occupied room nights</i> ²	209,176	213,372	219,762	227,198	235,231	245,685	248,515	249,947	255,601	260,587	265,670	270,855
demand growth ³		2.0%	3.0%	3.4%	3.5%	4.4%	1.2%	0.6%	2.3%	2.0%	2.0%	2.0%
PKF Consulting Sample Total Supply												
<i>available room nights</i> ⁴	310,368	325,945	359,160	359,160	360,144	359,160	359,160	359,160	360,144	359,160	359,160	359,160
supply growth ⁵		5.3%	10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	67.4%	65.5%	61.2%	63.3%	65.3%	68.4%	69.2%	69.6%	71.0%	72.6%	74.0%	75.4%
PKF Consulting Sample Market Rate	\$83.08	\$85.16	\$87.29	\$89.47	\$91.71	\$94.00	\$96.35	\$98.76	\$101.23	\$103.76	\$106.35	\$109.01
Rate growth		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes modest general business strength, continued strength in the Oil & Gas sector and some absorption of demand from the Luscar Project in 2007 to 2010. The actual results achieved in the market over the projection period will vary from the information presented herein and the variations may be material.

³ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁴ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁵ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Medicine Hat Market and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns, and ranches

Exhibit 5-7
Scenario 2
Subset 1 - Medicine Hat, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't				Luscar	Luscar	Luscar	Luscar					Luscar Potential Phase 2
<i>occupied room nights</i>	129,119	131,830	136,708	141,958	147,395	153,891	153,944	159,030	163,006	166,266	169,591	172,983
demand growth		2.1%	3.7%	3.8%	3.8%	4.4%	0.0%	3.3%	2.5%	2.0%	2.0%	2.0%
Tourist/Leisure (including Tour, Sports, Other)												
<i>occupied room nights</i>	68,369	69,736	71,131	72,909	75,097	77,350	79,283	81,265	82,891	84,549	86,240	87,964
demand growth		2.0%	2.0%	2.5%	3.0%	3.0%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%
Meetings/ Conference												
<i>occupied room nights</i>	11,688	11,805	11,923	12,042	12,163	12,284	12,407	12,531	12,657	12,783	12,911	13,040
demand growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Medicine Hat Market												
<i>available room nights entire market</i>	513,498											
<i>available room nights PKF Consulting sample</i>	310,368											
<i>PKF Consulting Sample - % of Market Supply</i> ¹	60.4%											
Market Projections	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PKF Consulting Sample Total Demand												
<i>occupied room nights</i> ²	209,176	213,372	219,762	226,910	234,655	243,525	245,635	252,827	258,553	263,598	268,742	273,987
demand growth ³		2.0%	3.0%	3.3%	3.4%	3.8%	0.9%	2.9%	2.3%	2.0%	2.0%	2.0%
PKF Consulting Sample Total Supply												
<i>available room nights</i> ⁴	310,368	325,945	359,160	359,160	360,144	359,160	359,160	359,160	360,144	359,160	359,160	359,160
supply growth ⁵		5.3%	10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	67.4%	65.5%	61.2%	63.2%	65.2%	67.8%	68.4%	70.4%	71.8%	73.4%	74.8%	76.3%
PKF Consulting Sample Market Rate	\$83.08	\$85.16	\$87.29	\$89.47	\$91.71	\$94.00	\$96.35	\$98.76	\$101.23	\$103.76	\$106.35	\$109.01
Rate growth		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes modest general business strength, continued strength in the Oil & Gas sector and some absorption of demand from the Luscar Project in 2007 to 2010. The actual results achieved in the market over the projection period will vary from the information presented herein and the variations may be material.

³ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁴ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁵ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Medicine Hat Market and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns, and ranches

5.3.2 Projected Demand Scenario 1

The growth rates were applied to the PKF Consulting sample of total market demand in 2004. The PKF Consulting sample data collected through the Fixed Roof Accommodation Study interview and survey program represents approximately 86.7% of total available room nights in Lethbridge in 2004. Projections herein are made utilizing the PKF Consulting sample.

As explained earlier in this report PKF Consulting does not deem the Scenario 1 projections likely to be achieved and as a result a second scenario that incorporates a more responsive demand cycle in conjunction with more cyclical oil and gas industry performance has been prepared.

Projected Demand Scenarios 1 and 2 have been projected by market segment. Separate growth projections have been completed in each of the three general market segments commercial/corporate/work crew/government, tourist/leisure and meetings/conference as described in an earlier section of this report. These two scenarios reflect demand increases by market segment, taking into account potential demand from specifically identified projects in particular the Luscar Ltd. Bow City Power Project.

The impact of the Luscar project has been incorporated into the Commercial/Corporate/Work Crew/Government segment of the market. Scenario 2 demand projections for Lethbridge include provisions for increases in room night demand assuming no work camp, as generated throughout the 2007 to 2010 period. The following table summarizes the additional room nights that will be generated in Lethbridge in the Commercial/Corporate/Work Crew/Government throughout the 2007 to 2010 period.

TABLE 5-9 IMPACT ON ACCOMMODATION IN LETHBRIDGE LUSCAR LTD. BOW CITY POWER PROJECT WITHOUT A WORK CAMP				
	2007	2008	2009	2010
Additional Total Occupied Room Nights	120	240	900	1,200
Source: PKF Consulting research				

Demand Scenario 1 also accounts for additional marketing and promotion activities currently being developed by the Alberta Government and projected to begin impacting demand for accommodation in the Tourist/Leisure segment of demand in 2007. Marketing and promotion activities currently being developed by

Alberta Economic Development were discussed in detail in Section 4 of this report. Growth rates for this segment of demand were provided to PKF Consulting by Alberta Economic Development and are based on their projections for growth in this segment as a result of their marketing and promotion programs currently under development for the Canadian Badlands region. This scenario also projects modest growth in meetings and conference demand as a result of the new Lethbridge Centre and normal business growth throughout the projection period.

Exhibit 5-18 summarizes the demand projections for Scenario 1 .

5.3.3 Projected Demand Scenario 2

Demand Scenario 2 differs from demand Scenario 1 only in the projected impact of the Luscar project on demand for accommodation in the commercial/corporate/work crew/government segment of demand. This demand scenario assumes that a work camp is built to accommodate workers and thus the demand for hotel/motel accommodation is lower than if no camp were constructed. The following table summarizes the additional demand that will be generated in the commercial/corporate/work crew/government throughout the 2007 to 2010 period.

TABLE 5-10 IMPACT ON ACCOMMODATION IN LETHBRIDGE LUSCAR LTD. BOW CITY POWER PROJECT WITH A WORK CAMP				
	2007	2008	2009	2010
Additional Total Occupied Room Nights	48	96	360	480
Source: PKF Consulting research				

Exhibit 5-8
Scenario 1
Subset 2 - Lethbridge, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't												
<i>occupied room nights</i>	113,486	119,955	126,073	132,496	137,911	144,078	149,390	152,176	156,741	160,660	163,873	167,151
demand growth		5.7%	5.1%	5.1%	4.1%	4.5%	3.7%	1.9%	3.0%	2.5%	2.0%	2.0%
Tourist/Leisure (including Tour, Sports, Other)												
<i>occupied room nights</i>	101,486	103,516	105,586	108,226	110,932	113,705	115,979	118,299	120,665	123,078	125,539	128,050
demand growth		2.0%	2.0%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Meetings/ Conference												
<i>occupied room nights</i>	14,621	14,767	14,915	15,064	15,215	15,367	15,520	15,676	15,832	15,991	16,151	16,312
demand growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Lethbridge Market												
<i>available room nights entire market</i>	493,734											
<i>available room nights PKF Consulting sample</i>	428,220											
<i>PKF Consulting Sample - % of Market Supply</i> ¹	86.7%											
Market Projections												
PKF Consulting Sample Total Demand												
<i>occupied room nights</i> ²	229,594	238,238	246,574	255,786	264,058	273,150	280,889	286,150	293,238	299,729	305,563	311,513
demand growth ³		3.8%	3.5%	3.7%	3.2%	3.4%	2.8%	1.9%	2.5%	2.2%	1.9%	1.9%
PKF Consulting Sample Total Supply												
<i>available room nights</i> ⁴	428,220	427,050	427,050	427,050	428,220	427,050	427,050	427,050	428,220	427,050	427,050	427,050
supply growth ⁵		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	53.6%	55.8%	57.7%	59.9%	61.7%	64.0%	65.8%	67.0%	68.5%	70.2%	71.6%	72.9%
PKF Consulting Sample Market Rate	\$75.19	\$77.07	\$79.00	\$80.98	\$83.00	\$85.08	\$87.20	\$89.38	\$91.62	\$93.91	\$96.26	\$98.66
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes improved general business strength and continued strength in the Oil & Gas sector. The actual results achieved in the market over the projection period will vary from the information presented herein and the variations may be material.

³ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁴ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁵ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Lethbridge market and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns and ranches

Exhibit 5-9
Scenario 2
Subset 2 - Lethbridge, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't												
<i>occupied room nights</i>	113,486	119,955	126,073	132,424	137,767	143,538	148,670	152,896	157,483	161,420	164,648	167,941
demand growth		5.7%	5.1%	5.0%	4.0%	4.2%	3.6%	2.8%	3.0%	2.5%	2.0%	2.0%
Tourist/Leisure (including Tour, Sports, Other)												
<i>occupied room nights</i>	101,486	103,516	105,586	108,226	110,932	113,705	115,979	118,299	120,665	123,078	125,539	128,050
demand growth		2.0%	2.0%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Meetings/ Conference												
<i>occupied room nights</i>	14,621	14,767	14,915	15,064	15,215	15,367	15,520	15,676	15,832	15,991	16,151	16,312
demand growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Lethbridge Market												
<i>available room nights entire market</i>	493,734											
<i>available room nights PKF Consulting sample</i>	428,220											
<i>PKF Consulting Sample - % of Market Supply</i> ¹	86.7%											
Market Projections												
PKF Consulting Sample Total Demand												
<i>occupied room nights</i> ²	229,594	238,238	246,574	255,714	263,914	272,610	280,169	286,870	293,980	300,489	306,339	312,304
demand growth ³		3.8%	3.5%	3.7%	3.2%	3.3%	2.8%	2.4%	2.5%	2.2%	1.9%	1.9%
PKF Consulting Sample Total Supply												
<i>available room nights</i> ⁴	428,220	427,050	427,050	427,050	428,220	427,050	427,050	427,050	428,220	427,050	427,050	427,050
supply growth ⁵		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	53.6%	55.8%	57.7%	59.9%	61.6%	63.8%	65.6%	67.2%	68.7%	70.4%	71.7%	73.1%
PKF Consulting Sample Market Rate	\$75.19	\$77.07	\$79.00	\$80.98	\$83.00	\$85.08	\$87.20	\$89.38	\$91.62	\$93.91	\$96.26	\$98.66
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes improved general business strength and continued strength in the Oil & Gas sector. The actual results achieved in the market over the projection period will vary from the information presented herein and the variations may be material.

³ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁴ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁵ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Lethbridge market and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns and ranches

5.4 Drumheller

5.4.1 Projected Additions to Supply

In 2005 one new property opened in the Drumheller area. The 74 room Ramada opened in August 2005. Based upon conversations with municipal planning officials, economic development personnel, hotel developers, and owners of competitive properties there are two proposed additions to supply for Drumheller throughout the projection period as at the time of PKF Consulting's research.

The first proposed addition to supply is an addition of 70 rooms to the existing Best Western Jurassic Inn. In addition to adding rooms the owners of the property have indicated that they will also add 21,767 square feet of convention/banquet space and a 6,072 square foot water park. The owners have indicated through correspondence with PKF Consulting that they intend to begin the expansion as early as spring of 2006.

PKF Consulting has also ascertained through conversations with economic development personnel and hotel developers that there are several parties interested in the development of one or more hotels in Drumheller. At the time of PKF Consulting's research there were no official applications, however PKF Consulting has projected that another hotel will be developed by one of the interested parties and has therefore included a supply addition of 80 rooms to the market with an estimated opening of 2010.

The following table summarizes the additions to supply for the Drumheller market.

TABLE 5-11 PROJECTED SUPPLY ADDITIONS 2005 TO 2010 DRUMHELLER, ALBERTA												
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Existing Supply	411	411	411	411	411	411	411	411	411	411	411	411
Supply Additions	N/A	31	43	35	35	0	80	0	0	0	0	0
Total Supply	411	442	485	520	555	555	635	635	635	635	635	635
% Change	N/A	7.5%	9.7%	7.2%	6.7%	0.0%	14.4%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: PKF Consulting research

5.4.2 Projected Demand Scenario

Projected Demand Scenarios 1 and 2 have been prepared by market segment. Projections have been completed for growth in each of the three general market segments commercial/corporate/work crew/government, tourist/leisure and meetings/conference as described in an earlier section of this report. These two scenarios reflect demand increases by market segment, taking into account potential demand from specifically identified projects in particular the Luscar Ltd. Bow City Power Project.

The impact of the Luscar project has been incorporated into the commercial/corporate/work crew/government segment of the market. Scenario 1 demand projections for Drumheller include provisions for increases in room night demand without a work camp generated throughout the 2007 to 2010 period. The following table summarizes the additional room nights that will be generated in Drumheller in the commercial/corporate/work crew/government segment throughout the 2007 to 2010 period.

TABLE 5-12 IMPACT ON ACCOMMODATION IN DRUMHELLER LUSCAR LTD. BOW CITY POWER PROJECT WITHOUT A WORK CAMP				
	2007	2008	2009	2010
Additional Total Occupied Room Nights	240	480	1,800	2,400
Source: PKF Consulting research				

Demand Scenario 1 also accounts for significant growth in the tourist/leisure market in Drumheller resulting from marketing and promotion activities in the area discussed in detail in Section 4 of this report. Growth rates for this segment of demand were provided to PKF Consulting by Alberta Economic Development and are based on their projections for growth in this segment as a result of their marketing and promotion programs currently under development for the Canadian Badlands region. It is projected by Alberta Economic Development that growth resulting from increased marketing and promotion of the Canadian Badlands will begin in 2007.

This scenario also includes projections for very significant growth in the meeting and conference segment of demand in Drumheller. Canalta Group, owners of the Best Western Jurassic Inn, the Ramada Drumheller, Travelodge Drumheller and the Super 8 Motel Drumheller, propose the development of an expansion of the Best Western Jurassic Inn, and have indicated that they plan to add 21,767 square feet of conference/banquet space to their property as part of their expansion plans mentioned previously in this report. The Town of

Drumheller has also recently commissioned a study for a multiplex facility that would include a conference/meeting facility for 400 to 500 people in addition to two ice arenas and a pool. The study was just recently released to the Mayor and Councillors, who will soon be considering whether or not to proceed with the facility. There would be no hotel component to the facility however room night demand would be generated in the Drumheller market from meetings and conferences held at the facility. In the 2001 Drumheller Convention Centre Feasibility Study conducted by Graham Edmunds, PKF Consulting and Conventional Wisdom and it was projected that the development of a convention centre would create approximately 3,800 additional room nights in the Drumheller accommodation market. PKF Consulting's assessment of room night demand generated by the development of a convention centre in Drumheller resulted in the same figure for additional room night demand in this segment of the market. Because it takes three to four years for a convention centre to become established, increases in demand have been built up over a four year period in the projections. Increases in demand of 50.0% to 150.0% over the four year period result in approximately 3,800 additional room nights in the meetings and convention market annually by 2010, based on an estimated opening of a convention facility in 2007.

Exhibit 5-10 summarizes the demand projections for Scenario 1.

5.4.3 Projected Demand Scenario 2

Demand Scenario 2 differs from demand Scenario 1 only in the projected impact of the Luscar project on demand for accommodation in the commercial/corporate/work crew/government segment of demand. This demand scenario assumes that a work camp is built to accommodate workers and thus the demand for hotel/motel accommodation is lower than if no camp were constructed. The following table summarizes the additional demand that will be generated in the commercial/corporate/work crew/government throughout the 2007 to 2010 period.

**TABLE 5-13
IMPACT ON ACCOMMODATION IN DRUMHELLER
LUSCAR LTD. BOW CITY POWER PROJECT
WITH A WORK CAMP**

	2007	2008	2009	2010
Additional Total Occupied Room Nights	96	192	720	960
Source: PKF Consulting research				

Exhibit 5-11 summarizes the demand projections for Scenario 2.

Exhibit 5-10
Scenario 1
Subset 3 - Drumheller, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't				Luscar	Luscar	Luscar	Luscar					Luscar Potential Phase 2
<i>occupied room nights</i>	57,301	59,020	60,790	62,854	64,972	68,227	69,488	67,390	69,075	70,802	72,572	74,386
demand growth		3.0%	3.0%	3.4%	3.4%	5.0%	1.8%	-3.0%	2.5%	2.5%	2.5%	2.5%
Tourist/Leisure (including Tour, Sports, Other)				Gov't of Alberta Tourism Promotion								
<i>occupied room nights</i>	42,434	43,282	44,148	45,914	48,669	51,589	53,137	54,465	55,827	57,222	58,653	60,119
demand growth		2.0%	2.0%	4.0%	6.0%	6.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Meetings/ Conference				Convention Centre Development								
<i>occupied room nights</i>	266	268	271	407	813	2,033	4,067	4,107	4,148	4,190	4,232	4,274
demand growth		1.0%	1.0%	50.0%	100.0%	150.0%	100.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Drumheller Market												
<i>available room nights entire market</i>	177,510											
<i>available room nights PKF Consulting sample</i>	150,426											
<i>PKF Consulting Sample - % of Market Supply</i> ¹	84.7%											
Market Projections	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PKF Consulting Sample Total Demand												
<i>occupied room nights</i> ²	100,000	102,571	105,210	109,175	114,455	121,850	126,691	125,963	129,050	132,214	135,456	138,779
demand growth ³		2.6%	2.6%	3.8%	4.8%	6.5%	4.0%	-0.6%	2.5%	2.5%	2.5%	2.5%
PKF Consulting Sample Total Supply												
<i>available room nights</i> ⁴	150,426	161,330	177,025	189,800	203,130	202,575	231,775	231,775	232,410	231,775	231,775	231,775
supply growth ⁵		7.5%	9.7%	7.2%	6.7%	0.0%	14.4%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	66.5%	63.6%	59.4%	57.5%	56.3%	60.2%	54.7%	54.3%	55.5%	57.0%	58.4%	59.9%
PKF Consulting Sample Market Rate	\$71.74	\$73.53	\$75.37	\$77.26	\$79.19	\$81.17	\$83.20	\$85.28	\$87.41	\$89.59	\$91.83	\$94.13
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes continued strength in the Oil & Gas sector, some absorption of demand from the Luscar project in 2007 to 2010, Government of Alberta tourism promotion impact, and convention centre development. The actual results achieved in the market over the projection period will vary from the information presented herein and the variations may be material.

³ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁴ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁵ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Drumheller Market and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns, and ranches

Exhibit 5-11
Scenario 2
Subset 3 - Drumheller, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't				Luscar	Luscar	Luscar	Luscar					Luscar Potential Phase 2
<i>occupied room nights</i>	57,301	59,020	60,790	62,710	64,684	67,147	68,048	68,830	70,551	72,315	74,122	75,976
demand growth		3.0%	3.0%	3.2%	3.1%	3.8%	1.3%	1.1%	2.5%	2.5%	2.5%	2.5%
Tourist/Leisure (including Tour, Sports, Other)				Gov't of Alberta Tourism Promotion								
<i>occupied room nights</i>	42,434	43,282	44,148	45,914	48,669	51,589	53,137	54,465	55,827	57,222	58,653	60,119
demand growth		2.0%	2.0%	4.0%	6.0%	6.0%	3.0%	2.5%	2.5%	2.5%	2.5%	2.5%
Meetings/ Conference				Convention Centre Development								
<i>occupied room nights</i>	266	268	271	407	813	2,033	4,067	4,107	4,148	4,190	4,232	4,274
demand growth		1.0%	1.0%	50.0%	100.0%	150.0%	100.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Drumheller Market												
<i>available room nights entire market</i>	177,510											
<i>available room nights PKF Consulting sample</i>	150,426											
<i>PKF Consulting Sample - % of Market Supply</i> ¹	84.7%											
Market Projections	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PKF Consulting Sample Total Demand												
<i>occupied room nights</i> ²	100,000	102,571	105,210	109,031	114,167	120,770	125,251	127,403	130,526	133,727	137,007	140,369
demand growth ³		2.6%	2.6%	3.6%	4.7%	5.8%	3.7%	1.7%	2.5%	2.5%	2.5%	2.5%
PKF Consulting Sample Total Supply												
<i>available room nights</i> ⁴	150,426	161,330	177,025	189,800	203,130	202,575	231,775	231,775	232,410	231,775	231,775	231,775
supply growth ⁵		7.5%	9.7%	7.2%	6.7%	0.0%	14.4%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Market Occupancy	66.5%	63.6%	59.4%	57.4%	56.2%	59.6%	54.0%	55.0%	56.2%	57.7%	59.1%	60.6%
PKF Consulting Sample Market Rate	\$71.74	\$73.53	\$75.37	\$77.26	\$79.19	\$81.17	\$83.20	\$85.28	\$87.41	\$89.59	\$91.83	\$94.13
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes continued strength in the Oil & Gas sector, some absorption of demand from the Luscar project in 2007 to 2010, Government of Alberta tourism promotion impact, and convention centre development. The actual results achieved in the market over the projection period will vary from the information presented herein and the variations may be material.

³ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁴ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁵ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Drumheller Market and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns, and ranches

5.5 Other Communities

5.5.1 Projected Additions to Supply

As noted earlier in this report other communities in the Badlands include Brooks, Bassano, Strathmore, Stettler, Hanna, Oyen, Rosebud, Trochu, Three Hills, Taber, Vulcan, Milk River, Warner, Elkwater, Redcliff, Foremost, Bow Island, Vauxhall and Jenner. The 61 room Heritage Inn & Suites opened in May 2005 and the Best Western opened 30 additional rooms in the summer of 2005 in the City of Brooks. No other additions to supply occurred in the other communities in 2005.

Based upon conversations with municipal planning officials, economic development personnel, hotel developers, owners of competitive properties, franchise representatives and other relevant accommodation industry officials the following table displays the known additions to supply proposed for the other communities throughout the projection period as at the time of PKF Consulting's research.

TABLE 5-14 PROPOSED ADDITIONS TO SUPPLY OTHER COMMUNITIES CANADIAN BADLANDS, ALBERTA			
New Projects	Proponents	Number of Rooms Proposed	Timing
Brooks Best Western Expansion	Canalta Group	30	2005
Brooks Heritage Inn & Suites	Magenta Management	61	2005
Brooks Super 8	Canalta Group	50	2007
Stettler Ramada	Canalta Group	74	2006
Stettler Best Western Expansion	Canalta Group	30	2006
Three Hills Super 8 Expansion		34	2006
Three Hills Lamplighter Inn Expansion		10	2006
Oyen Super 8	Canalta Group	44	2006
Oyen Antelope Inn Expansion		10	2006
Vulcan Super 8	Canalta Group	50	2007
Source: PKF Consulting research			
Note: PKF Consulting has made estimations where exact numbers could not be confirmed			

The following table summarizes the known proposed additions to supply at Fall 2006 for the "Other Communities" fixed roof accommodation subset throughout the 2005 to 2015 period.

**TABLE 5-15
PROJECTED SUPPLY ADDITIONS 2005 TO 2010
OTHER COMMUNITIES
CANADIAN BADLANDS, ALBERTA**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Existing Supply	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145
Supply Additions	N/A	56	179	108	50	0	0	0	0	0	0	0
Total Supply	1,145	1,201	1,380	1,488	1,538	1,538	1,538	1,538	1,538	1,538	1,538	1,538
% Change	N/A	4.9%	14.9%	7.8%	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: PKF Consulting research

5.5.2 Projected Demand Scenario 1

The growth rates were applied to occupied room nights in the PKF Consulting sample of total market demand in 2004. The PKF Consulting sample data collected through the Fixed Roof Accommodation Study interview and survey program represents approximately 58.0% of total available room nights in the other communities' subset in 2004. Projections herein are made utilizing the PKF Consulting sample. Exhibit 5-17 displays the projected demand for the other communities' subset.

Projected Demand Scenarios 1 and 2 have been prepared by market segment. Projections have been completed for growth in occupied room nights in each of the three general market segments commercial/corporate/work crew/government, tourist/leisure and meetings/conference as described in an earlier section of this report. These two scenarios reflect demand increases by market segment, taking into account potential demand from specifically identified projects in particular the Luscar Ltd. Bow City Power Project.

The impact of the Luscar project has been incorporated into the Commercial/Corporate/Work Crew/Government segment of the market. Scenario 2 demand projections for the other communities' subset include provisions for increases in room night demand without a work camp generated throughout the 2007 to 2010 period. The following table summarizes the additional room nights that will be generated in other communities in the Commercial/Corporate/Work Crew/Government throughout the 2007 to 2010 period.

**TABLE 5-16
IMPACT ON ACCOMMODATION IN OTHER COMMUNITIES
LUSCAR LTD. BOW CITY POWER PROJECT
WITHOUT A WORK CAMP**

	2007	2008	2009	2010
Additional Total Occupied Room Nights	1,320	2,640	9,900	13,200
Source: PKF Consulting research				

Demand Scenario 1 also accounts for additional marketing and promotion activities currently being developed by the Alberta Government and projected to begin impacting demand for accommodation in the Tourist/Leisure segment of demand in 2007. Marketing and promotion activities currently being developed by Alberta Economic Development were discussed in detail in Section 4 of this report. Growth rates for this segment of demand were provided to PKF Consulting by Alberta Economic Development and are based on their projections for growth in this segment as a result of their marketing and promotion programs currently under development for the Canadian Badlands region. This scenario also projects modest growth in meetings and conference demand throughout the projection period.

Exhibit 5-12 summarizes the demand projections for Scenario 1.

5.5.3 Projected Demand Scenario 2

Demand Scenario 2 differs from demand Scenario 1 only in the projected impact of the Luscar project on demand for accommodation in the commercial/corporate/work crew/government segment of demand. This demand scenario assumes that a work camp is built to accommodate workers and thus the demand for hotel/motel accommodation is lower than if no camp were constructed. The following table summarizes the additional demand that will be generated in the commercial/corporate/work crew/government throughout the 2007 to 2010 period.

**TABLE 5-17
IMPACT ON ACCOMMODATION IN OTHER COMMUNITIES
LUSCAR LTD. BOW CITY POWER PROJECT
WITH A WORK CAMP**

	2007	2008	2009	2010
Additional Total Occupied Room Nights	528	1,056	3,960	5,280
Source: PKF Consulting research				

Exhibit 5-13 summarizes the demand projections for Scenario 2.

Exhibit 5-12
Scenario 1
Subset 4 - Other Communities of the Canadian Badlands Region, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't				Luscar	Luscar	Luscar	Luscar					Luscar Potential Phase 2
occupied room nights	215,491	226,266	237,579	250,778	262,077	277,120	272,100	267,548	274,236	281,092	288,120	295,323
demand growth		5.0%	5.0%	5.6%	4.5%	5.7%	-1.8%	-1.7%	2.5%	2.5%	2.5%	2.5%
Tourist/Leisure (including Tour, Sports, Other)				Gov't of Alberta Tourism Promotion								
occupied room nights	61,657	62,890	64,148	65,752	67,396	69,081	70,808	72,578	74,029	75,510	77,020	78,561
demand growth		2.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%
Meetings/ Conference												
occupied room nights	5,807	5,865	5,923	5,983	6,042	6,103	6,164	6,226	6,288	6,351	6,414	6,478
demand growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Balance of the Canadian Badlands Region Supply												
available room nights entire region	722,118											
available room nights PKF Consulting sample	419,010											
PKF Consulting Sample - % of Entire Region Supply ¹	58.0%											
Market Projections	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PKF Consulting Sample Entire Region Total Demand												
occupied room nights ²	822,000	853,581	886,563	924,871	964,624	1,009,396	1,032,976	1,056,981	1,093,075	1,121,721	1,148,855	1,176,655
demand growth ³		3.8%	3.9%	4.3%	4.3%	4.6%	2.3%	2.3%	3.4%	2.6%	2.4%	2.4%
PKF Sample Lethbridge Total Demand												
occupied room nights ²	229,594	237,444	245,620	255,193	266,262	277,836	288,760	299,548	310,794	319,165	326,904	334,834
demand growth ³		3.4%	3.4%	3.9%	4.3%	4.3%	3.9%	3.7%	3.8%	2.7%	2.4%	2.4%
PKF Sample Medicine Hat Total Demand												
occupied room nights ²	209,450	217,399	225,699	235,081	245,619	256,649	267,401	278,229	289,542	297,546	304,792	312,219
demand growth ³		3.8%	3.8%	4.2%	4.5%	4.5%	4.2%	4.0%	4.1%	2.8%	2.4%	2.4%
PKF Sample Drumheller Total Demand												
occupied room nights ²	100,000	103,717	107,593	112,085	117,228	122,608	127,743	132,852	138,185	142,058	145,605	149,240
demand growth ³		3.7%	3.7%	4.2%	4.6%	4.6%	4.2%	4.0%	4.0%	2.8%	2.5%	2.5%
PKF Consulting Sample Balance of the Badlands Region Total Demand												
occupied room nights ²	282,955	295,021	307,651	322,513	335,515	352,303	349,072	346,351	354,554	362,953	371,554	380,361
demand growth ³		4.3%	4.3%	4.8%	4.0%	5.0%	-0.9%	-0.8%	2.4%	2.4%	2.4%	2.4%
PKF Consulting Sample Entire Region Total Supply												
available room nights ⁴	1,297,044	1,333,650	1,438,405	1,476,000	1,485,125	1,485,125	1,485,125	1,485,125	1,485,125	1,485,125	1,485,125	1,485,125
supply growth ⁵		2.8%	7.9%	2.6%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Other Communities of the Badlands Region Total Supply												
available room nights ⁴	419,010	438,305	503,640	543,060	562,848	561,310	561,310	561,310	562,848	561,310	561,310	561,310
supply growth ⁵		4.9%	14.9%	7.8%	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Balance of the Badlands Market Occupancy	67.5%	67.3%	61.1%	59.4%	59.6%	62.8%	62.2%	61.7%	63.0%	64.7%	66.2%	67.8%
PKF Consulting Sample Balance of the Badlands Market Rate	\$68.64	\$70.36	\$72.12	\$73.92	\$75.77	\$77.66	\$79.61	\$81.60	\$83.64	\$85.73	\$87.87	\$90.07
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes continued strength in the Oil & Gas sector, primary absorption of demand from the Luscar project in 2007 to 2010 and Government of Alberta tourism promotion impact. The actual results achieved in the market over the projection period will vary from the information presented herein and the variations may be material.

³ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁴ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁵ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Canadian Badlands Region and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns, and ranches

Note: Balance of the Canadian Badlands Region includes the communities of Warner, Milk River, Taber, Brooks, Bassano, Hanna, Oyen, Trochu, Three Hills, Rosebud, Strathmore, Vulcan, Stettler, Elkwater, Redcliff, Foremost, Bow Island, Vauxhall, Jenner

Exhibit 5-13
Scenario 2
Subset 4 - Other Communities of the Canadian Badlands Region, Alberta
Demand Projections

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Commercial/ Corporate/Work Crew/Gov't				Luscar	Luscar	Luscar	Luscar					Luscar Potential Phase 2
occupied room nights	215,491	226,266	237,579	249,986	260,493	271,180	264,180	275,468	282,354	289,413	296,649	304,065
demand growth		5.0%	5.0%	5.2%	4.2%	4.1%	-2.6%	4.3%	2.5%	2.5%	2.5%	2.5%
Tourist/Leisure (including Tour, Sports, Other)				Gov't of Alberta Tourism Promotion								
occupied room nights	61,657	62,890	64,148	65,752	67,396	69,081	70,808	72,578	74,029	75,510	77,020	78,561
demand growth		2.0%	2.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%	2.0%
Meetings/ Conference												
occupied room nights	5,807	5,865	5,923	5,983	6,042	6,103	6,164	6,226	6,288	6,351	6,414	6,478
demand growth		1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Entire Balance of the Canadian Badlands Region Supply												
available room nights entire region	722,118											
available room nights PKF Consulting sample	419,010											
PKF Consulting Sample - % of Entire Region Supply ¹	58.0%											
Market Projections	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PKF Consulting Sample Entire Region Total Demand												
occupied room nights ²	822,000	853,581	886,563	924,079	963,040	1,003,456	1,025,056	1,064,901	1,101,193	1,130,042	1,157,384	1,185,397
demand growth ³		3.8%	3.9%	4.2%	4.2%	4.2%	2.2%	3.9%	3.4%	2.6%	2.4%	2.4%
PKF Sample Lethbridge Total Demand												
occupied room nights ²	229,594	237,444	245,620	255,193	266,262	277,836	288,760	299,548	310,794	319,165	326,904	334,834
demand growth ³		3.4%	3.4%	3.9%	4.3%	4.3%	3.9%	3.7%	3.8%	2.7%	2.4%	2.4%
PKF Sample Medicine Hat Total Demand												
occupied room nights ²	209,450	217,399	225,699	235,081	245,619	256,649	267,401	278,229	289,542	297,546	304,792	312,219
demand growth ³		3.8%	3.8%	4.2%	4.5%	4.5%	4.2%	4.0%	4.1%	2.8%	2.4%	2.4%
PKF Sample Drumheller Total Demand												
occupied room nights ²	100,000	103,717	107,593	112,085	117,228	122,608	127,743	132,852	138,185	142,058	145,605	149,240
demand growth ³		3.7%	3.7%	4.2%	4.6%	4.6%	4.2%	4.0%	4.0%	2.8%	2.5%	2.5%
PKF Consulting Sample Balance of the Badlands Region Total Demand												
occupied room nights ²	282,955	295,021	307,651	321,721	333,931	346,363	341,152	354,271	362,672	371,274	380,083	389,104
demand growth ³		4.3%	4.3%	4.6%	3.8%	3.7%	-1.5%	3.8%	2.4%	2.4%	2.4%	2.4%
PKF Consulting Sample Entire Region Total Supply												
available room nights ⁴	1,297,044	1,333,650	1,438,405	1,476,000	1,485,125	1,485,125	1,485,125	1,485,125	1,485,125	1,485,125	1,485,125	1,485,125
supply growth ⁵		2.8%	7.9%	2.6%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Balance of the Badlands Region Total Supply												
available room nights ⁴	419,010	438,305	503,640	543,060	562,848	561,310	561,310	561,310	562,848	561,310	561,310	561,310
supply growth ⁵		4.9%	14.9%	7.8%	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PKF Consulting Sample Balance of the Badlands Market Occupancy	67.5%	67.3%	61.1%	59.2%	59.3%	61.7%	60.8%	63.1%	64.4%	66.1%	67.7%	69.3%
PKF Consulting Sample Balance of the Badlands Market Rate	\$68.64	\$70.36	\$72.12	\$73.92	\$75.77	\$77.66	\$79.61	\$81.60	\$83.64	\$85.73	\$87.87	\$90.07
Rate growth (Inflation)		2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

¹ This percentage represents the percentage of available room nights on an annual basis (based on 2004 data) captured in the PKF Consulting sample. Estimations were made as necessary for properties where number of rooms were unavailable

² Assumes continued strength in the Oil & Gas sector, primary absorption of demand from the Luscar project in 2007 to 2010 and Government of Alberta tourism promotion impact. The actual results achieved in the market over the projection period will vary from the information presented herein and the variations may be material.

³ Source: PKF Consulting research, Alberta Economic Development, secondary sources

⁴ Sample is based on PKF Consulting Database, the Canadian Badlands Fixed Roof Accommodation Study interview and survey program and secondary research

⁵ Based on known supply proposed at the Fall 2005. It is common for new supply to be proposed once occupancy reaches approximately 70%, which has not been accounted for herein

Note: Both the sample for the entire Canadian Badlands Region and the PKF Consulting Sample include all types of accommodation including hotels, motels, bed and breakfasts, inns, and ranches

Note: Balance of the Canadian Badlands Region includes the communities of Warner, Milk River, Taber, Brooks, Bassano, Hanna, Oyen, Trochu, Three Hills, Rosebud, Strathmore, Vulcan, Stettler, Elkwater, Redcliff, Foremost, Bow Island, Vauxhall, Jenner

SECTION 6 DEVELOPMENT AND OPERATIONS INFORMATION

6.1 Development and Construction Costs

Based on information provided to PKF Consulting by several sources, the following table displays construction estimates for proposed or under construction limited service properties in Alberta and Saskatchewan. The table presents a range of construction costs for budget and mid level limited service properties. It should also be noted that several sources have indicated to PKF Consulting that developers need to budget for increases, with construction experts estimating construction cost increases in the range of approximately 1.5% per month.

Location	Alberta	Alberta	Alberta	Saskatchewan	Alberta
Property Type	Budget Limited Service	Mid Level Limited Service	Budget Limited Service	Budget Limited Service	Mid Level Limited Service
Number of Rooms	48	69	84	66	100
Total Cost of Construction	\$2,256,000	\$4,278,000 to \$4,830,000	\$5,600,000	\$5,400,000	\$9,500,000
Cost per Room	\$47,000	\$62,000 to \$70,000	\$67,000	\$81,800	\$95,000
Additional amenities	No pool	No pool	No pool	Pool	Pool/waterslide
Source: PKF Consulting research, secondary sources					

Due to the volatility of construction costs, detailed architectural and construction estimates by qualified professionals is recommended. PKF Consulting has obtained this information from third parties and takes no responsibility for the use or misuse of this information.

6.2 Trends in the Hotel Industry – Canadian 2005 Edition – Alberta Limited Service Hotels

Trends in the Hotel Industry Canadian Edition 2005, compiled by PKF Consulting, is an annual statistical review of operating and financial information voluntarily contributed by hotels, motels, and resorts from across Canada. The 2005 Edition contains market data displayed regionally for 180,000 hotel rooms. Financial information is presented nationally and regionally as well as by style and nature of operation. The 2005 Edition includes operating results for 544 properties representing 104,000 rooms nationally.

Exhibit 6-1 displays the consolidated operating results for Limited Service Hotels in Alberta from the 2005 edition of Trends in the Hotel Industry Canadian Edition, which presents 2004 operating and financial information. National franchise fees of 7.5% of room revenue, management fees of 3.0% of total revenue, and a reserve for asset replacement of 3.0% of total revenue have also been included.

PKF Trends in the Hotel Industry data is presented in accordance with the Uniform System of Accounts, recommended by the American Hotel and Motel Association. This method of classifying accounts is in general use throughout the hotel industry in Canada, and has been used to classify income and expenses in this report to facilitate comparison to the consolidated results of similar properties in the PKF Consulting Canadian Trends database.

6.3 Limited Service Development

Limited service hotels fill the need for commercial, corporate and leisure demand in most regional communities in Alberta. As an industry generalization, limited service facilities accommodate demand but are less likely to develop destination travel business than specialty product such as Bed and Breakfast operations, convention hotels or resorts with amenities. Limited Service hotels are less likely to induce accommodation demand related to meetings and conferences or higher paying leisure markets such as weekend get away travelers. They will however penetrate these markets in peak periods and if they are the best accommodation physical plant in a destination.

Limited service hotels have comparatively modest operating costs in comparison with full service hotels and resorts. Limited service properties avoid the heavy commitment of food and beverage outlets, which typically have a low contribution margin. In many instances, the food and beverage department in hotels, after allowing for undistributed and fixed departmental costs, incur a net operating loss. The PKF Trends in the Canadian Hotel Industry - 2005 Financial Edition (2004 Data), shows that in 2004 the average full service hotel had direct departmental operating costs of approximately 73.0% in Alberta, compared with 85.0% in British Columbia, where labour rates have tended to be higher. Since Alberta hotel industry labour rates are increasing rapidly in response to a limited available labour pool, it is to be expected that there will be a cost creep in Alberta. The minimum wage in Alberta has increased from \$5.90 to \$7.00 per hour.

Limited service hotels often get around the food and beverage outlet issue by providing a daily continental breakfast, which is common today and is a requirement of many limited service brands such as Days Inn, Holiday Inn Express or Comfort Inn. Many guests find the buffet breakfast style less time consuming in the

morning, less expensive and generally prefer this style of eating to sit down restaurants. In many properties, the breakfast is free to guests. The range of menu items varies by brand but is typically limited in order to minimize costs and operating expenses for operators.

The PKF Trends in the Canadian Hotel Industry - 2005 Financial Edition (2004 Data) shows that in 2004, full service hotels in Alberta recorded an overall Net Income Before Fixed Charges that was approximately 20.0% percentage points below that of limited service hotels. Thus a problem presents itself from the point of view of encouraging focus service hotels that would actually foster new demand to the community. Because the operators typically see the best returns from limited service product in urban or smaller markets, this has been the trend in hotel construction over the past ten years.

In summary, in communities where the majority of existing accommodation product comprises limited service hotels or other smaller types of properties, it is often difficult for prospective operators to develop and operate a larger, full service accommodation property that would need to generate significantly higher room rates on a daily basis than the competitors in order to justify the higher construction and operating costs. The demand sources utilizing accommodation within the community would in many cases be aware of the lower priced alternatives and would seek them as their priority. This would be the case even in certain instances where the prospective guests may be attending a meeting or conference at a new full service property (i.e., The “host” hotel). There are examples of relatively high priced accommodation within the study region however the majority of these properties are small bed and breakfast operations or country inns.

This is the situation in Drumheller. The accommodation market comprises a range of year round Bed and Breakfast operations, country inns, limited service hotels and one full service hotel. Strategic planning studies reflect the desire by municipal officials and local economic development and tourism industry representatives for development of destination meeting and conference facilities, either within a full service hotel or as a stand alone facility. Private sector developers have and are currently in ongoing discussions regarding such a development.

Because of the challenges for hotels with large public assembly space as noted above, many communities are finding that the answer is to provide incentives if they want to attract the less lucrative hotel demand. There are a variety of mechanisms that have been used over time in this country including reduction or waiving of property tax for a period of time or permanently, in kind services such as: ongoing snow clearing or other similar services financial contributions or subsidies, creative ownership scenarios development of a mixed use nature that coincides with the hotel/convention or resort development such as residential that allows for components that provide a higher return to off set higher costs associated with a hotel. An example of such

development in Nanaimo sees a major municipal contribution towards a conference centre along with the development of a big plaza, expansion of an existing theatre, relocation of an expanded museum, a hotel and condominiums on a higher floor. Another high profile example is in Halifax which is going through a similar process at the waterfront where the key element is an expansion of the Maritime Museum of the Atlantic, which will gain size, stature and importance for the community. A hotel, retail commercial and other development will help offset the costs in that case. Some communities have considered the mutual uses of multiple users such as RCMP offices with associated meeting needs, a community college and recreational facilities, with allowable other uses. There are hotels in British Columbia where a hotel ballroom was sold to an independent investor, and the hotels pay annual leases. Sometimes thinking out of the box has long reaching effect. Each community has to weigh such costs and benefits, but the possibility of negotiating for the mutual net gain of several parties may exist. It is recommended that any community that could benefit from such physical plant might consider the alternatives uses and support mechanisms within their short or long term budget that might foster such a development.

6.4 Bed and Breakfast Development

PKF Consulting undertook research to determine the costs associated with the start up of a bed and breakfast operation. There are many different sources of information available with regard to setting up a bed and breakfast operation including books, Internet resources, and seminars conducted by existing bed and breakfast operators.

There are many steps involved in opening a bed and breakfast such as business planning, obtaining licensing and zoning, assessing capital costs, projecting operating expenses, setting pricing structure including single and double occupancy rates and seasonal discounting, setting up appropriate methods of payment, government reporting of room taxes and GST, Revenue Canada income taxes and aligning appropriate insurance.

There are several books available that offer information and advice to potential B&B operators as well as seminars offered by experienced operators. A good starting place for information is Bed and Breakfast associations such Bed and Breakfast Canada (bbcanada.com) and the Alberta Bed and Breakfast Association (bbalberta.com).

Two books that PKF Consulting reviewed while researching this topic are *To B&B or not to B&B* by Bruce and Mary Jaffary available in print or as an e-book and *Start and Run a Bed & Breakfast* by Monica Taylor and Richard Taylor. Both books are published in Canada and offer advice from experienced bed and breakfast

owners and are a good starting place for researching what is involved in an operation of this nature. Many people enter into the business of a B&B when they retire intending for it to be an income supplement without really understanding what is required. Both of the abovementioned books explain the financial side of the operation in addition to offering advice and a realistic picture of operating a B&B. Both offer examples of how to prepare capital budgets, operating budgets, expense records, revenue summaries and financial statements.

When it comes to the costs associated with starting up a bed and breakfast estimations vary widely and are dependent upon how much renovation is required to get a home ready to operate as a B&B. The sources that PKF Consulting referred to estimate start up costs for the conversion an existing home into a B&B are estimated to range from approximately \$15,000 to \$40,000.

Attached as Appendix 1 is an article from About.com (part of The New York Times Company) that is part of a worksheet series designed for people interested in starting a bed and breakfast. The article was prepared by Elizabeth Arneson based on information by Eleanor Ames who operates the Bluemont Bed and Breakfast in Luray, Virginia. Although the information is presented based on opening a bed and breakfast in the United States and therefore the cost figures are in American dollars, they provide an indication of items for consideration for a bed and breakfast in Canada and it is a good starting point for individuals considering opening a B&B. The worksheet series also covers topics such as being a good host, writing a business plan, food service, marketing issues, if the business will make money, and zoning issues among other topics. The worksheet series is available for free on the Internet at: http://bandb.about.com/cs/aspiring/a/worksheets_p.htm.

Parties interested in operating a bed and breakfast may consider purchasing an existing bed and breakfast. Advantages to this option could include that a bed and breakfast is already established and therefore may be well known within the community and to potential guests, there will likely not be as much renovation necessary as the space was previously used as a B&B and the B&B will also likely have been marketed by the previous owners and new owners can continue with the same established marketing tactics if they have been successful. There are currently several bed and breakfast listings for Alberta on the Bed and Breakfast Canada website. Listed prices for an existing bed and breakfast in Alberta are wide ranging depending on location and size and style of the property. The prices noted at February 2006 for existing bed and breakfasts in Alberta range from \$168,900 in Wetaskiwin to \$795,000 in Canmore. On the same website the Rosebud Country Inn is also listed at a price of \$849,000.

Through the interview process in these communities, PKF Consulting representatives met with many bed and breakfast operators. Many of these operators brought up concerns and challenges they face. Bed and

breakfast operations face the challenge of being a small establishment and having to pay the same marketing and advertising costs as hotels and motels. Some felt that tourist visitor bureaus will recommend hotels and motels over bed and breakfast operations even though all parties are members of the bureau. Some bed and breakfast operations have formed an organization within a community or within several small communities to market cooperatively. Many bed and breakfast operations in the Canadian Badlands do not have websites and/or are not listed on the Bed and Breakfast Canada or the Alberta Bed & Breakfast Association website, which makes it difficult for tourist and visitors to identify them; it appears that many Bed and Breakfast operations rely extensively on referrals. An opportunity exists to encourage bed and breakfast operators in the Canadian Badlands to join bed and breakfast associations and other lodging associations to obtain member benefits and to foster consistent standards for this type of accommodation. Minimum standards of cleanliness and housekeeping are specified in the Bed and Breakfast Health Standards and Guidelines set out by Alberta Health. Bed and Breakfast operators should also be encouraged to establish website links to existing regional leisure oriented sites as the Internet is becoming a very important tool for travellers and many people, particularly international visitors find out about bed and breakfast and other types of alternative accommodation on the Internet.

EXHIBIT 6-1
TRENDS IN THE HOTEL INDUSTRY 2005 CANADIAN EDITION
LIMITED SERVICE HOTELS
ALBERTA
CONSOLIDATED OPERATING RESULTS

	PKF Trends Alberta Limited Service Hotels 2004		
Rooms	120		
Available Rooms	43,800		
Occupied Rooms	29,258		
Occupancy Rate	66.8%		
Average Daily Rate	\$81.90		
	* \$PAR	** \$ORN	%
DEPARTMENTAL REVENUES			
Rooms	\$19,975	\$81.93	91.5%
Food and Beverage	\$0	\$0.00	0.0%
Telephone	\$120	\$0.49	0.5%
Other Operated Departments	\$397	\$1.63	1.8%
Rentals and Other Income	\$1,330	\$5.45	6.1%
Total Revenues	\$21,822	\$89.50	100.0%
DEPARTMENTAL EXPENSES	\$PAR	\$ORN	%
Rooms	\$4,295	\$17.62	21.5%
Food and Beverage	\$0	\$0.00	0.0%
Telephone	\$80	\$0.33	66.7%
Other Operated Departments	\$329	\$1.35	82.9%
Total Departmental Expenses	\$4,704	\$19.29	21.6%
GROSS PROFIT	\$17,118	\$70.21	78.4%
UNDISTRIBUTED EXPENSES	\$PAR	\$ORN	%
Administration & General	\$2,051	\$8.41	9.4%
Marketing	\$927	\$3.80	4.2%
Property Operation & Maintenance	\$1,000	\$4.10	4.6%
Energy	\$996	\$4.08	4.6%
Other Unallocated Operated Departments	\$0	\$0.00	0.0%
Total Undistributed Expenses	\$4,974	\$20.40	22.8%
INCOME BEFORE FIXED CHARGES	\$12,144	\$49.81	55.7%
FIXED CHARGES	\$PAR	\$ORN	%
Realty , Business Taxes	\$1,161	\$4.76	5.3%
Insurance	\$117	\$0.48	0.5%
Franchise Fee	\$1,498	\$6.14	6.9%
Management Fee	\$655	\$2.69	3.0%
Reserve for Asset Replacement	\$655	\$2.69	3.0%
Total Fixed Charges	\$4,085	\$16.76	18.7%
INCOME BEFORE OTHER FIXED CHARGES	\$8,059	\$33.05	36.9%

Source: PKF Consulting Trends Database

NOTE: Franchise Fees, Management Fees, and Reserve for Asset Replacement percentages are notional.

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* \$PAR - Revenue per Available Room

** \$ORN - Revenue Per Occupied Room

SECTION 7 FINDINGS AND RECOMMENDATIONS

7.1 Fixed Roof Accommodation Development

This section of the report summarizes the recommendations of PKF Consulting with regard to the opportunities related to fixed roof accommodation in the Canadian Badlands region. All proposed and rumoured supply additions mentioned in this report are based on information gathered in September 2005 during the course of the interview and survey program undertaken by PKF Consulting.

7.1.1 Medicine Hat

Medicine Hat is located in close proximity to the Cypress Hills Interprovincial Park and serves as a gateway for travellers from Saskatchewan, Eastern Canada and the United States. This market has historically performed well in terms of hotel occupancy and functions as a strong regional centre and serves leisure markets as well. There is a wide range of quality, style, size and amenities in the hotels in Medicine Hat which appear to be supported at all levels by the market. New hotel supply in Medicine Hat entered the market in late 2005. Based on the assumption that when a given market reaches a hotel occupancy rate of approximately 68.0% to 70.0% new development may occur it is recommended that there will likely be an opportunity for hotel development in approximately 2010 when it is projected that the City of Medicine Hat occupancy percentage will reach 68.0%. Given the strength of the Medicine Hat market historically and the growth projected for the market in each of the demand scenarios, PKF Consulting projects that the City of Medicine Hat may be able to accommodate between 160 and 240 new hotel rooms in the market during the 2010 to 2015 period. Some incremental demand from Luscar may be displaced to the Medicine Hat area in 2007 to 2010 period as discussed which would contribute to growth in the market. Medicine Hat has a significant number of independent motel properties which may present some opportunities to franchise as mid level budget brands in the post boom period as the primary commercial market for accommodation shrinks and existing operations take steps to preserve their competitiveness.

7.1.2 Lethbridge

The City of Lethbridge has a variety of accommodation types to cater to virtually every sector such as meetings and conventions, groups, families and corporate and independent travellers. The current City occupancy and indeed the declining occupancy in some years indicates there has been and will be adequate supply of accommodation in the short term, at approximately 1,349 rooms unless new concepts or product can

support higher than normal penetration levels. No new rooms were known to be proposed at September 2005 at the time of research in the market. When a given market reaches a hotel occupancy rate of approximately 68.0% to 70.0%, it is common that additional supply enters the market. Based on the most likely demand scenario provided herein, it is projected that the City of Lethbridge will reach a 68.0% occupancy rate in 2012 and that could signify potential for hotel investment by expansion or new development or to replace dated product. It is recommended there could be opportunity for addition of a hotel should the occupancy rates reach the projected 68.0%. Sometimes when a new property enters a market supply induced demand can be generated by a new property that can attract previously unsatisfied hotel demand from outside the existing market or product driven demand (for spa services, extended stay accommodation etc.). Including some level of increased supply induced demand from a new hotel entering the market in 2012 and with continued growth projected for the market as a whole it is possible that the market could once again reach the an occupancy rate of approximately 68.0%, creating an opportunity for an additional limited service hotel within this time frame. It is assumed hereto forth that the Lethbridge market, should it reach the projected occupancy level, could accommodate between 80 to 160 new rooms in the market during the 2012 to 2015 period. It is not likely that any additional hotels will be developed in the Lethbridge market in the near term given the historic performance of the market. However if the hotel product is judged by private sector to be aging or obsolescent due to poor maintenance or lack of capital expenditure during this period, then the timing of a new property might be accelerated. There may also be opportunity within the City of Lethbridge for some of the independent motel product to upgrade to meet brand standards and/or brand their properties as a competitive strategy.

7.1.3 Drumheller

As Drumheller is at the heart of the Canadian Badlands and has a unique natural setting, this community has the most opportunity of all communities included in this study for tourism development. It would be beneficial for Drumheller to continue to improve its superstructure and enhance the attractiveness of this community. Drumheller is unique in that it offers many types accommodation in addition to hotel and motels such as small inns and bed and breakfast operations that have flourished in the area. The hotels in Drumheller are reported to cater successfully to a mix of markets. It appears that regular supply increases historically kept pace (or exceeded demand in some seasons) on an annual basis. However the fluctuations resulting from seasonality peaks has softened somewhat recently due to the recent strengthening of the oil and gas industry. A new hotel opened in Drumheller in the summer of 2005 and is currently being absorbed by the market. There have been numerous hotel proposals with conference centres in Drumheller over the past five years but none have proceeded or come to fruition and no new construction has been confirmed. PKF Consulting is aware of several parties that have expressed interest in development at this time in Drumheller for the expansion of

existing premises, for new build limited service hotel development and for a full service hotel with conference centre. It is not known which developments will occur or if more than one development would occur. Canalta Group owns four properties in Drumheller and is proposing an expansion to the Best Western Jurassic Inn. Several other parties have expressed an interest in building in this market. Regardless of who the eventual developer will be and based on limited available historical data, PKF Consulting projects an opportunity in the Drumheller accommodation plant for approximately 150 additional rooms during the projection period and assumes this will likely take the form of two supply additions in the 2006 to 2010 period as is included in the PKF Consulting projections. If existing hotels give priority to commercial crews and there are significant turn aways of leisure guests in the peak summer period in the next few years it will encourage additional hotel development. As with the Lethbridge and Medicine Hat markets there may also be some opportunity for the application of brands at independent motel properties when the oil and gas and construction activity begins to decline and the competitive nature of the expanded hotel industry becomes evident. Also as the number of tourists visiting the area increases they may be looking for the reassurance offered by branded properties known to travellers which may also cause operators of independent properties to explore branding opportunities in order to remain competitive.

7.1.4 Other Communities

This section refers to the communities that are grouped into the “Other Communities” subset of the PKF Consulting supply and demand projections. In addition to the specific opportunities identified there may be opportunities in these communities for conversion of independent motel properties to budget and mid priced branded properties or for renovation of older existing properties particularly in the post oil and gas boom period. For these communities the current major sources of demand are oil and gas and construction crews and the existing accommodation is well suited to appeal to this price sensitive sector. Large new oil and gas exploration and development anywhere in this region could substantially alter the volumes in any of these communities. However with the planned increased promotion of the Canadian Badlands as a major tourism destination it may be necessary to renovate, upgrade, and possibly brand some of the accommodation product in these smaller communities to attract long haul and destination tourists and to provide the security of recognizable brands and to enhance the desirability of quality facilities for the leisure markets.

There may also be an opportunity in some of these communities for further development of alternative accommodation properties. Many of the communities already have non hotel accommodation facilities such as bed and breakfast, inn, and guest ranch facilities but there may be opportunity in the future for additional accommodation of these types or replacement should existing operations retire from the business. In markets such as Drumheller where alternative fixed roof accommodation comprises a significant share of the supply, it

is a continuing opportunity for residential owners as historically as many B&B operations withdraw from the industry after a few years. The inclusion of small alternative accommodation that has flexibility in terms of seasonality will be important as the tourist market grows, as construction crews and oil and gas company personnel displace leisure markets in the short term in the motels, and because such accommodation is often attractive to long haul and international markets and because of the popularity and familiarity of this style of accommodation with North American and European markets.

Brooks

Brooks has a current complement of 12 accommodation properties. Due to the proximity of Brooks to Dinosaur Provincial Park, the City of Brooks accommodates leisure travellers including demand that smaller properties in smaller communities like Bassano and Jenner cannot accommodate at this time. Collectively the hotels in Brooks could accommodate tour groups and small meetings. The exact number of rooms and timing for the development of the Super 8 Motel proposed by Canalta Group could not be confirmed, therefore estimations were made by PKF Consulting based on the information available from several sources. New supply entered the market in 2005 and is currently being absorbed by the market. Based on projected demand growth in the communities in the other category and allowing for induced demand because of increased capacity, there may be opportunity for additional hotel development in the community of Brooks throughout the 2006 to 2015 period as the occupancy rates reach the 68.0% to 70.0% range. The Luscar impact is undetermined and depends in part on what transpires regarding camp development. The Luscar project will likely be the single largest demand generator in the Canadian Badlands in the foreseeable future. However, information about the four year Luscar project construction and accommodation demand is preliminary and decisions about accommodation plant have not been made, which presents an opportunity. Demand projections indicate that with a camp development, there will still be a potential opportunity for the Brooks hotel market for a hotel of approximately 80 rooms in addition to the rooms proposed by Canalta Group that have been incorporated into the PKF Consulting projections as a supply addition. It is assumed that the long term Brooks market could potentially support approximately 130 additional rooms during the 2006 to 2015 period and any new demand is likely to be for limited service accommodation.

Bassano

With its location near the City of Brooks, Bassano has the potential to serve as a spill over location to Brooks. This could be particularly beneficial during two high volume years of the Luscar Bow City Power project. However, based on the information collected during the interview and survey program no significant long term opportunity for development of additional rooms was identified in Bassano in this study.

Strathmore

Strathmore has seven accommodation properties. Strathmore is seen as a gateway community to the Canadian Badlands and accommodates oil and gas related demand. Similarly to the situation in Brooks, Strathmore can accommodate tour groups and small meetings that smaller communities in the Canadian Badlands cannot because of critical mass. New supply entered the market in 2003 and 2004 and with the recent strength of the oil and gas industry that market appears to have absorbed the new supply and has shown growth in occupancy. For several years now there have been rumours of a new property being built in Strathmore however at the time of PKF Consulting's research no development could be confirmed. Based on the assumption that the Strathmore market could potentially accommodate approximately 80 additional rooms in the market should the occupancy in the market reach the 68.0% to 70.0% range, there may be an opportunity for development in this market. Based on projected demand growth in the other communities subset projections and allowing for induced demand because of capacity there may be opportunity for additional limited service hotel development in the community of Strathmore during the 2006 to 2015 period.

Stettler

Canalta Group is currently undertaking construction of a new Ramada and an expansion to the existing Best Western Crusader Inn. Upon completion of these two projects there will be an additional 104 rooms in the Stettler market, which currently has approximately 208 fixed roof rooms. Unless new demand sources are identified it appears that the Canalta Group development would meet unsatisfied demand related to Stettler.

Hanna

Unfortunately participation in the PKF Consulting interview and survey program was very poor in the town of Hanna and therefore it is very difficult to get an accurate picture of the historic performance of this market. Based on the limited information available PKF Consulting cannot comment with regard to the addition of rooms to Hanna.

Oyen

In the Town of Oyen the existing operator is proposing to expand the Antelope Inn by 10 rooms and a new 44 room Super 8 is proposed by Canalta Group. This would add 54 rooms to the current market of approximately

43 rooms. These additions will more than double the current supply of rooms in the market. Should these projects go ahead and unless new demand sources are identified PKF Consulting believes the demand for accommodation in the Town of Oyen will be met. Had these additions not been proposed for the Town of Oyen, the study would have identified an opportunity for an additional limited service property in this market.

Rosebud

Rosebud is an example of a small destination community with small accommodation establishments. The Rosebud Theatre attracts over 30,000 visitors every year that in turn creates the need for accommodation. There is a collection of small bed and breakfast operations and one inn in Rosebud. Although this community attracts a great number of visitors annually, except in peak periods the existing collection of bed and breakfast operations is sufficient supply to accommodate overnight demand in Rosebud. The existing bed and breakfasts and country inn, which is listed for sale at the time of writing, enhance the character of the town with the theatre, museum, and art galleries. There may be an opportunity for an operator to purchase the Rosebud Country Inn and operate it on a more full time basis than it has been running in the past thereby increasing the capacity in Rosebud. The lack of demand from non-leisure markets in non peak periods would indicate a lack of opportunity for traditional accommodation at this time.

Trochu

The town of Trochu is a tourism destination within the Canadian Badlands due to the beauty of the river valley located just outside of the town site and its country inn and museum. Trochu has two motels, a country inn and a guest ranch, the only guest ranch in the region. The guest ranch, which is located in a river valley approximately fifteen minutes from the centre of Trochu, reflects a true Canadian Badlands setting. In addition there is a country inn with several original buildings dating back to the early 1900's located on the previous town site. What remains of the original town site acts as a museum and tourism generator for the town of Trochu. Based on the limited amount of information provided by operators in Trochu during the PKF Consulting interview and survey program and assuming no major new demand source materializes it is unlikely that there is an opportunity for accommodation in Trochu market. However, the town of Trochu is a good example of the types of alternative accommodation such as guest ranch and country inn product that provide a flexible leisure oriented accommodation plant in the Canadian Badlands.

Three Hills

Two properties in the town of Three Hills are currently being expanded. The Super 8 is adding 34 rooms and the Lamplighter Inn is adding ten rooms. These additions will add 44 rooms to a market that is currently 92 rooms. Based on the assumptions as stated in this report it appears that the projected demand for accommodation in Three Hills will be met. Unless unidentified specific demand sources arise it seems unlikely there will be additional fixed roof accommodation opportunities in Three Hills.

Taber

Based on the information collected during the interview and survey program PKF Consulting has not identified unsatisfied accommodation demand in this community.

Vulcan

Vulcan is an excellent example of a community that has developed a unique (Star Trek) destination theme. Canalta Group has identified an opportunity for an additional limited service hotel and thus proposes the development of a Super 8 Motel. The exact number of rooms and timing could not be confirmed therefore PKF Consulting has estimated both based on available information from several sources. Should this proposed project proceed and based on the most likely projection scenario herein, the analysis herein indicates the demand for accommodation in the Town of Vulcan will be met for the projection period unless new oil and gas or other sources of long term demand are identified.

Milk River and Warner

Milk River and Warner are small communities with further opportunity for alternative accommodation development. The existing accommodation facilities in these communities are establishments with approximately nine to twenty guest rooms each and one bedroom bed and breakfast. Guest ranches, bed and breakfasts, or small inns are ideally suited to meet demand in these communities. Assuming a comprehensive tourism development initiative, the communities of Milk River and Warner with their proximity to the attraction of Writing-on-Stone Provincial Park could successfully attract leisure markets to accommodation facilities similar to that found in Rosebud and Trochu.

Elkwater

The new resort property, the Elkwater Lake Lodge and Resort located on the site of the former Green Tree Motel, is located in Cypress Hills Interprovincial Park. The Elkwater Lake Lodge and Resort opened in the summer of 2005. No historic performance information was provided for the former property located on the site and the new property introduces a destination resort setting and a facility that will penetrate existing and attract new leisure demand related to Cypress Hills Interprovincial Park. No further opportunity for more stand alone accommodation was identified in terms of unsatisfied year round demand. The Elkwater Lake Lodge and Resort is an excellent model for a facility that is designed to create inbound demand.

Redcliff

Unfortunately participation in the PKF Consulting interview and survey program was very poor in the town of Redcliff and therefore it is very difficult to get an accurate picture of the historic performance of this market. Based on the limited information available PKF Consulting cannot make a recommendation with regard to the addition of rooms to Redcliff. It should be noted however that the Redcliff is adjacent to the City of Medicine Hat and may benefit from spill over demand as the market grows in Medicine Hat.

Foremost, Bow Island, Vauxhall and Jenner

The communities of Vauxhall, Jenner, Bow Island, and Foremost are home to only one accommodation property each and based on the projections they appear to offer a sufficient supply of hotel accommodation to meet projected demand and to support the community. Jenner is in close proximity to a Dinosaur Provincial Park which makes this community more likely to attract overnight demand, as travellers are en route to nearby provincial parks, tourist attractions, and larger communities. Based on the information provided by those properties that participated in the PKF Consulting interview and survey program PKF Consulting has not identified a specific opportunity for new sizable supply additions in any of the abovementioned communities.

7.1.5 Summary of Fixed Roof Accommodation Development

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. Also, 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.

With the new supply that has entered the market in 2005, the 148 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.

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. Throughout this section several specific communities have been 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.

7.2 Focus Driven Accommodation Product

It is recommended that to the extent that there is any input, planners, tourism representatives and the business industry encourage developers and existing operators who are expanding their properties be encouraged to inculcate unique, marketable qualities and to match product with opportunities within the region, based on good research and analysis. The following comments on specific product opportunities within the accommodation sector:

- 7.2.1 Product matching indicates that the greatest opportunity is for **Limited Service Hotel** supply primarily in the “Other Communities” and Drumheller within the defined Badlands region. Limited service has few barriers to entry because of the comparatively low development cost and low operating costs, and operations are suitable for price sensitive markets. Significant Limited Service supply is being proposed by the private sector and in particular by Canalta Group, a company that proposes or has commenced building or expanding 7 hotels in the region. There may also be opportunity for Limited Service development in Medicine Hat, Lethbridge, Brooks and Strathmore in the later years of the projection period.
- 7.2.2 The **Bed & Breakfast** product should be encouraged within the Badlands Region infrastructure because of the low entry costs and the opportunity to exist with low occupancies year round where a special built property may not be able to be sustained with inconsistent demand periods or low annual occupancy. Limited service hotels with live in management or very small inns may also be able to accommodate such flexibility as a means of establishing or maintaining life style. Thus, in communities where there is destination tourism demand, development of alternative, small sized accommodation is ideal and should be encouraged. As discussed, PKF Consulting sees potential opportunity for the encouragement of these types of operations in the communities of Milk River and Warner because of their central location vis a vis tourist attractors.
- 7.2.3 It is recommended that tourism and economic representatives seek and encourage motivated developers for self managed **Resort** development (see below) or potentially resort development financed through the sale of individual units such as fractional condominiums, strata title hotels or second home facilities with rental pool arrangements. A sufficient number of recreational activities are required to attract these markets. Driving distance and ease of access to recreational resources will also be important.
- 7.2.4 There may be potential for **Owner Managed Resort Product** in the Badlands region if same can create its own demand for a portion of the year. However such opportunities would be predicated

upon the knowledge, expertise, intended life style option and attributes of specific operators. The described types of properties tend to be small, are extremely management sensitive and are not likely to be attractive to large numbers of developers, however they may present an option or opportunity for the area. Creative resort development would take advantage of dramatic scenery and peaceful or activity based settings. Operators have put on their creative thinking hats in Canada in recent years in terms of physical product with less traditional facilities such as retreat centres and expansion of facilities using yurts and other soft roof accommodation that stretches the capacity at a lower cost such as tepees and fully furnished wilderness tents where this style suits the identified markets.

- 7.2.5 There may be opportunities for additional **specialty product such as dude ranch or guest ranch**, which seems suitable to the landscape and may introduce an opportunity for a lifestyle change for operators with special interests. However the high entry threshold of extensive land requirements or leases, high capital requirements, extreme management sensitivity, difficulties in attracting year round demand because of seasonality variations and the likely competitive nature of the industry are likely to constrain entry to this market. There may be an opportunity for an existing ranch to diversity and add to tourism programming.
- 7.2.6 Drumheller representatives have identified benefits that might accrue based on the incorporation of a conference centre or convention centre. Large special purpose facilities typically are not profit centres, thus a mixed use complex should be encouraged, whether that be in conjunction with a hotel or with a recreational centre or other type of facility. Each option presents its own challenges. Regional governments should be encouraged to examine the use of **Incentives, Joint Ventures and Creative Planning**. Each community has to weigh such costs and benefits, but the possibility of negotiating for the mutual net gain of several parties may exist. It is recommended that any community that has identified that it could benefit from such physical plant might consider the alternative uses and support mechanisms within their short or long term budget that might foster such a development.
- 7.2.7 Due to the travel distances between the various communities and the associated costs that would be incurred by paying workers for up to three hours a day in travel time, there is a high probability of one or more **Work Camps** being constructed near the Brooks area. 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 and to reduce travel time for workers. As noted elsewhere in this report, PKF has identified three options. Any of these options would see the retention of accommodation demand from major projects in the area and significant economic impact to its community.

- a Luscar developed camp,
- an opportunity for private sector ownership of the camps as is the case elsewhere, such as at Worsley, Alberta, where there are four separately owned camps; and,
- A joint venture for a physical product that is intended for initial use as a hotel and a predetermined secondary use, such as municipal offices, a senior's facility, a medical facility or other type of "public use" facility.

7.3 Tourism Initiatives

The following are recommendations with regard to the Badlands long term tourism development:

- 7.3.1 Continue to foster development of destination attractions in key areas of the Canadian Badlands. These will draw overnight visits and support the tourism services and activities that will add to the overall appeal of the region and support the Canadian Badlands brand.
- 7.3.2 Create the Canadian Badlands destination development organization, as proposed, and challenge it with the task of growing the destination in a balanced manner over many years.
- 7.3.3 Continue to foster development of minor tourism attractions, services and activities, and to support packaging of those activities in Canadian Badlands, as this will increase the tourism offering of the region over time.
- 7.3.4 Continue with the effort to involve government and industry in a coordinated effort involving leisure marketing, product development and customer service development for the Canadian Badlands.
- 7.3.5 Develop and position the Canadian Badlands brand, and ensure the collaboration of industry and government delivers on the brand promise.
- 7.3.6 Government can work on the labour supply issue in tourism by continuing their province-wide efforts at addressing labour shortages for the coming decades.
- 7.3.7 Raise hospitality accommodation operator awareness of their role in the hospitality industry. If tour operators cannot find accommodation in a series of communities meeting the requisite daily travel distance, then the whole tour is cancelled.

7.4 Technology and Association

- 7.4.1 Assist operators of small accommodation operations such as country inns, and guest ranches, which are projected to assume an even larger future role in maintaining capacity in the tourism industry in the Canadian Badlands in the next few years, to organize to cooperatively magnify their marketing

reach at an affordable cost. Benefits can be realized by participation in such organizations as Bed and Breakfast Canada or Bed and Breakfast Alberta, amongst others.

- 7.4.2 Encourage development of web sites that highlight individual property characteristics, link the properties with regional tourism opportunities, appropriate tourism information sites. There are a growing number of bookings via Internet access and even where direct Internet booking is not accommodated, this is a growing trend to web site research prior to booking over the phone. This may be particularly difficult in the short term while many small operators realize the benefits of a lot of contract workers from the oil and gas and construction trades and promotion of tourism demand may not rank high on the list in importance. Hopefully operators will be mindful of the future years when the current intensity cools down and the long term benefits of supporting transient and group demand materialize.
- 7.4.3 Encourage operators to participate in the Alberta Accommodation Guide and other similar publications and sites that introduce options in the region to leisure markets. The entire tourism industry benefits from dissemination such information.
- 7.4.4 Encourage fixed roof accommodation operators to participate in ratings systems such as Canada Select or the Automobile Association of American (AAA/CAA). This kind of information broadens out the potential for properties of all kinds (including Bed and Breakfast operations, country inns, and guest ranches) and sizes to compete. The availability of such rankings is particularly important for tourists, who may not be familiar with the product in the area. Such information conveys adherence to standards of AAA or Canada Select or other ratings as applicable, so that visitors can match their expectations in terms of standards of cleanliness, quality and availability of specific amenities with availability. In terms of destination demand, if a specific acceptable or targeted type or quality of product is perceived not to be available for that specific period of time, the visitor may not be converted to other accommodation, and may be converted instead to undertake a trip elsewhere. Thus destination areas compete at some distance.
- 7.4.5 Destination Tourism Organizations are recommended to set up pricing structures for members of smaller scale accommodation properties like bed and breakfast operations to assist with advertising costs and make it easier for the start up of such establishments.

7.5 Education and Awareness

- 7.5.1 Educate operators about the “big picture” benefit of maintaining some rooms for regular corporate business clientele as well as for leisure tourists, especially on week ends or peak periods. The failure for the operators to do so on a regular basis will be amongst the main reasons that new competitive accommodation will be constructed, which will ultimately dilute their own occupancy when the short to

mid term oil and gas industry occupancy recedes again. Obviously the issues will become paramount in the high season if the crew business maintains prime status. The operators can be encouraged to have crews remove their belongings on weekends so that the rooms can be used by leisure travellers on weekends. Sometimes the provision of storage lockers on site can accommodate the “regulars” and mitigate the need for retention of rooms on weekends in their absence.

7.6 Conclusion

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. Some demand will be supply induced as the new supply alone will increase the peak season accommodation supply in the PKF Consulting projections by 21.3% to 27.8% or 796,194 to 839,034 room nights per year. 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 7-1 provides a summary of opportunities for communities in the Canadian Badlands region.

**EXHIBIT 7-1
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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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.

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OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
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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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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.

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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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 7-1
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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Continued role as a gateway community to the region for travellers from northern Alberta 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 7-1
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	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Absorption of the proposed additions to supply
Rosebud	6 properties 30 guest rooms	N/A	43.3%	\$81.07	<ul style="list-style-type: none"> Enhance role as a small destination community An example of successful alternative accommodation products 	<ul style="list-style-type: none"> No specific additional accommodation product opportunity identified
Trochu	4 properties 35 guest rooms	N/A	40.2%	\$32.63	<ul style="list-style-type: none"> Continued role as a small destination community and An example of successful alternative accommodation product base 	<ul style="list-style-type: none"> No additional accommodation product opportunity identified
Three Hills	4 properties 92 guest rooms	2006 - 44 rooms	71.1%	\$73.35	<ul style="list-style-type: none"> Potential as a spillover community for the Drumheller market 	<ul style="list-style-type: none"> Absorption of the additions to supply currently under construction in the community
Taber	5 properties 209 guest rooms	N/A	50.8%	\$67.31	<ul style="list-style-type: none"> Opportunity to become a spillover community for the Lethbridge market Location between Brooks and Lethbridge may create opportunity to capture demand from Luscar project 	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Sustained development and enhanced promotion of the unique destination theme 	<ul style="list-style-type: none"> 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.

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OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
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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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Continued role as a primary access point to Cypress Hills Interprovincial Park • Enhance promotion as a destination resort within a unique setting 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • No opportunity for additional accommodation product identified
Foremost	1 property 13 guest rooms	N/A	N/A	N/A		<ul style="list-style-type: none"> • 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.

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OPPORTUNITIES FOR COMMUNITIES IN THE CANADIAN BADLANDS REGION
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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		<ul style="list-style-type: none"> No additional accommodation product opportunity identified
Vauxhall		N/A	N/A	N/A	<ul style="list-style-type: none"> Location between Brooks and Lethbridge may create opportunity for capture of Luscar demand 	<ul style="list-style-type: none"> No additional accommodation product opportunity identified
Jenner	1 property 23 guest rooms	N/A	N/A	N/A	<ul style="list-style-type: none"> Develop role as an access point to Dinosaur Provincial Park Proximity to Brooks may create opportunity to accommodated demand generated by Luscar project 	<ul style="list-style-type: none"> 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.

APPENDIX 1

BED AND BREAKFAST STARTUP COSTS

Bed & Breakfasts



Bed and Breakfast Startup Costs

From Elizabeth Arneson,
Your Guide to Bed & Breakfasts.
FREE Newsletter. Sign Up Now!

Part of a worksheet series for aspiring bed and breakfast innkeepers

It's possible (though very unlikely) to start a bed and breakfast without a big capital investment. But there are *always* important start-up costs to consider.

One major factor is whether or not you already own a building suitable for a bed and breakfast. The projections here assume that a building is completely paid for -- which means that in the majority of cases, you'll need to add a mortgage payment to these projections.

These are only rough estimates; your expenses could be more or less than the figures below. (Note that the cost of food is not included here, which is an important cost to consider and will depend on the types of breakfasts you plan to serve. Personnel costs -- e.g. maids -- also are not included.)

Always budget more money than you expect to spend!

Furnishings and Renovation (electrical, furnishings, plumbing, painting and landscaping)
\$8,000 (or more; it could be substantially more depending on the condition of the building and grounds)
10 years

Mattresses, Sheets, Blankets, etc.
\$1,500
5 years

Smoke Detectors
\$200
5 years

Directional Road Signs
\$1,500
5 years

Front Entrance Sign
\$500
5 years

Legal Fees, Permits, Licenses
\$500
Will need at various times

Promotion and Advertising
\$1,500 initial, \$1,000 annual
1 year

Business Supplies
\$500 (more if you need to purchase a computer and fax machine)
Varies by supply

Kitchen Equipment
\$400 or more
Varies by equipment

Petty Cash
\$400

Total
\$15,000 (or more, depending on renovation costs)

Now estimate your own start up expenses.

Add categories as necessary -- this sample list is not a definitive compilation of all the costs incurred while running a bed and breakfast.

Furnishings and Renovation (electrical, furnishings, plumbing, painting and landscaping):

http://bandb.about.com/cs/aspiring/a/startup_costs.htm

Mattresses, Sheets, Blankets, etc.:

Smoke Detectors:

Directional Road Signs:

Front Entrance Sign:

Legal Fees, Permits, Licenses:

Promotion and Advertising:

Business Supplies:

Kitchen Equipment:

Petty Cash:

Total:

This series of worksheets and information was originally written by Eleanor Ames, a Certified Family Consumer Sciences professional and a faculty member at Ohio State University for 28 years.

With her husband, she runs the Bluemont Bed and Breakfast in Luray, Virginia. Many thanks to Eleanor for her gracious permission to reprint them here. Some content has been edited, and links to related features on this site have been added to Eleanor's original text.

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