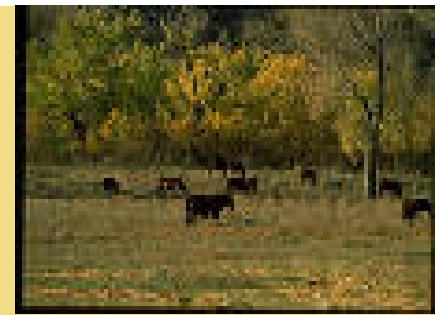


TOURISM Business OUTLOOK

2009
Update

BRINGING OPPORTUNITIES TOGETHER



Fall 2009 - Volume 3

Message from the Minister



Honourable Cindy Ady **Minister of Tourism, Parks and Recreation**

Providing air access to land-locked Alberta is an important part of ensuring that travellers from around the world can easily visit our province.

The federal government has jurisdiction over Canada's air service agreements, defining which airlines can access specific airports and regions, price regulations and more. Alberta has a major interest in seeing more open skies agreements made, which would remove restrictions on airlines and give them the ability to respond to market demands. Open skies are critical to keeping Alberta competitive in the global marketplace, and I am working with my colleague, Alberta Transportation Minister Luke Ouellette, to encourage the federal government to pursue more of these types of agreements.

In May, our departments hosted the first-ever Alberta Open Skies Forum. It was a chance for tourism and air industry stakeholders like the Edmonton and Calgary airport authorities, WestJet, Korean Air, and Emirates Airlines to discuss open skies opportunities that would benefit Alberta and help to grow tourism, trade, and investment. Stakeholders helped validate air service agreement priorities from Alberta's perspective, which were included in a report now available online at www.tpr.alberta.ca/tourism under "Air Policy". We hope to host another Alberta Open Skies Forum in the new year.

Following the Alberta Open Skies Forum, we were pleased that the federal government announced a new Open Skies agreement with South Korea, which was identified as a key Alberta market. It is a good step forward, but we want to see more done.

We carried the open skies message to the meeting of Canada's Tourism Ministers in early September. The Honourable John Baird, Federal Transport Minister, participated in discussions on how to move forward on open skies priority markets, and the Alberta Open Skies Forum report was highlighted. Later that month, Premier Ed Stelmach was the keynote speaker at British Columbia's International Open Skies Summit in Vancouver. Premier Stelmach, along with B.C. Premier Gordon Campbell and Saskatchewan Minister of Enterprise Ken Cheveldayoff, signed an unprecedented declaration affirming western Canadian support for open skies.

We have asked the federal government to make the creation of more open skies agreements a priority, and we will work closely with them on this issue. On behalf of the Government of Alberta, I will continue to monitor federal activities as they relate to open skies, and communicate with my colleagues to ensure Alberta's priorities are being addressed.

Welcome

Welcome to the third edition of the Tourism Business Outlook. The aim of this publication is to keep you up-to-date on activities and information pertaining to the Tourism Business Development, Research and Investment Branch.

Our Mission

Alberta Tourism, Parks and Recreation is committed to facilitating the profitability and sustainability of existing tourism operators, as well as the entry of new operators into the tourism sector.

The Tourism Business Development, Research and Investment Branch is always ready to help investors identify viable tourism investment opportunities. Our knowledgeable and experienced staff provide a wide range of free services that help entrepreneurs make sound business decisions.

We also undertake a variety of policy and advocacy initiatives to support the tourism industry in Alberta.

Air Access Corner

Also of Interest

NEW OPEN SKIES AGREEMENT BETWEEN CANADA AND SOUTH KOREA

A new Open Skies agreement between Canada and South Korea could mean cheaper flights and more commerce between the two countries. Under the agreement, air carriers in either country will be allowed to operate as many scheduled passenger and cargo trips as they wish. Carriers will also be able to pick up traffic in each other's country and continue to a third country as part of service to or from their home country. According to Canada's Transport Minister, John Baird, this agreement will benefit travellers and shippers by providing more choices in terms of destinations, flights and routes, and the potential for lower fares.

"This agreement will help create new jobs for our economy, expand market potential for our businesses and build connections for our citizens," federal Minister of International Trade and Minister for the Asia-Pacific Gateway, Stockwell Day said. The open skies agreement is consistent with the federal government's Blue Sky policy announced in 2006 and aimed at opening up travel and goods movement between Canada and other countries.

Source: Transport Canada, July 15, 2009



WestJet saw its load factor and traffic rise in September, prompting some analysts to suggest a turnaround in the economy may be underway. WestJet's September load factor was 77.7%, up 2.2 points from 2008, the first positive change since January. WestJet's traffic was also up 0.4% over last September's figure.

"It's the first slight signal that maybe a turnaround is at hand," independent airlines analyst Rick Erickson said of the carrier's September traffic results.

Air Canada reported a consolidated load factor of 79.7% for September, down 0.2 points compared to 2008. System traffic decreased 2.1% on a capacity reduction of 2% system-wide.

Source: Calgary Herald, October 6, 2009



Summary of Total Year-Over-Year Passenger Traffic Performance at Selected Canadian Airports

	Toronto	Vancouver	Montreal	Calgary	Edmonton	Ottawa	Winnipeg	Halifax	Victoria	Kelowna	Saskatoon	Regina	St. John's
Full Year 2008	+2.6%	+2.0%	-0.1%	+2.0%	+6.1%	+6.1%	+0.1%	+3.2%	+3.8%	+2.1%	+9.6%	+5.0%	+3.2%
Q1 2009	-6.3%	-10.7%	-5.3%	-5.2%	-2.9%	-4.4%	-3.3%	-11.5%	-1.0%	-7.6%	+5.7%	+0.9%	-3.4%
Q2 2009	-10.4%	-13.1%	-8.2%	-6.8%	-5.7%	-6.2%	-6.6%	-5.9%	-2.5%	+2.4%	+2.3%	+1.4%	+0.1%
July 2009	-4.9%	-11.7%	-1.5%	-2.5%	-7.5%	-5.5%	-7.6%	-3.0%	+8.0%	+2.0%	+8.0%	+1.2%	+1.5%

Source: InterVISTAS September 2009 Canadian Aviation Intelligence Report

Tourism Business Development Resources - New and Updated Material

Tourism Development and Business Planning Guides

The Tourism Business Development, Research and Investment Branch has updated both of these guides. The Tourism Development Guide is geared towards the first-time operator, who may not be familiar with all the necessary steps in the development process in Alberta. It also assists the more experienced operator, serving as a checklist for what is required. The Tourism Business Planning Guide is designed as an aid to writing a business plan for an existing or prospective tourism project. A well-constructed business plan plays an important role in the development of a successful business.

Tourism Funding Sources Guide

In addition to the above materials, the Branch also commissioned the creation of a Tourism Funding Sources Guide, which identifies funding sources for development projects undertaken by for-profit and not-for-profit organizations. It outlines a range of programs and funding sources that provide support for capital projects and operations.

The guides are available in DVD format, as well as online at www.tpr.alberta.ca/tourism/tourismdevguides.aspx

Recreational Vehicle Camping in Alberta: A Supply and Demand Side Perspective

In collaboration with representatives from the Alberta Hotel and Lodging Association and the Recreational Vehicle Dealers Association of Alberta, a follow-up study to the Recreational Vehicle Campground Development Study was completed in 2001. The new study identifies development-related opportunities and issues pertinent to the RV campground sector in Alberta.

In 2007, more than \$350 million was spent on camping-related trip expenditures in Alberta. Annually, there is approximately \$700 million spent on RV purchases in Alberta, which represents about one-third of all RV sales in Canada. Statistics like these indicate why there is general optimism about RV camping activity even during the current economic downturn. The study is available in hard copy format and online at: www.tpr.alberta.ca/tourism/rvcamp.aspx

For more information on this material, please contact:

Mr. Bill Hodgins

Manager, Tourism Business Services Unit
Tourism Business Development, Research and Investment Branch
Phone: 780-427-6485 (or toll-free through the Government of Alberta Rite line at 310-0000) or email: bill.hodgins@gov.ab.ca

Canadian Badlands Investment Opportunities

The Tourism Business Development, Research and Investment Branch undertook an assessment to identify potential tourism investment opportunities in the Canadian Badlands. The investment opportunities that were identified include:

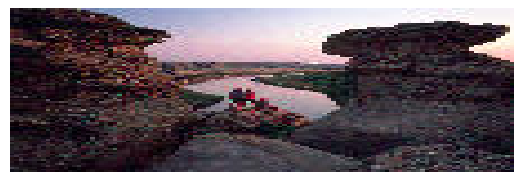
- Boutique-style hotel close to Dinosaur Provincial Park
- Resort development in the Drumheller Valley
- Resort development at Lake Newell
- Blackfoot Crossing Historical Park and Resort
- RV resort park in the Canadian Badlands

The Canadian Badlands region extends from Stettler in the north, through Drumheller and along the Red Deer River towards the southeast. The western border runs east of Red Deer, Calgary and Lethbridge. Saskatchewan and the United States border the eastern and southern areas of the region.

Information booklets have been developed that profile the region and the specific investment opportunities. They can be located online at:

www.tpr.alberta.ca/tourism/investment/canadianbadlands.aspx

Please contact Mr. Bill Hodgins (780) 427-6485 if you require any further information.



Government of Alberta ■
Tourism, Parks and Recreation

Tourism Investment Symposium 2009

The Tourism Business Development, Research and Investment Branch hosted the 5th Annual Tourism Investment Symposium in Calgary on September 22, 2009. The event was held at the Telus Calgary Convention Centre and it brought together Alberta communities, investors, developers and tourism financiers to explore business investment opportunities in Alberta's tourism industry.

Communities/regions that participated in the 2009 Symposium:

- Brazeau County
- Canadian Badlands
- County of Grande Prairie
- Crowsnest Pass
- Drumheller
- Economic Development Alliance Southeast Alberta
- Grande Cache
- Lacombe County
- Olds
- Rocky View County
- Sylvan Lake
- Wetaskiwin

Investment opportunities can be viewed online at:

www.tpr.alberta.ca/tourism/investment/regionalopportunities/default.aspx

An investment opportunity package was developed, comprised of profiles for each participating community and their specific, investment-ready tourism development opportunities. This package was provided to investors a month in advance of the Symposium.

The Symposium commenced with an introductory welcome from the Honourable Cindy Ady, Minister of Tourism, Parks and Recreation. Next, participating communities provided a brief presentation on their respective tourism investment opportunities.

Following the presentations, each community was given the chance to network with investors and promote their opportunities. Using a tradeshow approach, each community set up an information booth to display their opportunities and had representatives on hand to meet with interested investors.

Feedback received from the Symposium indicates a number of communities are following up with potential leads they obtained at the event. The Tourism Business Development, Research and Investment Branch looks forward to hosting the 6th Annual Tourism Investment Symposium 2010 in Edmonton.

For more information on the Symposium contact Scott Martin at 780-415-8827, or via email at: scott.martin@gov.ab.ca

Useful Websites

Alberta Hotel and Lodging Association

www.ahla.ca

Alberta First

www.albertafirst.com

Travel Alberta

www.travelalberta.com

www.industry.travelalberta.com

Smith Travel Research

www.smithtravelresearch.com

Calgary Economic Development

www.calgaryeconomicdevelopment.com

Edmonton Economic Development Corporation

www.edmonton.com

Alberta Economic Development Authority

www.alberta-canada.com/aeda

The Business Link

www.canadabusiness.ca/alberta

Important Dates

Nov 29 - Dec 2, 2009

Canada's West Marketplace
Victoria Conference Centre
Victoria, British Columbia

April 12-14, 2010

Growing Rural Tourism Conference
Camrose Regional Exhibition
Camrose, Alberta

Spring 2010

Tourism Business Development Forum
Alberta Tourism, Parks and Recreation
Calgary, Alberta

Alberta's Accommodation Outlook

The Tourism Business Development, Research and Investment Branch sponsored the Alberta Accommodation Outlook session that was delivered by PKF Consulting at the Alberta Hotel and Lodging Association's Annual Convention in Lake Louise on April 7. Here are a few key aspects that PKF noted relating to the accommodation sector in Alberta:

- 2,000+ rooms to open province wide in 2009
- New construction opportunities exist in Alberta; the question is where to build.
- Development costs may be on the decline
- Less leisure travel through/to Alberta from the neighbouring provinces as visitors typically curb leisure spending in oil/gas price downturns
- Fewer crew workers staying in hotels for training/certifications, as drilling activity is down in Alberta
- Fewer engineers/architects in hotels for oil/gas or other infrastructure projects

For more information visit: www.tpr.alberta.ca/tourism/statistics/accommodation.aspx

Highlights from the Canadian Lodging Outlook

According to the Canadian Lodging Outlook for January 2009 from HVS and Smith Travel research,

"Our industry is cyclical and the good times will return. Don't give up! Use this time as an opportunity to be smart with effective revenue management strategies. Weather the down cycle and be well positioned for when the recovery arrives."

As revenue share becomes more challenging to grow, revenue management becomes a much larger focus. Some goals include:

- Price rooms appropriately and affordably to keep your current client base;
- Attract new clients now and keep them for the long run;
- Ensure that you sell rooms at a profit;
- Maintain, and eventually grow, market share

What constitutes effective revenue management strategies for today?

1. Know the cost-per-occupied room and establish reasonable RevPar goals.
2. Study the revenue data available to you through STR, PMS reservations, and Hotelligence reports.
3. Know what your competitors are up to on a daily basis.

The word on the street for revenue management is "Don't be foolish, don't discount."

Source: HVS, Smith Travel Research

Canadian Hotel Sales 1998-2008

Year	Number of Properties	Number of Rooms	Total Investment \$	Price Per Room \$
1998	172	24,090	1,361,322,026	56,510
1999	36	4,411	406,284,400	92,107
2000	48	5,760	487,537,000	84,642
2001	40	6,405	650,815,000	101,610
2002	56	6,297	500,000,000	80,000
2003	55	7,159	447,216,100	62,469
2004	76	8,221	535,323,675	65,117
2005	111	15,713	1,598,651,075	101,741
2006	120	16,932	2,712,589,484	160,205
2007	165	28,255	4,564,522,690	161,547
2008	100	9,558	1,106,530,564	115,770

Source: HVS, Smith Travel Research

Alberta Occupancy & ADR (excluding resorts)

Occupancy Rate %		Occupancy point change	ADR \$ CAD		ADR
2008	2007	% Chg	2008	2007	% Chg
69%	72%	-3.3%	134	126	7%

Source: PKF Consulting Inc.

Tourism Visits and Expenditures in Alberta

Tourism Expenditures in Alberta (In Billions)



Tourism Visits and Expenditures in Alberta by Origin (2007)

Residents of:	Person-visits (in thousands)	Trip Spending (in millions)
Alberta	17,854	\$2,968
Rest of Canada	2,700	\$1,225
United States	929	\$643
Overseas	793	\$811
Total	22,276	\$5,647

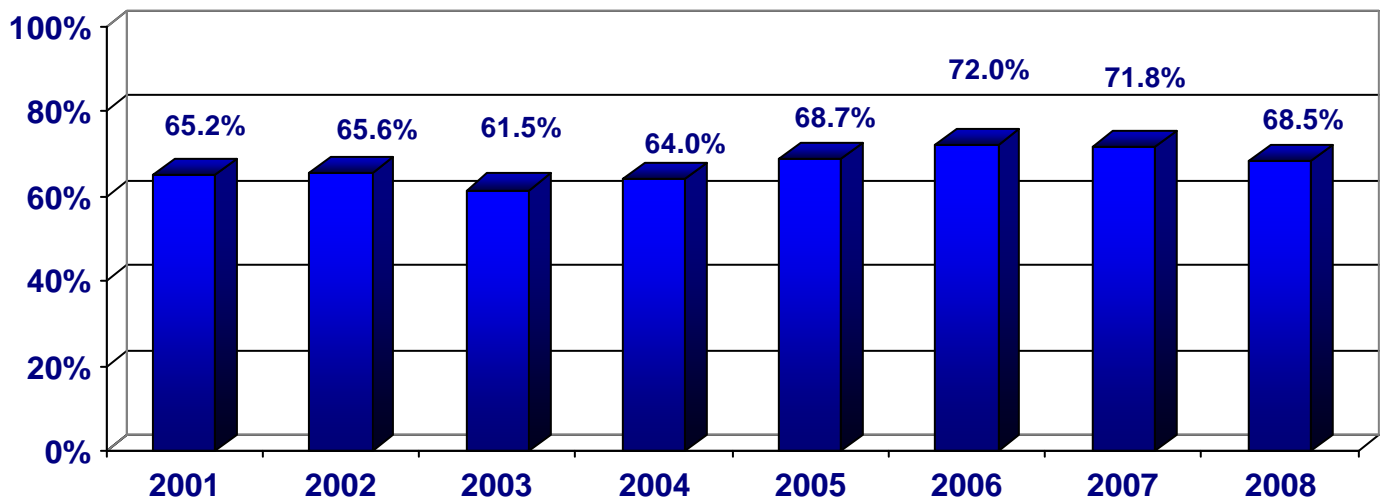
Source: Statistics Canada, Travel Survey of Residents of Canada and International Travel Survey

Direct Entries into Alberta by International Visitors January-September 2009

- For the first nine months of 2009, Alberta's overnight direct entries by international visitors (U.S. and overseas) decreased -5.9%, compared to the first nine months of 2008. For Canada as a whole, the decline was -7.6%.
- Overnight direct entries for the first nine months of 2009 from the U.S. to Alberta decreased -1.3%, compared to the first nine months of 2008. Nationally, the decline was -5.6%.
- For the first nine months of 2009, overnight direct entries by overseas visitors into Alberta decreased -13.2%, compared to the first nine months of 2008. Nationally, the decrease was -13.0%.

Source: Statistics Canada, International Travel: Advance Information

Average Occupancy Rate for Hotels and Motels in Alberta



Source: PKF Consulting Inc.

Post-Summer 2009 Alberta Tourism Operator Survey

The Post-Summer 2009 Alberta Tourism Operator Survey was conducted from September 14 to 30. The study obtained feedback from 108 tourism industry operators in 42 Alberta communities, eastern Canada and the United States.

In the 2009 pre-summer survey, operators forecast a summer of fewer international visitors, a slowdown in corporate demand, and a dependence on Albertans vacationing at home. According to the results from the 2009 post-summer survey, operators' summer forecasts indeed came to pass.

One respondent aptly characterized 2009 as the year of the "perfect storm." Not only did the global economy have a negative impact on travel plans, tourism operators were also hit with the impact of the H1N1 virus, the introduction of new cross-border travel restrictions, and poor early summer weather.

The Post-Summer study found:

- Albertans travelling in Alberta contributed to a busy summer for campground, RV park, and attraction and event operators.
- The Travel Alberta "Stay" campaign received many positive comments from operators who report it effectively stimulated in-province travel in 2009. That helped to offset a significant decrease in the number of international and U.S. visitors, especially to the National Parks.
- Venues catering to crew and corporate business suffered through a summer of low visitor numbers, which was expected.

To view the full report please go to: www.tpr.alberta.ca/tourism or www.Industry.TravelAlberta.com

Measuring Tourism Marketing Effectiveness Workshop

On July 20, 2009, Tourism Business Development, Research and Investment Branch hosted a Measuring Tourism Marketing Effectiveness Workshop. The workshop was held in Edmonton and featured guest speakers Edward McWilliams (President, Reach Market Planning LLC), Bill Siegel (Chairman & CEO, Longwoods International), and Denise Miller (VP, Strategic Marketing & Research Inc.).

The Branch had undertaken research to review best practices for measuring the effectiveness of government and not-for-profit tourism marketing activities. The objective of this workshop was to engage in dialogue and discuss approaches to measuring tourism marketing effectiveness in Alberta.

Feedback received by the Branch has been extremely positive and the workshop is being used as a learning experience to explore new approaches in measuring tourism marketing effectiveness.

Inaugural Tourism Business Development Forum

The inaugural Tourism Business Development Forum was held in Edmonton on March 4, 2009. The Forum provided the opportunity for stakeholders to discuss: access to capital, securing land for tourism development, preparing a successful business plan, and funding sources for not-for-profit tourism development projects. Each topic was addressed by a panel of relevant speakers.

Feedback from delegates support that the Forum was a valuable source for business information and networking. It is anticipated that the event will be repeated in 2010 in Calgary.

How Can We Help You?

Tourism Business Development

- Provide business information and advisory services to clients who are developing or expanding tourism products such as hotels, resorts, golf courses, guest ranches, ski hills, ecotourism and tourism related events.
- Offer financial advice and facilitate client access to capital.
- Guide clients through the regulatory processes involved in tourism development projects.
- Work with the government departments in an advocacy role to represent the interests of the tourism industry in key policy areas such as improved air access, highway signage and product development.
- Advice on tourism-related economic impact assessments.

Tourism Investment

- Work with investors, developers and financial community to encourage and facilitate investor interest and involvement in Alberta's tourism industry.
- Assessment and linking of investor interests and financial resources with appropriate tourism investment opportunities.
- Generate investor interest through investment attraction activities, such as the annual Tourism Investment Symposium, the investment section of ATPR's website and participation at key industry investment conferences and events.
- Proactively work with Alberta International and Intergovernmental Relations' International Offices to distribute information on tourism investment opportunities in Alberta, with the goal of attracting foreign investment.

Tourism Research

- Tourism research conducts research and provides timely, relevant information that enhances understanding of market and consumer trends.
- Measures Alberta's tourism industry performance by collecting and analyzing data from the International Travel Survey and Travel Survey of Residents of Canada.
- Tourism research clients include Travel Alberta, tourism operators, tourism associations, consultants and other industry stakeholders.
- Tourism research partners with the Canadian Tourism Commission, other provincial tourism agencies, Parks Canada and many other stakeholders to produce reports, studies and statistics.

Tourism Business Development, Research and Investment Branch

Moe Rehemtulla, Branch Director

Tourism Business Development, Research & Investment
780.427.6689 / moe.rehemtulla@gov.ab.ca

Bill Hodgins

Manager, Tourism Business Services
780.427.6485 / bill.hodgins@gov.ab.ca

Scott Martin

Tourism Investment Consultant
780.415.8827 / scott.martin@gov.ab.ca

Sid Nieuwenhuis

Manager, Tourism Research
780.422.1058 / sid.nieuwenhuis@gov.ab.ca

Michelle Drysdale

Senior Tourism Research Analyst
780.427.6443 / michelle.drysdale@gov.ab.ca

Kristy Hubscher

Tourism Research Analyst
780.415-1224 / kristy.hubscher@gov.ab.ca

6th Floor, Commerce Place, 10155 - 102 Street
Edmonton, Alberta, Canada T5J 4L6
Fax 780.427.0778

www.tpr.alberta.ca/tourism

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