

TOURISM Business OUTLOOK

Quarterly
Update

BRINGING OPPORTUNITIES TOGETHER



Summer 2008 - Volume 1

Message from the Minister



Honourable Cindy Ady
Minister of Tourism, Parks and Recreation

Alberta is a land of opportunity and potential. It is a place where hard work, determination and creativity thrive. The entrepreneurial spirit has always been strong in Alberta, and our government is committed to fostering the industries that have helped build our prosperous economy.

One of our traditional strengths has been tourism. Tourism has become a \$5 billion industry in Alberta that welcomes millions of visitors with breathtaking scenery, exhilarating attractions and our signature western hospitality. As Alberta's economy, population and prospects continue to soar, we have a great opportunity to capitalize on our growing tourism industry.

It is time to take a close look at what our tourism industry has to offer you and your bottom line. We are here to help you make sound business decisions, and this publication is just one of the many resources and services we provide. Whether you're just getting started, or looking to expand an existing operation, we can help you find a successful place in Alberta's tourism industry.

Tourism at a Glance

- Alberta's goal is to increase tourism expenditures in the province by 23% from \$5.3 billion* in 2006 to \$6.5 billion by 2011.
- Tourism expenditures in Alberta sustain over 111,000 jobs province-wide.
- A total of \$2 billion in total taxation revenues are collected by all three levels of government, attributed to tourism spending in Alberta .

* 2006 figure for expenditures is an estimate

Welcome

Welcome to the first edition of the Tourism Business Outlook.

The aim of this quarterly 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.

Tourism Investment Symposium 2008

The Tourism Business Development, Research and Investment Branch is hosting the 4th Annual Tourism Investment Symposium. The FREE event brings together Alberta communities, investors, developers and tourism financiers to explore business investment opportunities in Alberta's tourism industry.

Tuesday, September 30, 2008
1:30-4:30 p.m.
Shaw Conference Centre
9797 Jasper Avenue

COMMUNITY PARTICIPANTS

The Tourism Investment Symposium is an opportunity for Alberta communities with tourism related investment projects to gain valuable exposure among investors that are actively investing in Alberta's tourism industry. Not only will your project be shared with investors in advance of the symposium to generate interest, but your project will also be featured on a section of the department's website dedicated to tourism investment opportunities. There is NO COST to participate.

PROJECT CRITERIA

Projects must be clearly defined and ready for investment and development.

- Business plans and pre-feasibility research or feasibility studies must be in place in order for submissions to be considered.

Projects must be land-based and tourism specific.

- Only opportunities that are tourism related will be accepted. These include, but not limited to: golf courses, expansion of existing tourism projects, ski hills, hotels, motels, and other fixed roof accommodations.

Projects must meet an identified need.

Visit us online at www.tpr.alberta.ca/tourism/investment to download the submission template.

For more information on the symposium contact Russ Phillips at 780-415-8827 (to call toll free within Alberta dial 310-0000 first). Or russell.phillips@gov.ab.ca

Useful Websites

Alberta Hotel & 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

September 30, 2008
 Tourism Investment Symposium
 Shaw Conference Centre
 Edmonton, Alberta

October 14-15, 2008
 Canadian Resort Investment Conference
 Kelowna, British Columbia
www.resortinvest.ca

October 26-28, 2008
 Travel Alberta Industry Conference
 Fairmont Banff Springs
 Banff, 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 as a session at the Alberta Hotel and Lodging Association's Annual Convention in Lake Louise on April 7th. Here are a few key aspects that PKF noted relating to Alberta's lodging sector in 2008 and beyond:

- Fundamentals still strong for solid RevPar and Net Income performance
- Most markets that have stagnant demand growth are still getting ADR growth
- Energy companies have too much invested in Alberta to abandon projects
- Property tax increases still an issue as municipalities struggle with growth
- New construction/property expansion opportunities exist, but you must complete due diligence and control construction costs
- Labour issues to remain a major challenge
- Renovations – What shape is your property in?
- Oversupply – Some markets need additional demand growth to absorb recent new additions

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

Canadian Hotel Sales 1992—2007

Year	Number of Properties	Number of Rooms	Total Investment \$	Price Per Room \$
1995	49	8455	443,801,820	52,490
1996	77	15638	825,674,006	52,799
1997	122	25947	1,981,851,306	76,381
1998	172	24090	1,361,322,026	56,510
1999	36	4411	406,284,400	92,107
2000	48	5760	487,537,000	84,642
2001	40	6405	650,815,000	101,610
2002	56	6297	500,000,000	80,000
2003	55	7159	447,216,100	62,469
2004	76	8221	535,323,675	65,117
2005	111	15713	1,598,651,075	101,741
2006	120	16932	2,712,589,484	160,205
2007	165	28255	4,564,522,690	161,547

Source: HVS, Smith Travel Research

Alberta Lodging Outlook

No. of Rooms	Occupancy Rate %		Average Room Rate \$ CAD		RevPar \$ CAD		Room Supply	Room Demand
	2007	2006	2007	2006	2007	2006	% Chg	% Chg
27,275	68.8%	68.8%	117.66	108.35	80.95	74.54	1.6%	1.5%

Source: HVS, Smith Travel Research

Highlights from the Canadian Lodging Outlook

According to the Canadian Lodging Outlook for November 2007 from HVS and Smith Travel research,

“A new level for hotel investment in Canada was set in 2007. The country was coming off a record year in 2006, but the total investment reached over \$4.5 billion, which amounts to approximately \$162,000 per room.”

A notable transaction for the Alberta market in 2007 was the sale of 10 properties by the Pomeroy Group to Holloway Lodging REIT. These ten hotels, located in Northern Alberta and British Columbia, comprise six Super 8 Hotels, a Best Western, a Holiday Inn, a Pomeroy Inn, and an independent property. The portfolio sold for \$215 million or \$199,300 for each of the 1079 guestrooms.

Alberta recorded the largest number of sales with 67 transacted properties totalling \$1.3 billion in investment or approximately \$163,000 per room.

The highest price per room paid in the Canada was in Fort McMurray. The Clearwater Suite Hotel sold for \$376,667 per room, or \$56,500,000 for the 150 room all suite property. Winnipeg-based Temple REIT purchased this property at an 8.5% historical cap rate.

Source: HVS, Smith Travel Research

Tourism Research Insights

- Americans are downsizing trips, but not cancelling.**
 According to a survey conducted by Ypartnership, co-authored with the Travel Industry Association, more than two-thirds of respondents said they had downsized their trips in some way during the past six months because of personal financial concerns. Another survey by AIG Travel Guard found that 47% of travellers polled plan to downscale their vacations to save money. Peter Yesawich, CEO of Ypartnership, says Americans are trading down, not out: "In the next few months we will see a transformation of vacations, not cancellations," implying that increasingly value-conscious consumers are likely to seek cheaper transportation, lodging, entertainment and recreation, or possibly shorter trips. According to the Ypartnership survey, 29% who are downsizing said they had taken fewer trips. Sixteen percent selected less expensive lodging, 12% stayed away fewer nights, 11% drove a shorter distance to their vacation destination, and 7% changed destinations (Canadian Travel Commission, April 14, 2008).
- Girlfriends' Getaways a Booming Trend in Travel.** Megan K. Scott of the Chicago Tribune recently reported on a new phenomenon of girlfriend getaways that are not just about bachelorette parties or 20-somethings on spring break. Women are taking knitting trips, adventure trips and spa trips. Marybeth Bond, the author of "50 Best Girlfriend Getaways in North America", has been tracking data since 1993 and said there has been a 230% increase in the number of women-only travel companies in the past seven years. And many women who are taking girlfriends' getaways are married, but leaving their husbands at home. There is also more multigenerational travel - baby boomers travelling with their daughters or even mothers. The phenomenon of girlfriends' getaways and women traveling alone represents a cultural shift. Thirty years ago, women didn't vacation without their family, said Susan Eckert, founder and president of AdventureWomen, a travel company for women aged 30 and over. Because many women work these days, they can afford to travel. (Canadian Travel Commission, May 1, 2008)

Direct Entries into Alberta by International Visitors January-March 2008

- Alberta's total overnight visitors from the U.S. and overseas for the first three months of 2008 increased +2.4%, compared to the same time period in 2007.
- Overnight U.S. automobile entries into Alberta for the first three months of 2008 declined 2.8% compared to 2007.
- Overseas visitors to Alberta continued to shine in March. The total number of overseas visitors to Alberta for the first three months of 2008 increased +11.2% compared to 2007.

Just Released

European Segmentation Study

Looks at the international markets of Germany, U.K. and France to Canada. An Alberta specific report for these three reports is also available.

The full reports can be found at: www.tpr.alberta.ca/tourism

Taking a Closer Look: The European Segmentation Study

Key findings for visitors to Alberta

- The main interest of the French is to get close to the life of French Canadians, to feel their way of life which they perceive as a reflection of their own past, where French people lived close to and in harmony with nature. The connection is so powerful that Alberta would do well to focus on the opportunity to see first hand evidence of early French settlers or the routes of French voyageurs.
- After reviewing the Alberta industry websites in the online forums, German travellers became particularly excited about Drumheller, aboriginal experiences and caravan or self-drive routes that get them out into the countryside.
- Alberta is a favourite destination for U.K. travellers to Canada (27% of Canada bound trips spend one or more nights in the province).

Air Access Corner

“Thickening of the Border” cited as major challenge

At the Can/Am Border Trade Alliance Conference in late April 2008, Public Safety Minister, Stockwell Day, reviewed discussions held between the Governments of Canada, United States and Mexico at a leader’s meeting in New Orleans. Minister Day described the “thickening” of the border as a major hindrance in the security and prosperity relationship. In May 2008, Industry Minister, Jim Prentice, added that the burden of new security measures have “created a two-headed monster” in the burden on businesses and travellers.

Both ministers highlighted the need to target the highest areas of risk to build on the strengths of an integrated North American economy. Greater coordination for investment in borders was cited by ministers as the key to strengthening the U.S.-Canada-Mexico relationship. To address this issue, outgoing Canada Border Services Agency Vice President of Admissibility, Greg Goatbe, reported to Can/Am Border Trade Alliance key advancements in travellers and commercial areas:

- With 200,000 members, NEXUS now comprises about 3.4% of all journeys for travellers entering Canada. Further electronic passenger processing concepts are being advanced in 2008.
- The 2017 CBSA Commercial Vision will be concluded in the coming months to “ensure that trends affecting the future border are identified and appropriate strategic solutions implemented.”

Mr. Goatbe further highlighted the need for continued partnerships and engagement with industry participants on traveller and commercial processing – areas that will increasingly be important to the Canadian aviation industry.

Source: InterVISTAS’ Consulting Inc., Canadian Aviation Intelligence Report

Airlines Introduce Fuel Surcharge

Effective early May 2008 both Air Canada and WestJet introduced fuel surcharges in response to the rising price of crude oil.

For travel within Canada, a fuel surcharge of \$20 for short haul, \$30 for medium haul and \$45 on long haul flights each way is in effect.

For travel between Canada and the U.S., the fuel surcharge is \$50 each way.



Calgary - London British Airways

In response to high demand, British Airways has extended its Calgary to London service into the summer of 2008.

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 2007	+1.70%	+3.30%	+8.70%	+8.50%	+16.30%	+7.40%	+5.50%	+2.70%	+6.60%	+11.30%	+8.60%	+10.20%	-0.20%
January 2008	+4.80%	+9.20%	+4.10%	+4.90%	+7.60%	+6.40%	+4.40%	+2.20%	+6.10%	+7.80%	+9.20%	-0.30%	-2.40%
February 2008	+7.70%	+12.80%	+9.90%	+7.40%	+10.20%	+8.30%	+7.40%	+8.60%	+7.90%	+10.30%	+9.10%	+8.30%	+3.60%
March 2008	+6.20%	+8.00%	+2.20%	+7.90%	+8.20%	+6.80%	+4.70%	+20.40%	+2.50%	+0.90%	+19.00%	+15.80%	+5.80%

Source: InterVISTAS’ Consulting Inc.

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, Tourism Investment 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.

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