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**A Situational Analysis Of The Nwt Tourism
Industry (several Attachments)
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**A SITUATIONAL ANALYSIS OF THE NWT
TOURISM INDUSTRY (SEVERAL
ATTACHMENTS)**

Sector: Tourism

11-34-4

Analysis/Review

**A SITUATIONAL ANALYSIS
OF THE NWT
TOURISM INDUSTRY**

DRAFT DOCUMENT

**Prepared for
The Special Committee on the Economy**

SEPTEMBER, 1988

**Planning and Program Development
Tourism and Parks
Economic Development and Tourism**

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1.0 INTRODUCTION

Tourism is one of the fastest growing industries in North America. By the year 2000 many experts have predicted that tourism will be one of the largest industries in the world.

Rising incomes, longer lifespans, earlier retirement and reduced airfares are some of the factors impacting on the increasing demand for travel. More and more, North America is perceived as a "safe" destination. The packaging of and product base for tourism have expanded significantly. One of North America's fastest growing travel products is adventure travel, particularly for residents of large urban centres. Travellers want to experience different lifestyles and cultures. There is also a growing trend towards vacations that have an element of physical activity such as hiking, canoeing and trekking.

For the Northwest Territories, tourism is rapidly becoming a growth industry. In the future, tourism could become one of the NWT's leading exports. However, unlike mineral export commodities, tourism is a renewable resource that is both environmentally and culturally compatible with the north. The basis for the NWT's tourism industry is really the land, the people and its culture. That is what makes the NWT different and that is precisely what tourists are interested in.

This document is a situational analysis of the NWT's present tourist industry. It describes the industry's current structure and economic significance for the NWT as well as both opportunities and constraints for the industry's future development.

2.0 WHAT IS TOURISM?

Tourism means different things to different people. It is a product that virtually everyone has been exposed to. It is a topic that most people have an opinion on, especially in the NWT where most residents have been exposed to travel. However it is an industry that few people understand, especially from the product or operator side. It impacts on a number of types of businesses from airlines, to hotels, to crafts producers and to restaurants. The consumer or traveller views travel as a single product but the industry often does not have the same viewpoint and views tourism solely from the perspective of their own individual business.

As a result tourism is one of the most difficult industries to coordinate in achieving economic goals. Consequently, there is a real need to overcome this problem at the industry level through the creation of such organizations as travel industry associations or at the product level where package tours or tour operators can organize, develop and manage travel products that can be consumed by the marketplace.

2.1 A Definition of a Tourist

The currently acceptable definition of a tourist in Canada, as established by Statistics Canada, is anyone who takes a trip of 80 km or greater for whatever reason. Using this definition, it means both NWT residents and non-residents are tourists.

While most of our development efforts focused on attracting non-residents to the NWT, it is important to remember that

NWT residents are also very important to our tourism or travel industry. The same airlines, the same hotels and the same restaurants serve both resident and non-resident travellers. In most cases it has been the resident traveller that has given rise to the development of basic infrastructure such as accommodation and transportation services that also serve the non-resident travel market.

As shown in the following table, the NWT resident travel market is actually the largest travel market currently served by the NWT's travel industry:

TABLE 1

**Estimated Annual Resident and Non-Resident
Travel Volume To and In the NWT
1986**

Travel Market	Number of Person-Trips	%
NWT Resident Travel ¹	101,200	55.7%
Non-Resident Travel		
. Business Travel ²	46,730	25.7%
. Pleasure and Related Travel ³	33,688	18.6%
Total Travel Market	181,618	100.0%

- 1) Assumes NWT residents make an average 2.3 trips annually within the NWT.
- 2) Assumes that October to May non-resident business travel is equal to recorded June to September business travel of 23,365 trips to the NWT, 1986.
- 3) Assumes recorded June through September pleasure and related travel represents 85% of annual non-resident pleasure travel to the NWT, 1986. Includes both pleasure travel and travel related to visiting friends and relatives.

Source: A Product Development Plan for the Northwest Territories' Tourism Industry. →

While NWT residents travel in the NWT throughout the year for purposes of business and pleasure travel, non-resident travel is very seasonal as shown in Figure 1. The four month travel period of June through September accounts for 65% of total annual non-resident travel volume to the NWT. This is a direct result of the high volume of non-resident pleasure travel that the NWT receives during June through September.

2.2 Tourism Industry Structure

Tourism is no different than any other industry in that it consists of a demand (market) side and a supply (product) side. As indicated previously the demand side of the NWT's tourist industry consists principally of resident and non-resident travel market demand. The supply side of the industry is composed of a number of sectors as shown in Figure 2.

The impact of tourism on each of these sectors can vary significantly. In the case of accommodation, almost 100% of sales are related to travellers, while in the case of restaurants and taxis 30% of sales revenue is derived from travellers.

The significance of tourism to various regions within the NWT also varies considerably. As shown in the following figure, the Fort Smith region accounts for the vast majority (60%) of visitor expenditure captured by the NWT's travel industry.

FIGURE 1

The Seasonal Nature of Non-Resident Travel to the NWT

**Number of
Person Trips**

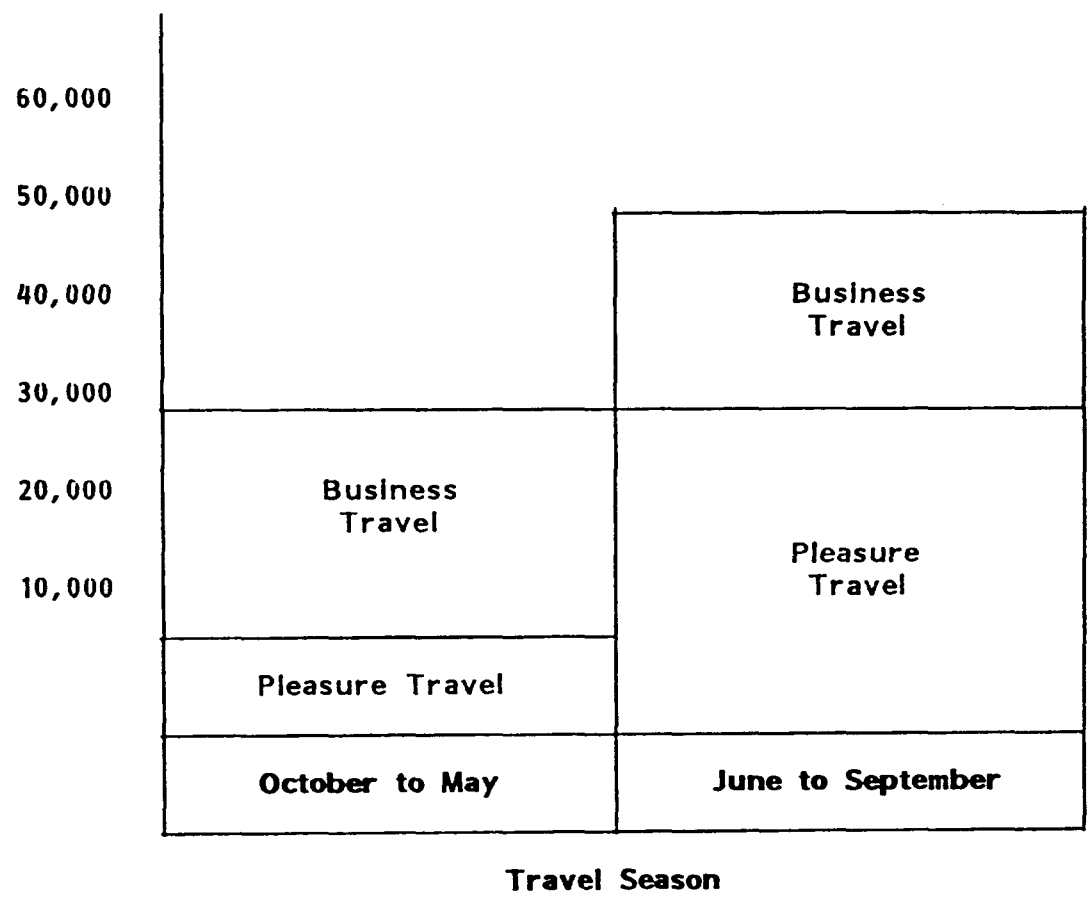


FIGURE 2

Tourist Industry Supply Side Components

Accommodation:

- . Hotels
- . Resorts
- . Motels
- . Lodges
- . Fishing/Hunting Camps
- . Outfitters
- . Campgrounds

Attractions:

- . Man-made
- . Historical
- . Cultural
- . Biological
- . Tours
- . National Parks

Events:

- . Cultural
- . Historical
- . Recreational/Sports
- . Sports
- . Festivals

Food & Beverage Sector:

- . Restaurants
- . Night Clubs
- . Theatres
- . Take Out/Delivery
Food Service
- . Accommodation-Related
Food and Beverage Services

Recreational Activities/ Adventure Products:

- . Skiing
- . Fishing
- . Rafting
- . Boating
- . Hiking

Transportation

- . Airlines
- . Bus
- . Private Auto
- . Ferries
- . Taxis
- . Car Rentals
- . RV and ATV Rentals
- . Boat Rentals

Travel Trade:

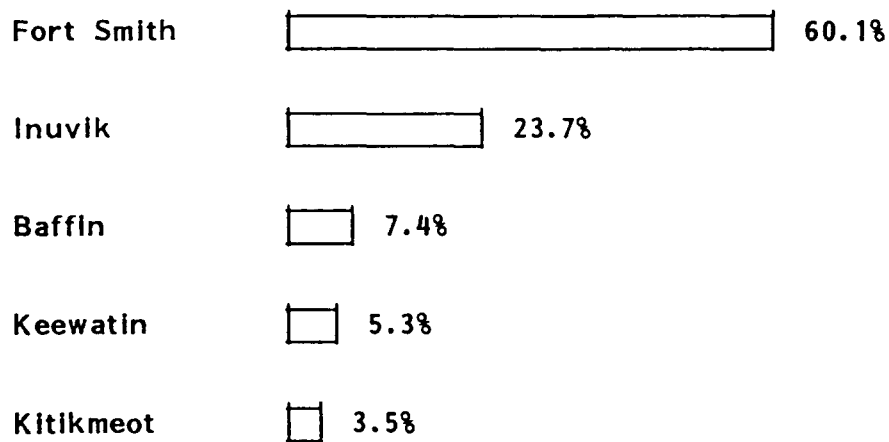
- . Tour Operators
- . Tour Wholesalers
- . Travel Agents
- . Consultants
- . Tourist Associations

Auxiliary Services

- . Medical
- . Souvenirs
- . Banking
- . Travel Information Services
- . Other Retail (crafts, gifts,
etc.)

FIGURE 3

Distribution of Tourist Travel Expenditures in the NWT



3.0 THE ECONOMIC SIGNIFICANCE OF THE NWT'S TOURISM INDUSTRY

Tourism is a \$119.5 Million Industry for the NWT

Annual expenditure that is captured by the NWT's travel industry is estimated to be \$119.5 million:

TABLE 2

Estimated Annual Tourism Expenditure Generated by the NWT's Tourism Industry

Non-Resident Travel ¹	\$ 73,348,178
Resident Travel ²	46,172,500
Total Expenditure	\$ 119,520,678

1) Assumes \$912.09 per trip.

2) Assumes average resident per trip expenditure is 50% of average non-resident per trip expenditure.

Tourism Accounts for Almost 11% of the NWT's GNP

The NWT's GNP is currently valued at \$1.1 billion. At \$119.5 million in expenditure, tourism accounts for almost 11% of the NWT's GNP.

Tourism Employs an Estimated 2,500 People in the NWT

It is difficult to determine the employment impact that tourism has on the NWT's economy. Tourism impacts on several sectors of the NWT's economy including transportation, accommodation, food and beverage, retail-wholesale, arts and crafts production and tourism travel services such as travel agents, guides and package tour operators.

For 1986, Statistics Canada's Labour Force Survey estimated that there were an estimated 1,310 persons in the NWT's accommodation, food and beverage sector. Generally, the accommodation, food and beverage sector accounts for 54% of total tourism industry employment.¹ As a result, the NWT's tourism industry would employ 2,426 people, making it one of the largest private sector employees in the NWT.

Another measurement instrument to determine tourism employment in the NWT is tourism expenditure impact models developed by Tourism Canada. The total economic value of the NWT's tourism industry measured in tourism expenditure generated by both resident and non-resident travel is estimated to be \$119.5 million annually. Based on Tourism Canada's TIM model where \$1 million in tourism expenditure results in 21.62 person years of direct employment, the NWT's tourism industry generates 2,583 person years of employment.

As a result given that these two measurement instruments have produced similar estimates of tourism employment, it would be reasonable to assume that the NWT's tourism industry generates 2,500 person years of employment.

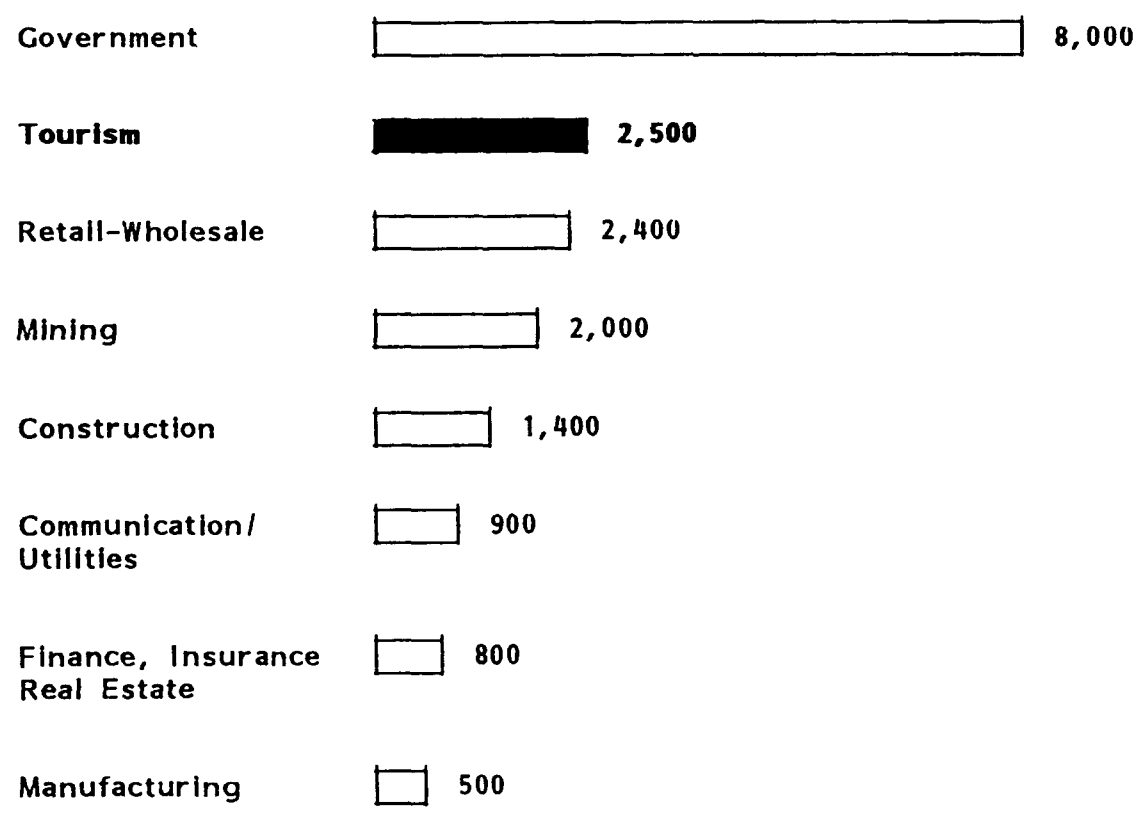
Tourism is the NWT's Largest Private Sector Employer

There are an estimated 20,950 people in the NWT's employed labour force (1986 estimate). As a result tourism accounts for almost 12% of the NWT's employed labour force. As shown in Figure 4, tourism is the NWT's second largest employer and is the NWT's largest private sector employer.

¹ Tourism Canada's Tourism Impact Model.

FIGURE 4

Employment by Industry Sector in the NWT



The NWT's Travel Industry Generates \$52.6 Million in Tax Revenue Annually to Government

Lastly, both the Territorial and Federal governments are major stakeholders in the NWT's tourism industry by way of the revenue it creates for government through taxation and licensing. As shown in the following table the federal government is the principal beneficiary.

TABLE 3

**Government Revenues of the NWT's Travel Industry
1986**

	(in 000,000's)
Federal Government Revenues ¹	\$ 35.9
Territorial Government Revenues ²	\$ 16.7
Total Government Revenue	\$ 52.6

- 1) For every one dollar of tourism expenditure 30¢ in federal tax revenue is created.
- 2) For every one dollar of tourism expenditure 14¢ in territorial tax revenue is created. Consultant's estimate based on provincial averages and adjusted for the NWT (i.e. in Alberta for every one dollar of tourism expenditure, 17¢ in provincial tax revenue is created).

4.0 TOURISM AS AN EXPORT INDUSTRY FOR THE NWT

The Non-Resident Pleasure Travel Market Presents the Best Opportunity for Industry Travel Export Development

The growth in the NWT's tourism industry is dependent upon both the domestic (NWT resident) and export (non-NWT resident) markets. The domestic market for the NWT's travel industry is largely dependent upon such factors as population growth and the general health of the NWT's economy. As a result it is difficult, as a Government, to strategically intervene in the domestic market to influence the development and growth of the industry as most factors affecting the domestic travel market are beyond Government's control.

Virtually all economies achieve real economic growth through export development. While the NWT's domestic market (especially NWT business travel) has been important to the NWT in establishing tourism infrastructure such as hotels and restaurants, it will be the non-resident pleasure travel market that will provide opportunities for industry growth and export development.

The Current Level of Non-Resident Summer Pleasure Travel to the NWT is Only 26,000 Person Trips Annually

Non-resident pleasure travel to the NWT is highly seasonal. It is estimated that the period June through September accounts for 85% of all annual non-resident pleasure travel to the NWT. There has been only limited success in developing shoulder season pleasure travel.

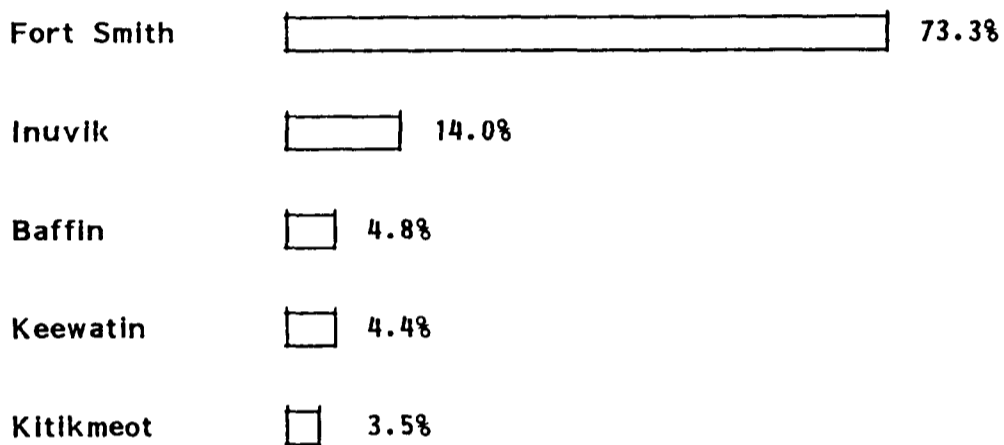
It is currently estimated that there are 26,312 pleasure travel trips made by non-residents to the NWT in 1986 from June through September. This estimate does not include persons travelling for the purpose of visiting friends and relatives in the NWT.

**The Fort Smith Region Accounts for the Vast Majority of
Non-Resident Pleasure Travel Trips Captured by the NWT**

As shown in the following figure, the Fort Smith region captures 73% of all non-resident pleasure travel trips made to the NWT.

FIGURE 5

**Distribution of Non-Resident Pleasure Trips to the NWT
June through September, 1986**



**The Value of Summer Pleasure Travel to the NWT is
\$25.2 Million**

The average trip expenditure associated with non-resident pleasure travel to the NWT during the summer is very high at \$958.14 per trip. Based on an estimated summer pleasure travel trip volume of 26,312 visitors in 1986, the expenditure value for non-resident pleasure travel is \$25,210,485. While non-resident pleasure travel to the NWT represents only 14% of all resident and non-resident travel volume to and in the NWT, it accounts for almost 25% of total travel receipts captured by the industry.

**NWT Pleasure Travel Exports Should be
Based on Value Not Volume**

Comparatively the volume of non-resident travel to the NWT is very low. At the present time, non-resident travel volume to the NWT represents only 11% of the Yukon's non-resident travel volume. However, in terms of actual visitor expenditure captured, the NWT does significantly better than the Yukon as the average trip expenditure for NWT pleasure travel is almost five times as great as in the case of the Yukon. Clearly the NWT should not necessarily be seeking travel volume as much as it should be seeking markets for the type of higher-valued tourism experience it has to sell. This is also desirable in terms of the NWT's community structure as many NWT communities could not accommodate (nor would they want to) large volumes of tourists.

5.0 THE NWT'S PLEASURE TRAVEL PRODUCTS

The NWT's pleasure travel products fall into two broad categories:

- . Outdoor/Adventure Travel
- . General Touring

5.1 Outdoor/Adventure Travel

At the present time 45% of all pleasure travel to the NWT could be described as outdoor/adventure travel. Outdoor/adventure travel is further segmented along consumptive and non-consumptive product lines.

Consumptive Outdoor/Adventure Travel

- . Fishing
- . Hunting

Non-Consumptive Outdoor/Adventure Travel

- . Wildlife Viewing
- . Outdoor Recreation (Camping, Hiking, Canoeing)
- . Naturalist Expeditions
- . Photo Safaris
- . Adventure Experiences (Rafting, Kayaking, Dog Sledding)

5.2 General Touring

General Touring is currently the NWT's most popular product, accounting for 55% of all pleasure travel to the NWT.

There are two types of touring: independent and packaged touring trips. Independent touring is more characteristic of the Yukon and southern markets. It is dominated by the "rubber-tire" traveller which accounts for over 75% of the touring market. For the Western Arctic and Fort Smith Regions it has been the largest pleasure travel market. Independent touring is largely associated with auto touring the MacKenzie and Dempster Highways.

Packaged touring is more typical of the NWT's non-road accessible regions such as the Baffin. General packaged touring contains the most overall product providing a broad interpretation of the NWT's wildlife, scenery, culture and history. Tours have been developed from day-trips to five-day tours. The Keewatin and the Baffin have been the most active zones in the NWT in terms of developing packaged tour products. Table 5 indicates the current distribution of travel products by type of trip taken to each of the five zones.

It is also interesting to note that within the NWT there are important differences between the Zones in terms of expenditure impact of tourism. While the Fort Smith Region tends to dominate the volume of travel to the NWT, average trip expenditure is much lower than in the case of the Baffin. For example, in 1984, average trip expenditure in the Baffin was \$1,550 per trip compared to only \$565 for the Fort Smith Region.

TABLE 4
Zone Pleasure Travel Products by Type of Trip Taken
June through September
(Estimate for 1986-87)
(Person Trips)

	Baffin		Keewatin		Fort Smith		Inuvik		Kitikmeot		Total NWT	
	#	%	#	%	#	%	#	%	#	%	#	%
Outdoor Adventure Travel												
. Fishing/Hunting	200	12.3%	708	47.0%	4,000	22.2%	637	14.5%	200	33.3%	5,745	21.8%
. Adventure Travel	700	50.7%	45	3.0%	5,000	27.8%	50	1.1%	400	66.7%	6,195	23.5%
General Touring	900	37.0%	752	50.0%	9,000	50.0%	3,720	84.4%	0	0.0%	14,372	54.6%
Total	1,800	100.0%	1,505	100.0%	18,000	100.0%	4,407	100.0%	600	100.0%	26,312	100.0%

Sources: Baffin and Keewatin - Economic Development and Tourism, Regional Offices.
 Western Arctic - Consultants Estimate, Western Arctic Tourism Development and Market Strategy (Draft) - MacLaren Plansearch.
 Fort Smith, Kitikmeot - DMCA estimates.

6.0 DEVELOPMENT OPPORTUNITIES

6.1 Development Potential

In 1987, the Government of the Northwest Territories and the Tourism Industry Association of the NWT jointly undertook the development of a Product Development Plan for the Northwest Territories' Tourism Industry. The following table displays existing trips, by product, currently captured by the NWT's pleasure travel industry against the actual trip potential that is available in North America for the type of travel products offered by the NWT.

TABLE 5

**Estimated Pleasure Travel Trip Potential for
NWT Tourism Products
June through September**

	Existing Pleasure Travel Trips Captured	Estimated North American Market Potential			Current NWT Penetration Rate
		Canada	U.S.	Total	
Outdoor/Adventure Travel					
. Fishing/Hunting	5,745	5,620	22,480	28,000	20.4%
. Non-Consumptive Adventure Products	6,195	14,600	32,000	46,600	13.3%
General Touring	14,372	32,636	46,000	78,636	18.3%
Total	26,312	52,856	100,000	153,336	17.2%

Clearly, the NWT has significant market potential to develop its pleasure travel industry. In the case of outdoor/adventure products, the U.S. holds the greatest market potential. In the case of general touring, the U.S. market is still the

largest market but Canadian pleasure travel, especially the prairie provinces and Ontario, will be important to future industry growth. This will vary at the individual zone level. For the Keewatin and Baffin the U.S. packaged touring market will be considerably more important than in the case of the Fort Smith region in capturing general touring travel. In the case of the Western Arctic, the American independent touring market will be an important market segment, whereas the Fort Smith zone will continue to rely primarily on the prairie provinces, especially Alberta, for independent road travel.

6.2 Economic Impact

The following table displays the principal economic benefits that would result from improved market penetration during the peak June through September pleasure travel season. Three scenarios are displayed; the current industry market penetration, a doubling of current market penetration and finally moving towards a point where the NWT captures 50% of the potential market that is available for NWT travel products. The second scenario could be achieved in the next five years through aggressive marketing and further product development. The third scenario is really a longer term goal requiring not only greater awareness in the marketplace but also significant improvement to both tourism product and tourism product delivery such as the development of world class attractions and tour packages of acknowledged world stature.

Clearly, the development of the NWT's pleasure travel industry holds significant economic potential. The employment impacts listed in Table 6 are measured in person years (i.e.

full time/year round employment). In reality, most employment that is associated with the NWT's pleasure travel industry is part time which is largely due to the seasonal nature of the industry in the North. As a result the actual employment impact in terms of job creation will be four times as great as shown in this table.

TABLE 6

**Economic Impacts Resulting from the Development of the
NWT's Non-Resident Pleasure Travel Industry
June through September**

	Scenarios		
	#1 (1987)	#2 (1993)	#3 (2000)
	Current Market Penetration	Doubling Current Market Penetration	Achieving 50% of Available N.A. Market Potential
Market Penetration Rate	17.2%	34.4%	50.0%
Number of Pleasure Trips	26,312	52,626	76,668
Estimated Tourism Expenditure	\$ 25,210,485	\$ 50,420,971	\$ 73,455,611
Direct Employment (in person years)	544.8	1,089.7	1,589.1
Tax Revenue			
• Federal Government	\$ 7,563,146	\$ 15,126,292	\$ 22,036,683
• Territorial Government	<u>3,529,468</u>	<u>7,058,936</u>	<u>10,283,786</u>
Total Tax Revenue	\$ 11,092,614	\$ 22,185,228	\$ 32,320,469

Tourism offers a number of advantages for economic development. The industry is labour intensive in areas which are compatible with many existing native skills (eg. guiding). It offers substantial spin-off benefits for related resident industries, including native arts and crafts, aircraft charters, support industries and many others. Small firms can enter the industry with comparatively little capital and remain small but profitable. And it is one of the few sectors in which an exotic northerly location is as much a benefit as a hindrance to development.

Moreover, tourism has a solid record of weathering economic declines in the NWT. Gross tourism revenues remained constant from 1982 to 1983 in the face of real economic declines in other sectors, reflecting the inherent stability of the tourism industry. The tourism industry may slow down but serious reversals are rare and the industry is quite resilient.

This record for economic stability is particularly attractive now that slumps in world mineral and petroleum prices have caused severe recession in the industrial sector. As a result, the NWT's Tourism Industry could be very beneficial in addressing some of the problems associated with the boom and bust nature of the NWT's mineral sector.

Although tourism is seasonal, the revenues it generates can be expected to augment many business incomes rather than make them fully dependent upon tourism. Similarly, the seasonality of tourism employment dovetails well with other territorial wage and traditional pursuits, and can provide young people, especially, with the employment experience and skills

they require to move later on to higher paying full-time employment in other sectors or to entrepreneurial ventures of their own.

The following summarizes the key strengths and opportunities for the development of the industry.

- . The identified market potential is clearly there for the NWT to build its pleasure travel industry.
- . The industry is labour intensive involving modest entry level skills, thereby offering job opportunities for NWT residents.
- . Many tourism businesses can be small scale, offering realistic entrepreneurship opportunities for NWT residents.
- . The tourism industry is renewable and essentially non-polluting.
- . Tourism can provide both economic stability and diversity of the NWT's economy.

While the foregoing largely addresses development opportunities for the peak June through September pleasure travel season, it should also be possible to build on shoulder season travel markets for the NWT's tourism industry through the development of such products as hunting and conventions.

7.0 DEVELOPMENT CONSTRAINTS

The NWT's pleasure travel industry, at this point, is still a nascent industry. It is also a relatively new industry to some zones and to many communities. The NWT faces major problems in both market awareness and product delivery. In order to realize both market potential and resulting economic benefits the NWT will have to overcome a number of constraints.

Market Awareness and the Lack of Brand Name Attractions

As a tourist destination, the NWT has a low awareness in the U.S.A. and other countries. Even within Canada, the NWT has to overcome its lack of awareness as a desirable pleasure travel destination. As yet, the NWT has failed to develop "brand-name" attractions that are well known to the marketplace. The Nahanni and Auyuittuq National Parks represent two examples of where the NWT could achieve the development of brand-name attractions.

Limited Development of Packaged Tours

For many NWT destinations, packaged tours represent the only viable approach to developing pleasure travel. For the most part, package tour products have been slow to develop in the NWT. Packaged tours represent the best vehicle through which to offer valued tourism experiences for pleasure travellers.

Several NWT Destinations and Attractions Can Not Absorb Greatly Increased Pleasure Travel Volume

Both the quality and quantity of accommodation facilities currently available does not provide the NWT with the capacity for increased pleasure travel volume. For some destinations there is a further constraint in that summer also means that there are

conflicts between the construction crew and tourist demand for accommodation facilities. In addition some of the NWT's best attractions, such as the Nahanni and Auyuittuq National Parks, can only experience limited visitation due to Park Management policies.

Human Resources Are a Major Constraint to an Expanded Pleasure Travel Industry

Perhaps the single largest constraint to tourist industry development in the NWT is the ability of the NWT to deliver quality tourism products. Training is required at virtually all levels of the industry from marketing to management and to servicing tourists.

Tourism Organizations, Sales and Distribution Systems Are Inadequately Developed

The NWT must compete in world markets for the outdoor, adventure travel market. This requires the development of sophisticated sales and distribution systems for the NWT tourism products. However, not all regions of the NWT have yet to fully develop such systems.

The Need for Improved In-Community Tourism Activities and Services

Clearly the overriding consensus for future tourism industry development in the NWT is that it should be community-based. At the same time there are only a handful of communities that can deliver consumable activities and services for tourists.

In the Past the Development of the NWT's Tourism Industry Has Not Been Market Driven

Much of the NWT's tourism industry development has been done in isolation of good market research. It is important to know who

tourists are and what kinds of travel experiences and services they want. If this is not known development and marketing initiatives are largely a "shot in the dark". However this situation is being currently dealt with through the development of a tourism industry data base that will provide the basis for future development initiatives which will more closely match those market segments that have the best potential for industry growth.

SUMMARY HIGHLIGHTS

A SITUATIONAL ANALYSIS OF THE NWT'S TOURISM INDUSTRY

1.0 INTRODUCTION

Tourism is one of the fastest growing industries in North America and by the year 2000 it is likely to be one of the World's largest industries.

This paper presents a "point-in-time" analysis of the NWT's tourism industry. It describes the economic significance of tourism for the NWT and both its opportunities and constraints for future development.

2.0 ECONOMIC SIGNIFICANCE

The following are the principal economic characteristics that describe the NWT's tourism industry.

- . **Tourism is a \$119.5 Million Industry for the NWT**
- . **Tourism Accounts for Almost 11% of the NWT's GNP**
- . **Tourism Employs an Estimated 2,500 People**
- . **Tourism is the NWT's Largest Private Sector Employer**
- . **Tourism Generates an Estimated \$52.6 Million in Taxes for the Federal and Territorial Governments**

3.0 TOURISM IS AN EXPORT INDUSTRY FOR THE NWT

Tourism is no different than other industries that serve both domestic and export markets. In the case of the NWT's tourism industry, NWT residents are the domestic market and non-resident travellers are the export market.

The Non-Resident Pleasure Travel Market Presents the Best Opportunity for NWT Tourism Travel Export Development

The future growth of the NWT's tourism industry will largely depend on capturing further non-resident travel to the NWT. This occurs principally during the June to September pleasure travel season and to a certain extent the spring and fall shoulder seasons. It is this market that holds the best potential for tourism industry growth.

The Current Level of Non-Resident Summer Pleasure Travel Captured by the NWT's Tourism Industry is 26,312 Trips.

The Current Value of NWT Non-Resident Summer Pleasure Travel is \$25.2 Million.

4.0 THE NWT'S PLEASURE TRAVEL PRODUCTS

The NWT's pleasure travel products fall into the following market segments:

- 1. Outdoor/Adventure Travel
- 2. General Touring

TABLE 1

The NWT's Principal Pleasure Travel Products by Type of Trip Taken

Product	Number of Person Trips
1. Outdoor Adventure Travel	
. Fishing/Hunting	5,745
. Adventure Travel	6,195
2. General Touring	14,372
Total	26,312

5.0 DEVELOPMENT OPPORTUNITIES

The NWT's Tourism Industry is Currently Capturing Only 17.2% of its Identified Potential for Pleasure Travel

In 1987, the Government of the Northwest Territories and the Tourism Industry Association of the NWT jointly undertook the

Product Development Plan for the Northwest Territories' Tourism Industry. The following table displays existing trips, by product, currently captured by the NWT's pleasure travel industry against the actual trip potential that is available in North America for the type of travel products offered by the NWT.

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Total	26,312	52,856	100,000	153,336	17.2%

- . The identified market potential is clearly there for the NWT to build its pleasure travel industry.
- . The industry is labour intensive involving modest entry level skills, thereby offering job opportunities for NWT residents.
- . Many tourism businesses can be small scale, offering realistic entrepreneurship opportunities for NWT residents.
- . The tourism industry is renewable - and essentially non-polluting.
- . Tourism can provide both economic stability and diversity of the NWT's economy.

While the foregoing largely addresses development opportunities for the peak June through September pleasure travel season, it should also be possible to build on shoulder season travel markets for the NWT's tourism industry through the development of such products as hunting and conventions.

6.0 DEVELOPMENT CONSTRAINTS

The NWT's pleasure travel industry, at this point, is still a nascent industry. It is also a relatively new industry to some zones and to many communities. The NWT faces major problems in both market awareness and product delivery. In order to realize both market potential and resulting economic benefits the NWT will have to overcome a number of constraints.

Market Awareness and the Lack of Brand Name Attractions

- . Limited Development of Packaged Tours**
- . Several NWT Destinations and Attractions Can Not Absorb Greatly Increased Pleasure Travel Volume**
- . Human Resources Are a Major Constraint to an Expanded Pleasure Travel Industry**
- . Tourism Organizations, Sales and Distribution Systems Are Inadequately Developed**
- . The Need for Improved In-Community Tourism Activities and Services**
- . In the Past the Development of the NWT's Tourism Industry Has Not Been Market Driven**

**ECONOMIC DEVELOPMENT AND TOURISM
MARKETING PROGRAM**

STRATEGIC DIRECTION FOR PLANNING

DISCUSSION PAPER

INTRODUCTION

The cycle of the previous Economic Development And Tourism Marketing Strategy is now almost finished. To determine a new strategy and direction, the Department is reviewing the status of its marketing program and determining any changes which may be required, to maximize the impact of its efforts.

As part of this process, it is necessary to review competitive information and analyze market forces which may influence the outcome of various activities. This paper generally describes the relevant research and background information presently available. A framework for a new strategy is also described.

1.0 OVERVIEW AND BACKGROUND

Five years ago, the tourism industry of the Northwest Territories was relatively new and very small. Besides the southern-developed sport fishing lodges, there was little activity, few resources and/or sources of investment in the industry. It was very difficult to grow a tourism enterprise in these circumstances, in a highly competitive market and with that competition increasing constantly.

Economic Development and Tourism had a very small marketing budget and consequently a very modest marketing program. In order to get the best results for the few resources, efforts were principally concentrated in developing trade support and product knowledge. These efforts were aimed at strengthening the existing consumer base and targeting only the highest potential markets for development. With limited budgets, it was difficult to engage in long-term development.

In 1986, product development strategies were established for the various regions of the N.W.T.; comprehensive marketing strategies were developed for and adopted by government and industry. A new contributions program was established to assist the industry, in the form of the Economic Development Agreement between the N.W.T. and the Government of Canada (EDA).

These plans were jointly prepared and deliberately integrated. Government and industry agreed on specific roles and responsibilities. Both integrated their efforts to ensure that the most benefits were produced and that duplication of effort was avoided. The plans took into consideration not only a greatly increased departmental budget, but also new opportunities for marketing available to the private sector, through tourism zone associations and the TIA - N.W.T., as well as through the EDA.

The results are tremendous growth and strengthening of the N.W.T.'s tourism industry. Many more N.W.T. tourism enterprises, products, and services have been started in the last five years than during the previous fifty years.

In 1985, total tourism volumes were estimated at 40,000 per year, of which about 50% were business travellers. In 1989, total volumes of tourists were estimated to be 88,800 per year, of which 56,000 were pleasure travellers.

The collective efforts of all members of the N.W.T. tourism industry have been positive. The campaigns have been generally successful, as evidenced in the tremendous growth in a short period of time and against much stronger international competition.

Now fine-tuning is required for further growth and development. Economic Development and Tourism will finalize its marketing plans for the next three years, based on results to date, research, and consultation with industry, the Tourism Marketing Council and the

consultation with industry, the Tourism Marketing Council and the agency of record.

2.0 ROLES AND RESPONSIBILITIES

With the launch of the 1986 strategies, industry and government agreed to certain areas of concentration for each. The first level of demarcation between government and industry involves perspectives and scope of interest.

The mandate, goal, role, and responsibilities of the GNWT are consistent and comparable with those of other organizations of public policy and administration. Counterparts of Tourism and Parks exist in every Canadian province and territory, in every American state and in regional jurisdictions around the world.

The interests, work and time-frames of private industry are necessarily short, narrow and precise. The output of effort must be as immediate as possible and measurable - usually in a financial way. Private industry is motivated on an individual-by-individual basis. Enterprises in one sector are generally considered competitive to each other and therefore a threat to individual performance. Consequently there is rare voluntary cooperation between competitors.

The mandate and interest of government is to ensure the long-term health and prosperity of industry. Its constituency is ALL MEMBERS of each sector and its concern is with the collective performance of these members. Public planning is usually oriented to "the future" - with long time-frames. Impacts of government action are intended over long time-frames. Instruments of policy, legislation and administration are designed and applied with a long-term horizon. As a consequence, government policies are necessarily broad and general in their application and quite widely focused. Specific programs address more narrow issues which may be considered to benefit the entire industry.

The marketing programs of the Department facilitate and promote the healthy development and prosperity of the tourism industry. Each operator in the industry can then benefit very precisely, by following up in their own marketing activities with specific details and sales information to prospective tourists.

The responsibilities of building the economic sector are shared by government and the private sector. The GNWT's initiatives are designed to assist the private sector in its role of direct sales and benefits from tourism activity.

These programs support the government goal to foster the development of a strong tourism private sector. This includes:

- a) the vigorous participation of a highly skilled and

motivated resident work force comprising a much larger proportion of the native populations;

- b) the stimulation of development of top-quality tourism facilities, services and infrastructure; and,
- c) the redistribution of economic benefits throughout the region - particularly to the smaller communities.

The focus and execution of marketing activities for government and industry are therefore quite different. The following is a general description of the operating framework of each.

Industry:

- creating, developing and delivering a consistently high quality, marketable product or service;
- marketing specific products and price;
- leveraging resources to the highest degree possible (from other industry partners or different levels of government).

Government:

- create the legislative, regulatory and policy frameworks which provide the maximum benefits to the private sector;
- facilitator and catalyst for industry growth and prosperity;
- longer-term development perspective;
- development quality assurance (through policies, standards, regulations and enforcement);
- research, market development and product stimulation;
- marketing on behalf of the entire industry in order to create optimum levels of awareness, image, interest, positive attitudes/perceptions, and motivation in target markets;
- facilitate the most expensive and risk-laden functions, which the majority of industry often cannot afford to bear.

Tourism in the N.W.T. continues to offer tremendous potential for further growth and benefits to its residents. The Tourism Marketing program is one by which the Government of the Northwest Territories continues to seek opportunities for economic health and growth.

3.0 IMPACTS OF STRATEGIES

The GNWT's implementation programs of the past few years have contributed to the industry's present size and level of activity.

The GNWT and industry worked closely together in a highly directed and integrated approach. Many operations profited and grew tremendously during this period. The plan has been met with outstanding success in many areas, and difficulties in others.

Keeping ahead of competitive factors and maximizing potential requires the shifting of activities and policies to take advantage of opportunities as they arise. There may be reason to shift at this time. With the industry, the GNWT will develop a set of practical, realistic programs to stimulate more revenues and development.

The *Strategic Marketing Plan* of the Department of Economic Development and Tourism is one of several important GNWT initiatives which support the tourism industry. The implementation of the first plan is now almost completed and the review process will define the next phase. Future growth in visitation will depend on assessing the marketing practices of all the N.W.T.'s major marketing organizations.

- Overall, the strategies have been successful.
- Substantial budgets have provided greater marketing resources for competition on local and international scales.
- Government concentrated on developing greater sensitization and motivation in the travel trade, and developing market demand from long-term potential markets. Private industry (including the industry associations) concentrated on selling short-term consumer markets.
- The size of the N.W.T. tourism plant has grown significantly. The numbers of products and services have multiplied throughout the N.W.T. Employment has multiplied in tourism and new enterprises have been encouraged.
- Very significant: market demand has doubled in five years.

4.0 GLOBAL FACTORS AND TRENDS

In order to determine the best course of action, it is necessary to examine current factors and trends in tourism. The world-wide economic environment is being transformed, with new business and trading patterns emerging and investment flows being redefined. Globalization of all industries is occurring without exception, including tourism.

Tourism is no longer defined in terms of a local, regional, national or international economic activity: it is global. As this

phenomenon increases, shifts in patterns of affluence will be signalled early by increased mobility and shifts in destination appeals.

In general, international travel is growing. And although incoming travel to Canada should grow in the next few years, Canada's share of world tourism has declined over the past decade. Problems in developing increased market share for the Canadian tourism industry persist, as Canada retains the image of being a vast, cold, uninhabited, boring destination which is overpriced.

The Northwest Territories has the same market perceptions and image barriers magnified many-fold with the added drawback of perceived lack of access and travel conveniences. In addition, the real infancy of the tourism industry and the absence of infrastructure does not enhance the N.W.T.'s ability to compete equitably with mature destinations.

Recent surveys and available data from GNWT reveal that:

- a) reasons for travelling in the N.W.T. include commuting, business/government travel and vacation/pleasure travel with the length of stay varying according to the purpose of the trip;
- b) the incidence of single travel parties is increasing;
- c) business travellers and tourists compete for available accommodation;
- d) transportation throughout the Northwest Territories is predominantly by air - road networks exist only in the western region of the N.W.T.

Assessment of N.W.T. Tourism Industry

The infancy of the N.W.T. tourism industry is underscored by the fact that it is measured in years - not the decades of conventional tourism competitors. Its youth and relative immaturity make it especially vulnerable to all forms of competition.

The majority of travel in the Northwest Territories originates within the N.W.T. Compared to all other Canadian provincial/territorial destinations, the Northwest Territories attracts the smallest number of non-resident tourists. Of all travel within the N.W.T., the majority (57.5%) is business/government travel and therefore is not elastic. Travel originating from outside the N.W.T. is stimulated principally from Alberta (41%), Ontario (19%) and British Columbia (12%); all the best natural potential regions of tourist origin for the N.W.T.

In addition to a very narrow base of geographic producers of tourists, the Northwest Territories does not have a diversified product line. It is largely restricted to tourism experiences

within the outdoors/adventure category. Yet even within such a limited market segment appeal, major initiatives are required to produce much needed capacity excess to the current insufficient levels.

The overall lack of financial resources has prevented the N.W.T. tourism industry from entering the marketplace with strong product and marketing services support. The major competitors of the N.W.T. are not proximity destination regions, but any region in the world which offers a comparable product line in the same category.

At an increasing pace, new competitors are emerging. Mature competitors are dramatically increasing their efforts to solidify market share, and are also investing extremely large budgets in market development. Billions of dollars are being spent annually in aggressive competition for world wide tourism revenues.

Optimizing current potential with a long-term view entails:

- an acceptance of the need of competition;
- a market development perspective over a long term;
- short-term exploitation of highest potential markets;
- use of optimization techniques, such as leverage (e.g. in joint program, the government and the private sector would match funds);
- the imbedding of measurement and evaluation in all aspects and components of program implementation, for use in future planning and project management.

5.0 INFLUENCES ON TOURISM POTENTIAL

The following factors must be taken into consideration as having direct influence on the performance of the N.W.T. tourism sector.

- Continued stagnant domestic market as population shows little increase.
- U.S. market will continue to show little growth as competition heats up and U.S. economy slows down. CTRI has been cautioning Canada's tourism operators not to expect continued growth in the U.S. travel market in the future.
- Growth in the U.S. market will come from operators who have carved out well defined niches in the 1990s.
- Market areas that hold promise for Canada:
 - festivals and events,
 - getaway and **adventure** travel.

- According to the Canadian Tourism Research Institute, October 1989, paralleling the decline in vacations is a drop in the Index of Consumer Confidence for the United States.
- Americans are saving more and spending less (U.S. dollar is expected to appreciate in 1990).
- As U.S. population ages, migration to sun states increases away from Canada and closer to competing warm climate tourism areas.
- Off-shore markets and niche markets provide future growth.
- There is more choice in travel destinations.
- Canadian travel is expected to decline as economy slows; Canadians continue to go out of Canada on vacation trips.
- North American travel is predominantly by car (83%+).
- According to May 1989 *Tour and Travel News*, air travel accounts for 15% of summer vacation, but won't grow this year because of increased fares, delayed flights, air strikes.
- Motor Coach Lines should be operating at near capacity (only accounts for 2% of market).
- CTRI forecasts accommodation and foodservices industry revenues will grow by about 3% each in 1990 - about one half the rate experienced in 1989.
- Air transport industry will see revenue gains fall from 9% per cent growth in 1988 to about 4% in 1990 as the economy slows down.
- Expenditures by other countries in luring American tourists were about six times what the Canadian provinces spent.
- Most countries target U.S. and Canadian markets - our most important markets.
- With the changes in the U.S. market, global competition, and GST, the industry must be much smarter at targeting, better at servicing the U.S. and Canadian customer to retain them in the years ahead.
- Increased competition from other provinces for the Canadian, U.S. markets and new competition as borders disappear in eastern Europe and communist states.
- Focus on 'foreign aspects', targeting the high quality sector, adventure and incentive travel, will be part of the key to success in the 1990s.

6.0 FUTURE TRENDS:

- Combined business and pleasure will be increasing as consumers stretch their dollars by getting the company to pick up part of the tab for their travel.
- Businesses need to target to the needs of the combined business/ pleasure traveller in the 1990s.
- Renewal of the family and extended family getaway vacation as people return to security of traditional values, they will be looking for spending time with their families on getaway vacations - not the one to two week vacations popular in the 1960s.
- Soft adventure as population ages, people become more sophisticated and experienced travellers and fitness level of people increases.
- Festivals/events represent a good opportunity to package cultural tourism.
- Golfing/cruising vacations expected to increase as population ages and as industry packages to different segments of the market place.
- Incentive travel market will grow as incentive travel becomes an increasingly popular tool for motivating employees.

Trend setting can be changed or swayed depending on external pressures and changing lifestyle patterns.

- an older market, means more cruises, more leisurely activities, different shopping patterns, more packaging of tours.
- for the young, the growing trend is toward packaged sport vacations.
- there is a trend to take more vacations a year but of shorter duration, and shorter distances.

(Source: B.C. Tourism Outlook).

7.0 THE U.S. MARKET

The principal foreign market of origin for the N.W.T. is the U.S. The U.S. Travel and Tourism Administration foresees the following highlighted trends for 1990.

- U.S. outbound market to grow 1/3 the rate of the inbound market.
- 1990 will see 44 million Americans spending one night or longer abroad travelling.
- in 1990, 13.4 million Americans will travel to Canada.
- Americans going to Mexico and overseas still increasing.
- market is expected to top 16 million in 1990.
- since the 1986 Expo, U.S. travel to Canada has levelled out.
- Canada needs a special event to maintain a high growth rate year to year.
- Affecting the outlook for U.S. International Tourism:
 - health of world economy.
 - continued weak U.S. dollar.
 - low-cost trans-atlantic air fares.
 - low-cost trans-pacific air fares.
 - potential deregulation of European air carriers.
 - merger mania among the European airlines.
 - increased U.S. promotion abroad.

Surveys conducted by American Demographics (August 1988) confirm that:

- Experience vacations accounted for an estimated 5 to 10% of the \$275 billion Americans spent on travel in 1985.
- typical adventure traveller is an affluent man, approaching middle age, median age of 35.
- median household income of \$38,000.
- households headed by 35 to 44 year-olds.
- not only wealthier but also better educated.
- 9 out of 10 have some college education.
- 70% are college graduates.

- 43% have postgraduate work.
- one in five aged 25 or older has completed at least four years of college.
- average amount spent on each trip is \$4,623.
- as age approaches the baby boomers, they will go from the hard adventure to the soft adventure, less physical exertion.

Another study was conducted by the influential Travel and Leisure Magazine (Louise Harris & Associates), entitled *THE 1989 TRAVEL & LEISURE STUDY*, and provides the following insights into the present behaviours of U.S. travellers.

- 46% (41,270,000 U.S. households) travelled last year on vacation or mainly for personal reasons.
- "Frequent travellers" comprise about 21% of all U.S. households travelling Americans (18,900,000 households).
- 8,058,000 people who live alone travel.
- seven out of ten travellers have taken more than one trip in the past year for personal pleasure; 1 out of 5 have taken one or more offshore personal trip.
- \$3,000 was spent on leisure travel over the past year.
- the automobile is still the principal means of travel for Americans, with the use of commercial airlines second.
- personal travel to escape in the following ways:
 - add the "adventure and fun" missing in life,
 - reward themselves for hard work,
 - celebrate an anniversary or special event,
 - reconnect with friends and relatives,
 - expand their personal horizons with new friends and learning experiences.
 - shop for the elusive bargain.
- Travelling Americans are cost conscious and personal security conscious.
- Americans want peace, no tourists, and a lot of action.
- climate is essential to Americans.
- male travellers prefer to fish, hunt, boat, or play golf.
- female travellers prefer to sightsee, sunbathe, and shop.
- Americans want to feel welcome, a good transportation system, and a good exchange rate from their foreign

destination.

- Americans prefer to visit new places.
- majority of Americans are not impulse travellers.

Psychographics and Demographics

- Americans love to travel, 94% most recent trip was good or better than expected.
- 20% plan to travel outside the U.S. this year.
- With fear of terrorism still top-of-mind, Canada represents a safe haven for U.S. travellers. Eight out of ten said both a stable government and good airport security were very important in choosing a destination.
- Places where people make you feel welcome, good transportation, favourable exchange rate, English is primary language are all factors to consider in choosing a destination.
- U.S. is a growing market for short trip packages into Canada.

Market Groups (Target for N.W.T.)

The group commonly referred to as "The Life Enhancers":

- 40% of the total personal travel market or 16.6 million households.
- less concerned with climate and more concerned with finding a totalling different culture to experience.
- good night life, good beaches, swimming and water sports and fine gourmet or local food restaurants.
- they want adventure and excitement, opportunities to meet new people.

8.0 THE CANADIAN MARKET

While similar studies are not available on the Canadian traveller, given the 'North American' nature of our population, the foregoing statements and conclusions could be applied to the domestic market as well.

There are, however, two major segments often overlooked in the

promotion of tourism in the Northwest Territories, but should be addressed in future campaigns. They are the VFR (Visiting Friends and Relatives) segment and the Resident market.

9.0 OVERSEAS MARKETS

Although the North American markets offer the largest potential volumes of tourism to the N.W.T., there is also development potential in overseas markets. Research conducted by Tourism Canada has identified particular travel segments, for longer term market development, in certain geographic regions. The UK, France, West Germany, Switzerland and Japan require long term, consistent development to produce significant tourism results for the N.W.T.

Two product segments have been identified as having potential travellers for the N.W.T.

- Culture and Nature travellers have an interest in such culture related features as historical sites and buildings, historic old cities, museums and art galleries. They are also interested in such nature related features as mountainous areas, national parks, wildlife, birds, wilderness, lakes and rivers. Cultural interests also extend to local crafts, local festivals and unique native cultural groups.
- Outdoors and Native Cultures travellers enjoy a number of nature related product features. They have a much more "hands on" approach to the outdoors ... hiking, climbing, camping, et cetera. They are also interested in unique native cultural groups.
- Adventure travellers are interested in being daring and adventuresome and in finding thrills and excitement. They enjoy sports (roughing it) and hard physical activity.

While the first two interest groups range from 9% to 20% of the total market segment, the third group shows an average of 30% of the total market and are obviously the priority market segment for targeting.

10.0 PRODUCT - OUTDOOR/ADVENTURE TRAVEL

Most of the travel in the N.W.T. is Outdoors/Adventure travel. While sport fishing and hunting are constant and traditional components of that market, the growth in the future lies in the non consumptive markets.

These include outdoor adventures (hikers, campers, canoeists, et

cetera) and cultural adventures (interaction with different people, experiencing different cultures in different lands).

The following describes developments and evolutions in these market segments, by tourism experts.

- most people prefer the cachet of adventure travel, but not the hardships.
- hence "soft adventure".
- adventurous activities by day and comfort by night.
- soft adventure has become successful for all adventure travel companies.
- now there are soft-adventure trips for families, activities for children.
- Competition: Europe and Africa have become popular with soft adventure; Indonesia is expected to become a popular destination.
- adventure travel appeals to:
 - an upscale market
 - between 35 and 55
 - resident of the West Coast, the Midwest or the Northeast (US)
 - regular traveller
 - participates in sports
 - earns \$40,000 +
 - male or female
- for promotional purposes adventure travel companies depend on:
 - public relations
 - direct mail
 - word of mouth
 - advertising in magazines
 - repeat customers
- since the advent of soft adventure there has been steady growth and it is expected to continue.

(Source: ASTA Agency Management, December 1988)

According to the Travel and Tourism Research Association February 23, 1989, the adventure market is now well subdivided into categories.

1. High Risk Adventure

- appeal to a narrow segment of the travelling public.
- those who participate need to be physically fit and skilled

in a particular activity.

- operators view these customer as wishing to challenge or test their skills and abilities.
- travellers want to learn something from their travels, something about the environment or culture, et cetera.
- high risk travellers are very interested in the natural environment.
- high risk adventure can be very expensive.
- high risk trips often involves some kind of "self-propelled" transport - hiking, biking, climbing, trekking, et cetera.

2. Soft Adventure

- strong growth area for adventure travel operators.
- less physical risk, often no special expertise required.
- soft adventure takes the traveller to new places to do things that they do not normally do.
- less expensive, easier access.
- travellers on soft adventure are not likely to be roughing it.

3. Cultural Adventure

- appeals to the more experienced traveller.
- older travellers.
- the key to cultural adventure travel is not the activity but rather the destination.
- Competition: Soviet Union, The Eastern Block, China, Turkey.

4. Naturalist (Wildlife Viewing)

- there are approximately 30 million naturalists in the U.S.
- nearly all are interested in birds; 50% in large land animals; 12% in marine mammals.
- 25 - 44 age category is very strong.
- greatest concentration found in northern states bordering Canada; Oregon, Montana, Wyoming, Wisconsin, Maine and

Vermont.

- within the context of big game hunting and sport fishing, there is a high number are naturalists.

11.0 RECENT PERFORMANCE IN ADVENTURE TRAVEL MARKETS WORLD-WIDE

The following highlights of the evolution of outdoor adventure travel were reported in the Journal of Travel Research, Fall 1989.

- business was up in 1988 over 1987, ranging from 10% to 100%.
- operators see more seniors participating in adventure travel.
- more women becoming involved.
- sea kayaking is the hottest new activity in the adventure travel along the West and East coasts of U.S.A., Canada, and Alaska.
- white water rafting continues to hold strong.
- operators also see growth in rafting in exotic destinations such as New Zealand.
- trekking and backpacking are also strong in many locales but especially in the wilderness areas of Alaska and the Canadian Rockies.
- Competition: Nepal and the Himalayas are appealing to the high risk adventurer, and trekking experience is available in China and Tibet.
- remote Arctic areas are popular, such as Alaska and **Canadian areas like the Northwest Territories.**
- Competition: Europe and the Mediterranean are popular with soft adventure.
- Studies of U.S. tour operators and international tourists have shown that special interest travel is booming, the most popular tours are outdoor activities.
- many developed countries provide outdoor adventures for tourists through their national parks, wildlife sanctuaries, and historical ruins.
- developed countries are easily accessed by international travel systems, are able to ensure foreign visitors relatively safe adventures while exploring remote attractions.

- developing countries have an abundance of natural attractions and adventures to offer international tourists.
- nature-oriented adventure activities are commanding an increasing portion of the special vacation packages.
- Nature oriented tourism can benefit local populations since many of the activities are in rural areas.
- Because touring groups are small, private entrepreneurs can provide lodging, food services, transportation, traditional housing and meals which adds quality to the experience.

Increase in Demand

- 78% of operators felt that demand for nature-oriented travel will increase in the next 5 years.
- Desire for adventure and challenge during vacation were the more common reasons given for expected increase.
- Trend in health consciousness is also motivating American tourists to search for more physically and mentally challenging vacation.

12.0 TARGET MARKETS

High Potential Market Segments

Based on the trend indicators, these still comprise the following groups.

- Outdoor/Adventure Traveller
 - All non-consumptive activities: naturalist, hiking, camping, climbing, canoeing, boating, wild-life viewing, et cetera;
 - Consumptive activities: sport fishing and hunting.
- Arts/Culture/Touring Traveller.
- The Travel Trade (travel agencies, wholesalers, M & IT operators and motorcoach travel associations.
- Influential clubs and organizations, eg. AAA, naturalists societies, teachers associations, et cetera.
- VFR and resident market.

Geographic Markets to Target

Over the past three years, the Department has targeted international tourism, with the United States as the priority market. Some activities were also aimed at the German, Japanese and Canadian Markets. Generally, the Canadian and resident markets were left to the private sector to penetrate and saturate.

This approach must be reviewed, particularly in view of major restraint in future marketing budgets and the termination of the EDA marketing contributions programs. Since the EDA marketing contributions were the primary source of marketing dollars for the industry, it is anticipated that there will be a gap in marketing efforts against all markets, including the Canadian and resident markets.

Furthermore, the U.S. market will also see a diminishing level of activity by N.W.T. operators. The industry's cooperative efforts, trade and consumer show activities (including those in the U.S.), were chiefly funded by the EDA.

Considerations

The following points must be considered in the development of a new three year plan:

- termination of EDA and reductions in the Department's marketing budgets.
- limited ability of industry to finance gap.
- need to maintain existing market shares.
- need to improve collective marketing performance and a preference to repeat successful initiatives.
- increasing competition.
- economic indicators.
- state of N.W.T. industry.
- results of recent visitor exit surveys (indicating that the majority of visitation originates from Canada [75%], 18% from the U.S., followed by Europe [West Germany and U.K.] and Japan.
- determine maximum long and short term investment options for developing markets with greatest potential returns for industry.
- shifting efforts of Tourism Canada to concentrate on the following markets: U.S., Europe (U.K., France and West Germany) and Japan.

13.0 MARKETING PLAN

It is acknowledged that government cannot do everything given the limitations of manpower and financial resources. A three year Strategic Marketing Plan would provide both the Government and Industry with a framework to ensure the very best possible returns to the private sector. Future programs should continue to emphasize joint and cooperative initiatives with the industry.

Goals

- To support and assist the industry, in the healthy development of the sector.
- To assist the industry, particularly in smaller communities to maximize sales of tourism products and services.
- To encourage and assist native populations in participating in the industry.
- To increase the linkages of native culture, (particularly, arts and crafts, and country foods) in tourism marketing.
- To have a systematic research program to assist the industry in product marketing planning.
- To continue to develop brand recognition in the marketplace with the appropriate levels of image, awareness, et cetera.
- To be a market leader, promoting high-quality, intrinsic values of uniqueness, exclusivity, setting, lifestyle, and culture.
- To provide measurable opportunities and results for the industry, which includes highly qualified prospects for conversion to sale.
- To develop markets cooperatively with the industry.
- To provide the ability to take advantage of marketing opportunities on a global scale, as they arise.

Basic Programs of the Strategic Marketing Plan

One of the strongest attributes which differentiated the recent Strategic Plan from previous programs, was the comprehensive integration of all aspects of tourism market development. A concerted effort was made to address all audiences, from the travel trade and media to the potential consumers and N.W.T. public.

It is important to continue this approach. However, the methods and techniques to ensure this are yet to be determined. With the

limitations of manpower within the Department's Marketing Sector, it may be appropriate to examine the possibility of contracting out the implementation of programs, under the direction of the Department; eg. Media and Public Relations, and Travel Trade. Presently, operation of the 1-800 line, fulfilment and the consumer/trade show programs are contracted services, but remain under the control and direction of the department.

The marketing programs should include:

- Consumer program for the Outdoor/Adventure markets (non-consumptive and hunting, fishing).
- Consumer program for other potential markets, (general touring, et cetera)
- Media and Public Relations program.
- Marketing Aids (brochures, maps, posters, leaflets), and the distribution of same.
- Travel Trade program (travel agencies, tour operators, wholesalers, et cetera).
- Research and Evaluation program, including a Monitoring and Analysis program.

Industry Participation

Whenever and wherever possible, programs will be implemented in cooperation/jointly with the private sector.

Operators, big or small, should have the opportunity to buy into the larger scale marketing programs and directly benefit from the impact of the various activities (advertising, promotions, public relations, et cetera). Influential media and trade guests would be hosted in cooperation with the zone associations and the private sector - the specific hosting operator will receive proper credit and benefits.

Private organizations which are not able to fund initiatives cooperatively with the Department would still receive tremendous benefits from programs. Wherever appropriate, listings of operators, outfitters, service organizations, travel trade, et cetera, would be included in printed materials for the tourism prospects and the travel trade. Also, tourism associations would be listed for the specific reference of consumers.

Working with the agency of record, media research and advertising research would be used to develop and implement advertising campaigns.

In all media, listings and addresses would be included whenever the

opportunity arises. When this is not feasible, a response mechanism to Tourism and Parks would ensure that all potential enquiries are generated and followed up, and then provided to the industry for specific handling and conversion to sales. This is presently in place.

Under Product Development, an awareness/information program should also be implemented to provide assistance to N.W.T. residents, so that they may increase their involvement in the tourism industry. Elements of the programs would include seminars, workshops, counselling, research, et cetera, to enhance skills of planning, product development and marketing, servicing, and hospitality.

Budget

As indicated previously, major reductions in marketing budgets are expected in the next fiscal year and for some time, throughout the industry - collectively. The EDA contributions agreement terminated in 1990 and the Department is also facing budget reductions.

The net effect is to place a great strain on present marketing methods and to force major change in operations. Some activities may have to be cancelled entirely and others greatly modified. Not only will government practices be impacted but industry's involvement will also be affected. The priority must be on maintaining existing tourism revenues for the industry.

This strongly suggests a major emphasis on leveraging resources from all potential sources, coupled with a much higher degree of financial contribution and joint marketing by industry. In this regard, major corporate agreements with large industry partners may offer tremendous possibilities for market development. Such agreements (eg. with carriers) would produce real benefits for the entire N.W.T. industry.

Should current sources of tourism not be sustainable due to marketing cuts, then replacement sources should be targeted. This again requires a critical review of the current state of the industry and a precise assessment of true potential in the short and medium terms.

14.0 SPECIFIC ACTIVITIES FOR MARKETING PROGRAMS

See following page.

Alan;

I didnt't complete this section as it will be primarily of list of past activities, eg. Rendezvous Canada, Media Marketplaces, General advertising plans, et cetera. The section will be completed before it is sent to the Marketing Council Committee for review.

I'm sorry I did not get this to you yesterday, but hopefully you will be able to have a look at it and send me back your comments.

I trust you are enjoying yourself and that my notations in the Guide Book were helpful. Don't believe half the stories you hear, especially any that might concern me!

Regards,

FEDERAL-PROVINCIAL/TERRITORIAL MEETING OF TOURISM MINISTERS

JUNE 1 & 2, 1987

QUEBEC CITY

DISCUSSION PAPER ON

A FRAMEWORK FOR TOURISM PRODUCT DEVELOPMENT IN CANADA

May 7, 1987

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I. Introduction

In November 1986, Federal, Provincial and Territorial Tourism Ministers, agreeing that product development remains a priority, requested officials to identify key policy issues in the area of product development and to review the priorities of respective governments in this area. The purpose of this identification was to recommend to Ministers a framework to guide governments and the private sector in the development of an increasingly competitive Canadian tourism industry.

After reviewing the progress made in research and international marketing, Ministers agreed more quality products were essential if the industry's recent growth was to continue. As well, Ministers emphasized the potential benefits to be derived from a competitive tourism industry as a mechanism for regional development.

The goal of such an exercise has been, through discussion, to achieve consensus on a common approach on the part of governments and the private sector to certain key problems facing development of a more internationally competitive tourism product across Canada by outlining measures which governments might adopt to assist the industry, particularly in dealing with key elements affecting performance: the market, products, financing and a quality labour force.

As noted in the "Statement of Principles on Federal, Provincial, Territorial Roles and Responsibilities in Respect of Tourism", prime responsibility for product development lies with the private sector, and to a lesser degree with governments. This is a fundamental tenet of this document.

This document has evolved primarily through discussions among federal, provincial and territorial tourism officials. These discussions demonstrated the diversity and complexity of product development in Canada. It also became apparent that the majority of product development issues could only be resolved over the long term, although a number are certainly amenable to solution in the short term.

The document begins with a summary section specifically for consideration by Ministers, outlining parameters, key issues, and certain recommendations which have evolved from the joint consultative process. This section is followed by a set of appendices which outline the context within which the industry operates, current market trends, an assessment of the product and related services as well as an analysis of financial requirements and professional development.

II. THE EVOLUTION OF TOURISM PRODUCT

AND THE PRESENT SITUATION

Tourism in Canada has changed remarkably over the past several decades. From a country which, in the pre-war period, attracted a relatively small and privileged group of American tourists interested in hunting, fishing and quality resorts in splendid settings, large parts of Canada became, like the United States itself, a destination for touring during the period of increasing mass affluence following the war. Touring by automobile gave rise to strip development along our major highways, the still familiar sight of small, independent motels, roadside campgrounds and minor attractions.

While this pattern prevailed in Canada well into the seventies, tourism elsewhere was evolving rapidly and in a much more diverse fashion. With inexpensive jet travel, a host of new destinations from Europe to the South Pacific fell within reach of the middle-class. The international tourism market itself began to change, becoming not only larger and more affluent, but also better educated and more sophisticated. Modern tourism also reflected a trend towards smaller families, longer life spans, earlier retirement, double household incomes and multiple vacations.

New market opportunities included not only North America, but also Europe, Japan and, to an extent, a number of newly industrialized nations. Growth possibilities and competition now had to be measured on a global scale.

Canada, meanwhile, continued to rely on its traditional strengths, providing a relatively good product which catered to a stable but increasingly smaller share of international tourism.

Indeed, between the late sixties and early eighties, our share of the world market fell by almost half, from 6 percent in 1969 to 2.6 percent in 1982, decidedly the poorest performance of any of our major competitors. Both our marketing and product development activities failed to target and exploit new potential in an increasingly segmented and rapidly expanding market. Growth lay with more innovative and often more specialized tourism experiences.

The current situation shows considerable promise. Our vast wilderness, the perception of being a clean and safe country and our culture offers a competitive edge and will continue to draw tourists. The food and accommodation services in urban centres have improved significantly, to the point that in certain instances they now constitute an attraction in themselves. Over the past several years we have redirected our promotional activities to more specific market segments in the United States and other key industrialized nations. Through advanced market research, including the Longwoods study, we have been better able to identify target audiences and project a more segmented and diversified image. Since 1984, our share of international tourism receipts has increased, partly because of

favourable exchange rates, partly because of Expo 86 but also because of improved promotional techniques. However, better promotion is only a partial solution; the development of quality products and services tied to market demands constitutes an equally important challenge, and one which is a great deal more difficult to achieve because governments can play only a marginal role as the issues are complex and the industry, itself, is very diffuse.

We have already made some progress in reorienting our product development to better meet the requirements of specific markets. Based on the findings of the Longwoods study, we now better understand the importance of our cultural distinctiveness in the United States market and we have begun to emphasize this element in new product development. We have similarly begun to explore such new and potentially interesting products as health spas, cruises and the native tourism product. But clearly, a great deal remains to be done. In many respects we have barely scratched the surface in our attempts to develop new products able to thrive in a changing and increasingly competitive market.

While it is evident that the tourism industry in Canada must cater successfully to changing market demand, it is also important that it have access to adequate financing and to quality management and personnel. The latter are important because tourism is, after all, a service industry which will only be competitive if it is able to match or exceed the skills and quality of service found elsewhere. Financing is similarly critical because a more competitive tourism industry will require large amounts of new capital, the great majority of which must come from private sources.

We consequently face a number of critical challenges over the next several years if we are to develop more competitive products and services: that of responding better to a growing but increasingly competitive market; of better packaging our products and services; of becoming more innovative; of upgrading skills at all levels of the industry; of ensuring that adequate capital will be available to finance growth; and finally, to ensure that we have created a favourable environment in which the industry can develop. It is the purpose of this paper to examine these issues from a common perspective, to outline common objectives and to achieve agreement on our response.

III. PARAMETERS FOR PRODUCT DEVELOPMENT IN CANADA

Ministers responsible for tourism signed, in November 1985 in Vancouver, a statement of principles in respect of tourism, which outlined the roles and responsibilities of each order of government. At the last Federal-Provincial/Territorial Conference, Ministers agreed on a further analysis of the product development situation in Canada. Ministers are asked to give consideration and agree to work within the following parameters in improving product development strategies, policies and programs within Canada:

- ° Both levels of government reiterate that tourism development is a priority among their regional and economic development goals.
- ° The overall objective of joint federal/provincial product development is to improve the international competitiveness of the tourism industry, to stimulate investment and to create new jobs in all regions of Canada according to real market opportunities.
- ° Product development should be market driven.
- ° All provinces and the territories offer some tourism products that are of international calibre or have the potential to become so.

Each jurisdiction develops its own product development strategy. Complementarity of effort is achieved by cooperation and by coordinating the implementation of product development strategies, policies, programs and related regulations and by exchanging information on tourism opportunities.

- ° The private sector plays a key role as a source of funding for product development. There is a legitimate role for governments to support tourism initiatives, particularly with a less vibrant private sector.
- ° The role of government is to improve the investment climate, by:
 - 1) undertaking research and analysis;
 - 2) disseminating product and market intelligence;
 - 3) playing an active advocacy role in order to influence the development of policies, programs and legislation affecting the sector.
- ° The provinces and the federal government can play, within their jurisdictions, a vital role in ensuring the development of a quality work force. The tourism industry has the primary responsibility to ensure that its personnel are providing the highest possible level of service. The industry should define those quality standards through the identification of the skills and knowledge required to perform specific jobs (job standards).

IV. ISSUES

A review of submissions from the Provinces and Territories and discussions within Tourism Canada have identified a set of issues which are critical to the development of tourism in Canada. These relate principally to the types of products which should be emphasized to maintain or improve our international competitiveness as well as common problems which permeate all parts of the industry.

A. Product Market Matching

- ° To a large extent, the private sector has not based long-term product development on market driven assumptions. A proliferation of water slides is one example of mismatch.
- ° Governments have also failed to define their priorities for long-term product development on the basis of market demand. For example, governments have supported construction of too many convention centres but have missed the opportunity to help develop health spas, an area of growing demand.
- ° Information on market demand is becoming increasingly available from the Longwoods study and the recent Tourism Canada Overseas Research study. Future studies should focus more on the product development implications rather than serving advertising and promotional efforts only.

B. Product Integration and Packaging

- ° In order to develop touring, the single most important product category, it is important to identify key zones, attractions and themes to be promoted by province and region.
- ° There is a requirement to integrate attractions and services within key destination zones in order to develop a significantly stronger overall touring product.
- ° In general, the private sector is not taking the lead in product integration and packaging.

C. Products as Travel Generators

- ° Permanent attractions are key travel generators, particularly as they support related food and accommodation services. Although central to the travel experience, they may not, in certain instances, particularly museums, parks or historical sites, show a rate of return on investment to justify private sector involvement.

- Major events such as Expo 86 as the Tall Ships, while assumed to be key travel generators, nevertheless require better cost/benefit analysis.
- Second tier events would appear to be significant travel generators, particularly on a regional basis. However, it is necessary to determine the form in which government support would be most effective.

D. Innovation

- There is often a lack of understanding and awareness of numerous advances in world-wide tourism, as well as their commercial application. Incorporation of many of these advances would enhance the industry's competitive edge and make the industry more profitable.
- There is often only a limited understanding of the ability of advances in high technology to enhance the immediate availability of information to consumers and to improve overall management efficiency and effectiveness.

E. Financing

1. Access to Debt Financing

- Outside urban centres, access to conventional debt financing is inadequate because financial managers lack the expertise or data to evaluate loan requests properly in specialized areas or sectors such as tourism. In given regions, a financial infrastructure (banks and trust companies) may be totally lacking.
- On the other hand, some of the entrepreneurs' tourism schemes are misconceived from the start, frequently lacking any market research or a fundamental business plan upon which investors can reliably base their investment decisions.
- Debt/equity ratios for small tourism businesses are frequently too high, thereby limiting access. Causes include: lack of management expertise, lack of creativity in financing, over- or sole-reliance on banks, no knowledge of other financial instruments, no desire to give up control/ownership through equity and the costs and regulations associated with "going public".
- In the final analysis, even the final step of a poorly prepared loan application may prejudice a would-be lender's perception of the applicant's ability to manage debt and cashflow.

2. Access to Equity Financing

- ° The concept of equity and adequate capitalization is not well understood by less sophisticated private investors or small businessmen.
- ° For smaller businesses, access to equity financing is often limited because of the tendency for equity to seek larger investment opportunities. For instance, venture capitalists may only be interested in a minimum investment of \$500,000. Similarly, the cost of the search for equity tends to favour larger businesses.
- ° Large capital pools are located in the four major urban centres, limiting access to those located outside these areas and becoming virtually impossible to access in remote areas.

3. Financing - Policy Issues

- ° Low Profile - No level of government has done exceptionally well in raising the image of tourism either in its constituency or among other government departments, to give it a reputation as a major economic sector.
 - There is no strong tourism lobby pressuring government on coordinating its own efforts.
- ° Federal/Provincial/Municipal Fiscal Policies
 - The tourism sector - particularly the resort and hotel sub-sectors - cannot obtain the tax breaks and incentives that favour the industrial sector.
 - The tourism sector is highly seasonal and, as such, should receive special consideration respecting innovative means to lessen the financial risk to both the entrepreneur and the investor.

F. Professional Development

- ° Tourism industry occupations have a poor image as a career option and the industry is not able to attract the better candidates from the labour pool.
- ° Industry personnel have very low levels of education and training, particularly in management.
- ° The value of trained personnel is not understood or appreciated by employers.

- Consequently the quality of service being provided by the industry is often poor. Industry has not adequately defined quality of service in terms of the skills and knowledge required to perform specific jobs.
- Existing training/education programs do not meet industry requirements in terms of sufficient advanced skill and management training, and accessibility of programs for the upgrading of persons working in the industry.
- The industry suffers from high turnover rates, shortages of skilled and unskilled labour, and high payroll taxes.

G. Regulatory Issues

- Federal, provincial and municipal regulations, affecting all aspects of tourism, occasionally work at cross-purposes, often require a duplication of effort on the part of the industry and often imposes an extra burden on the industry, particularly in terms of the paper work.
- Governmental approvals for tourism development are frequently lengthy, slow and complex while at the same time little information or assistance is readily available regarding the requirements of the levels of government involved.
- Environmental concerns at both the federal and provincial level versus the responsible development of our parks as major tourism attractions continue to present impediments to the optimal development of the tourism industry, particularly in the case of the western mountain parks.

V. RECOMMENDATIONS

Ministers responsible for the tourism industry in the Federal, Provincial and Territorial governments agree to the following:

A. Product/Market Match:

- 1) to establish within each jurisdiction, a clear policy stating that market demand be the key determinant and the driving force of product development.
- 2) to give special priority to the product categories which offer the highest overall growth potential over the next five years, namely (as defined in the Annexes to this paper) to:
 - touring
 - the urban experience
 - cultural distinctiveness, differences and heritage, and
 - the outdoors;
- 3) to request that Tourism Canada, in conjunction with the provinces, the Tourism Research Institute and others, provide within this calendar year and, subsequently on a regular basis, more detailed information on the status of the tourism products which have the highest potential according to market data;
- 4) to urge participation from all interested private sector and voluntary groups and to lend full government support to the upcoming National Conference on Tourism, Culture and Multiculturalism, on the understanding that Tourism Canada will provide the findings and conclusions of the conference for use in the industry across Canada.
- 5) to request that Tourism Canada, in cooperation with the provinces and representatives of the native peoples, investigate concrete prospects for the development of native tourism projects and report in that regard, with recommendations, to the next Federal/Provincial/Territorial Conference.

B. Product Integration and Packaging:

- 6) to give a mandate to federal and provincial tourism officials, jointly, to prepare for the next ministerial conference a proposal of specific measures, possibly involving pilot projects, respecting plans to integrate and package tourism products within agreed destination zones;

C. Products as Generators:

- 7) to request that Tourism Canada assess and report to the next Conference on the most effective means for governments to sustain and develop permanent attractions and events as key travel generators;
- 8) to propose that Tourism Canada contract with the Tourism Research Institute to investigate, during 1987, the relationship between major events (such as Expo 86 or the Tall Ships), their cost and their economic impact.
- 9) to request that Tourism Canada develop and provide to all jurisdictions:
 - ° an inventory of possible major events up to the year 2,000; and
 - ° a proposal for discussion of the roles of the federal and provincial governments as well as the private sector in facilitating such major events;
- 10) that officials of both jurisdictions prepare jointly an inventory of "second tier" events with strong tourism potential over the next five years.

D. Innovation:

- 11) to direct that Tourism Canada further investigate mechanisms to stimulate investment in small and medium tourism enterprises in the application of new technology.
- 12) that Tourism Canada disseminate commercial and industrial intelligence applicable to the development of the tourism product (e.g. on spa development and on tourism/culture linkages).

E. Financing:

- 13) that Tourism Canada and some provinces establish an information/awareness program within one year ahead, that is aimed at the financial community to promote the importance and viability of tourism as a mainstream industry;

- 14) that Tourism Canada introduce new and amend existing informational instruments such as "Tourism is Your Business" in order to apprise the tourism industry of innovative financing methods, of the demands and requirements of the financial community, and the flexibility of financial instruments available;
- 15) to support the development of nation-wide mechanisms by which to identify, inventorize and convey to the investment community viable tourism investment opportunities; the coin program is an example.
- 16) that the appropriate jurisdictions study the instruments/concepts identified by the Niagara Institute Study that would encourage and stimulate investment in the tourism sector; eg. Tourism Development Corporations, Equibonds, Tourbonds, Tax Free Zones, Flow Through Shares, etc.; reports from the responsible jurisdiction would be expected at the next Federal-Provincial/Territorial Ministers Conference.
- 17) that Ministers confirm their earlier commitment to review, on a bilateral basis, the current tourism sub-agreements in order to improve their efficiency and effectiveness..

F. Professional Development:

- 18) to technically support career awareness programs developed by the industry, and to design and implement such programs where feasible;
- 19) to make a commitment to the principle of job standards (the formal identification of the skills and knowledge required to perform a specific job), and to support the pilot project being undertaken by national industry associations to develop job standards for management positions;
- 20) that the job standards be presented at the November meeting of Ministers so that they may be taken into account by provinces in the development of provincial specific standards and in the design of curricula in their educational systems.
- 21) to develop the third in a series of training programs in the "Tourism is Your Business" in order to focus on human resource management.

G. Regulatory & Policy Issues:

- 22) to pursue the work already done at the Federal/ Provincial/Territorial level in regulatory and paper-burden issues in the small business sector, to urge early action in this field by provinces and territories and to report back to the next Tourism conference on the particular application of the recommendations to the tourism industry.
- 23) that Tourism Canada facilitate the harmonization of the policies of Tourism and Parks Canada that results in more tourism development that is both commercially viable and takes environmental concerns into account.

APPENDIX "A"

CONTEXT

THE TOURISM INDUSTRY

ECONOMIC IMPACT

Introduction

Appendix A briefly describes the impact of tourism on the Canadian economy using economic indicators such as revenue, balance of payments and employment. The tourism industry is a major contributor to the Canadian economy. As will be seen, significant growth in tourism receipts was achieved in 1986. Economic projections for continued growth in this sector indicate that tourism will become increasingly important.

Receipts

Total tourism receipts in 1985 amounted to \$20 billion which represented 4.4% of Canadian GNP and a real growth rate over 1984 of 3.3%. Receipts for 1986 are expected to be around \$22 billion.

In 1986, receipts from international travel were \$4.6 billion from the U.S. (up 24% over 1985), and \$1.8 billion from overseas markets (up 37% over 1985). Tourism ranks fifth in Canadian export sales.

During the period from the early 1970s to 1980 Canada's share of international travel receipts dropped by approximately half to 2.4%. This trend reversed in 1981 with Canada's market share inching up to 2.9% in 1985.

Travel Account

Between 1974 and 1983 Canada's travel deficit increased by 780% from \$285 million to \$2.2 billion. The trend appears to have reversed in 1984 with the deficit improving to \$1.1 billion in 1986.

Our balance of payments deficit with the U.S. was \$484 million in 1985. This deficit went to a surplus of \$132 million in 1986.

The deficit with overseas markets decreased in 1986 by 25% to \$1.215 million.

Other Economic Indicators

In 1985, tourism generated \$13.4 billion in direct income for Canadians, up 7.1% over 1984. Approximately 590,000 persons were employed directly by tourism in 1985 representing 5% of total employment in Canada. This represented a growth in employment of 3% over 1984.

Tourism generates significant revenues for government at all levels. In 1985, federal revenues amounted to \$4.6 billion, and provincial and municipal revenues amounted to \$4.4 billion.

Economic Prospects

Continued growth in Canada's economy is expected in 1987/88. Employment is expected to increase at a greater rate than the labour force, reducing unemployment. The service sectors are expected to be the main beneficiaries of this increase in employment.

Prospects for growth in the tourism industry appear to be favourable as interest and inflation rates remain low and as alternatives are sought in areas dependent on commodities such as grain and petroleum products which are currently suffering from depressed world prices.

The reduction of personal taxes resulting from U.S. and Canadian tax reform and from an increased emphasis on consumption as a means of raising government revenues will also have a favourable impact on tourism.

Economic growth in our major markets, coupled with favourable exchange rates for foreign visitors should create more demand for the Canadian product.

Structure of the Industry

The tourism industry is fragmented and dispersed. Its businesses range from large hotel corporations, chain restaurants, transportation companies and attractions such as the West Edmonton Mall, to small independent hotels and restaurants, publicly owned parks, museums and historic attractions and annual events such as Folklorama.

It includes some 60,000 businesses in total, over 80% of which can be classified as small businesses.

An initial classification of the "supply side" components was made by the National Task Force on Tourism Data. The scope of the industry was defined to include the direct supply of goods and services to facilitate business, pleasure and leisure activities away from home in six supply-side components: accommodation, transportation, food services, support services, activities and retail goods. Work will continue to refine the specification of the commodities and services to be included in tourism.

Many operators are involved in other activities not related to tourism, e.g. freight transportation and restaurant sales to local clientele. These operators consequently do not always focus their efforts on attracting or servicing the tourism market.

The fragmented nature of the industry creates difficulties in the collection and analysis of data, and in the development and implementation of government policy to increase the benefits to Canada from tourism.

Tourism, however, often centres on the natural attributes of a particular region and the industry can be a focus for regional development initiatives.

The industry provides a very favourable relationship between investment/output and employment (e.g. the accommodation and foodservice sectors provide twice the number of jobs per output as the agricultural sector and 50% more than the number provided by the retail sector). Tourism is labour intensive, providing many jobs which require relatively few skills at a lower than average cost to the employer. Start-up capital costs, in many instances, are also lower than average.

Revenue generation by the various sectors included in the tourism industry is approximately as follows:

Transportation	48%	or	\$9,600,000
Food and Beverage	21%		\$4,200,000
Accommodation	12%		\$2,400,000
Attractions, events, other	19%		\$3,000,000

Events, attractions and Canada's scenic attributes are our "travel generators", that which attracts the visitor to Canada. Although these travel generators do not contribute a major proportion of the revenue, they should be the focal point for tourism policy and planning. However, the ancillary services supporting this "product" are an essential and important part of the visitors experience and are significant revenue generators. Policy and planning based on travel generators must include consideration of supporting services.

APPENDIX "B"

CANADA'S TOURISM MARKETS

Introduction

Appendix "B" discusses recent market trends, the growth in the market in 1986 and the prospects for continued market growth in terms of the conditions prevailing in our primary markets and the development of the Canadian product.

Trends

Current market trends are generally favourable for the Canadian tourism industry.

In 1985, there were 325 million international travellers. Canada's share of this market in 1986 was 16.2 million, a 17.8% increase over 1985. Most Canadian visitors came from the United States (14.13 million).

British Columbia reaped the lion's share of the 1986 increases, with a jump of 80.6% in long-term entries (1.8 million more visits than in 1985).

Entries to provinces other than B.C. increased 5.3%, or about half a million more than 1985, representing a healthy growth rate.

Factors Leading to Growth in 1986

The very significant growth in 1986 was due to a number of factors. Exchange rates favourable to Canada combined with Expo '86 and stable social conditions in Canada had a significant effect. Although there was increased competition in the marketplace, reflected by the emergence of new products and strengthened marketing budgets, some gains were also made through improved Canadian promotional activities and a new and successful Tourism Canada advertising campaign.

Prospects for Continued Growth

There are a number of factors which suggest that growth in Canada's market share of international travel will continue.

In the U.S., the economy is projected to sustain moderate growth, with rising employment and moderate increases in the consumption of services, including travel. Tax reform is also expected to put more money in the hands of consumers. This suggests more available disposable income for travel spending.

In overseas markets, the economies of Western Europe and Japan have been on the upswing and this trend is expected to continue in the near future, making travel abroad more affordable. A slow-down in inflation rates and a strengthening of currencies has contributed to an increase in travel to Canada during 1986 and 1987.

There are also socio-demographic trends which are expected to produce continued growth in travel to Canada from our major markets. These include an increasing number of two-income households, particularly those without children.

Significantly more households are headed by those 55 years of age and over. These older people are healthier and have more disposable income than in the past and thus will be more likely to travel.

It has also been demonstrated that travel is no longer viewed as a luxury item. Vacations are becoming a necessity for those in a more stressful working environment and in order for working parents to spend time with children.

Immigration from Europe has been declining steadily in recent decades and rising at an accelerated rate from non-European countries. These trends have affected travel to Canada in general and VFR travel in particular. Declines may be experienced in VFR travel to Canada as immigrants come increasingly from less developed countries.

Competitiveness of Canadian Product

Price has not been a major factor in influencing travel to Canada from the U.S. However, relative inflation rates, coupled with the deep discounted Canadian dollar and lower gasoline prices in both countries, have provided an incentive for Americans to visit Canada. Comparative price advantage is expected to continue.

The possible introduction of a Business Transfer Tax in Canada is likely to increase prices of Canadian tourist services, either by the full amount of the tax rate or a lesser amount if businesses absorb part of the tax, depending on the willingness of consumers to pay the higher prices i.e. the price elasticity of demand for the services. Price increases could affect the competitiveness of the Canadian product vis-à-vis the United States.

The U.S. Pleasure Travel Market Study (1985) and the major markets studies undertaken in co-operation with the United States Travel and Tourism Administration (1986) clearly demonstrate particular product-appeal features of Canada. Each country/market studied identified different preferences that can be matched to different parts of Canada to deliver the desired experiences.

Canada is seen in all markets as an outdoors and touring vacation destination, offering unique cultural and heritage products.

Although our city product is not well-known, the majority of visits to Canada by all modes of transportation involve cities, either as a gateway, a destination, or a segment of a touring trip. Air access from distant markets in the U.S. and overseas encourages long-haul visitors to concentrate their activities in and around Canada's major cities. Northern U.S. visitors, who usually travel by automobile, and all visitors touring by motorcoach, spend significant portions of their trips in urban areas of all sizes.

Current research findings highlight significant potential for increased touring, outdoors, and city vacations to Canada. Some product growth areas are: three- and four-day "getaway" weekends; increases in participatory travel activities rather than passive sightseeing; increased appeal of "status" travel destinations and experiences (Arctic hunt-with-a-camera expeditions; heli-skiing); combining urban and outdoors activities in one trip; etc.

APPENDIX "C"

PRODUCT ASSESSMENT-

INTRODUCTION

This section presents a brief outline of Canada's tourism products that are, or have the potential to be, internationally competitive.

Tourism Products are an amalgam of attractions and services. This section will focus on their assessment as key travel generators which draw visitors to various destinations. While such elements as rates of exchange, terrorism/safety, cleanliness, and friendly service are valuable assets, attractions and events remain the "raison d'être" for tourism visits.

The internationally competitive tourism product is not distributed equally or evenly across Canada. It is often linked to Canada's natural assets such as lakes and mountains, which are often in rural/remote settings, and to its urban centres. The product's most saleable characteristic in the U.S. market is the fact that it is a foreign destination with a different cultural make up and is, for many U.S. visitors, within easy driving distance.

For purposes of this chapter, Canadian products are grouped into several broad categories: touring, urban, heritage/culture, outdoor, resorts, ski and cruises. Under each of these categories, we describe existing products, their markets and impediments to development.

While this document focusses on specific identified products, select specialty products have a significant impact on more remote areas of each province. For instance, adventure/attractions such as trophy hunting, fishing, and Arctic expeditions constitute major economic generators in remote areas.

GENERAL FINDINGS

- ° Market demand must be a key determinant in product development.
- ° Unfortunately, market research data and good analysis for product development are not readily available to the industry.
- ° Work begun on product specific areas under the Product Development Branch of Tourism Canada along with the Task Force on Canadian Tourism Data and the Canadian Tourism Institute will improve the situation with respect to product data. In the interim, specific research projects for trend analysis and market potential are required.

- Not all regions of Canada provide internationally competitive products. Economic viability and positive net economic impact should be pre-requisites for government support, be it in terms of public or private sector products. (Select public sector travel generators may be supported as loss leaders provided the overall regional economic benefits are positive.)
- Events and attractions (the product), although of relatively limited direct economic importance, are the driving force behind a host of related services which do collectively have a significant economic impact.
- Events such as Folklorama or the Gathering of the Clans represent key travel generators, particularly in the case of certain regions. However, we do not currently have a clear understanding of the manner by which governments can most effectively support these activities as travel generators.
- Public sector support for attractions (e.g. museums, zoos, etc.) is essential in areas of high potential where private sector support is lacking or impossible. In many respects, existing government support for such attractions comprises a major public sector contribution to the industry and should be recognized as such. The creation of these attractions often stimulates private sector investment in services and ancillary development. Tourism officials should work more closely with their colleagues in such related fields as parks to help ensure that government funding and support for such activities is consistent with our tourism objectives.
- In select cases, the government may also be required to provide the necessary infrastructure upon which the private sector may build, e.g. access roads, water, sewer and related services on the project sites.
- Seasonality is a pervasive factor in all regions. Season extension, through innovation and co-operation between attractions and services, should be stressed.
- Knowledge of Canada as a world-class destination is not widespread. The staging of major international events on a regular basis, such as Expo '86 and the '88 Olympics may provide major promotional opportunities.

Touring

Definition:

A touring trip usually has no single focus. It involves a mix of a number of individual products: scenic, heritage, cultural, leisure,

recreational and man-made attractions and events. It may be a package tour, but the predominant mode of transport is the single family automobile.

The Product:

Touring is still the single most important product category and is relevant to virtually all regions. The scope, theme and extent of the tour depends on the desires of the tourist. For instance, general sightseeing tours are available throughout the Maritimes with a possible focus on historical aspects of Louisbourg, Annapolis Royal and the Halifax Citadel. Tours with a cultural theme may be developed around the Scottish Gathering of the Clans or events and attractions related to the Acadians.

The Loyalist theme, French Canadian culture and history, the various cultural products of Ontario (Shaw festival, Stratford Festival), the historical components of Ottawa, Kingston and Toronto all represent components of a competitive touring product. Agricultural tours in the Prairies, trips including a side tour to Churchill or to Moosonee, a trip through the Qu'Appel Valley, or between Calgary, Banff, Jasper and Edmonton or Vancouver Island/Okanagan Valley comprise touring products of differing importance, appealing to different tastes.

The touring product in Canada is often rich in natural scenic beauty and is greatly enhanced through the presence of natural/historic sites and national and provincial parks which, to a great extent, focus the touring product on several key areas. Of particular note are: the Banff/Jasper National Park, Cape Breton National Park and Louisbourg national historic site. Even in more remote areas, national parks, such as Pangnirtung on Baffin Island, represent a focus within the surrounding region. (Banff and Jasper account for the highest park visitation while the Maritime region experiences the highest visitation to historic parks and sites.)

The touring product may also encompass visits to one or several urban centres and the enjoyment of the historical, cultural and related services.

The most attractive regions for a touring trip according to the Longwoods study are, in order, the Pacific Coast, Quebec, Ontario, the Rockies and the Maritime Provinces. This product is highly seasonal in nature (summer) and dependent on the school term (for both employees and visitors) and weather. Additionally, most festivals and events (over 2/3) are held in the summer.

By its nature, the touring product may provide an opportunity for development of a quality rural tourism product where massive attractions/events would not be viable. The theming and packaging of several attractions/events permit more modestly scaled products to come together along with related services to create a critical mass

sufficient to draw tourists. The American touring product is, however, strongly competitive, well developed and well known in the U.S. market itself. The distance between significant events is often much less in the U.S. and the service infrastructure in place is often much more extensive than in Canada. Of note are the U.S. civil war historical sites, Yellowstone National Park, the Grand Canyon and Williamsburg.

Markets and Potential:

As noted, touring makes up the largest segment of foreign vacation types to Canada, accounting for 37% of total trip nights from the U.S. Touring totalled over 2.3 million person trips, each lasting an average of 8 days.

The touring trip is usually planned well in advance. When choosing a touring destination, the touring market places considerable importance on a region's existing popularity. U.S. pleasure travellers perceive their own country more positively than Canada in terms of a touring destination. In coming to Canada, Americans are nonetheless seeking a different culture and way of life.

The continued popularity of touring presents an opportunity for the development of select tourism products in more rural areas in keeping with the capacity of the regions to develop, fund, maintain and staff events, attractions or services. Unfortunately, the benefits of tourism projects are often not fully recognized by local entrepreneurs or financial establishments. In other instances, the necessary elements, while all present in a region, may not be coordinated and may be in competition rather than complimentary.

Issues:

The following are the major issues impacting on the development of the touring product in Canada.

- a) Product Market Matching: - The nature of the touring product, (its lack of focus) along with its widespread appeal make it difficult to focus on specific market research. Initial feedback from Longwoods does examine the cultural heritage component of this trip type but the universe is extremely large and conclusions from research in this area are uncertain at best.
- b) Integration and Packaging: There is a need to integrate the various attractions and services within select tourism zones so as to create a critical mass sufficient to draw and hold tourists. The private sector is not taking the lead in the integration of the necessary components and the development of theming and cooperation in select destination zones.

The touring product is affected by a number of issues common to all product categories: small operators predominate but are not particularly innovative; financing is a problem, particularly because many operations linked to touring are small and located in rural or remote areas; and management and employee skills are often rudimentary. Other issues which are particularly relevant to touring include:

- ° seasonality - many operations must survive on two to three months of summer activity;
- ° distance - outside key destination zones, distance between attractions is clearly a problem;
- ° selectivity - it is important to recognize that many regions do not offer attractions which constitute the basis of major destination zones, with consequent implications for tourism establishments.

Conclusion:

The touring product, long a mainstay of the industry, still shows considerable potential, particularly as a vehicle for regional development. However, to match competition in the United States, we must pay considerably more attention to product integration, theming and creative packaging of selected events and attractions and become somewhat more realistic and rigorous in selecting destination zones which merit support.

Outdoors

Definition:

An outdoor trip is one which occurs in a natural setting, usually rural, where the participants fish, hunt, camp or undertake activities such as rafting and canoeing. There are two types of outdoors trips.

- ° The first involves consumption of a natural resource and includes hunting and fishing.
- ° The second is termed non-consumptive and, while utilizing natural resources, does not destroy or damage the resource, and includes activities such as hiking, white water rafting, canoeing and wildlife viewing and camping.

Product:

Hunting and fishing are prevalent in virtually all provinces and territories. The truly international product in these two categories is spread across remote northern portions of certain provinces and territories and is usually accessible only by air. This segment of the outdoor market, while small in terms of numbers, is lucrative in terms of revenue.

Other outdoor activities include rafting as a popular activity in B.C., Quebec and Ontario; golf in select sites across the country but especially in Ontario, Quebec and Alberta. Other sports related activities include wind surfing (PEI) deep sea fishing (Nova Scotia, New Brunswick, Quebec), wildlife viewing (Alberta, British Columbia, Northwest Territories and the Yukon).

From the number of U.S. survey respondents who planned an outdoor trip to Canada in 1986 and 1987 the most attractive regions are perceived to be the following: Rocky Mountains 26%, Pacific Coast 25%, Ontario 24%, Quebec 17%, Northern Manitoba/Northern Saskatchewan 5%, Newfoundland 1%.

Outdoor activities occur mainly in the summer although hunting and fishing are important in the spring and fall. The predominant travel mode (84%) was "rubber tire". Approximately 65% of visitors in this category stayed in campground/trailer parks and subsequently generated less revenue to Canada than other trip types.

National Parks are one of the most popular draws; Banff and Jasper are popular to the point of overloading in the summer. Atlantic Canada's National Parks and historic sites are the next most popular draws in this category.

Market and Potential:

Like touring, the outdoors is one of Canada's traditional product categories, representing about 20% of total U.S. trip nights to Canada. Most of this figure is comprised, of course, of family vacations, focussed on national parks and easily accessible campgrounds. There is, in that respect, a close tie to touring and the two, in the majority of cases, may be virtually indistinguishable. However, "participatory" outdoor adventures, "status" destinations and experiences as well as a combination of quality urban - outdoors vacations are increasing. The market for exotic wilderness experiences (e.g. rafting, trekking in the high arctic) is narrow, but nonetheless lucrative and growing. It merits greater emphasis in our development planning. Hunting and fishing remain important because they generate significant revenues and because, in many specific instances, the product is world class. However, the market segment is small and not expected to grow to any great degree. Hunting and fishing establishments may find growth potential in expanding their product offerings to include "non-consumptive" activities.

Issues:

Again, many of the key issues related to the outdoors product are common to other product categories: there is insufficient information on the product at a national level while the industry is often lacking information on new market segments and new demands; packaging of new products such as adventure tours in the high arctic is often at an elementary stage and may require more innovative thinking; national parks are key travel generators within this category but need to be better marketed outside Canada; parks need to be better integrated with supporting food and accommodation services; most outdoors operations are in remote areas and may consequently encounter serious difficulties in obtaining the requisite financing for upgrading or expansion; and management and employee skills, including guides for hunting, fishing and adventure vacations, are often not sufficiently trained to appeal to a market outside North America. In addition, land usage is at times a problem since it is frequently shared among many users, some of whom (logging companies, mines) may be in direct conflict with tourism. National park development strategies need to be better defined in certain instances in order to facilitate orderly private development in and around these prime outdoor destinations. Other issues include seasonality, acid rain and inadequate access to certain promising destinations.

Conclusion:

Outdoor products, like touring, comprise one of the most traditional and important elements of Canadian tourism. However, growth is most likely to occur if we are able to develop new "non-consumptive" products like adventure travel, rafting, wildlife viewing and trekking in the high arctic which appeal to a somewhat broader market segment in the United States, and to markets in Europe.

Heritage/Culture

Definition:

Representations and/or activities which show the creativeness of Canadian artists in terms of art, film, literature or that permit the interpretation of Canadian heritage through museums, expositions and historical sites. Festivals and events of an ethnic/cultural nature are also included in this definition.

The Product:

The Canadian cultural product is extremely varied. It ranges from historical Viking settlements in Newfoundland to the Haida culture on the Queen Charlotte Islands of B.C. and from a potato festival in New Brunswick to a major ethnic event such a Folklorama in Winnipeg.

Parks Canada is the major custodian of historical attractions, with over 70 major historic Parks and sites. Historic sites of international significance include Signal Hill, the Fortifications of Québec City and Louisbourg. However, Provincial governments also maintain heritage sites. Ontario's Upper Canada Village and New Brunswick's King Landing are notable examples.

Canadian cultural assets do not exist specifically for tourists and most are not in themselves important enough to draw foreign visitors to Canada; however, their importance is considerable. The U.S. Pleasure Travel Survey indicated that the single most important factor drawing Americans to Canada is our cultural distinctiveness. Most cultural attractions and events showcase the differences.

Quality cultural activities, while not always the prime motive for travel to an area, lengthen the stay and enrich the trip experience. Visitors will attend events/attractions as part of an urban/touring or outdoor trip if they are made aware of the activity prior to or in the course of their visit to a region.

There are, across Canada, many items that are integral components of package tour itineraries; i.e., the Glen Bow museum in Calgary, the RCMP museum in Regina, the Shaw Festival, Niagara on the Lake, Place des Arts - Montreal, the Confederation Centre of the Arts (Charlottetown Festival). Major events such as the Calgary Stampede, Klondike days, the Canadian National Exhibition, le Festival de Jazz, the Irish Festival in New Brunswick or The Gathering of the Clans in Nova Scotia are all significant tourism draws in those regions.

Summer is the prime season for cultural events with over two thirds of all events occurring in June, July and August. Over half are from 1 to 3 days in duration and occur over weekends. Over two thirds of all events take place in rural areas.

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However, the concentration of major cultural activities (in terms of size/scope and economic impact) is directly related to population densities across the country. Urban centres, in particular, represent a focus for cultural activities and, indeed, culture is one of the most important components of the "urban" experience.

Issues:

The tourism potential of the culture product is still not fully recognized in Canada. There is a lack of co-ordination between the cultural community and the tourism sector in terms of packaging and marketing of the products. The preliminary results of the recent pilot projects undertaken by Tourism Canada and other federal departments to assess the impact of a joint approach to culture and tourism indicates that mutual benefits are to be derived from a co-operative approach to the packaging and sale of cultural products. However, the economic benefit of most of these events/attractions is still not fully appreciated by the private sector.

Other problems related to development of a stronger cultural/heritage product include the fact that there is no central information centre or focal point to disseminate information on cultural events/attractions to foreign markets on a national scale. Visitors are consequently not aware of the diversity of cultural activities available across the country or are unable to easily obtain information on activities/events which may be of interest to them.

In many cases, cultural organizations like theater and dance groups have a great deal of difficulty in obtaining operational funds. Private sector support for these groups is non-existent since there are relatively few endowment funds compared to the United States. There is thus extensive dependence on public sector financing, both for operations and marketing. Tourism officials need to examine more closely the means by which governments can most effectively and efficiently support cultural events and attractions in order that they continue to act as key travel generators.

Conclusion:

The most salient feature of Canada as a travel destination in the U.S. market is our cultural distinctiveness. The Cultural product across Canada is consequently a showcase for our uniqueness. While the tourism industry was generally aware of this fact in the past, the Longwoods study has served to underline the importance of the cultural/heritage product. It would thus seem important to place greater attention on development of this product in future, particularly to the extent that it contributes to our distinctiveness vis-à-vis the United States.

CRUISES

Definition:

A cruise vacation is a trip on a cruise ship, usually with overnight accommodations, includes planned stops at points of interest along the way (including ports of call) and where passengers enjoy all the broad amenities and services. A cruise ship could be termed a type of touring resort since it combines elements of both experiences - a quality tour with rest and relaxation.

The Product:

Over 80% of the cruise product in Canada is on the west coast with the remainder concentrated in the Maritimes/Gulf of St. Lawrence with some minor activity on the Great Lakes. Over 350,000 people took cruises in Canada in 1986 (325,000 on the west coast) generating over \$150 million in revenues and creating in excess of 1,500 direct jobs.

Expo 86 generated increased interest in Vancouver and resulted in over 233 departures in 1986. Vancouver ranks among the five most popular cruise ports in North America and the new facilities at Canada Place provide excellent potential for expansion of cruise ship arrivals.

Part of the increase in cruise ship activity on the west coast may be attributed to the withdrawal of ships from the Mediterranean due to terrorism. Victoria and Prince Rupert are the only other major ports of call on the west coast. Small communities may benefit from some visitation of larger cruise ships on an exceptional basis, i.e. - Port Hardy which provides a unique attraction through a cruise ship crew/community baseball game. With few exceptions, other communities on the B.C. coast are bypassed.

The east coast cruise product is largely undeveloped; Halifax received 34 cruise ship stops in 1986 with a total of 16,000 passengers. Major ports of call are Montreal, Québec, Saguenay, Gaspé, Charlottetown, Sydney, Halifax, Corner Brook, St. John's, Newfoundland and Saint John, New Brunswick.

Markets and Potential:

The U.S.A. represents 95% of the market for cruises to Alaska; however, more than 80% of the U.S. passengers for the Alaska cruises arrive in Seattle and are bused up to Alaska. The prime market for Alaska cruises is California. The product being sold principally on the basis of Alaska. Canada is largely incidental to Alaska as a destination.

There is surprisingly little awareness of the Canadian product nor is there the required infrastructure to accommodate large cruise ships in the smaller communities (outside of Victoria and possibly Prince Rupert).

Potential exists to increase the impact from the cruise product through the packaging of Vancouver/Victoria tours as well as other B.C. products as components of the overall Alaska cruise being marketed by the cruise lines. Smaller coastal communities may be able to capitalize on pocket cruise ship visitation (smaller ships - less than 250 passengers).

Port amenities, attractions and services are not known by the cruise lines let alone the general public in the case of the east coast. Creation of a Cruise Guide for Canadian ports/communities could generate interest on the part of the large foreign cruise lines.

Issues:

There is a requirement to include much more of the Canadian west coast in cruises to Alaska and to make Canada an equally important destination.

Further information on the economic impact and product potential is required prior to extensive development and marketing of the B.C. cruise product.

A national focal point may be required to provide for the collection, dissemination of information and to act as a voice for the industry in view of the regulatory environment in which it operates. Customs, Revenue, Employment and Immigration, Transport Canada, Safety Branch have legislation on their books which may impede cruise ship operations in Canadian waters.

Resorts

Definition:

A resort is an establishment or area usually located away from urban centres providing accommodation, food and beverage service in conjunction with one or more recreational activities generally in a self-contained configuration.

The Product:

There are over 218 resorts across Canada with over 19,000 rental units. The largest concentration of resorts is found in Ontario and Québec, followed by B.C. and Alberta. There are resorts as well in all other provinces and the two territories.

Most are seasonal although some, particularly in Québec and British Columbia, are four-season destination resorts, mainly as a result of the ski industry. Alberta and Ontario are also developing strong winter resort products. Ancillary, on-site activities such as tennis, swimming or golf are considered minimum requirements to compete in the resort industry.

A developing trend, in an attempt to lengthen the season, is the inclusion of meeting/business facilities on site; over 70% of resorts now have such capacity. Lowest business is usually experienced in the Spring.

The overall average occupancy rate for Canadian resorts is estimated at 52.5% for 1984,¹ well below the annual occupancy rates for urban and highway lodging establishments (estimated at 65 to 75%) and below what is normally considered a minimum break-even level (60-65%) for hotel properties. The most serious operational problem faced by resort operators is the seasonal variation in business volumes.

The majority of Canadian resorts are over 25 years old. Nearly 56% of them were built prior to 1960, 15% between 1960-1969, 23% between 1970-1979 and 6% have been built in the 1980s. Construction costs are a major development issue. Timesharing has not been particularly successful in Canada due to seasonality which renders the concept impractical.

1 The Economic Planning Group of Canada - The Resort Industry in Canada - 1985

Additionally, many resorts seem to be less than healthy financially: high debt-to-equity ratios, inadequate liquidity, mediocre profit levels and low return on investments.

Markets and Potential:

Resort vacations represent 3% of total trip nights to Canada from the U.S. according to Longwoods and is the weakest trip type for Canada. Canadian resorts do not figure prominently in the U.S. market; a resort destination is equated with the sun (e.g. Hawaii, Mexico) with an accent on sun, sea and sand. Additionally, Canadian resorts are thought of as inferior and less exciting than U.S. resorts. The Longwoods analysis has shown, however, that U.S. clients at Canadian resorts are largely upscale and show strong interest in hunting and fishing.

The Canadian resort product is largely addressed to the domestic market. In fact, over 60% of present resort visitation is from the province of origin. Canadians account for over 73% of resort visitations and overseas visitors account for 6% of resort clientele. Resort development in Canada should probably be directed towards the domestic market.

Issues:

Canadian resort operators and developers often lack the product/market information necessary for the development or upgrading of their properties as well as related specific market data on potential U.S. markets. Financing appears to be a major concern due to problems of debt/equity ratios, sourcing of funds for new developments and the low returns on investment. Issues of professional development and regulation also impact on the resort product.

Conclusion:

The market for the resort product is basically domestic. There is, however, a very limited international market for high quality, generally four season resorts.

Ski

Definition:

Alpine skiing of international calibre combines all elements to create a ski vacation. These include a quality ski hill, on-site accommodation, food services and the existence of an ambiance conducive to an enjoyable alpine ski holiday.

The Product:

While skiing is an element of the Outdoor vacation type, its importance as a prime winter product justifies its assessment as a unique product category.

There are presently four major internationally competitive ski areas in Canada. These are Whistler, Banff/Lake Louise, Mont Ste Anne, and select Laurentian ski hills (Gray Rocks and Mont Ste Sauveur).

Major government assistance programs, principally through Federal/Provincial Tourism Sub-agreements, have provided funding for major development/expansion of ski hill operations in most of the areas mentioned above. As a result, these ski destinations are now developed to a level at which they may realistically compete with the major U.S. destinations such as Killington in the east and Vail in the west.

Additionally several second-tier ski areas, having some foreign appeal, have been supported in the development/upgrading of their ski product. These include such centres as Mount Sutton, Bromont and Mount Orford in Québec and Silver Star, Panorama in B.C. There are as well a large number, over 250, smaller ski hills across Canada serving primarily local markets and serving as feeder hills for the larger areas.

The U.S. ski industry is generally far more advanced than the Canadian Ski Industry in terms of level of development of facilities and services. This is in part due to the proximity of a large population base, better air and ground access, tax advantages (e.g. tax exempt bonds), local ski associations and community support and climatic and ski area characteristics e.g. - vertical drop, size of skiable surface, uphill lift capacity. Presently, Mont Ste Anne, Banff/Lake Louise and Whistler are the only destinations in Canada which can compete with the minimum ski area characteristics and have achieved some presence in different U.S. markets.

Ski area characteristics are greater in the U.S. Whistler/Blackcomb has nonetheless the highest vertical drop in North America; however, the base of the mountain tends to be wet and has inconsistent weather conditions. Ski weather is sunnier and warmer in the western U.S. resort areas compared to those in Western Canada. Ski weather conditions for eastern Canada ski areas tend to be colder than in eastern U.S. resorts.

The amount, variety and quality of accommodation on site at U.S. ski sites is at times overwhelming relative to Canadian ski areas, whereas the variety and quality of food and beverage services offered at Canadian ski destinations is comparable to U.S. destinations, but not so in terms of absolute numbers. Québec City is in a unique position of offering an urban ambiance and cultural setting coupled with the ski experience.

Canadian ski destinations suffer in terms of direct air access from the U.S. All other modes of transportation provide good access to major Canadian ski destinations with the exception of Whistler, whose access is difficult but has improved recently.

U.S. ski destinations have developed rapidly to the point of overdevelopment in some cases. Notable features of these areas are: their reliance on condo development, high capacity comfortable lift equipment (covered, detachable quad chairlifts), convention and meeting facilities, high quality recreational facilities and amenities to generate four-season use of the facilities. In Canada, Whistler and Mont Ste Anne have evolved to comparable levels of development. Banff/Lake Louise as well as Gray Rocks and Mont St Sauveur meet these requirements to varying degrees.

Markets and Potential:

Results from the National Ski Conference held in Calgary in September of 1986 noted that the Canadian ski product is virtually unknown in the U.S. Canadian ski areas have tapped less than 1% of the over 51 million ski visits per year occurring in over 800 U.S. ski sites. Canada has nonetheless attracted some 14,000 Japanese who came to ski in Canada in 1987.

Skier needs are changing, the market is made up of more middle-aged consumers who ski with their families, as well as a new market group in the over 65 skier.

Today's skier is interested in a combination of good skiing conditions, a good variety of well-groomed intermediate level trails, short lift lines, ease of access to and within the ski destination, ski in/ski out lodging, flexibility in package components offering options in some of its components (food, lodging, various mountain ski passes, etc.).

With more efficient lift systems and a subsequent greater number of ski runs, as well as an older market, skiers tire earlier in the day. Consequently, ancillary services and off-slope activities take on added importance. Indoor sports centres, snow tours, shopping, dining, night life, cultural and sporting events take on added importance in the creation of the proper theme/ambiance in the ski area destination so as to create an all-round quality experience.

For the Canadian west, the top U.S. ski markets are California, Texas, the areas of Chicago, Detroit and Minneapolis, Florida and the Pacific North West. This would primarily be a fly-in market. For the Canadian east, top U.S. markets are New York City, Boston, Washington, D.C., Florida and Atlanta.

Issues:

The following are the major issues impacting on the development of the Alpine ski product in Canada:

a) Product Market Match:

Canadian ski area operators require increased market research to properly target market locations. Additionally, information has to be produced and provided to the marketplace on the availability and status of the major Canadian ski products. Such product orientation information is not readily available.

b) Product Integration and Packaging:

Increasingly the total vacation experience is a prime motivator in the choice of a ski destination. Accommodation, food services, ancillary attractions and sports facilities, etc. must all be combined, and integrated to provide a quality experience and create the proper ambiance.

c) Products vs. Travel Generators:

Sub-agreement funding under the Federal/Provincial tourism agreements provided essentially on-hill

improvements, ie. - snowmaking, lifts, etc. The rationale being that the creation of a quality ski hill would be sufficient to entice private sector investment in the necessary support services. To a large extent, this has occurred and the private sector is now the catalyst for new developments to major ski resorts. Public sector support may however be required in select cases where infrastructure costs may be prohibitive.

d) Innovation:

Most major ski destinations in Canada keep abreast of all new technical and management trends in the industry. They are in fact innovators themselves. They must remain at the leading edge of technological advances in the industry if they are to remain competitive. Smaller operators must be provided with information and trend analysis to maintain their present market share and remain competitive as developmental centres for new skiers.

e) Financing:

In most major ski areas demonstrating potential for foreign market penetration, public sector funds have been provided over the last 6 to 8 years to install the necessary infrastructure and lever private sector investment. Most major resort areas have now reached stages of self-sufficiency in the sourcing of debt and equity financing. Innovative approaches such as syndication and further use of condominium and time-sharing formulae are completing the ancillary services around these centres.

f) Professional Development:

Most of the major operations are sophisticated and well managed. The ski industry has a solid association and as well has formalized training curriculum for its occupational groups.

g) Regulatory Issues:

Restriction on development within National Parks (i.e. - Banff) is of concern to several operators. Additional issues such as duty remission and taxation are of interest to the industry.

Conclusion:

In terms of product development, the ski industry has a relatively well-established product base. What is presently required is further market awareness in the U.S. of the quality of the Canadian ski products. It is preferable to ensure that the three or four resorts in Canada which are world class, remain so, rather than attempt to develop totally new resorts in this highly competitive market.

APPENDIX 'D'

Service Infrastructure

The role of the service infrastructure is important to the achievement of an increasingly competitive Canadian tourism industry. While it is agreed that the service infrastructure by itself is not a generator of travel, it is also evident that it forms a necessary adjunct in achieving an overall competitive tourism product. This appendix lists the major service infrastructure sectors as well as related key issues.

There are three major tourism service sectors, accommodation, food services and transportation, which are relatively specialized, but at the same time act interdependently in order to meet the needs of the tourism sector. Together, they account for over 57,000 business establishments located in every province and territory.

Accommodation:

Accommodation is adequate to very good in virtually all urban centres. In small centres, however, and in rural areas where accommodation is more exclusively dependent on seasonal tourism, availability, range, and quality are at times inadequate. With few exceptions, overall upgrading and replacement of facilities is required in rural areas of all provinces and territories. Moreover, as the travelling public becomes accustomed to higher standards, at all levels, it would seem increasingly important to ensure that independent operations, particularly in key regions, are competitive in terms of quality and price with similar accommodation in the United States.

While accommodation, like other services, should be viewed from a tourism perspective primarily as support for key attractions or products or as a reflection of the unique culture or heritage of a region, this is not always the case. Existing and future attractions, with high potential at times, lack adequate accommodation (eg: the high Arctic) while attractive regions such as Maritime Canada often lack the quality and variety of inns found in, for instance, New England. In addition, a few specific problems exist, such as Canada's National Parks, where there is often inadequate accommodation on site or nearby.

Seasonality of demand for accommodation represents a serious problem in many regions. The solution would seem to lie principally in offering a greater number of four season products or attractions, an objective which many require greater coordination between governments, investors and hoteliers. Where such action is not feasible, increased emphasis on bed and breakfast establishments or other forms of "community based", tourism should be encouraged. Nevertheless, no matter which approach is utilized, it will be important to promote standards (legislation, inspection) to ensure that all accommodation, not just the major hotels, is consistently satisfactory.

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Food Services:

Food services in major urban centres have improved significantly over the past two decades to the point that, in certain instances, such as Montreal, Toronto and Vancouver, they now constitute a distinct attraction to foreign visitors. However, while there have been great strides in certain locales, particularly major urban centres, food services are weaker in certain regions such as parts of the Maritimes and could be upgraded as support to key attractions.

While governments may not be able to influence food services directly aside from ensuring basic standards of hygiene, they can play an advisory role, providing support in menu planning to reflect unique regional aspects and guidance with respect to market trends.

Training remains the single most important problem in food services. Professional development concerns are addressed and discussed in appendix F. As in the case of accommodation, it is important to ensure that key attractions or destinations are supported by quality food services at competitive prices.

Transportation:

In regard to transportation, both air and automobile remain important: air because of a continued emphasis on taking several shorter holidays throughout the year as well as lower air fares; and automobiles because "baby boomers" are themselves having families. Train travel remains problematic while an increasing proportion of inter-city bus traffic will be related to packaged tours rather than long-distance travel per se. Road networks are good except in the far north where access remains an impediment to the development of certain products.

There is evident concern regarding the effects of air deregulation and its impact on jet service to small urban centres. The federal government is fully committed to a deregulated environment, however, and it is still too early to determine whether certain regions may be adversely affected.

Air access between United States markets and Canadian tourism destinations is felt to be inadequate in certain cases. Governments could play a role in monitoring, identifying potential routes, and attempting to alleviate specific problems.

General Observations:

As the tourism product becomes more complex and varied, related service infrastructure such as better road signage and additional information/reception centres at international points will be required.

It is evident that services provide for the bulk of revenue generation in tourism, and are consequently important simply because of their economic impact. However, from a tourism perspective, they will only be successful to the extent that they can count on major attractions to draw tourists to a specific locale. This suggests that government efforts to assist services should always take this link into account: services without a product "draw" are less likely to be commercially viable; many attractions will be diminished if insufficient and inferior services are in place. Governments thus have a role in identifying and attempting to rectify "gaps" in the relationship.

The major issues of financing and professional development are, of course, entirely applicable to services. By definition, services, particularly food and accommodation, are directly dependent on professional development as the single most important determinant of competitiveness, and in many instances, actual survival. Similarly, access to adequate financing remains a prerequisite for growth. The services component represents by far the largest demand for investment capital in tourism. However, with viable products in place as travel generators, it is possible to finance the service infrastructure in most regions of Canada almost exclusively on the basis of private funding.

FINANCING THE PRODUCT

Adequate and appropriate financing is a key component of successful business start-up and on-going development. In Canada, the two prime sources of debt and equity capital required to finance the tourism industry are private and institutional ie. non-public sources. These sources are also supplemented by public support programmes.

The relative priority and nature of financing is dependent on a number of factors including the purpose for which the financing is sought, the stage of development of the business, its geographical location, the subsector of the industry in which it operates and economic circumstances. The following is an overview of the financing issues which impact on businesses within the tourism sector.

DEBT FINANCING

The availability of debt financing, given the competitive environment in lending markets and governments' broad supplementary range of lending services, should no longer be a problem for a business with a viable and well presented business plan. However, debt financing is still an issue for businesses in certain sectors and regions. In a recent study of 1,000 small and independent businesses, 27% of respondents felt that adequate financing was a problem for them⁽¹⁾. Companies encountering the most difficulty are in British Columbia and the Prairie and Atlantic regions. They are generally of small size, have been established for a short time and are active in the tourism sector.

Outside of urban centres, many financial managers lack the expertise or data required to properly evaluate loan requests in specialized areas or sectors, resulting in loans for valid business opportunities being rejected. As well, the decision-making on loans above certain threshold levels is often referred to more central branches, and in extreme cases (northern areas or one industry towns) there may not be a financial infrastructure at all.

(1) See Decima, Federal Business Development Bank, Nation-wide Survey of Small and Medium sized Businesses 1986.

The cost of debt financing when available, is also an issue. While user fees are charged for most services and even to consider a loan application, their rationale is poorly understood and they are unevenly applied by bankers depending on the competitive environment that exists. Also, personal guarantees are sometimes used by lenders to make marginal loans where competitive circumstances dictate. Loan terms do not always match asset life and result in an unwarranted impact on cash flows and unreasonable margin requirements on operating loans (restricting expansion). Finally, the perception of unreasonable terms and excessive bureaucracy is prompting the use of personal loans for business purposes in place of traditional term loans and lines of credit.

Because of the relative ease of debt availability, many operators have developed an overreliance on debt and banking institutions for all their business financing needs, resulting too often in dangerously high debt to equity ratio. Poorly prepared applications often lead to differences between bankers and would-be borrowers' perceptions of the operator's ability to manage debt and cashflow.

EQUITY FINANCING

Debt financing is often a problem because the business has an inadequate equity base. The concept of equity and adequate capitalization are not always well understood by less sophisticated, private investors and by smaller businesses. For the smaller operators, the availability of equity financing outside of established venture capital markets is limited or, depending on its size, even unavailable. Generally, venture capital investment has tended to be highly selective, concentrated around four urban centres and not addressing the needs of many early stage companies or those seeking funds under \$500,000. Although recently there has been increased availability of funds for small and medium sized investment, the availability of experienced venture capitalists restricts the full exploitation of opportunities.

Provincial equity programmes tend to focus on the provision of money but offer limited support in terms of advice or guidance. Mechanisms to match investors and opportunities (dating services) are few, lack a track record and are not well known. Securities legislation governing the sale of shares tends to be complex and traditionally big issue oriented.

Equity financing limitations also arise due to criteria imposed by government equity initiatives (arm's length requirement), the amount of control required by an investor as a criterion of financing and the requirements of securities legislation for public issues and investor prospecting which usually require professional intermediaries.

GRANTS

A third source of financing, after debt and equity, are government grants. However, they are often criticized by business for sending out the wrong signals. They tend to encourage an under capitalization of a firm and a lack of market discipline in preparation for obtaining financing. Grants also introduce administrative bureaucracy and paper burden for potential users and often lead to distorted business decisions to conform with the programme rather than with economic realities.

OTHER FACTORS

A number of other factors related to tourism, which affect access to both debt and equity financing, have been identified in consultation with the private sector. The industry's low profile and poor image hamper its financing; generally, lenders and equity investors do not understand the industry and governments are not doing enough to raise the image of tourism as a major sector and contributor to the economy. Consequently, the public has tended to put more faith in traditional industrial sectors, turning to tourism as the sector of last resort and lender/investor decision making re tourism opportunities is adversely affected. As well, the tourism manager's lack of ability to prepare proposals of the quality required to obtain traditional loans and the lack of knowledge to seek creative financing vehicles also retard the industry's development.

The real and perceived high risk nature of the industry causes investors to shy away and its seasonality leads to uneven cash flow and limited revenue generation which make projections difficult and which require non-traditional financing arrangements. The industry's undercapitalization leads to unacceptably high debt to equity ratios, particularly when coupled with cyclical cash flows predominant in seasonal operations. Tourism businesses are perceived as being highly economic sensitive and tourism attractions/events tend to be single purpose and therefore more susceptible to changes in consumer trends.

As a small business, it is often difficult to "sell out" particularly when partners are involved; no one wants to buy a small piece of a small business causing liquidity problems. And because it is necessary for the tourism operator to attract the client to him, the success of his business may well be dependent on his ability to lure the client to his location, with geography and transportation infrastructure being critical factors.

Taxation is another important factor, unanimously felt to inhibit investment in tourism related small businesses, particularly resort development. Capital cost allowance (CCA) incentives favour the industrial sector and corporate tax rates are also lower for manufacturing. This serves to make investment in the industry less attractive and to make long-term lending difficult to obtain.

Though the impacts of tax reform will not be known until the federal government releases its discussion papers, the impact of a business transfer tax (BTT) would probably increase the selling price of tourism services. However, this potentially adverse impact could be largely offset by changes to the corporate tax system and personal income taxes.

Under the corporate tax reform, there are likely to be fewer deductible items (mainly focused on manufacturing at present) and a lowering of tax rates. Reform of personal income tax will probably result in higher disposable income for most consumers with a beneficial impact on purchases of tourism.

Finally, if the BTT is structured so that interest payments are not deductible for the calculation of BTT, there may be an incentive for increased equity investment.

As with small businesses in general, tourism operators are plagued with problems of over-regulation and paperburden from all three orders of government. Enormous and costly lead times are needed to get into a tourism business, specifically a resort or other hospitality enterprise; proposals are usually subject to public consultation, health regulations, liquor board controls, municipal board approvals and environmental assessments.

A recent report⁽¹⁾ prepared for Ministers Responsible for Small Business stated that statistical surveys, tax-related requirements, employment-related forms, and business assistance programs are the top regulatory/paperburden areas. Apparently, small businesses do not believe that governments are serious about reducing paperburden and regulatory problems. They do not understand, and resent, governments' continued failure to act on reforms when expectations have been raised.

(1) See Milligan and Company Inc., Obstacles to Entrepreneurship: A summary report of federal, provincial and territorial studies on paperburden and regulatory problems in the small business sector.

All or some of these factors combine to make a small business in the tourism sector a questionable investment. Moreover, tourism must compete with less risky businesses for both equity and debt financing.

Tourism Canada, with the help of the Niagara Institute, is presently completing a study which brings together financial and tourism sector expertise to subjectively identify financing issues and recommend possible new and/or adapted instruments which could be used to stimulate investment levels in the tourism industry.

Some of the suggestions include:

- ° the use of flow-thru shares as used in the oil and gas and mining industries;
- ° the establishment by governments of economic tax free zones for predetermined periods in areas identified for development;
- ° the application on a national scale of a Tourism Development Corporation program based on the Small Business Development Corporation model of Ontario;
- ° the use of a new "Equibond" concept presently being developed;
- ° the issuance of special bonds for tourism at high yields and to be used for new tourism product development only; and
- ° expansion nationally (as is currently being undertaken through the Chambers of Commerce) of the "COIN" investor/investment dating service presently operating in Ontario.

Most of the recommendations coming out of the Niagara Study (report should be available by the end of May) will require further in-depth analysis and evaluation as to their potential and feasibility as appropriate means to stimulate investment in the tourism sector. It may be useful to have such analysis done in each jurisdiction in order to determine at the same time, the regional applicability of the various instruments.

Note:

Sources for the information in this section include the Small Business Office work done in the financing and parperburden areas, the Niagara Institute study on Tourism Financing and various reports/studies prepared for the Federal Business Development Bank.

APPENDIX F

PROFESSIONAL DEVELOPMENT

Introduction

Service is a key component of the tourism product. The quality of the service provided to the visitor can be a major factor in his/her decision to return. In a 1986 Gallup Poll conducted in the U.S., 63% of those polled said service was a leading factor influencing their decision not to return to a restaurant.

The quality of a business' personnel, and the service provided, is important to the productivity and profitability of that business. The quality of industry personnel is dependent on the industry's ability to attract good people, the skills and knowledge acquired before entering the industry, the ability of the industry to keep good people and to provide career progression opportunities.

Analysis of the Human Resource Component of the Tourism Product

The industry states that it suffers from high staff turnover rates and shortages of skilled and unskilled labour. Due to a lack of data, little analysis of these issues has been undertaken. However, industry spokesmen agree that labour shortages are occurring in major urban centres and in a recent survey of 290 restaurants, over 50% indicated they had difficulty recruiting for positions in the kitchen and for service personnel.

Recent studies demonstrate that there is little awareness of tourism career opportunities, and where there is awareness the image is poor (low paying, unskilled, without opportunity for advancement). A recent Canadian Restaurant and Foodservices Association study indicates that foodservice careers are perceived to be low in status and lacking intellectual stimulation and challenge.

Indeed many jobs in the industry at the entry level are low paying and require few skills. On the other hand, at least half the jobs are in categories requiring more advanced skills or management expertise, which pay good wages and which lead to more advanced positions. The career opportunities represented by these jobs are not well recognized.

Industry personnel have low levels of training and education (55% of all personnel and 47% of management have less than secondary education). Recent studies indicate that a large part of the industry believes that higher levels of training and education are necessary but few businesses are able or willing to provide that training. In one study managers agreed that more training was needed in the industry but not in their own business.

Poorly trained managers who believe that training is not necessary may account for less than adequate service and dissatisfied employees. There is a lack of human resource management and manpower planning which translates into a lack of career opportunity for employees and hence high turnover rates and a high rate of business failure.

Most recent studies indicate that there exists sufficient entry level institutional programming for tourism occupations with some specific exceptions, e.g. tour guides, and outfitters. There is a consensus across the country that there is insufficient training in advanced skills and management. Provinces and territories report that programs are uncoordinated, do not provide the necessary practical experience, and are often not accessible to the industry.

In two sectors, national industry associations have set entry level job standards for skill and knowledge requirements (Canadian Institutes of Travel Counsellors for travel agent, Canadian Federation of Chefs de Cuisine for cook and chef de cuisine), but generally, industry has not sufficiently identified the skills and knowledge required to perform jobs in the industry.

There is a requirement for increased positive career awareness for tourism occupations. There is also a requirement for upgrading programs aimed at managers, and adequate pre-employment advanced skill and management programs.

There is an opportunity to use national job standards (the formal identification of skills and knowledge required to perform a specific job) to gain an understanding of industry requirements and to guide the education/training systems across the country.

Certification programs would enhance career image, and demonstrate career opportunities to encourage existing employees to upgrade their skills and provide increased workforce mobility.

Current Situation in the Provinces

These issues are being addressed. Many provinces have, or will, establish organizations made up of government and industry representatives with a mandate to increase professionalism in the industry. These organizations are listed below. Their mandates include the improvement of career image, the improvement and coordination of training/education, and the development of standards and certification programs.

B.C. The Pacific Rim Institute of Tourism.
 Alta. Joint industry/government Council just announced.
 Sask. Industry training institute being considered.
 Man. Manitoba Hospitality Council.
 N.S. Tourism and Hospitality Institute of N.S. (THINS)
 which is the professional development arm of the
 Tourism Industry Association of Nova Scotia
 Que. Institut de Tourisme et d'Hotellerie which is a post
 secondary institution which operates a hotel and
 implements the professional development policies of
 the Quebec Government.
 PEI New training group being considered.
 Nfld. Hospitality Newfoundland proposing to implement
 four-year training plan which has been developed in
 cooperation with the provincial government.
 NWT Tourism Training and Manpower Needs Board.
 Yukon Education Program Development Committee.

Awareness and/or host programs are in place in B.C., Alberta,
 Saskatchewan, Manitoba, PEI, Yukon.

Funding for research and for programming in professional
 development is available in some TDSA agreements. Recent
 manpower and education studies are identified in
 provincial/territorial reports.

Quebec and B.C. are promoting their education/training
 expertise abroad.

Ontario is interested in creation of Centres of Excellence.

Federal Initiatives

Tourism Canada is supporting and coordinating a pilot project
 being undertaken by six national industry associations: TIAC,
 CRFA, ACTA, CITC, CFCC, HAC.

Each association (except TIAC) is developing job standards and
 a certification program for an occupation(s) at the management
 level:

CRFA:	Foodservice Manager
ACTA/CITC:	Senior Travel Counsellor
	Travel Agency Manager
HAC:	Front Office Manager
	Housekeeping Executive
CFCC:	Executive Chef

Employment and Immigration is considering applications from
 these associations for financial assistance under the
 Innovations Program of the Canadian Jobs Strategy.

It is expected that the associations will complete the development of standards in 1987. They will be fully endorsed by association members and provincial associations.

Provincial industry associations affiliated with the national industry associations will be promoting these standards for adoption at the provincial level. Industry-based certification programs will be developed and active participation of provincial associations and industry at large will be encouraged.

Conclusion

National and provincial industry associations are now addressing the issues identified above through creation of standards and certification programs.

The federal government (Tourism Canada and Employment and Immigration) are assisting and coordinating this effort and continuing to research and provide information in this area.

Provincial governments are acting in concert with provincial industry representatives to coordinate and improve training and education, to develop standards and certification programs, and to create a more positive image of tourism careers.

An opportunity exists to coordinate the national and provincial initiatives of industry and government to avoid duplication, to reinforce and to maintain consistency across the country. Standards developed at the national level could be adopted/adapted at the provincial level and vice versa. Programs developed by industry and provincial organizations could be shared/ delivered across Canada.

A concerted, coordinated effort would improve the tourism career image, provide industry guidance to and improve the training/ education system, provide an incentive and means for existing industry employees to upgrade their skills and would ultimately increase mobility and reduce turnover.

Many issues remain to be addressed (e.g. labour shortages, compensation, working conditions). The Tourism Research Institute will be turning its attention to the labour market in the future. Tourism Canada and provincial/territorial governments as a part of the management team of the Institute will be participating in this work. Tourism Canada will also be working more closely with Employment and Immigration on these issues in the near future.