



Arctic Development
Library

Arctic Red River Tourism Business Plan
Date of Report: 1990
Author: R.t. & Associates
Catalogue Number: 11-52-24

11-52-24
CS ~~ES~~

keep all
searched
pages
Missing
Jkt
300000

Arctic Red River Tourism Business Plan

RT & Associates Ltd.
June 1991

Table of Contents

Introduction	1
Methodology	2
Client/Team Meeting	2
Community Visit/Site Investigation	2
Market Assessment	2
Opportunity Identification and Assessment	3
Economic Benefits	3
Community + Infrastructure	3
Implementation Strategy	3
Final Report and Community Visit	4
Community Background.	5
Community Political Organization, Infrastructure And Services	7
Tourism Issues And Concerns	9
Lodge	11
RiverTours	12
Chip Wagon	12
Taxi	12
Directions for Local Tourism Development	13
Arctic Red River Tourism Resource Inventory	15
Introduction	15
TourismRelatedNaturalResources	15
Geography and Cultural Attributes	16
Regional Map ofTourism Resources	17
Possible Designation as aNational HeritageRiverSystem	19
The Mackenzie Mountains as a Tourism Resource	20
Traditional Lifestyle/Culture	20
Strategic Location Near the Highway	21
Tourism Markets	22
Recent Tourism Trends in the Western Arctic	22

Tourism Expenditures in the Western Arctic	23
Dempster Highway Summer Road Traffic	24
Other Dempster Highway Traffic	26
River Traffic	26
Air Traffic	27
Assessment Of Community Tourism Infrastructure	28
Sunshine Inn	28
Arctic Red River Campground	28
HistoricBuildings	29
Opportunity Identification &Assessment	31
Opportunity #1. Multi-faceted Lodge	32
Introduction	32
Opportunity for a Multi-faceted Commercial Lodge Facility	34
Project Description	35
Preliminary Market Analysis	35
Summer Tourism Market	36
Domestic SummerSegment	38
SummerB usinessT ravelSegment	38
Winter Market for Accommodation and Meals	39
Conference/Meeting Market	39
Summary of Estimated Total Tourism/Travel Market Potential	40
Revenues	41
costs	42
Summary of Design Parameters for the Lodge	43
Pre-Feasibility	43
Employment	46
Training	46
Potential Economic Benefits	46
Opportunity#2. River Tours	48
Outfitting Services for River Tours	48
Project Description	48
Preliminary Market Analysis	49
Revenues	50
costs	50

Pre-Feasibility	51
Employment	51
Training	51
Potential Economic Benefits	52
Opportunity #3. Chip Wagon/Promotional Vehicle	53
Project Description	53
Market Analysis	54
Revenues	54
costs	55
Employment	55
Training	55
Pre-Feasibility	55
Economic Benefits	57
Opportunity #4. Craft& Souvenir Outlet/Mini Museum	58
Project Description	58
Market Analysis	60
Revenues	61
costs	61
Employment	62
Training	62
Pre-Feasibility	62
Economic Benefits	63
Opportunity#1S .Taxi	64
Project Description	64
Market Analysis	64
Revenues	65
costs	65
Employment	65
Training	66
Pre-Feasibility	66
Economic Benefits	67
Summary of Economic Benefits	68
Implementation Strategy	70
Facilitate Development of the Lodge	70

Formation of a Community Tourism Development Committee	71
Identify Proponents and Develop Other Tourism Related Businesses	72
Improvement of Community Infrastructure	73

Appendix I - Residents & Non-Residents Interviewed

Introduction

In January 1991, the GNWT Department of Economic Development and Tourism contracted RT & Associates to produce a Tourism Business Plan for the community of Arctic Red.

The purpose of the Tourism Business Plan was to:

- determine the community view's on potential tourism related businesses that could be established;
- undertake **prefeasibility** analysis on selected tourism projects;
- confirm economic benefits that would be derived if the projects were implemented;
- **develop an implementation plan.**

The study was **also** to **confirm** potential markets for each of the selected tourism projects and, in particular, confirm the potential market from tourists using the Dempster Highway during the summer, almost all of whom passed by Arctic Red without stopping.

It was expected that the contractor would visit the community at the start and finish of the study and throughout the course of the study work closely with community residents, community council, the Inuvik Regional Manager of Tourism, and the ED & T AEDO assigned to the community.

Methodology

The consultants used the following methodology to prepare the community's Tourism Business Plan:

1. Client/Team Meeting

At the start of the project, the consultants discussed with the ED & T officials and settlement council members study objectives, reporting relationships, expected outputs, community residents to interview, and the workplan that would be followed.

2. Community Visit/Site Investigation

A meeting was held in Arctic Red River with the settlement council in order to confirm tourism issues and concerns and tourism business opportunities that the community wished to establish. Individual meetings were also held with a number of residences and non-residents (see Appendix I for these interviewed) A resource inventory was also undertaken in the community. Opportunities and constraints to tourism development were identified.

3. Market Assessment

Market research was undertaken to **confirm**: recent tourism trends in the Western Arctic; tourism expenditures in the Western Arctic; **Dempster** Highway summer road traffic; other **Dempster** Highway traffic; river traffic; and air traffic. Target markets and potential revenues were also **identified**.

4. Opportunity Identification and Assessment

Based on the community consultation and marketing research, five opportunities were identified for **prefeasibility** analysis. The five opportunities included: a community lodge; river tours; chip wagon; craft **outlet/mini** museum; and taxi.

Once all of the projects had been identified we conducted an assessment of their pre-feasibility. This involved describing each project, conducting a market analysis; projecting possible revenue streams; and estimating preliminary costs to establish the project; estimating employment generated; identifying training requirements; preparing first year financial projections; and identifying economic benefits.

5. Economic Benefits

Assessment of economic benefits that would be realized for Arctic Red residents if the five projects were implemented was summarized. This included identifying person years (PY's) of employment, part time employment, income generated, and other benefits.

6. Community + Infrastructure

Required community infrastructure to promote Arctic Red as a tourist destination was confirmed.

7. Implementation Strategy

An implementation strategy was developed including: opportunity ranking; opportunity implementation schedule; resource requirements; potential sources of funding; and major stakeholders' roles and responsibilities.

8. Final Report and Community Visit

A draft report was prepared. The consultants, there travelled to Arctic Red to present the main findings in the report to settlement council members. Based on the recommendations of the settlement council the draft report was revised and a final report submitted.

✕

Community Background

Arctic Red River (population 147) is a small predominantly Dene community located at the confluence of the Arctic Red River and the Mackenzie River. It is accessible from the Dempster Highway by ferry.

The community is picturesque with a Roman Catholic church, older **frame** houses, and a beach area very near the community.

By air, Arctic red River is 96 and a half km south of **Inuvik** and 1,011 km northwest of Yellowknife. By road it is 189 km from **Inuvik**.

Historically, Arctic Red River was a major trading **centre** along the river which served as a major transportation route in the fur trade. The Arctic Red River provided access to the Richardson Mountains, and farther up the river, near the foothills of the mountains, the Hudson's Bay Company established a trading post in the late 19th century. In the early part of the 20th century the company established a permanent post in the community which operated until the early 1980s.

Major economic activities in the community include hunting, trapping and fishing. Most wage employment is provided by the Settlement Council and the Territorial Government which, through different departments, employs teachers, seasonal highway maintenance and ferry crossing staff, and part time nursing staff. The NWT Housing Corporation also employs local residents to administer the corporation's housing program in the community.

According to GNWT Statistics Bureau's labour force survey, in 1989 Arctic Red River's official unemployment rate was 45%, a figure that was almost triple the NWT average rate of 16%.

According to the Chief and Band Manager, Arctic Red has an estimated community income of approximately \$844,000 broken down as follows:

Arctic Red Estimated Community Income	
Source	(\$000) Income
Settlement Council	217
DPW	60
NWT Housing Corp.	90
Coop Store	60
Government Services	30
Education	180
Health	20
Highway/Ferry	70
Old Age Pension, UIC, Child. All	100
Welfare	17*
Total	844

* Significantly, according to the Band Manager Arctic Red has the lowest welfare costs in the Mackenzie Valley.

Community Political Organization, Infrastructure And Services

Arctic Red has Settlement status.

On the Settlement Band Council are the Chief and six councillors.

The Settlement also has a local development corporation, the “Red River Incorporated Band Ltd.”.

Arctic Red has one general store which carries food and some clothing products. The store is owned by the Incorporated Band Ltd., however the store is currently in the process of being incorporated as a local coop.

The Band Incorporated also owns the Sunshine Inn which consists of a small one story building divided into a two bedroom apartment available for rent to visitors, a second apartment used by the store manager, and a small laundromat used by local residents.

Power in the community is supplied by an NCPC diesel generator.

Water is obtained from mid-November to the end of May from the Arctic Red River and through May-November from a small lake south of the school, The community has an emergency storage tank and water is delivered three times per week in a 4500 liter truck. All buildings are equipped with fibreglass storage tanks.

Sewage is collected three times per week from households and community buildings.

Heating oil is delivered in the community. Gasoline, diesel and naphtha are also available for purchase.

Communications are available through mail (delivered once a week) and telephone.

There are no scheduled air services into the community, however there is float plane access on the Arctic Red River shoreline.

Transportation links consist of the **Dempster** Highway ferry crossing which connects the community to **Inuvik** and Fort McPherson and summer barge service which connects the community to Hay River.

Police services **are** provided by the RCMP detachment in Fort McPherson.

The community has a 1,000 gallon **fire** truck and a local volunteer **fire** brigade provides **fire** protection services.

Tourism Issues And Concerns

Tourism infrastructure in the community is minimal and consists of some highway and community signage, and a transient **centre**, the 'Sunshine Inn', which has several bunks available for rent. Indeed, in Arctic Red there are no outfitters in business, no available tourism packages and, except for a local resident selling fish from a highway stand during the summer, little done to capitalize on the tourists driving the **Dempster** highway.

Discussions with the Chief, Band Manager and Band Council confirmed that all were aware of the lack of tourism infrastructure and product in the community, thus few tourists were visiting Arctic Red, however they felt that more could be done to develop the tourism **industry** in the community. In this regard, they said there was strong community support for developing the tourism industry in Arctic Red, primarily because there was very high employment and limited numbers of jobs available for residents.

The Council made the following suggestions for developing new tourism businesses and related services in Arctic Red:

- River tours;
- Hiking/trekking in the area;
- Community Lodge;
- Craft Shop;
- Chip Wagon.

The Council also said that residents needed more information on tourism opportunities before they could decide on whether to become involved in the industry, and one purpose of the current study was to provide community residents with required information.

The Council felt effective promotion and **marketing** would have to be encouraged if residents were to succeed in developing tourism businesses. They noted that the resident selling fish off the highway during the summer did poorly because of poor display and a lack of promotion.

The Council felt improved signage was required on the highway, river and in the community. They felt more effective advertising should be undertaken in magazines such as "Up Here" to promote new tourism businesses.

During the Council meeting, the importance of product development and proper marketing were stressed as fundamental components to a successful community based tourism sector. There was general recognition that marketing the community's tourism assets would have to be a community wide effort and that adequate promotion materials would be required to position Arctic Red's tourism products in the market place. Also, it was generally accepted that a much more aggressive approach to "selling" would be required to capture a larger percentage of the Dempster Highway traffic. As well, discussions with Council centered on the immediate and continuing need for a local person or a group of local people to spearhead tourism development and marketing in the community and to act as a community host during the summer season.

The Chief said that a former community resident plans on moving back to Arctic Red and plans on starting a craft shop. It is expected that the craft shop will sell mukluks, mitts, parkas, beadwork, soapstone carvings and possibly a unique product such as an

Arctic River Red doll, although product market and cost would have to be cord-lid. In support of the project, the community intends to renovate an existing building over the summer as a craft shop and community recreation centre. The community is also working with the Fort Mcpherson AEDO and the ED & T Regional Arts & Crafts Officer to confii required financing.

The Chief and Council also said there was interest in buying out an area sports hunting business located in the Richardson Mountains (Arctic Red River Outfitters Ltd.), but the price asked by the owner was, they felt, to high (upwards of \$500,000) given the level of business assets, essentially a few rundown buildings, small airstrip, goodwill and the outfitting licence. The Chief and Council believed the business was being sold to a Yukon company. (Since our discussion with the Chief and Council the business has been sold to Mr. Kelly **Hougan** in Whitehorse, Yukon, phone 1-633-4934, Mr. **Hougan** said he would be willing to hire and train one or two local residents as guides as long as they were prepared to make a long term commitment.)

Two **local** residents indicated they would be interested in starting the following tourism businesses in the community in the form of a joint partnership:

- Lodge;
- River Tours;
- Chip Wagon;
- Taxi.

In regards to each business they offered the following comments:

Lodge: The lodge would be a year round operation and would cater to: during the summer, highway travelers; summer/fall, highway maintenance crews; year round, government personnel who currently have no place to stay when visiting the

community. They also felt that there would be opportunity to host regional conferences and workshops. They felt an outside barbecue with picnic tables could be incorporated into the lodge and would do well in drawing in highway travelers during the summer. As well, crafts could be sold at the lodge although tourists would be encouraged to visit the craft outlet if one were established in the community.

River Tours: A number of river packages could be developed and offered to tourists. Packages could include half-day and one day packages along the river to such places as Martin House or Jackfish Creek; travel to Inuvik by boat and have your car driven; and longer packages up the Arctic Red or along the Mackenzie River to other communities.

Chip Wagon: A chip wagon at the McPherson side of the ferry crossing would have a captive market while travelers waited for the ferry and could offer a number of food products for sell including french fries, hot dogs, pop, confectionery products, and souvenir items. The wagon would also be a means of providing travelers with information about Arctic Red and what was available for them to see and do in the community including walking/hiking through the community, visiting or overnighing at the lodge, visiting the craft shop, possibly taking a river tour.

Taxi: There was opportunity to start a taxi business that would offer a service between Arctic Red, Fort McPherson and Inuvik.

The ED & T Tourism officer (Inuvik Region) felt opportunities identified above were the most promising and those the consultants should study further.

The Band Manager said that Arctic Red currently has a \$300,000 surplus of funds some of which could be used for investment purposes. Also, the community will have \$40,000 available in the annual budget as a means of matching equity invested in new

community businesses.

A few residents had dog teams, however it was noted they were primarily for racing purposes and would be the wrong kind of dogs for lengthy tourist excursions i.e.: the dogs could become 'ruined' for future rasing.

Directions for Local Tourism Development

In the past, there had been concerns raised by some Arctic Red residents about the affect tourism development would have on traffic flows to the community and possible disruption to prevailing lifestyles and traditional activities. For this reason we thought it would be useful to examine some of the alternatives for tourism development generally and to discuss some of their likely results. Accordingly, during our consultations, we considered various options for tourism development in the Arctic Red River area.

First, we outlined some general ideas for tourism development outside the community. Clearly, based on experiences in other jurisdictions, development of this kind would virtually eliminate all tourism traffic to the community, especially since, Arctic Red River is considered an intermediary destination (with Inuvik as a final highway destination).

The second alternative considered was a blended approach to local tourism development, whereby tourism products would be developed within and around the community. In the case of the community itself, we felt that better and improved tourism infrastructure such as a lodge facility and mini-museum would create a strong reason for tourists to visit the community. However, to ensure that additional traffic to the community was not disruptive to daily affairs, we suggested that land and water

- based tour packages be developed to accommodate tourists during their stay.

In short, given that Arctic Red has much to offer in terms of natural and cultural interests and that it is technically an intermediate destination, we feel that for tourism of any scale to succeed, there needs to be more tourism products, attractions and events which can be marketed to both highway and in - bound air package tour groups arriving in Inuvik. We feel, that in the absence of additional tourism **infrastructure**, such as a lodge and river tours, tourism development in Arctic Red River would be limited to the occasional tourist during the summer months. And, business travel to the community (technically part of the tourism marketplace) would likely continue as it has in the past, where for the most part business visitors plan their trips for less than a day (because of the lack of adequate accommodation). Thus, without a combination of tourism development within and outside the community, tourism based revenues for **local** businesses would be minimal.

Arctic Red River Tourism Resource Inventory

Introduction

With its unique location near point separation on the Mackenzie River and its pristine vantage point, high river on the adjacent embankments, the community of Arctic Red River has much to offer in terms of tourism resources. If protected and used properly, these resources could play an integral role in developing tourism business opportunities for local residents.

Tourism Related Natural Resources

To satisfy the interests of the naturalist and outdoor adventurer, the area is rich in flora and fauna, historic trail systems and an abundance of wildlife for the photographer. In particular, the Arctic Red River area, extending west towards the mountain range is well known for its large populations of moose. Further up the river, closer to the mountains there are also large populations of Dan's Sheep. Also, there is Walker Creek and Bluefish Creek which offer excellent recreational fishing for the fishing enthusiast. Here, **grayling** and northern pike may be caught using rod and reel. In the river valley, the historic and geologically fascinating burned-out coal seams may be viewed and photographed. These coal deposits burned for centuries, leave a red tinge to the Arctic Red River during the spring floods from the highlands.

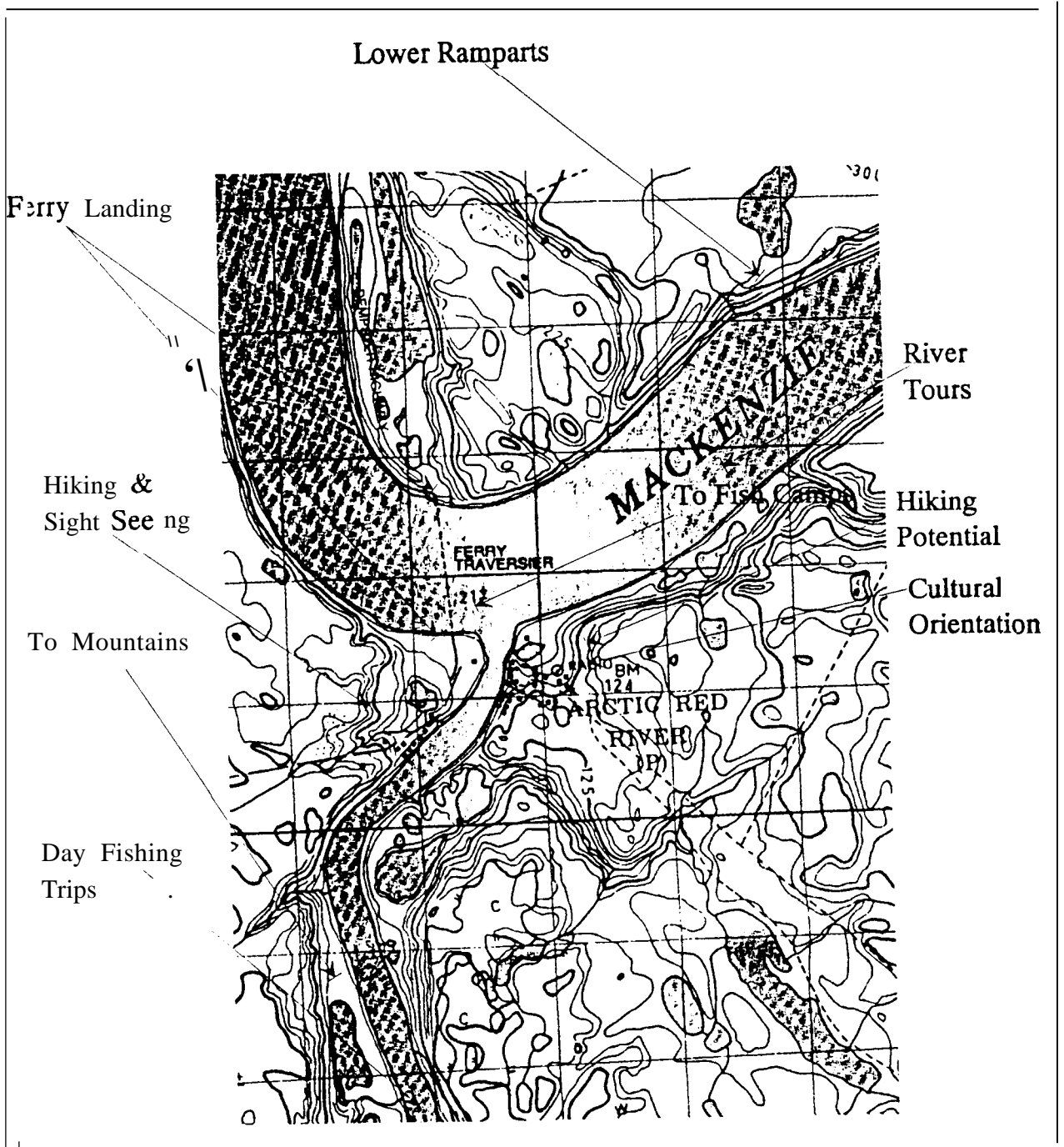
Other resources of interest to tourists include a rich and diverse bird population. In the general area of Arctic Red River, bald eagles, peregrine falcons, geese, ducks and

numerous land animals such as foxes, beavers and bears may be sighted along the river banks and creek estuaries.

Geography and Cultural Attributes

Around the community itself, there are numerous opportunities for experiencing both the Arctic Red Rivers and the Mackenzie River systems. The following map shows the interconnections of both rivers and the many opportunities and resources for tourism product development.

Regional Map of Tourism Resources



As the above map shows, the Arctic Red River watershed extends south and west towards the mountains, where there are excellent opportunities for visiting numerous historical sites, including the long abandoned site of Martin House (60 miles up the Arctic Red River), which was once a popular trading post for the region. Throughout the river valley there are excellent spots for hiking an experiencing truly pristine wilderness. As well, the Mackenzie River offers similar opportunities for boat excursions for sight seeing and experiencing summer fish camps to the north in the delta. To the south, the Mackenzie River offers excellent tour possibilities with viewing of the Arctic Red River ramparts and the much higher ramparts towards Fort Good Hope. Both rivers have good potential for developing days trips and extended boating tours for tourists visiting the community of Arctic Red River. In short, given its **location** at the intersection of the two rivers, Arctic Red is well positioned as a staging site for day tips and extended river tours to unique and interesting sites within twenty to thirty miles.

Also, from a purely geographic perspective, the community itself has a lot to offer the traveling public. For example, there is the old Catholic Church perched on a high ridge overlooking both the Mackenzie and Arctic Red Rivers which could serve as vantage and focal point for local history and culture. Operating since 1868, this mission played an important role of providing education to the **local** people and for introducing Christianity to the region during the early days of regional settlement. The Catholic mission site, in particular, offers an excellent view of the town and gives one an appreciation of the importance and influence the Catholic Church has had on the cultural and spiritual development of the community. From this vantage point one can also begin to appreciate the sheer vastness of the Mackenzie River valley and the delta to the north. With high river banks reaching heights of 50 feet above the river one is afforded an excellent opportunity to hike portions of the river bank on a relatively spartan, but nonetheless serviceable trail system winding in a southerly direction from the community. These trails would be an excellent starting point for

guided interpretive hiking tours of the general area and for day trips or for overnight camping for the more adventurous.

There is also an interesting history of the Gwich'in tribe and their trading activities with both the Inuit of the Mackenzie Delta, non-native free-traders and the Hudson's Bay Company which would indeed appeal to the traveling public. If researched properly, elements of the local history could be an excellent foundation for the development of a small museum and tourism interpretation center in the community. Indeed, one of the major shortcomings of most smaller northern communities has been the lack of resources to develop and maintain a museum of their history and culture. Recent travel surveys suggest that most, if not all, tourists rate "*native culture and history*" as very high on their interest scale. Accordingly, displays and exhibitor depicting the history and culture of the Arctic Red River people should be developed. Such material could be housed in central location (preferably a mini-museum) situated in a lodge or similar facility which would create destination interest at the community level.

Possible Designation as a National Heritage River System

Aside from the natural resources and history of the area, Arctic Red River is currently being considered for Heritage River status. It is being studied to determine whether the river meets the preset criteria developed by the Government of Canada. The purpose of the Heritage River program is to identify special river systems that have unique characteristics such that the natural and human heritage they represent is conserved and interpreted and the opportunities they possess for recreation and heritage appreciation are realized by residents and visitors to Canada.

Designation as a National Heritage River System would literally put Arctic Red River on the map, especially in the outdoor adventure and tourism world. Each year

canoeists from around the world seek out heritage rivers for recreational purposes. For example, the recent designation of the **Thelon** River in the Keewatin Region has done much to increase international awareness of the river as a wilderness canoe route.

The Mackenzie Mountains as a Tourism Resource

In the outdoor adventure tourism market segment, there is a growing interest in mountaineering, especially for locations which have never been explored or climbed in the past. Given Arctic Red River’s relatively close proximity to the mountains, it is conceivable the community could become known as a staging point for mountain climbing expeditions. Of course, before this becomes a reality, an inventory of prime climbing sites would be required, along with mapping of access points, etc.

To sum up, Arctic Red River has one of the most unique and spectacular settings of all the communities in the Mackenzie delta, and has excellent resources for tourism development. It also is ideally located near the Dempster Highway, but not on the highway, giving it a somewhat remote but accessible quality. While some **sceptics** have said that because of Arctic Red River’s lack of direct highway access, tourism development of any proportion would be virtually impossible there are numerous examples to draw from in other jurisdictions where a slight inconvenience in access has created interest and demand for what the site has to offer. We believe creating this special “allure” should be a primary objective of initial tourism plans-for the community.

Traditional Lifestyle/Culture:

Unlike many of the larger Delta communities, Arctic Red still reflects ^a ~~its~~ trading post character. The community also offers the tourist a rare opportunity to visit a native

Could you
27/12/01 - what is
the special
= Allure
about it?

community still dependent on hunting and trapping and a traditional lifestyle. For example, in the summer month many local residents have dry fish racks and fish camps in the vicinity of Arctic Red River, where many traditional processing methods are still used today. In the winter, (although not during the prime tourism season) one can observe local residents preparing their gear for the trap lines or pulling fish nets from the nearby rivers. Above all, given its traditional nature, Arctic Red River offers the tourist an opportunity to spend time in a quiet and peaceful surroundings, with the Mackenzie River and Arctic Red Rivers flowing by.

Strategic Location Near the Highway:

Although Arctic Red River is not situated directly on the Dempster Highway, the community can capitalize on the highway traffic by positioning itself as an attractive diversion for north and southbound traffic.

Tourism Markets:

Given its location near the Dempster Highway, Arctic Red is well positioned to take advantage of tourism development opportunities, in particular from the “rubber tire” traffic along the highway. Unfortunately, as noted earlier, there is very little developed tourism **infrastructure** in Arctic Red to capitalize on the highway traffic.

However, if the community did have more tourism products and services to offer there is **good reason** to expect that Arctic Red could capture a **good share** of the highway traffic. We also feel that with good product development and marketing Arctic Red could attract a portion of “in-bound” package tour participants passing through from Inuvik.

Recent Tourism Trends in the Western Arctic

The Western Arctic as a whole has seen encouraging growth in the total number of visitors to the region over the past decade. Based on the Western Arctic Tourism Strategy Report (1990) summer business and pleasure travel, combined, have increased every year since 1979, from an estimated 9,040 that **year** to 15,750 in 1989, for a total increase of 74% over nine years.

At the same time, the number of outfitters and package tour operators has been expanding to meet travelers’ demands for things to do and see once they arrive in the region. Based on the same strategy report, the number of travel-related businesses in the Western Arctic increased by 55% - from 31 in 1979 to 48 in 1988.

The same report indicated that tourism accounts for 40% of all travel throughout the

Western Arctic and business travel accounts for the remaining 60%, virtually all of it is air travel. Of the tourism portion of all travel, “rubber tire” traffic accounts for about 70%.

Based on a Northwest Territories Visitors Survey, Summer 1989, prepared by Acres International, the modern tourist is no longer the hunter or fisherman that once formed the bulk of tourists visiting the Northwest territories. Today, tourists visiting the NWT are more interested in a wider range of activities including non-consumptive activities where the tourist can “learn, observe and experience” all facets of their particular destination. For example, the survey revealed that the single most important feature for an NWT tourist is the scenery and land (61% of all tourists interviewed mentioned these features), followed by the people (23%), culture (14%), and nature and wilderness (9%).

Tourism Expenditures in the Western Arctic

The Acres study also indicated that tourists spent approximately \$53 million in the NWT during the summer of 1989 and that the Western Arctic region captured \$7.3 million or 14% of total NWT expenditures.

To further illustrate the importance of these expenditures in terms of market opportunities we present the following table taken from the Acres study (Page 3-45):

Western Arctic Tourism Expenditures By Category

Expenditures:	(1989 \$000's)	%
Transportation	1,519	21
Meals	665	9
Accommodation	927	13
Souvenirs	561	8
Tours	1,596	21
Other Items	2,052	28
Totals	7,320	100

According to the above table, the average tourist in the Western Arctic spends approximately 79% on local goods and services, with transportation costs absorbing another 21%. Within the goods and services categories they spend about \$665,000 on meals, \$997,000 on accommodation, \$561,000 on souvenirs, almost \$1.6 million on tours, and over \$2 million on other items such as hardware goods and supplies in the zone.

Based on the above, the following target markets have been identified for Arctic Red:

Dempster Highway Summer Road Traffic

Surveys at the Peel River Ferry crossing indicate that in 1987, more than 6,300 people made the two-day trek from the Yukon along the **Dempster Highway** to **Inuvik** in more than 2,000 cars, RVS, buses and small vans (See Ed&T report, *Motoring Visitors to the Northwest Territories*). The number of passengers and vehicles were

almost double the previously-static **Dempster** traffic volumes. The sudden jump in traffic in 1987 has been **attributed** to a convergence of several factors: road improvements; curiosity about the Arctic inspired by the NWT's Expo 86 Pavilion; a highway brochure and better road maps introduced that year; as well as increased tourism to the Yukon. The number of highway visitors has since declined somewhat, but there are still almost twice as many motorists crossing the Peel River Ferry than there were prior to 1986:

Dempster Highway Summer Traffic						
	1985	1986	1987	1988	1989	1990
Passengers	3,336	3,720	6,361	5,096	5,244	4,918
Vehicles	996	1,142	2,050	1,820	1,873	1,967

Thus we can calculate expenditures by the **Dempster** Highway Summer traffic if we assume that:

- 40% of regional expenditures (7.3 million) were by tourists or (40% X 7.3 million) = \$2.9 million;
- all of the rubber tire traffic in the region passes at some time along the **Dempster** Highway;
- 70% of all tourist travel was rubber tire traffic.

Thus, Dempster Highway Summer Tourism Traffic accounted for \$2.9 million X 70% or \$2.3 million of all regional expenditures.

If Arctic Red were to capture only 10% of the **Dempster** Highway Tourist Summer traffic it would generate \$230,000 for the community. This figure represents a **27%** increase in Arctic Red's total estimated community income (\$844,000).

Other Dempster Highway Traffic:

The business traffic along the **Dempster** Highway during the summer and the rest of the year consist primarily of transport trucks. It is expected that most of this traffic would continue to pass by Arctic Red preferring to reach their **final** destination as soon as possible. However, it would be possible to target some of the traffic for the following services: gas, short meals and coffee, telephone, rest stop, souvenir items.

It would also be possible to target government officials who visit Arctic Red on a regular basis and currently plan their trips so they can visit without overnighing. It is expected that a lodge offering meals would encourage these officials to at least overnight in the community if not longer. There might also be opportunity to host government workshops and small government conferences at the lodge.

River Traffic:

In 1990, during the summer, approximately ten groups of canoeists (mostly Japanese) passed through Arctic Red along the Mackenzie River, however most did not stay for any length of time in the community. If a small community camp site were made available it is quite likely canoeists would stay longer in the community for site seeing purposes including buying supplies and souvenirs.

There is also opportunity for the community to work with a Yellowknife boat tour operator who is planning luxury cruises (six guests per cruise) down the Mackenzie starting in 1991. If Arctic Red were to work with the operator, the boat could stop over in the community with guests taking guided walking tours and buying crafts.

However, the main opportunity for Arctic Red lies in developing and marketing canoeing packages along the Arctic Red and the Mackenzie since both would involve **outfitting** opportunities for local outfitters.

Air Traffic:

Given its proximity to **Inuvik**, and the **Inuvik** airport, **there** is opportunity for Arctic Red to capture some of the visitors who enter the region through the **Inuvik** airport.

Discussions with the **Inuvik** Regional Manager of Tourism have also confirmed that there would be opportunity to offer short one day and three packages to **Inuvik** conference participants. For example, in 1992 a number of major conferences are planned for **Inuvik** including the **Inuit Circumpolar Conference (ICC)**, Great Northern Arts Festival and Northern Games. The Manager also believes conference participants would likely be interested in short *wilderness or cultural tourism packages* based from Arctic Red since the community is close to **Inuvik**, very picturesque, has a strong cultural and traditional atmosphere, and is prepared to welcome tourists.

Assessment Of Community Tourism Infrastructure

During our visit to the community we conducted a tour of Arctic Red River with a view of identifying and evaluating all existing tourism infrastructure. From a purely tourism perspective Arctic Red River has tremendous geographic and cultural attributes, but extremely limited tourism infrastructure.

Sunshine Inn

Although the Sunshine Inn is technically a public accommodation facility, it really doesn't serve the tourism segment of the travel market. The Inn is simply an apartment with cooking facilities and caters primarily to government personnel traveling to the community.

Arctic Red River Campground

While there is no designated campground in the community, there is a highway day use area on a high piece of ground on the Dempster Highway, across the Arctic Red River. Unfortunately, this site does nothing to promote Arctic Red River as a stop over point. Indeed, while at the site travelers cannot even see the community and wouldn't know of its existence, except that tourism maps indicate its location near the ferry crossing at the Mackenzie River.

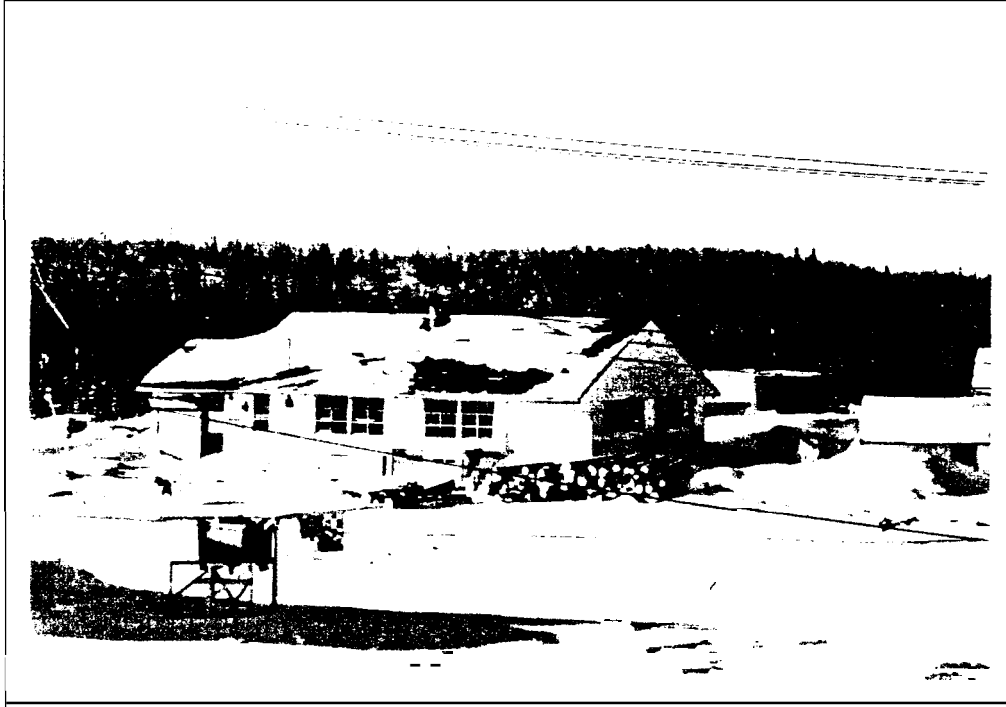
From a tourism perspective, it would be desirable to have at least a day use camp site in or near Arctic Red River.

Also the reader should note that the Department of Economic Development and

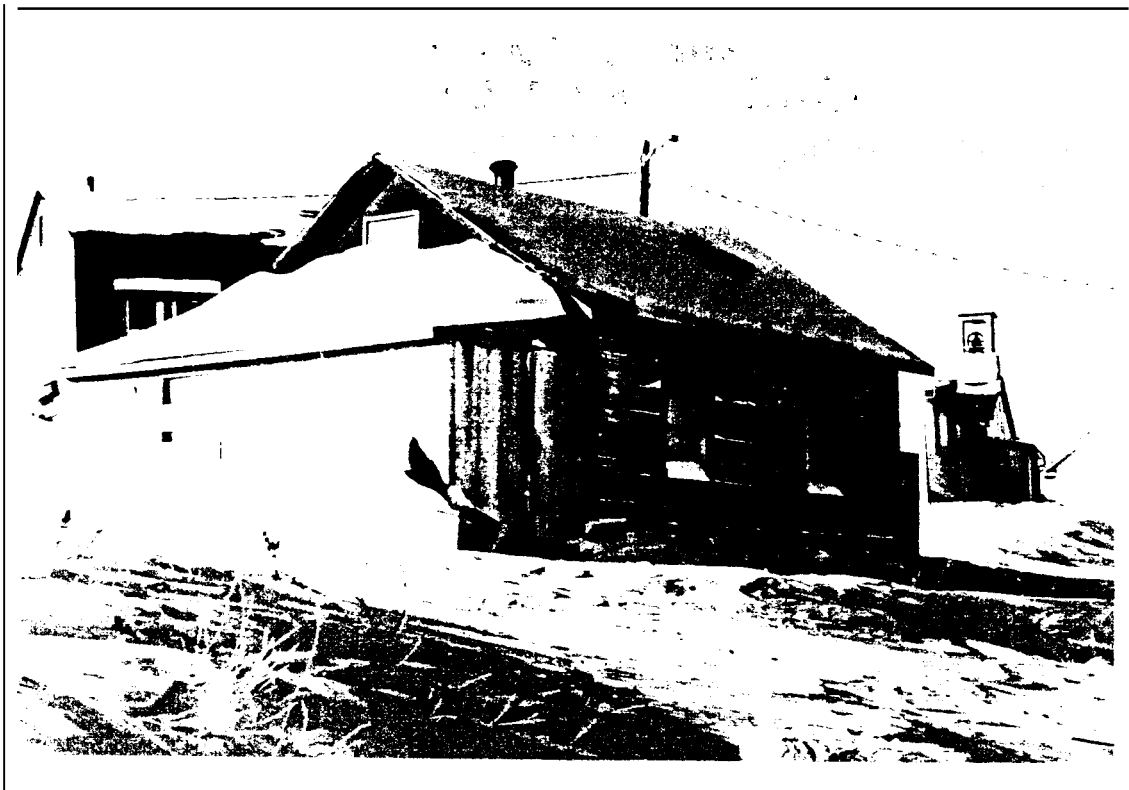
Tourism is planning to design and construct interpretive material for the look out tower site during the summer of 1991. Design consultants have already been contracted and they are expected to visit Arctic Red River and meet with interest groups regarding appropriate materials that should be factored into the overall design of this material. Given that the overriding objective of this plan is to increase tourism visitation and associated benefits for Arctic Red River residents we strongly recommend that any tourism interpretation material developed for the Lookout Tower site be aimed at increasing tourist visitation to the community.

Historic Buildings

Probably one of the more appealing aspects of the community is the number of small rustic buildings interspersed with more modern structures. The juxtaposition of these buildings gives one a sense of a community in transition: a community which has a sense of history and yet" has many of the modern conveniences.



View of Older Building in Arctic Red River

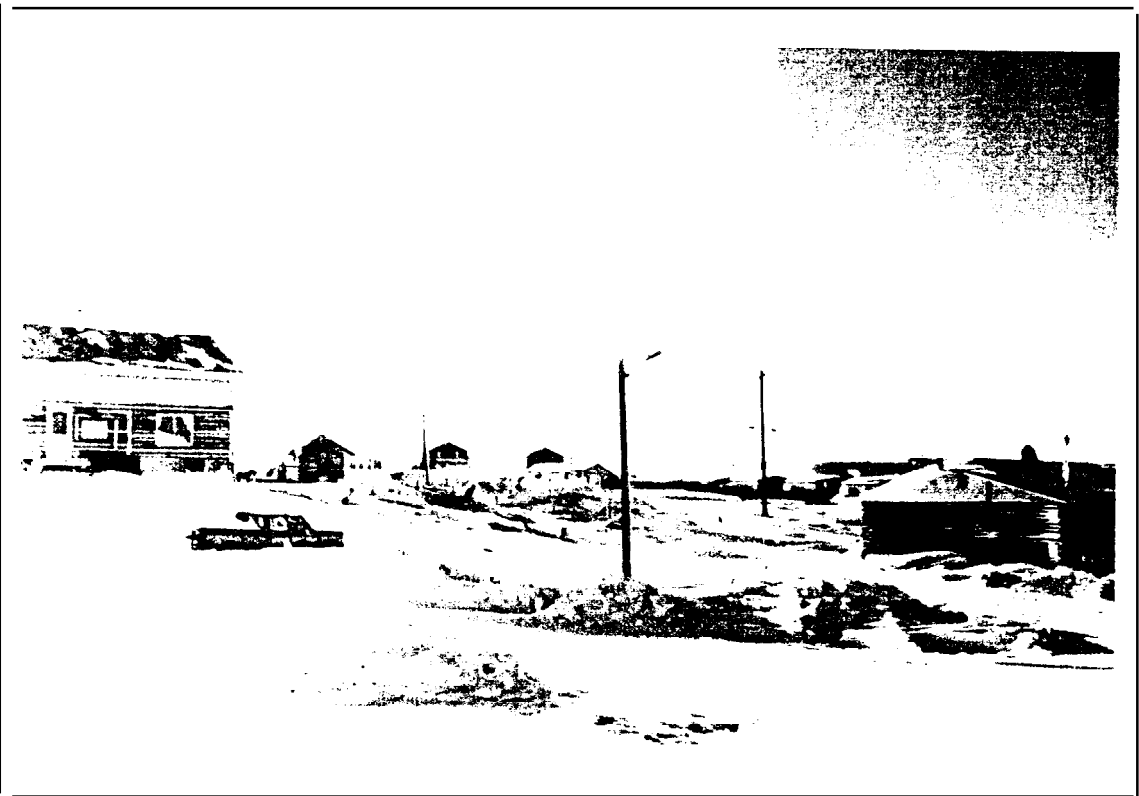


View of Older Buildings





View of Arctic Red River



Opportunity Identification & Assessment

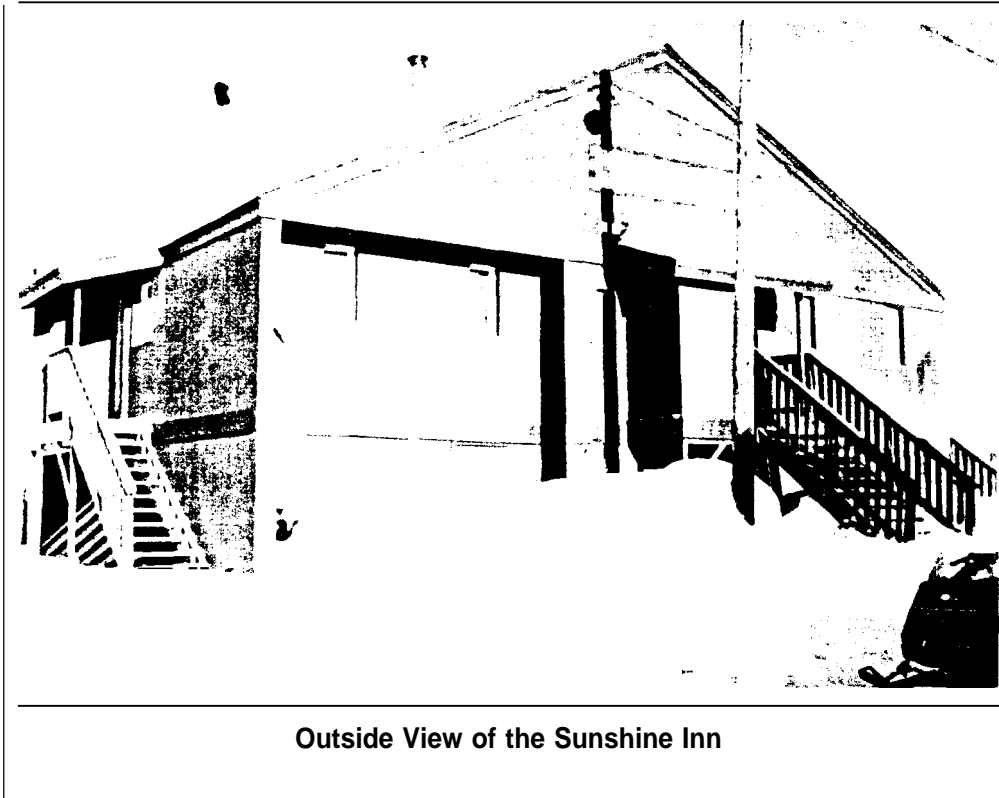
Based on the community consultation and marketing research, five opportunities were identified for **prefeasibility** analysis. The five opportunities are:

- Community Lodge
- River Tours
- Chip Wagon
- Craft Outlet/Mini Museum
- Taxi

Opportunity #1. Multi-faceted Lodge

Introduction

At the present time there are no tourism lodge/accommodation facilities in the community of Arctic Red River. While the Sunshine Inn (really a duplex located near the Band Council Offices: see photograph below) doubles as a hotel/lodge, it truly cannot be considered as a tourism accommodation facility. It is a modern duplex building which contains two apartment units. A community coin-operated laundry is situated mid-point between the two apartment units. To date, the Sunshine Inn has been used primarily by transient workers and government personnel for extended periods at a time. Virtually no tourists have stayed at the facility since its construction approximately five years ago, because many are not interested in sharing a room with other travelers. If a proper tourism accommodation facility were developed in Arctic Red River, the Sunshine Inn could be used for other purposes.



At best, public accommodation facilities, (let alone tourist accommodation facilities) in the community are extremely limited. During our visit to the community the Sunshine Inn served as quarters for the regional adult educator who was conducting local educational workshops. Accordingly, the facility was not available for use. Because of this there was no other commercially available accommodation for transient visitors. All other visitors either shortened their stay or sought shelter with local families. Indeed, Arctic Red River is in much need of improved public accommodation facilities that would service both the transient business traveller and with proper promotion and marketing the needs of the summer tourism traveling the Dempster Highway.

Project Description

Based on an assumed 10 percent market penetration rate of **Dempster Highway** tourism traffic and increased length of stay for business travelers to the community, we recommend a four room (8 bed night capacity) lodge facility of approximately 2650 sq. feet be constructed near the high banks facing the intersection of the Arctic Red and Mackenzie rivers. In the longer term, once the lodge has established itself in the marketplace, additional demand for accommodation could be served by tent frames near the facility. For guests staying in tent frames, prices would be adjusted to reflect the differential in accommodation. This location would be optimal as it affords a spectacular view of the lower ramparts and the route to point separation north of the community. As suggested earlier in this **report**, the lodge would house a small, but well appointed restaurant, mini-museum, arts and crafts outlet and a booking service for package tours of the Arctic Red River area. Thus, the following **profile** has been developed with the concept of a “multi-faceted” tourism establishment in mind.

Preliminary Market Analysis

In developing a preliminary assessment of the revenue potential for a small scale, full service lodge facility in Arctic Red River we considered four principle markets in our analysis. These included: the summer road and package tourists visiting the **Inuvik** region; the summer domestic **traveller**; the summer business **traveller** and the winter business and domestic **traveller**. As an add - on, we have also provided a very preliminary estimate of the conference/meeting market potential which could be pursued by the proposed lodge.

Summer Tourism Market

In the section dealing with tourism trends we noted that approximately \$2.3 million was spent by Dempster Highway tourists during the summer tourism season. We further noted, that at a 10 percent penetration rate, Arctic Red River could (assuming facilities were available) expect to receive approximately \$230,000 in additional community revenues. Using current estimates of desegregated tourist **expenditures**, this would mean \$20,700 in meal sales and another \$29,900 in accommodation receipts.

Using an average of \$85 per person night, these figures translate into an estimated demand of 352 bednights for the proposed lodge facility. Given an estimated prime tourism season of 92 days (Calculated: 15 days in June + 31 days in July + 31 days in August and 15 days in September = 92 days) we suggest that as a minimum four room, double occupancy facility be constructed. A four room configuration would accommodate tourism demand and it would also allow sufficient flexibility to absorb domestic non-business and business related travel during the summer months. Therefore, using this configuration, the highway tourist occupancy rate for the facility is estimated to be approximately 47.8 percent (352 bednights/736 total for season).

In addition to highway traffic, current research suggests that a properly designed, full service facility in Arctic Red River could attract additional tourism traffic from air package tours with **Inuvik** as a destination. Wholesalers are keenly interested in rounding out their products by adding short, but intensive cultural tours to native communities. With its easy access and close distance to **Inuvik**, Arctic Red River is well positioned to fill this void.

The concept here, would be to offer, as part of a larger tour package to the Mackenzie delta, a one day, overnight cultural excursion to Arctic Red River. Tourists would be

bussed to the community either by an Inuvik operator or more preferably by the operator of the proposed taxi business highlighted elsewhere in this report.

In Inuvik tourists would be presented with a map and accompanying literature on the historically, culturally and geographically interesting sites along the Dempster route to Arctic Red. Stops could be made along the way so that tourists could take photographs of the Campbell - Dolomite Hills range, the **Rengling** River escarpment and the high ridges overlooking the confluence of the Arctic Red and Mackenzie rivers. As well, tourists would be encouraged to take photographs at the Mackenzie River ferry crossing where they would have a **first** hand opportunity to view the lower ramparts of the Mackenzie River. Once across the river (by ferry) each tour participant would receive a **certificate** attesting to their voyage over the "**Mighty Mackenzie River**" in Canada's Arctic.

On this basis (and with proper marketing) we feel the lodge facility could capture at least another eight person nights per week, bringing the total summer tourist occupancy rate up to 60.8 percent $((352 + 96)/736 = 60.8\%)$. In terms of gross revenues this additional tourism segment would mean an additional \$8,075 in accommodation sales and \$5,589 in meal sales for the facility. In total, this would mean gross tourism revenues of \$37,975 for accommodation and \$26,289 or a total of \$64,264 for the summer tourism segment of the travel market. The reader should note, these calculations are based on a double occupancy configuration where tourists would be encouraged to share rooms, when necessary. Should this arrangement be unacceptable to the tourist and that all tourists are unwilling to share accommodation, gross seasonal revenues could be as low as \$32,132 $(.5 \times \$64,264 \text{ in summer tourism segment revenues})$. However, experience in other parts of the arctic has shown that most tourists are willing to "**go with the flow**" and share accommodation when necessary.

Domestic Summer Segment

In addition to the summer tourism market segment we believe there would be potential revenues to be captured from resident travel on the **Dempster** Highway, especially from Fort McPherson and **Inuvik**. While the revenue potential segment would likely be quite small, it would nonetheless represent additional income for the lodge facility. Conservatively, we believe the lodge could attract an additional 2 **bednights** per week from domestic traffic. This would represent another \$287 per week or \$3,452 (\$1,412 in meal sales and \$2,040 for room sales) in additional summer revenues.

Summer Business Travel Segment

As with most regions in the Northwest Territories, the summer is the busiest period for most construction activities and business travel generally. Given that Arctic Red River is not on the **Dempster** Highway and business travelers on the **Dempster** would have to make a special side trip to access the community, we feel it would be unrealistic to target efforts towards capturing a large portion of this market. Nonetheless, there is a small amount of business and government related travel to the community during the summer, which would represent potential accommodation and meal sales. Based on experiences in the community, there are at least 2 government officials traveling to the community each week. Based on comments from regional government officials, we feel that a full service lodge facility would increase the length of stay of government travelers and would capture 100 percent of this **market** during the summer and winter seasons. Thus, at a conservative rate of 2 **bednights** per week we estimate another \$2,040 in accommodation and \$1,410 in meal revenues for the lodge. In summary, summer business travel could mean an additional \$3,450 in revenues.

Winter Market for Accommodation and Meals

Another market segment we feel that would generate sales for the facility is the winter (off-season) business **traveller**. Generally composed of government personnel and to a lesser extent private contractors in the region, this market should not be discounted because it could represent a steady cash flow for a part-time operation during the winter months.

Based on historical travel patterns to the community, we feel it would be realistic to expect, on average, at least 4 **bednights** per week during the winter period (excluding break-up of the Mackenzie River). This would translate into another 128 **bednights** of accommodation. Accordingly, this would mean an additional \$10,880 in accommodation sales and \$7,530 in meal sales for the lodge facility.

Conference/Meeting Market

In addition to the conventional tourism and business **traveller**, there may be some potential in capturing the regional convention and meeting market. While this segment is particularly volatile, in so much as it is dictated primarily by government budgets and spending cycles, it could nonetheless supplement the facility's revenue stream. As such, we feel (given the number of land claim related meetings and government retreats) that a lodge facility in Arctic Red River would have an excellent chance of capturing a large portion of this market. Key advantages Arctic Red River has to offer are: it does not have a liquor establishment; it is somewhat secluded and is conducive to productive professional development seminars and business meetings; and it has easy access to major centers such as **Inuvik**.

Although we have not carried out extensive research on this particular market segment, we feel that a realistic goal of the lodge would be to host at least one full

occupancy meeting every two months during the winter. This would result in another 75 bednights demand with accommodation revenues of \$6,375 and \$4,412 in meal sales. In total this would augment annual revenues by \$10,787 for a grand total of \$100,365.

Summary of Estimated Total Tourism/Travel Market Potential

Based on the foregoing (preliminary) estimates of market demand we summarize gross revenues for the proposed lodge facility as follows:

Summary of Accommodation and Meal Revenues By Major Market Segment

Markets:	Bed Nights	Room Revenue	Food Revenue	Total Revenue	Percent
Summer Tourists	448	\$37,975	\$26,289	\$64,264	64.03%
Summer Domestic	24	2,040	1,412	3,452	3.44%
Summer Business	24	2,040	1,412	3,452	3.44%
Winter Business	128	10,880	7,530	18,410	18.34%
Conference/Meeting	75	6,375	4,412	10,787	10.75%
Totals	624	\$52,935	\$36,643	\$100,365	100.00%

Thus, on the basis of the above table, one gains a more complete perspective on the relative magnitude and importance of each specific travel market segment. During the summer tourists would account for approximately 64.03 percent (\$64,264) of

accommodation and meal sales, with an additional 6.88 percent (\$6,904) being generated by business and domestic regional travelers. Winter business is expected to represent 18.34 percent of gross revenues or \$18,410 during a 12 month operating period.

Regarding design and operation issues, the table also highlights the need for a facility with flexibility: ***one which can be closed and opened at a very short notice.*** With approximately 71 percent of all potential business being generated during the summer months, we recommend the lodge only be operated as a full time service during the summer. During the winter the facility could be opened on an “as needed” basis, thus eliminating full time high operating costs during the winter months.

Revenues

On the basis of the above market estimate, annual accommodation and meal revenues for the proposed facility are \$100,365. In addition, factoring in arts and crafts revenues (\$23,400 - see section dealing with arts and crafts and mini-museum) it is possible total revenues for the lodge could be as high as \$123,765. The reader should note that although we believe this level of sales is a target only, and its attainment will depend on several critical requirements. These include:

- an excellent facility; one which is designed and located in such a way that tourists can begin to appreciate the spectacular beauty of the Lower Ramparts and the Arctic Red River valley;
- a good range of “add - on products” that would complement the facility and would increase visitors’ length of stay in the community;
- excellent management capabilities and a good operational/business plan which can

be followed from the beginning to full scale operations;

- a well thought out marketing strategy along with a dynamic product development plan;
- realistic business goals and expectations.

We believe all of these elements will be essential for creating a successful lodge facility in Arctic Red River.

costs

Based on current tourism establishment regulations, we present some of the more important aspects of the minimum requirements for any non-tent camp facility designed to accommodate the public.

- 1.) For each room designed to accommodate 2 persons there must be a minimum of 13.5 square meters (or 145.26 square feet) of “clear living space”. Clear living spaces means all space in each room, excluding closets.
- 2.) Each bedroom in a tourist establishment shall have an aggregate unobstructed glass area of not less than 5 percent of the floor area of the room served, but in no case less than 750 mm in any dimension;
- 3.) Where common toilet facilities are provided, the number shall be one for each sex for 7 rental units, and one for each sex for each additional 7 rental units or fraction thereof.

Accordingly, a four room (double occupancy) hotel facility, with a restaurant and

lounge (non-alcoholic) area would require a total of 2,650 square feet, broken down as follows:

Summary of Design Parameters for the Lodge

Rooms	@ 800 square feet
Hallway	@ 150 square feet
Kitchen	@ 200 square feet
Restaurant	@ 300 square feet
Lounge/Conference room	@ 450 square feet
Washroom (2)	@ 200 square feet
Entry and common areas	@ 300 square feet
Crafts Outlet and Mini-museum	@ 250 square feet
<hr/>	
Total Requirements	2,650 square feet

Using known construction cost estimates for the **Inuvik** region, we therefore estimate the total capital cost of the lodge to be about \$275,000 (turn-key), including furnishing and fixtures for each bedroom and lounge area.

Pre-Feasibility

In determining the **pre-feasibility** of this undertaking, we have made several assumptions concerning the project's financial mix and operations. These are outlined as follows:

- 1.) Given that Arctic Red River has no tourism establishments and the risk involved in developing the proposed lodge is quite high, we have assumed that maximum

contribution assistance would be provided by the GNWT Economic Development and Tourism business development program for Level 3 communities. Given the facility is expected to create at least 4.5 jobs (Operations Manager, Cook, Housekeeper/Assistant and Crafts Sales Person) in total (including other business activities in the facility: see description of other opportunities), we have factored in a contribution of \$225,000. This means the lodge proponent would contribute \$25,000 and the local Band Council would provide a matching contribution of \$25,000. Given the relatively high risks involved with the undertaking we have not factored in any long term **debt**. Given that virtually no tourism infrastructure has been developed in the community and no real benefits from tourism activity have accrued to local residents, a strong argument for a large government contribution could be made.

- 2.) Further, we have assumed the lodge would be operated “full time” between June and September, with operations limited to an “as required basis” during the winter months. Correspondingly, operating costs for the facility are much lower than would be expected for a twelve month operating period.
- 3.) As the arts and crafts and mini-museum would be physically located in the lodge complex, we have assumed their net revenues would accrue to the lodge owner/operator. In reality, this may not be the case, if another proponent is willing and able to take on the responsibilities of owning and operating this business.

Projected Revenues and Expenses for the Proposed Lodge Facility

Room Sales	\$59,310
Meal Sales	41,055
Crafts and Museum Sales	23,400
Gross Revenues	\$123,765
Cost of Goods Sold (meals)	16,422
Cost of Goods Sold (crafts)	7,800
Gross Operating Margin	\$99,543
Operating Outflows:	
Wages (Hotel)	\$ 43,729
Craft Production	15,600
Water and Sewer	3,000
Utilities	3,000
Maintenance	1,500
Advertising and Promotion	2,000
Accounting and Legal	1,200
Depreciation	11,250
Total Operating Outflows	\$81,279
Pre-tax Profits	\$18,264

Employment

As noted in the previous section, the proposed lodge facility would create at least 3.5 jobs for residents of Arctic Red River. Income generated from these positions is in the order of \$60,000, with another \$29,514 being generated as pre-tax profits for the owner/operators of the facility.

Training

To successfully operate the lodge and accompanying services (including an outfitting business for river trips in the area) we feel it would be important for the owner/operators to have excellent management capabilities as well as a genuine desire to provide host services to the traveling public: in short, good people skills would be essential pre-requisites.

To ensure that cooks and assistants are adequately prepared for hospitality work, we recommend that selected individuals be provided with a hospitality training course. This type of training can be obtained through the GNWT Department of Education or arranged through the Canada Employment and Immigration Department.

Potential Economic Benefits

Aside from being a focal point for tourism development in the community and the creation of several new businesses (and associated wage income), the proposed lodge facility (if managed successfully) could indeed, put Arctic Red River on the map, especially in the tourism world. Given the Dempster Highway's continuing appeal in the adventure travel segment, and Arctic Red River's close proximity to the highway, there is every reason to expect that the development of a "first - class, small scale tourism establishment" in Arctic Red River would set the stage for increasing the

community's profile in the tourism marketplace, domestically and internationally.

Another often overlooked, but important socio - benefit of a new business development in smaller, northern communities is the example it could provide to other aspiring entrepreneurs with their hopes and desires to get ahead in the community. Often the only prospects for creating additional employment in northern communities is through **small** scale business development, based on the right blend of local natural and human resources. In the case of a new lodge facility in Arctic Red River, a real and tangible example of an integrated tourism and business development project could be launched.

Another benefit of the lodge facility would be increasing the length of stay of business and government personnel in the community, thereby (presumably) increasing the level of services available to local residents.

Opportunity #2. River Tours

Outfitting Services for River Tours

As noted in the preceding section, the addition of a lodge facility to Arctic Red River's community infrastructure would indeed create a focal point for a host of new and exciting tourism products. With Arctic Red River's close proximity to the Mackenzie and Arctic Red Rivers and the wide range of interesting natural and cultural resources in the immediate area, river tour packages would be a prime opportunity for developing an **outfitting** service for tourists traveling the **Dempster** as well as in - bound package tourists arriving in **Inuvik**. With proper packaging and linkages with tour wholesalers we believe there would be real potential in attracting tourists from **Inuvik** to Arctic Red River for river tours and related cultural attractions and events.

Project Description

The concept of a river tour outfitter would be to capture mainly (although not entirely) **Dempster** Highway tourist who might be interested in day trips, or even extended trips, on the Mackenzie and Arctic Red Rivers.

Proposed river tours include: short day trips up to **Jackfish** and Bluefish Creeks on the Arctic Red River and south of the Lower Ramparts on the Mackenzie River. Although an exact inventory of possible sites has not been undertaken to date, local knowledge of the area suggests that both rivers have tremendous potential for day trip, excursions by boat.

Preliminary Market Analysis

As indicated in the section dealing with trends in the tourism traffic in the **Inuvik** Region, there were approximately 15,750 tourism and business travelers on the **Dempster** Highway during the 1989 tourism season. Although complete figures are not available for 1990, recent highway surveys indicate that 1,967 vehicles with 4,918 visitors **travelled** the **Dempster** Highway during the 1990 summer season. With this volume of potential traffic, there appears to be good potential for developing small, river based tour packages for highway visitors and package tourists in bound for **Inuvik**.

This observation is also supported by industry experts and observers, who have stated “any relatively short duration, low - cost, high quality side trips to points of interest in the Arctic Red River would be a real asset to already established tour packages, and they would likely sell well to *"off - the - street" traffic* on the **Dempster** Highway”. Industry experience has shown (in the **Inuvik** region) that the more “add - on” tourism products there are at destination points, the more saleable larger tour packages are in the market place. In short, tourists want a full agenda when they travel and they want value for money. Above all, they want an interesting visit which allows them to experience, learn and observe the northern landscape, the people and **their** cultures.

If one assumes that at a minimum, Arctic Red River could lure at least ten percent of the total number of travelers on the **Dempster** Highway to the community, they could expect somewhere in the order of 490 potential patrons. If we further assume that 20 percent of these people would be interested in taking a tour of the area, this would yield 98 customers. Adding another 3 percent of package tourists (a large market indeed) arriving in **Inuvik** by aircraft (calculated on the basis of previous trends in package tour and air tourists to **Inuvik**) results in another 300 tourists or a

total of 398 tour participants during the summer tourism season. If one assumes 75 percent would be interested in day trips and the balance would be interested in longer, more adventurous trips, we find a potential market split of: 298 possible day tips and 99 tips of extended duration (say, up to three to four days). Of course, these figures could increase significantly (or decrease) depending on the uniqueness and quality of service, etc. offered with each tour package. Given that these trips are only at the conceptual stage at this point, the reader should note that the above numbers are targets only, and in actual practise, **first** year market penetration would likely be much less than suggested here.

Revenues

If one assumes that day trips were priced at \$100 and three day (2 overnights) were sold at \$275, one could expect a total of \$54,550 (excluding direct charges) in seasonal revenues from the operation. This would be composed of \$29,800 for day trips and \$24,750 for extended river trips.

Costs

To adequately outfit a tour company for short and long river trips (based on 4 passengers per tip) would require at least three 16 foot (preferably aluminum) boats and motors, along with approved safety and camping equipment. In total, we estimate at least \$35,000 would be required to purchase adequate equipment for the venture. Also, another \$15,000 to \$20,000 would be required for product and site development, along with a small amount for marketing (brochures and promotional materials). In total, development costs for the undertaking would likely be in the range of \$55,000 to \$60,000.

Pre-Feasibility

On the above basis, we provide preliminary estimates of the **pre-feasibility** of providing river tours in the Arctic Red River.

Gross Revenues	\$54,550
Direct Operating Costs	\$38,185 (of which \$16,365 is for guide wages)
Tour Host Wages	\$12,000
Depreciation	\$3,850
Pre-tax Profit	\$ 515

Employment

On the basis of the above (preliminary analysis) we estimate the 2,5 jobs would be created by the river **tour outfitting** company. Of course, except for the facilitator/host position, all other jobs created would be a function of seasonal sales. Guides would be hired on an ***“as required basis”*** and would be paid accordingly.

Training

As with any new tour outfitting company we feel (given the lack of fully trained tourism personnel in the community) guide training courses would be required to meet licensing conditions of the Department of Economic Development and Tourism. As well, a training course for tourism hosts would be a real asset. Such a program would acquaint management and staff with the general expectations of tourists. As well, such a program would also provide insights on how to deal with the public in a wide variety of situations and provide methods for problem management.

As well, at the broad community level, a tourism hospitality and awareness training

seminar might be useful to condition **local** residents on what to expect from tourists in their **community**, how **they can play an** important role as an tourism ambassador and host. Above ail, such a training seminar should demonstrate the positive benefits tourism activity can generate if managed and controlled within a proper framework.

Potential Economic Benefits

Again, aside from the additional **2.5** jobs and \$29,000 in direct wages to local residents, we feel that the development of an river tour outfitting business in Arctic Red River could **lead to an** increased profile for Arctic Red River in both the package tour and (touring) adventure tourist market segments. Above all, such an enterprise would be a good **example** of where the combination of local resources **and** knowledge of the area can be **packaged and developed into** a viable business undertaking (if developed and marketed properly).

Opportunity #3. Chip Wagon/Promotional Vehicle

Project Description

In addition to the previous opportunities, to capture **Dempster** road traffic **food-souvenir** expenditure a chip wagon would be established on the Fort **Mcpherson** side of the **ferry** crossing to operate during the summer. The wagon would sell a number of food products to tourists waiting for the ferry including: french fries, hot dogs, soft drinks, slush, ice cream, coffee, and confectionery products (chocolate bars, gum, etc.). Some novelty items would also be carried including: postcards, sun glasses, tee shirts and the “mosquito trap”.

The chip wagon would also serve as a promotional vehicle and the wagon owner/operator would be expected to provide a community **brochure** to all tourists making purchases. Maps of the community and the area would also be available.

It is expected that the chip wagon would be filled with food products at the start of every day from food purchased beforehand and stored in the community. If required during the day the wagon would be resupplied by returning to the community. At the end of the day the wagon would return to the community to overnight.

During the rest of the year, the chip wagon would be used at special events in Arctic Red and other communities in the region.

The wagon would be purchased from a southern supplier - e.g. **Condon-Barr** Food Equipment Ltd., in Edmonton.

Market Analysis

As noted earlier a total of 1,967 vehicles or 4,918 passengers passed by Arctic Red during the summer of 1990. The traffic included both tourist and business travelers (primarily transport trucks). It is expected that food products would be sold to both groups while souvenir items would be sold almost exclusively to tourists.

During the rest of the year, the wagon would also be used to cater special events in Arctic Red - e.g. Arctic Red Carnival - and special events in other regional communities. These events would include:

Event	Location	Time
•Top of the World Ski Championship	Inuvik	February
•Beluga Jamboree	Tuk	Spring
•International Curling Bonspiel	Inuvik	March
•Midland Music Festival	Mcperson	Summer
•Hockey Tournaments	All Comm.	Winter

Revenues

If we assume because of the “uniqueness” of the service a higher target market than 10%, say 20% of all passengers traveling the highway would purchase at least \$10 worth of food products and souvenirs we can calculate total revenues for the chip wagon from this one source as follows: $20\% \times 4,918 \times \$10 = \$9,836$.

We can also assume that during the rest of the year an additional \$25,000 in sales

would be generated from other events.

Thus total projected revenues would be $\$9,836 + \$25,000 = \$34,836$.

costs

Discussions with a sales representative (**Mr. Don Swain**) at **Condon-Barr** Food Equipment Ltd. in Edmonton **confirmed** that the company could provide a chip wagon for an estimated \$50,000 (see attached description at end of section.)

Employment

One PY of employment would be created.

Training

A local resident would have to be trained in fast food meal preparation and serving. This could be done by having a **local** resident work on sight with an existing chip wagon operator in the south or alternatively arranging for a trainer to visit the community to undertake the training. Canadian Executive Services Overseas (**CESO**) might be able to identify and arrange for a trainer to visit the community. ED & T officials can be contacted to make these arrangements with **CESO**.

Pre-Feasibility

It is assumed that no debt would be incurred in the project and all required funds would be obtained from a combination of client equity and contributions from ED & T and the local settlement council.

It is assumed that food sales would account for 90% of all sales. Also, based on discussions with the sales representative at Condon-Barr, it is assumed that food products would be costed using industry guidelines: **labour** 25% of sale price; and food cost 30% of sale price. Gasoline and propane have been assumed to cost \$150/month or \$1,800 per annum. Discussions with the Fleming Agency in Yellowknife have confirmed that insurance would cost \$1,800 per annum. The wagon has been depreciated over five year period or \$10,000 per annum.

It is assumed that souvenir items would account for 10% of all sales and have a 200% markup.

Thus, projected income from the project would be as follows:

Revenues:

Food	\$31,352
Souvenir	3,484
Total	34,836

Expenses:

Food Labour	8,373
Food Cost	10,048
Souvenir Cost	1,240
Gasoline/Fuel	1,800
Insurance	1,800
Depreciation	10,000
Total	19,661

Net Income: \$1,575

Economic Benefits

The project would create one PY of employment and generate \$8,373 in wages and \$1,575 in income (before tax) for the owner/operator, a total of \$9,948. On a cash flow basis the owner/operator would have additional \$10,000 from depreciation per annum. The wagon would also provide a means of promoting and attracting tourists to the community thus generating further income for others in the community.

Opportunity #4. Craft & Souvenir Outlet/Mini Museum

Project Description

A craft and souvenir outlet would be established in the community lodge to sell products priced under \$100 that would appeal to tourists driving the Dempster Highway. Suggested products would include:

Locally produced crafts:

- Beadwork
- Silk & Wool Embroidery
- Hair Holders
- Jewellery items - e.g. earrings, rings, broaches
- Small Chain Purses
- Small Carvings
- Moccasins

Imported products:

- Collector Tea Spoons
- Postcards
- Northern Books
- Posters
- Lapel pins

- Tee Shirts
- Glasses
- Novelty Items - e.g. “mosquito trap”

The craft and souvenir outlet would also have on display and for sale more expensive fur products - e.g. hats, mukluks and gloves - and a few select carvings in the \$100 to \$300 price range. These products would be of superior quality and would be prominently displayed. A notice would advertise to tourists that special orders could be taken if size or style were not available.

It would be important not to have a large inventory of these higher priced items since it is expected that volume sales would not be sufficient to justify carrying a large inventory.

Locally produced drawings incorporating **Gwich'in** themes, stories or scenes of Arctic Red and the surrounding area might also be produced, silk screened and sold to tourists.

It is expected that many of the locally produced items would be produced in the recreation/craft centre that the community is planning on building with ED & T assistance over the next year.

A mini museum would also be established in the lodge and would be incorporated into the craft and souvenir outlet. The mini museum would have on display items that would interest tourists including artifacts, old photographs, a story board on the community's history, **Gwich'in** clothing, church **memorially**. A short fifteen minute video presentation on **Gwich'in** culture and history might also be developed and incorporated into the museum.

Funding to establish and operate the mini museum might be obtained from a number of government agencies including ED& T and the Federal Government, especially if Arctic Red River were designated as a Heritage River.

It is expected that the craft and souvenir outlet/mini museum would be established together in one location in the lodge and would require total space of 250 sq. ft.

Market Analysis

Primary demand for arts and crafts and souvenir items would come from tourists driving the Dempster Highway during the summer. Some purchases would also be made by government officials and workshop participants over the course of the year.

The assistant manager of the **Inuvik** Chamber of Commerce felt that products that the **craft/souvenir** outlet should carry include label pins, miniature ulu knives, some fur products (hats and gloves), and unique novelty items like the “mosquito trap” which last year in **Inuvik** sold very well.

The ED & T Regional Arts and Crafts Officer felt that the above products listed would sell, however the lodge would have to take an aggressive stance in merchandising products ie: selling products to tourists by directly approaching them rather than leaving tourists alone to pick and choose in the outlet. This was particularly important for more expensive items - e.g. fur hats, gloves and **mukluks**.

The owner/manager of an **Inuvik** store (Max News Stand) said that most tourists are not interested in expensive items such as high priced carvings and costly fur products. Rather tourists were interested **in** low budget items they could bring back for their friends and relatives such as lapel pins selling for \$3.99 and tee shirts selling for \$10.00. She therefore felt the above list of products identified for sale in the outlet

would do well. In regards to fur products, she would only keep a small number on hand.

The craft and souvenir outlet/mini-museum would be **identified** as a separate attraction on highway signs promoting Arctic Red. The outlet will also be promoted in brochures given to tourists at the ferry crossing and the visitors **centres** in Inuvik and Dawson City.

Revenues

As identified in the market section, the average tourist in the Western Arctic spends 8% of total expenditures on souvenir purchases. Since Dempster Highway tourist expenditures in Arctic Red have been targeted at \$230,000, we can calculate that souvenir purchases would be $\$230,000 \times 8\% = \$18,400$.

We also estimate that an additional \$5,000 in sales would be obtained from other visitors staying at the lodge throughout the year including government officials and conference/workshop participants.

Total projected revenues would therefore be $\$18,400 + \$5,000 = \$23,400$.

costs

Capital costs would be as follows:

Craft/souvenir display cabinets	:\$1,500
Lighting:	500
Mini-Museum displays:	8,000
Inventory/working capital:	5,000

Total \$15,000

Employment

It is expected that the community lodge staff would assume responsibility for operating the craft and souvenir outlet/mini museum. Thus, there would be no additional direct employment created from the project in the lodge. Part time work however, would be created for local arts and crafts producers, including younger residents who would work on craft production at the recreation/craft production centre and at home.

Training

Training would be required for younger residents to produce various craft products including earrings, rings, broaches, beadwork, small chain purses, small carvings, and embroidery work. It is expected that a local resident or outside trainer could be contracted to provide the required training. Funding for the workshops could be obtained through ED & T.

Pre-Feasibility

It is assumed that no debt would be incurred in the project and all required funds would be obtained from a combination of client equity and contributions from ED & T and the local settlement council.

It is also assumed that products would have a 200% markup.

Depreciation of display cabinets, lighting& museum displays (total \$10,000) has been

calculated over 10 years on \$1,000 per annum.

Thus, projected income from the project would be as follows:

Revenues:	\$23,400
cost:	7,800
Depreciation	1,000
Net Income:	\$15,600

Economic Benefits

The project would create part time employment for local arts and crafts producers. The project would generate \$14,600 in income (before tax) for the lodge and income from purchases for local arts and crafts producers. The production and sale of arts and crafts would assist in developing and revitalizing the arts and crafts industry in the community.

Opportunity #5. Taxi

Project Description

A taxi would be established in Arctic Red to transport residents to and from **Inuvik** for health services, shopping and visiting. The taxi would also be available for hire from residents of Fort McPherson who wished to visit Arctic Red or **Inuvik**. In addition, it is expected that some older residents in Arctic Red would hire the taxi for transportation within the community.

The taxi would be a mini-van with capacity for six paying customers or, alternatively, four customers with the extra space used for additional cargo.

Market Analysis

A resident of Arctic Red operated a taxi in the community four years ago. The owner/operator said that when he operated the taxi he averaged four tips per week, with 2-3 customers per tip. He estimates that if a taxi business were established in Arctic Red there would be a current demand in excess of six group trips per week to **Inuvik** from Arctic Red residents and some demand for the service from residents of Fort McPherson. He also estimated that older Arctic Red residents would spend in total an average of \$100 per week on taxi trips within the community.

Revenues

Inuvik taxi operators (Delta Cabs) charge \$150 for a trip between Arctic Red and Inuvik, and \$200 for a trip between Fort Mcpherson and Inuvik. The Fort Mcpherson AEDO has indicated that taxis in Fort Mcpherson charge the same rates. It is assumed that the Arctic Red taxi business would charge similar rates.

Assuming, between Arctic Red and Inuvik, 6 trips per week or 300 trips per annum, revenues generated per annum would be: $300 \times \$150 = \$45,000$ per annum.

Assuming, between Fort Mcpherson and Inuvik, 1 trip per week or 52 trips per annum, revenues generated per annum would be: $52 \times \$200 = \$10,400$

Assuming, additional revenues of \$100 per week for trips within Arctic Red, revenues generated per annum would be: $52 \times \$100 = \$5,200$.

Total revenues per annum would therefore be: $\$45,000 + \$10,400 + \$5,200$ or \$60,600.

Costs

Delta Ford Mercury have confided that a Ford "Arrowstar" with seating for six passengers would cost \$22,000.

Employment

One PY of employment would be created.

Training

A local resident would have to be trained in basic record keeping, and basic promotion and marketing. This could be done by having the Fort Mcpherson AEDO provide on site advice to the **owner/operator**.

Pre-Feasibility

It is assumed that the owner/operator would finance the project with 10% equity, 70% contribution, and 20% in the form of a small loan.

Based on the above assumptions and Statistics Canada ratios for the Northwest Territories Taxicab industry, projected income from the project would be as follows:

		NWT Taxicab Ratio
Revenues:	\$60,600	100.0%
Expenses:		
Depreciation	7,514	12.4
Repairs & Maintenance	3,030	5.0
Insurance	1,818	3.0
Fuel Expense	4,484	7.4
Business Tax	181	0.3
Bank Interest/Charges	787	1.3
Professional Fees	242	0.4
Total Expenses	18,056	29.8
Net Income (Before Tax)	\$42,544	

Economic Benefits

The project would create one PY of employment and generate \$42,544 in income (before tax) for the owner/operator. The income earned would be more than sufficient to meet debt servicing on the loan principal (20% X \$22,000 or \$4,400); indeed the loan principal of \$4,400 could be payed off in its entirety in the first year. Residents would have a taxi service readily available within their own community.

Summary of Economic Benefits

The following table represents a summary of economic benefits that would be realized for Arctic Red residents if the five projects were developed. As indicated in the following table, a total of 8 **PY's** of employment would be created (including part-time jobs). Revenues generated would likely be in the order of \$273,751 and a total of \$139,917 in wage income would be created as a result. In addition these projects would provide a starting point for promoting development of the community's tourism industry, promote development of the community's arts and crafts industry, and providing a required taxi service in the community.

Summary of Economic Benefits from Tourism Businesses

	PY's	Part Time	Wages	Sales
Lodge	3		\$55,000	\$100,365
River Tours	2.5		\$29,000	\$54,550
Chip Wagon	1		\$ 8,373	\$34,836
Craft/Mini-Museum		0.5	\$ 5,000	\$23,400
Taxis Service	1		\$42,544	\$60,600
Total	7.5	0.5	\$139,917	\$273,751

On the above basis, it is clear that the proposed lodge facility would figure prominently as a larger employer in the community, especially if the river tour outfitting services were combined with lodge operations. As a combined enterprise these operations would likely capture about \$155,000 in revenues and pay out a total of \$84,000 in direct wages to residents of Arctic Red River.

Implementation Strategy

Given the importance of the proposed lodge as a catalyst for overall tourism development we feel its development should receive top priority in the context of this tourism planning process. Accordingly, we have ranked all other tourism business opportunities as follows:

Action Item One: Facilitate Development **of the Lodge**

Description

Lodge proponents should formally apply to the Department of Economic Development and Tourism for a **contribution** towards the costs of establishing the facility. As well, prior to submitting a funding request, construction and operating costs for the facility should be confined, once a final design is known.

Responsibility

The lodge proponents should take the lead in initiating an application to the Government. Assistance in completing the application may be provided by regional tourism and business development personnel. The application should be targeted at the new GNWT Economic Development and Tourism Business Development Fund contribution program for level three communities. The reader should note that under the program, businesses in level three communities - relatively small communities whose economies are linked to renewable resource harvesting - are eligible for contributions up to a maximum of \$250,000, based on \$50,000 per person year of

employment. Under the program a person year of employment is defined as a job “where the employee receives at least \$12,000 per year”.

Timetable

June, 1991

Action Item Two - Formation of a Community Tourism Development Committee

Description

While there appears to be an informal group of people interested in tourism development in the community, there is really no central agency responsible (other than the GNWT Department of Economic Development and Tourism) for initiating and promoting tourism related activities in Arctic Red River. To further increase tourism’s profile as an economic activity and to ensure related opportunities are developed in the future we recommend that a small tourism development board (or committee) be established. Membership for the group could be drawn from the community at large and perhaps from the Band Council. Organizationally, the group would be an independent body, with an informal reporting relationship to the Arctic Red River Band Council.

The mandate of such a group would be to ensure that tourism opportunities are identified, evaluated, developed and promoted in a logical and orderly fashion. The group could also play an important role by ensuring that community tourism development priorities are communicated to the proper government departments and that specific projects are identified on an on-going basis for funding. A good example of this would be tying in community tourism development priorities with the GNWT

Department of Economic Development and Tourism's annual capital and operational planning cycle.

Responsibility

Band Council along with assistance from the Department of Economic Development and Tourism

Timetable

We recommend that the group be established as soon as possible so that it may take an active part in assisting and monitoring the implementation of this tourism business development plan.

Action Item Three - Identify Proponents and Develop Other Tourism Related Businesses

In addition to the lodge, residents of the community have **identified** four other businesses that could be developed which would cater to tourist traffic. These include: a mobile chip wagon; taxis service; arts and crafts **shop/mini-museum** and package tours of the Mackenzie and Arctic Red rivers. While various individuals in the community have expressed interest in these businesses actual proponents should be identified as soon as possible, so that initial product development and packaging can begin (especially for the river tours). Once proponent have been identified, funding submissions should be developed and submitted to the appropriate agencies (GNWT Business Development Fund and the Aboriginal Business Development program administered by CAEDS).

The reader should note, that for each new tourism business we have assumed that

almost all of the funding would be in the form of **contribution** assistance from government programs. Given the limited amount of tourism and general economic development in the community this level of financial support is justifiable.

Responsibility

Members of the Band Council, and the proponents, in conjunction with the Regional Tourism Manager and Area Economic Development Officer.

Timetable

Following the adoption of this report, a meeting should be held in the community to identify proponents of these businesses. This should take place sometime in June 1991.

Action Item Four - Improvement of Community Infrastructure

Description

Aside from initiating the development of the above tourism businesses, considerable work needs to be done on improving tourism related infrastructure in the community. Based on our findings outlined in the section dealing with the existing tourism plant, we outline seven areas where improvement should be made. These include:

- Develop and Community Theme, eg. - "***Where the Rivers Meet***" and incorporate this theme into all stationary and promotional literature on the community;
- Develop a walking trail system and map which could be used by tourists and tour guides in the community;

Develop “story boards” for select buildings and sites in the community which would provide a brief history and interesting notations to educate tourists on the community;

Develop and implement a training program for community hosts;

Train more residents as guides for outfitters;

Develop several interpretive sites and provide “story boards” along the river bank and proposed trail system so that tourists could better understand and appreciate the natural surroundings and history of the Arctic Red River area.

Responsibility

With its programs targeted specifically at community tourism infrastructure, the **Department** of Economic Development and Tourism could take the lead in initiating the above projects. Indeed, a combined effort of ED&T and the proposed tourism committee would likely yield the best results for improving tourism related tourism infrastructure.

Timetable

We feel the above items could be done using a phased approach. Initially, work could proceed on community imaging and developing a trail system throughout the community and surrounding area. This would complement the lodge facility, where the trails could begin and terminate. In essence, the lodge could be the focal point (or staging area) for tourist. From here, the trail system could be accessed and tours of the community could begin.

Appendix I

Residents & Non-Residents Interviewed

Residents

Chief Peter Ross
Louise **Lennie**
Wayne **Lennie**
Frank Lyndsay
Gabe Andre
Morris Blan
Margaret Donovan

Non-Residents

Maureen Bundgard - ED & T
Randy Patrick - ED & T
Ron **Cruickshank** - Heritage Planner

Questions Asked

Settlement Council

1. What do you see as the main opportunities and constraints to tourism development in Arctic Red?
2. Is there strong community support for tourism development in the community?
3. What new tourism businesses should be started in the community? Why?
4. Are there individuals in the community prepared to start their own business? Who are they?

Individuals

Individuals were asked question #1 to #3. As well, they were asked if they would be prepared to start identified businesses and assistance they felt they would need.