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Western Arctic

Tourism Strategy

Draft Volume 6

Prefeasibility **Studies**

Western Arctic Visitors Association

Economic Development and Tourism

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1. INTRODUCTION

"You mean you can really drive to the Arctic, sounds like a winner whats' there to do when you get there?"[1]

Despite his total lack of knowledge of the Western Arctic this gentlemen succinctly summed up the region - its product (the Arctic), its potential (a winner) and yes its problem - (what to do when you get there?).

The Western Arctic has product. And while it too easily conjures up adjectives like "unique", "diverse", "world-class" and "pristine" it does offer:

- o the only public highway to the Arctic - with a short flight to the Arctic Ocean;
- o diversity of cultures, including all 3 native cultures as well;
- o diversity of scenery, including mountains, a major Canadian river and delta, barren lands and ocean coastline;
- o world-class adventure such as wildlife observation on Banks Island, canoeing the Firth River, photography on Herschel Island, contacting native culture in Fort Good Hope and Paulatuk and trophy fishing on Great Bear Lake; and
- o pristine wilderness, Richardson Mountains, Northern Banks Island and Anderson River.

It would also seem to be a winner. In recent years and especially the 1987 season growth rates in most market segments achieved astonishing high levels.

Leading the increase in visitation and in revenues was the stellar performance in the recreational vehicle segment which grew by approximately 60% over 1986. Improved conditions on the Dempster

Highway, the affects of the N. W. T./Yukon pavilions at Expo '86, improved maps and promotion brought unprecedent numbers of vehicles to Inuvik. This growth also led to phenomenal increases in flightseeing, particularly to Tuktoyaktuk and Aklavik. Although the projected "tourism crisis" did not materialize in 1987, campgrounds were frequently filled to near capacity and retail outlets benefited.

More specifically tourism came into its own as an industry. Tuktoyaktuk was not exposed to the normal 100 tourists but instead 1,500 and Aklavik which knew very little of tourism saw 800 pass through the community. The growth was also part of a new and powerful trend towards adventure travel. While this rapidly emerging tourism segment has been experiencing 20% growth in the south for the past 5 years these markets are only starting to discover the north where similar growth rates are evident in the Yukon, Dawson City and Alaska. The particular element of the adventure traveller that is most appropriate to the Western Arctic is the casual category and particularly those that are recreational vehicle operators. This segment will continue to drive volume growth in the Western Arctic over the next 5 to 7 years.

Finally there is the issue of "what is there to do when you get there?"[2] At this time there are not enough activities and products to meet the demands of the markets. Consequently one of the objectives of this document is to indicate what can be done to satisfy existing markets as well as continue to attract new customers. The Master Plan has also gone beyond the simple identification:of development opportunities, based on perceived market demand," and provided on site, hands-on information on how to develop product.

The tourists will continue to come in great numbers despite what happens in terms of marketing and product development over the next 5 years. What this study addresses is the long term via- , bil ity of a healthy tourism industry for the region based on ' qualified and quality tourism development.
This will require extensive:

- o private/public capital investment;
- o realistic and targeted marketing;
- o extensive hospitality training;
- o ongoing technical assistance in terms of product development and marketing; and
- o commitment by the government, WAVA and the private sector.

These final five points have been described in great detail in virtually every Regional Master Plan to be produced in the Northwest Territories. There is no need to go into further detail other than to underline that where the requirements have been met, such as in the Baffin and the Keewatin regions, real growth has been realized.

If that commitment is shown, the economic impacts will be many times greater than those two regions (Baffin, Keewatin) combined.

The Western Arctic can become the number one tourism region in the Northwest Territories. Overall investment in this area will yield a greater return" than in other regions and monies, particular government expenditures to defray construction and start-up costs will be paid back many times as the industry continues to grow.

1.1 METHODOLOGY

The Action Research Approach

The study was characterized by an action research approach that placed emphasis on:

0 providing ongoing technical assistance to operators throughout the region in terms of:
   - product design
   - product strategy
   - marketing advice
   - pricing;
o meeting with wholesalers who were interested in selling the Western Arctic; and
o responding directly to requests by steering **committee,** Economic Development and Tourism and **WAVA** members. This has included everything from attending the regional economic conferences to having articles in trade magazines.

The purpose of the approach was to:

o heighten the level of tourism industry understanding at the operator level where it is most important;
o assist the operators with their basic concerns about product development and marketing;
o accelerate the rate of product development in order to respond to the immediate growing demand and interest in the region;
o create a positive atmosphere for tourism development and elevate' the status of the industry in a region that has been dependent on oil and gas for so many years; and
o establish a base of information at the operator and wholesaler level that will support the industry during the ongoing implementation "of the study.

During the process there were substantial changes in the regional tourism industry that are directly and indirectly a result of this action research approach. It resulted in:

o **greater** involvement by many operators in **WAVA** and the regional travel industry;

- a basic core of operators that could respond to many of the existing demands of travelers to the Western Arctic;
- approximately one dozen wholesalers who are preparing to put tourists into the region by 1988; and
- a confidence in a number of operators that can count on technical assistance to assist them in the growth and promotion of their product.

1.1.1 The Steps

1. Development of Community Awareness

Initial meetings were held in 12 Western Arctic communities in the fall of 1986 to heighten community awareness and to introduce each community to the opportunities offered by tourism development.

2. Inventory and Analysis of Resources

An inventory of all existing and potential resources was completed. The inventory included the natural, cultural, historical, community, and human resources of the overall Western Arctic region and each community. In addition, the interest of each community in tourist development was assessed. At this stage, the study team identified the urgent need for technical assistance with individual operators.

3. Assessment of Markets

Existing and potential target markets were assessed, markets were classified by activity segment. The market analysis was based on a detailed review of the literature, consultations with government officials and in depth interviews with private operators in southern and northern Canada.

4. Assessment of **Community** Carrying Capacity and Product/ Market **Matching**

Existing tourism-related resources and the ability of communities to accommodate tourism growth (community carrying capacity) were matched with existing and potential markets. Matching potential products and markets provided a preliminary estimate of tourism visitation as well as potential development opportunities.

5. Selection of Alternative Development Themes/Concepts

Matching resources with existing and potential markets suggested several development images - e.g. MacKenzie, Dempster Highway, Arctic Ocean, **Inuit,** Dene, etc. These images, in turn, suggested two development themes for the region. Both the **'Accessible** Arctic' and 'Mighty Mackenzie' were selected as the preferred themes because the region is already strongly identified with the Mackenzie/Dempster access and they differentiate the region from other **N.W.T.** tourism zones.

Arctic Coasts theme

6. Tourism Conference

In the spring of 1987 a Regional Tourism Conference/Workshop was held. It stimulated additional interest in the industry.

7. Formulation of the Development Strategy

The development strategy was formulated, including the development principles to be employed, development opportunities, travel products, and marketing strategies to be pursued, and other requirements for successful implementation. The development strategy identified three broad areas requiring concerted action: **community** awareness and training, product development **and marketing.**

8. Work on Product Development and Marketing

Further work was conducted on the two action areas under the strategy and plan: product development and marketing.

9. Formualtion of Implementation Plan

The formulation of the implementation plan involved final ranking of the development opportunities, identification of roles and responsibilities of different actors, the preparation of development projects, assessment of the feasibility and implementation requirements of each product, development of project costs and preparation of the implementation schedule.

10. Evaluation of Economic Impacts

The potential effects of the strategy and plan were evaluated on a range of economic indicators. Indicators included tourism expenditures, employment, personal income, business development and taxation.

1.2 STUDY PRODUCTS

The results of the study are presented in the following six volumes:

Volume 1: Executive Summary
Volume 2: Tourism Strategy
volume 3: Background Report
Volume 4: Dempster Highway Development Plan
Volume 5: Western Arctic Visitors Centre Development Plan
Volume 6: Prefeasibility Studies

This volume, Prefeasibility Studies presents the results of the prefeasibility studies which were conducted as part of the product development. They include:

Fort McPherson Visitors Service Centre
- Fort Franklin Fishing lodge
- Inbound Operator in Inuvik; and
- Package Tour Development.

2. FORT MCPHERSON VISITORS SERVICE CENTRE

2.1 INTRODUCTION

2.1.1 Background

In 1979, John Diefenbaker's "Road to Riches" was completed. Stretching 750 km across largely unglaciated landscape from Dawson City in the Yukon to Inuvik, Northwest Territories, this new highway was called "The Dempster" after corporal W.J.D. Dempster of the North West Mounted Police. The Dempster is the only highway in North America that crosses the Arctic Circle and allows the automobile traveller to reach the Mackenzie River Delta, on the shores of the Beaufort Sea and Arctic Ocean.

Fort McPherson is situated on the east bank of the scenic Peel River, approximately 540 km north of Dawson and 210 km south of Inuvik. This historically and culturally rich Loucheaux Indian community has a population of approximately 700 people. The first trading post was established along the Peel River in 1840, and twelve years later moved to the present townsite location which was then named after the Hudson Bay company's chief trader, Murdoch McPherson. In 1958, Fort McPherson was established as the centre for the Anglican Church's work in the Western Arctic. The Klondike Gold Rush throughout the Yukon brought thousands of prospectors through Fort McPherson in 1897. Their intent was to hire local Dene guides to take them over the mountains to the Yukon. In the early 1900's, Fort McPherson was an important RCMP post. It was from there that the famous Lost Patrol departed on its way to Dawson in 1910. The four members of the patrol perished while trying to return to Fort McPherson. They are buried along the Peel River and a monument stands in the townsite in recognition of their bravery.

The people of Fort McPherson today are known for their sense of pride in local culture. Several of the residents have become involved in regional, territorial and national politics and quality canvas products are manufactured in the community produce.

2.1.2 Purpose

Fort McPherson is the first Northwest Territories and Western Arctic community which travelers encounter when going up the Dempster Highway towards Inuvik. Currently, there are no facilities between Eagle Plains (180 km to the south) and Inuvik (210 km to the north). As a result, the 390 km distance, which requires 5 to 6 hours of driving time, depending on road conditions, is long, tiring, dusty and a possible deterrent to some travelers. Therefore, Fort McPherson is a prime location for welcoming visitors to the Western Arctic and providing them with an opportunity to rest, obtain necessary goods and services and participate in local and native tourist activities. With over 6,000 travelers on the Dempster at present and a 370% increase / High? to some 22,000 by 1993, (see Section 4). A suitable Fort McPherson visitor service area would be an integral tourism component of the Dempster Highway's short/immediate term development and would provide a valuable revenue generator to the community.

The purpose of this study is to define, evaluate and design the most appropriate and profitable Fort McPherson Visitor Service Area based on the following three objectives:

- o to maximize its strategic location on the Dempster Highway;
- o to provide essential services to the rapidly expanding visitor traffic on the highway; and
- o to increase visitation and expenditure in Fort McPherson.

An analysis of existing facilities in Fort McPherson and Dempster Highway Visitor information/service centres plus insight into the typical Dempster Highway traveller will provide the basis for the summary and recommendations on meeting these three objectives.

2.2 EXISTING FACILITIES AND SERVICES IN FORT MCPHERSON

This section outlines those facilities and services of interest to tourists and currently existing in or near Fort McPherson. When addressing the feasibility of the proposed visitor service area, it must be recognized that certain existing facilities may have to be modified slightly and/or relocated in order to respond to market opportunities.

Restaurants - there is currently one restaurant in Fort McPherson. The facility provides cafeteria style service and its current capacity is 20-25 persons. It is conveniently adjacent to Al Wheaton's Store, however tourists must drive to the community center to use its services. ?

Motels - there is a transient centre in the community above the Wheaton Store. This facility has a capacity of approximately 6-8 persons. , It only provides basic sleeping facilities. The Cariboo Motel (currently closed) can accommodate approximately 6 to 10 persons per night. Although this motel is closed, it is anticipated that it may open at any time, should it be required for special occasions. In addition to the Caribou Motel, there is a “bed and breakfast” arrangement currently in operation in the community. It can accommodate up to 6 persons per night. There are plans for expansion of the bed and breakfast service to include an additional 3 rooms.

Camping and Picnic Area - there are no camping facilities in or adjacent to the townsite. The closest is Nutuiluie Park, located 8 km south of Fort McPherson at the Peel River crossing. It has 20 campsites, picnic sites quarters and an attractive visitor information booth. There are also several campgrounds north of the Mackenzie River but closer to Inuvik.

Tavern Lounge - there are currently no drinking establishments in the community.

Service Station - there are two auto service stations in Fort McPherson. One station located close to the main roadway into town is owned and operated by the Incorporated Band. The station offers minor service and repair facilities (tires, air and gas). A second gas outlet owned by Al Wheaton, is located more centrally in the town. Due to its central location, it has captured most of the local market for gasoline, despite its higher prices. Two other private mechanics do vehicle repair work in the community and one specializes in tire repair.

Grocery - the Bay Department store and the Wheaton Service Station sell food items.

Gift Shops - the Fort McPherson Canvas Shop offers a range of quality canvas products produced locally. There is a small arts and crafts shop in the Administration Building at Fort McPherson. Most visitors are unaware of this shop due to its low, visibility and lack of promotion.. There are also small arts and crafts displayed throughout the community in the Hudson Bay and Co-op store. There are virtually unadvertised and not well patronized.

Cultural/Heritage Displays and Centre - there are currently displays and exhibits in the local school and the language/cultural centre. These exhibits have excellent potential for attracting local residents; however, they are somewhat dispersed and poorly located for access by non-resident markets.

Tourist Sites/Activities - sites of historical interest to Fort McPherson visitors include the Anglican Church and the Lost Patrol Monument. The local canvas factory/shop and cultural/heritage displays and centre have the potential for attracting tourists. At present there are no organized activities such as independent or guided walking tours available for tourists stopping for a look around the community.

In order to hold tourists in Fort McPherson, attractions and activities such as a stable and visible arts and crafts outlets, a museum or community tours must be organized. Since Fort McPherson lies off the Dempster Highway a roadside facility or kiosk could capture visitor interest and encourage them to stop and obtain , information on the community.

2.3 EXISTING VISITOR SERVICE CENTRES/AREAS ON THE DEMPSTER HIGHHAY

A look at the two major existing visitor centres on the Dempster Highway will provide insight on what services are currently available and what may be lacking and could thereby be fulfilled by the Fort McPherson Visitor Service Area.

2.3.1 Dawson City/South End

Corresponding with overall tourism growth in the Yukon, Dawson at the south end of the Dempster Highway has experienced substantial increases: in the number of visitors it receives. Tourism visitation was close to 50,000 in 1986, representing just over 10% of the 486,000 total visitors to the Yukon.[1] The actual number of visitors to Dawson City during 1987 was 60,000 giving an impressive 35% growth.

The recent "streetscape" program to make Yukon communities more attractive to visit has created a conveniently located and appealing Visitor Reception Centre (VRC) in Dawson City. In addition to providing general information to visitors, the receptionists are dressed in historical costumes and VRC encompasses a theatre which offers a variety of ongoing tourist activities. As a result, the VRC has actually become an attraction in itself so that up to 75% of all Dawson City visitors are said to drop in at some point.[3] Registrations have increased from an annual average of 34,000 in the years from 1984 to 1986 to 46,000 in 1987.

In 1987, WAVA sponsored the hiring of a fourth receptionist at the Dawson City VRC which made the delivery of Dempster Highway and Western Inuvik area information much more efficient and knowledgeable. The Dawson City VRC is an indication of what might be achieved at the Fort McPherson Visitor Service area on a smaller scale. With the number of potential Dempster travelers passing through the VRC it is important for all Dempster-related tourist service facilities to supply the centre with their marketing information.

2.3.2 Inuvik/North End

Inuvik, the northern most destination point along the Dempster Highway has also experienced significant growth in tourism visitation over the last few years. Total tourist traffic to the Western Arctic was approximately 5,000[4] in 1986 and was over 7,700[5] in 1987 (an increase of 71%).

In terms of attendance at the Inuvik Visitor Centre (IVC), registration surveys at the Inuvik (IVC) indicate that at least 75% of these travelers are coming by rubber tire and could therefore be potential Fort McPherson visitors on their drive north, south or both ways. However, the propportion of visitor registrations to total visitation is low (30%) compared to that of Dawson City. This low attendance is partially attributed to the fact that the IVC building itself has limited appeal as a tourist attraction. In addition its location is less central, hours of operation are shorter and fewer visitor activities are planned than in Dawson City. There were only 2,200 registrations during the period from June 17 - August 29, 1987. Nonetheless, as efforts are made to offer more visitor activities through the IVC both the centre and the community benefit greatly. For example, 1987 visitor registrations did increase 70% over 1986. That was also the first year that the Denji Native Corporation organized a Summer Culture Event Program in Inuvik. Three scheduled events per week for a total of nineteen different programs involving music entertainment, northern foods and special events were offered. Employment was created for 120 local people and enough interest, enthusiasm and participation was shown by residents and visitors alike that in 1988 an admission fee may be charged in order to generate some revenue back into the program.

Antler Aviation, based in Inuvik, offered air excursions to Tuktoyaktuk and Aklavik for the second year in a row and reported 88% and 500% growth rates respectively.

Other activities now being offered through the IVC are walking tours, slide shows and church igloo tours, all of which act to enhance and consequently lengthen tourists' experience in the region. Recognition of these principles should prompt both the IVC and the proposed Fort McPherson visitor area to set attendance goals at 75% of visitor volume.

2.4 MARKET ANALYSIS

Based on the mode and purpose of travel, rubber tire is by far the largest travel market to the Western Arctic, representing between 80% to 84% of total tourist traffic to the region. The majority to Fort McPherson are clearly rubber tire and therefore, the only market segment to be analyzed here with respect to the proposed Fort McPherson Visitor Service Area.

Rubber tire tourism traffic is defined as all vehicle traffic and includes four sub-segments based on the type of vehicle. As Table 2.1 indicates, the R.V. segment represents the largest proportion of visitors (74% in 1987) and this is expected to increase nearly 300% by 1993 due to intensified target marketing and continued improvements to the highway. The bus tour segment will experience more moderate growth.[6]

2.4.1 Volume

In 1987, approximately 6,400 "rubber tire" travelers drove along the Dempster Highway between Dawson and Inuvik. Table 2.2 displays actual visitor volume for each of the four segments from 1985-1987 and market projections for the years 1988 to 1993. Of particular significance is the degree of growth exhibited between 1986 and 1987, a total of 71%.[7] This phenomenon is attributed to the interest and awareness sparked in the north during Expo '86 in Vancouver, major improvements made to the condition of the Dempster Highway during 1986 on the Yukon side and overall improved awareness of the highway. Some travelers may have

TABLE 2.1

RUBBER TIRE **SUB-SEGMENTS**

	1987	**1993***
Recreational Vehicles (R.V. 'S)	75%	81%
Automobiles	13%	14%
Bus/Coach Tours	11%	4%
Small Vans	1%	1%
TOTAL:	**100%**	**100%**

* projected

TABLE 2.2

ACTUAL AND PROJECTED DEMPSTER HIGHHAY TRAVELERS*

	ACTUAL			PROJECTED					
	1985	1986	1987	1988	1989	1990	1991	1992	1993
Recreational Vehicle	2,625	2,625	4,815	5,906	7,677	9,980	12,475	15,594	17,933
Automobile	515	515	850	1,027	1,335	1,735	2,168	2,710	3,116
Bus/Coach Tour	600	580	649	690	750	810	870	930	990
Small Vans	N/A	N/A	47	83	113	143	173	193	230
TOTAL:	3,740	3,720	6,361	7,706	9,875	12,668	15,686	19,427	22,269

Source: Western Arctic Tourism Strategy Interim Report: Phase 2 Market Analysis (Revised October 1987).

* Based on average party size of 2.8 per vehicle from 1985 Dempster Highway Exit Survey.

turned back at the sight of major highway construction and then returned to try again in 1987.[8] As a result of these factors and the activities of the present Western Arctic marketing strategy which will focus on Dempster traffic and its association with Dawson City, rubber tire is expected to continue at an average annual growth rate of 26% , between the years 1987 to 1992 before it begins to slow down (expected 15% from 1992 to 1993). The total increase in the number of rubber tire visitors projected for the six year period is 270%.

2.4.2 Profile

The 1985 Dempster Highway Exit Survey plus an analysis of the Inuvik Visitor Centre's 1986 and 1987 visitor registration books (Table 2.3) indicates that in descending order, Western Arctic Visitor's origins are as follows:

1. Canadian - the four major provinces are B.C., Alberta, Ontario and the Yukon.

2. U.S.A. - the western and eastern states represent the largest proportions especially California, Alaska, Washington, Florida and Texas.

3. Overseas - Germany, Switzerland and to a smaller degree Australia and Japan are key countries.

Other data obtained from the 1985 Dempster Highway Exit Survey and the 1987 Inuvik Visitor Centre Registration survey makes it possible to develop a typical Dempster Highway Traveller Profile:

- o average party size is 2.8 travelers per vehicle;
- o 35-45% are 41 years or older (IVC suggests average age may be decreasing);
- o the proportions of professional and skilled labourer occupations and retirees are fairly equal at 20-25% each;
- o close to 50% earn incomes greater than $40,000.00 per annum;
- o average length of stay (travel on the Dempster to Inuvik and back) was 3 nights/4 days in 1985 but appears to have increased in 1987 as IVC indicates 67% of registrants spent 2-3 days in Inuvik alone;

TABLE 2.3

DEMPSTER TRAFFIC: POINT OF ORIGIN

	1985 DEMPSTER EXIT SURVEY		1986 INUVIK VISITOR CENTRE REGISTRATION		1987 INUVIK VISITOR CENTRE REGISTRATION	
		% Total		% Total		% Total
Canada	Z Can.		% Can.		% Can.	
N.W.T.	N/A		6		5	
Yukon	19		4		8	
British Columbia	34		25		31	
Alberta	21		22		19	
Ontario	13		24		27	
Other Prairie	8		10		4	
Other Eastern	5		9		3	
	100%	58	100%	43	100%	45
United States	% Us.		z Us.		% Us.	
Western	39		34		55	
Midwest	24		9		10	
Mideast	20		22		13	
Eastern	17		35		22	
	100%	38	100%	30	100%	34
Europe	% Europe		% Europe		% Europe	
West Germany	50		25		36	
Switzerland			43			
Great Britain	50		9		11	
Others			23		53	
	100%	4	100%	25	100%	19
Other	% Other		% Other		% Other	
Japan			12		15	
Australia			54		51	
Others			34		34	
	100%		100%	2	100%	2
		100%		100%		100%

- average per person expenditure was $209.45 or $52.00 per day in 1985. This is estimated to have increased to $70.00 in 1987.[9]; and
- five activities dominate visitors' interests, namely camping, shopping for crafts, visiting museums/historic sites, nature study and fishing. These can all be categorized as either outdoor or heritage related, perhaps indicating how most tourists view the Northwest Territories.

As a result, Dempster visitors are typically older and have the time and money to spend at various visitor attractions during their travels. The fact that length of stay has increased in recent years can largely be attributed to the greater number of visitor activities available in Inuvik and the surrounding communities. Similarly, longer visitation in Fort McPherson could be expected with the development of a visitor service centre on the highway. The areas of interest noted by Dempster tourists are themes that Fort McPherson could provide.

Additional comments from the 1985 survey indicates that Dempster travelers seek improved road conditions and services, information outlets and activities. These needs were confirmed by recent interviews with several R.V. caravans operators which also indicated that there is concern over the Dempster Highway's safety in terms of its road conditions and facilities, especially gas pumps, and that there is a general lack of information (both before and while on the highway), activities and festivals.

Another potential market group to be attracted to a Fort McPherson Visitor Service facility is the bus/coach tours and small van segment. Bus tours typically consist of 50 to 60 year old, retired or semi-retired. Bus tour groups consisting of 20 to 30 travelers generally like to stop every 3 to 5 hours to give their passengers a chance to stretch their legs, buy snacks, souvenirs, etc. Small van scheduled and unscheduled tours offer a group of 6 to 12 travelers the flexibility to stop at points of interests. Since the closest service centre is a 3-5 hour drive in either direction, both van and bus groups would likely welcome a stop at Fort McPherson. In order to attract these markets, the food and services must be appropriate competitively prices.

2.5 PROPOSED PRODUCT

The preceding analyses indicate that a visitor service area (VSA) at Fort McPherson could be a viable undertaking given that it meets the needs of the marketplace and is thereby able to attract sufficient numbers of travelers. This can be achieved by understanding and meeting the three previously defined objectives as follows:

1. MAXIMIZE ITS STRATEGIC LOCATION ON THE DEMPSTER HIGHWAY

Since Fort McPherson is the only potential visitor service area after Eagle Plains and before Inuvik (+200 km) and also the first northwest community encountered when traveling up the Dempster, its location is vital in creating a sense of security and cohesiveness for travelers as well as welcoming them to the region. An esthetically appalling roadside structure should be successful in capturing drivers attention and interest. Highway signage for travelers in both directions should be designed to general interest by informing, convincing and reminding visitors of what Fort McPherson and the VSA have to offer. Effective communication and coordination with the visitor centres in Dawson City and Inuvik to ensure that potential travelers are aware of the facilities, services and activities available "en route" will further increase the VSA's likelihood of attracting 75% of rubber tire travelers.

2. PROVIDE ESSENTIAL SERVICES TO THE RAPIDLY EXPANDING VISITOR TRAFFIC ON THE HIGHWAY

Fort McPherson's role as a secondary service area will help to create a sense of security and safety to travelers driving this wilderness highway. In addition, it will play an important role in fulfilling travelers' general convenience and information needs. Existing operators in the community could move their operations to the roadside facility during its opening season. In meeting the demands of the rubber tire and largely R.V. market, the following essential products and services are recommended:

Safety Needs

o gas/diesel fuel supply;
o automobile supplies (oil, windshield cleaner, fluid, etc.); and
o tire and minor vehicle repairs.

Convenience Needs

o camping supplies; and feed/water
o arts and crafts.

Information Needs

o Provide information on local history, culture and community points of interest and activities as well as general highway conditions and pre-destination information on Inuvik and Dawson City.

3. INCREASE VISITATION AND EXPENDITURE IN FORT MCPHERSON

The examples provided by the visitor service centres in Dawson City and Inuvik clearly show that the time spent traveling the Dempster Highway area has the potential for extension. Fort McPherson is a likely candidate to receive anywhere from an hour to a half-day of this time. By also developing an appealing array of tourist services and activities designed to meet the interests of tourists, appropriate themes would include the local Loucheux Indian culture, gold rush history and spectacular wilderness.

The visitor service area and community can work together to provide the following:

Visitor Service Area

o cultural, historical and nature information/display area;
o arts and crafts sales; and
o canvas shop sales.

Community

- walking tours of the community to visit cultural and historic sites, canvas shop production;
- short hikes or nature walks with explanations of Western Arctic terrain and vegetation (i.e. non-glaciated aspects);
- cultural presentation and interpretation programs (i.e. dancing, music, crafts, etc.); and
- outdoor tours such as Peel River boat tour.

2.6 FINANCIAL FEASIBILITY

Optimistic and pessimistic proforma statements have been prepared for the Service Centre, 1990 is considered as the start-up year. Even though the facility will not be completed until 1992, it shows to be making a slight profit in the second year even in the pessimistic scenario.

Start-up capital, in the way of grants or loans will be necessary in the first few years in order to develop inventory and meet salary requirements in the first month each season.

Revenues are projected based on:

- gasoline purchase;
- auto repairs;
- camping supply purchase; and
- arts and crafts purchase.

The following assumptions and cash flow statements indicate profit and loss for the first 4 years.

Line items: Year:	1990	1991	1992	1993
Gross sales	$261,484	$324,479	$402,725	$461,984
Discounts, returns, & allow.	7,845	9,734	12,082	13,860
Net sales	253,640	314,744	390,644	448,124
(COST OF GOODS SOLD)				
Fuel	47,216	58,961	73,635	84,651
Vehicles and camping supplies	30,292	37,547	46,549	53,378
All others	85,129	105,410	130,549	149,648
Total cost of goods sold	162,636	201,918	250,734	287,677
Gross profit	91,004	112,826	139,909	160,447
(OPERATING EXPENSES)				
Salaries	54,000	56,160	58,406	60 43
Marketing and promotion	10,000	10,400	10,816	11, 49
Building maintenance	5,000	5,200	5,408	5,224
Administration & supplies	8,000	8,320	8,653	8,699
Utilities	5,000	5,200	5,408	5,624
Insurance	4,000	4,160	4,326	4,499
Depreciation on buildings	10,500	16,975	18,126	17,220
Total operating expenses	96,500	106,415	111,144	113,958
Operating income/loss ( )	(5,496)	6,411	28,766	46,489
Other income - Start up subsidies	30,000	20,000	10,000	5,000
Other expenses - Interest expenses	5,000	5,000	5,000	5,000
Profit before taxes	19,504	21,411	33,766	46,489
Taxes- n/a	($.......)	($.......)	($.......)	($.......)
Net income/loss ( )	19,504	21,411	33,766	46,489

draft

Visitor Data:		1990	1991	1992	1993
Total Visitors					
-Rv/ Auto		11,715	14,643	18,304	21,049
-Coach /Van		953	1,043	1,123	1,220
	Total	12,668	15,686	19,427	22,269
Total Visitors stop over- 70%					
-Rv/ Auto		8,201	10,250	12,813	14,734
-Coach /Van		667	730	786	854
	Total	8,868	10,980	13,599	15,588
Total # of Vehicles					
-Rv/ Auto(2.8 avg. party size)		2,929	3,661	4,576	5,262
-Coach /Van(30 avg. party size)		22	24	26	28
	Total	2,951	3,685	4,602	5,291
Sales/Revenues:					
Consumption by stop-over visitors:					
(Based on # vehicles stopping over.)					
-Gas(50 % purchase @ $40 per)		$53,020	$73,702	$92,044	$105,814
-Vehicle repairs(5 % purchase @ $50)		7,377	9,213	11,506	13,227
(Based on # visitors stopping over/70 %)					
-Camping supplies(30 % purchase @ $20)		53,206	65,881	81,593	93,530
-Arts & crafts(40 % purchase @ $15)		53,206	65,881	81,593	93,530
-Arts & crafts(20 % purchase @ $25)		44,338	54,901	67,995	77,942
-Arts & crafts(10 % purchase @ $50)		44,338	54,901	67,995	77,942
	Total	$261,484	$324,479	$402,725	$461,984
Costs:					
Salaries- Manager (5 months)		$20,000	$20,800	$21,632	$22,497
- Mechanic /maintenance(4 months on call)		12,000	12,480	12,979	13,498
- Sales staff (2,3)(120 days*12hrs)		22,000	22,880	23,795	24,747
Marketing and promotion		10,000	10,400	10,816	11,249
Building maintenance		5,000	5,200	5,408	5,624
Administration & supplies		8,000	8,320	8,653	8,999
Utilities		5,000	5,200	5,408	5,624
Insurance		4,000	4,160	4,326	4,499
Assumes no debt servicing					
	Total	$86,000	$89,440	$93,018	$96,738

Operational costs indexed to 4 % cpi index per annum.

Cost of Goods Sold:

Fuel - 80 %
Vehicles & camping supplies- 50 %
All others- 60 %

Capital Expenses:

Roadside facility					
Construction (cca class 3-5 %)		$200,000	$100,000	$30,000	
-Start-up		30,000	20,000	10,000	5,000
Community facility					
-Construction(cca class 3-5%)		10,000	10,000	10,000	
	Total	$240,000	$130,000	$50,000	$5,000

Please note startup costs shown as startup subsidies.

Capital expenditures:				
-Construction (cca class 3-5 %) Roadside	$10,000	$14,500	$15,275	$14,5
-Construction(cca class 3-5%)-Community	500	2,475	2,851	2,7
Total	$10,500	$16,975	$18,126	$17,2

PRO FORMA INCOME STATEMENTS
Fort McPherson Visitor Service Ce
(1990-1993)
Pessimistic Scenario

Line items: Year:	1990	1991	1992	1993
Gross sales	$359,028	$445,261	$552,313	$633,455
Discounts, returns, & allow.	10,771	13,358	16,569	19,004
Net sales	348,257	431,903	535,744	614,451
(COST OF GOODS SOLD)				
Fuel	47,216	58,961	73,635	84,651
Vehicles and camping supplies	39,159	48,527	60,148	68,967
All others	133,014	164,703	203,984	233,825
Total cost of goods sold	219,389	272,192	337,767	387,443
Gross profit	128,868	159,712	197,977	227,009
(OPERATING EXPENSES)				
Salaries	54,000	56,160	58,406	[illegible] 743
Marketing and promotion	10,000	10,400	10,816	[illegible] 249
Building maintenance	5,000	5,200	5,408	[illegible] 624
Administration & supplies	8,000	8,320	8,653	[illegible] 999
Utilities	5,000	5,200	5,408	[illegible] 624
Insurance	4,000	4,160	4,326	[illegible] 499
Depreciation on buildings	10,500	16,975	18,126	17 220
Start-up costs	30,000	20,000	10,000	5,000
Total operating expenses	126,500	126,415	121,144	118,958
Operating income/loss	2,368	33,297	76,833	108,051
Other income	($.......)	($.......)	($.......)	($.......)
Other expenses	($.......)	($.......)	($.......)	($.......)
Profit before taxes	2,368	33,297	76,833	108,051
Taxes	1,184	16,648	38,416	54,025
Net income/loss	1,184	16,648	38,416	54,025

draft

Visitor Data:		1990	1991	1992	1993
Total Visitors					
-Rv/ Auto		11,715	14,643	18,304	21,049
-Coach /Van		953	1,043	1,123	1,220
	Total	12,668	15,686	19,427	22,269
Total Visitors stop over- 70%					
-Rv/ Auto		8,201	10,250	12,813	14,734
-Coach /Van		667	730	786	854
	Total	8,868	10,980	13,599	15,588
Total # of Vehicles					
-Rv/ Auto[2.8 avg. party size]		2,929	3,661	4,576	5,262
-Coach /Van[30 avg. party size]		22	24	26	28
	Total	2,951	3,685	4,602	5,291
Sales/Revenues:					
Consumption by stop-over visitors:					
[Based on # vehicles stopping over.]					
-Gas[50 % purchase @ $40 per]		$59,020	$73,702	$92,044	$105,814
-Vehicle repairs[5 % purchase @ $50]		7,377	9,213	11,506	13,227
[Based on # visitors stopping over/70 %]					
-Camping supplies[40 % purchase @ $20]		70,941	87,842	108,791	124,706
-Arts & crafts[50 % purchase @ $15]		66,507	82,352	101,992	116,912
-Arts & crafts[30 % purchase @ $25]		66,507	82,352	101,992	116,912
-Arts & crafts[20 % purchase @ $50]		88,676	109,802	135,989	155,883
	Total	$359,028	$445,261	$552,313	$633,455
Costs:					
Salaries- Manager (5 months)		$20,000	$20,800	$21,632	$22,497
- Mechanic /maintenance(4 months on call)		12,000	12,480	12,979	13,498
Sales staff [2,3][120 days*12hrs]		22,000	22,880	23,795	24,747
Marketing and promotion		10,000	10,400	10,816	11,249
Building maintenance		5,000	5,200	5,408	5,624
Administration & supplies		8,000	8,320	8,653	8,999
Utilities		5,000	5,200	5,408	5,624
Insurance		4,000	4,160	4,326	4,499
Assumes no debt servicing					
	Total	$86,000	$89,440	$93,018	$96,738

Operational costs indexed to 4 % cpi index per annum.

Cost of Goods Sold:

Fuel - 80 %
Vehicles & camping supplies- 50 %
All others- 60 %

Capital Expenses:

Roadside facility					
-Construction [cca class 3-5 %]		$200,000	$100,000	$30,000	
-Start-up		30,000	20,000	10,000	5,000
Community facility					
-Construction[cca class 3-5%]		10,000	10,000	10,000	
	Total	$240,000	$130,000	$50,000	$5,000

Please note startup costs considered part of operational expenses.

Capital expenditures:				
-Construction [cca class 3-5 %]-Roadside	$10,000	$14,500	$15,275	$14,511
-Construction[cca class 3-5%]-Community	500	2,475	2,851	2,709
Total	$10,500	$16,975	$18,126	$17,220

PRO FORMA INCOME STATEMENTS
Fort McPherson Visitor Service Center
[1990-1993]
Optimistic Scenario

FOOTNOTES

1. Don Weisbeck, Tourism Yukon, Whitehorse.

2. Don Weisbeck and George Sinfield Tourism Yukon, Whitehorse, October 1987.

3. IBID

4. Compiled from 3 sources: 1985 Dempster Highwya Exit Survey, The Market for Motoring Visitors to the N.W.T. 1985, and telephone interviews with Western Arctic tourism operators.

5. Western Arctic Tourism Strategy Interim Report: Phase 2 Market Analysis (Revised October 1987),

6. Interviews with Atlas Tours, Horizon Holidays and Wells Gray, October 1987.

7. Telephone interviews with Western Arctic Operators, October 1987.

8. Frank Addison, President, Addison Travel Marketing.

9. Don Weisbeck and George Sinfield Tourism Yukon, Whitehorse, October 1987.

3. FORT FRANKLIN FISHING LODGE

3.1 INTRODUCTION

Great Bear Lake is the 4th largest body of freshwater in North America has over 1,700 miles of shoreline world class trophy fishing and arctic scenery. Presently, there are 5 fishing lodges located on Great Bear Lake offering 1 week packages that include trophy fishing, food and accommodation in addition to cultural and wildlife side trips. The quality and quantity of fishing in Great Bear Lake is protected by Northwest Territories government and Great Bear Lake Association. The number and size of lodges has been restricted as has the number of fish each guest can catch and keep. However, the Dene Indian Community in Fort Franklin has been granted permission by Northwest Territories government to build one additional lodge on Great Bear Lake.

The purpose of this report is to present a prefeasibility study for a proposed fishing lodge on Great Bear Lake. A brief description of Fort Franklin's natural and community resources is followed by a discussion of sportsfishing and tourism market trends in Northwest Territories and of features and occupancy rates of competing lodges on Great Bear Lake. The report concludes with an outline of proposed lodge concept, including preliminary design of the lodge, developmental and operational costs, projected revenues and profit/loss statement.

3.2 FORT FRANKLIN RESOURCES

Fort Franklin is a traditional Dene Community with a population of over 600 persons.[1] Located on southwest shore of Great Bear Lake, Fort Franklin is approximately 540 km northwest of Yellowknife. Access to Fort Franklin includes a road from Fort Norman in the winter and daily plane service (excluding Saturday and Sunday) from Norman Wells throughout the year.[2] The natural and community resources of Fort Franklin will contribute to the viability of the proposed fishing lodge.

3.2.1 Natural Resources

Great Bear Lake is world renowned for its trophy fishing of trout, Northern Pike, Arctic Grayling and White Fish. The predominant species in the lake is trout, weighing an average of 8-20 pounds with some trout weighing over 50 pounds.

The proximity of Great Bear Lake to the Arctic Coast also provides opportunities for float plane trips to the coast to catch Arctic char. Overnight trips to outpost camps in different parts of lake and day trips to view wildlife, picturesque scenery and traditional Inuit and Dene communities can also be organized. In addition, the lake and local rivers offer opportunities for guests to participate in recreational activities such as canoeing.

Two or three locations have been identified as possible sites for the proposed lodge. According to Gary Palfreyman of the Fort Franklin Dene Development Corporation, a location across the Bay on Keith Arm, approximately 90 miles from Fort Franklin, would be most suitable. This preferred site faces Cloud Bay and has sandy beaches. However a site location at the mouth of the Great Bear River provides both staff proximity to the village as well as opportunities to organize canoe trips on the River to Fort Norman.

3.2.2 Community Resources

Fort Franklin also has many community resources that could contribute to a unique lodge operation. For example, Fort Franklin is recognized for its artwork and local handicrafts which could be sold to guests at the proposed lodge. Cultural and historical aspects of the community in Fort Franklin could also be marketed to guests at proposed lodge. Gary Palfreyman suggested that the design and materials used in construction of the lodge be along the lines of an authentic Dene structure.

Fort Franklin also provides a willing and able manpower resource that could work at the proposed lodge. Several cooks, hotel staff and fishing guides have already had some training and work experience in the hospitality industry. The only position which would require bringing someone in from outside the community would be that of a general manager. Such a person would have the responsibility of training a local person until he or she is experienced enough to take over the role. The community currently operates and manages a successful hotel operation.

Sahtu Air based in Fort Franklin provides direct service to Fort Franklin from Yellowknife and Norman Wells. Yellowknife is a regularly scheduled flight destination from Canadian Airlines. There is a direct flight from Edmonton and connecting services are provided from most major Canadian and American cities, thereby making the Great Bear Lake area conveniently accessible for avid sportsfishermen across North America. In addition, the community of Fort Franklin is planning-to lease and operate a plane during the summer of 1988. If the venture proves successful, the community will consider purchasing the plane.

The primary economic activities of the people in Fort Franklin are hunting, fishing and trapping. The proposed lodge would likely complement these, as it would inject income both directly and indirectly into the Fort Franklin community.

In summary, many of the resources and infrastructure necessary to develop a lodge at Great Bear Lake are already available including the site, desired activities, labour, transportation services, and an economically well established community nearby.

3.3 PRELIMINARY MARKET ANALYSIS

Several tourism market segments have been identified for the Northwest Territories: rubber tire, air pleasure, adventure, hunting and sportfishing. The sportfishing market is a unique and significant segment of the tourism industry in the Northwest Territories. The following sections provide an overview of relevant trends, and marketplace characteristics.

3.3.1 Sportfishing Tourism Market Trends

A review of the sportsfishing tourism market since 1975 reveals several important trends. They are based on an analysis of fishing licences and other relevant data by the Northwest Territories Department of Economic Development and Tourism.[4,5,6,7]

- there has been an absolute and relative increase in the number of fishing licences purchased by Canadians in the Northwest Territories;
- the purchase of fishing licences in the Northwest Territories by non-Canadians (largely persons from the United States) declined in the early 1980's and has remained relatively stable since that period;
- anglers from the United States are more likely to stay at lodges (80%) than anglers from Canada (50%). Anglers from Canada more often fish independently and travel to the area by road. Anglers from the United States almost always fly to the Northwest Territories;
- anglers from the United States have higher incomes and are older than anglers from Canada; and
- there are 3 main geographical markets for lodges in the Northwest Territories: Ontario, Alberta and the states bordering to the west of the Great Lakes. The above market areas reflect major population centres and high proportions of affluent people.

Therefore, the overall size of the market for fishing lodges in the Northwest Territories has remained relatively stable in the last 5 years. As a result, the number of fishing lodges has not increased significantly. In the Great Bear Lake area there have been no new fishing lodges or lodges that have closed down permanently since 1978.* These trends indicate that fishing lodge industry in Northwest Territories is stable, mature and established.

* Outpost camps are excluded as they offer alternative accommodation to guests and do not increase numbers of guests at any lodge.

3.3.2 Market Competition

There are presently five lodges on Great Bear Lake that would all offer the same product as a proposed new lodge at Fort Franklin based on their package, description and offerings, staffing and target markets. Tables 3.1, 3.2 and 3.3 are derived from telephone interviews with the lodge operators and review of the brochures for each lodge.

In Table 3.1 the price, length and description of package offered by each of competing lodges is outlined. The typical length of each packages is 1 week or 7 nights and 1988 prices range from $1,852.00 to $2,895.00 U.S. with an average package price of $2,800.00.** The package price includes airplane trips to and from Edmonton, Yellowknife or Winnipeg, meals and accommodation and guided fishing. Trips to outpost camps, to fish arctic char or to sightsee are most often an additional charge to the guest.

In Table- 3.2 accommodation and staffing is described for each lodge. The guest to staff ratio ranges from 1 guest to 2 staff to 1 guest to 84 staff maintenance person. Most lodges hire a manager, guides, a chef, waitresses, mechanic/maintenance person, pilot(s) and in some cases a taxidermist.

As indicated, U.S. visitors (largely from the mid-western and eastern states) are the main market for these lodges. However, Canadians (particularly from Ontario and Alberta) are increasing in proportions. In Table 3.3 the target market is described for each lodge.

3.3.3 Potential Market Share for a Proposed New Lodge

Approximately 1669 guests stay an average of 7 nights at one of the five lodges at Great Bear lake during the 9 week season of 1987. This represents a 20% increase over 1986 visitation, although management problems and several resulting guest cancellations at one of the lodges are partly attributable to the growth. Nonetheless, given the area's accommodation capacity of 1,811 guests for the period, total occupancy reached 92%. Repeat visitation is high (40% to 60%) and

** Lodge operators offer discounts to parties greater than 10 and to Canadians.

TABLE 3.1

GREAT BEAR LAKE LODGES - DESCRIPTION OF PACKAGE

NAME OF LODGE	PRICE OF PACKAGE AND LENGTH OF PACKAGE		PACKAGE DESCRIPTION	OPTIONS OFFERE	GATEWAY
Arctic Circle Lodge (offers same price in Canadian dollars if guests keep it quiet)	1987 $2,695 U.S. 3,503 Cdn. 1988 $2,895 U.S.	- 1 week 8 days package - 1 week 8 days package	- meals and accommodation; - flight to and from Edmonton; - boat (2 persons) and guide; - gasoline, motor, oil, fish care; - 1 day (flight) trip for sightseeing or fishing; and - two nights hotel in Edmonton.	- day trips (in addition to trip included in package) to fish for arctic char, sightsee (i.e. Eskimo Village), or view wildlife are extra; and - two outpost camps on Copper Mine River ($300-$400 U.S. for overnight trip.	
Lodge	1987 $2,600 Cdn. or $1,720 U.S. 1988 $2,800 Cdn. or $1,852 U.S.	1 week 8 days package	- meals and accommodation (including laundry service); - flight to and from Edmonton; - boat (2 persons) and guide (10 hours a day); - gasoline, motor, oil, fish care; and - arrange stay	- day trips to fish arctic char, view scenery and wildlife (extra cost); - overnight trips to outpost camps 8 people can stay in each camp (extra cost) have 3 float planes; and - each year lodge offers seminars.	Edmonton
Great Bear Lake Lodge	1987 $2,195 Cdn. or $1,895 U.S. 1988 $2,295 Cdn. or $1,995 U.S.	- 1 week 8 days package - Saturday-Saturday	- meals and accommodation; - flight to and from Yellowknife; - boat (2 persons) and guide; - gasoline, motor, oil, fish care; - has seminar facilities; and - can arrange overnight stay in Edmonton.	day trips to fish arctic char and to view Inuit and Dene communities and to Coppermine to fish (extra cost).	Yellowknife
Great Bear Lake Trophy Lodge	1987 $2,750 Cdn. or $1,819 U.S. 1988 no prices set	- 1 week 8 days package - Sunday-Sunday	- meals and accommodation (including laundry service); - flight to and from Edmonton; - boat (2 persons) and guide; and - gasoline, motor, oil, fish care.	- day trips to fish arctic char, to Colville Lake (indian painter), Coppermine River (extra cost); - overnight trip (tent camp) to different parts of the lake; and - plane holds 5 people.	
Plumber's Great Bear Lake Lodge	1987 $2,275 U.S. 2,958 Cdn. 1989 no prices set	- 1 week 8 days package - Saturday-Saturday	- meals and accommodation (including laundry service); - flight to and from Winnipeg or Yellowknife; - boat (2 persons) and guide; and - gasoline, motor, oil, fish care.	- wildlife and cultural trips offered and daily fishing trips available by plane to places inaccessible by boat ($100-$150 U.S.); and - outpost camps - Plumber's Tree River Camp - accommodates 16 - $275 U.S. per night.	Winnipeg or Yellowknife

TABLE 3.2

GREAT BEAR LAKE LODGES - DESCRIPTION OF STAFF

NAME OF LOOGE	MXOM930ATION TYPE	NUMBER OF STAFF	GUEST OF STAFF RATIO	OESR1PTION OF STAFF
Arctic Circle Lodge Contact: Joe Kanik (403) 458-3383	- 16 motel style rooms; - 34 guests.; - majority double occupancy, some rooms have 4 beds; - rooms have washroom facilities; and - lodge has licences dining room, jacuzzi, lounge and store.	45 people	- 1 guest to every 1.3 staff.	- manager; - chef; - boat engineer; - maids; - waitresses; - bartender; - pilot; - guides (with backgrounds in marine biology and forestry); and - U.B.C. students.
Bransons Lodge Contact: Ernie Dolinsky (403) 962-6363	- 1 large lodge with approximately 16 motel style rooms; - 40 guests; - majority double occupancy, some rooms have 4 beds; - rooms have washroom facilities; and - lodge has licenced dining room, 2 fireplaces, store (sell tackle and rents gear).	45-50 people	- 1 guest to every 1.1-1.25 staff.	- manager (landowner); - chief; - guides; - pilot; - maintenance crew; - kitchen workers; and - chambermaids.
Great Bear Lake Lodge Contact: Gilles Oube (403) 920-2023	- 2 lounges 15 miles apart; - 45 guests; - 1 lodge has 8 rooms and other has 15 cabins; - double occupancy, indoor washroom and showers; and - lodge has lounge and store.	40-45 persons (for both lodges)	- 1 guest to every .9-1 staff	- manager; - chef; - pilots; - maids; - bartender; - maintenance crew; outboard mechanic; - taxidermist; and - guides - in past trained own - last year held guide training course for N.W.T. government - hired 1 of 1987 guides from training course and other ! from last year guides.
Great Bear Lake Trophy Lodge Contact: Bruce Stevens (403) 227-2907	- 1 large lodge; - 22 rooms - 44 guests; - indoor washroom facilities, showers in each room; and - lodge has licenced dining room, lounge with fireplace and store.	37 persons	- 1 guest to every .84 staff	- manager; - chef; - pilot; - bartenders; - waitresses; - chambermaid; and - guides - trained their own - 1 week intensive training.
Plumber's Great Uear Lake Lodge Contact: Chummy Plumber (204) 174-5115	- separate cabins; - 2-4 persons per cabin; - 48 guests washroom/shower in each cabin; and - lodge has lounge, jacuzzi, licenced dining room, meeting room and store.	75-100 persons	- 1 guest to every 1.6 to 2 staff	- manager (owner); - guides; - chef; - waiter; - cleaning staff; marketing people; and - mechanics.

TABLE 3.3

GREAT BEAR LAKE LODGES - DESCRIPTION OF TARGET MARKET (OCTOBER 1987

NAME OF LODGE	NUMBER OF PEOPLE LODGE ACCOMMODATES		DESCRIPTION OF TARGET MARKET
Arctic Circle Lodge	Full Occupancy	1987 Occupancy	- largest percentage of guests from United States; and - high repeat visitation.
	306	290 (95%)	
	9 weeks x 34 guests x 95% (80-90% booked for next summer		
Branson Lodge	Full Occupancy	1987 Occupancy	- guests are 50% Canadian, mostly from Ontario and Alberta. The other 50% are from United States; and - 60% repeat visitation.
	360	342 95%	
	9 weeks x 40 guests x 95% (over 90% booked for next summer)		
Great Bear Lake Lodge	Full Occupancy	1987 Occupancy	- largest percentage of guests from United States; - some guests from France and Japan; and - high repeat visitation.
	405	365 (90%)	
	9 weeks x 45 guests x 90% (small camp 100% booked for 3 weeks next summer)		
Great Bear Lake	Full Occupancy	1987 Occupancy	- 70% of guests are from mid-west and eastern United States; - 30% from Ontario and Alberta; - 40% repeat visitation; and - most weeks 2 or 3 couples.
	308	262 (85%)	
	7 weeks x 44 guests x 85%		
Plummer's Great Bear	Full Occupancy	1987 Occupancy	- largest percentage of guests from mid-western United States and Ontario; and - high repeat visitation.
	432	410 (95%)	
	9 weeks x 48 guests x 95%		
TOTAL:	**1,811 GUESTS**	**1,669 GUEST**	

and many guests rebook for the following year when they depart. Several of the lodges indicated that they are already between 85% and 95% booked for the 1988 season. This indicates that there could be considerable excess demand for fishing at Great Bear Lake in the marketplace. The increasing numbers of Canadian anglers visiting the north is an important component of the areas growth potential.

The demonstrated growth, high repeat visitation and positive outlook for new markets exhibited by the existing lodges on Great Bear Lake are all positive indicators For the viability of a proposed new lodge. However, in order to be successful, the lodge must offer and effectively market a well-packaged product that is at least comparable, but preferably superior to those of the other lodges on Great Bear Lake.

The potential market share of a new lodge can expect to vary according to the number of guests the lodge is able to accommodate and to the actual increase in the size of the market visitors to Great Bear Lake. For example a 20% increase in guests in 1988 would equal a total of 2,010 guests or an additional 335 guests. Presently the lodges can only accommodate 1,811 guests so that 190 anglers or 21 anglers per week over a 9 week period would be disappointed.

A more conservative estimate of only 15% growth in 1988 would still indicate insufficient capacity for 110 anglers. As Table 3.4 indicates, this situation will continue as the years go on. If action is not taken soon to fill the gaps by a new developer the existing lodges will likely-fill them with their own expansions.

3.4 PROPOSED LODGE DEVELOPMENT CONCEPT

Tables 3.5, 3.6; 3.7 and 3.8 present preliminary building and design components, package description, staffing requirements and target market information respectively for the proposed lodge at Fort Franklin.

TABLE 3.4

GREAT BEAR LAKE MARKET PROJECTIONS 1988-1991

	ACTUAL		PROJECTED			
	1986	1987	1988	1989	1990	1991
Projections at 15% growth	1,355	1,669	1,919	2,111	2,322	2,555
Present Capacity			1,811	1,811	1,811	1,811
Excess Demand			108	300	511	744
Projections at 20% growth	1,355	1,669	2,003	2,403	2,884	3,461
Present Capacity					1,811	1,811
Excess Demand			192	592	1,072	1,650

TABLE 3.5

FORT FRANKLIN PROPOSED LODGE BUILDING AND DESIGN COMPONENTS

PURPOSE

o To provide a fully functional fishing lodge catering to tourists in the Western Arctic Region and specifically the opportunities for trophy fishing on the Great Bear Lake. It is the intention to create a first class facility able to accommodate 20 guests during the first several years of operation.

BUILDING COMPONENTS

o Entry/Lobby/Reception:

This area will be devoted to registration of guests.

0 **Guests Rooms:**

10 double rooms will be provided in the f" rst phase w' th a future 10 additional rooms. Each room provides two single beds with a writing desk and a complete closet.

0 **Kitchen/Preparation/Storage:**

A full kitchen. preparation and storage resort facility will be provided using the-latest equipment to provide first class dining for the guests.

0 **Staff Facilities:**

Rooms are provided for the lodge manager and chef, and a dormitory for staff (waiters and fishing guides).

0 **Storage:**

Storage is provided for outdoor equipment as well as requirements for the building.

0 **Washroom Facilities:**

Provide individual men and women's washrooms as well as access to a spa facility.

0 **Bar/Dining Room/Lounge:**

Seating for 24 people has been provided within the main living and dining area. The space is accented by a high structure and a rustic dector and stone fireplace. Also provided for the space is a screen porch for after fishing pleasure.

ARCHITECTURAL CHARACTER

o The building is designed using a rustic motif of stone veneer on teh fireplace, round log columns and beams and rough sawn cedar siding for the exterior treatment for the building.

STRUCTURE

o The building will be built on a gravel pad, slab on grade. The main frame will be of wooden columns and beams and standard wood framing for the bedrooms and support facilities.

BUILDING AREA

O 5,200 sq. ft.

PROJECTED BUILDING COST (1988 $)

O $810,000.00

TABLE 3.6

FORT FRANKLIN PROPOSED LODGE DESCRIPTION OF PACKAGE

Length of Package and Price of Package	o 1 week or 8 days/7 nights; and o $2,500.00.
Package Description	o meals and accommodation; 0 flight from and to Edmonton or Yellowknife; 0 boat (2 persons) and guide; 0 gasoline, motor, oil, fish care; 0 1 day side trip (optional); 0 hotel in Edmonton or Yellowknife (optional); and 0 travel arrangements.
Options Offered (Extra Cost)	o day trips to Arctic Coast to fish Arctic Char; o overnight trips to outpost camps on other parts of lake; and o cultural and sightseeing side trips.
Gateway	o Edmonton to Yellowknife.

TABLE 3.7

FORT FRANKLIN PROPOSED LODGE DESCRIPTION OF STAFF

Accommodation Type	o 10 unit lodge styled log cabins; o double occupancy; o units with washroom facilities; and o lodge has recreational program, licensed lounge and store featuring local handicrafts.
Number of Staff	o 24
Staff to Person Ratio	o 1.2
Description of Staff	o manager; o chef/cook; o waitress and helper/chambermaid and helper (increased each year with increase occupancy); o guides (2 to 1 ratio) hired on contract as needed; and o maintenance person.

TABLE 3.8

FORT FRANKLIN PROPOSED LODGE DESCRIPTION OF TARGET MARKET

Number of People Lodge Accommodates	o 20 guests - Phase I.
Length of Season	o 9 weeks.
Expected Occupancy	o 50% in Year 1; o 70% in Year 2; and o 95% in Year 3.
Total Guests for Each Season	o 20 guests x 9 weeks = 90% = 162 guests.
Description of Target Market	o 60% from United States and 40% from Canada (largely Ontario).

3.5 FINANCIAL ANALYSIS

Lodge construction is projected to start in 1990 and dpending on financing spread over 3 years (1990-1992). Nevertheless, initial tours could start in 1991 since much of the lodge could possibly be built by then. Occupancy rates would understandably be lower for those months (estimate 50%). They would subsequently increase to 70% and full occupancy (95%) after year 3.

Start-up capital would be required in the first 3 years. This would be in the form of a loan or grant. In year 1 the $50,000.00 injection would defray the projected $50,000.00 loss. In year 2 the $30,000.00 assistance would be used to carry the project into 1993 in what is planned as a breakeven year.

Private investor equity is considered for this project. Its high rate of return would make it attractive for a minimal participation by a local entrepreneur if the project proponent (the Development Corporation) accepts this formula.

Year 3 profits then would be used to buy off dividends and leverage funds to start a 10 unit expansion in 1994 and 1995.

Line items: Year:	1991	1992	1993
Gross sales			
- Package sales	225,000	315,000	427,500
- Outcamp trip sales	2,700	9,600	25,800
- Beverage sales	6,300	8,820	11,970
Total gross sales	234,000	333,420	465,270
[COST OF GOODS SOLD]			
- Beverage sales	3,150	4,410	5,985
- Food sales	25,200	35,280	47,880
Total cost of goods sold	28,350	39,690	53,865
Gross profit	205,650	293,730	411,405
[OPERATING EXPENSES]			
Direct package costs			
- Air transportation	3[illegible]00	44,100	59,850
- Guides	5[illegible]000	75,600	102,600
Operating expenses:			
-Employee wages	[illegible]4,130	99,810	117,450
-Employee benefits	[illegible]620	14,972	17,618
-Marketing and promotion	2[illegible],000	10,000	10,000
-Commissions on sales	1[illegible],250	11,000	11,000
-Professional fees	5,000	5,000	5,000
-Sundry expenses	[illegible],000	5,200	5,408
-Utilities	[illegible]000	10,400	10,816
-Insurance	6,000	6,240	6,490
-Depreciation expenses	15,000	14,250	13,538
Total operating expenses	259,500	296,572	359,769
Operating income/loss ( )	(53,850)	(2,842)	51,636
Other income -Start up subsidies	50,000	30,000	20,000
Other expenses - Interest expenses	5,000	5,000	5,000
Profit before taxes	(8,850)	22,159	66,636
Taxes - n/a	[$.......]	[$.......]	[$.......]
Net income/loss ( )	(8,850)	22,159	66,636

draft

Guest Data:	1991	1992	1993
Total Guests	90	126	171
Other data:			
-9 week season of operation			
-Lodge has 10 units /20 beds			
Max guest= 20 per wk/180 per season			
Key Revenue Assumptions:			
-Package price will be $2,500			
-Occupancy data:			
Rate of occupancy- %	50%	70%	95%
- No of package guests	90	126	171
Outcamp trip revenue will be $300 per day.			
- % of outcamp trip guests	10%	25%	50%
- No of outcamp trip guests	9	32	86
Beverage revenue estimated at $70 per guest per week /pkg. duration			
Direct Package Costs per person:			
Return air trans. from Yellowknife	350	350	350
Food [$40 per day]			
Beverage	35	35	35
Guides	600	600	600

Guides will be subcontracted as needed; average $150 per day in wages+$50 per day of boat rental(including fuel).
Assume 1 guide per 2 guests; cost therefore will $100 per guest, per day fishing.
Average number fishing on package will be 6.

Costs:			
Salaries- Manager [$45,000 annual]	$45,000	$45,000	$45,000
- Cook & Chef[$150/p diem @13 wks,7 days]	$13,650	$13,650	$13,650
- Maids+waitresses+support staff	$25,480	$41,160	$58,800
- 2 staff 1st yr,3 staff 2nd yr,4 staff 3rd yr.			
@ hourly wages $13-15.12-14 hr days.			
- Maintenance person $130 per diem /9 wks + 8wks start up			
	$2,210	$2,210	[illegible]210
Total wages	$84,130	$99,810	[illegible]7,450
Employee benefits[15 % of wages]	$12,620	$14,972	$[illegible]7,618

Commissions on sales = 5% of gross revenue in yr 1.
Will remain constant in following years as repeat visitors increase

Capital Expenses:			
-Construction [cca class 3-5 %]	$300,000	$200,000	$150,000
-Start-up	50,000	30,000	20,000
Total	$350,000	$230,000	$170,000

Please note startup costs shown as startup subsidies.

Depreciation expenditures:			
-Construction [cca class 3-5 %]	$15,000	$14,250	$13,538

PRO FORMA INCOME STATEMENTS
Fort Franklin Lodge
[1991-1993]

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4. INUVIK INBOUND OPERATOR

4.1 INTRODUCTION

The Western Arctic Tourism Region has experienced significant growth in visitor volume during recent years. Between the years of 1986 and 1987, an increase of 60% took place on the Dempster Highway alone. This phenomenon is attributed largely to the interest sparked in the north during Expo '86, as well as major improvements made to the Dempster Highway during 1986 on the Yukon side. As a result of these factors and the Western Arctic marketing strategy which will start to be implemented in 1988, total visitor volume is projected to increase almost 3.5 times the 1987 figure of 7,804 visitors by the year 1993.

The likelihood that the region will be able to attain such high levels of growth within a relatively short period of six years will depend largely on its abilities to:

- develop tourism resources into products which meet the needs and interests of the marketplace; and
- package, promote and distribute these tourism products to target markets.

4.1.1 Purpose

The WAVA marketing strategy makes recommendations on over 50 different tours, activities, packages and events which could potentially be developed and made available by 1993. From a current base of 7, this surge in tourism development or to the possible need for the establishment of a local representative or inbound operator to effectively coordinate and market these for the region.

The purpose of this prefeasibility study is to investigate this opportunity, being cognizant of the following objectives:

- create inter-product development with multiple area packages;
- encourage travel to the smaller and more remote communities in the Western Arctic; and

0 provide the expertise to act as one cohesive, identifiable Western Arctic representative and aggressively market a range of WAVA products.

The task for this was undertaken through an overview of the region's tourism products and markets and an analysis of how the travel trade brings these together in the north. The latter was done through in-depth interviews with a selection of northern-based tourism operators (ground, inbound, wholesale, etc.) which provided valuable information on marketing, particularly in terms of distribution and promotion. Some of these also provided a basis for comparison and/or possible future trade linkages.

4.2 TOURISM MARKETPLACE ANALYSIS

4.2.1 Products

The Western Arctic's primary tourism resources involve the uniqueness and beauty of its natural, cultural and historical attractions. The Dempster Highway which brings visitors from Dawson City in the Yukon to Inuvik in the Northwest Territories, is the only highway in North America that crosses the Arctic Circle. Also, the Ogilvie and Richardson Mountains along the way provide the only opportunity for travelers to enjoy an unglaciated landscape. Inuvik, at the northern end of the highway, is accessible to the water-based activities of the Mackenzie River and Delta and the Beaufort Sea. The communities of the region are rich with the native culture (i.e. crafts, food and entertainment) of the local Dene and Inuit people as well as memories of famous events like the Klondike Gold Rush which brought thousands of prospectors through Fort McPherson on the Dempster Highway.

As a result of its accessibility (primarily by land) Inuvik continues to emerge as the major destination and staging area to the region's tourist points of interest. Its importance to tourism development in other communities cannot be underestimated - especially given the fact that communities such as Tuktoyaktuk on the coast and Aklavik on the Delta have become among Inuvik's best attractions due to the efforts of Antler Aviation and Aklak Air operations. A day trip to either one of these communities usually means another night in Inuvik.

However only a limited number of activities are available for visitors in and around Inuvik. In 1987, a summer cultural program was organized by Economic Development and Tourism and the Denji Native Corporation for the first time. This proved to be successful with both visitors and residents alike. The Inuvik Visitors Centre also offered occasional activities such as a walking and tours of the Igloo church and slide shows.

4.2.2 Market

Travelers to the Western Arctic can be divided into five segments based on their mode of travel and trip purpose as follows:

	1987% OF TOTAL VISITORS
Rubber Tire	81
Adventure Travel	1
Hunting	3
Fishing	5
Air	10
TOTAL:	

Rubber tire traffic is clearly the main source of visitors within the overall market. It comprises recreational vehicles (R.V.). automobiles, coach and small van tours driving the 750 km Dempster Highway. Due to the significant contribution which this segment makes to total vistior volume, it is important to understand that this groups' interests are primarily outdoor and heritage related activities such as camping, shopping for crafts, visiting museums/historic sites, nature study and fishing. Accordingly, the primary visitor markets' interests tie in directly with the tourism resources and potential product offerings of the region.

The three Western Arctic activity-related market segments i.e. adventure, hunting and fishing) are largely comprised of people traveling on all-inclusive package tours who are also likely to pass through Inuvik at some point on their itinerary. The air travel segment includes people on business, visiting friends and relatives and sightseeing in the region.

4.2.3 Product/Market Matching Opportunities

Our analysis indicates that despite some new tourism offerings and improvements to both facilities and services, there is still a large gap in terms of "things to see and do" for many of the visitors to the Western Arctic. Although the region provides the resources which the markets desire, in many cases the product and corresponding infrastructure is not sufficiently developed or integrated for visitors to fully enjoy their visit. For example, many people do not take a trip to either the Arctic coast or communities because of the lack of activities and attractions in Inuvik. This is particularly true if a travel party must wait one or two days for a charter to fill up. Inuvik itself lacks enough interest to keep people in the town or to entertain them while they are waiting for a fight to other parts of the region.

Operators we interviewed who are currently bringing groups into the area or who may offer packages in the future, also commented on the lack of programming as well as the need for local experts to guide visitors to the region's unique tourism resources.

Since the town of Inuvik currently receives over 6,000 Dempster Highway travelers at its doorstep, this markets' needs in terms of cultural and outdoor activities and sightseeing attractions must be catered to immediately in order for the Western Arctic to meet its long term objectives for growth and prosperity. Otherwise, the resultant risk of somewhat bored and discontent travelers returning south can lead to extremely damaging word-of-mouth advertising. This could then filter through to the region's other market segments. Clearly an opportunity exists for an Inuvik-based organization to develop and market additional tourism products for both the independent walk-in market and tour operators. These would have the inbound-operator acting as a local tourism operator and ground-handler respectively.

Previous market analysis of existing and potential Dempster travelers have also revealed varying degrees is discontent with the necessity of driving both ways on the highway. The possibility of an R.V. exchange was further investigated here. However, there are several complications in working out such an arrangement due to the resultant loss of control for an R.V. rental company when customers exchange keys for a vehicle at a distant location and scheduling problems. The latter is due largely to the fact that Inuvik is relatively isolated and, therefore, receives only a limited number of visitors.

One R.V. rental company we contacted provided a typical scenario for an exchange program it offers between Whitehorse, Yukon and Anchorage, Alaska. Upon booking, customers are charged a $1,000.00 deposit plus a high drop-off fee of $500.00. A reliable intermediary is available at the opposite end to ensure that the transition runs smoothly. The money-making incentive for this third party is to ensure that the vehicle is booked back to Whitehorse. A commission of $300.00 can be earned this way, as the drop-off price is reduced to $200.00.

The difficulty in working out a similar deal in terms of an Inuvik exchange lies largely with the Dempster itself, as few companies allow their vehicles to be driven on the highway because of the poor road conditions. One company that does, has a Dempster exclusion clause which causes the renter to bear all responsibility for damaged tires, vehicle towing, etc. due to the area’s lack of services. Any mechanical problems which occur on the Dempster can result in further delays of rental returns. With their already short season, northern rental companies simply cannot afford such inefficiencies. In addition, one potential participant commented that the majority of R.V. rental clients are European with as much as 4 to 6 weeks of holiday. Therefore, they are not pressured for time and the owner had received few complaints from them about having to drive both ways. Despite this, some definite interest in working with a Western Arctic representative in Inuvik was triggered particularly with the predicted growth in Dempster popularity, recent highway improvements and the additional services and facilities planned for construction, as well as recognition of the need to provide customers with a desired range of tourism products and services.

Other, perhaps secondary, product/market matching opportunities for an inbound operator are related to the three Western Arctic activity segments. Of these, adventure travel is expected to demonstrate the most substantial growth, which is in line with international trends in tourism. The number of adventure related activities and packages will, increase accordingly, as identified in the overall WAVA strategy, and thereby provide future opportunities for a Western Arctic inbound operator.

At present, the owners of hunting and fishing lodges tend to handle most aspects of package development themselves due to the specialized nature of the target marketing required. However, in the long run, as these markets grow and the Western Arctic Region as a whole becomes better known, it will become increasingly effective for the hunting and fishing segments to integrate their individual efforts with those of the region.

Visitors in the air travel segment may also provide future opportunities for an inbound operator in Inuvik because they usually have more time and money to spend than those who drive to an area.

The development and marketing of tourism products which match the region's resources with the demand of the marketplace as described here and identified further in the WAVA marketing strategy would be the role of an inbound operator. The following section discusses the extent of this with respect to how various existing operators in the north have evolved and successfully sold their own tourism products and services.

4.3 ANALYSIS OF MARKETING MIX ALTERNATIVE= FOR AN INBOUND OPERATOR

In preparation for the region's future tourism product development and marketing, this analysis looked at the overall distribution network for tourism products, particularly packages, and found that there are five different ways in which they can be distributed from tourist operators to end consumers (Table 4.1). Four of these explicity involve travel trade intermediaries. The distribution system becomes increasingly complex as additional parties are added to the flow and share in the responsibility of the product/package development and/or marketing. As a result of this and our interviews with operators in the north, there are three marketing mix (product, price, distribution and promotion) alternatives available from an inbound operator to be located in Inuvik.

For the purpose of this discussion, we have defined two tYPes of tourism product/packages:

- **Mini-tours**

These are short (i.e. half or full day) trips or activities to nearby sites and attractions.

- **Complete Tour Packages**

These are longer (overnight) tours which require more coordination and planning for accommodation, meals, transportation, etc. than mini-tours.

Based on the type of product offerings and the tourism function(s) of the inbound operator (i.e. ground handler, wholesaler, retailer, etc.), the three alternatives are listed below in ascending order of their complexity. and risk in development and marketing expenditures. Following a discussion of the these, Table 4.2 provides a diagramtic explanation of the proposed inbound operator's role and the corresponding distribution and marketing flow of each.

TABLE 4.1

DISTRIBUTION NETWORK FOR TOURISM PRODUCTS AND PACKAGES

1. TOURIST OPERATOR ---- CONSUMER

2. TOURIST OPERATOR ---- RETAIL TRAVEL AGENCY -------- CONSUMER

3. TOURIST OPERATOR ---- LOCAL WHOLESALER ------------ RETAILER* ------------------- CONSUMER

4. TOURIST OPERATOR ---- TARGET MARKET WHOLESALER ---- RETAILER ------------------- CONSUMER

5. TOURIST OPERATOR ---- LOCAL WHOLESALER ------------ TARGET MARKET WHOLESALER ---- RETAILER ---- CONSUMER

Source: John Murray
Cresap, McCormick and Paget/Barward
Speech on Travel Industry Research
Tourism Travel and Research Association 1986 Conference
September 28-29. Toronto, Ontario

*Note that in system 3 the wholesaler almost always acts the retailer at the same time This often also true, but to a lesser degree in systems 4 and 5.

TABLE .2

THREE MARKETING MIX ALTERNATIVES FOR INBOUND OPERATOR

DISTRIBUTION AND MARKETING

DEGREE OF COMPLEXITY/ RISK	PRODUCT/PACKAGE DEVELOPMENT	ROLE OF INBOUND OPERATOR	OTHER INTERMEDIARIES		TARGET MARKET CONSUMER
I. LOW	IB	IB as operator	None		walk-in/ independent traveller
	LT	IB as local wholesaler and/or retailer	None		walk-in/ independent traveller
	IB and/or LT	IB as ground handler and/or local wholesaler	Tour Company		Tour Group
II. MEDIUM	IB and/or LT and/or RT	IB as local/regional wholesaler	Target Market Wholesaler	Target Market Retailer	Package Group
III. HIGH	IB and/or LT and/or RT	IB as local/regional and target market wholesaler	None	Target Market Retailer	Package Group

Note: Alternative II may also include I and Alternative III may include and/or II.

IB = Inbound Operator (Inuvik-based)
LT = Local (Inuvik) Tourism Operator(s)
RT = Regional (Western Arctic) Tourism Operator(s)

I. LOW COMPLEXITY AND RISK

This alternative involves the development of mini-tour packages by the inbound operator alone and/or in conjunction with local tourism operators. The product appeals to both the walk-in market and tour companies who seek a local tourism expert to act as a ground handler for their groups while in the area. Marketing to the walk-in market is primarily at a local level and includes advertising in the appropriate northern tourism publications, brochures in travel racks, as much free publicity possible, travel desks in hotels and visitor centres and word-of-mouth. Most operators felt that attendance at trade shows was only useful in making contact with tour companies. Direct mail marketing however, is the more economically feasible and thereby popular and effective means for most inbound operators of this type.

II. MEDIUM COMPLEXITY AND RISK

This alternative may include (1) above as well the inbound operator acting as a local or regional wholesaler to coordinate, distribute and market longer, more complete Western Arctic packages to wholesalers in major U.S. and European target markets. At least 2-3 years of product/package development experience are required before a sound reputation is established in the marketplace. Marketing costs are particularly high early on when the need to create awareness and make contacts at travel and trade shows in key market areas is crucial. The competition among inbound operators of this type is extremely tough because the southern-based travel trade finds it easier and more profitable to sell southern destinations. In this type of arrangement, the target market wholesaler assumes some of the additional financial risk by taking on the responsibility of marketing the package to consumers.

111. HIGH COMPLEXITY AND RISK

This alternative may involve both of the above, as well as the even more complex and risky understanding of having the inbound operator assume full responsibility of product development, distribution and ' marketing of complete packages directly to the target market at all levels. In this sense the inbound operator is acting as a local regional wholesaler in the coordinating function and as target market wholesaler in the distribution and marketing function.

All of our interviewees commented on the patience and persistence required in setting up their operations. The brief duration of the northern tourist seasons makes it impossible to survive solely as an inbound operator. As a result, they tend to offer a combination of services such as outbound travel and retail (commission) sales for other local operators and/or take on some non-tourism related employment during the winter months.

Costs are' high in the north and the major expenses in package development are transportation, accommodation/meals and wages. With packages typically marked up at only 20-30% of cost, 10-15% of which goes to the travel trade in commissions, profitability is highly sensitive to variations in market conditions. Furthermore, as intermediaries become involved in the marketing of tourism products, either the price to the end consumer increases or the return to the tourism operator decreases.

4.4 RECOMMENDATIONS

The immediate goal of an inbound operator in Inuvik should be to work with local and regional people in a coordinating role and as a tourism operator where necessary to develop and sell tourism products that meet the demonstrated needs of:

- o the already existing and captive Dempster market; and
- o existing and potential tour operators bringing groups into the area and seeking a local representative or ground handler.

In the short run, Alternative I which is low in complexity and risk is recommended to set up the tourism product supply and marketing infrastructure. The resulting coordination of local and regional tourism operators and their activities will greatly improve both visitors' memorability of Inuvik and the travel trades perception of the Western Arctic as a destination worthy of consideration.

Thus the ground work will be set for a continuum of long term growth in more complete Western Arctic package development and marketing. This future situation would resemble a combination of Alternatives I and II where complete packages would be introduced to the marketplace in stages and thereby allow the operation to meet the three organizational objectives outlined earlier. The integration of Alternative III is not recommended due to the high costs of marketing and the fact that an operation of this type would not be financially viable in the Western Arctic given the characteristics of the marketplace.

The following sections provide short term (1988) and long term (1989-1993) strategy recommendations for the marketing mix of an inbound operator' located in Inuvik.

4.4.1 Product

Short Term Strategy

- o Develop and sell an Inuvik region tourism (mini-tour) product line that expresses northern hospitality and shows the uniqueness of this part of the world. Some examples could include native games, crafts, entertainment and food tasting as well as guided tours to nearby natural, cultural, historical and industrial (i.e oil) sites of interests. (see WAVA strategy for more details of recommended products).
- o Build contact with local and regional tourism operators to sell their product/packages, on a commission basis and thereby coordinate product development and marketing efforts for the region. This will then naturally evolve into a Western Arctic representative/expert role.
- o Seek an R.V. exchange agreement with a rental company (most likely located in Whitehorse).

Long Term Strategy

- o Maintain short term strategy.
- o Develop one or two complete Western Arctic tourism packages, focussing on naturalists and adventure travel (i.e. Herschel and Kendel Island trips), for introduction into the marketplace by 1989 (see WAVA strategy for more detai 1s of recommended products).
- o Gradually add new product/packages once a sound reputation has been built and the initial ones have been either fine-tuned to a profitable level or eliminated if necessary.
- o Investigate other complementary tourism related services such as hospitality training and consulting and/or conference planning to generate additional revenue and help support the existence of an inbound operation.

4.4.2 Price

Short Term Strategy

- o Determine all relevant variable costs (i.e. mileage, wages, etc.) in setting each tourism product/package price. Also consider an allocation of fixed costs (i.e. marketing) that are not directly attributable.
- 0 Add approximately 30% to the above cost in order to set the selling price in line with industry norms.
- 0 Estimate the break-even point in terms of customer volume for each product/package.

Long Term Strategy

- o Maintain short term strategy at a profitable level.
- o Pursue the same for new complete packages introduced.

4.4.3 Place/Distribution

Short Term Strategy

- o Sell tourism activities directly to independent walk-in travelers (mainly rubber tire as discussed but also some air).
- o Sell ground handling and regional coordination services and expertise to tour companies and packagers.

Long Term Strategy

- o Maintain short term strategy.
- o Sell complete packages to wholesalers in target markets.

4.4.4 Promotion

Short Term Strategy

- o Target the walk-in market via the distribution of brochures at visitors centres in Whitehorse, Dawson City, the Dempster Highway, etc. as well as camping grounds, hotels and motels.
- o Advertise in Northwest Territory and Yukon tourism and publications.
- o Provide the Arctic hotline with promotional material to use in answering enquiries (i.e. mail-outs).
- o Create trade awareness and interest through direct mail marketing.
- o Sell directly to tour companies and wholesalers located in B.C. and Alberta.
- o Follow-up trade promotions by inviting participants and travel writers on familiarization.

Long Term Strategy

- o Maintain short term strategy.
- o Develop wholesaler contact for Western Arctic complete packages by continuing to build on those relationships already made.
- o Create new wholesaler interest through more extensive direct mail marketing and by attending trade shows such as TourNorth and TourCan.
- o Invite wholesalers for familiarization tours.

4.5 FINANCIAL ANALYSIS

The inbound operator will establish in 1989 and begin operation in 1990. The private company will require significant financial support in the first year where it is projected to loose $11,000.00 after taxes and $13,000.00 in year 2. This financial injection is considered important to maintain this critical service. The project will become viable in 1993.

Revenue estimates are based on attracting walk-in R.V. traffic, especially to buy the 2-3 day packages, as well as selling week packages (fishing, wilderness adventure).

Guides and community tours will also be available as additional ' revenue sources.

Line items: Years:	1991	1992	1993
Gross commission on packages sold:			
- Rv/ automobiles	31,574	36,310	43,571
- Wilderness fishing	10,800	12,420	14,904
- Adventure travel	45,840	52,716	63,259
- Air	3,168	3,643	4,372
Revenue from tourism services:			
- Guide services	6,000	6,900	8,280
- Community tours	4,200	4,830	5,796
Total gross sales	101,582	116,819	140,182
[COST OF GOODS SOLD]			
Total cost of goods sold	0	0	0
Gross profit	101,582	116,819	140,182
[OPERATING EXPENSES]			
Employee wages	84,320	88,536	92,963
Employee benefits	12,648	13,280	13,944
Office administration	15,000	15,600	16,224
Marketing	5,000	5,200	5,408
Insurance	4,000	4,160	4,326
Car lease	4,200	4,200	4,200
Depreciation	2,000	4,800	4,320
Total operating expenses	127,168	135,776	141,386
Operating income/loss	(25,587)	(18,958)	(1,203)
Other income - Startup subsidies	20,000	10,000	10,000
Other expenses-Interest expenses	5,000	5,000	5,000
Profit before taxes	(10,587)	(13,958)	3,797
Taxes -n/a			
Net income/loss	(10,587)	(13,958)	3,797

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	1991	1992	1993
Revenues will be generated from several sources:			
1-15 % Gross commission on packages sold:	$31,574	$36,310	$43,571
Rv/Automobiles [21049 people*10 % sold pckgs*avg $100 *15 %]		[15 % + 20 % growth]	
2-Wilderness fishing:			
Fishing[320 people*15% sold pkcgs*avg $1500*15 %comm]	$10,800	$12,420	$14,904
		[15 % + 20 % growth]	
3-Adventure travel:			
Adventure travel[1528 people*20% sold pckgs*avg.$1000*15 % comm]	$45,840	$52,716	$63,259
		[15 % + 20 % growth]	
4-Air travel:			
Air travel[1056 people*20 % sold pckgs*avg.$100*15 % comm]	$3,168	$3,643	$4,372
		[15 % + 20 % growth]	
Revenue from tourism services:			
1-Guide / ground handling services[$1000 per wk.* 6 wks]	$6,000	$6,900	$8,280
2-Community tours [avg. $100 per group tour*avg.tours per wk*6 wks.]		[15 % + 20 % growth]	
Community tours [$100*7*6]	$4,200	$4,830	$5,796
Operating expenses:		[15 % + 20 % growth]	
Manager /owner[$40,000p/a]	$40,000	$42,000	$44,100
Secretary[$21,000 p/a]	$21,000	$22,050	$23,153
Asssistant[16 wks*$600 per/wk]	$9,600	$10,080	$10,584
Local guide[6wks*$700 p/wk]	$11,200	$11,760	$12,348
Local tour guide[6wks*7tours p/wk*4 hrs*$15 per]	$2,520	$2,646	$2,778
Total employee expenses:	$84,320	$88,536	$92,963
Employee benefits[15 % of wages paid]	$12,648	$13,280	$13,944
Office administration[rent+utilities]	$18,000	$18,720	$19,469
Promotional marketing	$20,000	$20,800	$21,632
Insurance	$4,000	$4,160	$4,326
Lease of a car[$350 per/m all yr.	$4,200	$4,200	$4,200
Capital + Startup Costs:			
Capital costs	$20,000	$30,000	
Startup costs	$20,000	$10,000	$10,000
Depreciation expense on capital costs:			
cca class not determined- cca rate =10 %	$2,000	$4,800	$4,320
All start up costs shown as incoming subsidies			

PRO FORMA INCOME STATEMENTS
Inbound Tour Operator
[1991-1993]

5. PACKAGE TOUR DEVELOPMENT

5.1 INTRODUCTION

Package tours are potentially a very popular and viable Western Arctic travel product offering to the various market segments. Long haul air travelers, R.V. operators and motorcoach passengers are all potential buyers of a wide range of package tours which may include:

- o community tours;
- o 1 day boat tours;
- o 2 day nature tours;
- o 3 day culture inclusion tours; and
- o 5 day wildlife observation.

Package tours tend to be in the best interest of both consumers and the various suppliers.

5.2 REASON FOR PACKAGE TOURS

Consumer

- o ease of payment to suppliers;
- o security of dealing with a specialist operator;
- o cost savings from bulk buying (air charters, food, etc.);
- o Peace of mind for older Western Arctic market segments (i.e. ± 60 years old); and
- o social contacts of group travel.

Operator

- o defined product easier to develop and market;
- o availability of technical assistance;
- o easy to modify product;
- o knowing when and how many are arriving, therefore ease of:
  - scheduling
  - staffing
  - minimizing impact on community;

o easier to market to southern wholesalers; and

o advanced bookings assist:

- cash flow
- advanced equipment/food purchases
- staffing pretraining

Hotels .

0 advanced staffing and food purchases; and

o defining room availability (block booking).

Airlines

o dedicate appropriate aircraft; and

o advanced charter scheduling.

Guides

o structured work conditions; and

o assured salary.

Outfitter

o advanced purchasing/staffing; and

o setting up camps for special interest travel.

Inbound Operator

o Emp" oyment opportunity based on commission sales.

There are also certain constraints associated with package tours including: ,

0 raising expectations of suppliers; and

o group cancellations.

5.3 STEPS TO DEVELOP A TOUR PACKAGE

Step 1 - Commitment to Offering Package Tours

While this step may seem obvious, it is important to remember that because of start-up costs, it is important to be totally dedicated to carrying through with establishing tour packages including:

o advanced supply purchases;
o hotel guarantees;
o non-refundable rentals; and
o advanced marketing.

Step 2 - Evaluate Your Potential to Provide Tours

a) An assessment must be made of your available/reliable:

o equipment - boats/kickers
- hotel rooms
- tent frames
- 4 wheelers

o financing - personal
- funding sources

b) Local natural/cultural/historic resources

An assessment must be made of resources that are adjacent to your community.

e.g. - birdlife/wildlife
- historic sites
- fishing rivers
- unique natural features
- etc.

Step 3 - Estimate Realistic Market Opportunity

a) contact WAVA for current market data
b) using the projections of the WATS study estimate % market share of each market segment:

e.g. - R.V. operators
- wildlife packages
- arts and crafts workshops
- hikers/canoeists

c) calculate the projected volume on a segment by segment and week by week basis

step 4- Define Particular Package Components or Packages

Determine key attractions and package components on a daily basis including:

- 0 airport meet/greet
- o transportation to community
- o hotel accommodation
- o hotel meals
- o evening entertainment/elders storytelling
- o community tour/sightseeing
  - arts and crafts
  - historic sites
- o transportation (including 4 wheelers, site charters, snowmobile, boats, HTA boat) to sites of interest such as:
  - bird sanctuary
  - peregrine falcon nesting areas
  - Richardson Mountains
  - fish camp
  - ramparts
    rivers
- o daily meal requirements (native foods)
- o overnight (tent frame/camp) accommodation
- o guided hikes and canoe trips
- o return trip to community
- o hotel accommodation (if necessary)
- o delivery to airport
- o departure gift

step 5 - Costs of Package by Individual Components (1988)

The following are typical rates and pricing formulas.

a) Hotel Rates, (15-20% reduction for group reservation)

Hotel Food (15-20% reduction)

Discount Food/Accommodation back to customer 5-10%

b) Scheduled Airlines Service - 20-25% reduction on group, add back a 10% mark-up

Charter Airlines - 12% mark-up on net charter rates

c) Boat Transportation

Net cost to boat supplier of fuel ($2.50/gallon), guide ($150.00/day), boat rental ($50.00/day for 18-20) plus a 15% mark-up. Larger boats (e.g. HTA boats) will have a flat rate of $100.00/hour of operation plus a 15% mark-up

d) Operator Suppliers

o food/beverage - add 35% mark-up to cost
o clothing - $30.00/day
o fishing gear - $10.00/day
o use of camping equipment - $30.00/day
o tent frame accommodation - $45.00/day double occupancy
o fuel ($2.50/gallon x 30% mark-up)

e) Commissions

o travel agents - 10%
o WAVA Centre - 10%
o inbound operator - 15%
o southern wholesalers - 17.5%

f) Salaries

o owner/operator/guide - $175.00/day
o assistant guide - $125.00/day
o cook - $125.00/day
o entertainers/storytellers - $20.00/hour

g) Additional Equipment

o snowmobile rental - $50.00/day plus fuel
o 4 wheeler - $50.00/day plus fuel

<u>Step 6 - Final Itinerary and Package Design</u>

Packages should take into consideration:

a) Duration of Package Tour

o most between 3 to 5 days on the tour itself
o exceptional tours - 7 days

b) Typical Daily al 1 Inclusive Rates (1988)

- o nature/hiking - $250.00/day
- o use of boat transportation - $275.00/day
- o wilderness lodge accommodation - $300.00/$325.00/day
- o community hotel accommodation - $300.00/day
- o side charters - $300.00/day

c) Typical Inclusions (Amenities)

- o airport greeting/baggage handling
- o meeting local families
- o native foods
- o non-scheduled community time for arts and crafts shopping
- o introduction to local characters, leaders, artists
- 0 "sushi in Sachs"
- o introduction to native lifestyle, customs, beliefs
- o non-scheduled/spontaneous participation such as:
  - whalewatching
  - fishing
  - inclusion in special cultural events
  - skinning
- o 9ift giving - local craft

Step 7 - Prepare a Business Plan and Arrange Financing

a) Business Plan includes:

- o market forecast
- o revenue projection
- o operating costs
- o financing charges
- o profit/loss

This is prepared over a five year basis

b) Define Financing Package Including:

- o operator equity
- 0 cash and equipment
- o loan
- o grant

c) Approach Funding Sources Including:

- o Economic Development and Tourism
- o EDA
- o Special ARDA
- o Small Business Loan
- o Eskimo Loan Fund
- o Native Development Corporations

d) Private Equity Should be Between 20% and 40%

e) Secure Financing Package

Step 8 - Market the Packages

a) Design and Print Flyers or Brochures

- o Publish price every year in U.S. and Canadian funds
- o Average brochure cost of printing (10,000) is $4,000.00
- o Distribution of Literature
  - WAVA Centre
    Dawson City
    inbound operator
    Travel Arctic
    Arctic Hotline
    written inquiries
    direct mail
    travel trade show use
- o Magazine Advertising
  - $1,000.00 to $1,500.00/year
  - generally 8-10% of projected revenue in first year, then 5-7%
  - target marketed - using media identified by WATS study and TIA/Travel Arctic
- o Travel/Trade Shows
  - 2/year at $2,000.00 each with assistance from WAVA/TIA NWT
- o Travel Writer Visit once every 2 years
  - cost to operator $500.00

PLUS WAGES

o head guide ($150.00/day x 5 days)	$ 750.00
o camp cook ($125.00 x 5 days)	625.00
o camp assistant ($110.00 x 6 days)	660.00
SUBTOTAL :	$3,370.00
Plus 20% mark-up:	674.00
SUBTOTAL:	**$4,044.00**
Plus (fixed costs)	950.00
TOTAL:	$4,994.00

These costs are based on the following basic assumptions:

o meals - breakfast $10.00
- lunch $10.00 - $15.00
- supper $15.00 - 420.00

Maximum use will be made of country foods especially fresh fish, bannack, caribou, etc.

o boat rental $50.00/day

o accommodation $20.00 - $30.00/night

Assuming tents/equipment are purchased under funding source, each of these tours can return an attractive $1,264.00 to the band (or $674.00 @ 20% mark-up plus $950.00 acommodation which has no operation expenses) or approximately $8,000.00 for the five groups. This money would also offset the price of tents if the Bands had to purchase them.

The price then is a very competitive $995.00 per person out of Inuvik.

These are exactly the types of trips we like to see and would encourage for Akalvik. Consider it as a pilot project with several tours of 5 being offered during the rest of the summer. "