Northwest Territories - Overview Of Current And Potential Tourism Products And Issues
Date of Report: 1987
Catalogue Number: 11-8-37

NORTHWEST TERRITORIES

OVERVIEW OF CURRENT AND POTENTIAL TOURISM PRODUCTS AND ISSUES

PREPARED FOR THE CCTO TASK FORCE

ON PRODUCT DEVELOPMENT STRATEGY

Division of Tourism and Parks
Department of Economic Development and Tourism
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February, 1987

1.0 INTRODUCTION

In 1986, The Ministers of Tourism requested a Canadian development strategy paper which would identify existing tourism products, what is lacking, and where potential for development lies.

This report was prepared to indicate the status of tourism products in the Northwest Territories for inclusion in a final report being presented to the Federal/Provincial Conference of Tourism Ministers being held in June 1987.

The following presents an overview of both current and potential tourism products, and a review of the supporting service infrastructure and issues facing the Northwest Territories with respect to financing and professional development.

2.0 AN OVERVIEW OF THE NUT TOURISM INDUSTRY

2.1 Significance of the NWT Tourism Industry

The NWT tourism industry is unique. Unlike southern destination areas there are no major pass-through markets which can be addressed. The NWT is very much a destination region. The NWT provides significant pass-through opportunities for southern Canada as the North is the only Canadian destination which cannot be accessed directly by international travelers. Road transportation is limited to only the western region of the NWT. It is Canada's largest destination area accounting for approximately one-third of Canada's physical land area, spanning almost the entire northern Canadian frontier and bordering four provinces and one territory.

Although Canada's largest destination area, the NWT is Canada's smallest destination area in terms of actual tourism travel. Annual tourism trip travel captured by the NWT industry is estimated to be only 140,000 trips of which 70% are generated by NWT residents themselves. Nonresident travel to the NWT is estimated to be 44,000 visitors a year. To put this in a national perspective, the NWT industry would account for less than 1% of all Canadian tourism trips.

Although the current level of tourism travel to the NWT could not be considered a major segment of the current Canadian travel industry, it is a critically important element of the NWT'S economy. The estimated value of tourism travel expenditure associated with nonresident travel to the NWT is $60 million annually - an extraordinarily high expenditure per resident relationship. This results in an estimated 1,500 person years of annual full time employment and 2,000 part time jobs. As a result the NWT tourism industry is second only to mineral development as NWT'S largest private employer. Given the current slump that mineral resource and hydrocarbon industries are experiencing, tourism will take on increasing importance for the 50,000 residents of the Northwest Territories.

Tourism is already an important contributor to the prosperity and stability of the NWT'S economy, and there is strong evidence to suggest considerable potential for future growth in what has become one of the world's fastest growing industries. It is currently forecast that tourism revenues will increase by $38 million over the next 5 years, generating a further 28,000 person years of employment for the NWT.

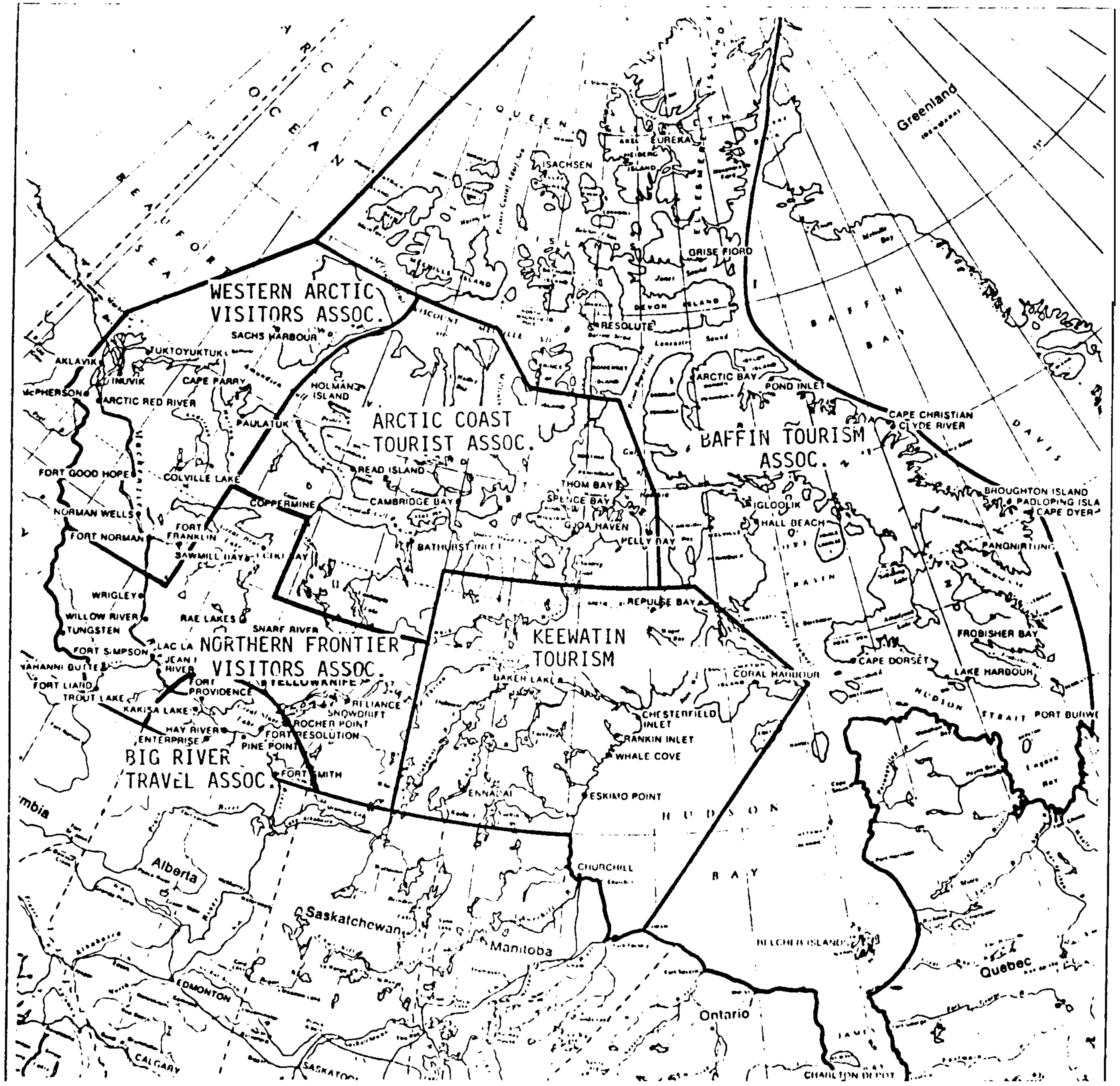
2.2 Structure and Support

The NWT tourism industry is comprised of the private sector, six tourism zone associations (which are part of a broader umbrella, the Travel Industry Association of the NWT), the Governments of the Northwest Territories and of Canada. The Tourism and Parks Division of the Department of Economic Development and Tourism is the principal development and marketing body of the Territorial Government. Their marketing section is known as TravelArctic.

In recent years there has been increasing emphasis on the creation of an effective travel industry association for the NWT as a vehicle to coordinate industry development. The six regional destination tourism zone associations have increased in membership, influence and responsibilities, and now carry out several tourism programs on their own, including consumer shows. Each tourism zone association represents the communities , organizations and operators participating in their tourism sector. Organization by, zones maximizes the effects of promoting a region as a package of attractions. While there must always be a perspective of future development, zones focus more on short term immediate results and sales for its members. Zones also function as the regional representatives of tourism interests and provide the focal point for making recommendations to government. Figure 1 shows the six travel zones for the NWT.

The Territorial Government contributes significant core and program funding to the TIA and its zones on an annual basis. These contributions exceeded one half million dollars during the 1986/87 fiscal year. In addition TIA and its zones are able to recover administration fees for the delivery of projects funded by the Territorial Government or other agencies.

The road accessible zones of Big River and Northern Frontier, directly north of Alberta, account for almost 70% of total tourist visitation to the NWT but only 56% of total tourist expenditure. Although the other travel zones of the Western Arctic, Keewatin and Baffin have considerably fewer visitors, trip expenditure is high, largely due to the increased costs of transportation as well as a longer length of stay. The Arctic Coast currently receives the lowest number of tourists, only 1,300 a year.



TRAVEL DESTINATION ZONES
and
TRAVEL ASSOCIATIONS

- Arctic Coast Tourist Association
- Big River Travel Association
- Travel Keewatin
- Northern Frontier Visitors Association
- Western Arctic Visitors Association
- Baffin Tourism Association

Unfortunately visitor market origin data for the NWT is not accurate and at best would be termed as descriptive. At the individual zone level market origin data is only available for some of the zones. The market origin of visitation varies considerably between regions. To illustrate this we have compared the market origin of visitation to the Northern Frontier/Big River zones to the Baffin.

TABLE 1

Comparison of Travel Market Origin for the Northern Frontier/Big River and Baffin Zones

Market Origin	Northern Frontier/ Big River	Baffin
Ontario	12%	29%
Quebec	4%	12%
Western Canada	72%	12%
U.S.A.	9%	29%
Foreign	2%	18%

Given market and product differences between the zones, coordinated regional strategies are essential in implementing a successful strategy for NWT tourism industry development. As a basis for this strategy a tourism data base is being developed that will monitor key travel markets and evaluate the success of program development and implementation.

2.3 Recent Development History

Senior NWT governments prior to the 1980's did not strategically address the development of the NWT tourism industry. It was largely perceived and marketed as a fly-in destination for fishing and to lesser extent hunting. Further a good portion of the industry plant was owned and operated by non-NWT residents. There was also little community involvement in, or awareness of, the tourist industry.

In 1983, the essence of a Northern Territories Tour i sm Strategy was prepared. There were two major themes to the strategy:

- That tourism development be community-based.
- That tourism development be spread through the NWT.

The present NWT tourism strategy is based on the following ten principles:

1. Tourism is a desirable industry and its benefits should be dispersed throughout the Northwest Territories.

2. Tourism should only be encouraged and promoted in those communities/settlements which are ready and/or willing to be involved in the industry.

3. Tourism should be primarily a private sector industry. The private sector should take the lead in developing viable operations with the government involved in the provision of support services (roads , airports, research, image development in the marketplace). In the short term, however, government will need to provide incentives to encourage tourism development.

4. The tourism industry should operate under the free enterprise system, allowing good operations to succeed and poor ones to fail.

5. It is desirable to increase the overall number of visitors to the Northwest Territories.

6. It is desirable to attract new and different types of markets.

7. Tourism in the Northwest Territories should be a year round industry, not just a seasonal one.

8. Large numbers of visitors at one time, are not desirable in communities of population less than 1,000.

9. Tourism development should build on the unique resources (natural, cultural and historical) and minimize negative social and environmental impacts.

10. It is desirable to have residents of the Northwest Territories derive maximum benefits from tourism related activities and be involved in the different facets of the industry.

During the 1980's the NWT has focused on the following:

Organization and Cooperation

The strong government/community/industry organization is an important component of NWT tourism development. Tourism in the NWT has to be approached on a consensus basis.

Regional Tourism Studies

Regional tourism studies have been completed or are ongoing in all but one of the six travel zones. These are major studies and involve considerable community consultations. The studies focus on inventorying and evaluating each region's tourism opportunities based on market potential and product development. The regional plans are used as a focus for tourism planning and development.

Canada/NWT Domestic Market (Tourism and Small Business) Development Subsidiary Agreement

In 1983 the Governments of Canada and the Northwest Territories signed a $10.75 million agreement. Within the agreement tourism was treated as a separate sector with committed funding of $3.6 million. The funding under the agreement was utilized to establish and provide support funding to the Travel Industry Association of the NWT, initiate the development of regional tourism plans, NWT tourism marketing and industry incentives.

3.0 CURRENT PRODUCT DEVELOPMENT STATUS

In this chapter we have outlined the current status of the NWT'S tourism products.

3.1 NWT Travel Products

Very simply the NWT'S travel products centre on the NWT'S physical environment and its people. It is a unique region within Canada that has outstanding physical resources that are of international calibre. There are two broad travel product categories:

- Adventure/Outdoors Products
- Touring Products

Adventure/Outdoors Products

The adventure/outdoors product category includes both non-consumptive and consumptive travel products. The non-consumptive adventure/outdoors products are:

- Wildlife Viewing
- Outdoor Recreation
  - camping/hiking/canoeing/white water rafting
- Naturalist Expeditions
- Photo Safaris
- Adventure Experience
- General Interest

The consumptive "adventure/outdoors products are:

- Fishing
- Hunting

The future growth of the NWT'S pleasure travel markets will become less dependent upon consumptive travel products. The NWT has traditionally held a single market image as a fishing destination. Not only is this a narrow market segment but it is one that holds only limited potential for future growth. The sale of fishing licenses to nonresidents has not shown any real growth over the period 1971 to 1985.

Touring Products

The second broad tourism product area for the NWT is less product specific but involves general touring of the NWT'S physical and cultural environment. Here the NWT'S unique products will be emphasized in promoting travel. This includes:

- Wildlife Viewing
- Special Interest Travel

- Touring Northern Communities/Purchasing NWT Arts/Crafts
- Experiencing NWT Culture and History

Examples

The following sections illustrate examples of products that are either developing or proposed in each of the NWT'S destination zones. These examples were identified in marketing and development strategies prepared for the NWT.

Keewatin Travel Zone

- Naturalist lodges to serve photographic and wildlife safaris.
- Access to the Thelon Game Sanctuary.
- Tours of Inuit life-style and culture.
- Boat tours in Hudson Bay.
- Snowmobile and dog-team package tours of the Barrenlands.

Baffin Travel Zone

- Auyuittuq - Canada's best known arctic destination.
- Development of a world class resort at Pangnirtung.
- Big game hunting (caribou, musk-ox, polar bear) and wildlife safaris.
- Interpretive boat tours of arctic waters.
- Traditional Inuit arts and crafts and cultural tours and discovery tours.
- Historical tours based on early arctic explorers.
- Spring adventure tours by dog-team or snowmobile.

Arctic Coast

- Big game hunting.
- World class lodges at Bathurst Inlet and other locations.
- Tours of Inuit life-style and culture.
- Arctic wilderness experience and nature tours.

Big River and Northern Frontier

- Tourism corridor development along Mackenzie Highway, including territorial parks.

- Development of community events.

- Business conferences at major communities.

- Naturalist experiences associated with Wood Buffalo and Nahanni National Parks.

- Great Slave and Great Bear Lakes are the NWT'S strongest fishing destinations.

Western Arctic

- Naturalist experiences and safari package tours.

- Sport hunting in the Mackenzie River area for Dan's sheep, mountain goat, caribou, moose and bear.

- Tourism facility corridor development along the Dempster Highway to provide access to wilderness experiences and historic sites.

- Cultural contact tours.

- Naturalist lodge and camp development.

3.2 Market Opportunities

The NWT tourism industry has the potential to supply a wide and attractive range of tourism products in the wilderness and adventure markets as well as those travel markets seeking unique cultural and pleasure travel experiences . Primary markets are U.S.A. and overseas. The American market offers the greatest potential for immediate development. The success in capitalizing on these segments is dependent upon the NWT'S capability to organize the products of its individual operators into packages which can be marketed by southern wholesalers .

The NWT has recently adopted a strategic marketing plan that addresses the marketing of the NWT'S principal travel product generators. The strategy addresses both the short and the long term. In the short term the strategy recognizes that, in many ways, the NWT is a developing product with a recent tourism infrastructure. As a result in the short term the marketing of the NWT tourism products is based on well defined travel market segments matched to specific travel products where consistent travel product or "experienced" packages can be delivered. In the long term the marketing strategy will keep pace with the development and upgrading of the NWT'S travel products and services.

A complementary product development strategy, to ensure investment stimulation and tourism service delivery keep pace with the marketing strategy, is currently underway. This strategy will provide a framework for the development of the NWT's tourism product infrastructure.

3.3 Product Development Strategy

The NWT's current strategy is a realistic one recognizing that the optimum benefits of the NWT's tourism industry will only be achieved in the long term.

While most NWT communities have been exposed to tourism, only a few have had sustained contact and are aggressively developing products. Some are not yet ready or capable of accommodating or hosting tourists. As a result the NWT's current strategy involves a three-tiered approach which recognizes the various stages of product development across the North:

1. The provision of basic visitor services.
2. Enhancement of the tourism experience; and
3. Development of major facilities.

Regarding the first tier, any communities not yet at this level of service will focus on the development of basic services to accommodate travel visitation which includes the provision of accommodation, meals and transportation. These will serve the resident and business travel markets building on the existing tourism plant to a point where it has the capability to service nonresident pleasure travel markets especially as a package tour component.

With basic services in place the second tier of development, enhancing the tourism experience, proceeds. The development of additional product components permits the organization of packages backed by adequate accommodation and other basic facilities. The availability of arts and crafts, day trips, specialty restaurants, community tours and other enhancements enables the delivery of packaged travel products. These products are "package specific" aimed at providing unique tourism experience pleasure travel. Already more than 100 quality packages are available ranging from North Pole Expeditions to a Night-on-the-town in Yellowknife.

The third tier is the development of products that would include first rate accommodation and built attractions that are world class. It includes hotels with ancillary facilities, lodges and resorts located near spectacular natural or cultural phenomena. At this stage in the NWT tourism product the development of major visitor attractions would have to be led by public investment. As an example, this could include the development of a world class resort and interpretive facilities at Pangnirtung as the key access point to Auyuittuq National Park .

Similar opportunities for the development of major visitor attractions exist across the NWT and also include cruise ships and visitor centre/museum complexes. Long range planning suggests that even northern theme "parks" or theme communities may be suitable future product developments .

4.0 SERVICE INFRASTRUCTURE

The service infrastructure of the NWT travel industry varies considerably throughout the NWT. For many communities the only available service infrastructure is air service while in others a full "southern" service infrastructure is available. Generally, with the exception of a few communities, the NWT service infrastructure could be described as incomplete and unorganized. Across the North facilities such as food and lodging are usually available but in some communities they require upgrading in order to become a feasible component of a package tour.

Transportation is perhaps the best developed sector of the NWT's tourism service infrastructure. Road transportation for areas such as the Baffin, Keewatin and Arctic Coast is simply not a reality now or in the future. These areas are accessible by air only. As part of the tourism service infrastructure it is the cost and not necessarily the availability of transportation service that is a major constraint.

Unfortunately data is not available for every component of the NWT's service infrastructure. In the case of accommodation and outfitting there is some basic information that provides an indication of trends within the service sector.

At present time there are 81 hotels and motels located in the NWT. Currently most NWT communities have some form of tourist accommodation. However the quality of accommodation varies considerably.

There are 54 lodges located in the NWT. This includes both naturalist and sport fishing lodges. These facilities are not located within communities and generally operate only during the summer months.

There are a total of 82 outfitters in the NWT. This includes sport-fishing outfitters and general touring outfitters. Outfitters provide a package of services including transportation, food and guiding. They do not have permanent accommodation facilities but offer comfortable tent camps.

Table 2 indicates the growth in facilities over the period 1975 to 1987. Overall, accommodation and outfitting establishments have more than doubled. However, this has largely been due to the phenomenal growth in outfitting services. There are a number of reasons for this. First of all there is relative ease of entry into the outfitting business as it does not require the major capital outlays required by the lodge, hotel/motel sector. The growth of the outfitting industry can also be partly explained by tourism development initiatives undertaken since 1980 and the development and marketing of adventure/cultural packages.

TABLE 2

Number of Facilities by Type
1976 to 1987

Year	Hotels and Motels	Lodges	Outfitters	Total
1987	71	54	82	207
1986	72	54	85	211
1985	66	51	80	197
1984	63	51	62	176
1983	48	47	29	124
1982	48	50	28	126
1981	48	53	31	132
1980	49	49	27	125
1979	49	47	23	119
1978	48	48	19	115
1977	42	43	20	105
1976	44	38	19	101
1975	39	40	13	92

The low growth in lodge facilities suggests that this sector has matured. This is partly explained by the flat growth in the general fishing market for which many of these lodges were established to capture in the first place. Some lodges have attempted to develop new markets such as the non-consumptive naturalist and cultural inclusion markets.

The hotel and motel sectors have grown at a steady pace but which appears to have flattened since 1985. Most NWT communities now have some form of accommodation but the total inventory of hotels/motels is deceiving as it does not address the growth in rooms or the improving quality of facilities. In the immediate future effective development of the hotel/motel sector will concentrate on upgrading and replacement as opposed to additions to the current inventory of facilities.

5.0 FINANCING

Financing tourism product development in the NWT is a major impediment. The NWT is not well represented by commercial banks. Only a few communities have representative banking services. The existing banking institutions do not understand the northern economy. Private investors are often non-NWT residents. Organized investors, friends and family have, in the past, focused on the hotel or lodge accommodation sector. In many instances these investments were the result of a hobby or pursuit of an outdoors oriented life-style. Community development and venture capital corporations are still relatively new to the NWT.

The lack of available capital for NWT tourism product development is the result of several factors, some of which include:

1. Commercial lending institutions consider the tourism sector to be risk prone. A Canada-wide study of the Canadian resort industry that was undertaken by the TIAC underscored the problems facing the Canadian resort industry. Many of these problems were related to financing, the lack of investment credits and a poor return on investments. These problems are typical for the Canadian industry but even greater for the NWT. As a result equity requirements are very high when compared to other economic sectors.

2. Other than in the major centres the NWT tourism industry has no track record. As a result the industry lacks credibility when approaching financial institutions.

3. The northern banking systems could not be described as full-service. The banking/financial structure consists of branch offices with little or no local loan authorization.

4. Within the industry itself there is a lack of management skills to acquire and implement financing.

5. Relative to the South, northern capital costs are significantly greater due to higher transportation and building costs. Higher capital costs, in turn, lead to greater equity requirements in an already capital poor environment.

6. Financial institutions undervalue the equity or chattel value of northern assets. These assets are seen as having little value particularly in more remote settlements.

7. Given both the cost and availability of transportation most northern businesses carry higher inventories. As a result capital is often tied up in inventory.

8. The highly seasonal nature of the NWT tourism industry constantly puts capital at risk. A business's ability to carry long term debt is significantly constrained by a relatively short peak season in which to service capital debt.

Given the nature of the NWT tourism industry and the lack of capital availability, federal and territorial governments have implemented a number of programs, some of which include:

- Small Business Loan Fund
- Eskimo Loan Fund
- Venture Capital Program
- Special ARDA
- Cost-Shared Marketing Assistance
- Tourism Facility/Training Contributions.

In addition to the above programs the NWT is also considering other initiatives to improve northern financial services. The GNWT is considering hiring an investment officer to identify, and promote northern business opportunities. A "bankers' tour" is planned to familiarize senior officers of banking institutions with northern development opportunities and problems. As a follow up to Expo '86, a familiarization trip for members of the Vancouver Stock Exchange is planned to promote northern incentives and investment opportunities.

An important vehicle to encourage planning, development and investment in the NWT tourism industry has been Federal-Territorial Agreements. During the 1980's two generations of Development Agreements have been key vehicles in providing financial assistance as well as the planning and implementation of the NWT tourism industry product development. In 1987, it is anticipated that a Canada/NWT Tourism Subsidiary Agreement will provide a third generation vehicle for tourism industry development support. It is proposed that over three years a total of $12 million in industry support will be allocated in a 70/30 ratio between the federal and territorial governments.

The Tourism Agreement will embrace the three-tiered approach to the NWT's tourism product development, described previously. Programming under the new Agreement will include:

1. **Market Development**

   This program will address market positioning for the NWT in creating a destination image for the NWT as an attractive and unusual place to visit. It will be based on the NWT's current market strategy.

2. **Product and Facility Development**

   This will be a major program initiative under the agreement. It will focus on upgrading basic visitor services to an acceptable level as well as the development of selected major facilities to world class standards. It will include:

   - The development of new and improved accommodation and food services.
   - Visitor reception and facility development.
   - Major travel generator development.
   - Community tourism support for theme development, facilities, attractions and events.

3. **Tourism Industry Support**

   This program will address industry organization, human resource development and community tourism awareness. Given the "raw" nature of tourism product development in some regions there is still a real need for planning assistance for communities and regions in approaching tourism development.

   Training and human resource development will be an important element of this program component. It will address both management and employee training for the industry. Lastly, for many northern communities, there is a basic need for general tourism awareness programs.

6.0 PROFESSIONAL DEVELOPMENT

There are a number of human resources issues facing the tourism industry of the Northwest Territories. Briefly they are:

- The young industry has had limited experience with visitors in many instances.
- There is a general lack of awareness about tourism among residents of the NWT.
- Other requisite skills required for participation in the industry are generally not available.
- Skill development at all levels of the industry is necessary.
- There is difficulty in funding and implementing training programs.
- Non-NWT residents account for a significant portion of industry employment.

Throughout the NWT there is a general lack of public awareness about tourism. In many regions it was the tourism planning process which first delivered the concepts of hospitality, service and organization to communities as recently as the 1980's. Local residents in many cases are unsure of exactly what is required to promote and develop tourism in their local area. While marketable world class natural and cultural commodities are abundant there is a lack of industry experience and technical background integral to successful development, organization and packaging of the product.

Many of the skills required for participation in the industry are often not available. There is a need to develop skills at all levels, from guiding to management. There are many logistical and fiscal challenges in delivering training programs to service the tourism industry given the large geographic area and cultural diversity. Although there is only one community college in the NWT it is expanding through a series of satellite campuses.

Government has the primary responsibility to establish a framework and standards for basic training needed to upgrade the skills of tourism business managers, their employees and officials of tourism associations. While much has been accomplished to date it is anticipated that the recently established Tourism Training and Manpower Needs Board will further define training requirements and recommend standards within the industry.

The development and implementation of effective tourism training programs will be an important vehicle through which to improve the participation rate of NWT residents in the NWT tourism industry. This will be an on-going process with a long term goal of greatly enhanced employment and income opportunities for NWT residents.

7.0 SUMMARY

7.1 NUT Tourism is Good for Canada

The NWT tourism product is one of the few Canadian destinations that must be accessed from east/west gateways across the country. There are unlimited opportunities for every NWT tourist to contribute to provincial tourism both coming and going through these gateways!

As part of a "Canadian Package" the NWT has the potential to sell Canada; move the Canadian image into the world class tourism market; and provide lucrative two way tourism activity between north/south destinations. Progressive packaging of north/south components could include such creative itineraries as:

- Vancouver, British Columbia; Whitehorse and Dawson City, Yukon; Dempster Highway to Inuvik, Tuktoyaktuk, Northwest Territories.
- Montreal and Quebec City, P.Q.; Iqaluit, Pangnirtung and Auyuittuq, Northwest Territories.
- West Edmonton Mall and Banff, Alberta; Yellowknife, Fort Simpson and Nahanni, Northwest Territories.

The ripple effect of each dollar spent on NWT tourism products has more impact across Canada than comparable expenditures in any other Canadian location. The NWT tourism industry can capture little more than the on site service components of visitor expenditures. As very few of the consumer goods basic to the tourism industry are produced in the NWT virtually everything a tourist consumer in the North has been purchased and transported from southern Canada. Southern leakage is a dominant characteristic of the NWT tourism product and provides significant opportunities in the southern supply and expediting sectors.

7.2 The NWT Situation is Different

The NWT product lacks some of the traditional components which contribute to making tourism a successful industry elsewhere. What the NWT product does have are natural and cultural attributes which are world class. There are features of the NWT which distinguish our product. Some are:

- excellent fishing;
- wildlife spectacles on par with those anywhere;
- scenery;
- history and cultural heritage that are accessible;
- big game hunting opportunities not available anywhere else;
- space, clean air, clean water and wilderness;
- safe travel environment.

These are marketable commodities which will bring people to the North.

On a global or even national scale we are looking to attract relatively sma11 numbers of travelers, both to maintain the quality of the experience and, equally important, to respect the sensitivities of the people, their communities, and the products we have to offer. Our vision is of a tourism industry based on the natural and cultural attributes of the NWT which are in demand in the marketplace. Fiscally our strategy is to optimize expenditure impact of 1 0w visitation from specialty, high value tourism markets as much as possible.

Financing and training issues facing NWT product development have much in common with the industry elsewhere. Our problems are similar but more severe. It is the lack and sometimes inadequacy of organized product which distinguishes the issues facing successful product development in the NWT. Currently much potential product consists of a large number of small, often scattered, individual operators who are not linked together by packages or represented in the southern wholesale network.

In addition to the generic issues facing the industry, the NWT requires technical and financial assistance to organize product and develop packaging opportunities with southern wholesalers.