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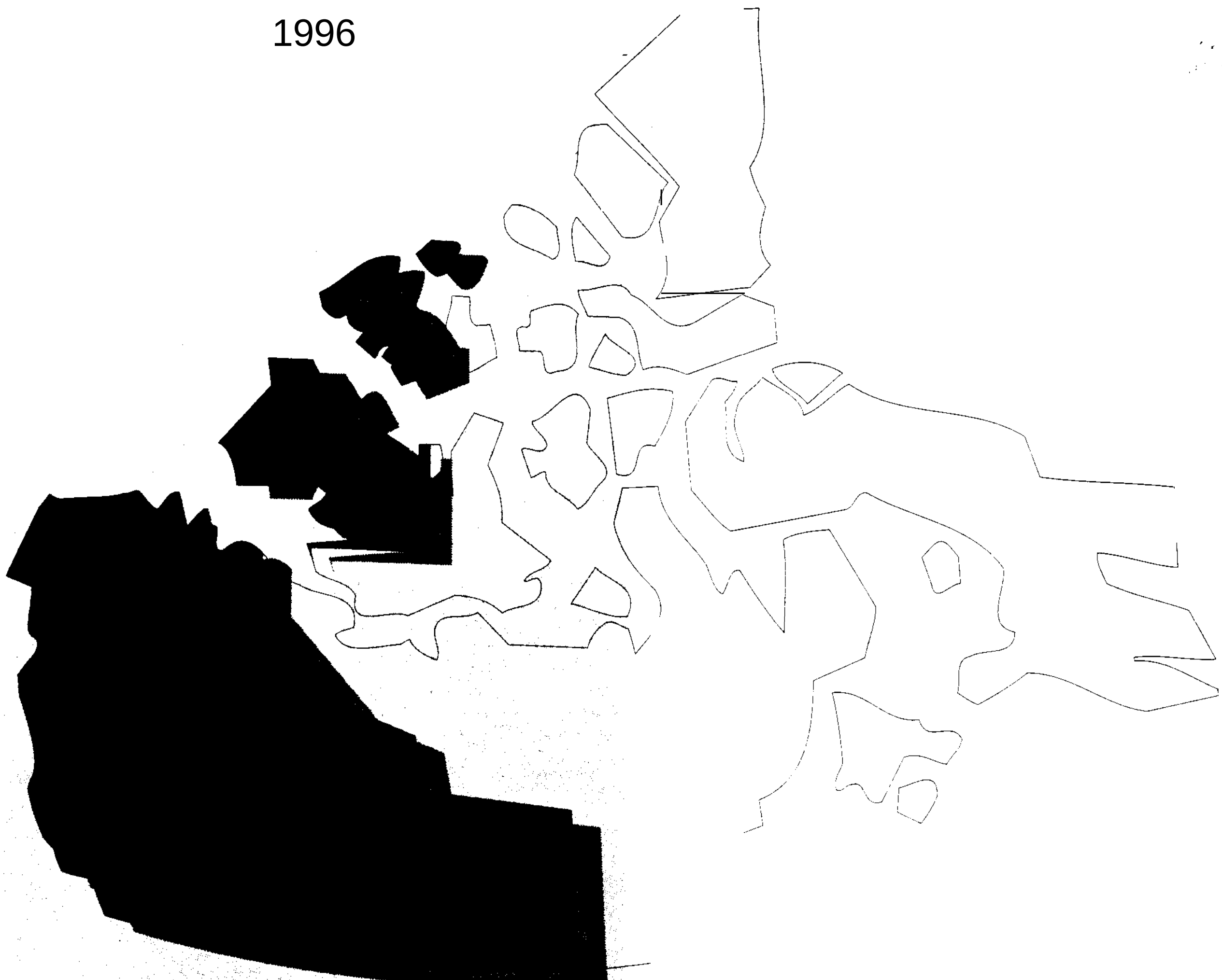
NWT ARCTIC TOURISM

T O W A R D 2 0 0 0

A report by
NWT Arctic Tourism
1996



A Fresh New Approach to Tourism Organization in the Western NWT.

In 1995, the tourism operators of the western NWT created a new tourism association. We called it NWT Arctic Tourism. At our founding conference in Yellowknife **in November 1995, the vision for our new association was:**

> *An agency which would promote tourism and support community tourism and tourism operators in western NWT communities in a fair and equitable manner.*

NWT** Attic **Tourism** was **founded** in 1995 to **promote** tourism, support community **tourism** and tourism operators in the western **NWT** in a fair and equitable **manner.

We saw our new association partnering with communities and industry to:

- *market and promote tourism as an industry in the western NWT:*
- *strategize for the future;*
- *set tourism standards;*
- *provide tourism training;*
- *lobby on behalf of the tourism industry;*
- *assist members through information exchange, networking, insurance, and accountability; and*
- *develop and maintain partnerships.*

Most northern industries would be envious of the representation we have on our Board! *NWT Arctic Tourism* is **governed by a Board of Directors with 13 members. Six are representatives appointed by aboriginal groups; six members represent industry sectors; and one member represents the** GNWT.

Industry Sectors	Aboriginal Land Claim Groups
Adventure, Eco-Tourism, Water	Inuvialuit
Sport Fishing	Gwich'in
Sport Hunting	**Treaty 11**
Accommodation	**Treaty 8**
Airline and Transportation	**Deh Cho**
Culture	Sahtu

We think our industry has covered all the bases. And our task of developing and maintaining partnerships will be a whole lot easier with the broad base of leadership and representation on our Board.

Our new industry association has been very busy. These are some of the activities we have been doing for community tourism and tourism operators:

Recommending the name NWT Arctic Tourism to our membership because it is well-suited to the marketplace as it retains our old name and combines it with the image most commonly associated with the north;

Registering as an NWT society with a constitution and by-laws;

Establishing administrative support, and procedures and policies to guide operational and financial decision-making;

Submitting our funding proposal to the final year of the Economic Development Agreement for 1996/97 marketing initiatives;

Applying for membership in the Tourism Industry Association Canada;

Gaining membership (two seats) on the Canadian Tourism Commission Aboriginal Committee;

Taking an active role in the development of the terms of reference and the selection of contractors for different elements of the western NWT tourism marketing plan;

Allocating $30,000 to each of the five zones for regional tourism initiatives; and

Issuing group insurance benefits to our members.

*Our task of developing and maintaining **partnerships will** be a whole **lot** easier with the broad base of leadership and representation on our Board.*

We See Major Challenges Ahead.

*We must compete with other **jurisdictions** placing a much **higher** value on **tourism** than we do.*

Our tourism operators face challenges in every aspect of their businesses. Behind the scenes, operators often make quick but informed decisions, and work tirelessly to minimize risks to create a comfortable and rewarding experience for our guests. Tourism operators recognize the importance of overcoming challenges. We fully understand the impact that a satisfied customer has on our businesses.

To keep pace with our membership, NWT **Arctic Tourism recognizes that our association also faces major challenges.**

- ***During the last fifteen years,*** *NWT* ***tourism industry organizations have been costly Industry and government roles, and membership services were often confused.*** *NWT* ***Arctic Tourism must overcome this legacy***
- ***Competition in tourism markets is sophisticated and intense. We will continue to compete with other Canadian jurisdictions for global markets. Other jurisdictions place a much higher value on tourism than we do.*** *NWT Arctic* ***Tourism must continue to be competitive.***
- ***The profile of our industry at home is at risk. The risk is increased as we move towards the creation of our new western territory in 1999. Within the next few years, evolving governments, scarce resources and competing priorities threaten to dim the profile and*** *support* ***our industry has enjoyed.*** *NWT* ***Arctic Tourism must continue to ensure our industry has high profile.***
- ***Growth in the tourism industry in the western*** *NWT* ***has been sluggish in recent years.*** *NWT* ***Arctic Tourism must stimulate industry growth,***
- ***Our tourism operators are small business people with limited resources.*** *NWT* ***Arctic Tourism recognizes that tourism operators can 't do it all on their own.*** *NWT* ***Arctic Tourism will*** *support* ***its membership in every way possible.***
- ***Federal/Territorial Economic Development Agreement (EDA) tourism marketing and training funds will run out in 1997.*** *NWT* ***Arctic Tourism must seek new ways to fund marketing and training.***

What Are Our Needs?

Tourism must be a major **part** of the economy of the new western territory. NWT Arctic Tourism has a role in ensuring this.

As NWT Arctic Tourism charts its new course, we are building a strong organization with commitment from industry members and "grass roots" support from our communities. We do not want to hesitate and risk the substantial investment which has been made in the western NWT's tourism industry over the past 50 years,

NWT Arctic Tourism has close to 25 years of industry organization experience. In the early years (1960s and 1970s), tourism businesses and partners, primarily located in the western NWT, were supported by a small and cohesive Tourism Industry Association, the NWTTIA. The industry's organizational structure expanded significantly in the 1980s to meet a perceived need for more accountability for public investment in tourism marketing, training and visitor services. A tourism zone structure developed in the 1980s and 90s provided the vehicle for the delivery of public funds, and for regional delivery of member services. The NWTTIA remained active as an industry lobby group until 1990. Public core and EDA marketing funding for the five western NWT Zone Associations was discontinued in mid-1 995,

The western NWT tourism industry recognizes that it's new association needs commitment from industry members and partners as well as community support. NWT Arctic Tourism knows the value of a credible industry organization, one that represents all western NWT tourism interests equally whether at home in our communities, in the political arena or outside of the western NWT.

We intend to work hard to serve our members by offering services to meet their needs. As our communities are empowered and become more self-reliant, responsible and accountable, NWT Arctic Tourism looks forward to sharing tourism expertise with our member businesses. Our tourism businesses are small; many are located in isolated communities, and almost 68% are owned and operated from our western NWT communities. We will be there to support communities and operators to help them make the right decisions and to have successful businesses.

__To__ be __more__ active we need commitment from industry members and partners, and support __from__ western __NWT__ communities.

In exchange our services will meet member needs and our tourism expertise will be shared with communities and __tourism__ businesses.

We must improve our marketing potential.

The western NWT's tourism industry competes in a global market place. To be effective and do a good job at achieving our full market potential, trends showing declining public investment in the tourism industry must be reversed. A long term commitment to a sustainable level of public investment in marketing must be achieved. We must identify the level at which investment can be sustained, a level which will allow the tourism industry to efficiently deliver elements of an effective marketing campaign.'

*We must improve our marketing potential by establishing a level of public investment to sustain an effective long **term** marketing campaign. An effective marketing campaign will help achieve improved annual tourism growth.*

In recent years, our tourism partners and government have been advised of the good growth potential of our non-resident leisure markets. Planners' have indicated that annual growth may reach 4%-20% in our three principal tourism markets by 1999.

Annual Growth Potential to 1999

Outdoor Adventure	15%-20%
Auto Touring	8 %
Sport Fishing & Hunting	4%-5%

Source Derek Murray Consulting Associates, 1994

- ***Auto touring is the largest tourism market for the western NWT. Visitors are independent and spend less money in the region than our other tourism markets. They spend money on gas, accommodation, food and general interest tours such as short boat cruises, guided community bus or walking tours, and flight seeing.***
- ***Sport fishing and hunting bring a small number of visitors but of our three main tourism markets, these visitors spend the most. Although sport fishing and hunting tour packages are well established in the western NWT, dwindling markets require more effort to convert general sport fishing inquiries into trips than do auto touring and naturalist inquiries.***
- ***Outdoor Adventure/Naturalist travel has experienced significant growth in recent years and is an emerging market in the 90s, Naturalist and cultural tours top the list of new products offered in the NWT and the increasing number of inquiries about these products is a sign of good market potential.***

[1] The average annual territorial investment in marketing between 1989/90-1994/95 was $24 million $22 million was considered by planners to be a minimum investment to maintain an effective Cooperative marketing campaign in the NWT and achieve our visitor potential The cooperative marketing campaign helped 10 deliver 89% of NWT tourist travel to the western NWT The return on the 52.4 million marketing Investment was an estimated $44 million GNWT tax revenue (Derek Murray Consulting Associates, 1994)

2 Derek Murray Consulting Associates, The North Group and Norecon Ltd 1994, Northwest Territories Tourism Marketing Strategy, 93 g4 98/99

Our image is well suited to market growth.

The western NWT tourism industry knows it has an image well-suited to market growth. Canada and U.S.A. markets perceive the NWT as a clean, safe and secure environment where families and visitors can learn, experience and observe different cultures, and diverse and spectacular natural resources. Visitors are so satisfied with their trips north that many intend to return, if not within the next year, within the next five years. Improving highway linkages to Alberta, Alaska and Yukon, would put the western NWT in the position to become a unique auto touring destination for U.S.A. and Alberta visitors, distinct from Alaska and Yukon. (Derek Murray, 1994)

We must market our tourism products and services to achieve our visitor potential in the western **NWT.**

Our annual visitor growth of 1.3% in recent years appears sluggish compared to the buoyant 4% annual growth in the Yukon. Today partner and public investment in Yukon tourism is $5 million and increasing.[3] The Government of Canada also recognizes the benefits of investing in tourism marketing, The Canadian Tourism Commission marketing budget was increased from $15 million in 1994 to $50 million in 1995.

By comparison, public investment available for a western NWT cooperative marketing campaign is declining. The 1996/97 investment of $1,06 million represents less than half of what was available to sustain sluggish growth during the early 90s.

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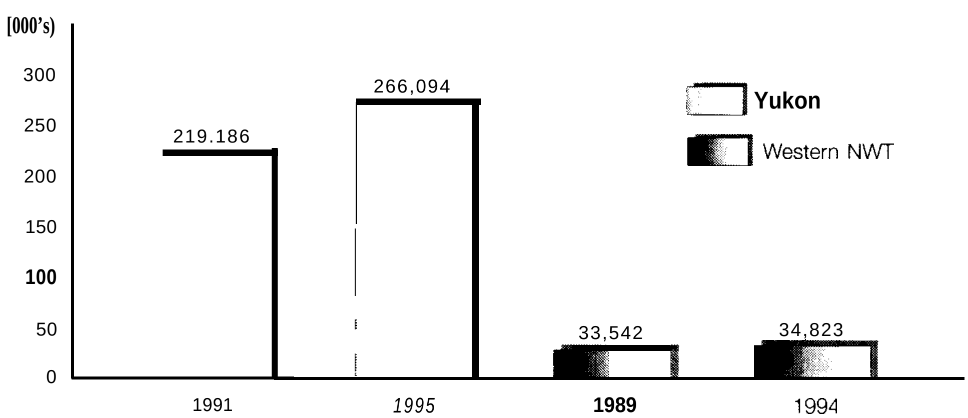
*Our visitors view the **NWT** as clean, safe and secure, a place to learn, **experience** and observe. Many **visitors** intend to return.*

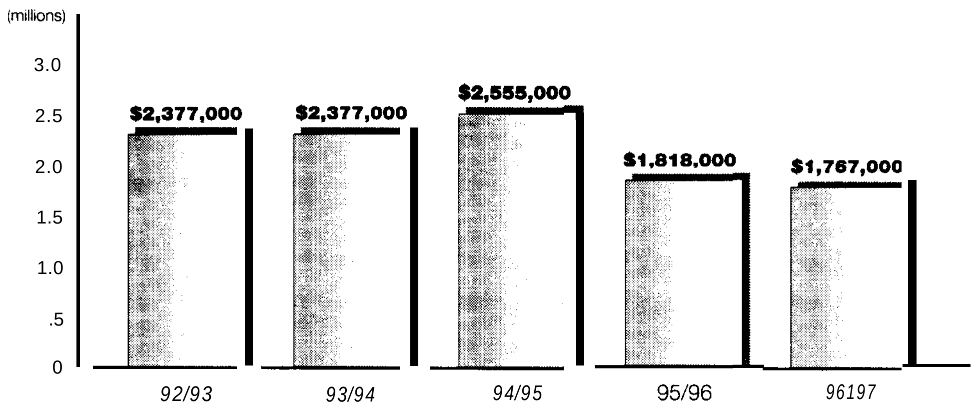
Visitors to Yukon and Western **NWT** (1989-1995)



[3] In 1995, '36 Yukon tourism partners invested $1 4 million to lever $36 million of Yukon Territorial Government investment m 1995/96 Yukon Territorial Government will continue to stimulate tourism spending by 14% in 1996,97

GNWT investment in NWT tourism marketing for 1996/97 was reduced to $1.76 million and further divided at a 60:40 ratio between our two future territories, leaving $1,06 million for the western NWT. Visitor expenditures in the NWT and Yukon are similar.

GNWT Tourism Marketing Expenditures - 1992/93 - 1996/97



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*npacts will be felt **more** ı smaller communities ɾhere tourism operators ıay be unable to absorb ıcreased marketing **xpense.***

What may be expected as public spending on our western **NWT** marketing campaign is substantially reduced?

Marketing is extremely important to tourism businesses, Funding restraint and termination in 1997 of Canada - Northwest Territories EDA funds for cooperative marketing will impact the effective delivery of the consumer show program and tourism training in subsequent years.

- ***It will be difficult to achieve our full market potential, Economies of scale gained from one NWT marketing campaign will be lost as the two territories initiate separate marketing programs. Our marketing campaign will be stretched to reach 89% of the NWT visitors with 60% of the NWT tourism marketing budget.***
- ***Our small tourism businesses will be forced to spend substantially more or risk losing market share, if the western NWT marketing campaign is not funded at a sustainable level. Considering lost economies of scale and significant marketing opportunities toward 2000, a $1.8 million cooperative marketing campaign is our target.***
- ***Impacts will be felt more in smaller communities where tourism operators maybe unable to absorb increased marketing expense.***
- ***We will fall behind other Canadian aboriginal tourism operators in seizing***

opportunities ***to challenge new and exciting*** *aboriginal* **tourism** ***marketing*** opportunities.

- ***We will lose the*** *opportunity* ***to ask our markets to join us in 1999 to celebrate the next millennium and the creation of our new western territory***

NWT ***Arctic Tourism*** **will look to western NWT communities for support to access replacement funds to ensure marketing and training program continuity. The new GNWT "Community Initiatives" program may offer funding support opportunities.**

The western NWT tourism industry can contribute to improved economic conditions in our new territory.

Our tourism industry creates and sustains quality seasonal and full-time employment in the western NWT. **Visitor expenditures stimulate direct employment and labour income in guiding, outfitting, food and beverage service, park and office administration, transportation, communication, and retail sales, to name a few. Any time there is expansion of our tourism infrastructure, capital investment in construction or equipment generates more jobs.**

Our situation is ideal! Tourism dollars can go a long way to securing and sustaining the financial future of our new territory. Visitor expenditures are respent by our industry for supplies and services at home in the western NWT. Our communities, even the smallest, can benefit because they have the infrastructure to deliver some of the necessary supplies and services. Seasonal or part-time tourism jobs are worth having because they complement other regional industry **employment patterns.**

But visitor growth to the western NWT **has been sluggish and needs a '(kick start" as we head toward 2000. The challenge today is to increase the number of visitors so that we can create and sustain more jobs and benefits for our communities. This challenge is surmountable given the quality of our infrastructure, and considering our outfitters, guides, tour and lodge operators, accommodation and parks/visitor services are well-established and require a relatively small capital investment compared to other industries.**

Our ***tourism*** *industry* ***creates*** *and sustains quality seasonal and* ***full-time*** *employment in the western* ***NWT.***

The challenge today is to increase the *number of* visitors so that we *can create* and sustain more *jobs* and benefits for our *communities.*

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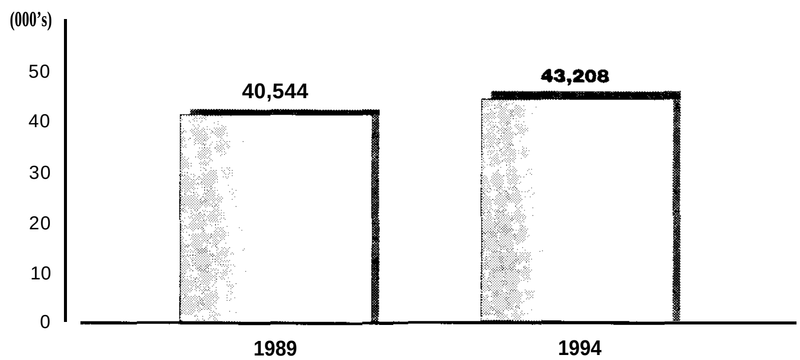
Considering that $.58 of ***every*** *travel dollar spent in the region comes* ***from*** *outside the* ***region,*** *the western* ***NWT*** *has a* ***more*** *favorable export trade than many other Canadian travel destinations.*

Travel patterns are changing to the western **NWT!**

Since 1989, there has been slow steady growth in visitors to the western NWT.[4] Planned events such as the 1987 Papal visit to Fort Simpson; the 1992 celebration of the 50th anniversary of the Alaska Highway; and Expo '86 have stimulated substantial short-term travel in the years during and immediately following these festivities. Patterns of non-resident travel to the western NWT show that:

- ***Visitors are more inclined to travel on the improved Mackenzie Highway Loop or the Dempster north to Inuvik. This trend has favoured the Dempster/Inuvik region.***
- ***Alberta still remains the main source of visitors to the western NWT. 59% of visitors travel to the western NWT for pleasure, however business and employment travel accounts for $.63 of every travel dollar spent.***
- ***We are making better use of our travel infrastructure. More travelers (28%) are experiencing autumn, winter and spring seasonal activities including approximately 1000 Japanese Aurora viewers, and sport hunters seeking big game trophies.***

Non-Resident **Visitors** - Western NWT, Summer 1989 & 1994



Compared to other northern Canada and Alaska travel destinations, the western NWT attracts fewer travelers, but they stay longer and spend more money. Considering that $.58 of every dollar spent in the region comes from outside the region, the western NWT has a more favorable export trade than many other Canadian travel destinations, Many other Canadian travel destinations tend to depend more heavily on their own residents for travel expenditures. Annual tourism and business travel was exported to 61 % (53,682 non-resident visitors) of the 86,974 western NWT travelers in 1994. This represented

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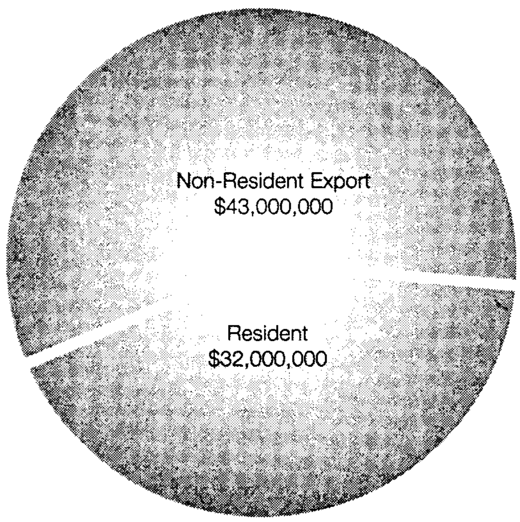
4 2,666 more non-resident summer season visitors were recorded in the western NWT between 1989 and 1994 representing a 6 5% increase

$43 million **new tourism dollars (of the $75 million) spent in the western NWT tourism industry.**

A closer examination of non-resident visitor travel and expenditure shows why our tourist travelers are so important. **Our non-resident tourists tend to spend more freely throughout the western** NWT, **while business travelers concentrate their spending in major centres such as Yellowknife, 'and Hay River. The $17.5 million non-resident leisure tourism expenditure in the region provides greater economic benefit to the smaller communities.**

Our ***non-resident tourists,*** *tend to spend more* ***freely*** *throughout the western* ***NWT, while*** *business travelers* ***concentrate*** *their spending in major* ***centres*** *such as* ***Yellowknife*** *and Hay Rivet*

Western **NWT** Visitor Expenditure - 1994



Because our product marketing requires long term investment and exposure in the market place, we are still benefiting from the $2.4 million average annual expenditures made in the early '90s. Despite the recessionary period of the late '80s and early '90s, the benefits from travel in and to the western NWT **stimulated by GNWT marketing expenditures of $2.4 million annually, are substantial and relatively stable.**

$43 million of export travel trade **=**
- *293 full time jobs,*
- *$9.7 million in labour* ***income***
- *tax revenues of $12.5 million*

$75 million of total travel trade **=**
- *510 full time jobs*
- *$16.****8 million in*** *labour* ***income***
- *$21.6 million in tax revenues to federal and territorial governments.*

Distribution of Annual Visitors and Expenditures in the Western **NWT,** 1994

	NUMBER			TOTAL EXPENDITURES		
	Leisure	Business	Total	Leisure	Business	Total
Non-Resident						
Inuvik	7957	1968	9925	$3,051,510	$2,656,800	$5,708,310
North Slave	15524	11640	27164	$8,677,916	$15,714,000	$24,291,916
South Slave	6913	3810	10723	$3,864,367	$5,143,500	$9,007,867
Deh Cho	3429	1441	4870	$1,916,811	$1,934,350	$3,862,161
Total Non-Res.	34823	18859	53682	$17,510,604	$25,448,650	$42,959,254
Resident						
Inuvik	2525	1207	3732	$968,338	$1,629,450	$2,597,788
North Slave	12469	14156	26625	$6,970,171	$19,110,600	$26,080,771
South Slave	1236	1308	2554	$690,924	$1,765,800	$2,456,724
Deh Cho	274	117	391	$153,166	$157,950	$311,116
Total Resident	16504	16788	33292	$8,782,599	$22,663,800	$31,446,399
Western NWT	51327	35647	86974	$26,293,203	$48,112,450	$74,848,790

Source 1994 *Exit Survey Economic Development and Tourism*

Travel expenditures and benefits filter down to our communities. Non-resident leisure visitors spend more in our communities than business and resident travelers. Expenditures may be expected for food and beverage service, accommodation, arts and crafts, and transportation

Economic benefits resulting from $74.9 million in western NWT travel expenditures are distributed primarily throughout the North Slave, however other western NWT regions also derive some benefit.

Our tourism industry has an excellent opportunity to achieve good growth potential and improve western NWT economic conditions toward 2000, if we:

- ***sustain an effective cooperative marketing campaign, and***
- ***plan now to invite people to come north and help us celebrate the birth of the next millennium and of our new territory in 1999.***

Economic Benefit of Western NWT Leisure & Business **Travel Trade,** 1994

	Leisure Export	Total Export Leisure & Business	Combined Export & Resident Travel
Tourism Expenditure	$17,510,604	$42,959,254	$74,405,653
Contribution to GDP	$6,325,829	$15,515,067	$26,922,924
Labour Income	$3,951,275	$9,678,307	%16,774,536
Employment (Direct/indirect)	120	293	510
Government of Canada	$3,676,526	$9,019,726	$15,622,212
GNWT	$1,401,549	$3,438,459	$5,955,429

Source: GNWT Input-output model, 1994 Visitor Exit Survey, tax calculation methodology per North Group/Norecon Ltd., 1996 North Slave Baseline Tourism Product Inventory and Survey, 1996

Distribution of Economic Benefits by Western **NWT** Geographic Region

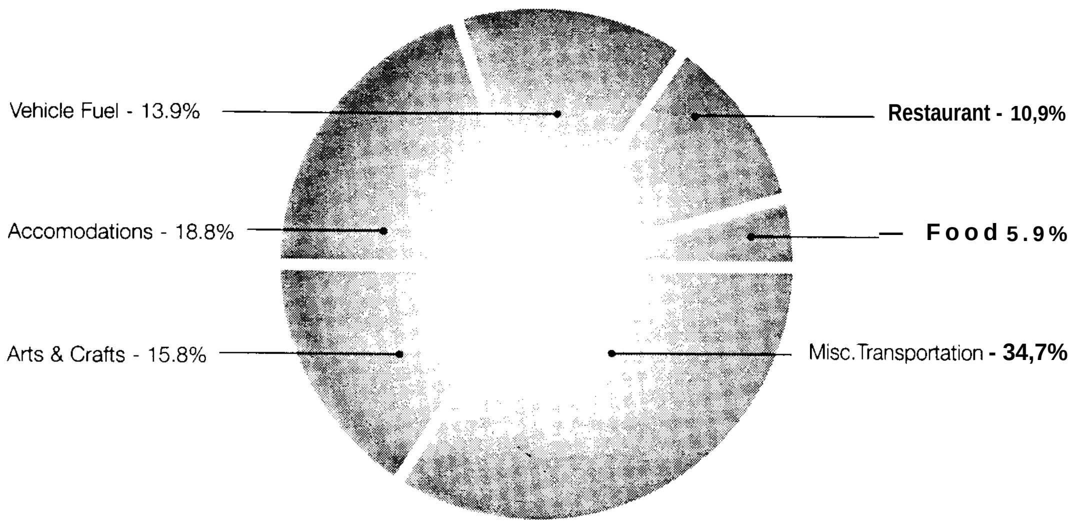
	Travel Expenditure	Employment Person Years	Labour Income
North Slave	$50,472,687	346	$11,368,468
South Slave	$11,464,591	72	$2,512,236
Inuvik	$8,306,098	65	$1,962,731
Deh Cho	$4,162,277	27	$931,102

Forecast of Economic Benefit Western NWT **Travel** 1996/97 - 1999/2000

	1996/97	1997198	1998/99	1999/2000
Travel Expenditure	$76,352,775	$78,337,947	$80,374,733	$82,464,476
Labour Income	$17,213,509	$17,661,060	$18,120,248	$18,591,374
Employment (Direct/Indirect)	523	537	551	565
Federal Tax	$16,031,029	$16,447,835	$16,875,479	$17,314,242
GNWT Tax	$6,111,276	$6,270,169	$6,433,194	$6,600,457

Note The forecast assumes 1996/9 7 adjusted base year adjusted equivalent to 7 3%/annum from 1994/95 visitor survey and 2 6% increase/annum 199 7/98- 1999/2000

Distribution of **Travel** Expenditure
Western **NWT** Industry Sectors, 1994



Our Board will be our strength in forming new partnerships to take our industry toward 2000.

We have plenty of work to do at home and outside in the next few years! As we move toward the creation of our new territory in 1999; new forms of government emerge within the western NWT; and the GNWT strives to balance budgets and streamline operations, many interests will step forward to share the spotlight on the new political stage. Right now, the mining industry and public government are sharing centre stage,

__NWT__ Arctic Tourism has the right mix on its __Board__ to strengthen our industry __profile__ and the community-based __approach__ to __tourism__ in the western __NWT.__

Our tourism industry profile at home is at risk. The decline in tourism funding is an indicator of the value public government currently places on our industry's contribution to the northern economy. The Board of NWT Arctic Tourism is the key to forging the right partnerships which will ensure our tourism industry has profile both at home and abroad.

Our small business tourism operators can't do it all on their own!

We cannot forget that tourism is small business in the western NWT. In 1996, the number of licensed outfitters, establishments and accommodation facilities actually declined to 134 from 136 in 1979, and supported less than four person years of employment per business. A range of services (eg. airlines, restaurants, tour companies, galleries and souvenir stores)

and infrastructure (eg. parks, visitor centres, museums, and airports) round out the western NWT's tourism industry. Our industry's inventory is primarily located in larger western NWT centres, however the businesses and services in the smaller communities should not be discounted.

Western NWT outfitters and lodge operators are already working hard to fill their excess capacity. In our largest region, North Slave outfitters and tourism establishment/lodge operators report an excess capacity of 55% or greater.[5] Many operators depend on tourism as a seasonal livelihood and move on to other pursuits as the summer tourism season ends. There is a small but talented base of trained guides, interpreters, cooks and resource people to deliver services and products for our tourism operators. These are the realities and the context of our industry.

Although we have gone off track from time to time, our industry operators have contributed significantly to the improvement of tourism in the western NWT in the past 25 years. We are committed and willing to take risks but we are limited by the small size of our industry. We know we can't do it on our own! With the support of our public and private sector partners, we look forward to the challenges *toward* 2000.

5 North Group/Norecan Ltd., 1 996 North Slave Baseline Tourism product Inventory and Survey With the exception of outfitting In the fall occupancy rates were reported to be no more than 45% of capacity