2024
State of the Industry Report

TOURISM INDUSTRY ASSOCIATION ALBERTA


Travel Alberta / Katie Goldie

Cover, Main: Tanya Vanthuyne @vanthuyneeCover
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Overview

Welcome to the Tourism Industry of Association's (TIAA) 2024 annual state of the tourism industry report. In this our third state of the industry report, we review the performance of the sector in 2023, and look ahead at what to expect for the industry in 2024.

Travel Alberta / ROAM Creative

This report provides timely insights on the economic health and competitiveness of the sector, particularly as it continues to recover from the impacts of the pandemic for the third straight year. We survey leaders from across the industry to understand their key issues and challenges, explore strategic opportunities and constraints confronting the industry in Alberta, and look to what 2024 will bring for the industry and how we need to best position ourselves. We then explore strategic opportunities and roles for the Alberta government – concluding with a summary of recommendations for action.

1. 2023: A Year of Continued Recovery

2023 was a year of continued recovery for Alberta's visitor economy. In fact, total expenditures in 2022 exceeded pre-pandemic levels – but the nature of the industry has changed, and there is significant opportunity for strategic growth.

- This recovery was driven by domestic visitor expenditures, which increased by nearly 18%.
- International visitor expenditures, however, are actually 33%, or $750 million below pre-pandemic levels. Had this travel segment recovered to 2019 levels, total visitor expenditures would have increased by 13% or $1.3 billion.
- While the number of international visitors in 2022 remains below pre-pandemic levels in Alberta, in 2023 international visitation appears to be making a resurgence – with July 2023 numbers exceeding those in 2019. This growth is being led by U.S. visitors, although visitation from other countries is also increasing.
- Domestically, the number of Canadian visitors to Alberta has also been recovering since the pandemic. In fact, in 2022, Alberta welcomed 3.5 million, visitors compared to 3.6 million in 2019. Interestingly, Alberta saw an increase in visitation from Ontario, Manitoba and Quebec, while visitation from BC and Saskatchewan continues to recover.

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Heritage Park Historical Village

2. 2024: From Cautious Optimism to Economic Headwinds

Visitation has improved within Canada and in a number of our international markets such as the US, UK, Germany and Mexico. However, travellers from key Asian markets such as China, Japan and South Korea remains well short of pre-pandemic levels.

Advanced economies are expected to experience subdued growth in 2024 compared to previous years, which is expected to have a dampening effect on the tourism industry.

- Domestically, higher interest rates and slower economic growth are expected to negatively impact the tourism industry in Canada. All of the Bank's GDP indicators for 2024 have worsened since January 2023, including consumption, housing, government spending, business investment, GDP, and CPI. In October 2023, the Bank indicated that "demand growth has moderated for many services, such as recreation, restaurants and accommodation."


Travel Alberta/George Simhoni

Industry continues to face challenges

- In early 2023, nearly three-quarters (72%) of members were optimistic or somewhat optimistic about their organization's outlook for 2023. However, some of the optimism from earlier in the year has dissipated, with businesses being more uncertain and less positive about their organization's outlook for 2023.
- Inflationary impacts continue to be the biggest challenge facing organizations during the summer season (59%), followed by labour supply (42%).
- Almost all (91%) businesses were impacted by insurance premium growth in 2023, and businesses are also experiencing a number of other debt-related impacts, with around 1-in-3 that report cash flow pressures (35%) and the impact of inflation and rising interest rates (32%) are impacting debt repayment plans.

3. Sectoral Challenges and Opportunities

The comparative challenges and limitations of the Alberta tourism industry continue to persist, and in some cases have been amplified due to the pandemic.

- Alberta's reliance on domestic visitors has only increased since the pandemic – in 2019, 96% of visitors to the province came from within Canada. In 2021, this number increased to 99.4%. In 2022, this number decreased to only slightly to 97.6%.
- Air access continues to be a challenge, as Alberta receives only 13 per cent of US arrivals to the country, and 6 per cent of international arrivals. Recent developments by carriers such as WestJet suggest that Alberta can expect an increase in international air passenger traffic. In the first half of 2024, Alberta international seat capacity is expected grow by over 32,000 relative to 2019.

- Visitation to Alberta remains highly seasonal, with nearly half of all visitors coming to the province in the summer months.
- The vast majority of Alberta's tourism activity in concentrated in Calgary, Edmonton and the Canadian Rockies. Domestically the region accounts for 70% of total tourism expenditures in the province. Internationally, this increases to 83%, with 47% of international visitors going to the Canadian Rockies.

Over half (53%) report that the inability to pay the wages offered in other sectors was among the top 5 challenges faced this summer.

- Attracting and retaining a sustainable tourism workforce is essential to the sustained recovery and growth of Alberta's visitor economy. This has been a systemic issue that was further exacerbated as a result of the pandemic.
    - Almost two-thirds (65%) of businesses report a shortage of suitable workers as one of the top five challenges they faced in 2023 – which is significantly more than the 57% identified in 2022.
- Two of the most common challenges businesses face are connected to the nature of the tourism industry itself. Over half (53%) report that the inability to pay the wages offered in other sectors was among the top 5 challenges faced this summer, as well as close to half (46%) reporting an inability to offer stable, year-round employment options.

Domestic Competition.

- Alberta is to be commended for exceeding its pre-pandemic expenditures by 6%, while BC is still 24% below its 2019 levels. However, the "tourism expenditure deficit" between Alberta and BC actually increased over this period.
- Whereas in 2019 Alberta's expenditure deficit to BC was approximately $1 billion (i.e. Albertans spend $1 billion more in BC on tourism than they receive from BC visitors), that number increased to $1.2 billion in 2022. Had that gap closed to zero, Alberta's spending would be $11.9 billion (a 17.8% increase), while BC would have seen a 29% decrease.
- Considering the total domestic and international visitor markets, Alberta's tourism expenditure deficit totals $3.28 billion annually.

4. Supportive Provincial Policy in Need of Resources and Execution

In 2019, the Alberta government made unprecedented policy commitments to support the visitor economy, the most notable of which were to double tourism spending in Alberta by 2030, and to reorient Travel Alberta from a destination marketing organization to a destination management organization with a mandate for more active facilitation of private investment and government partnership in the industry.

Since then, the province created a standalone Ministry of Tourism and Sport to support the development of the industry, and Travel Alberta's new goal is to "grow Alberta's visitor economy past $20 billion by 2035."

The province's commitments and progress towards strengthening the tourism economy in Alberta are to be commended. The industry has exceeded Travel Alberta's target to return to pre covid industry expenditures by 2024, and has a new focus on growing the visitor economy past $20 billion by 2035. What is needed now is the release of the long-awaited "provincial tourism strategy", as identified in the mandate letter of the Minister of Tourism and Sport, as well as a sustained and strategic commitment of government resources and staff, combined with stronger policy coordination across government.

5. Seizing Opportunity

Tourism is a vital contributor to the Alberta economy that has just now recovered from the devastating effects of the 2020 global pandemic, and is now confronted with economic headwinds appearing in 2024. The industry presents a significant opportunity for investment and job creation under the right government policy conditions that will help government achieve its goal to double tourism expenditures by 2035.

A recent survey undertaken by TIAA revealed that Albertans too are supportive of the industry:

- 83% of Albertans believe all, most or some of the fee collected through the Alberta Tourism Levy should be used to support the development and promotion of Alberta's tourism industry.
- 40% of Albertans believe the Alberta Government is doing the right amount to support the growth potential of Alberta's tourism industry and 22% believe the government is doing too little. These findings suggested broad based public support for the sector in Alberta.

83% of Albertans believe all, most or some of the fee collected through the Alberta Tourism Levy should be used to support Alberta's tourism industry.

To confidently advance growth in Alberta's visitor economy, TIAA believes the Alberta government needs to advance the following recommendations: publicly release a long-term tourism strategy for the province; strengthen sustainable tourism funding as detailed in TIAA's December, 2023 Comparative Economic Impact study; 1 develop an integrated government tourism policy & decision-making framework; modernize crown land use policy; and, address labour shortages.

1 Tourism Industry Association of Alberta. 2024. *Alberta's Tourism Industry: Economic Impacts and Recommendations to Drive Growth and Recovery.* Prepared by Verum Consulting. Availabe at www.tiaalberta.ca

Travel Alberta / Roth and Ramberg

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2023: A Year of Continued Recovery

2023 was a year of continued recovery for Alberta's visitor economy. In fact, total expenditures in 2022 exceeded pre-pandemic levels – but the nature of the industry has changed, and there is significant opportunity for strategic growth.

1.1 Higher Expenditures, More Visitors

Alberta's tourism industry struggled substantially during COVID, in which visitor expenditures fell by 37% between 2019 and 2021. However, it has since recovered its losses and has actually grown in size. In 2022, total visitor expenditures were $10.7 billion – up $600 million from 2019 levels. This recovery exceeded the target set by Travel Alberta in its *2021-2024 Bootstrap Plan*, which set a goal "to have the visitor economy recover and return to pre-pandemic revenues by 2024." [2]

Table 1: Alberta Tourism Expenditures (000s)

	2019	2021	2022	2019-22 % Change
Domestic	$7,800,000	$5,990,000	$9,190,000	17.8%
International	$2,280,000	$353,000	$1,530,000	-32.9%
Total	$10,100,000	$6,340,000	$10,700,000	5.9%

Source: Travel Alberta, Statistics Canada National Visitor Survey, National Travel Survey, 2022

2 Government of Alberta. 2023. Tourism spending recovers two years ahead of schedule. Available at: https://www.alberta.ca/release.cfm?xID=89300AB2FB17C-0684-DDCB-D139675B4047F948

Interestingly, this recovery was driven by domestic visitor expenditures, which increased by nearly 18% . International visitor expenditures, however, are actually 33%, or $750 million below pre-pandemic levels. Had this travel segment recovered to 2019 levels, total visitor expenditures would have increased by 13% or $1.3 billion.

According to Verum Consulting, in 2019, the $10.1 billion of industry expenditures resulted in $8.6 billion in GDP impacts, nearly 94,000 jobs in the economy, and $1.15 billion in tax revenues for all levels of government (Table 2). In 2021, the impacts decreased substantially. With expenditures down to $6.3 billion, the sector contributed $5.4B in GDP, nearly 59,000 jobs and $720 million in taxes. In 2022, the economic contribution of the sector exceeded pre-COVID levels, generating 100,000 jobs and $9.16 billion in GDP – a net increase of 6,200 jobs from 2019 and 41,000 from 2021.[3] The incremental GDP contribution is also significant – $560 million since 2019 and $3.7 billion since 2021.[4]

Table 2: Total Direct, Indirect and Induced Alberta Tourism GDP, Net Taxes and Jobs

	Expenditures ($000)	GDP ($000)	Net Taxes ($000)	Jobs
2019	$10,100,000	$8,610,000	$1,150,000	93,800
2021	$6,340,000	$5,400,000	$720,000	58,900
2022	$10,700,000	$9,160,000	$1,250,000	100,000
2035 Target	$21,000,000	$17,900,000	$2,390,000	195,000

The government's goal to double 2019 revenues by 2035 is now more achievable

With the sector's recovery well underway in 2022, government's goal to double 2019 revenues by 2035 is now more achievable, insofar as the right policy, regulatory and financial supports are in place and there is an overarching, whole-of-government commitment to support the industry that manifests in the form of the long-awaited provincial tourism strategy. Whereas it would have required more than a tripling of GDP contribution and jobs from 2021 numbers, now it is closer to a doubling – which is an impressive level of improvement in just a year's time.

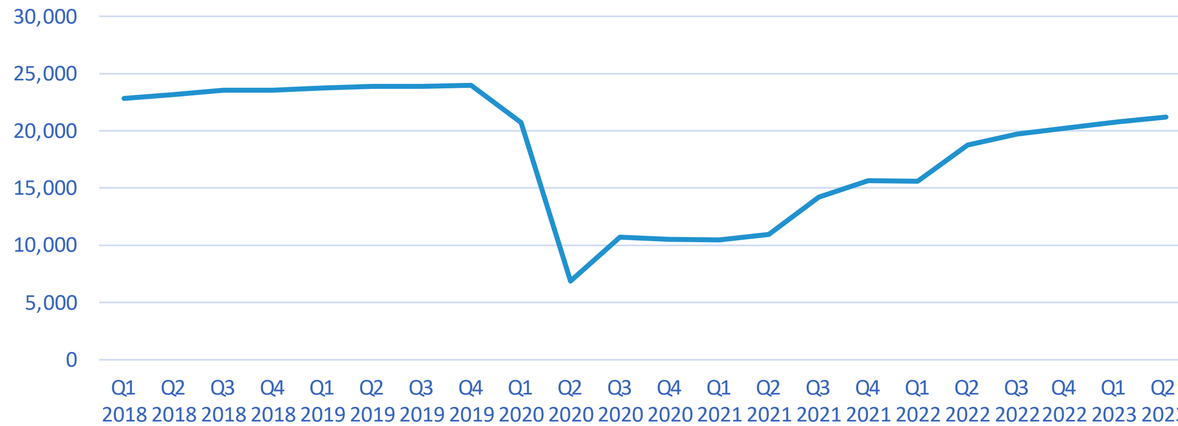
Nationally, while the industry continues to recover with 45% growth year over year, 2022 expenditures are still 22% below 2019 levels – compared to 6% growth for Alberta over the same period (Figure 1). Effectively, Alberta is outperforming the rest of the country when it comes to recovery and growth in the industry.

3 Note, these estimates differ than those of Tourism HR Canada, which estimates Alberta tourism employment in 2019 at 241,000, 191,300 in 2021, and 216,800 in 2022. https://tourismhr.ca/labour-market-information/tourism-labour-force-survey/

4 Tourism Industry Association of Alberta. 2024. *Alberta's Tourism Industry: Economic Impacts and Recommendations to Drive Growth and Recovery.* Prepared by Verum Consulting. Available at www.TIAAlberta.ca

This growth is being led by U.S. visitors, although visitation from other countries is also increasing.

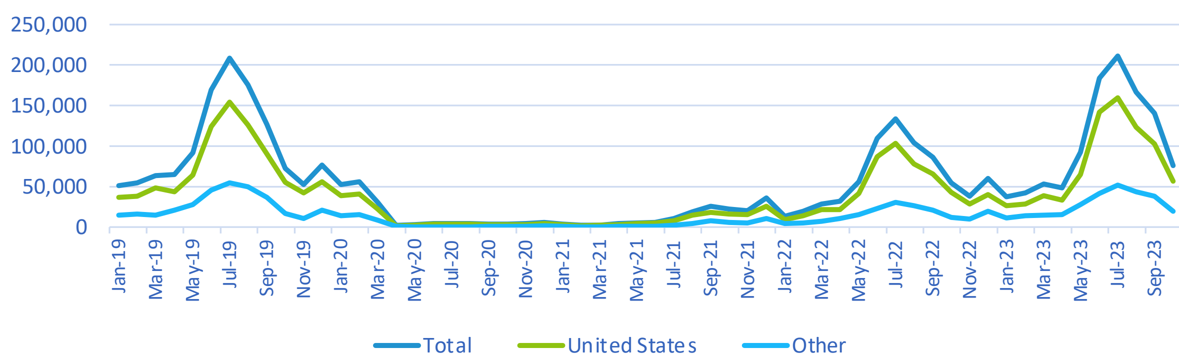
Figure 1: National Tourism Expenditures ($M)



Source: Statistics Canada. Table 36-10-0230-01 Tourism demand in Canada, constant prices (x 1,000,000)

While the number of international visitors in 2022 remains below pre-pandemic levels in Alberta, in 2023 international visitation appears to be making a resurgence – with July 2023 numbers exceeding those in July 2019 (Figure 2). This growth is being led by U.S. visitors, although visitation from other countries is also increasing. Once again, Alberta is outperforming Canada in this regard, as the number of international visitors nationally was 4 million July 2023, compared to 4.7 million in July 2019.

Figure 2: International Visitors to Alberta



Source: Statistics Canada. Table 24-10-0050-01 Non-resident visitors entering Canada, by country of residence.

This trend is very favourable, as international visitors spent approximately $2.3 billion in 2019, and it is anticipated that 2023 spending could be as high as $2.2 billion (Table 3). That said, the cumulative revenue loss from international visitors since the pandemic now sits as $4.7 billion.

Table 3: International Visitors Total Spending in Alberta (000s)						
	2019	**2020**	**2021**	**2022**	**2023F**	**Cumulative revenue loss (2020-2022)**
Total	$2,283,545	$280,180	$352,881	$1,528,759	$2,166,902	-$4,688,815
United States residents	$993,037	$131,267	$182,534	$730,245	$1,143,202	-$1,935,065
Overseas residents	$1,290,508	$148,913	$170,347	$798,515	$1,023,700	-$2,753,749

Source: Table 24-10-0047-01 Spending by foreign residents travelling in Canada by country of residence, tourism region and spending category (x 1,000)

The nascent recovery of overseas travellers to Alberta is very encouraging, as this group represents the highest per visitor spending of any group at approximately $4,000 per capita on average, followed by visitors from the US at $1,200 per capita (Table 4).

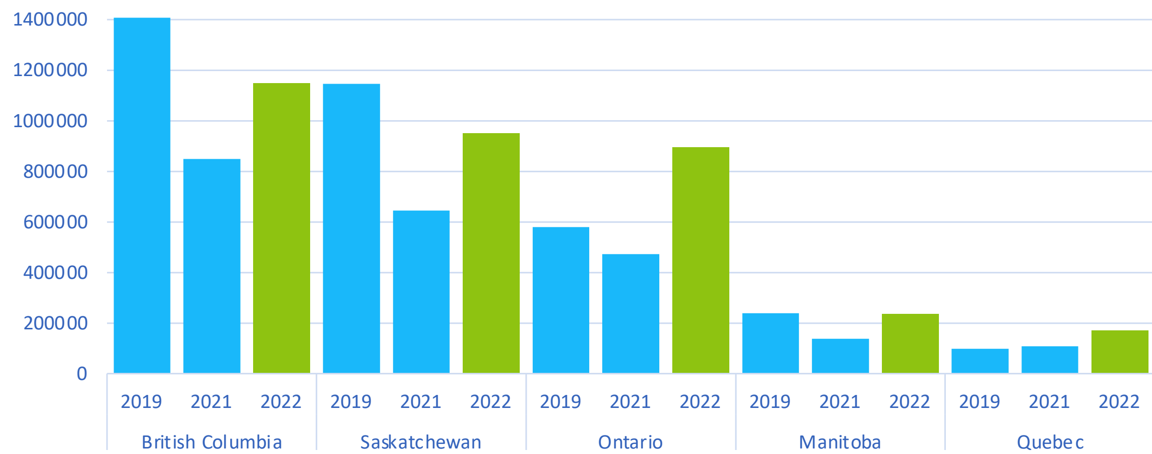
Table 4: Per Capita Spending – International Visitors to Alberta					
	2019	**2020**	**2021**	**2022**	**Average 2019-22**
Total	$1,889	$1,604	$2,240	$2,077	$1,952
United States Residents	$1,130	$1,006	$1,560	$1,322	$1,254
Overseas Residents	$3,916	$3,373	$4,199	$4,342	$3,958

Source: Table 24-10-0047-01 Spending by foreign residents travelling in Canada by country of residence, tourism region and spending category (x 1,000)

Domestically, the number of Canadian visitors to Alberta has also been recovering since the pandemic (Figure 3). In fact, in 2022, Alberta welcomed 3.5 million visitors compared to 3.6 million in 2019. Interestingly, Alberta saw an increase in visitation from Ontario, Manitoba and Quebec, while visitation from BC and Saskatchewan continues to recover.


Travel Alberta/Anthony Redpath

Figure 3: Canadian Visits to Alberta



Source: Statistics Canada National Travel Survey as presented by Travel Alberta: https://industry.travelalberta.com/research/tourism-indicators/visitation

Table 5: Canadian Visitors to Alberta (000s)			
	2019	**2021**	**2022**
Total	3,603,000	2,246,000	3,476,000

Source: Statistics Canada National Travel Survey as presented by Travel Alberta: https://industry.travelalberta.com/research/tourism-indicators/visitation

The cumulative loss to the Alberta economy as a result of the lower Canadian visitors to Alberta is estimated at $5.1 billion between 2019-2022 (Table 6).

Table 6: Total Expenditures – Canadian Visitors (000s)					
	2019	2021	2022	Difference (2019-22)	Estimated Revenue Loss (2020-2022)
Total Duration	$7,801,939	$5,987,871	6,306,168	-19.2%	-$5,123,907

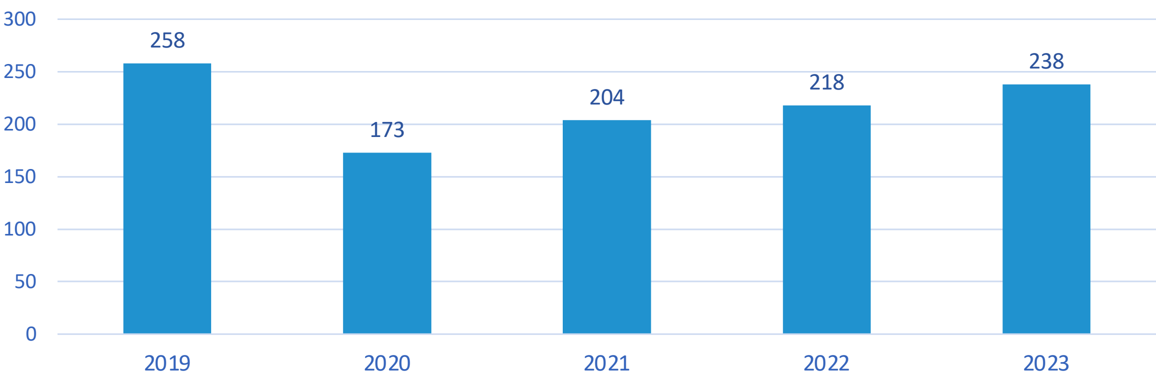
Source: Data provided by Travel Alberta from Statistics Canada "Visit-Expenditures in Canada by Duration of Visit, Province of Trip Origin and Province of Expenditures"

In aggregate, Alberta's visitor economy has foregone an estimated $9.8 billion in tourism expenditures since 2020.

1.2 Fewer Employees and Businesses

While the industry was impacted substantially during the pandemic, from an employment perspective it is on the way to recovery. According to Tourism HR Canada, while the Alberta tourism industry is operating with 20,000 fewer jobs in 2023 relative to 2019, the industry

Figure 4 Alberta Tourism Employment (000s)



Source: Tourism HR Canada. Available at: https://tourismhr.ca/labour-market-information/tourism-employment-tracker-insights-into-covid-19s-impact/

Between 2021 and 2022, the province saw an additional 1,100 tourism businesses created

The number of tourism businesses in Alberta is also recovering (Table 7). While there are approximately 2,400 fewer tourism businesses in Alberta since 2019 (or 9% less), between 2021 and 2022, the province saw an additional 1,100 tourism businesses created, which is consistent with the increased visitation and expenditure profiles over this time.

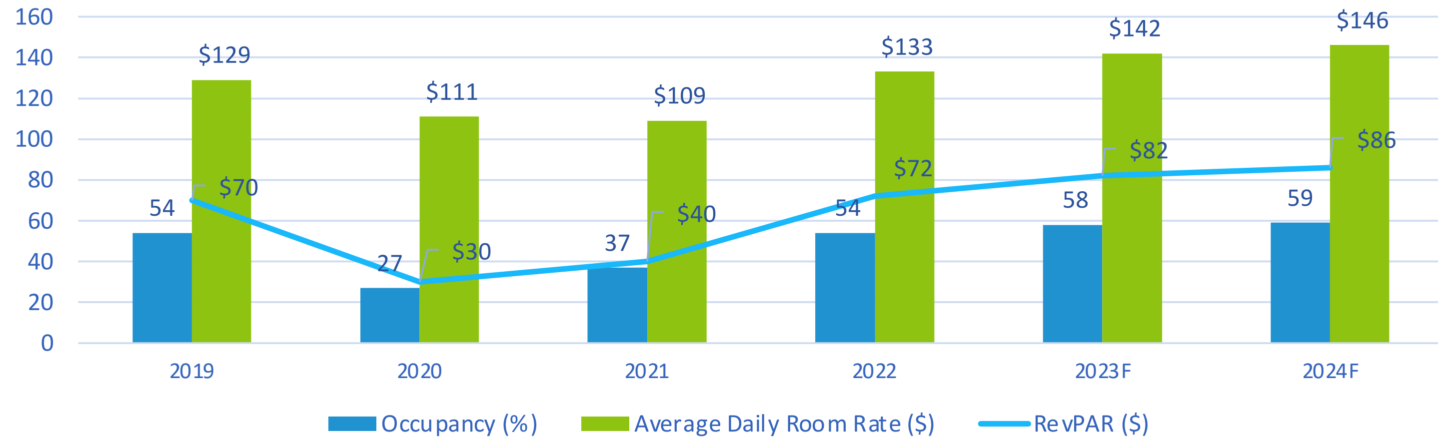
Table 7: Number of Tourism Businesses in Alberta 2019-2022

	2019	2021	2022	2019-22 difference	2019-22 % Change
Accommodation	2,328	2,266	2,408	56	2.4%
Food and Beverage	10,116	10,140	10,461	308	3.0%
Recreation and Attractions	4,861	4,046	4,388	-554	-11.2%
Transportation	7,061	4,873	5,193	-1,943	-27.2%
Travel Services	994	802	763.538095	-231	-23.2%
Total	25,375	22,128	23,214	-2,380	-9.3%

Source: Statistics Canada. Table 33-10-0493-01 Canadian Business Counts, with employees, December 2021

Alberta hotel performance has been consistently improving since 2020 (Figure 5). According to CBRE, occupancy, room rates and revenue per available room (RevPAR) are all higher in 2023 than in 2019, and 2024 is shaping up to be even more favourable. [5]

Figure 5: Alberta Hotel Performance



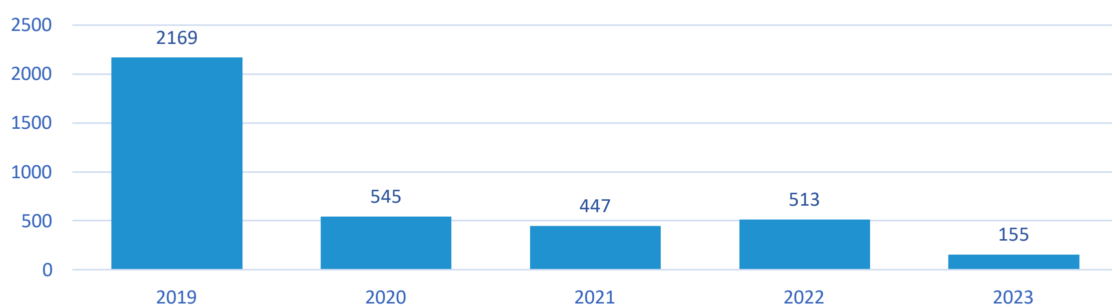
Source: CBRE Hotels Canada Industry Outlook Q3 2022. Available at https://www.cbre.ca/insights/reports/cbre-hotels-canada-industry-outlook-q3-2023

When adjusting for inflation, average daily room rates in 2023 would ideally be closer to $150 to compare to 2019 in real terms. That said, RevPAR at $82 is comparable to 2019 RevPAR in real terms, which is $81.5. 6

While the strengthening of these metrics is encouraging, the growth in new room additions in Alberta has slowed substantially since 2019 (Figure 6). In fact, the number of bankruptcies and insolvencies in Canada's accommodation and food services sector has increased 60% between March 2022 to March 2023. 7 As such, the industry is more likely to be in contraction than growth mode, which will be a fundamental challenge for Alberta's visitor economy to overcome in support of government aims to double the value of Alberta tourism spending.

The growth in new room additions in Alberta has slowed substantially since 2019

Figure 6: Alberta New Hotel Room Supply



Source: STR

5 CBRE. 2024. CBRE Hotels Canada Industry 2024 Outlook. Available at: https://www.cbre.ca/insights/reports/cbre-hotels-canada-industry-outlook-q3-2023

6 See Bank of Canada 2024. Inflation Calculator. Available at: https://www.bankofcanada.ca/rates/related/inflation-calculator/

7 Government of Canada. 2023. Insolvency Statistics in Canada—March 2023. Available at: https://ised-isde.canada.ca/site/office-superintendent-bankruptcy/en/statistics-and-research/insolvency-statistics-canada-march-2023#t3

In 2023 TIAA commissioned two business conditions outlook surveys of its members in October and February. In both instances members indicated that the pandemic continues to impact their business. [8]

- In Oct 2023, just over 1-in-3 businesses (31%) reported that their pre-pandemic levels of operations have already returned (17%) or have already surpassed (14%) pre-pandemic levels of operations, up directionally from Feb 2023.
- However, expectations of full recovery from the pandemic have dipped somewhat compared to Feb 2023, with 2-in-5 businesses (40%) believing they will have fully recovered from the pandemic by the end of 2023 (compared to 49% in Feb 2023).
- More than 3-in-4 businesses (77%) reported that they performed better than expected (39%) or as expected (38%) this latest tourism season (May – Sep 2023).
- Just over 2-in-5 businesses (41%) are still carrying debt related to COVID-19, while less than 1-in-10 (8%) have repaid all COVID-19-related debt. One-third (33%) did not take on any additional debt in the past 3 years. Among those who have taken on debt, businesses are split between repaying their debt within this year (20%), in 2-3 years (22%) or in 3+ years (21%). Encouragingly, 16% of businesses have already repaid their debt, up a significant 14 percentage points from Feb 2023.

Just over 2-in-5 businesses (41%) are still carrying debt related to COVID-19, while less than 1-in-10 (8%) have repaid all COVID-19-related debt.

1.3 Supportive Provincial Policy in Need of Resources and Execution

In 2019, the Alberta government made unprecedented policy commitments to support the tourism sector, the most notable of which were to double tourism spending in Alberta by 2030, and to reorient Travel Alberta from a destination marketing organization to a destination management organization with a mandate for more active facilitation of private investment and government partnership in the industry. The COVID pandemic subsequently diminished Alberta's tourism economy, and the province and Travel Alberta prioritized the industry's recovery through increased funding and strategic development of the industry in the province. Since then the province created a standalone Ministry of Tourism and Sport to support the development of the industry, and Travel Alberta's new goal is to "grow Alberta's visitor economy past $20 billion by 2035." [9] Table 8 highlights the government commitments and their 2023 status.

8 October 2023 - Based on an online survey commissioned by TIAA through Leger, collected from 123 respondents between Sept 25 and Oct 31, 2023. Top 5 sectors include Attractions (33%), Guided Tours (36%), Accommodation (27%), Food and Beverage (35%), Events or Festivals (20%), Meetings/Conference/Wedding Facilities (18%).
Feb 2023- Based on an online survey commissioned by TIAA, collected from 173 respondents between Jan 13 and Feb 3, 2023. Top 5 sectors include Attractions (36), Guided Tours (36%), Accommodation (26%), Food and Beverage (26%), Events or Festivals (25%), Meetings/Conference/Wedding Facilities (%23).

9 Travel Alberta. 2023. 2023-26 Business Plan: Recovery to Resilience. Available at: https://industry.travelalberta.com/posts/articles/2023-26-business-plan

Table 8: Alberta Government 2019 Commitments and 2023 Status	
2019 Government Commitment	**2023 Update**
▪ Direct Travel Alberta to work with tourism stakeholders to develop a new 10-year Tourism Strategy (10YTS) recognizing the role that the private sector can play in assisting government in promoting Alberta as a tourist destination	▪ 10YTS consultation undertaken/completed. ▪ Travel Alberta's 2021-24 3-Year Bootstrap plan was adopted as the official Tourism Recovery Plan by government April, 2022. ▪ The 2023-26 Travel Alberta Business Plan focused on "the growth of the province's visitor economy, increasing jobs, growth and economic diversification." ▪ Minister of Tourism mandated in 2023 to continue to develop and implement a long-term provincial tourism strategy ▪ Awaiting the release of the provincial tourism strategy
▪ Reorient the mandate of Travel Alberta towards more active facilitation of private sector funding and public-private partnerships for its tourism marketing and promotion activities	▪ Legislative changes made to reposition Travel Alberta as a destination management and marketing organization in June 2021
▪ Reprofile a portion of existing government funding for tourism into a Tourism Partnership Incentive Fund (TPIF), managed through Travel Alberta, to attract and identify sources of private sector support for tourism	▪ Travel Alberta funding increased to fund an expanded investment program that includes investment with private sector and tourism infrastructure investment. Up to $60 million in 2022 and $72 million in 2023. ▪ Minister of Tourism and Sport mandated in 2023 to assess the advantages and disadvantages of having all of Alberta's tourism levy invested in tourism-related growth initiatives and making recommendations based on the findings.
▪ Work with the federal government and airport authorities in Calgary and Edmonton to expand air transport agreements and get more flights to Alberta from tourist source countries	▪ Travel Alberta 2023-26 business plan focuses on accelerating "seat capacity from the U.S. and key international markets." [10] ▪ Minister of Tourism and Sport mandated in 2023 to invest at least $10 million over five years to improve air access options for visitors from high-value markets.

10 Travel Alberta. 2023. 2023-2026 Business Plan: From Recovery to Resilience. Available at: https://industry.travelalberta.com/files/corporate/Corporate_Business%20Plan%202023-26_PRINT_FINAL.pdf

Table 8: Alberta Government 2019 Commitments and 2023 Status	
2019 Government Commitment	**2023 Update**
Establish a target to double tourism spending in Alberta to $20 billion by 2030	Commitment has been challenged as a result of COVID impacts on the industry. Travel Alberta Bootstrap plan aims to recover tourism revenues to pre-COVID19 levels by 2024. Industry exceeded Travel Alberta target to return to pre covid industry expenditures by 2024 Travel Alberta 2023-26 Business Plan “sets the course to grow Alberta’s visitor economy past $20 billion by 2035.”
Make tourism the responsibility of the Minister of Economic Development and Trade	In 2019, responsibility for tourism moved from the former Ministry of Culture and Tourism to Ministry of Economic Development, Trade and Tourism (which became Jobs Economy and Innovation). In 2022, responsibility for tourism moved from Ministry of Jobs Economy and Innovation to Forestry, Parks and Tourism. In 2023, the province created the Ministry of Tourism and Sport

Source: TIAA, Travel Alberta, Government of Alberta 2023 Mandate Letters. UCP Alberta Strong and Free Policy Platform.

The province’s commitments and progress towards strengthening the tourism economy in Alberta are to be commended. The industry has exceeded Travel Alberta’s target to return to pre covid industry expenditures by 2024, and has a new focus on growing the visitor economy past $20 billion by 2035. What is needed now is the release of the long-awaited “provincial tourism strategy”, as identified in the mandate letter of the Minister of Tourism and Sport, as well as a sustained and strategic commitment of government resources and staff, combined with stronger policy coordination across government.

Paul Zizka @paulzizkaphoto

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2024: From Cautious Optimism to Economic Headwinds

Tourism is an international ecosystem of connected and interdependent industries that relies on stable global dynamics supporting travel, and human connectivity. While many industries have already fully recovered from the pandemic, the recovery of the visitor economy remains both fragile, and nascent. Headed into 2024, global headwinds risk derailing the industry's recovery and the viability of businesses and employees in the industry.

2.1 International Travel: Fundamental Changes in Visitor Origin Markets

Visitation has improved substantially in a number of our source markets such as the US, UK, Germany and Mexico (Table 9). However, travellers from key Asian markets such as China, Japan and South Korea is well short of pre-pandemic levels.

Table 9: International Visitors to Alberta						
	2019	2020	2021	2022	2023F	2019-23 % Change
Total	1,208,733	174,663	157,560	736,067	915,110	-24.3%
United States	879,164	130,518	116,994	552,182	666,848	-24.1%
United Kingdom	88,787	12,021	10,154	63,477	82,680	-6.9%
Germany	33,544	4,667	3,920	20,345	22,444	-33.1%
Mexico	20,363	3,462	4,573	12,344	24,324	19.5%
Australia	19,325	2,693	566	6,551	11,338	-41.3%
China	13,140	385	88	354	2,448	-81.4%
Japan	14,730	376	209	1,160	2,494	-83.1%
India	10,721	1,102	392	6,067	12,246	14.2%
South Korea	4,679	405	97	1,097	2,506	-46.4%
France	8,136	1,137	1,407	7,344	6,532	-19.7%

Source: Statistics Canada: Non-resident visitors entering Canada, by country of residence 1
Table: 24-10-0050-01

Chinese visitors contributed the third most expenditures in Alberta of any international traveller group in 2019 ($163 million), behind the US and the UK. However, visitors from China contributed only $17 million in expenditures in Alberta 2022 – a 90% reduction (Table 10).

Table 10: Alberta Visitor Expenditures by Country of Origin (000s)					
	2019	2020	2021	2022	2019-22 % Change
US	$993,037	$131,267	$182,534	$730,245	-26.5%
UK	$215,743	$29,044	$3,002	$183,663	-14.9%
China	$162,910	$ 18,482	$10,554	$17,073	-89.5%

Statistics Canada. Table 24-10-0047-01 Spending by foreign residents travelling in Canada by country of residence, tourism region and spending category (x 1,000)

Government and industry need to be aware of the evolving nature of our source visitation markets in terms of product offerings and strategic marketing outreach. Geopolitical conflicts, evolving traveller preferences and government emissions reduction pricing and policies will all have an impact in future travel trends of visitors from key source markets.

2.2 Economic Outlook: Dark Clouds Ahead

Global and national economies are expected to experience subdued growth in 2024 compared to previous years – particularly in advanced economies (Table 11).

Table 11: Economic Growth Forecasts (GDP % Change)

	2021	2022	2023F	2024F
Global Economic Growth	6.2	3.5	3.0	2.9
Advanced Economies	5.2	2.6	1.5	1.4
Emerging Market & Developing Economies	6.6	4.1	4.0	4.0
US	5.7	2.1	2.1	1.5
UK	7.4	4.1	0.5	0.6
Canada	4.5	3.4	1.3	1.6
Japan	1.7	1.0	2.0	1.0
China	8.1	3.0	5.0	4.2
India	8.7	7.2	6.3	6.3

Source: IMF World Economic Outlook Report. October 2023 and October 2022. Available at: https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023

The slower economic growth will have a dampening effect on the tourism industry both globally and nationally. **The UN World Tourism Organization Panel of Experts estimates tourism reached 88% of pre-pandemic levels in 2023, with full recovery expected in 2024**[11] However, slower global economic growth will likely serve as a drag on the recovery timeline.

Domestically, higher interest rates and slower economic growth are expected to negatively impact the tourism industry in Canada. The Bank of Canada embarked upon the most ambitious interest rate increases in recent memory, with their benchmark overnight rate increasing from 0.25% in January 2022, to 5% in July 2023 – a 1,900% increase.[12]

In its October 2023 Monetary Policy Report, the Bank is forecasting that consumption as a component of GDP will grow by 0.4 percent in 2024, which is a decrease of 56% from its earlier forecast in January 2023 – indicating a worsening outlook for consumption in particular, and the economy as a whole (Table 12). Notably, the Bank indicated that "demand growth has moderated for many services, such as recreation, restaurants and accommodation."[13]

11 UN World Tourism Organization. 2024. International Tourism to Reach Pre-Pandemic Levels in 2024. January. Available at: https://www.unwto.org/news/international-tourism-to-reach-pre-pandemic-levels-in-2024

12 Bank of Canada. 2024. Policy Interest Rate. Available at: https://www.bankofcanada.ca/core-functions/monetary-policy/key-interest-rate/

13 Bank of Canada. 2023. Monetary Policy Report. October. P. 11. Available at: https://www.bankofcanada.ca/wp-content/uploads/2023/10/mpr-2023-10-25.pdf

In fact, all of the Bank's GDP indicators for 2024 have worsened since January 2023, including consumption, housing, govt spending, business investment, GDP, and CPI. National GDP Growth of 0.7 is on the cusp of economic stagnation.

TD Economics estimates that Canadians will have a 30% increase in their monthly mortgage payments by the end of 2024, and that these "elevated mortgage payments will create an enduring drag on consumption and broader economic growth." [14]

Slower economic growth across the country combined with higher interest rates will diminish interprovincial travel expenditures in the province.

Table 12: Bank Of Canada Contributions to average annual real GDP growth (Percentage Points)

Forecast year	2022			2023			2024		
Forecast Release Date	Oct 2023	Jan 2023	July 2022	Oct 2023	Jan 2023	July 2022	Oct 2023	Jan 2023	July 2022
Consumption	2.5	2.7	2.8	1.3	0.7	1	0.4	0.9	1.5
Housing	-1.1	-1	-0.7	-1.1	-0.7	-0.6	0.2	0.3	0.2
Government	0.5	0.3	0.4	0.3	0.2	0.5	0.6	0.4	0.3
Business Fixed Investment	0.7	0.2	0.7	0.2	0.2	0.2	0	0.1	0.6
GDP	3.2	3.6	3.5	1.2	1	1.8	0.7	1.8	2.4
CPI inflation	6.8	6.8	7.2	3.9	3.6	4.6	3	2.3	2.3

Source: Bank of Canada Monetary Policy Report. October 2023, January 2023, July 2022. Available at: https://www.bankofcanada.ca/publications/mpr/

At a provincial level, while Alberta is expected to weather the economic headwinds relatively well compared to other provinces RBC estimates that GDP growth will effectively be stagnant in BC, Ontario and Quebec in 2024 (Table 13). Slower economic growth across the country combined with higher interest rates will diminish interprovincial travel expenditures in the province.

Table 13: Provincial Economic Outlook

	2022F	2023F	2024F
Alberta	5.1	2.2	1.7
BC	3.6	0.5	0.3
Saskatchewan	5.7	0.8	2.2
Ontario	3.6	1.1	0.2
Quebec	2.6	0.5	0.4

Source: Royal Bank of Canada. Macroeconomic Outlook. Available at: https://thoughtleadership.rbc.com/canadas-economic-engine-is-gearing-down/

14 TD Economics. 2023. *Riding Out the Mortgage Tides is a 'Mission Possible' for Canadian Households*. Available at: https://economics.td.com/ca-mortgage-tides-canada-households

2.3 Perspectives of Alberta Tourism Businesses

All in all, the 2024 economic outlook for Alberta's tourism sector is one of cautious optimism, and this is reflected in the perspectives of Alberta tourism businesses.

In early 2023, nearly three-quarters (72%) of members were optimistic or somewhat optimistic about their organization's outlook for 2023. However, some of the optimism from earlier in the year has dissipated, with businesses being more uncertain and less positive about their organization's outlook. Three-fifths (60%) felt positive (optimistic or somewhat optimistic), down from 7-in-10 (72%) in Feb 2023. This sentiment is likely to persist into 2024.

In its latest monetary policy report, the Bank of Canada is expecting business investment growth to be zero in 2024, which is a decrease from previous forecasts (Table 12), and its Q4 Business Outlook Survey indicates a further deteriorating business environment:

> **Firms reported less favourable business conditions in the fourth quarter. Many saw declines in sales volumes. Indicators of future sales, such as order books and sales inquiries, have deteriorated compared with a year ago.** [15]

This diminished optimism is likely due to a number of challenges confronting the industry.

- Consistent with February 2023, inflationary impacts continue to be the biggest challenge facing organizations during the summer season (59%), followed by labour supply (42%).
- Labour costs is the area that businesses feel the most pressure related to inflation (62%), followed by food (52%) and fuel (51%).
- Almost all (91%) businesses were impacted by insurance premium growth in 2023, with close to 1-in-3 noting it impacted their ability to purchase inventory. One-quarter say that insurance premium growth is the fastest growing expense line in their business. Of the businesses that were impacted, 3-in-4 experienced an increase of up to 50% in their insurance premiums.
- Businesses are also experiencing a number of other debt-related impacts, with around 1-in-3 that report cash flow pressures (35%) and the impact of inflation and rising interest rates (32%) are impacting debt repayment plans.

As a consequence, industry is experiencing lower profits, higher prices, and subdued investment.

15 Bank of Canada. 2024. Business Outlook Survey—Fourth Quarter of 2023. Available at: https://www.bankofcanada.ca/2024/01/business-outlook-survey-fourth-quarter-of-2023/

Travel Alberta / Mike Seehagel

Three-fifths (60%) felt positive (optimistic or somewhat optimistic), down from 7-in-10 (72%) in Feb 2023.

Over half of businesses (56%) needed to adjust the price of their products and services due to supply chain and inflationary pressures – up 16% from what was anticipated in February 2023.

- Close to 3-in-5 (59%) businesses are growing their product pricing (59%), while half (50%) are growing their service pricing.

More positively:

- Supply chain disruptions as a top challenge has declined since last year – down 25% from October 2022.
- In addition, the rate of return for visitors (both local and US/international) is also less of a challenge in October 2023.

2.4 Perspectives of Visitors to Alberta

Canada continues to be a desirable market for international visitors. According to Travel Alberta:

> **"American travelers continue to prioritize travel in their budgets (53 per cent) and the likelihood to travel outside the United States for leisure travel in the next 12 months has stayed within the 25 to 34 per cent range over the last year…. Canada remains among the top desired foreign destinations Americans want to visit in the next 12 months."** [16]

> **"In other international markets, travel intent is slowly picking up heading into the summer of 2023, even as costs remain a top concern for potential travellers. Likely due to recessionary concerns, travellers are delaying booking and booking windows remain shorter than pre-pandemic. Canadians also have higher intentions to travel to other parts of Canada in the 2023 summer travel season, an optimistic sign that the domestic market will remain strong."**

16 Travel Alberta. 2023. 2023-2026 Business Plan: Recovery to Resilience. P 10 Available at: https://industry.travelalberta.com/files/corporate/Business%20Plan%202023-26_FINAL.pdf

Roam Creative

3

Sectoral Challenges and Opportunities

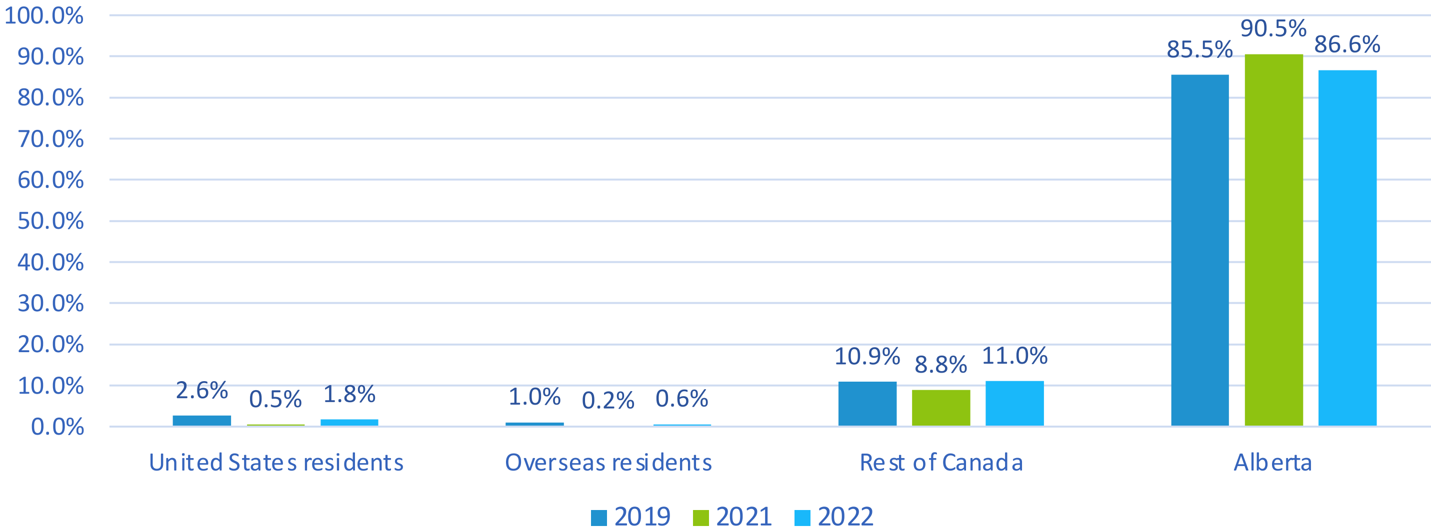
Alberta’s tourism industry continues to be confronted with systemic challenges that limit its growth potential. These challenges were made obvious – and were sometimes augmented – by the pandemic, which revealed the vulnerabilities and limitations of the sector in the province.

Growing Alberta tourism, particularly from the viewpoint of a pan-provincial economic engine, requires a critical assessment of these challenges. Some, like the reliance on domestic visitors and domestic competition, are here for the long term. Others, like air access and seasonality issues, can be addressed over time. While still others such as labour are facing tourism industry operators across the country and internationally. A clear and honest assessment of these challenges, however, should drive a timely and effective strategy to overcome them.

3.1 Increased Reliance on Domestic Demand

Alberta remains substantively reliant on domestic demand. In 2019, 96% of visitors to the province came from within Canada. In 2021, this number increased to 99.4% – with an even greater proportion (90.5%) generated from within the province. In 2022, this number decreased to only slightly to 97.6% (Figure 7).

Figure 7: Alberta Visitation by Source



Source: Statistics Canada National Travel Survey.

The COVID crisis has demonstrated that the Canadian and Albertan markets have the potential to grow over time.

- Compared to last summer, close to half of businesses (45%) saw an increase in the number of Albertan customers this summer season, while over 2-in-5 (43%) saw an increase in the number of Canadian customers.

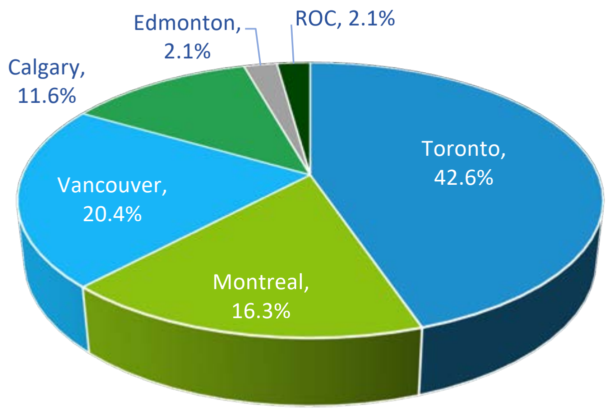
Industry has the potential to build off of this growth, through recovery and growth in international visitor markets, which is already underway.

- Almost 3-in-5 businesses (57%) reported an increase in customers from outside Canada, up significantly since last year (32%).
- The increase in international customers is encouraging, as over 6-in-10 businesses (63%) are either very or somewhat reliant on US visitors, and almost 6-in-10 (59%) are either very or somewhat reliant on international visitors.

3.2 Limited but Expanding Air Access

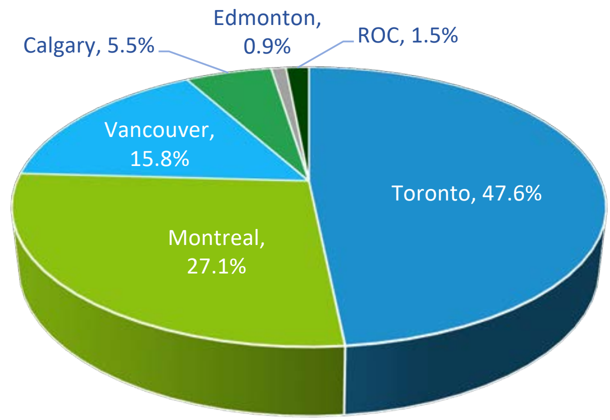
Toronto, Montreal and Vancouver accounted for 79% of all US air traffic and 90% of other international air traffic into Canada in 2022 (Figures 7 and 8). Alberta accounted for 13% of US visitors and a mere 6% of international visitors.

Figure 8: US Arrivals to Canada By Airport 2022



Source: Statistics Canada. Table 23-10-0253-01 Air passenger traffic at Canadian airports, annual

Figure 9: International Arrivals to Canada By Airport 2022



Source: Statistics Canada. Table 23-10-0253-01 Air passenger traffic at Canadian airports, annual

While this limited access is a hinderance to growing Alberta's tourism economy, recent industry developments suggest that Alberta can expect an increase in international air passenger traffic. In 2022 WestJet partnered with the Alberta government to base all of its international flights out of Calgary and substantially expand its service offering and fleet, thereby "unlocking opportunity for new routes within North America, to Europe, with the potential to reach Asia." [17] WestJet further announced "20 new routes and three new destinations to the airline's summer schedule. Offering a comprehensive network of connectivity between Western Canada and the United States." [18]

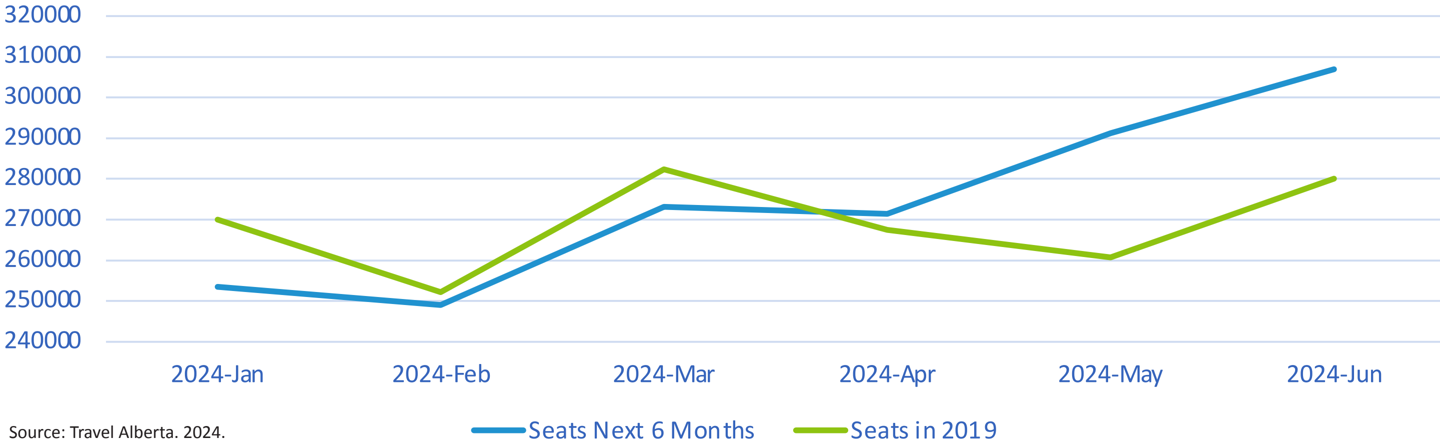
These developments have the potential to materially grow international and domestic air travel in Alberta. In the first half of 2024, Alberta international seat capacity is expected grow by over 32,000 relative to 2019 (Figure 10). [19]

17 WestJet. 2022. Partnership between the WestJet Group and the GOA sets foundation for future of aviation. Available at: https://westjet.mediaroom.com/2022-10-05-Historic-partnership-between-the-WestJet-Group-and-the-Government-of-Alberta-sets-foundation-for-future-of-aviation-growth-across-province

18 WestJet. 2023. WestJet brings new U.S. destinations and enhanced domestic connectivity to summer schedule as airline's new growth strategy takes flight. Available at: https://westjet.mediaroom.com/2023-02-13-WestJet-brings-new-U-S-destinations-and-enhanced-domestic-connectivity-to-summer-schedule-as-airlines-new-growth-strategy-takes-flight

19 Travel Alberta. 2024. International Direct Seat Capacity Compared to 2019 - Next 6 Months. Available at: https://industry.travelalberta.com/research/tourism-indicators/air-access

Figure 10: Alberta International Direct Seat Capacity

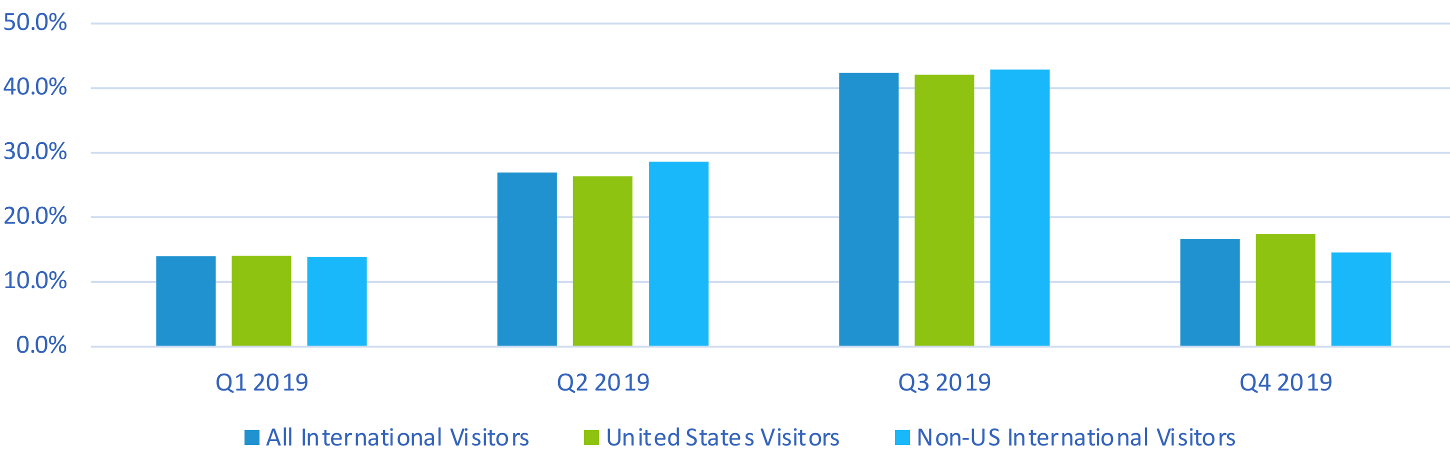


Source: Travel Alberta. 2024.

3.3 Seasonality

Alberta is a seasonally dependent tourist destination, with the vast majority of visitors coming over the spring and summer months (Figure 11).

Figure 11: Seasonality of International Visitors to Alberta



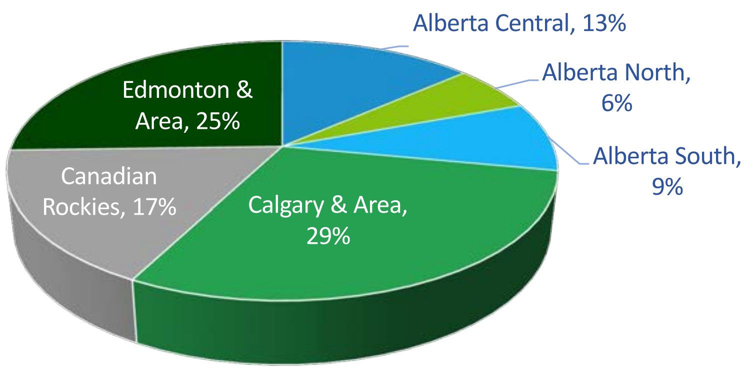
Source: Statistics Canada. Table 24-10-0050-01 Non-resident visitors entering Canada, by country of residence.

Correspondingly the structure of the industry reflects this seasonality, as 54% of industry revenue in the summer, compared to 15% in the fall, 16% in the winter and 14% in the spring. A key opportunity to overcome these challenges is to build out infrastructure and amenities that encourage year round visitation. That said, while the development of new, strategic tourism assets and experiences built for the off season is key to driving demand, this needs to occur in combination with an industry employment strategy that incents a permanent, year-round employee base.

3.4 Concentration of Tourism Assets

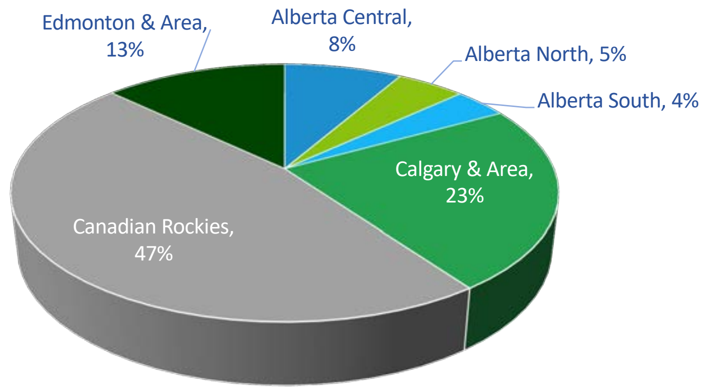
The vast majority of Alberta's tourism activity is concentrated in Calgary, Edmonton and the Canadian Rockies (Figures 12 and 13). Domestically the region accounts for 70% of total tourism expenditures in the province. Internationally, this increases to 83%, with 47% of international visitors going to the Canadian Rockies.

Figure 12: Domestic Visitor Expenditures by Region



Source: Travel Alberta 2019 visitor profiles by region. Available at: https://www.alberta.ca/alberta-visitor-profiles.aspx

Figure 13: International Visitor Expenditures by Region



Source: International proportions from 2014 Travel Alberta Visitor profiles by region, cross-referenced with Statistics Canada 2019 NVS actual expenditures by region, which are publicly available separately for the Rockies and Calgary regions as a means of calibration.

3.5 Labour Shortages

Attracting and retaining a sustainable tourism workforce is essential to the sustained recovery and growth of Alberta's visitor economy. This has been a commonplace and ongoing issue for the tourism industry but was exacerbated as a result of the pandemic. According to Tourism HR Canada, projections to 2025 show a growing shortage of workers across all tourism industries: accommodation; food and beverage services; recreation and entertainment, transportation and travel services.[20]

There are a number of systemic and structural issues to employment in the sector that were augmented by the pandemic. These include an aging demographic, a cumbersome immigration application system and a decreasing number of enrollments from international and Canadian students in post-secondary tourism and hospitality programs. The tourism industry also continues to suffer from a diminished reputation as an attractive industry for life-long careers.

20 Tourism HR Canada. 2022. Projections of Tourism Employment Demand in Canada 2019-2025. P 10. Available at: https://tourismhr.ca/labour-market-information/covid-impact-and-recovery/projections-of-tourism-employment-demand/

A recent TIAA study explored the *Perceptions of Tourism as a Place of Employment in Alberta*, and found that 88% of Albertans believe that tourism is important to the economic well-being of the province. The survey also indicated that a proportion of Albertans, and those with experience in the tourism industry, view tourism as a short-term or temporary employment solution, not a long-term career path. [21]

Consequently, labour shortages continue to be a top priority for TIAA members, and the issue is only getting worse:

- Almost two-thirds (65%) of businesses report a shortage of suitable workers as one of the top five challenges they faced in 2023 – which is significantly more than the 57% identified in 2022.
- Two of the most common challenges businesses face are connected to the nature of the tourism industry itself. Over half (53%) report that the inability to pay the wages offered in other sectors was among the top 5 challenges faced this summer, as well as close to half (46%) reporting an inability to offer stable, year- round employment options.
- Cooks (30%) and Light Duty Cleaners (24%) continue to be the hardest positions for businesses to fill, with cooks being significantly harder to fill compared to previous survey periods (18% - 22%).
- That said, staffing levels compared to a year ago are improving. Almost half of businesses (48%) operated with over 80% of their pre-pandemic levels of staff in the summer season of 2023 (up from just 17% during summer 2022).

In terms of solutions:

- Over half of businesses (54%) intend to increase employee wages/salaries, potentially driven by a need to keep up with inflation and a rising cost of living. Business intentions around employee education/training are primarily to maintain levels (half of businesses), while close to 2-in-5 plan to increase education/training among employees.
- That said, close to 3-in-5 businesses think it is important to have housing in their community to attract and retain workers.

Access to housing for employees is increasingly a challenge for the tourism industry. Strategies that include incentives for new purpose built rental supply, zoning reforms and addressing short term rentals all need to be considered as part of the solution. TIAA will be conducting research and exploring these issues in 2024.

Almost two-thirds (65%) of businesses report a shortage of suitable workers as one of the top five challenges they faced in 2023 – which is significantly more than the 57% identified in 2022.

21 Tourism HR Canada. 2022. Perceptions of Tourism as a Place of Employment in Alberta. December 2022.

Albertans spend
$1.2 billion
more in BC on tourism than they receive from BC visitors


Travel Alberta / Katie Goldie

3.6 Domestic Competition

In addition to its reliance on domestic visitors, Alberta tourism operators face strong competition for the in-province market from British Columbia.

Relative to Alberta, the province of British Columbia has taken a more proactive stance towards tourism and recreation development across the province. BC recognized the importance of an integrated government approach nearly two decades ago and, in 2005, created the *All Seasons Resort Policy,* which sets the vision, principles, goals and objectives for developing all-season resorts in the province. [22] The overarching vision of the policy is to "develop British Columbia as a world- class All-Seasons Resort destination." [23]

The execution of the policy involves coordination and alignment across multiple ministries, for which the government established *Crown Land Allocation Principles*, known as "a summary of key administrative and contract law principles which guide provincial employees…[and] the authorizing agency that is involved in decisions related to the allocation of provincial Crown land. [24]

These policies are widely recognized as critical in the success that British Columbia has experienced in the development of its tourism industry. There are currently four all-season resort applications and 817 non-all season resort applications under consideration in BC under the policy framework. [25] [26]

From an impact perspective, the benefits of BC's coordinated provincial policy and a long-range tourism strategy have been irrefutable. In 2019, tourism expenditures in BC were $22.3 billion – more than double Alberta's $10.1 billion. In 2022, BC's tourism revenues were $17 billion, compared to Alberta's 10.B (Table 14).

22 Government of British Columbia, Ministry of Forests, Lands, Natural Resources Operations and Rural Development. Available at https://www2.gov.bc.ca/gov/content/industry/natural-resource-use/resort-development

23 Ibid 7.

24 Ibid 7

25 Government of British Columbia. 2022. Ongoing Applications and Reasons for Decisions. Available at: https://www2.gov.bc.ca/gov/content/industry/natural-resource-use/resort-development/ongoing-applications-reasons-for-decisions

26 Comparative information is not even accessible in Alberta.

Table 14: 2019 BC and Alberta Tourism Comparisons ($Billions)		
	BC	**Alberta**
2019	$22.3B	$10.1B
2022	$17.0	$10.7
% Change	-23.8%	6.1%

Source: Travel Alberta, Canada West Ski Areas Association

Alberta is to be commended for exceeding its pre-pandemic expenditures by 6%, while BC is still 24% below its 2019 levels. However, the "tourism expenditure deficit" between Alberta and BC actually increased over this period.

Whereas in 2019 Alberta's expenditure deficit to BC was approximately $1 billion (i.e. Albertans spend $1 billion more in BC on tourism than they receive from BC visitors), that number increased to $1.2 billion in 2022 (Table 15). Had that gap closed to zero, Alberta's spending would be $11.9 billion (a 17.8% increase), while BC would have seen a 29% decrease.

Table 15: Alberta's Tourism Expenditure Deficit to BC (000s)			
	2019	**2021**	**2022**
Alberta Visitor Expenditures in BC	$1,571,844	$ 1,600,169	$2,018,907
BC Visitor Expenditures in AB	$518,242	$ 547,669	$772,490
Alberta Deficit	-$1,053,602	-$1,052,500	-$1,246,417

Source: Statistics Canada National Travel Survey, Travel Alberta

The BC-Alberta expenditure deficit is the largest of all provinces (Table 16). Alberta is a net beneficiary of interprovincial visitor expenditure relative to Ontario, Saskatchewan, Quebec, Manitoba and New Brunswick. Conversely, Newfoundland, Nova Scotia and Prince Edward Island all spend less in Alberta than Albertans spend in their respective provinces. Cumulatively, the deficit of these provinces plus BC is $1.36 billion annually.

Table 16: 2022 Domestic Travel Expenditure Deficit - 2022 ($000s)			
	Spending by Albertans in Other Provinces	**Spending by Other Canadians in Alberta**	**Difference**
British Columbia	2,018,907	772,490	1,246,417
Newfoundland and Labrador	66,638	9,982	56,656
Nova Scotia	83,437	44,996	38,441
Prince Edward Island	20,647	4,884	15,763
Alberta	6,306,168	6,306,168	0
New Brunswick	28,569	47,795	-19,226
Manitoba	173,875	203,782	-29,907
Quebec	135,891	297,770	-161,879
Saskatchewan	166,549	521,579	-355,030
Ontario	570,534	977,975	-407,441

Source: Statistics Canada and Travel Alberta

Internationally, Albertans spent $3.45 billion on visitor travel in 2022, but international expenditures in the province totalled $1.53 billion – for a deficit of $1.92 billion.

As a result, the total travel expenditure deficit in Alberta is $3.28 billion. From a public policy perspective, closing the expenditure deficit should be a key priority government policy makers, as this is the first line of defense in reducing economic leakage into other jurisdictions and growing the tourism economy in the province. [27]

Travel Alberta has identified this challenge and, in its 2023-2026 business plan, is seeking to invest "in tourism development and promotion across the province, driving more Albertans to travel within the province and reducing this travel deficit."

27 Travel Alberta. 2023. 2023-2026 Business Plan: Recovery to Resilience. P 10. Available at: https://industry.travelalberta.com/files/corporate/Business%20Plan%202023-26_FINAL.pdf

4

Role of Government

Travel Alberta / Davey Lieske

4.1 Travel Alberta

Alberta's visitor economy is supported and stewarded by Travel Alberta, which is a crown corporation under the Ministry of Tourism and Sport. According to its mandate:[28]

> **Travel Alberta acts as convener for regional destination organizations, businesses and economic development organizations who make up the visitor economy. Together, we lead, influence and coordinate destination development and promotion activities, taking account the needs of visitors, residents, businesses, and the environment.**
>
> **Travel Alberta drives the growth of the province's visitor economy, creating and promoting must-visit destinations throughout the province. We do this by helping businesses develop memorable products and experiences, marketing those products and experiences to the world, and ensuring visitors have access to them.**

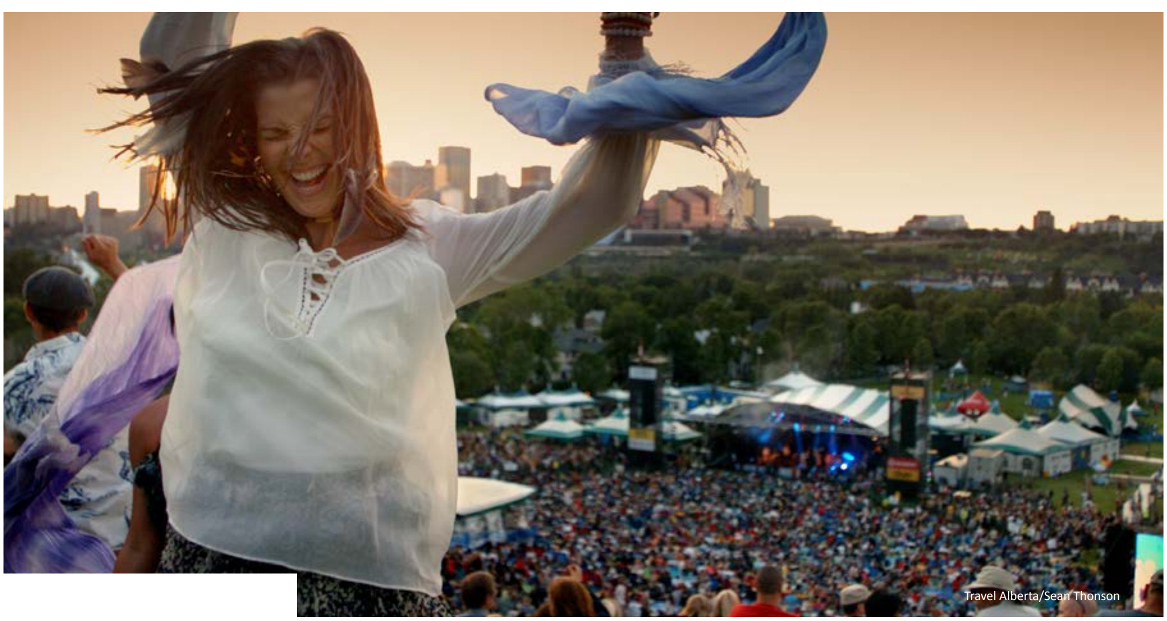
28 Travel Alberta. 2023. About Travel Alberta. Available at: https://industry.travelalberta.com/about/about-travel-alberta

Travel Alberta is well-regarded in industry and has a reputation as a capable and strategic organization. It has embraced its new mandate as a destination management organization (as opposed to a destination marketing organization), and is using the approximate incremental $20 million in annual funding over three years to support targeted, private sector catalyzing investments, based on an assessment of high potential opportunities in select regions across the province. Key excerpts from their 2023-26 business plan are included in Table 17.

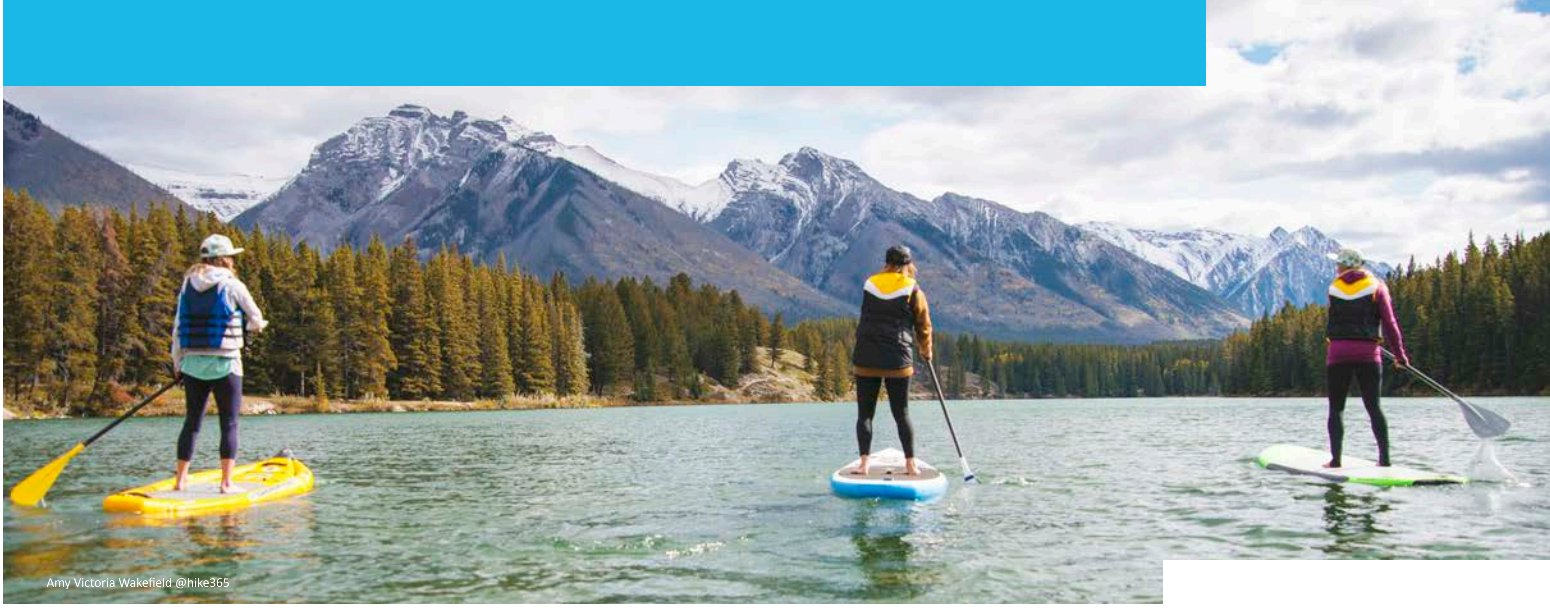
Table 17: Travel Alberta 2023-26 Business Plan Pillars and Objectives

Strategic Pillar	Marketing	Access	Place
Key Objectives	■ Drive consideration to travel to Alberta among high-value travellers in the U.S. and key international markets .	■ Accelerate seat capacity from the U.S. and key international markets. ■ Inform government policy and investment to enhance traveller-friendly connectivity and access throughout the province (i.e. transportation, broadband, Wi-Fi) .	■ Create and support long-term development plans in partnership with communities in legacy and emerging tourism destinations. ■ Attract and deploy investment to grow the visitor economy around the province. ■ Foster and advance a business-friendly environment for investors, entrepreneurs and existing businesses to launch, operate and grow.

Source: https://industry.travelalberta.com/files/corporate/Corporate_Business%20Plan%202023-26_PRINT_FINAL.pdf



Travel Alberta/Sean Thonson



These objectives reflect Travel Alberta's embrace of its role as a destination management organization, which includes strategically partnering with government and industry to strengthen access, and working with industry and communities to build the infrastructure and attractions that drive destination development in the province. Specifically, under the "Place" strategic pillar:

> **Travel Alberta takes a holistic approach to destination development, including a targeted investment strategy to drive innovation and support new and enhanced tourism products and experiences . We have identified ten tourism development zones (TDZs) in areas with the most significant job creation opportunities and sustainable community economic growth . Travel Alberta will invest $18.3 million annually in 2023-24 and 2024-25, and $15 million in 2025-26, via our Tourism Investment Program to support businesses and communities in all regions of the province.** [29]

The overarching strategic challenges for Travel Alberta, the industry and the government as a whole, however, are twofold:

- Limited or non-existent mandates across relevant government departments to support the industry and advance new projects (e.g. absence of a public-facing long-range tourism strategy); and,
- Limited financial and staff resources within Travel Alberta and across relevant government departments to achieve the provincial aim of an additive $10 billion in tourism expenditures having been created.

29 Travel Alberta 2023. 2023-26 Business Plan. P22. Available at: https://industry.travelalberta.com/files/corporate/Corporate_Business%20Plan%20 2023-26_PRINT_FINAL.pdf

4.2 Strategic Industry Resourcing

A lack of financial resourcing is another key barrier for the industry. Despite its strong contribution to GDP and employment across the province, the level of government funding support for the tourism industry is not commensurate with its economic contribution and potential. Table 18 presents select 2022 Ministry budgets and priorities to illustrate the financial support provided to the tourism industry relative to other industries in the province.

Table 18: Government of Alberta, 2023 -24 Select Ministry Expenditure Budgets and Priorities ($Millions) [30]

Ministry	Govt Spending: 2021/22 – 2023/24 Average (000s)	Select Priorities and Funding	
Energy	$1,222	Economic recovery support 147 Orphan well abandonment 135	Energy regulation 231 Carbon capture and storage 58 Resource development and management 89
Agriculture and Irrigation	$1,792	Primary agriculture 116 Agriculture income support 105	Trade investment and food management 36 Rural programming and agricultural societies 21
Forestry	$243	Forests 183	Lands 43 Hunting 14
Environment and Protected Areas	$539	Water 99 Emissions management 209 Land 33 Science and monitoring 71	Fish and wildlife 70 Integrated planning 35 Air 13 Land use secretariat 5
Jobs, Economy and Trade	$363	Work Force Strategies 125	Economic Partnerships 160
Tourism	$301	Travel Alberta 65 Tourism 1 Heritage 47	Cultural Industries 18 Arts 29 Sport and Rec 23 Parks 121

Source: Alberta Budgets 2021-2023/24. Ministry Business Plans and Budget. Available at: https://www.alberta.ca/government-and-ministry-business-plans#jumplinks-2

30 Note: Previous iterations of this table are not comparable due to historic GDP revisions made by Statistics Canada in November 2023.

The most notable comparisons are those that focus on supporting industries or sectors – namely oil and gas, agriculture and forestry. Upon initial review, what is striking is that the tourism industry, which is tasked to double revenues by 2035, received approximately $66 million in funding support annually.[31] When combined with culture, sports/ recreation, parks and heritage expenditures, as the Alberta's government budget documents summarize, this number increases to $302 million. This is in contrast to other key industries in the province such as Energy ($1,222 million), Forestry ($243 million), and Agriculture ($1,792 million).[32]

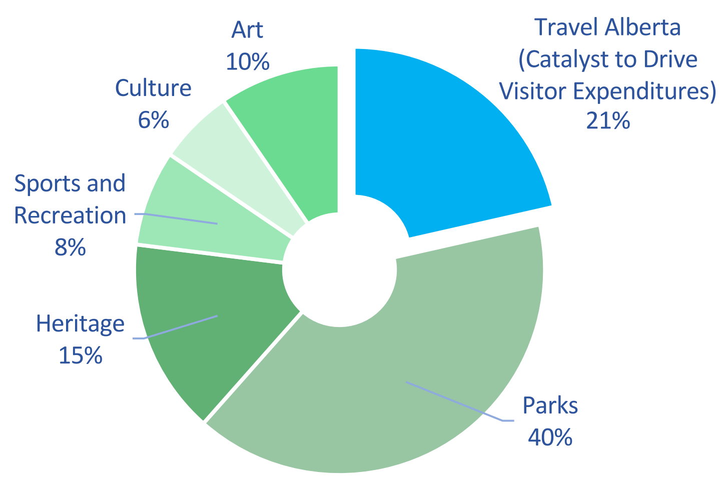
For clarity, expenditures on culture, sports/ recreation, parks and heritage are not generally defined as tourism spending, per se. Rather, according to Statistics Canada's Provincial and Territorial Tourism Satellite Account, which "is the internationally accepted framework used to measure tourism activity in an economy", the leading components of tourism industry GDP include:[33]

- Air, rail and vehicle transport
- Hotels, camping and other accommodation
- Food and beverage
- Recreation and entertainment and
- Travel services

While some aspects of recreation, sport, culture, heritage and parks certainly do contribute to tourism by availing access to amenities that enhance the experience of visitors, the majority of provincial expenditures in these categories are not made, as their foundational purpose, to drive incremental spending within the tourism industry.

Rather, government, to varying degrees, invests in and/or subsidizes the operations of these assets and experiences primarily to support and improve the quality of life of citizens in the communities in which they live. From a tourism industry perspective, visitor attendance at these assets is considered incidental, yet beneficial, to supporting a primary goal of government to support a community quality of life of citizens.

Figure 14: Govt Tourism Related Spending Average 2021-22 to 2023-24 Total ($301M)



31 In budget 2023, Travel Alberta funding is set to increase from $65 million to $72 million over three years.

32 Government of Alberta. 2021-2023. Ministry Business Plans and Budget. Available at: https://www.alberta.ca/government-and-ministry-business-plans#jumplinks-2

33 Statistics Canada. 2017. Provincial and territorial tourism satellite account. Available at: https://www150.statcan.gc.ca/n1/daily-quotidien/210429/dq210429b-eng.htm#:~:text=The%20Tourism%20Satellite%20Account%20is,Canadian%20System%20of%20National%20Accounts.

By contrast, investment in direct tourism assets and experiences is predicated on growth in business and tourism visits, with tourism visits defined as "people that have travelled 40km or more and either stayed overnight (overnight visitors) or returned home that day (same day visitors)." [34]

Private and Public Investments and Government Amenities	
Private Sector Supported Visitor Amenities	**Government Supported Community Amenities**
	Recreation and Sports Facilities
Air, Rail and Vehicle Transport,	Culture and Heritage
Hotels, Camping, other Accommodation	Historic Street Architecture
Food and Beverage, Clubs, Restaurants	Parks
Entertainment, Events, Festivals, Markets	Museums and Art Galleries
Travel services, Convention Centers	Theaters and Cinemas
	Concert Halls

It is these *private sector supported visitor amenities* and investments that should be leveraged through Travel Alberta to more fully take advantage of *government supported community amenities* to drive additional visitor expenditures in the province if the government's goal of doubling tourism revenue by 2035 is to be achieved.

Consequently, this report differs from the previous study in that it includes the full spending in these categories in its analysis so as to define the industry broadly from a government spending perspective. Despite this broad definition, however, on a comparative economic and employment basis, the tourism sector remains substantially under-funded relative to other sectors in the economy (Table 19).

34 Travel Alberta. 2023. Visitation. Available at: https://industry.travelalberta.com/research/tourism-indicators/visitation

Table 19: Government Funding Relative to Jobs and GDP Contribution by Industry						
	Industry	**GDP ($M)**	**Jobs**	**Govt Spending: 2021/22 – 2023/24 Average (000s)**	**Govt Funding per $000s of GDP**	**Govt Funding per Job**
2022	Tourism	$7,567	87,134	301,197	$40	3,457
	Agriculture	$6,952	43,000	1,792,133	$258	41,678
	Forestry	$453	5,000	242,600	$536	48,520
	Oil and Gas	$63,067	133,000	1,222,318	$19	9,190
	Industry	**GDP ($M)**	**Jobs**	**Govt Spending: 2020/21 – 2022/23 Average (000s)**	**Govt Funding per $000s of GDP**	**Govt Funding per Job**
2021	Tourism	$4,527	52,868	285,863	$63	5,407
	Agriculture	$4,993	41,000	1,976,513	$396	48,208
	Forestry	$452	3,000	270,021	$597	90,007
	Oil and Gas	$58,372	139,000	1,270,933	$22	9,143
	Industry	**GDP ($M)**	**Jobs**	**Govt Spending: 2018/19 – 2020/21 Average (000s)**	**Govt Funding per $000s of GDP**	**Govt Funding per Job**
2019	Tourism	$7,087	83,164	303,240	$43	3,646
	Agriculture	$6,171	56,000	1,327,875	$215	23,712
	Forestry	$ 438	3,000	427,155	$975	142,385
	Oil and Gas	$58,873	138,000	1,135,525	$19	8,228

Source: Derived by Verum Consulting from Government of Alberta and Statistics Canada.

For every job in the tourism industry, the government spends approximately $3,500. Comparatively, the government spends approx. $41,700 per job in agriculture, $48,000 in forestry and $9,200 in oil and gas. At parity, this would translate into an additional $500 million of government spending for tourism compared to energy, $3.3 billion compared to agriculture and $3.9 billion compared to forestry.

On average government spent 9 times more per job on agriculture relative to tourism, 23 times more on forestry and 2.2 times more on oil & gas (Table 20).

Table 20: Govt Spending Per Job, Relative to the Tourism Industry

	Agriculture	Forestry	Oil and Gas
2022	12.1	14.0	2.7
2021	8.9	16.6	1.7
2019	6.5	39.0	2.3
Average	9.2	23.2	2.2

While the ideal level of government spending on the tourism industry must ultimately be a function of the strategic investments needed to achieve its goal doubling tourism expenditures by 2035, this analysis illustrates the underfunding of the sector relative to its economic contribution compared to other industries, let alone its potential.

4.3 Support for Government Tourism Spending

A recent survey undertaken by TIAA revealed that Albertans too are supportive of the industry. 83% of Albertans believe all (36%), most (15%) or some (39%) of the fee collected through the Alberta Tourism Levy should be used to support the development and promotion of Alberta's tourism industry (Figure 15). This is indicative of Albertans' support for the industry to have additional fiscal capacity.

Moreover, 40% of Albertans believe the Alberta Government is doing the right amount to support the growth potential of Alberta's tourism industry and 22% believe the government is doing too little. These findings suggested broad based public support for the sector in Alberta (Figure 16).

Figure 15: Use of Alberta Tourism Levy to Support Industry (%)

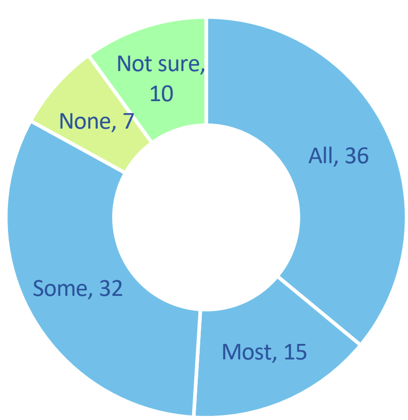
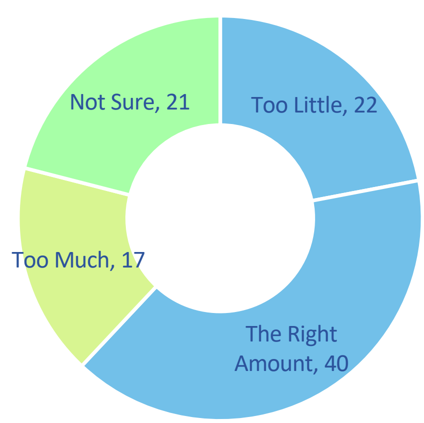


Figure 16: Level of Government Support for the Industry (%)



Travel Alberta / Jeremy Fokkens

5 Policy Recommendations

The Alberta tourism industry presents significant opportunity for economic prosperity and job creation across all regions of the province. The industry is well-positioned for growth and expansion based off a strong foundation, and the Alberta government can take a leadership role in further supporting the industry in realizing the substantial economic upside from doubling tourism expenditures in the province. To this end, this TIAA offers the following recommendations:

5.1 Overarching Tourism Strategy and Approach

The Minister of Tourism and Sport has been tasked to continue to develop and implement a long-term provincial tourism strategy. This is a critical and long awaited component in necessary to grow the industry and double its revenues by 2035.

Recommendations

- Immediately release a provincial tourism strategy, led by the Ministry of Tourism and Sport, and Travel Alberta, that, among other things:
  - Articulates a provincial vision and objectives for tourism development in Alberta, including positioning the province as a world class tourism destination with a goal to closing Alberta's travel trade deficit and doubling tourism expenditures by 2035;
  - Establishes a supportive crown land policy framework, especially on public lands, integrated across government, that embraces tourism as an industry, and one that is prioritized for growth. This should be advanced as part of the Forestry and Parks Ministry efforts to develop its a crown lands recreation and conservation strategy;

- Provides a concierge service for tourism project proponents that maps the processes, requirements, contacts and intergovernmental integration required for proponents to successfully advance projects; and
- Inventories crown land tourism and recreation resources, and measures and monitors the tourism economy.

5.2 Travel Alberta Strategic Resourcing

Travel Alberta's role involves leveraging Alberta's existing attractions and assets through strategic marketing, attracting private sector investment, and expanding access to drive additional tourism activity into the province. It effectively serves as a catalyst to drive private sector investment to enable the province to fully benefit from the tourism investments and opportunities that it has to offer – including its natural endowments, attractions, parks, heritage and cultural amenities, and sport and recreation facilities. As such strategic investments in building Travel Alberta's capacity to fulfill its mandate and achieve the government's goal of double tourism revenues by 2035 are needed.

In 2023, the Minister of Tourism and Sport was tasked to "assess the advantages and disadvantages of having all of Alberta's tourism levy invested in tourism-related growth initiatives and making recommendations based on the findings."[35]

There is a compelling case for allocating the full value of the Tourism Levy to Travel Alberta given that the government recently expanded the organization's mandate to that of a destination management organization; as such, Travel Alberta requires commensurate to funding to effectively to fulfill its new obligations to more than double Alberta's tourism revenue by 2035.

Recommendations

- Immediately commit the full annual intake revenues generated through the Alberta Tourism Levy to Travel Alberta to support its role as a destination management organization, by making the following amendments to the *Tourism Levy Act* and *Tourism Levy Regulation*:

  Amending the definition section 1(1) of the Tourism Levy Act to include a new definition 1(1)(a) "tourism marketing and development" which would read: "tourism marketing and development" means approved tourism marketing and development efforts led by the province's designated destination management organization, Travel Alberta Corporation.

35 Government of Alberta. 2023. Available at: https://open.alberta.ca/publications/mandate-letters-to-ministers-2023

Amending definition section 1(a) of the Tourism Levy Regulation 398/87 to read: "Act" means the Tourism Levy Act which exists to support approved tourism marketing and development efforts led by the province's designated destination management organization, Travel Alberta Corporation.

- Recognizing that the dedication of the ATL to support the Travel Alberta Corporation will still fall short of the needed government financial supports to generate $21B in travel related expenditures by 2035, the government would be well-served to commit, through budget appropriations, an additional funding tranche of no less than $60M/year over the next 5-years, to catalyze private sector investment, to support infrastructure and new destination development, and, to further address structural supply challenges, such as air route development and tourism career awareness and labour force development.

5.3 Addressing Labour Shortages

While there is no one solution that will address Alberta's tourism labour and talent challenges, there is an urgent and timely need to position Alberta's visitor economy as an attractive industry for long-time career development, ensuring all Albertans aware of the potential career options available.

The labour force challenges confronting Alberta's tourism industry are structural, and necessitate a foundational focus. Through extensive review and direct engagement of tourism industry stakeholders, TIAA, in collaboration with Tourism HR Canada, identified four priority areas to address the industry's labour challenges: [36]

- Housing and transportation crises
- The importance of raising the profile of the tourism sector
- The need to change the business model(s) used in tourism


Travel Alberta

36 TIAA, Tourism HR Canada. 2023.Labour Market Study of Alberta's Tourism Sector. Available at: https://silkstart.s3.amazonaws.com/67835daa-b48d-419c-84f9-79aff9cf372d.pdf

Recommendations

Workforce Infrastructure

- Address chronic and varied housing and transportation issues at local, regional, provincial, and federal levels.

HR Practices

- Conduct economic modeling research into ‘cost’ of labour on tourism businesses, with respect to turnover/retention, customer satisfaction, product offerings and prices, customer profile, and taking into consideration different compensation levels and structures.

Reputation

- Launch campaign to highlight range of career trajectories and skills development opportunities in Alberta tourism.
- Develop targeted recruitment and retention campaigns for different demographic profiles of tourism workers.

Immigration

- Collate, curate, and distribute a best-practices toolkit/guide for SMEs who have never used immigration programs (federal and/or provincial) before.

Alberta Ballet

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6

Key Risks to the Tourism Industry Outlook

While the industry is favourably positioned for growth in the near term, there are a number of risks that could significantly impact the industry going forward.

Slower Economic Growth

The most significant risk confronting the industry is slower economic growth.

- Persistent inflation and high interest rates globally will continue to hold back economic activity – dampening consumer discretionary spending and propensity to travel.
- The Bank of Canada has revised its 2024 economic outlook downward. All of its GDP indicators for 2024 have worsened since January 2023, including consumption, housing, govt spending, business investment, GDP, and CPI. National GDP growth of 0.7 is on the cusp of economic stagnation. This will have a negative impact on Canadian’s discretionary spending in 2024.

Sustainable Tourism Industry

- Sustainable tourism practices and initiatives will continue to advance, given evolving government climate commitments and visitor preferences.
- Efforts by the industry to minimize their carbon footprint and work towards achieving net-zero emissions through initiatives such as use of sustainable aviation fuels will be well received by visitors

Labour Shortages

- The tourism industry is already confronted with challenges in recruiting people to the sector. There is the potential that a lack of available skilled workers will prevent the industry from meeting growing tourism demand in the province. There is also the prospect that the shortage of labour will drive up wages, which will in turn drive up industry costs and reduce the competitiveness of the industry in the face of slower economic growth.

Geopolitical Conflict

- Current conflicts around the world have the potential limit tourism activity – both in terms of limiting visitation to and from conflicted regions, as well as raising safety and security concerns among global tourist populations.


Parks Canada/Adam Greenberg


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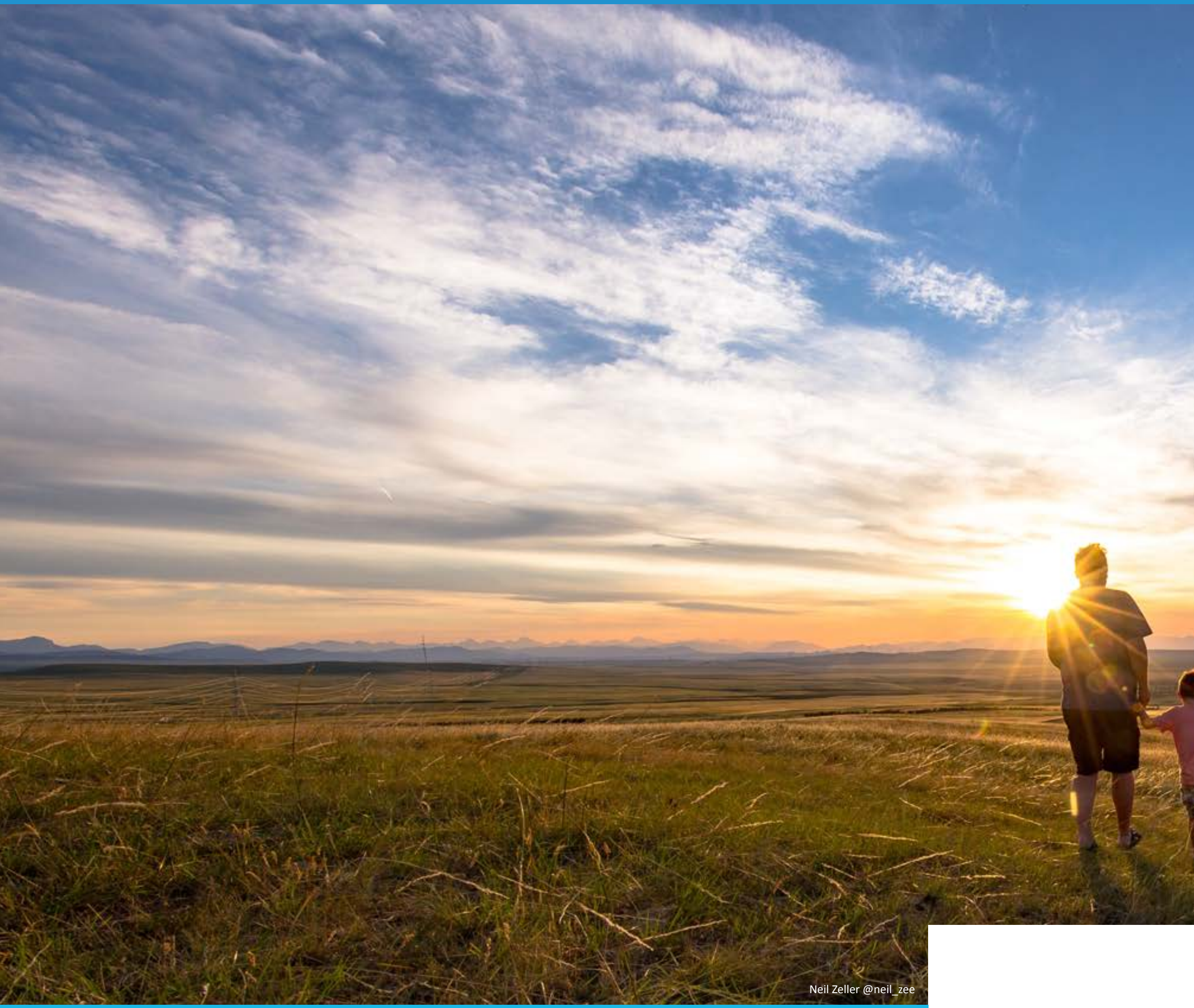
John Price @johnpricephotography



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TOURISM INDUSTRY ASSOCIATION ALBERTA