

**LEGISLATIVE ASSEMBLY OF THE
NORTHWEST TERRITORIES
5TH COUNCIL, 34TH SESSION**

**RECOMMENDATION TO
COUNCIL NO. 13-34**

TABLED ON MARCH 9, 1967

Recommendation to Council 13-34
Tabled on March 9, 1967



February 26, 1967
Confidential - Not
for release before
tabling during the
34th Session of
Council.

NORTHWEST TERRITORIES

**RECOMMENDATION TO COUNCIL NO. 13
(First Session, 1967)**

TERRITORIAL TOURIST REVENUE

DISPOSITION

Tabled	To Committee	Accepted as Read	Accepted as Amended	Deferred (to Session)	Rejected	Noted not Considered

TERRITORIAL TOURIST REVENUE
Re: Item For Action No. 7

At the 33rd Session, Council asked for information on the revenue to the Government of the Northwest Territories and to residents of the Territories from operation of privately-owned sport fishing lodges. This question arose in connection with a discussion on expenditures by the Government of the Northwest Territories on air strips used by the lodges.

During that discussion, Council was advised that a survey of visitors to the Territories was undertaken last summer and that the results would be available by the end of 1966. It was noted that air strips used by tourist operators are also used for other purposes such as mineral exploration. It was also noted that, apart from employment of residents as employees at the lodges, there were benefits to the Territories through a general increase in business.

At the present time, information is not available which would give Council accurate figures on the revenue to the Territorial Government, nor to residents of the Territories, either specifically from the sport fishing lodges or from the tourist industry as a whole. This information would be required as a basis for proposals on ways of increasing revenue to residents and to the Territorial Government. The survey last summer was the first step in gathering accurate data on the tourist industry, but it concentrated on visitor patterns (origin, interests, etc.) and on general levels of expenditure. Most of the emphasis was also placed on visitors travelling by highway, rather than on guests of the fly-in sport fishing camps.

In order to present to Council the information which is available at the present time and which has a bearing on the subject, this paper presents brief summaries and comments on Total Expenditure, Revenue to the Government of the Northwest Territories General Economic Benefits and Plans for Future Action.

1. Total Estimated Tourist Expenditure 1966

Past estimates of volume and expenditure for the tourist industry have been gathered rather informally through reports from camp operators, airlines, communities along the highway, etc. The first detailed study was carried out during the summer of 1966. Unless there was some drastic change in volume and expenditure trends last year, it appears that previous estimates have been reasonably close. The volume of visitors was over-estimated in past years, but expenditure was under-estimated.

<u>Year</u>	<u>Visitors</u>	<u>Expenditure</u>
1960	1,000	\$ 450,000
1961	1,300	600,000
1962	2,200	850,000
1963	3,500	1,000,000
1964	5,000	1,300,000
1965	6,000	1,500,000
1966	6,000 (Actual)	2,000,000

The following is a more detailed break-down of 1966 visitors and their expenditures by means of information source, i.e. highway traffic, airlines, etc.

	<u>No. of Visitors</u>	<u>Expenditure</u>
a) Pacific Western Airlines	500	\$ 264,500
b) Highway traffic	2,747	86,828
c) Camps and outfitters (Hunting and fishing, includes small allowance for non-reporting operators)	2,450	1,570,558
d) Others (estimates for eastern Arctic, etc.)	350	160,000
	<hr/> 6,047	<hr/> \$2,081,886
Less allowance for overlap in reporting on a) and c)	47	81,886
	<hr/> 6,000	<hr/> \$2,000,000

The above figures are believed to be accurate within 10 per cent. It is impossible to get absolutely accurate figures because of difficulty in contacting every individual and for all individuals to recall their exact expenditure.

Efforts were made to obtain, from other tourist authorities, methods in use to compute return to government from tourist expenditure. These enquiries reveal that no standard and defensible methods are in use in Canada at this time.

However, the Canadian Tourist Association has recently conducted research that shows the break-down of the tourist dollar. Their study shows that, on the average, tourist expenditure is detailed as follows:

- 31% on food and drink
- 24% on lodging
- 9% on entertainment
- 16% on transportation
- 20% at all other retail outlets

2. Revenue to the Government of the Northwest Territories

The Government of the Northwest Territories does not have as broad a revenue base at the present time as provincial governments; therefore, the percentage of the \$2,000,000 expenditure by tourists which would go directly to the Territorial Government would be relatively small. The sources would be as follows: liquor tax, gasoline tax, fuel oil tax, big game licences, and tourist camp and outfitter licences.

There would be additional indirect revenue to the Territorial Government as a result of the distribution and circulation of the \$2,000,000 expenditure throughout the economy; for example, through wages paid to employees, hiring of charter aircraft, purchases of supplies, etc. This can best be explained by taking one example: A visitor to a sport fishing camp spends \$1,000. A part of that expenditure may be on liquor from which there would be a direct revenue to the Territorial Government. Part of the expenditure is for wages and tips for the guide. The guide spends part of that money to buy fuel oil for his home, thus the tourists expenditure also indirectly contributes to tax revenue.

A reasonably accurate estimate of direct revenue to the Territorial Government could be obtained by a specific study of the types of expenditure by tourists. It would be much more difficult to estimate with reasonable accuracy the indirect revenue resulting from tourist expenditures.

3. General Economic Benefits

From an economic standpoint, the long-term objective of the tourist development program is to increase the level of economic activity within the Territories. As economic activity increases, so does employment and tax revenues, whether these are direct or indirect. The indirect benefits may be even more important than the direct benefits, because expenditures by tourists spread throughout the whole economy. Tourists and tourist facilities provide income for construction companies, electricians, plumbers and other servicing concerns, hotels, service stations, retail stores, transportation companies, etc.

Studies have been made in some of the provinces on the economic benefits of the tourist industry. Similar studies are planned in the Territories. The results of studies in the provinces can only be applied to the Territories to a very limited extent because of the difference in conditions.

The following are two examples of economic benefits:

- a) Employment: Direct employment of residents in tourist camps and by outfitters in 1966 is estimated at 140. The average income for the season, including free room and board, is estimated at \$1,000 per person. Total income from direct employment is, therefore, in the neighbourhood of \$140,000.

There are also indirect employment benefits, for example, seasonal help in stores, hotels, etc.; and increased income for permanent employees of business concerns through increased earnings during the tourist season.

- b) Charter Aircraft:

The 1966 travel survey revealed that visitors to sport fishing camps and outfitters spent, aside from the cost of "package tours", a total of \$145,950 on aircraft charter while in the Territories. The above figure does not include expenditures by visitors arriving by highway or scheduled airline. It appears that expenditure by tourists has been one of the factors contributing to the growth in recent years of the number of charter aircraft based in the Territories.

4. Plans for Future Action

a) One of the major ways in which economic benefits to the tourist industry can be increased is through program development. Guide training courses will be continued to provide trained people as employment opportunities expand. In this connection, plans are being made to conduct an occupational analysis of tourism during the coming year so that all training needs can be identified and the training program expanded.

b) Few residents of the Territories have invested in tourist facilities due to lack of specialized knowledge and financing. Proposals which are now being considered may assist in both areas and thus encourage a greater degree of resident ownership of facilities.

c) Studies now being planned for 1967 will include research on the economic benefits from tourism in the Territories.

This study will provide a basis for determining further steps which can be taken to increase the benefits of tourism to the Territories.

d) Studies are underway between officials of the Federal and Territorial governments to better define each government's responsibilities on the future development and promotion of Tourism within the Northwest Territories.

Recommendation

The Commissioner, therefore, recommends that no steps be taken to attempt to increase revenue to the Government of the Northwest Territories until current studies are completed.