

The Tourism Industry in British Columbia

Background

Historically, forestry and mining, with tourism at a distant third, have driven the economy of British Columbia. In the last two decades, technology, construction, real estate development, oil and gas and other industries have contributed to the diversification of the B.C. economy. This diversification is expected to continue in the future, but tourism has become an industry of growing importance for B.C. **The Province has recognized that the tourist industry has immediate potential and has a stated objective to double tourist revenues by 2015.**

Rod Harris of Tourism B.C. was quoted in the *Vancouver Sun*¹ estimating tourism revenues of \$12.6 billion for 2009. The tourist industry already employs over 120,000 people in the Province, according to Tourism B.C., the agency replaced by the Ministry of Tourism, Culture and the Arts in Summer 2009.

Although the inflow of tourists is expected to decline in the downturn of 2009 (a decline of revenues of 3.7% for 2009 was anticipated by Tourism B.C., but a 50% increase is forecast by the year 2015), tourism has the unique potential to quickly rebound and expand in B.C., as we will indicate below, and the B.C. tourism industry is currently operating with a small fraction of the tourism population that it could attract with sustainable planning. Tourism and its future may be one of the least understood sectors in the B.C. economy, and in the context of North American development.

The B.C. tourism sector has a large variety of components, including urban destinations and convention centres such as Vancouver and Victoria, but only two components have the size



Cruise ship leaving Vancouver harbour.

and qualifications to make them economic engines that would properly indicate them as a specialized industry, and these two are cruise ships and major ski areas.

Cruise ships from B.C. are limited to Alaska cruises and to round the world cruises or occasional ship re-positioning voyages. Cruises seemed to have peaked even before the economic downturn and are encountering growing competition from the U.S. as evidenced by Carnival Cruise's recently announced decision to transfer operations from Vancouver to Seattle². A doubling of this segment of tourism in the near future is unlikely.

Tourism remains nevertheless a promising area for future economic growth in B.C. because of the province's unique (mountainous) geography and latitude, which has great potential for inbound travellers despite the downturn in urban tourism and cruise industry (interestingly, ski resorts could be seen conceptually as something similar to self contained cruise ships giving access to ski areas in the mountains).

¹ *Vancouver Sun*, February 13, 2009, "Three-year campaign will use Games to boost tourism" by Bruce Constantineau; available on line at: <http://www.vancouversun.com/business/Three+year+campaign+will+Games+boost+tourism/1285247/story.html>

² *CTV News*, March 17, 2009, "Carnival Cruise Pullout to Cost Vancouver \$18 million" http://www.ctv.ca/servlet/ArticleNews/story/CTVNews/20090317/carnival_cruise_090317/20090317?hub=TopStories

British Columbia's Tourism Potential

The unique potential for destination tourism as an export industry in Canada is greatest in British Columbia. This is primarily because its unique mountains can attract the millions of skier days per year that the ski industry can generate, as has been proven in the past by its best existing ski areas. Skiing in B.C. is an exceptional and immediate opportunity for growth because:

1. Geography gives B.C. a monopoly, which is an almost exclusive access to the best climate and mountain territory for skiing in North America.
2. The economic engine represented by ski areas and resorts is unparalleled for size and growth in the tourism sector.
3. The market is supply driven and has tremendous potential for growth as B.C. statistics show.
4. Skiing can be expanded as a sustainable sport and industry, especially in comparison to other economic activities, in sports and in other fields.
5. Quality of product and value will draw the clientele particularly in a more difficult market. B.C. can provide quality of tourism product and value.

Historically ski areas in B.C. can be divided between Whistler/Blackcomb and all the other ones, as Whistler/Blackcomb dominates the field with nearly half the skier visits of the entire Province,³ which is in the range of 5 million yearly skier days.

Despite the fact that for a generation people in Vancouver could not believe that Whistler would make it as an international destination, in part due to its rainy climate, Whistler/Blackcomb alone accounts for over half of all B.C. skiing related tourism revenues

³

<http://www.whistler2020.ca/whistler/site/genericPage.acds?instanceid=2986150&context=2985223> accessed March 26, 2009.

(once tourism revenues generated by the urban centres of Vancouver and Victoria and the cruise ships are separated from those of ski resorts).

Several other activities, ranging from hunting and fishing to ecotourism, are often considered as areas for expansion and they have been growing contributors to the provincial economy. However, they cater to a relatively smaller number of tourists and they require the utilization of a much larger territory compared to that of ski areas. The size of their economic contribution relative that of ski areas is modest. The highest and best use of the land would



Jumbo Mountain and Commander Glacier in BC's Purcell Range.

indicate that ski areas are a prime opportunity for serious expansion of tourism visits and revenues in a sustainable manner.

Can the Skier Market Grow?

The question is often raised, isn't the skier market essentially flat? A quick look at statistics from the last 30 years helps answer the question: from 1978/79 to 2006/07 B.C. skier days grew nearly 400%, and in Alberta they grew nearly 200%, while in the U.S. in the same period they grew only 25%, with an actual decrease in the Midwest region.

While the B.C. market grew by 400% the overall U.S. market remained practically flat. In the U.S. the only area of growth was where climate and investment in new products attracted skiers – in the Rocky Mountains region. As shown

above, the two factors affecting success and growth in North America's ski areas are product improvement and good climate.

Better locations have been attracting greater and greater numbers of skiers and the general trend in North America has shown a statistical increase in the number of skier days, particularly in the last few years before the current recession. New countries are adding skiers to the international market, from Europe to Asia. It is already possible to meet skiers from Singapore or China at Whistler.

B.C. is well positioned in the current economic downturn to increase its skier visits by initially renewing and expanding its ski areas for the regional market, and then by broadening its appeal with prime destination ski areas and resort development catering to the larger international market.

Skier visits do not have to be taken from one place to another. The phenomenal growth of B.C. did not happen to the expense of Alberta, which doubled skier days at the same time as B.C. grew by 400%, and did not happen to the expense of the U.S., which grew by almost 25%. A closer example is that of Kicking Horse Mountain Resort (KHMR), which grew from 20,000 skier days to about 150,000 while nearby Panorama Mountain Resort grew also from about 150,000 to 200,000.

Provincial Ski Policy in British Columbia

The Province of B.C. encourages the development of tourism resort infrastructure for public use by granting the right to own and operate facilities in a defined area of public lands (the Controlled Recreation Area) and to charge for the use of certain facilities, such as the ski lifts. This policy, successfully initiated more than a quarter century ago with Whistler/Blackcomb, allows the developer of a ski area to acquire Crown land in order to build overnight accommodation in proportion to the ski infrastructure and the services that are built for the project in accordance with the approved master plan. This creates an efficient economic engine for investment and repayment of

infrastructure cost, which tends to be high in the initial development of un-serviced Crown land. Tourism is a less known industry and the Province has shown leadership creating the Commercial Alpine Ski Policy (CASP), currently renamed All Season Resorts Policy, especially to encourage and assist in the creation of sustainable mountain resorts.

Mountain resorts have been considered an area of economic opportunity in Western Canada by all governments in the Province of B.C. and the Commercial Alpine Ski Policy (CASP), recently renamed the All Seasons Resort Policy of B.C. has been the cornerstone of bipartisan provincial policy. The provincial selection of the developer follows a diligent and extensive process: an accepted Expression of Interest and a Formal Proposal are followed by a Call for Proposals to potential competing interests. The selection of proponent is followed by an Interim Agreement and by the submission, review and approval of a Master Plan through a public process and an Environmental Assessment. Approval of the



Learning to ski at Crystal Mountain, Westbank, B.C.

Master Plan is followed by a Master Development Agreement between the proponent and the Province. After that the developer can apply for the technical permits.

One of the difficulties, despite the excellent policy of the Province, is that the provincial processes are fragmented and that policy execution has not been clearly delegated to a defined group of agencies with a common mandate and process. Another challenge is that

the relationship with local governments, First Nations and some of the federal agencies is not always predictable. The next step in policy implementation will require that processes be reviewed and made more certain. For many years there was a Provincial ski area development coordinator to monitor and facilitate approval processes, trying to implement a “one window” approach, but this was not effective and the effort has been abandoned. In 1995 the Province created a *Mountain Resort Associations Act* and an *Environmental Assessment Act*, which have modified the process for some projects. A Resort Development Task Force headed by the Hon. Sandy Santori, Minister of State for Resort Development, was created in January 2004. In November 2004, the Task Force produced its recommendations, which were a major step forward in implementing coherent policies for the B.C. resort industry, and in early 2005 the B.C. Government approved and published the B.C. Resort Strategy and Action Plan.



Bow River, Banff National Park

Existing policies make the expansion of existing ski resorts generally easier than creating new ones, but the introduction of the best locations to the industry would require a major effort creating new resorts rather than just expanding existing locations.

Policy Versus Location Potential

To expand the industry successfully with good prospects for the long term, rather than serving risky land development speculation with its boom and bust cycles, the choice of locations is very important and the opportunity for early start and success, regardless of real estate cycles, is not going to be the same for all projects.

The choice of location is not easy in part because governments do not offer the necessary planning ahead of time. The development of ski areas has been constrained by the cost of access, by land use restrictions and by difficulties in approval and permit processes. In North America we have a situation where most mountain resorts are the result of major compromises regarding the choice of location, climate and scenery. The challenging economy and changing climatic conditions of the future will expose the problems generated by the compromises of these locations and will highlight the need to expand the ski industry in the best locations, to provide the industry with a larger and more stable basis.

Western Canada’s Opportunity

Western Canada still has the greatest undiscovered opportunity for sustainable resort tourism in North America. It is a huge area with a vast and promising potential, discovered already at the turn of the last century with the creation of the National Parks of the Canadian Rocky Mountains. It was the time when the Canadian Pacific Railway Company initiated the Banff Springs Hotel and Chateau Lake Louise as long term projects to serve tourists in the area. The railway dictated the choice of location. These projects are ongoing, and have proven the strength of a market that has grown even faster than Western Canada and that has captured the imagination of the world.

A more recent example than the Canadian Pacific Hotels story began in 1986, when Intrawest, a then small private residential development company based in Vancouver, succeeded in buying the development rights and the assets of Blackcomb, one of the two

mountains that constitute the ski resort of Whistler, B.C., a ski area that started where a logging road provided access to the valley near Alta Lake. Intrawest demonstrated that it is possible to transform a non-descript ski area among logged forests and power lines into a world-class resort. At the time, there were just three chairlifts located in a wet climate and near a semi-bankrupt and partially realized resort built over a former garbage dump.

With a major village and infrastructure expansion Intrawest spurred the transformation of Whistler/Blackcomb into an international destination, proving that competition can be healthy, and it became the largest real estate resort developer in North America. The B.C. formula, however, with both operations and real estate development, remained the most successful one for Intrawest.

Tourism and Ski Industry Options in B.C.

Despite the Whistler success story, the tourism industry in B.C. is still in its infancy when compared to global competitors. This is particularly true regarding mountain resorts. The majority of resorts are not where they should or could be from a climate/geography perspective. All destination resorts in B.C. have or require snow making, and most ski areas cannot promise a white Christmas because of the risk of rain. If we could plan ahead of time for right locations, we would avoid locations where there is a constant threat of rain or lack of snow, and we would have a much more consistent product and clientele, saving in terms of infrastructure, water usage and energy, and making marketing and advertising more productive and effective.

The growth of the tourism industry is slowed by the lack of investment capital (unlike mining, forestry and technology, or urban real estate development, it is not yet quite recognized as an industry by the investment community) and by the lack of suitable land and mountains available for development of ski areas.

The second reason may appear to be absurd in a continent the size of North America or in a province the size of B.C. (bigger than France,

Germany, Switzerland and Austria combined), but it is easily explained by the fact that many of the ideal areas for tourism have gradually been frozen into parks and conservation areas over time, and by the fact that the remaining suitable mountains are practically inaccessible in terms of infrastructure.



Eagle's Eye Restaurant, Kicking Horse Mountain Resort, near Golden, B.C.

Accessible mountains that are suitable for ski resorts are difficult to find, and this is a challenge for the industry. North American geography, climate and access restrict the regions where the best winter and summer tourism developments can take place. Most of the tourist areas are limited by climate to a single season and the North American tourism sector has developed primarily around the concept of a semitropical vacationland for winter tourism in the southern states. There are many important summer destinations in North America, particularly in the U.S., both in terms of scenic sightseeing destinations and urban experiences, but they are not connected with winter destinations such as ski areas. Where ski resorts have been developed they were not planned as vacation destinations, but they occurred as expanded weekend areas for winter sporting activities.

British Columbia has summer destinations, particularly at Whistler, in the Okanagan Valley

and in the Columbia Valley regions, and it can combine these destinations with equally successful winter activities, such as combining golfing in summer with skiing in winter. But it is the mountain landscape combined with the winter skiing component that transforms a mountain resort into a dream destination, and the unique potential for B.C. in the North American geography is in the snow sports component. **No other activity can provide the number of visitors that skiing provides (especially when combined with sightseeing).** And B.C. alone could also provide access to glaciers where incredible skiing can occur on a year round basis, under the summer sunshine, as recently discovered by the Calgary Olympic Development Association (CODA), now called Winsport Canada, with its summer training camp at Farnham Glacier for the Canadian ski team.

Industry Fundamentals

Mountain resorts are one of the most important and most likely economic engines available for the future of B.C. We should look at some of the fundamental requirements for a sustainable and economically successful mountain resort.

These fundamentals are relatively simple and include:

1. **Snow** without rain in winter (and ideally access to glacier skiing for year round capability);
2. **Elevations** at valley bases (the natural snow line is near 1,200 meters) and at the top of the mountains, to provide with a world class vertical drop (ideally 1,200 to 1,500 meters), to provide the feeling of skiing a whole mountain, not chairlifts, to offer truly unique vistas (and if possible access to skiable glaciers for year round capability).
3. **Sunshine** hours (generated by a combination of aspect and orientation, elevation, and dry climate)
4. **Access** (normally an existing industrial improved road access – keeping in mind that a short distance from a major city is not necessarily a positive factor for destination ski areas, because it creates the commuter

and week end syndrome, where the majority of visitors come and go for the day, with overcrowded week ends and underutilization during week days – destination visitors from outside the Province are an important objective).

Geography, Tourism and the Ski Industry

Although the Rocky Mountains and adjoining mountain chains extend from Alaska to New Mexico and beyond, **only British Columbia has large chains of mountains in ideal climatic conditions with glaciers, outstanding ski slopes and dramatic scenery.** It is unlike Colorado, which has valley bases over 2,000 meters (6,560 feet - Vail and Aspen are above 2,500 meters – 8,200 feet), because in the interior of British Columbia valley bases range from 1,000 meters (3,280 feet) to 1,800 meters (5,900 feet) and mountain tops are mostly between 2,500 meters (8,200 feet) and 3,500 meters (11,150 feet), in skiing conditions similar to the Alps, but with superior climate in its dry interior areas.



Heli-ski helicopter near Golden, BC.

This is why helicopter skiing was born in the B.C. Rocky Mountains region, in the Purcell Range. Colorado has a great climate, but challenging elevations with smaller verticals and Colorado's greatest potential perhaps will be with the Mexican clientele, which is the only one acclimatized to its base elevations. **British Columbia mountain locations are those that**

are most similar to the ideal locations previously discovered in the Alps, where four seasons tourism is possible with a combination of sustainable activities centred on health, sports and scenery, and where skiing provides the critical tourism numbers. The appreciation of this potential is only beginning to dawn now.

Difficult to Access the Right Locations

The skiing potential of B.C. and the access to the right locations are difficult to achieve for many reasons. One impediment is the notion that backcountry locations should be left untouched, and that only the front-country should be made available for ski resorts. This has introduced an additional obstacle to the future of the industry. The snow line in B.C. is currently in the 1,200 meters (3,900 feet) range and prudence should dictate that base elevations for new ski resorts should be located even higher. **There are no locations in the front-country that would meet this basic requirement.**

When all obstacles are overcome and after due diligence the right locations are found, ski area development difficulties are further compounded by local governments' conflicting interests and requirements, and the impossibility to offer the certainty of development plans. This can happen even after the plans are reviewed and approved by all ministries of senior levels of governments after lengthy processes.

The above noted difficulties indicate why, despite the tremendous potential of the industry (especially when compared to the thousands of successful destination resorts in the European mountains and the ease of economic transportation by air in North America), there are so few projects that are going ahead in North America and in B.C. relative to the size of the

continent, and why these projects have become so precious.

Status of Proposed Mountain Resort Projects in British Columbia

There is great interest in mountain resorts in B.C. and there are a few ski resort or ski resort expansion projects in the planning and/or permitting stages in our Province. There are three projects in new areas (Cayoosh Creek, Garibaldi/Brohm Ridge and Jumbo Creek) and three major expansions of existing ski areas (Kicking Horse Mountain Resort near Golden, Mount McKenzie near Revelstoke and Crystal Mountain near Kelowna), plus Mount Baldy near Osoyoos, Canoe Mountain near Valemount, Blue River heli-ski resort expansion and a proposal near the Coquihalla Pass.

Of these projects Cayoosh and Canoe Mountain have been abandoned and the last two above noted projects have been postponed. Cayoosh and Jumbo Creek were the only two projects that are proposed in the backcountry, with base elevations above the winter rain line.

B.C. is fortunate to have the Jumbo Creek project, which

is the only project in North America that can give access to elevations and glaciers where year round skiing is possible. CODA (the Calgary Olympic Development Agency, now called Winsport Canada) has recently brought the Canadian national team to train on one of the glaciers of this project.

It is important to realize that mountain resort projects have very different climatic and geographic features, even if they are all in B.C. The public interest requires that the fundamentals of climate, of elevations and of the necessary qualities for international and destination tourism attraction be considered in order to fulfil the intent of tourism industry



Trans-Canada Highway, Kicking Horse Canyon Project, near Golden BC.

policies with the right product. Local and regional projects should not be discouraged, but in a weak economy it will become an important objective of government policy to generate an increased influx of visitors from outside the Province. Projects that can create a magnet for out of Province visitors will be particularly valuable.

Global Warming

The Province has made the response to climate change a priority for all its policies. Consequently we need to recognize that the expansion for the tourism industry with the opening of ski areas and resorts at the right elevations and in the right climatic zones is going to be very important in the near future. Most of the ski areas in the U.S.A. are already in borderline conditions in terms of snow; B.C. is the only part of North America that has the geography to promise the continuation of healthy and popular snow sports, combined with sightseeing and many other healthy activities.

This is a very appropriate time to give impetus to some of the sustainable economic engines of the future, offering a long-term continuation of the most popular snow sport activities, while older resorts might undergo a slow transformation into alternative summer destinations. It is noteworthy that Whistler/Blackcomb, with its lower elevation and exposure to the Pacific weather, has already become more successful in the summer than in the winter season.

An Opportunity for First Nations

First Nations have a natural vocation to become hosts to the world on their own ancestral land. Never before has there been such an interest in aboriginal activities and history, and perhaps a desire by other peoples to correct the wrongs of the past.

Tourism that combines native hospitality themes and interpretive activities will have something that will add appeal to the discovery of natural beauty, sporting activities and the health factor of vacations in the mountains. First Nations

might be at a special historical junction in terms of public goodwill and financial opportunity, when they can seize a positive chance to finance their entry into the tourist industry, an opportunity that may never come again with the same clarity and strength. Joint ventures with First Nations are to be encouraged and nourished by governments, creating a whole new perspective on the tourism industry. The key is to match the economic and development expertise of the private sector with the goodwill of the First Nations.



Kicking Horse Mountain Resort, Golden, BC.

Governments' Input

Legislation and public policy will move in the right direction when assisting with the right land use selections and approvals, with servicing programs and with methods for infrastructure financing paid for by the users over time. For example, there is no reason why a tourist from another province or country should not pay a toll for the access road to a resort area – the same as tourists pay railway tickets to ride up to the Jungfrau or to the Gornergrat viewpoints in the Swiss Alps.

Based on the fundamentals, it is a matter of the first order in the public interest for the Province to promote and support the creation of these **great sources of economic growth and of public enjoyment, capable of creating an inflow rather than outflow of tourist dollars.**

Since the 1970s B.C. governments of all colours have invested in the tourism industry with assistance marketing the B.C. mountain resorts and in roads, bridges and infrastructure

supporting mountain resorts, particularly at Whistler/Blackcomb.

Public opinion leaders will need to accurately inform themselves and the public on the **viable economic engines that are available today and that promise the sustainable economy of tomorrow**. Perhaps, in addition to investments made by the senior government in the financial system, also provincial and local governments may

consider investing, and investing directly in the infrastructure that creates economic engines and the future tax base, especially when they foster public health and enjoyment. Whistler/Blackcomb was an example of this approach, and it did pay dividends to governments and the public in taxes and recreation. One can only guess what the result would have been if the climate at Whistler would have been closer to the ideal. As Peter Drucker said, “The purpose of business is to discover a customer.”⁴ Now that the B.C. tourism industry has discovered its customers, governments have a chance of letting a sustainable industry come about.

Conclusion

Even in a recession, many millions of people in North America go skiing. Protectionist trade policies and “Buy American” are not expected to stop anyone from coming to B.C. to ski and enjoy a few of its many high mountains.

Some of the infrastructure projects that the Province is undertaking will facilitate access and help draw more people to vacation here than

residents going elsewhere. We should not forget, that despite its tremendous potential in B.C.,



Champagne powder in the Purcell Mountains near Golden, BC.

Canada has a significant tourism deficit. Canada’s tourism revenues have shrunk to less than 2% of the world tourism pie in the past thirty years – despite having the second largest country in the world, gifted with great natural beauty and unique potential. It is up to us to offer the kind of experience, of skiing and locations that

will make people go to B.C. in the same or larger numbers than go to the American Rocky Mountains or the European Alps; and **to offer the unique enjoyment** of mountains previously known an enjoyed only by heli-skiers in an easier and more sustainable way to the larger public.

Pheidias Project Management Corporation and
Oberti Resort Design
May 2010

⁴ Vancouver Board of Trade, *Sounding Board* article by Darcy Rezac: “Sea change: Welch now says shareholder emphasis ‘misplaced’” March-April, 2009 and http://en.wikipedia.org/wiki/Peter_Drucker, Accessed April, 2, 2009