

THE ECONOMICS OF MONT-TREMBLANT: REMAINING QUESTIONS AND PRELIMINARY ANSWERS

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INTRODUCTION

Since the mid-nineties, the Mont-Tremblant area has been the subject of dozens of press articles and media reports. The frenzy surrounding the revival of this ski resort, a project often heralded as a success story, does not appear to be waning. The business world praised the project's successful implementation, and politicians often cite the project as a perfect example of an effective collaboration between the state and the private sector.¹ Local citizens benefit from the overall employment increases and thousands of tourists visit the area each year. While Mont-Tremblant's success is well documented, further questions must be raised about the undesirable effects and the lesser known positive effects of economic growth on the local population. The objective of this Paper is to review some of these positive and negative effects, based upon current knowledge and personal observations. A few background facts about Mont-Tremblant are necessary at the outset.

I. BRIEF FACTS

At a time when the Mont-Tremblant Lodge faced financial trouble, the Intrawest Corporation (Intrawest) decided to invest heavily in the area. Intrawest undertook both traditional tourist service activities as well as real estate ventures. Both of these endeavours generated benefits not only for Intrawest, but also for the residents and visitors of the Mont-Tremblant area.

A. Background

Mont-Tremblant is part of the Laurentian Mountains and represents one of the highest points in the Laurentians: the White Peak and the Johannsen Peak are 915 meters and 968 meters, respectively. Located at

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1. These effects can be seen in the statements by the Prime Minister B. Landry, and by the Minister of Finances P. Marois at Mont-Tremblant during the by-election in Labelle County in October, 2001.

about 140 kilometers north of Montreal, the site is easily accessible by taking Highway 15 and Provincial Road 117, and it is only eight hours by car from Ottawa, Toronto, New York State and the New England states. The proximity to these economic centres suggests a regional market of over fifty million people.

In 1991, the Mont-Tremblant Lodge, facing visible economic setbacks, was acquired by a Canadian real estate company, Intrawest Corporation, headquartered in Vancouver.² Initially, Intrawest's expertise was limited to mountain properties and the operation of Blackcomb Mountain in Whistler, British Columbia.³ At that time Intrawest's properties totalled nearly 700 hectares.⁴ Today, Intrawest rents Mont-Tremblant, located inside the Mont-Tremblant Provincial Park, from the Quebec government on a long-term lease basis. Intrawest also purchased the lands located at the base of the mountain from private owners.

B. Phases I and II (1991-2002)

Intrawest's first decision concerning the Mont-Tremblant ski resort was to create a Master Plan, which defines the development concept and is used as a framework for investment decisions.⁵ The overall objective was to develop a resort where the visitors could live a total experience, not just ski and play golf. The result was a pedestrian village inspired by the Old-Québec. Featuring French nineteenth-century style architecture, the site provides a mix of restaurants, bars, retail boutiques, and rental shops on the ground floors, and luxury lodging facilities on the upper floors.

Significantly, this project allowed Intrawest to develop two complementary kinds of businesses. The first business consists of traditional tourist services, such as ski operations and rental lodging. To generate dividends, however, these resort operations require a significant volume of customers to visit from domestic, regional, and international markets. The second type of business involves real estate, wherein the promoter, Intrawest, conceives, builds, and sells lodging units at the best possible price. The real estate operation's revenue is based on a different market than the tourist operations, aiming at investors rather than skiers.

2. For more details see Intrawest History Page, at <http://www.intrawest.com/about/overview/history.html> (last visited Jan., 2002).

3. *See id.*

4. \pm 1,730 acres.

5. *See generally* Intrawest Corp., *Our Success Formula In Action—Tremblant*, at http://www.intrawest.com/about/overview/success_tremblant.html (last visited March 15, 2002).

By selling all the lodging properties to individual investors, Intrawest achieved three important goals: first, the company provided itself with an opportunity to make profits on the real estate operation. Second, it reduced the financial risk involved, as the owners must pay the monthly mortgage themselves. Third, Intrawest made sure that tourists, not co-owners, would be using all the lodging units. Specifically, owners are compelled to place their properties into a rental pool agreement, thereby turning "cold beds" into "hot beds." This strategy has brought sufficient customers and revenue to the resort's restaurants and retail stores.

The second major decision that Intrawest made was to convince Mont-Tremblant's municipal council to adopt Intrawest's Master Plan in order to establish modified zoning regulations. This approach led to the 1993 Development Agreement, which was based on a real estate program and improved recreation equipment. The real estate program included 3,430 lodging units divided into five sectors, with 1,700 of those units located at the south base (which integrated more than 250,000 square feet of commercial space).

The improved recreation equipment and expansion of skiing facilities included two championship golf courses, an indoor-outdoor water park, fifteen tennis courts, two beaches on Lake Tremblant, and multifunction trails, including a 5.7 kilometer paved bike trail leading to the village of Mont-Tremblant. Total investments amounted to \$500 million for Phase I (1991-1996) and \$500 million for Phase II (1997-2002), totalling one billion dollars.

C. Other Key Elements

The project required intensive collaboration between Intrawest and public administrations at every level, utilizing national and local laws, bylaws and mutual agreements.⁶ Key milestones for Phases I and II included:

- Long term lease of the mountain from the Government of Quebec. The lease expires in 2051.
- Development Agreement with the municipality of Mont-Tremblant, concerning zoning, density, etc.
- Law (a private bill) on the Mont-Tremblant Resort Association. Voted by the Government of Quebec, the law creates an

6. See generally Anne Drost & Jane Matthews Glenn, *Mont-Tremblant Resort: An Integrated Approach to Ecosystem Protection*, 26 VT. L. REV. 593 (2002).

organization dedicated to the maintenance of infrastructures and destination marketing.⁷ The Whistler Resort Association served as a model. The resort association is financed by “taxes” paid by visitors on the goods and services which are consumed at the resort (2%) and on lodging revenue (3%). This resort tax is then used to promote the destination to international markets.

- Law on the Station Mont-Tremblant Development Agency. Voted by the Government of Quebec, the law creates an organization (Agency) responsible for the construction and financing of local infrastructure (drinkable water, sewage, etc).
- Financial assistance from various federal and provincial governments in the form of interest-free loans and grants for the construction of specified four-season tourist facilities.⁸

D. Realizations

A crucial question that arises from such impressive real estate and tourist facilities programs is whether the promoter, in this case Intrawest, actually delivered on its promises. Tables 1 and 2 review the facts.

Table 1: Real Estate Development Update (June 2000)⁹

Real estate Sectors	Already Built	Potential ¹⁰	Results
Mountain base			
▪ Lodging units	1,236 units	1,700 units	73 %
▪ Commercial surface	13,177 m ²	26,250 m ²	50 %
Domaine de la Forêt	300 units	500 units	60 %
Domaine du Géant (golf course)	157 units	800 units	20 %
Nansenhaus	0 unit	120 units	0 %
Domaine du Diable (golf course)	0 unit	310 units	0 %
Total			
▪ Lodging units	1,693 units	3,430 units	50 %
▪ Commercial surface	13,177 m ²	26,250 m ²	50 %

At the beginning, Intrawest set out to deliver about 250 units a year, a schedule that the company deemed adapted to the realities of the real estate

7. Also called l'Association de villégiature Mont-Tremblant (AVT).

8. For more details see Intrawest's 2000 Annual Report. See also CLD Laurentides ILT, *Impacts économiques générés par la phase 1 du développement à la Station Mont-Tremblant* (1998), available at <http://www.cldlaurentides.org> [hereinafter *Impacts économiques*].

9. Information in tables 1 and 2 was obtained from Station Mont-Tremblant.

10. As defined in the Master plan and the municipal zoning.

market. According to internal studies, Intrawest will soon reach its target for the lodging units at the mountain base, probably by the year 2003. The Nansenhaus and Domaine du Diable sectors are located at the periphery of the resort and are considered as lands for future development.

Table 2: Other Facilities Development Update (June 2000)

	1991	2000	Variation
Mountain & Skiing Facilities			
Daily capacity	11,500 skiers/day	14,480 skiers/day	+ 26 %
Total winter frequency	350,000 skiers	675,000 skiers	+ 93 %
Number of trails	40 trails	92 trails	+ 130 %
Restaurant at summit (capacity)	N.A.	1000 places	
Golf courses	9 holes	36 holes	+ 300 %
Tennis courts	4 courts	13 courts	+ 225 %
Beaches	1	2	+ 100 %
Indoor / outdoor water park	0	1	
Conference centre	0	2	
Water pumping station	1	1 (new)	
Mountain water reservoir	0	1	
Water & sewage system	1	1 (new)	
Local roads		6 new km	
Parking capacity:		4 400 lots	
Including indoor parking lots	0	1 230 lots	

These significant transformations are readily apparent to resort visitors. First and foremost, the skiing trails and the golf courses have been improved in terms of both capacity and quality, a fact that is not shown in the tables above.

II. IMPACTS

Because the Intrawest project at Mont-Tremblant is still in its infancy, it is not easy to see, or even measure, some of the project's impacts. Still, a number of observations concerning the impacts of the Intrawest resort can be made.

A. Economic Impacts

In 1998, the Centre local de développement ("CLD") Laurentides conducted an economic study to measure the economic impacts that Phase I

generated between 1991 and 1996.¹¹ The study concluded that the most visible impacts of the Intrawest project were found in the areas closest to Mont-Tremblant.¹² Along with this conclusion, the study also led to the creation of a database listing businesses and employees. Tables 3 and 4 show the results covering 1991 to 1998. The 2000 to 2001 results will not be available until summer, 2002.

Table 3: Number of Businesses¹³

Local Municipalities	1991	1996	1998	Variation 91-98
Saint-Faustin-Lac-Carré	59	76	75	27 %
Lac-Supérieur	10	17	21	110 %
Mont-Tremblant	59	100	117	98 %
Saint-Jovite	293	342	342	17 %
Mont-Tremblant Area	421	535	555	32 %
MRC des Laurentides¹⁴	1,278	1,526	1,505	18 %

Table 4: Number of Employees

Local Municipalities	1991	1996	1998	Variation 91-98
Saint-Faustin-Lac-Carré	572	747	800	40 %
Lac-Supérieur	74	143	155	109 %
Mont-Tremblant	1,090	2,119	3,108	185 %
Saint-Jovite (v. & p.)	2,522	2,949	3,100	23 %
Mont-Tremblant Area	4,258	5,958	7,163	68 %
MRC des Laurentides	12,898	15,113	16,790	30 %

These statistics demonstrate that, while the 1991 to 1998 period witnessed constant, if not strong economic growth across many regions of the United States and Canada, only a few regions can boast such an impressive job creation rate, estimated at almost ten percent per year over seven years. The data for year 2001 will probably demonstrate a continuation of this

11. *Impacts économiques*, supra note 9. CLD Laurentides (Centre local de développement) is acting as the regional economic development agency.

12. *Id.*

13. Information in tables 3 and 4 was obtained from Statistique Canada, Registre des Entreprises, 1998.

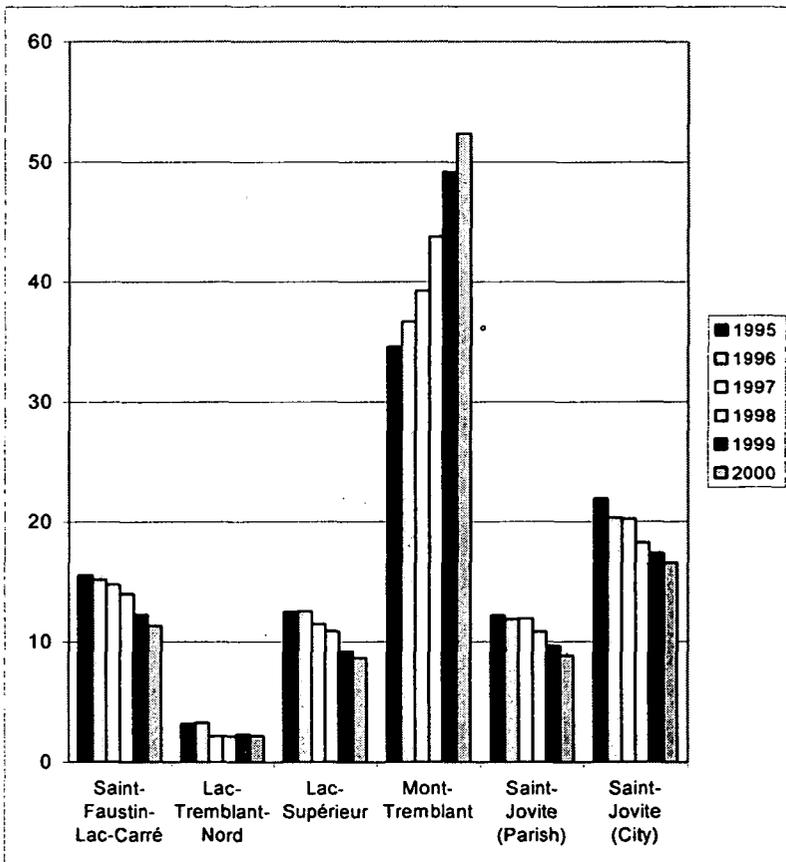
14. A MRC (municipalité régionale de comté) may be seen as the "equivalent" of a state county, even though they both have substantial differences. MRC des Laurentides has a permanent population of 40,000 people and a seasonal population (vacation ownership) of 40,000 people. As of January 2002, 18 local municipalities were part of the regional municipality.

trend. Table 4 shows that major tourism investments can be considered as high job-creation projects.

B. Other impacts

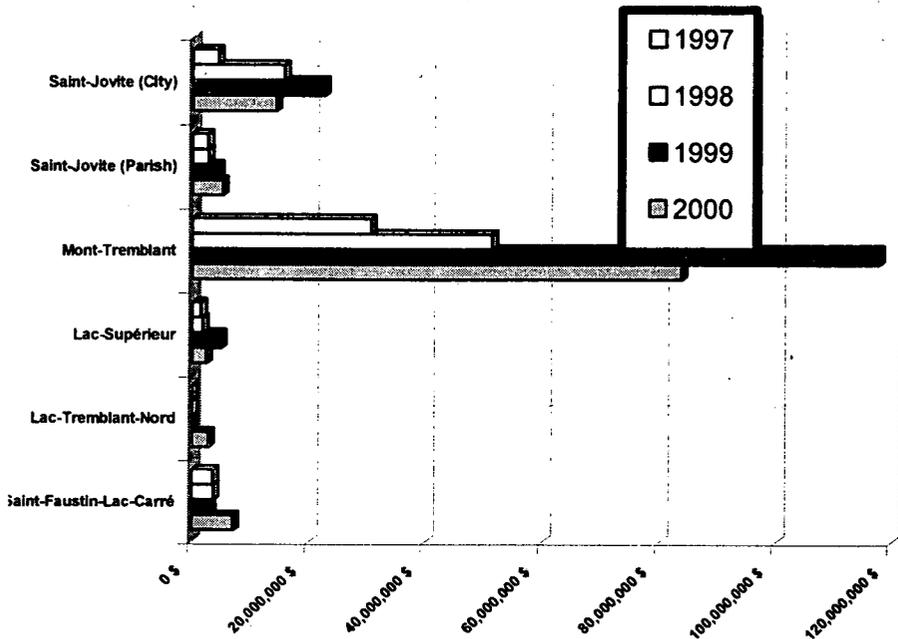
Setting aside the impacts discussed above, it is important to note that the project has been conducive to several other developments. First, the Mont-Tremblant Resort led to an increase in local fiscal revenues. The local municipality of Mont-Tremblant recorded major increases in tax revenue, mutation duties, the value of construction permits, municipal budgets, and tax roll valuations. See Charts 1 and 2 below.

Chart 1: Variation in Percentage of Evaluation Roll, 1995-2000¹⁵



15. Information in Charts 1 and 2 was obtained from CLD Laurentides, 2001.

Chart 2: Investments by Municipality Based on Construction Permits, 1997-2000



Second, the project affects land and real estate values. The real estate boom in the region translated into higher prices, speculation, higher costs of construction, and a lack of construction manpower. Clearly, this kind of effect entails both positive and negative consequences.

Third, the project had socio-demographic impacts. The region saw a major decrease in its traditionally high unemployment rate. However, with an increase in the number of new residents coming to work, fewer apartments are available in the region. This implies that employees faced a dilemma—either pay higher prices for local housing or commute long distances to work.

Fourth, the project spurred the development of a public transportation system. Both local residents and commuting workers from other regions expressed the need for a public transportation service. As a response, local partners developed a transport system.

Fifth, the project led to increased investment in municipal infrastructure. Thanks to revenues stemming from the new fiscal boom, the municipality of Mont-Tremblant has been able to invest in local roads, parks, trails, a heritage site, and other local improvements. It is clear that the local population benefited from the resulting investments.

Sixth, the project impacted Quebec's political climate. For instance, in 2000, the Quebec Ministry of Municipal Affairs adopted a law that forced

four municipalities (Mont-Tremblant, Lac-Tremblant-Nord, and both the city and parish of Saint-Jovite) to merge into a single municipality.¹⁶ As a result, a new city council was elected in March 2001. The “old” council and the population of Mont-Tremblant strongly opposed the initiative and brought suit, but their legal arguments were subsequently rejected by the court.¹⁷ Two factors were behind the municipal merger: the sharing of fiscal revenue between the local communities and a political strategy, led by the Government of Quebec, seeking an overall decrease in the number of municipalities. It is telling that 2001 was a year of massive municipal mergers across Quebec, including the large conglomerations of Montreal, Quebec City, Sherbrooke, and Hull. In this sense, the creation of the Mont-Tremblant municipality was only one controversy among many others.

Seventh, the Mont-Tremblant project’s environmental impacts are unclear. While the project’s environmental problems are well known, including the impact of the snow-making system, golf course maintenance, and automobile emissions, the extent of their impacts is not well documented. Nonetheless, pending studies carried out by the new city of Mont-Tremblant should fill the void.

Finally, the project has positively impacted the tourism industry by increasing the number of visitors from international markets, improving the quality of regional tourism infrastructures, (such as cycling paths), and garnering a favorable reputation in the marketplace. Today, Mont-Tremblant is well known and is seen as a major Canadian tourist attraction.

III. FUTURE PLAN

After succeeding in the implementation of the first village, Intrawest recently announced an additional phase, Phase III, which closely resembles Phases I and II. If the real estate and the visitors markets continue to increase, as they have in earlier phases, then there will likely be another billion dollars invested in the region over the next decade, making Phase III yet another success story for the Mont-Tremblant Resort.

A. Phase III (2002-2012)

Intrawest and the Mont-Tremblant government have agreed to exchange lands between the Provincial Park (126.25 hectares) and Station

16. Act respecting the amalgamation of Municipalité de Mont-Tremblant, Ville de Saint-Jovite, Municipalité de Lac-Tremblant Nord and Paroisse de Saint-Jovite, S.Q. 1988, c. 88; see also Décret 1294-2000, G.O.Q. 2000.II.6971 (in French only).

17. Drost & Glenn, *supra* note 6, at 2.

Mont-Tremblant (160.25 hectares), providing the company with the opportunity to develop two new high-density villages on prime lands. [Figure 1.] The first pedestrian village to be constructed is the South Bowl, which might include a 500 million dollar investment, 1,625 lodging units, 150,000 square feet of commercial space, and 1,575 parking spaces. This project is located within approximately 2 kilometres of the actual village. The new city of Mont-Tremblant and Intrawest are still negotiating the zoning, though a conclusion is expected in the next few months. It is also

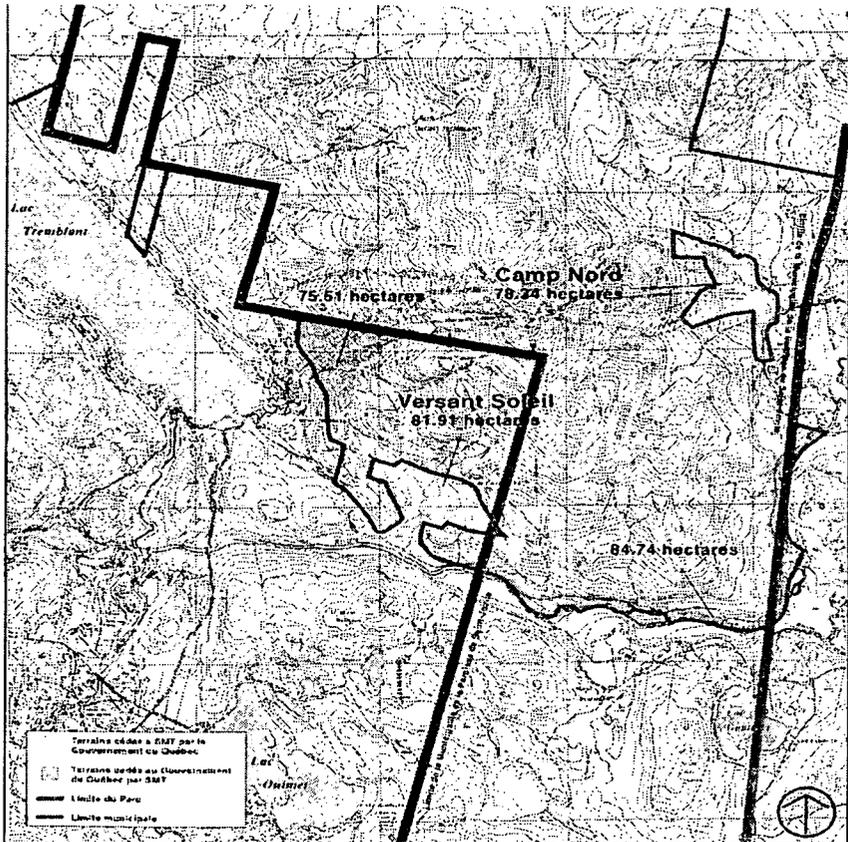


Figure 1. Planned development at Mont-Tremblant.

likely that a third village, valued at 500 million dollars, will be built on the North Side, with 1,500 lodging units and 140,000 square feet of commercial space. The new zoning plan is already being discussed.

Additional recreation facilities will include new ski trails and lifts, a museum dedicated to Jack Rabbit Johannsen,¹⁸ hiking and biking trails, and an access point to the provincial park. Future public utilities will consist of

a water pumping system, sewage system, ponds, and phone, cable and electricity distribution systems. In October 2001, the Quebec government expressed its intent to contribute seventy-five million dollars for the project. This financial assistance will be dedicated to the construction of new public infrastructure.

B. Regional and Local Issues

Massive developments like Mont-Tremblant have an important bearing on the local community and economy. Thus, regional and local authorities cannot remain idle. Among the issues requiring their intervention are staff housing, public transportation, sharing of fiscal revenues, training, and environmental protection.

Staff housing: A local committee (CAMO) conducted a recent study to assess the needs associated with staff housing. The project requires a short-term response because workers face serious problems finding reasonably-priced accommodations.

Public Transportation: In addition to the housing issue, the local municipality has addressed the problem of public transportation. A case in point is the effective bus system between Saint-Jovite and Station Mont-Tremblant. It is noteworthy that the system is also being used by hotels and inns for their customers going skiing or golfing.

Sharing of fiscal revenues in the region: A first response to this delicate issue was given by the forced municipal merger in 2001, and no other merger is planned. Participating in the MRC is also a convenient way to share municipal revenue. In January 2002, nineteen local municipalities were part of the MRC Laurentides, and Mont-Tremblant was providing more than thirty percent of the municipalities' contributions.

Training: Since resort operation requires seasonal employees—room maids, waiters, waitresses, and maintenance workers—who are often paid the minimum wage, the turn-over rate remains a significant factor. The issue of training these service employees also remains essential for a tourist destination valuing high customer service. In response, the provincial government has offered training programs at Station Mont-Tremblant.

Environmental protection: Protection of resources, such as deer, wetlands, and forests, is extremely important to the tourism industry. However, neither the government nor any private group has conducted a detailed environmental study. Partial observations reveal that the deer population has doubled in size over the past ten years, and trends such as this raise concerns about the local water supply.

CONCLUSION

Several lessons may be drawn from the Mont-Tremblant project. Of the numerous possible issues facing the small local community, those associated with the management of economic growth, local development, and protection of the environment are, without doubt, the most complex. Private interest groups exert influence at every level (local, regional, and national), and they do not necessarily have the same concerns as the local interests. It does not seem unreasonable, therefore, to assert that the main objective should be to find the right equilibrium between the public and private interests, between the needs of visitors and locals, and between economic growth and environmental protection.

Clearly, the Mont-Tremblant community faces serious challenges. These challenges, in conjunction with forthcoming development projects, demand careful consideration. Hence, the notion that a development community can achieve the right equilibrium is somewhat optimistic, since unforeseen problems and the creation of new lobbying groups may disrupt the fragile relationship that the public and private sectors have forged. Thus these problems require ongoing socio-economic, environmental, and political solutions.