

INDUSTRY REPORT ON THE 1983-84 THROUGH 1986-87 IDAHO OUTFITTING SEASONS

prepared for

The Idaho Outfitters and Guides Association

by

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Introduction

This report presents economic data regarding the financial impacts on the Idaho economy generated by the Idaho outfitting and guiding industry. Economic data presented covers the 1983-84 outfitting season through the 1986-87 season. (An outfitting season overlaps a calendar year and spans from April 1 to March 31.) It was prepared for the Idaho Outfitters and Guides Association. The data is based in part on client participation records provided by the State of Idaho Outfitters and Guides Board. These records have been incorporated into an econometric model developed to measure the annual impacts from outfitting and guiding on the Idaho economy.

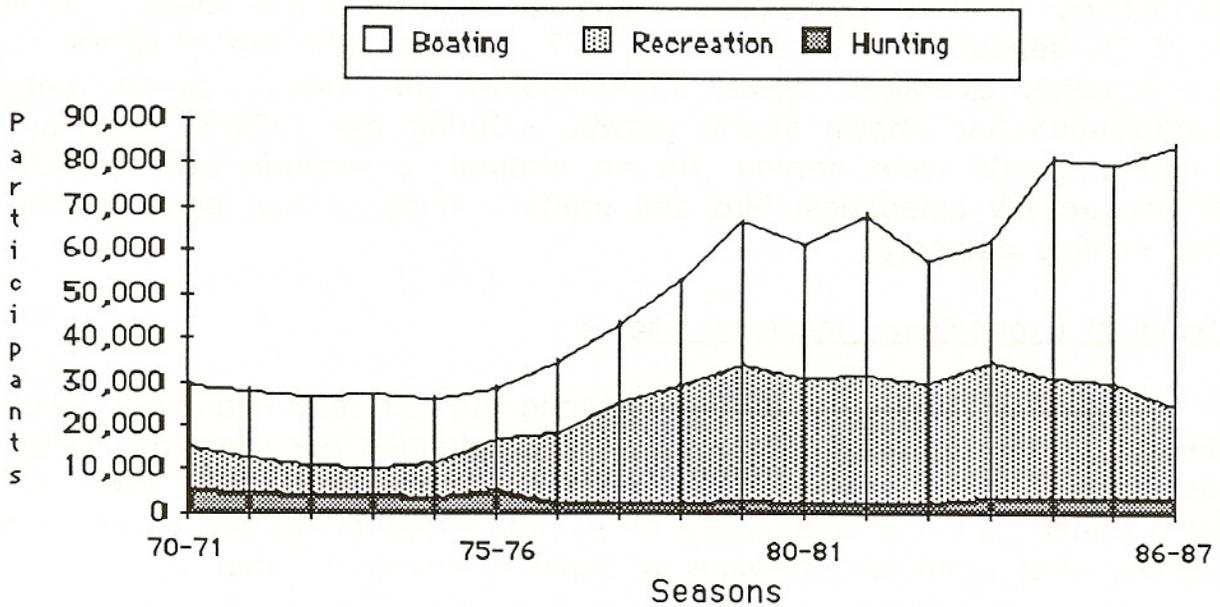
Structure and Growth of the Idaho Outfitting Industry

Idaho outfitting and guiding has enjoyed a colorful past that spans over one hundred years. While big game hunting and float boating have traditionally been the most popular guided experiences, outfitting has diversified to embrace the expanding tastes of the general public for commercial outdoor recreation. Guided experiences now include jet boat trips, cross country and back-county alpine skiing, backpacking, mountaineering, snowmobiling, as well as trail rides and sleigh rides.

The State of Idaho Outfitters and Guides Board uses three categories to classify client participation within the industry. They are Hunting, Boating, and Recreation. The last category is a residual one to account for all activities other than hunting and boating. Chart 1 on page 2 depicts the proportion of total clients attributable to each activity category from the 1970-71 through the 1986-87 seasons. During the 1986-87 season, 70 percent of all Boating clients, 89 percent of all Hunting clients, and 59 percent of all Recreation clients were from out of state.

According to State of Idaho Outfitter and Guides Board records, a total of 90,825 clients participated in outfitted activities during the 1986-87 season. It should be noted that overlaps among general activity categories exist as a result of some clients participating in outfitted experiences which include more than one activity category. Excluding potential overlaps, it is estimated that 84,138 clients participated during that season.

CHART 1
CLIENT PARTICIPATION



Total client participation grew at an average rate of 6.8 percent from the 1970-71 season through the 1986-87 season. During the period spanning the 1970-71 through the 1983-84 seasons, participation grew at an average rate of 6.0 percent per year. Since the 1983-84 season, the average annual rate of growth has accelerated to 10.4 percent per year.

Activities within the Boating category have consistently remained the most popular among clients. Overall, boating activities have had an average increase in client participation of 9.6 percent per year. Only during the 1982-83 and 1983-84 seasons have boating activities experienced negative participation growth. During the 1986-87 season, 59,469 clients participated in boating activities.

Activities within the Recreation category have had average growth of about 4.4 percent per year in client participants. From the 1970-71 season to the 1979-80 season, the average annual rate of growth was a rapid 13 percent. Participation remained relatively stable for the next three years until the 1983-84 season and then it declined. The 1986-87 season is the third consecutive year of negative participation growth within this activity category. Over 20,500 clients were served by outfitters providing experiences in the Recreation activity category during the 1986-87 season. (In an attempt to exclude potential overlaps among activity categories, fishing has been excluded from the Recreation category.)

Hunting, outfitted activities whose participation is primarily controlled by changes in game management policies, experienced significant reductions in client participation from its high of 5,819 clients during the 1975-76 season. From the 1976-77 season until the 1982-83 season, participation averaged about 3,000 clients per year. Since that time, participation has shown strong growth. During the 1986-87 season, 4,110 Hunting clients were served. (In an attempt to exclude potential overlaps among activity categories, bird and predator hunting have been omitted from the Hunting category.)

Types of Expenditures made by Clients

There is as great a diversity among outfitter fees charged to clients as there is among outfitted experiences. Fees charged per client can range from just over \$5 for a one hour trail ride to over \$4,000 for a fourteen day Big Horn Sheep hunt. A comparison of average expenditures per client for two of Idaho's most prominent activities is depicted below in Table 1.

TABLE 1
EXPENDITURES PER CLIENT: BOATING ON THE MIDDLE
FORK OF THE SALMON vs. ELK/DEER HUNTING

Type of Expenditure	Boating on the Middle Fork	Elk/Deer Hunting
Fees	\$ 804	\$1,747
Licenses	0	289
Travel Expense (Instate)	59	106
Lodging	53	41
Restaurants	47	39
Supplies	25	28
Groceries	12	22
Miscellaneous Retail	16	15
Taxidermy and Meat Packing	0	129
Subtotal	212	380
TOTALS	\$1,016	\$2,416
Expenditures per Day While in Idaho:	\$ 125	\$ 246

Gross Expenditures Made During Outfitting Seasons

Table 2 depicts estimated gross expenditures (total client spending including payments to outfitters) generated from activities conducted during the 1986-87 outfitting season. Estimated gross expenditures do not include

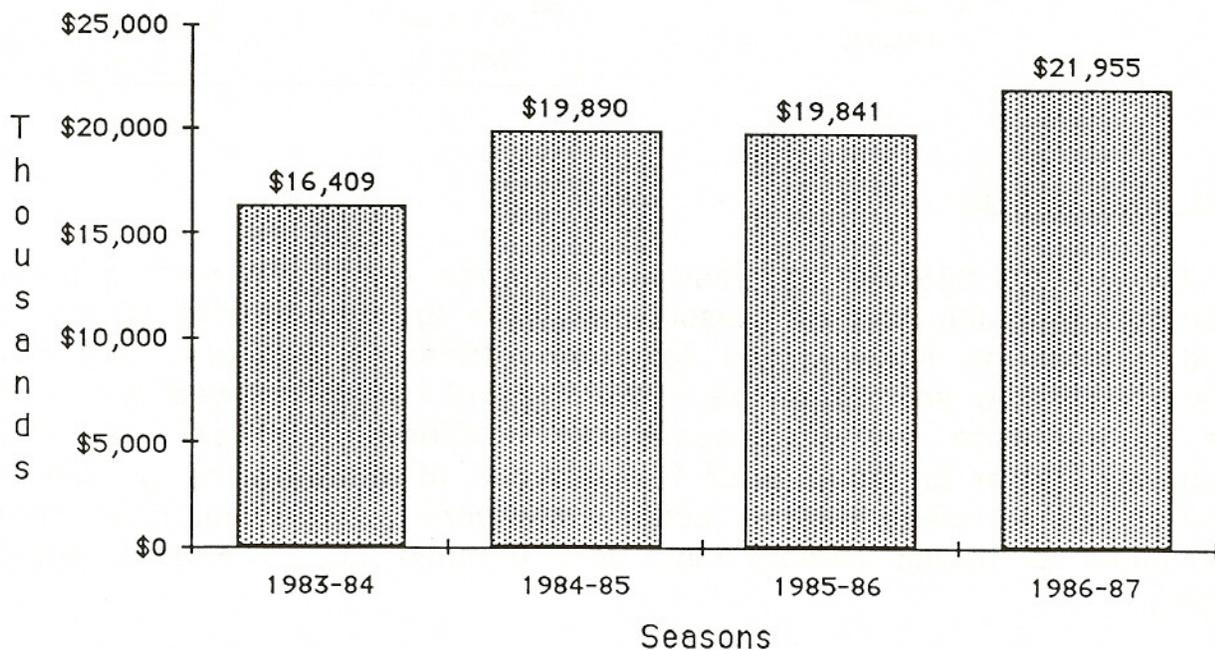
tourist type spending attributable to non-destination outfitting client participants, i.e. participants in activities lasting one day or less. If data regarding these types of expenditures were available and incorporated into the econometric model, both estimated gross expenditures and other financial data presented in this report would be higher.

TABLE 2
ESTIMATED GROSS EXPENDITURES MADE DURING THE 1986-87 SEASON

Expenditure Category	Expenditures
Client Fees	\$15,725,014
Licenses (hunting and fishing)	1,275,381
Travel Expenditures within State	1,321,429
Lodging	1,085,717
Restaurants	1,073,566
Supplies	448,588
Groceries	286,137
Miscellaneous Retail	339,556
Taxidermy and Meat Packing	400,402
TOTAL ESTIMATED GROSS EXPENDITURES	\$21,955,790

Chart 2 depicts total estimated gross expenditures generated from activities conducted during the 1983-84 season through the 1986-87 season.

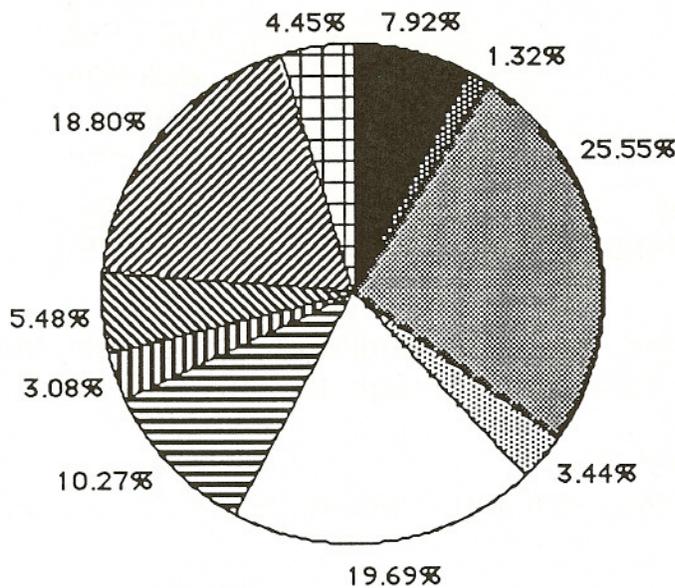
CHART 2
ESTIMATED GROSS EXPENDITURES PER SEASON: 1983-84 THROUGH 1986-87



Expenditures Made by Outfitters

Outfitters make a variety of expenditures with the revenues they collect from their clients. Excluding payments to State and Federal agencies, an estimated 75 percent of all revenues collected from clients remain in the Idaho economy. Refer to Chart 3 for a representation of outfitter net income and expenditures resulting from activities conducted during the 1986-87 season.

CHART 3
 OUTFITTER NET INCOME AND EXPENDITURES FROM ACTIVITIES
 CONDUCTED DURING THE 1986-87 OUTFITTING SEASON



Expenditure Category	Expenditures	Percent of Total
Outside Services	\$1,245,686	7.92%
User Fees	\$207,303	1.32%
Equipment	\$4,017,689	25.55%
State & Federal Taxes	\$541,279	3.44%
Wages	\$3,096,592	19.69%
Client/Guide Food	\$1,614,961	10.27%
Animal Food	\$483,912	3.08%
Advertising	\$861,094	5.48%
Other	\$2,957,021	18.80%
Net Income	\$699,383	4.45%
TOTALS	\$15,724,920	100.00%

Direct Expenditures

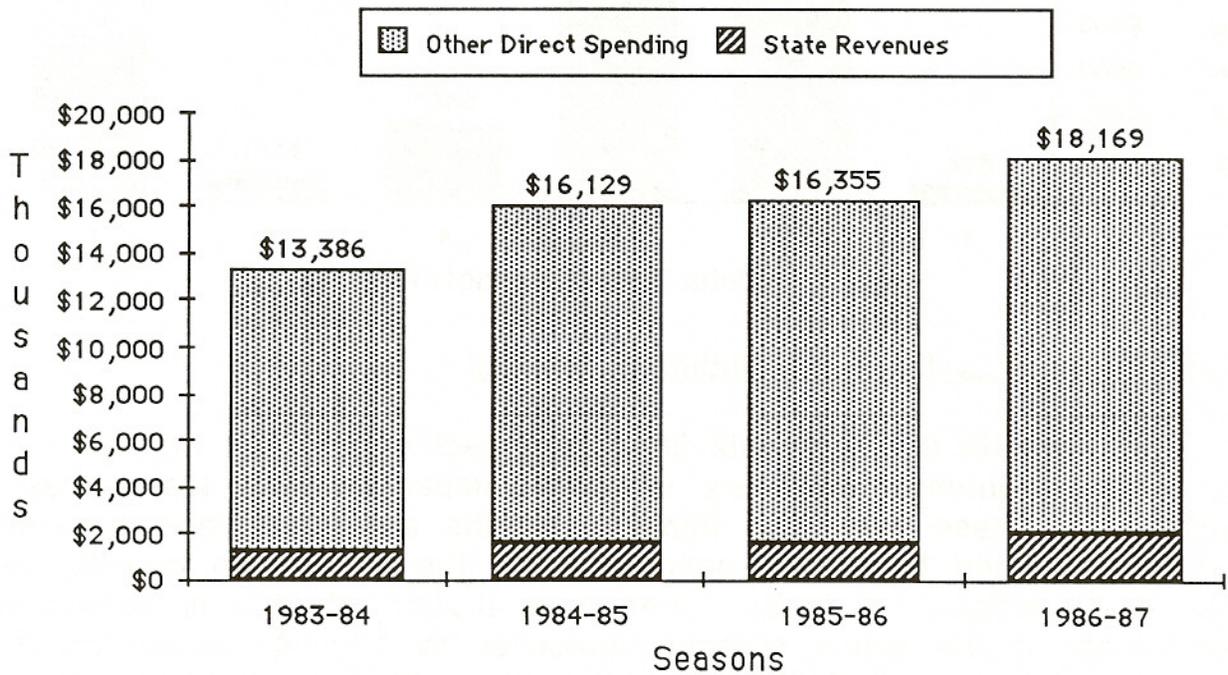
Of the \$21,955,790 in gross expenditures generated from activities conducted during the 1986-87 season (see Table 2), an estimated \$3,786,382 flowed out of the state in the form of outfitter expenditures and non-resident employee savings. The remaining \$18,169,408 stayed within the state in the form of direct spending by clients, outfitters and their employees. Refer to Table 3 for a breakdown of direct spending from the 1986-87 season classified by activity category. For simplicity, client expenditures for fishing licenses have been grouped into the Boating activity category.

TABLE 3
DIRECT SPENDING WITHIN THE STATE FROM ACTIVITIES
CONDUCTED DURING THE 1986-87 OUTFITTING SEASON

Activity Category	Direct Spending
Boating	\$8,753,590
Hunting	7,468,128
Recreation	<u>1,947,690</u>
TOTAL	\$18,169,408

Of the direct spending depicted above about ten percent, or \$2,146,719, in state revenue was collected in the form of taxes, user fees, and licenses. Refer to Chart 4 for a graphic representation of estimated direct spending within Idaho from the 1983-84 through the 1986-87 seasons.

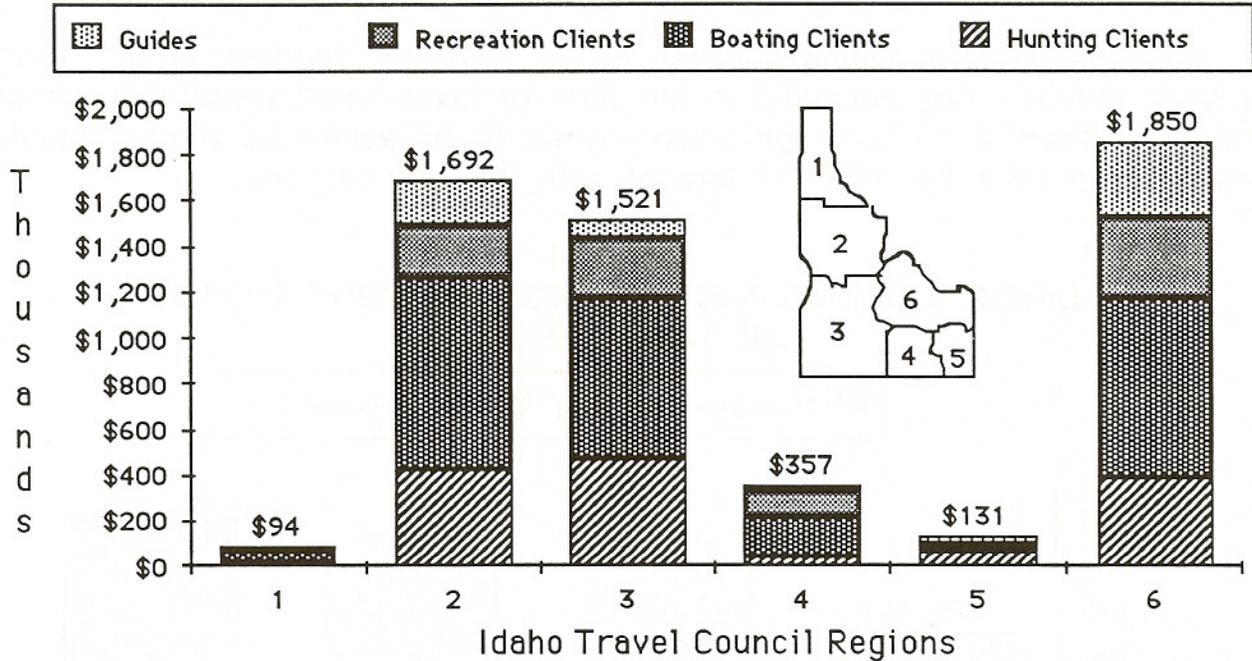
CHART 4
DIRECT SPENDING IN IDAHO: 1983-84 SEASON THROUGH
THE 1986-87 SEASON



Regional Distribution of Expenditures

Idaho Travel Council regions are used to describe regional spending characteristics of guides and clients for tourist type expenditures (lodging, restaurants, supplies, etc.). Refer to Chart 5 for a graphic representation of these expenditures (client fees and expenditures for licenses have been excluded). Refer to the appendix for a description of each region.

CHART 5
REGIONAL DISTRIBUTION OF EXPENDITURES: GUIDES AND CLIENTS
(CLIENT FEES AND LICENSES NOT INCLUDED)



Financial Impacts from the Outfitting Industry

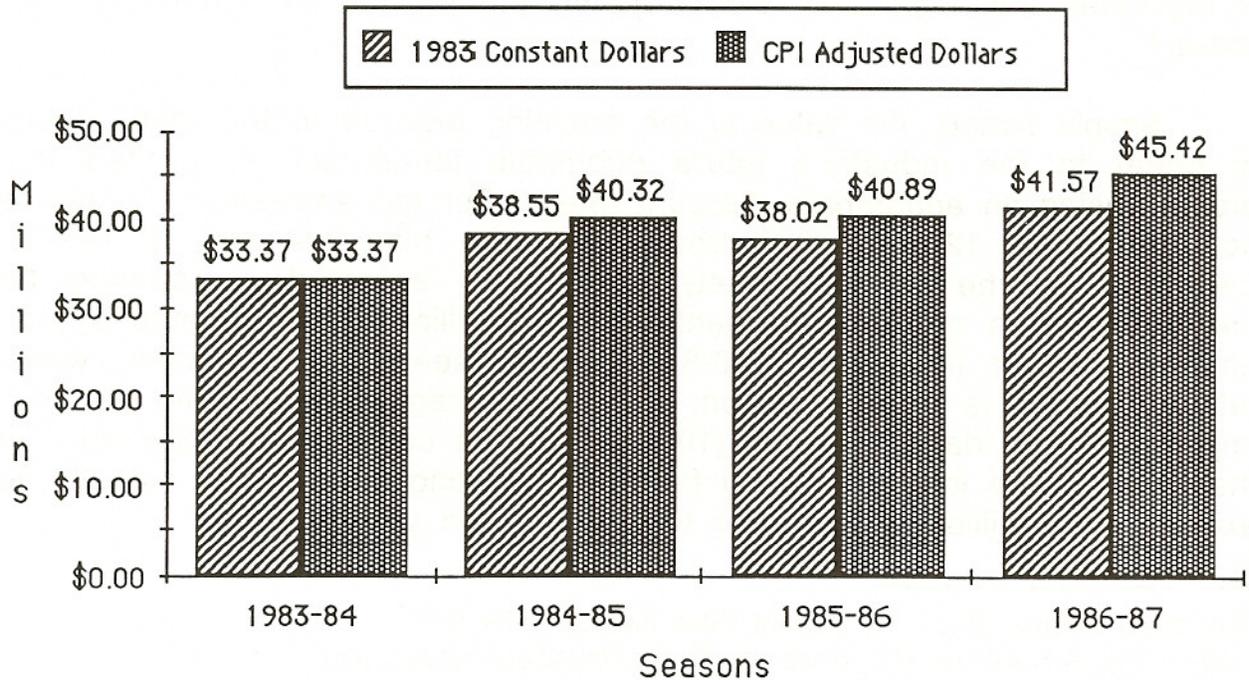
To estimate the aggregate financial impact of outfitting and guiding on the Idaho economy, secondary economic impacts within Idaho must be calculated. These secondary impacts are the additional economic activity that is stimulated by direct spending within the state. To quantify these secondary impacts a gross revenue multiplier of 2.5 is appropriate. Application of the gross revenue multiplier to 1986-87 estimated direct instate spending of \$18,169,408 yields an estimated aggregate financial impact of \$45,423,520 within Idaho for that season. In other words, direct spending during the 1986-87 season stimulated an estimated \$27,254,112 in additional economic activity within the state. Refer to Table 5 for a breakdown of the aggregate financial impacts generated by activities conducted within each activity category during the 1986-87 season.

TABLE 4
FINANCIAL IMPACTS GENERATED DURING THE 1986-87 OUTFITTING SEASON

Activity Category	Direct Spending	x	Gross Revenue Multiplier	=	Financial Impact
Boating	\$8,753,590		2.5		\$21,883,975
Hunting	7,468,128		2.5		18,670,320
Recreation	<u>1,947,690</u>		2.5		<u>4,869,225</u>
TOTALS	\$18,169,408				\$45,423,520

The total financial impact reported above represents the financial impact of the industry as measured in 1986 dollars, i.e. according to the average purchasing power of a dollar during 1986. Table 6 presents the financial impacts from the industry, for four consecutive seasons, in terms of constant 1983 dollars as well as dollars adjusted for inflation as measured by the Consumer Price Index (CPI Index) for urban wage earners. The chart demonstrates that the industry is enjoying real growth, not just growth due to inflation.

CHART 6
FINANCIAL IMPACTS GENERATED BY THE INDUSTRY ON THE IDAHO ECONOMY:
1983 CONSTANT DOLLARS AND CPI ADJUSTED DOLLARS



Secondary Employment Attributable to the Industry

Due to the significant economic activity generated by outfitting and guiding, there is indirect employment attributable to the industry. This indirect employment is the additional employment created in other establishments in response to the secondary effects generated from the industry. The estimated indirect employment attributable to the 1986-87 outfitting season was approximately 841 full time jobs. Taking into account the seasonal nature of outfitting, the 841 full time jobs would be roughly equivalent to 3,300 seasonal jobs. This value represents an 11 percent increase over the previous season.

Indirect employment attributable
to the 1986-87 outfitting season: 841 full time jobs
or
3,300 seasonal jobs

Value of the Outfitting Industry to the Idaho Economy

To measure the current value of the outfitting industry to the Idaho economy, expected future financial impacts must be estimated. The estimated future financial impacts are in turn discounted to reflect a preference for impacts that occur in the near term over impacts that occur in the distant future. A discount rate (or interest rate) reflects this preference. The present value method of discounting future cash flows incorporates this logic and is the appropriate method for estimating current value.¹

Simply stated, the value of the outfitting industry to the Idaho economy is equal to the industry's future economic influences discounted to the present using an appropriate discount rate. For the analysis, a 15 year time horizon and a 12 percent discount rate (the historical rate of return for securities in the stock market) have been selected. Applying these parameters to a constant payment of \$45.4 million (the estimated aggregate financial impact from the 1986-87 outfitting season) the present value of future impacts is \$309.2 million. If the average growth rate of financial impacts on the Idaho economy (10.5 percent) is considered in the calculation, the value to the Idaho economy from the outfitting and guiding industry could exceed \$600 million dollars over the next fifteen year period.

¹For more information on the present value method, refer to:

J.W. Petty, A.J. Keown, D.F. Scott, Jr., Basic Financial Management
(Prentice Hall: Englewood Cliffs). pg. 241