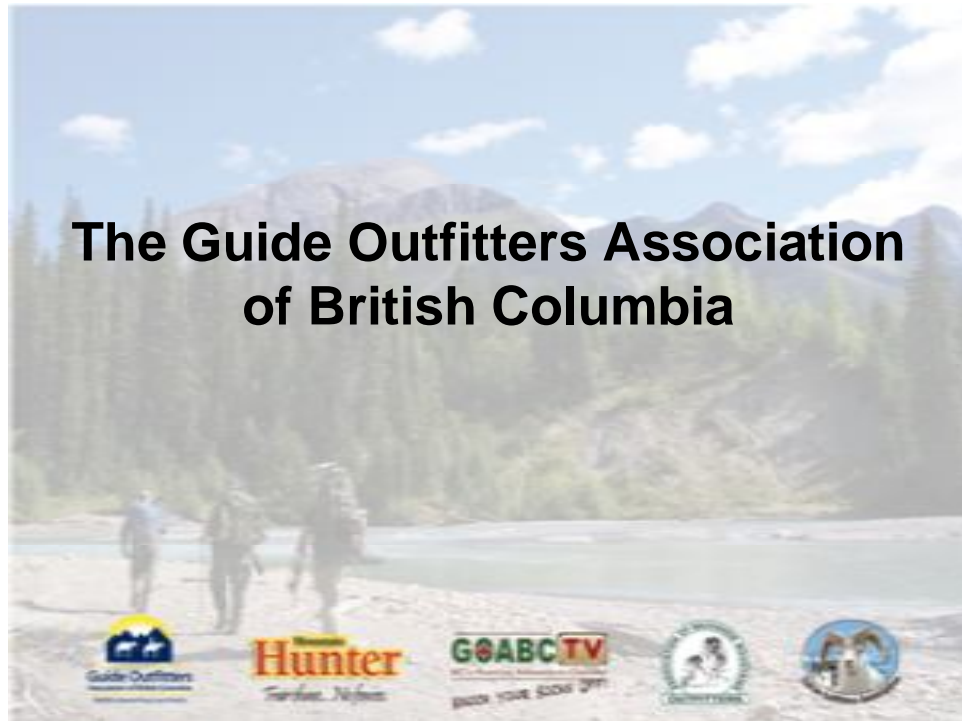


Title:

The Guide Outfitting Industry in B.C.
Challenges and New Opportunities



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Date:

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Executive Summary

The purposes of this paper are:

- to describe a number of factors that can potentially have a negative impact on the economic viability of the guide outfitting industry in British Columbia (BC);
- to provide a brief history and overview of the guide outfitting industry and its role as an important tourism sector in BC;
- to compare the operational costs of the commercial hunting industry to other backcountry tenure holders;
- to assist the BC Ministry of Environment, other government agencies and other stakeholders in understanding the needs of the commercial hunting industry;
- to recommend ways that the BC government can better support and promote this important tourism sector; and
- to show how government can help maintain a healthy and sustainable guide outfitting industry.

A primary objective of the Guide Outfitters Association of British Columbia (GOABC) is to promote the continued economic viability of the industry so that guide outfitters will experience a business environment sufficient to realize a reasonable return on their investment and will continue to sustain a livelihood from their business in the future.

Background

The Guide Outfitters Association of British Columbia was established in 1966 and currently represents more than 80% of the guide outfitters in the province. The GOABC is committed to maintaining and enhancing a strong and stable guide outfitting industry in BC that offers the highest quality wilderness experiences in North America. The GOABC also promotes science-based wildlife management practices and works to ensure that our members meet the highest professional standards.

The guide outfitting industry in British Columbia is governed in part by the Wildlife Act. Non-residents that travel to BC to hunt big-game must use the services of a guide outfitter. More than 5,000 hunters come to BC each year and spend more, per day, per capita, than any other visitor to our province. Since 1981 license surcharge dollars from guides, hunters, trappers and anglers have raised over \$100 million in BC alone. These funds are administered through the Habitat Conservation Trust Foundation (HCTF) and have resulted in more than 2,000 wildlife management and habitat enhancement projects. Forty percent (40%) of these funds are generated through the licenses tags, royalties and fees from non-residents.

It is common knowledge that First Nations have always hunted, trapped, and more recently guided in BC. According to the BC Archives "The Hudson's Bay Company established outposts to support its trappers and traders. When the company expanded west of the Rocky Mountains, it claimed a monopoly on trade in the area. Forts and settlements were built, including Fort Kamloops (built 1812), Fort Langley (1827) and Fort Victoria (1843). Fort Victoria became the Pacific headquarters for the Hudson's Bay Company." The British Columbia Trapper Association states that, "In order to protect species from over harvesting, in 1926, the province was divided into registered traplines". Hunting and trapping were common activities and part of the daily lifestyle. In the early 1900s guide outfitters started providing guiding services to non-resident hunters. According to Rutledge (1989), "One of the first outfitters in the Cranbrook area was Arthur Fenwick, for whom Fenwick Creek was named. He began hunting out of Fort Steele in about 1900" (p.18). In the 1940s guide territories were established but it was not until 1961 that legislation was passed to provide exclusive guiding territories to guide outfitters. Guide outfitters are the founders of the tourism industry and an important part of the outdoor heritage of British Columbia.

Currently, there are 233 licensed guide outfitters in the province and the industry directly employs over 2,000 people in rural communities. Typically guide outfitting operations are family-run businesses, and many have been passed down from one generation to the next. According to a 2008 GOABC survey 76% of the membership derives their family's primary source of income from guide outfitting. The guide outfitting industry is an important contributor to the health and well being of the economies in rural communities.

Over 100 years ago Theodore Roosevelt wrote, "In a civilized and cultivated country, wild animals only continue to exist at all when preserved by sportsmen. The excellent people who protest against all hunting and consider sportsmen as enemies of wildlife are ignorant of the fact that in reality the genuine sportsman is by all odds, the most important factor in keeping the larger and more valuable wild creatures from total extinction." Aside from the integral role that hunting plays in the management of many wildlife species, there are tremendous economic benefits to the wise, sustainable use of wildlife. Guide outfitters are a key component to this principle.

In today's world there seems to be little change to the misconceptions about hunting that persist in society especially among urban populations. Kingsolver (2007) states, "The policy of our nation is made in cities, controlled largely by urban voters who aren't well informed about the changes on the face of the land, and the men and women who work it" (p. 208).

Guide outfitters are committed to sustainable wildlife management and habitat conservation. They are stewards of the land with a profound understanding of wildlife and wildlife habitat. The big-game populations in BC are healthy and growing, due, in part, to science-based wildlife management policies that were developed by government in cooperation with guide outfitters.

Page 3 **Industry Challenges**

There are a number of trends that are negatively impacting the guide outfitting industry. While some cannot be effectively controlled, in a number of cases government has the ability to reduce or eliminate their impact on the industry.

Unequal Treatment

Compared to other guided adventure tourism operators, guide outfitters pay a higher portion of fees and taxes. Table 1 shows that trappers pay a fraction of the licenses, tags, and royalty fees that guide outfitters pay to the province. Trappers also enjoy low lease fees and have the option of five (5) year trapper licenses, as compared to one (1) year guide outfitter licences.

Table 1

COMPARISON OF GOVERNMENT REVENUE PER 100 BLACK BEARS				
	Harvest	Licence & tags	Royalties	Government Revenue
Guide Outfitters	100	\$360.00	\$75.00	\$43,500.00
Trappers	100	\$0.00	\$2.15	<u>\$215.00</u>
			Difference	\$43,285.00

Another comparison would be that heli-ski operators pay \$5.00 per day per skier. Typically the heli-ski operators are able to purchase the land around their base lodges; therefore they do not need a Licence of Occupation.

To draw attention to the inequalities of fees paid by guide outfitters versus guided adventure tourism operators, we have created a chart to help explain the substantial differences in fees paid by guide outfitters to operate their businesses.

Table 2 below depicts the fees paid to the government by guide outfitters compared to other back-country tenure holders (capital investment not included).

	Guide Outfitters					Guided Adventure Tourism
	Value	Fee	Amount	Days	Fees/day	Fees/day
Property tax		\$ 4,000		210	\$ 19.05	\$ 19.50
Hunting licences		\$ 189		8	\$ 23.63	
Tags		\$ 500		8	\$ 62.50	
Royalty		\$ 100		8	\$ 12.50	
Room Tax (based on 2 people per cabin @8%)		\$ 400		8	\$ 4.00	\$ 4.00
GST (2.5%)		\$ 625			\$ 15.62	\$ 15.62
Guide licence					\$ 1.40	
Assistant guide licence					\$ 2.34	
Licence of Occupation						
Base camps(7.0%)	\$ 80,000			210	\$ 26.67	\$ 26.67
Four Satellite camps(4.5%)	\$ 320,000			210	\$ 68.57	\$ 68.57
					\$ 236.27	\$ 134.36
Annual Fees and Taxes (based on 40 clients at 8 days/client)					\$ 75,606.63	\$ 42,995.20

Tax Relief

Many tenure holders receive exemptions and concessions that guide outfitters do not receive - this unequal treatment puts guide outfitters at a disadvantage. The mining industry receives an exemption on the provincial sale tax for mining equipment. We request the same tax exemption on guide outfitting equipment and vehicle purchases.

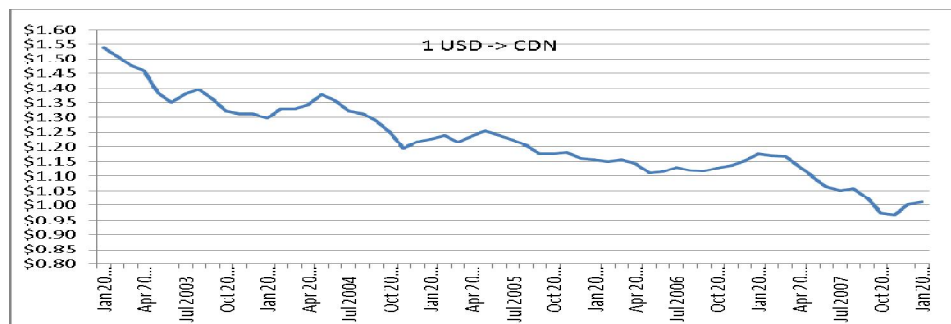
Investment and Access to Financing

The current Crown lease application process is cumbersome, discriminatory and fails to meet the minimum standards required for business investments. The guide outfitters have one (1) year licences and ten (10) year tenures. The next time the *Wildlife Act* is updated it is critical that the tenure length be extended. In the interim, long-term leases and Licences of Occupation with the ability to buy fee-simple land where the main lodges are located will allow the industry to access financing from traditional lending institutions. It is unrealistic to expect to have a healthy, growing guide outfitting industry without reasonable access to traditional financing.

Escalating Costs

Approximately 82% of guide outfitter clients coming to BC are from the United States (US). BC is attractive to these clients because of the proximity to the US market, offers a safe and politically stable destination. However, the increasing strength of the Canadian dollar against the US dollar in recent years has had a dramatic and detrimental effect on the profitability of the guide outfitting industry, not to mention the more recent, dramatic economic slowdown in the US.

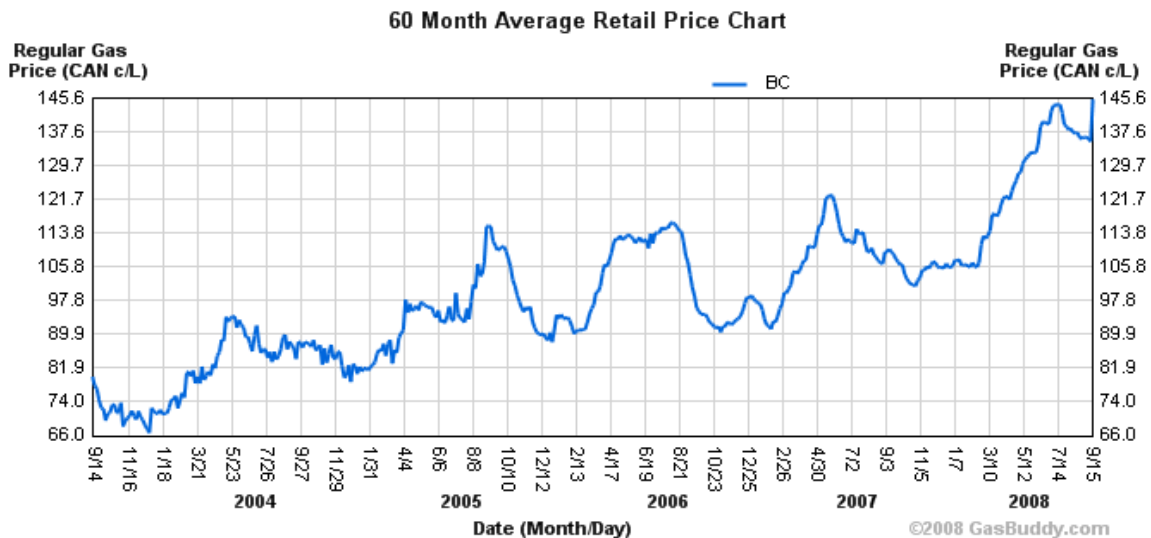
Table 3 illustrates the fluctuations in the exchange rates over the last six (6) years:



Note: While the Canadian dollar has recently weakened, the volatile, nature of world currency markets and the global economy means that the value of the Canadian dollar could rise in the future and guide outfitters will experience similar problems again.

The price of fuel is another operational cost that has significantly impacted the profitability of guide outfitting operations. Guide outfitters are significant consumers of propane, diesel, gasoline, and jet fuel in rural BC.

Table 4 highlights the increases in the price of fuel over the last five (5) years:



Note: Though fuel prices have recently decreased, price volatility makes business planning especially difficult and any government action that can mitigate the impact of fluctuating fuel prices would be beneficial to the industry. One example would be the opportunity to use marked fuel in vehicles used for guiding activities in the guiding area.

Impacts of the Allocation Policy

At the same time that guide outfitters have been suffering from escalating operating costs, some policies adopted by the BC government have negatively impacted the guide outfitting industry. The *Allocation Policy* recently adopted by the BC Ministry of Environment has resulted in a substantial reduction in opportunities for some guide outfitters. As a result of the *Allocation Policy*, 62% of the guide outfitter's quotas were reduced. There is a 20% cap on the maximum quota reduction but this needed protection is scheduled to be removed in 2012. In many cases, guide outfitters that were viable before the *Allocation Policy* may now not be viable. We request that the "hardship rule" be extended for another five (5) year period from 2012 to 2017.

The guiding principles of the *Allocation Policy* include commitments to "foster a healthy business environment that is supportive of business and local economies" and to "realize fair and social economic returns to the province for the use of wildlife resources."

The GOABC does not support the liberalization of hunting regulations in an attempt to recruit hunters at the expense of wildlife and a quality hunting experience. We are also concerned that in an attempt to standardize and simplify provincial hunting regulations, the quality of game management in BC could be compromised. BC is a diverse province with a variety of wildlife populations. The current hunting regulations have been developed over many years and it is important to recognize the regional issues in this standardization process.

For the policies and procedures to be “fair to all parties” it is important that the hunting seasons are aligned and consistent to provide equal opportunity to the recreational hunters and commercial hunting industry. For example, if there is a general open season (GOS) then this should apply to both recreational hunters and guide outfitters. If there is a conservation concern or a need to control the harvest then guides should be on quotas and the recreational hunters should be on Limited Entry Hunting (LEH), and vice versa.

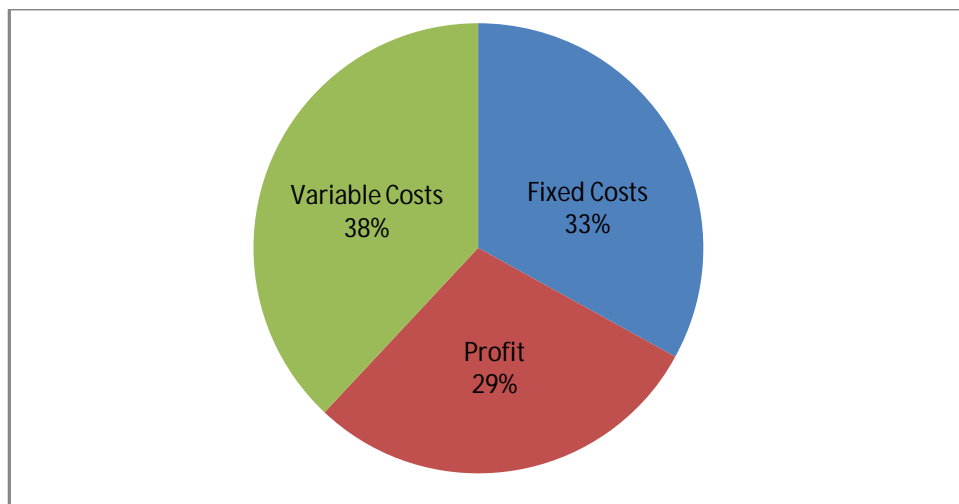
Profitability of the Guide Outfitting Industry

These tables and charts attempt to demonstrate the significant reduction in profitability of the guide outfitting industry over the last six (6) years.

Table 5 shows the declining profitability of a typical moose hunt in Region 7A (and is just one example of the trend throughout the province):

Year	Price (USD)	Exchange	Revenue (CAD)	Profit
2002	\$3,200	1.61%	\$5,152	\$2,576
2008	\$4,500	1.18%	\$5,310	\$ 1,540

Chart 1 illustrates the average percentage breakdown between profit and costs for guide outfitters in BC.



Note: Capital improvements and maintenance must be taken from the profit category.

Depending on the infrastructure and location of the guide territory the annual start up costs ranges from \$20,000 - \$40,000.

Table 6 shows the typical start up costs which could include:

Fixed Costs	Variable Costs
Guide Licenses	Royalty Fees
Assistant Guides Licenses	Fuel , Propane, Diesel
Insurance	Wages
Indemnity Bond	Food
GOABC Membership	Supplies
License of Occupation	Facility Maintenance
Park-Use-Permits	Advertising
Property Taxes	Marketing
Commercial Rec. Leases	Vehicles and Equipment
Angling Guide Licenses	Logging Permit (building)
Hunting Licence	Pilot License
Administration Costs	Dangerous Goods Licence (aircraft)
First Aid Ticket	Burning Permit
CITES permit	Export Permit (wildlife)
Boat Operator Card	Grazing Lease
Firearms Licence	ATV Licence
Workers Compensation Board	Ski-Doo Licence
Food Safe Certification	Air Operators License
	Air Charter License

Note: Harmonizing licenses, applications, permits and bureaucracy will help reduce some of these costs.

Competitiveness of the Guide Outfitting Industry

The combination of exchange rate fluctuations, rising fuel prices and reductions in quotas has forced most guide outfitters to compensate by increasing prices. In today's global market guide outfitters compete against hunting destinations all over the world, including Africa, Alaska, other US states, Canadian provinces and territories, the south pacific, Asia, Russia, South America and Europe. While BC has a number of rare or unique species i.e. Stone's sheep, that clients are willing to pay a premium for the opportunity to hunt, clients compare pricing in different hunting destinations for all other species. BC guide outfitters face stiff global competition and hunt prices have reached maximum that are acceptable in the market.

Moving Forward

One of the functions of the GOABC is to provide marketing and advertising support to the guide outfitters in order to help them compete in a global market. In today's competitive market we compete against many other global hunting destinations. With the recent collapse of the US economy it is crucial that we develop alternative markets in Europe, Mexico, and Asia. We are planning to increase our marketing efforts in these regions. At trade shows we must promote Canada and BC as a destination before we can

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market the hunting opportunities our members offer. Across Canada the tourism departments of their respective provincial governments provide funding to the provincial guiding associations. Those tourism departments actively promote their province and their particular hunting opportunities. To date, Tourism BC has declined to support any GOABC marketing initiatives. The Tourism Action Plan mandate to “double tourism revenues by 2015” will be enhanced by supporting GOABC in this area.

One of the features that BC outfitters use to market their products is the “Super, Natural British Columbia”. BC is perceived as a unique and pristine environment. Access Management Areas (AMA) are needed to safeguard wildlife and wildlife habitat biodiversity. These AMAs control and distribute the hunting pressure to provide important wildlife sanctuaries and protect sensitive habitat. This also enhances the quality experience for all outdoor recreation enthusiasts. It is important that these control measures remain a vital part of wildlife management.

Legislation

In the spring of 2008 the BC government made several amendments to the Wildlife Act that will benefit guide outfitters by providing added flexibility to the industry, once they are brought into effect by regulation. These changes include allowing the ownership of more than one guiding territory. This will allow greater specialization in the industry and allow guide outfitters to take advantage of new opportunities and economies of scale. Guide outfitters appreciate these much needed changes to the legislation and encourage the BC government to bring this legislation into force as soon as possible.

Legislation is also needed to help protect the guide outfitter tenures. Many other tenure holders with conflicting interests are granted rights on pre-existing guide outfitting tenures. This would provide an avenue for outfitters to be compensated for detrimental impacts or lost opportunities on the land base that negatively impact the guide outfitters business.

Diversification

While hunting will continue to be the primary revenue stream for guide outfitters, there are other outdoor activities such as fishing, wildlife viewing and other forms of back-country recreation operations that guide outfitters have historically take part in. More recently there have been additional burdens that restrict our ability to effectively provide these services. Provide guide outfitters with “one stop” shopping to access licenses and permits for fishing, wildlife viewing and other back-country recreation activities will facilitate diversification of the industry.

Note: In many cases, the original guide outfitter license granted permission to carry out these activities.

Recommendations

1. Quality of product

Our clients expect a “Super, Natural British Columbia” experience. Access Management Areas are an important part of offering a quality experience. International clients expect a pristine and picturesque environment as part of their quality experience.

To ensure product stability in the guide outfitting industry there are two important conditions that must be met:

- o Consistent and predictable supply of product (quota/tags)
A stable and consistent supply of wildlife allows the guide outfitters to market their products and five (5) year regulations to help add stability to the industry.

- o Quality big game species

The management of big game must be conducted in a manner that grows trophy-class animals and restricts provisions such as “spike-fork” seasons for immature bull moose.

Consistent and fair regulations need to be applied equally to both recreational hunters and the commercial hunting industry. If there is a harvest concern then guides should be on quota and the recreational hunters should be on Limited Entry Hunting (LEH), and vice versa.

2. Harmonizing fees and licenses

Harmonizing licenses, applications, permits and paperwork to streamline the processes and help reduce costs. We need licenses, tags, permits, and guide declarations to be available and submitted on-line.

3. Stability and Support

Similar to other industries in decline, the guide outfitters request the opportunity to use marked fuel in vehicles used for guiding activities in the guiding area and an exemption on sales tax for guide outfitter equipment and vehicle purchases.

Extend the hardship rule through the next allocation period (from 2012 to 2017).

Provide the same concessions offered to the trapping industry to the guide outfitting industry. These include:

- o Providing the option for five (5) year guide outfitter licenses; and
- o Discounts on lease fees and licenses.

Marketing support

GOABC needs funding from Tourism BC to continue promoting BC at international trade shows and producing a world-class magazine.

Support for Diversification

Provide “one-stop” shopping for guide outfitters licenses. We request the guide outfitter license be inclusive of other outdoor recreation opportunities in their guiding territory. These include:

- o Wildlife viewing;
- o Commercial recreation or back-county recreation licenses; and
- o Angling guide license on non-classified waters.

Support for Investment

We request the ability to access financing for Crown land tenures. This includes long-term leases and Licences of Occupation with the ability to buy fee-simple land where our main lodges are located.

Legislation

We need the government to complete the regulations and enable the proposed changes in the Wildlife Act in the spring 2009 sitting of the Legislature in order to provide needed flexibility to the guide outfitting industry.

Support from the BC government to implement these recommendations is critical to the economic viability of the guide outfitting industry. These changes will help ensure there is a quality product to market, can operate efficiently, have the ability to diversify, and can attract investment into our industry and British Columbia.

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