



## Recreation Resource Management

11811 N. Tatum Blvd. #4095

Phoenix, AZ 85028

Ph: 602-569-2333 Fax: 602-569-6225

[www.CampRRM.com](http://www.CampRRM.com)

February 22, 2010

Senator Mike Crapo  
Senator James Risch  
Representative Walt Minnick  
Representative Mike Simpson

Subject: **Proposed US Forest Service Senior Discount Pass Changes**

Dear Honorable Senators and Representatives:

As my company is one of the larger US Forest Service campground concessionaires, we are fairly familiar with the issues associated with the senior discount passes. Like you, we would love to continue to offer discounted rates to seniors for camping. We have a special place in our hearts for seniors, as nearly all of our 400+ employees are older Americans.

The issue is that the camping at a 50% discount is well below the cost to provide the camping services. As a result, this discount must be subsidized from somewhere. As concessionaires have thin profit margins, in the single digits as a percentage of sales even in a good year, and as the US Forest Service has historically refused to reimburse concessionaires for providing these discounts, **this discount must be paid for by younger families**, the American families you refer to in your letter who have indeed turned to public lands during this recession seeking low-cost recreation. **These young families are paying \$2-3 a night or more extra to subsidize the senior discounts.**

In other words, there is an issue of fairness either way – seniors have come to expect a discount they have historically received, but as demographics shift, younger families fighting the recession are paying more and more to help fund the seniors' discount. The position of my company as well as the National Forest Recreation Association, an organization of Forest Service concessionaires, has for years been, and remains, that the best possible solution is for the Forest Service to reimburse concessionaires for providing below-cost services to seniors.

In the rest of the letter, I will review the details and history behind the statements in the previous paragraph, but I want to say that we concessionaires are open to finding solutions to providing seniors low-cost camping without having to charge the young family in the campsite next to them more to do so. I am hoping that with your knowledge of the legislative possibilities, you may be able to help us craft a solution that works for more Americans.

### **The cost of the 50% discount**

To have this discussion, we need to outline some typical economics. Let's start with a Forest Service camp site in a concession-run facility that charges \$16 a night. This means that a Golden Age or America the Beautiful (ATB) Senior pass holder would get camping at \$8 a night. I can guarantee that no one in this country can provide \$8 a night camping and cover his costs, so someone else is going to have to pay for this discount.

This is fairly easy to illustrate. In a very good year, like 2009, Forest Service concessionaires will make between \$0.80 and \$1.00 in pre-tax profit on a \$16 night of camping (in a bad year, they will lose

money). This is the concessionaires' return for the time and capital they have invested in the business, and their incentive to remain efficient and provide good customer service so that paying customers will return. In other words, there is simply not a pool of money sitting in concessionaires' pockets to fund this discount.

By the way, since the competitively bid concession fees for these Forest Service concessions typically run between 10-15% for busy campgrounds, the Forest Service (and the public) actually keeps between \$1.60 and \$2.40 from each \$16 night of camping, far more than the concessionaire makes.

The official position of the NFRA has for years been that if it is a public policy goal to provide below-cost camping for certain groups, such as seniors, then Forest Service funds should be used to pay for this goal. For years we have suggested that the long-term solution would be reimbursement of concessionaires for such discounts, possibly on some kind of rental fee offset basis. The Forest Service has consistently been unwilling even to consider such an approach, and claims it does not have the money for such reimbursement.

It is important to stop here and pause. Some have suggested that the solution is for the Forest Service to take these campgrounds over and continue to provide the discount. But the Forest Service has already said it is unwilling and unable to fund this discount. If it can't pay concessionaires, who run the facilities less expensively, to provide the discount, the Forest Service is not going to be able to afford the discount running the facilities itself.

### **So, who does pay for the 50% senior discount?**

The answer is, of course, all the other younger campers. Let's walk through a specific example:

A campground charges a \$16 fee, and has a thousand site-days of visitation per year. Without any Golden Age pass discounts, this yields \$16,000 a year of revenue. Then, assume that 10% of the visitors have a Golden Age Pass and they qualify for a 50% discount. This means that 900 site-days are now at \$16 and 100 are at \$8, for total revenue of \$15,200. To get back to the original revenue level, the base fee would have to be raised to \$16.84. So the addition of 10% of the campers with Golden Age Passes raises the rates to all other campers by 5.25%. Similarly, if the Golden Age visitation in this example went to 20% of campers, then the base fee would have to be increased to \$17.78 to keep total revenues the same. By the time Golden Age visitation rises to 30% of the total, the average family is paying nearly \$3 a night to subsidize Golden Age visitation.

So, every young family in the Forest Service is paying \$2-\$3 or more a night to subsidize below-cost services for older campers, and this subsidy will only increase as the population ages. This subsidy obviously conflicts with notions of fairness and equal protection, as well as with a number of Forest Service goals, including their "More Kids in the Woods" program and the First Lady's childhood obesity programs.

It should be noted that in the absence of senior discount programs (our company intends to keep the 50% handicapped discount, irrespective of Forest Service policy) our company plans to continue to offer discount programs in the future, but these programs will be modified to better match discounts to available capacity irrespective of a visitor's age (e.g. mid-week and shoulder season discounts for everyone, not just one group).

Ironically, while concessionaires were the ones who pointed out these cross-subsidization issues to the Forest Service, most concessionaires do not expect any real improvement to profitability from these changes. Many concessionaires were considering fee increases (as in the example above) to account for

rising discount pass usage, and these fee increases can be shelved if the pass rules are changed. Further, most concessionaires expect to continue to offer attractive discounts, but to a broader subsection of the population and better matched to capacity. And finally, companies all must competitively bid for concessions on a regular basis, and history has shown that any short-term increases in profitability on individual facilities is usually given away to the Forest Service in the form of higher fees under the pressure of competitive bidding.

**There is one other change in the Forest Service rules that was not mentioned in your letter**

In these same new rules, Forest Service is requiring that concessionaires provide free use and entry to ATB annual pass holders — without compensation. In other words, the Forest Service is going to sell annual passes, keep all the money, and then require that private companies provide most of the services to these pass holders without compensation. This is obviously a requirement that concessionaires have opposed for years – it is simply unfair for the Federal government to pay for public services by mandating a few companies provide these services without compensation.

To gain concessionaire willingness to accept these passes without compensation, the Forest Service has through these rules essentially offered concessionaires a trade – a reduction in the senior discount requirement in trade for this requirement to honor these free passes. Our company only reluctantly accepted this compromise in our written response, though we harbor deep reservations about the approach. We still believe we can serve the public best if the Forest Service were to reimburse us for providing discounted or free services to fulfill their various discount and pass programs.

**A final thought on the rules changes**

I believe the honest intention of these rules changes was not to increase total recreation costs to the public, but was to spread discounts more widely among all Americans, rather than to just a few select groups. One of the reasons the public response has been so unbalanced is not because this is some screaming sweetheart deal for private operators (because it is far from it), but because those who will pay higher fees (seniors) have been notified of the changes while those who will pay lower fees over time (annual pass holders, younger campers) really don't know they will be beneficiaries.

\* \* \*

Please call me any time if I can be of assistance.

Sincerely,



Warren Meyer  
President  
Recreation Resource Management