<u>THE ENTREPRENEUR AND OUTDOOR RECREATION</u>

An Address by

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It was a popular truism of a few years ago that "ranching was not a business but a way of life." With that airy philosophic expression, the rancher was taken out of the mainstream of American business and placed somewhere between the artist and the cleric. Motivated by a far purer motive than profit, he was supposed to console himself as he drifted farther into the hole, with the thought that in the aggregate his industry was among the first in dollars handled -- and besides, it was such a healthful life. There are welcome signs the individual in American agriculture is about to shuck off this pleasant fiction, and enter the modern business world.

But no one should fear that this distinguished bit of American mythology will die for fear of an industry to fill the role. The outdoor recreation entrepreneur is there to take his place. That "outdoor recreation is not a business but a way of life" has ample proof. Few industries cover up individual hardship and economic starvation with large, impressive aggregate numbers as successfully as outdoor recreation. With the exception of the comparatively few very large companies in the industry, it is conducted by individuals, whose retirement is conditioned upon either selling out or, hopefully, marrying a wealthy guest. Few, indeed, are those who can build a nest egg out of current operating earnings, after payments for the never ending repairs, renovations, and additions have been made -- plus a payment on the loan from the brother-in-law made necessary by the time it either snowed and shouldn't have, or should have and didn't.

But this is changing. Rapidly and painfully. Pressure for change is being generated partly internally within the industry through the normal working of competition, but furnishing a greater impetus are the external forces generated by the public demand exploding in all directions. In the national recreation market, there are few of the historic limitations of time, place, activity, and price that used to channel the traditional vacationer.

Not only has the beleaguered recreation entrepreneur to meet the demands of an insatiable public appetite, but public policy is becoming an increasingly important factor. Communities that may have hoped for a new General Motors plant are now settling for the here and now of the visitor's dollar. The quantity and quality of the recreation facilities are part of the urban planner's concern. Where state and federal lands are involved -- and increasingly this is the case -- public policy is controlling. What this public policy is or should be, I will discuss later, but suffice it now to quote Clark Stratton of the National Park Service, who in 1957 observed to some of us that "the Park Service has the visitor under its direct wing for only one or two hours out of each day, at best; contrasted with the twelve or fourteen hours of the concessioner -- but the Park Service is accountable to the public -- via Congress -- for the total of both." This kind of exposure inevitably must lead to a super-sensitivity by the administrator of the public agency. If somebody else is going to control your reputation, you certainly are going to attempt strenuously to control him. This is one of the major dilemmas of the industry -- the points of confrontation, as a political scientist might put it -- in the public and private mix of outdoor recreation.

Of at least as much importance is the dilemma of the individual entrepreneur. He is hidden in the aggregate members which give a dimension to his industry that, like the story which loses something in the telling, falls short of revealing much of his plight. As a member of an industry, he is judged by criteria based on public considerations tempered by the very large economic numbers -- gross sales, contribution to total services in GNP, and so on. As an individual businessman, he is required to stand in line and be judged by the inexorable processes of the market place -- in which profitability, capital ratios, and the like, play major roles. In this process, he is usually found wanting. I submit that as an industry, the recreation industry suffers from more disabilities in terms of collective understanding than the next two in the scale put together. And not without some justification. What the chicken farm was to the generation or two ago, the resort is to this one. But as Mehitable observed, the amateurs are ruining the profession. Running a modern recreation enterprise, whatever it may be, is at least as complicated as the practice of medicine, and maybe more so. Managerial skill, experience, an awareness of the technological advance in his industry, public good will - these general business imperatives circumscribe the entrepreneur in recreation as they do his counterparts elsewhere. The weaknesses of an industry are never more exposed than when general credit is tight. I suspect that, barring either a long established credit relationship -- like about thirty years -- or a broad credit base, most recreation entrepreneurs are getting scant attention from the conventional credit sources in today's market.

Having outlined the problems of the industry with a fine broad brush, do I have any solutions? Nobody but a complete idiot would offer solutions to a group like this without first expressing a caveat that there are no quick and easy solutions, no definitive answers for all places and all situations. In an industry as varied as the recreation industry, this is obvious. Having expressed that caveat, I am willing to stick my neck out and suggest a few possibilities.

The Upper Midwest Research and Development Council will be publishing in a few weeks a booklet which attempts to assemble these things -

An anthology of the research already completed - mainly, but not entirely, directed to the upper midwest; and there has been a considerable amount of it, enough, perhaps, to deter any new research efforts in this area until a search of that completed already has been made.

A listing of the sources and patterns of financing presently available.

A few economic models of successful resorts where the four essential components - rates, capital investment, operating costs, and occupancy, are brought into balance.

It seems to me this is a promising start towards a useful literature for the administrator, the financier, and the entrepreneur in this industry.

But may I direct a few remarks in the time I have left to the "point of confrontation", I referred to earlier between the public and private elements of the recreation mix. The entrepreneur must realize he has many elements of the public utility - most, I might add, of the limiting variety, and none of the rate/profit guaranty. Even where a national park concessioner is involved, there is always the check of the alternative places to stop and shop outside the area. Be that as it may, the public must be given its money's worth. Lord knows how many trade publications there are catering to the traveling public, in which this resort area is appraised against that. But there are many - and never discount word of mouth. Quality is rewarded. The word gets out fast. In the same measure, the recreation operator who does not deliver his best, discredits his whole trade area. The grim warning of "Never ask for whom the bell tolls" operates with relentless effect in a resort area where there is one bad operator. Curio standards, courtesy of employees, quality of accommodation, fair rates - these build the reputation of an area. Don't bristle at the criticism of the public lands administrator if you are in a public area - he may be your best friend.

But having given the entrepreneur forty licks, let's turn our attention to the public administrator. ORRRC Report #12 gave a damaging comparison of the official attitudes of various public agencies towards entrepreneural developments. The appalling lack of uniformity has not been improved to my knowledge. It is axiomatic that a bad policy uniformly and consistently applied, is better than an erratic one, no matter how good the latter may be from time to time. Investment capital is fragile stuff. The recreation entrepreneur must stand in line in the capital markets and compete for funds with the whole spectrum of our economy. Bankers, mortgage lenders, and knowledgeable investors, as classes, are not notorious innovators. They yearn for the comfort of the well-defined and understood - even if the security is illusory. Most definitely, they do not want to venture into known uncertainties.

If I dwell over long on the problems of the public lands/private entrepreneur relationship, it is because I think most of the problems of the industry will occur here - certainly in terms of public visibility this is where the action will be. The concern is not limited to the federal agencies, for states and communities have at least as great a stake in finding solutions.

Basic to all is the problem of providing the quality expected by the traveling public used to urban services, with the occupancy, rate structures, capital costs, and operating costs obtaining in remote, limited season areas. I suspect no answer can be found wholly within the private or the public sphere. It is easily and obviously arguable that a mix is at least one of the answers - a mix with proportions dictated by the circumstances at hand. We must remember that a given quality of <u>total recreation environment</u> is the objective. Each side - public and private - will be judged by the total impression; therefore, each has an urgent and compelling reason to enhance not only his effort, but those of his counterparts making up the recreation complex. For it is this we must realize - most, if not all, elements of a community must be represented. Food, lodging, merchandise, education (in the form of interpretive services), church facilities, transportation, entertainment - these are the obvious elements.

But public space comes high. A revenue base adequate to support the non-revenue or loss facilities required to fill out the spectrum of public demand, is not always present. Imagine, if you will, the recreation enterprise as contained in a square box with the four sides representing respectively the rate structure, the occupancy level, the capital investment, and the cost of operation. These four sides must meet in alignment with each other or the profit and the enterprise will fall through the cracks. If they don't meet and the venture is considered essential for whatever reason, it must be subsidized either by other related or unrelated revenues of the operator or by the public agency involved.

What are the forms this can take? Construction and leaseback to the entrepreneur of all or part as may be required to make the arithmetic fit; construction and administration of the public space or the loss services; direct lending; guaranty of loans; joint venturing - these are a few of the possibilities used by public agencies in other areas than recreation. I am sorry to say neither the public nor the private administration of recreation areas has shown the imagination in financial planning developed in some other sectors of our economy where public policy and private enterprise have had to seek common solutions. But I don't have to be an errant optimist, in fact for some it may well be pessimism, to say these solutions will be found. They will be found because the pressure of the traveling public will require that they be found. Unfortunately the road to these solutions may be littered with the wreckage of those entrepreneurs and public administrators who were unwilling or unable to accommodate themselves to the expanding requirements of the public. The public will be served.

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