2005/06 SKI RESORT INDUSTRY RESEARCH COMPENDIUM

A SUMMARY OF MAJOR RESEARCH PROJECTS CONDUCTED FOR NATIONAL SKI AREAS ASSOCIATION

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NSAA

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Prepared by

National Ski Areas Association

In conjunction with

RRC Associates, Inc.

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2005/06 SKI RESORT INDUSTRY RESEARCH COMPENDIUM

Introduction

This report summarizes the key findings from three major research projects that NSAA conducts annually. A brief description of each research project is presented below.

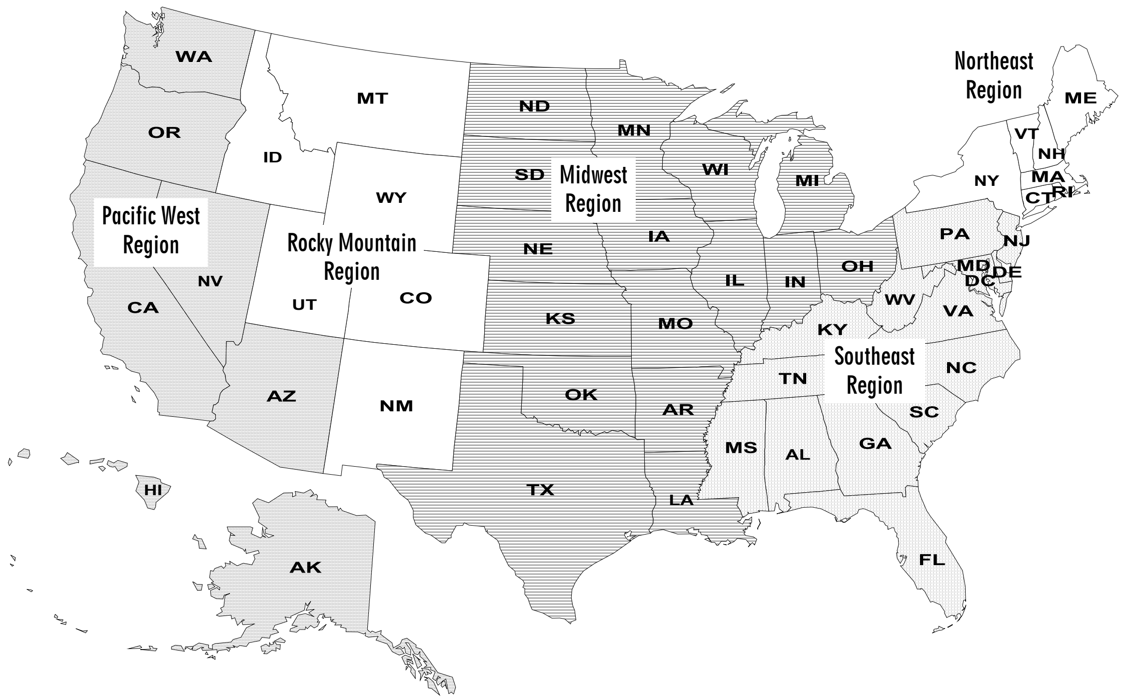
- Kottke National End of Season Survey. The Kottke study tracks several key barometers of interest and importance within the ski industry. Included in the report are analyses of skier visit totals, distribution of skier visits by several key segments (day/overnight, skier/snowboarder, adults/kids, day/night, domestic/international, and others), days of operation, snowfall, number of lifts, capital spending, lessons taught, ticket types sold, and other key operational metrics.

- National Demographic Study. The National Demographic Study is designed to track the demographic characteristics of skiers and snowboarders over time, including age, marital status, gender, ethnicity, ability level, equipment type, frequency of participation, number of seasons participating, and other characteristics of the snow riding population.

- Economic Analysis of US Ski Areas. The Economic Analysis documents economic and financial trends and patterns of interest in the ski resort industry both nationally and regionally, with an emphasis on revenues, expenses, and margins (overall and by individual operating department); assets, liabilities, and shareholder’s equity; revenue and expense per skier visit; return on equity and operating profit on fixed assets; and other financial ratios and measures.

Figure 1 illustrates the geographic boundaries for the NSAA regions discussed in detail in the three reports summarized below.

Figure 1
Regional Boundaries for NSAA Research



2005/06 Kottke National End of Season Survey

The 2005/06 Kottke National End of Season Survey is a study which is designed to track several key barometers of interest and importance within the ski industry. Response to the 2005/06 questionnaire was strong; the data presented reflect the participation of 233 of the nation's 478 operating ski resorts (including 228 which provided data for both 2005/06 and 2004/05). These 233 resorts accounted for approximately 47.9 million skier visits, which permits generally reliable estimates of national results to be made.

Key Highlights

- Record season. Skier visits nationally set an all-time record this season by a substantial margin, reaching 58.9 million visits, up 3.5 percent from last season, and up 2.3 percent from the previous record set in 2002/03.

- Strong performances over the past six seasons. Continuing a very strong trend, the five best seasons, and six of the best seven seasons, have all occurred in the past six seasons (2000/01 and forward). Based on this string of performances, the industry appears to have established a new performance range since 2000/01 of approximately three to five million skier visits higher than the previous levels in the 1990s.

- Strong results in the Pacific West, Rocky Mountains, Southeast, and Midwest. Many regions contributed to the very successful 2005/06 season. The Pacific West, and most particularly the Pacific Northwest, rebounded dramatically from one of its worst seasons on record, with the Pacific West experiencing a gain of 13.9 percent, achieving its third best season on record, and contributing an increase of almost 1.4 million visits to this season's totals. The Pacific Northwest subregion jumped an estimated 130 percent in comparison to 2004/05. The Rocky Mountain region, the largest of the five NSAA regions, also reported very strong results overall, setting a new all-time record, and registering a gain of 5.7 percent, or over 1.1 million additional visits, over the previous record set in 2004/05. Both the Southeast and Midwest regions were also quite strong this year, contributing estimated increases of 6.1 percent and 3.4 percent respectively in comparison to 2004/05. The Southeast had its second-best season on record, while the Midwest had its fifth-best season.

- Difficult season in Northeast, Southwest. Interestingly, the 2005/06 record was set in spite of a challenging season in the Northeast, which (due to below average snowfall from late December on) was down by 8.5 percent. The southern tier of the Pacific West and Rocky Mountain regions also experienced relative weakness due to low snowfall much of the season. More specifically, based on actual reported visits, the Tahoe region was down approximately 7 percent, and southern California / southern Nevada / Arizona was down 9 percent. New Mexico was estimated to be down by almost 50 percent, with Arizona down by in excess of 80 percent.

- All regions except Northeast above 10-season averages. Each region except the Northeast performed above its ten-year average, including the Southeast (up 14.0 percent), Midwest (up 8.1 percent), Rockies (9.0 percent), and Pacific West (8.1 percent). The Northeast was down 2.6 percent from its recent ten-year average.

- General patterns of results by state. At the state level, states that were up this year were widely distributed across the Pacific Northwest, the northern and central Rockies, western portions of the Midwest, and throughout the NSAA Southeast region. States that experienced declines were predominantly in the southern tier of the Pacific West and Rockies (CA, NV, AZ, NM); selected Great Lakes states (MI, IN, OH); and throughout the NSAA Northeast region.

- Snowfall up in Pacific West, Rockies, Midwest; down in Southeast and Northeast. Snowfall was an obvious contributing factor to the record performance this season, as total snowfall nationally was up an average of 7 percent this season. While total snowfall was down substantially in both the Northeast and Southeast this season, by 16 percent and 12 percent respectively, it was up by 14 percent in both the Rocky Mountain and Midwest regions and by 13 percent in the Pacific West (up by 113 percent within the Pacific Northwest subregion).

- Increase in average days open. Related to the improved snowfall, average days open increased by 2 percent this season, to an average of 124 days, up from 122 days in 2004/05. Average days open increased by 10 percent in the Southeast, 4 percent in the Midwest, 2 percent in the Pacific West, and 1 percent in the Rocky Mountains, and declined by 2 percent in the Northeast. The generally longer seasons recorded this season were a factor that helps explain the improved visitation.

- Reduction in number and duration of unscheduled closures. The proportion of resorts experiencing unplanned midseason closures held steady this season relative to last season (39 percent each season). However, among resorts experiencing at least one unscheduled closure, the average number of separate closure episodes declined from 2.5 last season to 2.1 in 2005/06. More dramatically, the average cumulative days of closure of resorts experiencing at least one closure dropped from 11.0 days to 6.5 days. The declines were predominantly attributable to improved operating conditions in the Pacific Northwest.

- Strong increase in day visits, overnight visits flat. A strong increase in the total number of day visits was recorded this year (particularly in the Rocky Mountains and Pacific West, as well as the Midwest region), while overnight visits were relatively flat in absolute terms, and declined in percentage terms.

- Gains in visitation throughout the season, and particularly the late season. When analyzed by time of season, gains in visitation occurred in the every part of the season, with the strongest gains at the end of the season, likely aided by a later Easter (April 16, 2006) than last year (March 27, 2005). Specifically, visits were up 3.5 percent from season opening through New Year's; up 2.5 percent over the January 2 – February 20 period; up 1.5 percent over the February 21 – March 26 period; and up 19.8 percent over the March 27 – close period. Each region had somewhat variable patterns, albeit related to local snow conditions. The Northeast got off to a very strong start, consistent with more early season snow, but had decreased visits from the Christmas period on. The Southeast and Midwest also enjoyed a very strong early season, before experiencing more variable patterns in the balance of the season. Conversely, the Pacific West had a very slow start through the New Year's holiday, but performed extremely well during the balance of the season. The Rocky Mountains also tracked behind last season through the Christmas/New Year's period, but rebounded strongly the remainder of the season.

- International visits up. In spite of the fluctuating value of the US dollar, international visits increased slightly this season, accounting for an overall average of 5.7 percent of total visits, up from 5.6 percent last season and 4.9 percent in the prior two seasons. Canadian visitation has hovered in the 1.6 – 1.7 percent range over the past four seasons, while visitation from other countries has increased, rising to 4.1 percent this season from 3.9 percent in 2004/05 and 3.3 – 3.4 percent in the prior two seasons, with most of these gains occurring in the Rocky Mountain region.

- Snowboarding participation up. The proportion of snowboarders increased slightly overall, averaging 30.4 percent nationally, and with proportionate growth noted in all regions except the Pacific West (which appears to have topped out for at least this past year). The greatest growth in snowboarding over the past four seasons has occurred in the Southeast and Midwest. Even with the increase experienced this year, the rapid growth of snowboarding during the 1990s appears to have leveled off substantially, although still contributing positively to the growth in total visits.

- Modest lesson growth. Overall lesson participation increased modestly nationally, by 0.8 percent, with increases in the Rocky Mountains (6.9 percent), Pacific West (4.8 percent) and Southeast (4.4 percent) slightly outweighing losses in the Northeast (-8.3 percent) and Midwest (-9.8 percent). Despite the growth, over the past four seasons, lesson volumes have not kept pace with skier visits, as the proportion of visits which include a lesson has dropped from 9.6 percent in 2002/03 to 9.2 percent in 2005/06. Both skiers and snowboarders have been taking slightly fewer lessons over that time. Over the same period, there has been a slight proportionate increase in the share of lessons which are snowboard lessons, as well as an increase in the share of lessons which are kids' lessons.

- Continued growth in season pass sales. Season pass sales continued their upward trend, rising 7 percent nationally this season, and increasing by 25 percent over the past four seasons (2002/03 – 2005/06). The highest percentage growth in pass sales over the past four seasons has occurred in the Northeast (33 percent) and Southeast (33 percent), followed by the Pacific West (27 percent), Rocky Mountains (22 percent), and Midwest (13 percent). Over the past season, the largest increase in sales was recorded in the Southeast (15 percent), followed by the Rockies (7 percent), Northeast (6 percent), Midwest (6 percent), and Pacific West (4 percent). Pass sales have also been increasing in all resort size categories, with the greatest percentage growth over the past four seasons occurring among the largest resorts (31 percent).

- Continued growth in season pass visits. Consistent with the growth in season passes sold, season pass usage continued to edge up as a proportion of total visits, increasing to 30.6 percent of visitation nationally in 2005/06, compared to 29.5 percent last winter and 27.2 percent in 2002/03. The share of visits attributable to season passholders increased in all regions this season except the Southeast and Midwest, and also increased in all resort size categories. Conversely, the proportion of "paid" visits declined to 59.9 percent nationally this season from 61.3 percent in 2004/05 and 62.8 percent in 2002/03, with paid visits dropping in varying degrees across all region and size categories this season.

- Continued increases in lift ticket prices and yields, decline in yield ratios. Average weekend lift ticket prices increased nationally by 4.8 percent to $60.66, and increased in all regions and among all size categories of resorts. Average ticket revenue increased by a smaller 3.1 percent nationally to $31.82. Average ticket yield ratios continued a long-term pattern of decline, dropping to 52.5 percent nationally from 53.3 percent in 2004/05.

- New data regarding visitation by children. A new question added this season asked responding resorts to estimate their mix of visits by age. On an overall national basis, an estimated 28.2 percent of skier/rider visits are by youth under age 18, including 12.8 percent by kids under 12 years, and 15.4 percent by teens aged 13 – 17 years.

  Among the significant related findings, the share of visits by youth differs dramatically by region and by size of resort. Youth are clearly most dominant in the Midwest (accounting for 52 percent of visits) and the Southeast (42 percent), and are least prevalent in the Rocky Mountains (15 percent). Likely related to these patterns, youth are most prevalent at the smallest resorts (61.5 percent of visitation), and least dominant in the more destination-oriented largest resorts (only 21.6 percent).

- Snowtubing visits up slightly. Among resorts which offer snowtubing, the average ratio of tubing visits to skier/boarder visits nationally is 6.2 percent, with a particularly large ratio in the Midwest (25.0 percent) and Southeast (15.7 percent) and at the smallest (26.7 percent) and second-smallest (20 percent) resort groupings. Clearly, snowtubing is a significant source of incremental business for many of these resorts.

- Total expenditures on capital improvements by survey respondents is projected to rise, from $343 million in 2005/06 to $462 million in 2006/07, primarily due to real estate projects and lift investments. The projected pickup is most significant in the Rocky Mountains (increase from $161 million in 2005/06 to $218 million in 2006/07) and Pacific West (increase from $30 million in 2005/06 to $75 million in 2006/07), but growth is also anticipated in all other regions as well. Of the total $1.14 billion in capital improvement projects completed and planned over the three year period (2004/05 – 2006/07), $227 million is for lifts, $457 million is for other on-mountain facilities and support, and $458 million is for real estate.

- Industry initiatives. Finally, while recognizing the multitude of factors (including weather) that contributed to the record breaking season, it is also important to note that since the creation of the Model for Growth in the year 2000, and its complementary initiatives which have been developed and adopted by many of the NSAA member resorts, we have witnessed improved patterns of visitation, performance and profitability of the industry. Each year represents its own unique set of circumstances and challenges, but it is encouraging to note the success of the past six seasons.

2005/06 National Demographic Survey

A total of 72 of the United States' 478 operating ski resorts (15.1 percent) were represented in the National Demographic Survey in the 2005/06 season. These resorts accounted for approximately 28.5 million of the nation's 58.9 million skier visits (48.4 percent), reflecting the participation of a number of large resorts in the study. Since the survey was inaugurated in 1996/97, the number of resorts represented in the study has fluctuated between 64 and 80 per season.

A total of 131,392 surveys were completed during the 2005/06 season, as compared to the 99,000 – 133,000 surveys conducted in each of the prior seven seasons. Survey interviews were generally conducted by resort personnel in the "milling" areas at or adjacent to the lifts at the major base area portals of the resorts, using a survey form and sampling and interviewing techniques designed by NSAA. In some cases, data has been incorporated from resorts which conducted surveys independently or as part of more customized research programs, to the extent that the sampling techniques and survey design are comparable.

To ensure that the results are as representative as possible nationally, data from each participating resort has been weighted in proportion to its number of skier/snowboarder visits. Additionally, the respective NSAA regions have been weighted in proportion to their share of total national visits.

Key Highlights

- Overall Demographic Profile. The visitor profile continued to exhibit a combination of stability in many visitor characteristics this season, and shifts in others. Perhaps the most prominent shift this season was a reversal (at least temporarily) in the long-term aging of the visitor base. The proportion of children under 18 increased slightly this season, while the average age dropped, a trend observed broadly across the country. Related to this pattern, ability levels and length of experience in snowsports dropped slightly, after having increased in previous years.

- Increase in Youth Participation. While one season does not make a trend and caution is warranted, this growth in youth participation will be highly noteworthy if sustained. An increase in children in the context of a record season is a positive for the industry, insofar as it suggests an increase in young entrants to the sport, which should lay the foundation for future growth. This growth in youth participation, if sustained, is particularly important as a counterbalance to the eventual dropout of the large cohort of older participants, particularly baby boomers. The historic aging of the visitor base has been a major impetus behind NSAA's ongoing Model for Growth, and the associated efforts to increase the rates of trial, conversion, and retention of snowsports participants. This year's results suggest that these efforts are beginning to pay dividends, contributing to a rejuvenation of the participant base and an increase in youth participation. At the same time, retention of older participants continues to be an important objective, given the size and economic importance of older visitor groups.

- Growth in Snowboarding. Another significant finding was faster growth of snowboard participation this season, following several years of more sluggish growth. This pattern, also corroborated by the NSAA Kottke survey, was driven by a combination of increased participation in key youth age groups, as well as increased snowboarding penetration across all age groups between 10 and 45. Snowboarding looks poised to continue to grow as a share of total visits, insofar as snowboarding continues to attract a high share of new entrants, and its base of participants is most heavily concentrated in younger age groups who have many years of participation still ahead of them.

- Helmet Usage. Another ongoing shift noted this season was an increase in helmet usage, a pattern also observed in previous years of data. Helmet usage continues to remain most prevalent among younger (<15) and older (55+) participants, as well as among advanced/expert participants.

- Short-term Shifts. Additionally, the data brought to light short-term shifts which are reflective of the unique operating conditions of the 2005/06 season. These include an increase in day visitors (which was also documented in the 2005/06 Kottke survey), as well as geographic shifts in visitation. The increase in day visitation was primarily attributable to increased visitation at day-oriented areas in the Pacific Northwest (bouncing back from 2004/05's difficult season), as well as strong visitation from day skier markets in the northern and central Rockies in response to improved snowfall. Geographically, skiing by residents of the Pacific and Mountain states increased (in conjunction with generally improved snow conditions), while skiing by residents of New England decreased, reflecting a difficult weather season in the Northeast. Residents of the Middle Atlantic maintained overall skiing levels by shifting some visitation from Northeastern resorts to resorts in the Southeast and West. Residents of the West South Central area (TX, OK, AR, LA) were estimated to have decreased visitation this season, due to poor snow conditions in the southern Rockies.

- Rental Equipment Usage. Among other changes, the proportion of visitors using rental equipment has been trending down slightly in recent seasons. This is likely in part related to increased experience levels over time, although rental rates continued to drop this season notwithstanding a slight drop in ability levels. Additionally, the proportion of visitors owning a season pass for the resort where they were interviewed edged up this season, consistent with findings from the Kottke survey.

- Stability in Key Demographics. In most other respects, the data indicate that many key demographic, "skiographic", and trip characteristics held relatively stable this season relative to prior years, including gender, ethnicity, days of participation, previous visitation of the resort, length of stay and type accommodations on overnight trips, and a wide variety of other measures.

- Satisfaction with Experience. Five new ratings questions were added this season. The most interesting question probed respondents' likelihood of recommending the sport of skiing or snowboarding to a friend or colleague, using a question design that is indicative of respondents' propensity to be "promoters", "passive supporters", or "detractors" of snowsports. Overall, in a positive finding for the industry, the aggregate scores tend to be high, with 78 percent "promoters" of snowsports, 16 percent "passive supporters", and 5 percent "detractors", resulting in a "net promoter" score (promoters minus detractors) of 73 percent. This 73 percent net promoter score for snowsports is higher than the 57 percent net promoter score for the specific resort where interviewed (based on the same ratings scale). This likely indicates that participants tend to have a reservoir of enthusiasm for skiing and snowboarding that thrives regardless of their experience at a given resort, and that resorts have room for improvement in garnering the same loyalty from their customers as their customers have for snowsports.

- Challenges Ahead. Looking to the future, notwithstanding the increase in youth participation this season, the industry continues to face the challenge of the aging of key segments, as well as attracting underrepresented subgroups. As baby boomers continue to pass through their late 40s and 50s (when dropout becomes more prevalent), the industry needs to pay attention to retaining older participants as much as possible, as well as boosting the trial and conversion of newcomers who will be needed to take their place. Growth opportunities may also lie in diversifying the existing visitor base, and in particular by finding ways to reduce the continued under-representation of women and minorities in snowsports, with conversion and retention a key focus for women, and trial and conversion a priority for minorities.

- Women and Minority Findings. On this latter point, the data suggest that groups may be a relatively effective method of introducing women and girls to snowsports (even though that is a relatively niche method of introduction to snowsports), insofar as women comprise a relatively high share of visitors in groups, and a comparatively high share of women who start participating via a group stick with snowsports in later years. With respect to minority trial, the data also highlights one of the barriers that needs to be overcome – minorities are less likely to be introduced to snowsports via their family than average, suggesting that minority participants are less likely to have a family history of snowsports participation as a gateway to participation, and are more dependent on friends or a group. While these findings provide some insights, clearly, much additional thought and planning is also needed to create comprehensive development programs targeted at women and minorities.

2005/06 Economic Analysis of US Ski Areas

A total of 110 ski areas responded to the Economic Analysis survey for both the 2005/06 and 2004/05 seasons, allowing for "apples to apples" comparisons across the two operating years. Participation this year was within the range of 103 to 113 ski areas participating over the past five seasons. These 110 participating mountains represented approximately 35.4 million skier visits, or about 60 percent of the total estimated skier visits in the United States for the 2005/06 season.

As in the past, comparisons for two years are provided on all data that was asked in common for both years. It should also be emphasized that, as always, only resorts that provided complete financial data for both years (2005/06 and 2004/05) are included in the report. Data from resorts that answered the survey in one year but not the other are not included, thereby preserving the accuracy of the year-to-year comparisons. Effectively, this policy might reduce the number of participants in any given year, but improves the validity of the year-to-year comparisons.

Key Highlights

- Overall Increase in Average Gross Revenue. In 2005/06, average gross revenue grew by 5.7 percent, to $21.9 million per resort. The continued growth in gross resort revenue is certainly encouraging for the industry overall and indicative of the improvements in offering a greater variety of products, up-selling guests, and overall better marketing and sales efforts. Average gross revenue increased in each region of the country except the Northeast, where it declined by 4.0 percent. Average gross revenue was up in the other four regions, including the Southeast, which for the first time outpaced the Northeast in terms of average gross revenue ($18.5 million versus $17.6 million).

- Strong Profitability Figures. The ski resort industry was able to maintain a high rate of profitability in 2005/06, posting an operating profit margin of 24.4 percent, down slightly from 24.8 percent in 2004/05 and similar to the 24.5 percent the season prior. Additionally, pre-tax profit margin averaged 12.1 percent, up from 11.3 percent in 2004/05 and 9.6 percent in 2002/03. These results are illustrative of the fourth consecutive strong year financially for the US ski resort industry. All regions of the country and all size groupings of resorts showed positive profit levels in 2005/06. The average operating profit was $5.3 million per area, up 3.7 percent from the year prior. Pre-tax profit averaged $2.7 million, up from $2.3 million the previous year.

- Strong Performance of Largest Resorts. In terms of profit and profit margin, the largest ski area cohort recorded the top performance this season. To a certain extent, the strength of these large resorts obscured some other groups of ski areas that performed less well compared to the year prior. Operating profit margin at the largest resorts was 30.6 percent (up from 28.2 percent a year ago). By comparison, the other three size groupings of ski areas were in the 12 to 18 percent range for operating profit margin. Additionally, the largest ski areas were best able to retain those operating profit dollars as pre-tax profit dollars. Pre-tax profit margin at the largest resorts averaged 16.6 percent (up from 14.7 percent). Again, this group of ski resorts out-performed their smaller counterparts, which averaged between 1 and 5 percent in pre-tax profit margin.

- Longer-Term Improvement for Industry. The industry as a whole has shown substantial improvement during the past five years, and in particular in the past three years. Over the past five seasons, gross revenue has grown by 22.2 percent (average of 5.2 percent per year), operating profit by 55.3 percent (average of 12.2 percent per year), and pre-tax profit by 389.5 percent (average of 66.3 percent per year). The most important contributor to the improved profit levels has been the decline in amortization expense, operating lease expense, and interest expense, which have fallen by 27.3, 11.5, and 7.1 percent, respectively, over the five-year period. In particular, lower levels of long-term debt and lower interest rates contributed to the decline in interest expense, an important finding of this year's Economic Analysis.

- Increase in Total Revenue per Skier Visit. One of the most important metrics for a ski resort is total revenue per skier visit – or how much money, on average, the resort brings in per customer. This season, the industry averaged $68.18 in total revenue per skier visit, a slight 0.4 percent increase from the year prior.

- Increase in Ticket Prices. The ability of resorts to increase the price of lift tickets, the single largest revenue producer for the industry, is an important factor in the overall financial health of the business. Unlike some other industries where competition can lead to a difficulty in raising prices, the ski resort industry has shown a consistent pattern of lift ticket price increases, a healthy sign. As seen above, those increases in price have equated to an increase in lift ticket revenue per skier visit, an encouraging finding suggesting that the pricing power and resultant financial health of the industry remains strong. Average ticket prices in each category rose again this season, including adult and children's season pass prices, which increased after bottoming out last winter.

- Balance Sheet Accounts. Overall, average assets and liabilities each increased this year compared to 2004/05, and owner's equity/net worth also increased from the year prior. Balance sheet figures can vary from year-to-year as resorts restructure loans, take on additional debt, invest in capital improvements, write fully depreciated assets off the books, are bought and/or sold, and other financing implications. The average level of total assets at resorts nationwide was $32.5 million in 2005/06, up from $28.8 million the year prior (an increase of 14.2 percent). Average total liabilities grew to $14.3 million from $11.5 million in 2004/05 (an increase of 24.4 percent). The average resort reported $18.2 million in net worth, up from $16.9 million last year (up 7.4 percent).

- Current Account Balance Positive. The net working capital position of the industry is positive for the second consecutive year, a significant change over the negative position that was typical in the early part of this decade. More typically, at the fiscal year end, ski areas report current liabilities in excess of current assets, meaning that the current account is negative. This year, though the increase in current liabilities outpaced the increase in current assets, working capital remained positive ($254,000 on average, down from $381,000) and a current ratio above one (1.06 on average, down slightly from 1.09).

- Makeup of Revenues and Expenses. The average proportion of total revenue derived from lift ticket sales has been basically steady for the past several seasons at about 46 percent. In 2005/06, the average resort derived 46.3 percent of revenue from lift ticket sales, up slightly from 45.2 percent the year prior. All major revenue centers increased their average gross departmental revenue this year, including tickets, snowplay, food & beverage, lessons, retail stores, rental shops, and accommodations/ lodging. The only two categories of revenue that declined year over year were "other" and miscellaneous (financial) revenues.

  In general, operating expenses grew in the ski resort industry (up 6.3 percent on average), though less than gross revenues. Thus, as a percent of revenue, some expense line items actually declined, most significantly depreciation and interest, but also cost of goods sold and direct labor, leading to the increase in pre-tax profit outlined above.

- Summer Revenues. For the second year, the survey asked for specific breakouts of summer revenues. Nationally, 75 percent of ski areas report revenue from summer operations, whereas the remaining 25 percent of ski areas shut down operations during the summer months. However, while the majority of ski areas book summer revenue, for most areas it is a relatively small figure; only at a handful of resorts do summer revenues exceed ten percent of total revenues. Among those ski areas with summer revenues (excluding the 25 percent without summer operations), average revenue during the summer months was $2.5 million (down from $2.6 million a year ago), or an average of 9.4 percent of gross revenues for this sub-set of ski areas (median of 6.4 percent). The largest contributions to summer revenue were from food & beverage, accommodations/lodging, other revenues, and golf.

- Worsening of "Health." Health (debt to cash flow) is a rough measure of the number of years that would be required, in theory, at current levels of cash flow to retire current levels of long-term and subordinated debt. Health measured 2.21 in 2005/06, an increase (worsening) from 1.77 in 2004/05. This result means that the industry as a whole took on greater levels of long-term debt and would therefore need additional cash flow to pay off those loans. It would take just over two and one-fifth years to retire the current level of long-term debt in the industry at the current cash flow levels. Regionally, the health ratio increased in four regions – the Northeast (to 4.39 from 3.16), Southeast (to 3.00 from 2.02), Midwest (to 2.49 from 2.25), and Pacific West (to 3.50 from 0.80); the Rocky Mountain region now boasts the lowest Health ratio of the five regions (a distinction formerly held by the Pacific West region), down to 1.38 from 1.66.

- Decline in Operating Profit on Gross Fixed Assets. Nationally, this ratio fell slightly to 14.2 from 14.5 percent the year prior. Both operating income and gross fixed assets were up, so the rate of return changed only slightly. Regionally, the ratio varied only slightly from the year prior, except in the Northeast, where it fell to 7.3 from 10.7 in 2004/05.
- Increase in Profit (Before Taxes) On Equity. The industry as a whole averaged a return on equity of 14.6 percent, up from last year's 13.9 percent. As discussed earlier, the industry turned in a stronger performance for pre-tax profits, besting an already strong 2004/05 season. Owner's equity increased as well, though proportionately less than pre-tax profits, causing the rate of return to increase.
- Increase in Revenue per Employee. This ratio measures the effectiveness with which resorts can generate revenue with the employee base, and allows for a comparison between resorts of different size and in different regions of the country. This past season ski areas reported on average $28,157 per employee, an increase of 0.5 percent over the year prior ($28,015). The increase in average total revenue per resort slightly outpaced the increase in total employees per resort, causing this metric to increase. Average revenue per employee increases directly with resort size, showing the economies of scale in the industry. The smallest resorts reported an average of $13,605 per employee (down 1.4 percent), while the largest resorts recorded the highest revenue per employee, averaging $36,448 per employee (down 0.9 percent).