NSAA Response to *Men's Journal* article: "The Future of Snow" by Kitt Doucette, Dec. 2010.

(NSAA recently issued the following Letter to the Editor in response the article: "The Future of Snow" written by Kitt Doucette and published in the December 2010 issue of Men's Journal*.)*

To the Editor:

Kitt Doucette's "The Future of Snow" (Men's Journal, December) has us scratching our heads. It appears that he either wrote it with only partial information or took facts out of context. We sure wish he'd talked to us, in that we collect the data upon which some of his erroneous conclusions are based.

A point-by-point rebuttal would be longer than the article – and boring. So let's keep to the most important points:

1) *Skier days are neither stagnant nor declining*, as claimed. They've been growing steadily for the past three decades – a trend likely to continue. In fact, nine of the busiest seasons in history occurred in the past decade.
2) *The industry is neither "heavily leveraged" nor "dependent upon Wall Street."* A handful of poor performers notwithstanding, the industry has healthy profit margins and reasonable debt levels. Real estate sales aren't factored into those numbers, either. Resorts with realty programs sell it when market conditions are favorable and concentrate on vacation services when it isn't.
3) *Ski seasons aren't getting shorter*. When ski areas close early, it's usually due to lack of customer demand, not lack of snow. Are we concerned about the potential impacts of climate change? Absolutely. Ski areas are doing their part to reduce greenhouse gas emissions and encouraging customers to do the same. But if anything, the seasons are more reliable in-season, due to snowmaking and grooming technologies.

We've posted more on our website for any Men's Journal readers who'd like to see the facts. www.nsaa.org/mensjournal

Michael Berry, President
National Ski Areas Association

More Facts regarding *Men's Journal* article: "The Future of Snow" by Kitt Doucette, Dec. 2010.

<u>Response to</u> "83 percent of the people who ski for the first time never try it again; and trend forecasting indicates that skier visits – 57.4 million in the 2008-09 season – will decline to 41.4 million by 2020-21."

The author appears to have taken several elements from NSAA's Model for Growth research out of context or has developed conclusions based on inaccurate or incomplete information.

For instance, he erroneously cites that 83 percent of first time skiers and snowboarders never try skiing or snowboarding again after their first experience. What he was referring to, but didn't cite, was that NSAA research that shows on a national basis about 17 percent of persons who try the sport for the first time will be converted into enthusiastic life-long skiers and riders. It doesn't mean that those 83 percent drop out completely, never to return to the sport, it just means they can't be categorized as core life-long skiers and riders.

The claim that visitation will decline to 41.4 million by the 2020-21 season is also taken out of context. The figure cited was not a projection of future visits, as stated in the article. Rather, it was presented at an industry meeting for illustrative purposes of what would happen if the industry failed to pay attention to programs to attract new participants and maintain its base.

The estimate was based on a modeling exercise that assumed a worst case scenario, in which every possible negative factor that could potentially face the industry occurred.

In reality visitation numbers are on track to grow based on the significant efforts of industry leaders to improve the guest experience.

<u>Response to the following paragraph</u>: "The burden of a sagging economy, of course, is making things even more difficult. Because the heavily leveraged ski resort business relies on real estate sales and capital investment to stay afloat, often operating in substantial debt, new resorts live and die by the Dow Jones"

In fact, the ski resort industry is neither overleveraged nor reliant upon real estate.

The industry is profitable on both an operating basis and after accounting for capital investments (after depreciation and interest expense). Despite the struggles of two new ski areas that the author cites, the industry in the United States has posted an operating profit (EBITDA) margin of more than 23 percent for the past five years, and a pre-tax profit margin exceeding 9 percent over the same time frame. These numbers specifically exclude any real estate business, which is not included in the NSAA Economic Analysis annual study because it's a non-recurring revenue stream.

Because of this profitability, the industry has been able to re-invest in facilities, with upgraded lifts, expanded terrain, new base lodges, improved snowmaking systems, and a host of other capital expenditures that improve the experience for skiers and snowboarders. For the most recent three-year period, ski areas have invested $627 million in capital improvements (among a sample of 144 responding ski areas), including at least 174 new or upgraded lifts over that three-year period.

The industry as a whole is not "highly leveraged," but rather currently operates with a positive current account balance and a debt ratio of 46%. Long-term debt backs 24% of total assets, down from 26%. As well, for the 2009/10 season, interest expense is down 24 percent and operating lease expense is off 13 percent from the 2008/09 season.

RESPONSE RE: SKIER VISITATION TRENDS:

Statements regarding trends in the growth of the skiing industry include:

- Subtitle: "With skiers [and powder days] on the decline … "
- "The overall economy of skiing is shrinking at an alarming rate."
- "Annual skier days in the U.S. have been stagnant at around 50 – 60 million for the past decade."

The article is incorrect in asserting that skier visits are in decline and the "economy of skiing" is shrinking. To the contrary, the ski industry has exhibited robust growth in recent years, as illustrated by the following facts:

- As shown in the table and chart to follow, skier visits have increased over the past three decades, rising from an annual average of 50.2 million visits in the 1980s, to 52.4 million visits in the 1990s, to 57.5 million visits in the 2000s. Annual average skier visits have thus grown by 9.8 percent between the 1990s and 2000s, and by 14.5 percent between the 1980s and 2000s. Moreover, each of the industry's five major regions have experienced increases in visits between the 1980s and 2000s (Table 1).
- In a further indication of the industry's recent growth, the industry's nine busiest seasons on record have all occurred in the past ten years. The 2009/10 season, at 59.8 million visits, was the industry's second-busiest ever, just behind the record 60.5 million visits recorded in 2007/08.

There are several factors which have contributed to the long-term growth in skier visits, including:

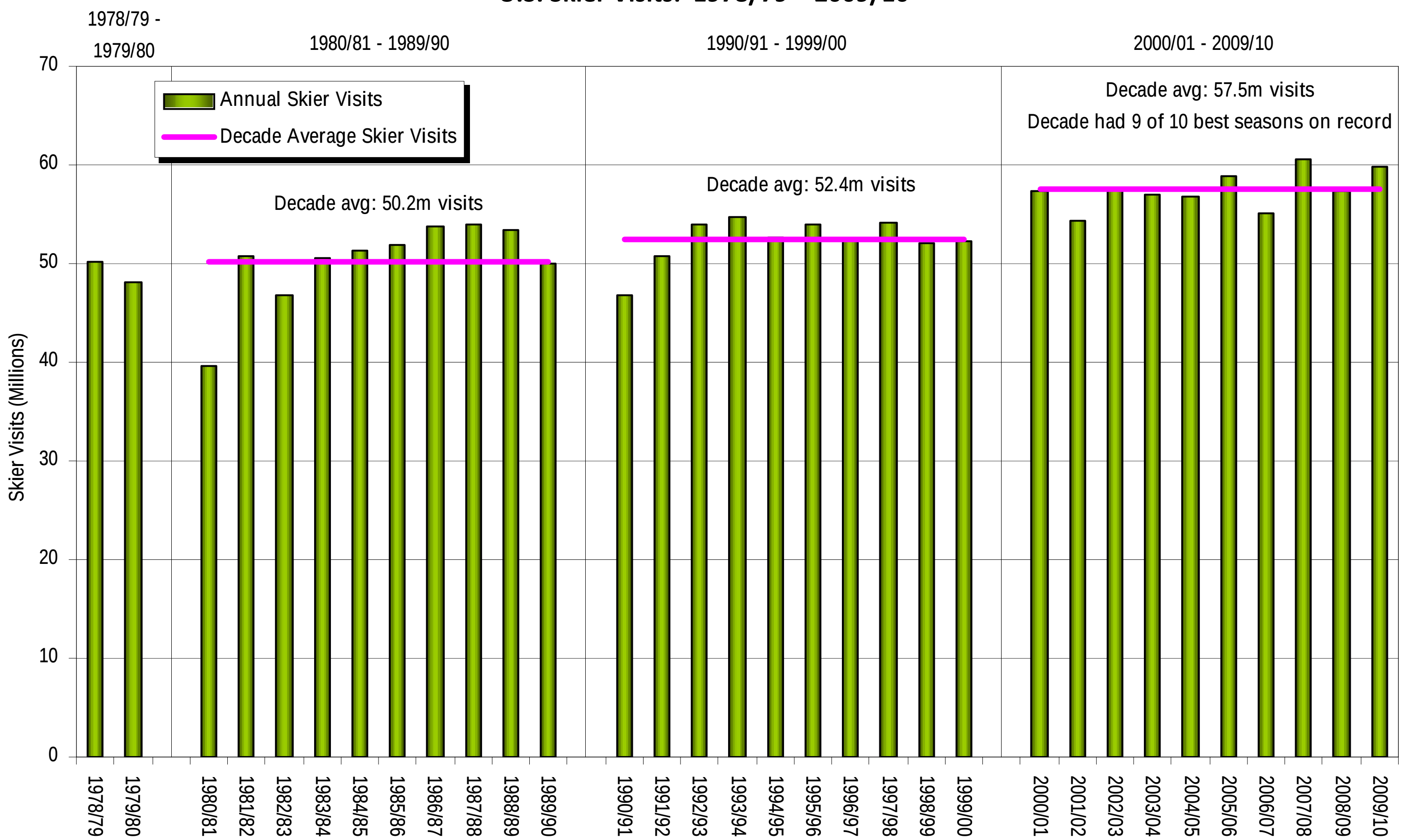
- Strong growth in participation by enthusiasts aged 45 and older, resulting in a broadening of the participant age profile, and the evolution of snowsports into an increasingly three-generation activity.
- Strong growth in season pass sales and visits, fueled by the expansion of highly attractive season pass products since the late 1990s.
- Population growth, particularly in areas proximate to ski resorts.
- Other contributing factors likely include improvements in the ski resort product (snowmaking, lifts, amenities, service levels, etc.) and ski equipment technology (as cited in the article), which together make snowsports a more consistently enjoyable and accessible experience; continued adoption and growth of snowboarding; exposure afforded by events such as the Olympics and Winter X Games; industry efforts to cultivate participation by children (e.g. via numerous free "ski passport" programs for grade schoolers); demographic trends (such as long-term growth in upper-income households); and other factors.

Table 1
U.S. Annual Average Skier Visits, by Decade and Resort Region

Average Annual Skier Visits	Northeast	Southeast	Midwest	Rocky Mountain	Pacific West	U.S. Total
Annual average: 1980/81 - 1989/90	12,115,500	4,985,100	7,046,300	15,782,000	10,290,700	50,219,600
Annual average: 1990/91 - 1999/00	12,487,638	4,761,592	6,782,439	18,170,212	10,179,506	52,381,586
Annual average: 2000/01 - 2009/10	13,213,634	5,498,789	7,604,659	19,789,286	11,383,608	57,489,976
% Change: 2000/01 - 2009/10 vs. 1980/81 - 1989/90	9.1%	10.3%	7.9%	25.4%	10.6%	14.5%

Source: NSAA Kottke National End of Season Survey, 2009/10.

Figure 1
U.S. Skier Visits: 1978/79 – 2009/10



Source: NSAA Kottke National End of Season Survey, 2009/10.

RESPONSE RE: DAYS OPEN:

Article content regarding trends in days of operation:

- Photo: skier on ribbon of snow. Caption “Skiing the low snow at Snowbird, Utah”
- Subtitle: “With [skiers and] powder days on the decline … ”
- Graphic: “The incredible shrinking ski season”

Judging by the green grass, leafed-out bushes and aspens and debris-covered snowfield, it is obvious that the photo was taken in spring or summer, quite likely after the resort was (largely or completely) closed, rather than in winter (Snowbird historically operates as late as July in above-treeline areas). As such, the use of the photo in the context presented by the article misrepresents normal resort operations, and (contrary to the theme of the article) appears to illustrate that high snowfall typically enables die-hard enthusiasts in many parts of the country to pursue their passion well in to spring and early summer.

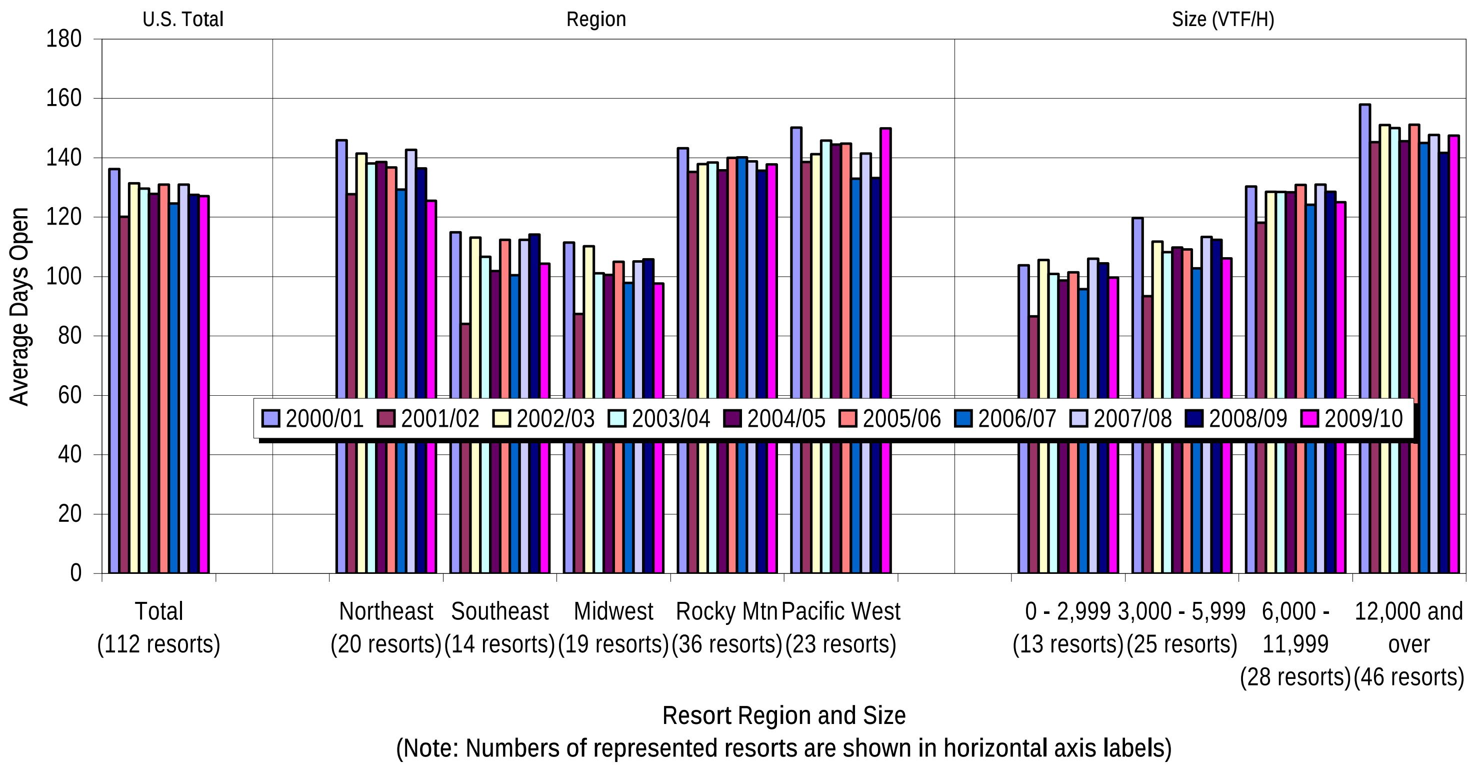
While global climate change does potentially threaten to reduce the length of ski seasons in the future, it is important to note that any such impacts have not been discernable in the past ten seasons, as illustrated in the chart to follow. To the contrary, although fluctuating year to year, average days of operations for resorts has remained relatively constant over the past decade, with generally stable patterns also observed at resorts in different regions and with varying lift capacities. Variability in weather and snow conditions can clearly impact season lengths in any given winter, especially within specific regions, but such fluctuations have tended to balance one other out over the past decade.

Moreover, it is important to note that season operating lengths are also heavily influenced by factors other than the weather. These include guest demand, resort economics, and, at many resorts, regulation.

Many resorts open later and close earlier than snow conditions alone would permit, simply because customer demand in early- and late-season periods tends to be comparatively slack and operations may thus be unprofitable. Additionally, many resorts are subject to permitting requirements (such as lease agreements with state and federal landholders or due to wildlife considerations) which limit operations in the spring.

The National Ski Areas Association recognizes that global climate change potentially threatens long-term viability. Accordingly, the ski industry has been a leader in taking action to reduce the threat posed by global warming through its “Keep Winter Cool” campaign, “Sustainable Slopes” program, and related efforts. However, as important as these future threats are, it is important to recognize that the industry continues to grow and thrive for the time being, and a declining future is not necessarily preordained.

Figure 2
Average Days Resorts Were Open for Skiing/Snowboarding per Season
By NSAA Resort Region and Resort Size (Lift Capacity)
10-Season History: 2000/01 - 2009/10, Same Resorts in Sample All Seasons



Source: NSAA Kottke National End of Season Survey; RRC Associates. .