



November 16, 2009

Charles Swanton
Robert Bentz
Alaska Department of Fish and Game
Sent via email

Re: 2010 Southeast Early Business Forecast

Dear Charlie & Rob,

I have been conducting an ongoing survey of Southeast guides and lodge owners throughout the year. I think that all would agree that 2009 was dismal. Bookings were down 25-40% with the small operators and those that serve corporate customers hurt the most. We have seen businesses fail, communities have suffered, and most of all, some good people have seen their life's work fall upon tough times.

Unfortunately 2010 is also shaping up to be another down year. Following is feedback from a diverse group and a brief assessment of risks and opportunities. First a couple of observations:

- Southeast is not representative of the entire State as our customers are primarily non residents.
- Our forecasts tend to mirror tourism numbers and we understand that they are estimating a substantial decrease, (40%?), for 2010. Perhaps the State's Tourism Bureau can provide you with additional information.
- We have not yet completed our external marketing season so forecasts are not as accurate as they will be by January/February.

Preliminary forecasts for 2010 are as follows:

- Preseason bookings to-date, (mid November), are down 20-30% from 2007-08 and only marginally better than 2009.
- Small operators are showing poorer results than the larger owners.
- Once again those serving primarily corporate customers are forecasting poorer performance.
- Guides serving cruise lines for short one-day trips will see bookings down substantially from 2009.
- Of particular concern is that bookings were tracking along fairly well until October, and then suddenly have dried up in the past few weeks. No reason/explanation is cited.

Historically, by this time in the season, we are substantially booked for next year. However so far, many operators seem to be only holding on to their long term core customers and it appears that attracting new business will be a tough challenge.

Risks

- Our bookings are affected by regulations. Chinook and halibut limits have not yet been established for 2010. If the salmon abundance index comes in low and we continue to be



- restricted to one halibut, then we will get cancellations from current clients and not attract as much new business as might otherwise be expected from our marketing efforts.
- The national economy is a key indicator and there appears to be growing concern that the recovery will stall/not improve as rapidly as hoped and job security/creation may lag even more than traditional recovery patterns. Consumer confidence from our customers is still in the tank.
 - Many guides are concerned about halibut issues, in particular the implementation of the Moratorium in 2010, continuation of the one-halibut regulation, and possible implementation of the catch sharing plan.
 - While I don't have hard data yet, I believe we have underestimated the impact of the Moratorium. It shuts down growth for successful operators and eliminates those who have started businesses since 2005. I think we could see fallout on the order of 20%, ie 100-150 businesses, resulting from this regulation. Now I must add that this is my opinion only and not group consensus.
 - The one-halibut implementation last June has also negatively impacted business. With significant earlier restrictions placed on Chinook and other bottom fish, the one halibut rule became the proverbial 'nail in the coffin'. Several operators cited cancellations in 2009 directly attributable to this action.
 - Finally, the CSP is a draconian statute that if implemented as currently approved, may literally cause a collapse in the Southeast guide industry. If this measure gets implemented in 2010, all bets are off.
 - Weather and poor fishing are also contributing factors to our business. Both were favorable in 2009, however if negative this coming year, could affect our business results.

Opportunities

- It is still early and most of us are still conducting our 2010 marketing campaigns so there is still time for improvement. Many operators travel to various trade shows, do direct marketing and other business development activities through the fourth quarter and hope to increase business as a result.
- If by some chance the economy improves at a quicker rate, we would expect to see additional bookings. In fact we experienced an unusual midseason business uptick last summer by fishermen who had previously decided not to book, but just couldn't resist missing a season. We would hope that this phenomenon would repeat in 2010 if the economy picks up.

In summary, 2010 will be a challenging year for guides and lodge owners in Southeast. We will face our second consecutive down year due to the economy and we will be forced to adapt to more restrictive regulations. I wish I had a more rosy picture for you but for now, 2010 is shaping up to be a tough year.



I hope this information is helpful and of course if you have any questions, please feel free to contact me directly.

Sincerely,

A handwritten signature in black ink that reads 'John A. Blair'.

John A. Blair

Executive Director

925-366-6638

john@seagoalaska.org

www.seagoalaska.org