



Alaska Mountain &
Wilderness Huts Assoc.

Alaska Huts

wilderness stewardship through personal experience & education

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30 June 2007

Joe Meade, Forest Supervisor
Jeni Evans, Seward District Ranger
Chugach National Forest
3301 C Street, Suite 300
Anchorage, Alaska 99503

Subject: Alaska Huts Financial Viability Follow-up

Dear Joe Meade and Jeni Evans:

Thank you for meeting with us May 29 and for your letter dated May 25, 2007. The board has been considering your finding that the hut-to-hut proposal is not economically viable in its current form and that you cannot proceed with the project at this time. This letter is an interim step to continue open communications by echoing the primary messages that we heard from you and by indicating briefly for the record several inaccuracies we see in the material we received from you.

Primary Messages We Heard

Capital funds. We acknowledge that our organization is a small, grass-roots, non-profit organization without “deep pockets,” and we recognize that the Forest Service needs reasonable assurance that the organization can fund the project. Based on our understanding of the May 29 discussion, if this effort is to move ahead, the Forest Service would like to see more information about construction costs, funding plans (including endowment), and indications from funders that the needed capital funds will be forthcoming.

Scope, scale, and timing. We acknowledge that our operating model outlines an ambitious construction plan to put four huts and 20-plus miles of new trail in place within five years, and that this may not be realistic. We have indicated in the past that construction of both the hut system overall and construction at any given hut site may be phased, but we acknowledge that this is not well reflected in the operating model. Based on our understanding of the May 29 discussion, if this effort is to move ahead, the Forest Service would like to see evaluation of a construction effort that could start smaller and build more slowly.

Hut user market. We acknowledge that the analysis of potential hut-to-hut users and pricing of hut services is made difficult by Alaska’s small local population and by the lack of any directly-comparable hut operation in Alaska or even elsewhere in the U.S. Based on our understanding of the May 29 discussion, if this effort is to move ahead, the Forest Service would like to see more information about the

Our Mission:

Include Alaska’s back country in a worldwide tradition of places in which hikers and skiers can travel hut to hut, and provide warm comfortable huts in inspiring settings to foster camaraderie and promote wilderness education and stewardship.

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hut-to-hut user market and greater assurance that the service/pricing we propose is matched to the user market.

Effort. We acknowledge that any attempt to move forward will be a “high hurdle” to cross, as you have indicated informally to us, and not a simple effort.

Potential Inaccuracies and Misunderstandings

The paragraphs below present what we believe are several important inaccuracies or misunderstandings in the Independent Resources review of our December 2006 financial operating model. We present these in the spirit of information-sharing and for the record, and not to undermine the issues acknowledged in the paragraphs above.

Flat growth. Interpretation of “backcountry rentals” may not be accurate. Flat growth in backcountry cabin rentals may be the result of cabins being virtually 100% booked in summer ‘high season’ rather than the result of lack of demand. Also, it appears by this comparison that existing public use cabins are the only point of comparison, and we believe they are not the same ‘product’ as the proposed huts.

Maintenance costs. It may not have been clear to the reviewer that Alaska Huts intends a corps of volunteers to undertake much of the routine trail and building maintenance, in exchange for free nights at the huts. Volunteers would be under the direction of a paid maintenance supervisor and at the calling of a paid volunteer coordinator.

Local vs. out-of-state hut users. There may be an error in assuming only 20% of users are anticipated to come from out of state. This needs clarification, but it appears to us that some 50% of users noted in the Agnew::Beck study would come from outside Alaska. Given that the December 2006 operating model displayed ‘high-end’ guided trips, the percentage may be higher yet.

Fuelwood/resupply/communications. The review may indicate incomplete understanding of important elements of the proposal, including hut staffing and supervision on site (to eliminate unplanned use of firewood), building design (superinsulation, to reduce fuel need), fuel use (combined wood and propane), communications (satellite phones, no repeater sites), and resupply (by helicopter, not snowmobile or other ground transport).

Firm infrastructure estimates. The review appears to assume that construction cost estimates and commitments of funding for construction would be part of the financial viability package. The review does not acknowledge that the Forest Service had never previously asked Alaska Huts to provide firm estimates for construction of buildings and trails or firm commitments of funding. There may be a misunderstanding about how non-profit organizations acquire capital; it may be misunderstood that actual funding commitments are not possible when there is no EIS decision, no permit, and no assurance of a project. The operating model purposefully did not include debt service on construction loans, because no loans are anticipated. Therefore capital costs previously were not part of the ‘financial viability’ question.

Willingness to pay. The review appears to have focused on the Agnew::Beck informal survey of willingness to pay without acknowledging the actual (much higher) amounts users pay for hut use at other Forest Service hut systems in New Hampshire, Colorado, and elsewhere as also cited in the Agnew::Beck study.


General misunderstandings. The review appears to misinterpret several other elements. These potential misunderstandings include:

- The review appears to be structured as if the operating model we submitted in December 2006 was in response to issues raised by the previous Independent Resources review in 2005. In fact, Alaska Huts had responded to those issues in 2005 to the apparent satisfaction of Independent Resources and the Forest Service. Based on our 2005 submittals, the Forest Service had accepted our proposal package as a whole and had begun the EIS.
- The review indicates that the proposal has materially changed from 2004. We don't believe it has changed materially.
- The review indicates that we found the Forest Service's proposed EIS Alternatives 1, 2, and 3 not viable. In fact, we indicated in our December 2006 submittal only that Alternative 1 did not appear financially viable. Alternatives 2 and 3 appeared to us weaker than the proposed action but still viable.

If appropriate in the future, we can provide further information on each of these potential misunderstandings in an effort to ensure we all understand the proposal in the same way.

Alaska Huts currently is gathering information about how best to proceed. We expect to be in touch with you again about our intended course of action. If you have questions in the meantime, or comments about the specifics of this letter, we encourage continued communication.

Sincerely,



Michael Henrich
President

Copies: Alaska Huts Board of Directors