

Opportunities for New Entry for River Service Providers Providing Guided Trips

Providing opportunities for new river service providers to operate commercial trips on a river when use is limited is a challenge. Our goal on the Madison River is to develop a realistic pathway for new entrants under a commercial use plan that caps the number of guided trips.

Objectives:

1. Provide realistic new entry pathways for river service providers to operate on the Madison River.
2. Ensure that new entry remains possible while the aggregate number of commercially guided trips remains capped.
3. Ensure that existing service providers may continue to operate at their recent historic use so long as they maintain a minimum threshold of use.
4. Ensure that mechanisms are in place to allow unused trip capacity to transfer to new entrants as well as smaller operators attempting to expand.

Obstacles to New Entry in Existing Commercial Use Plans

Several other rivers in Montana have set limitations on commercial use including the Bighole, Beaverhead, West Fork of the Bitterroot, and Smith Rivers. New entry and incremental growth has become very difficult on these rivers for several reasons.

1. **Moratoriums on new permits** – most commercial use permit systems in Montana where limitations on use are present implement a moratorium on new permits. The permit then becomes the required “ticket to entry”. The only option for a new entrant is to purchase another business so that they are issued their own permit when the seller relinquishes theirs – often at a significant valuation beyond the actual operations of the selling outfitter. Often no businesses with a permit are for sale, and if they are the entry cost is significant. This system is similar to the “liquor license” model.
2. **Minimal performance requirements** – Businesses ebb and flow and many decline in use over time. Many permit systems with allocated trips in Montana have minimal requirements for maintaining historic levels of operation. When these businesses decline in use they are not required to forfeit use capacities to other providers unless they discontinue operations completely.
3. **Inability to transfer use capacity in small increments** – Most existing commercial use permits require in Montana require a service provider to sell their operations in their entirety in order for allocated trips to transfer. So operators declining in use have no mechanism to transfer use to another outfitter. This lack of fluid transfer of use capacity is a barrier for new entrants.

Recommendations to improve new entry on the Madison River

1. **Avoid moratorium on permittees** – any qualified outfitter or service provider should be able to receive a use permit. This strips away artificial valuation of a “limited entry permit” and avoids the “liquor license” effect.
2. **Require existing outfitters to forfeit unused capacity of allocated trips to be re-allocated to new entrants** – when service providers operation’s decline significantly from their historic use. Their capacity should be reset, and those allocated trips should

be made available to new entrants. This pressure will encourage existing providers to transfer unused trips and will also strip away speculative valuation of “trips” by adding risk to operators and avoiding a “property right” effect.

- 3. Allow ease of transferability of trip allocation** – Providers need to easily transfer their use capacity to other providers. This includes a partial transfer of their use. Transfers may be permanent or temporary. By increasing the fluidity of transferred trip capacity new entrants will have a more realistic pathway to operate on the Madison River.