

**THE ECONOMIC VALUE
OF THE BABINE RIVER
CORRIDOR PARK WITH AND
WITHOUT A PROTECTIVE
BUFFER**

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Prepared for:
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Executive Summary – The Economic Value of the Babine River Corridor Park With and Without a Protective Buffer

The Babine River Corridor Park is relatively small in comparison to many other provincial parks in the province. However, the high quality wilderness attributes of the Park, combining world-class steelhead fishing, level 4 white-water river rafting, and pristine big game hunting (grizzly, black bear, moose, mountain goat) results in the Park contributing a disproportionate amount of economic activity and government revenues. This economic activity is particularly important to the province, since the majority of the tourist spending is by non-BC residents and as a consequence, the Park is an important source of export earnings for BC.

This economic analysis makes the case for converting the existing SMZ to a Resource Stewardship Zone (RSZ) and creating a new SMZ beyond the RSZ on both sides of the River. It compares the actual commercial wilderness tourism activity for 2001 with the potential annual logging activity in the existing Babine Special Management Zone (SMZ). The actual revenues accruing to the provincial government from commercial tourism (\$650,000 per year) exceeds the potential stumpage revenues (\$230,000 per year based on short-term unsustainable cutting rates) by more than \$420,000 annually, and by more than \$1.3 million in terms of GDP. The change to the annual allowable cut (AAC) required to convert the existing SMZ to a RSZ is minor and well within the +/- 10 % variance allowed for the periodic cut control for the forest tenures in the area. This adjustment of about 1.5 percent of the AAC will optimize the net revenues from all resource values. It will also ensure that no roads occur within 2 km of the river, the buffer required to adequately protect and sustain the economic and social benefits from the high quality wilderness fishery on the Babine.

These economic benefits and the high value-added nature of commercial tourism operations within the Park and its environs confirms the importance of maintaining the pristine, high-quality wilderness nature of the Park, which alone enables Babine operators to attract their high-paying non-resident clients. Nevertheless, according to government biologists, any logging option considered in this report could still result in up to a fifty percent long term decline in grizzly populations.

A survey of most commercial operators using the Babine River Corridor Park (the lack of 100% participation indicates that the results are somewhat conservative) provided the data for the following wilderness tourism analysis. Data from the Ministry of Forests provided information for the stumpage analysis.

Wilderness Tourism Summary

- The analysis indicates that tourists (over 95% of whom are non-BC residents) spent at least \$3.87 million in the year 2001 with commercial operators using the Babine River Corridor Park, excluding spending by recreational visitors using the Park for sport fishing and personal river rafting. This spending represents a pure export of BC services.
- Spending by non-resident tourists to travel to and from the Babine area is estimated at \$759,000 and capital investment by commercial operators at \$217,000 in 2001.
- Direct contribution of wilderness tourism to provincial GDP is estimated at \$2.58 million, direct employment at 35.1 F.T.E.s (headcount of 77 employees) and direct provincial government revenues at \$351,000.
- Total (direct + indirect + induced) contribution to GDP is estimated at \$4.49 million, total employment at 69.0 F.T.E.s and total provincial government revenues at \$652,000.
- For every dollar of non-resident tourism spending, total GDP in the province increases by \$1.06. This is in contrast to logging, which adds 90 cents for every dollar of production, and metal mining, which adds 85 cents for every dollar of production.
- Excluding recreational visitors, operators in the year 2001 registered over 716 clients in the Park. Average spending by these clients using the BRC Park exceeded \$809 per day in the same year, far-and-above the average non-resident tourist expenditures of less than \$100 per day for the province as a whole.
- The survey of tourism operators using the Babine River Corridor Park suggests that non-resident tourism activity in the area has been growing at an annual rate of around 6% - 9% over the last five years. This growth is expected to moderate somewhat over the next few years, but still reach about 5% a year.
- While spending by the estimated 600 resident recreational visitors to the BRC Park is considered very small, these BC residents still have to travel to and from the Babine. The estimated expenditure for these residents is \$201,000 resulting in a total (direct plus indirect plus induced) impact on the economy of \$150,000. The total impact on FTE employment is estimated at 3.3 while total provincial government revenues increase by \$77,000.
- Exhibit Exec 1 below highlights the economic impacts of commercial tourism operations for 2001.

Exhibit Exec 1: Economic Impacts of Commercial Tourism, 2001

	Direct	Indirect	Induced	TOTAL
Tourist Expenditure	\$3,865,391			
Commercial Tourism Output	\$3,573,868			
GDP (Value-Added)	\$2,235,372	\$633,465	\$912,205	\$3,781,041
Employment (FTEs)	28.9	14.0	14.8	57.7
Provincial Taxes and Levies	\$322,775	\$52,823	\$172,056	\$547,654

- Exhibit Exec 2 below highlights the comprehensive impacts (operations, investment and river access) of commercial tourism (a pure export) to the economy of British Columbia.

	Direct	Indirect	Induced	TOTAL
Expenditure*	\$4,841,603			
GDP (Value-Added)	\$2,582,513	\$846,171	\$1,063,860	\$4,492,543
Employment (FTEs)	35.1	16.7	17.2	69.0
Provincial Taxes and Levies	\$350,915	\$100,848	\$200,645	\$652,408

Exhibit Exec 2: Total Economic Impacts of Commercial Tourism, 2001

* includes capital investment and access expenditures

Logging Summary

- The potential rate of logging within the Special Management Zone (SMZ) surrounding the Babine River is estimated at 27,100 cubic metres per year, generating approximately \$150,000 in potential annual stumpage revenues to the provincial government. The potential contribution to GDP from logging activity in the existing SMZ is estimated at approximately \$3.2 million.
- That approved rate of logging is not sustainable in the existing SMZ. When the rate of cut declines to the planned sustainable AAC, it will be reduced by 54 percent and the potential annual stumpage accruing to the provincial government will fall to \$69,000.
- Presently, the Ministry of Forests spends an estimated \$11.66/cubic metre each year to administer logging in the Babine SMZ. A conservative 25 percent or \$2.92 per cubic metre overhead cost for administration was included in this analysis.

- Creating a Resource Stewardship Zone (RSZ) in which no logging would be permitted by converting the existing SMZ, has a potential net cost to the provincial government in reduced stumpage revenues of \$150,000 per year compared to the present zoning, declining to \$69,000 per year in the long run.
- Creating a new SMZ (with the same area as the existing SMZ) beyond the existing SMZ on both sides of the Babine River has a net cost to the provincial government in reduced stumpage revenues of \$245,000 per year compared to the present zoning. In the long term, this net cost to government declines to \$94,000.

Summary of Results

- The Babine River Corridor Park presently contributes over \$650,000 annually to provincial coffers from wilderness tourism. Optimizing the economic return from all resource values in the Babine by creating a RSZ with no logging and no road access, would cost the provincial government at most \$150,000 per year in stumpage⁸ in the short term and \$69,000 per year in the long term. If both a RSZ and a new SMZ were created, the stumpage cost to the provincial government would be, at most, \$245,000 per year in the short run and \$94,000 per year in the long term. The net annual payoff to the provincial government from creating a sustainable resource region (that is, from creating a RSZ and new SMZ) is over \$325,000 in the short-term and \$520,000 in the long term.
- If the timber not available from the RSZ were logged elsewhere in the TSA or if the overall TSA AAC is within the five year cumulative cut permitted by policy - without logging in the existing SMZ - no actual loss in stumpage revenue would occur.
- Logging in the Bulkley TSA is temporarily being reduced because of the transfer of allowable annual cut to the Lakes and Vanderhoof TSAs so logging companies can participate in the accelerated pine beetle salvage logging. This timber will be processed in Smithers' mills and the economic activity in this community maintained.



⁸ There may also be an additional small loss in stumpage due to fully protecting the spawning channel tributary to Nilkitkwa Lake. This assessment is being undertaken at this time.