

# IEc

## Economic Viability of CWW License Holders

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Licensing Program Advisory  
Committee

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# Purpose and Need, Definitions

“The rules must be designed to reduce the daily and cumulative impacts on southern resident orca whales and *consider the economic viability of license holders*” (RCW 77.65.620).

CWW Industry

- We consider the industry to cease being economically viable when the costs of the rule (direct costs + reduced revenue) approach total annual profits.
- Analysis evaluates costs against the average annual industry profit as a benchmark for economic viability.

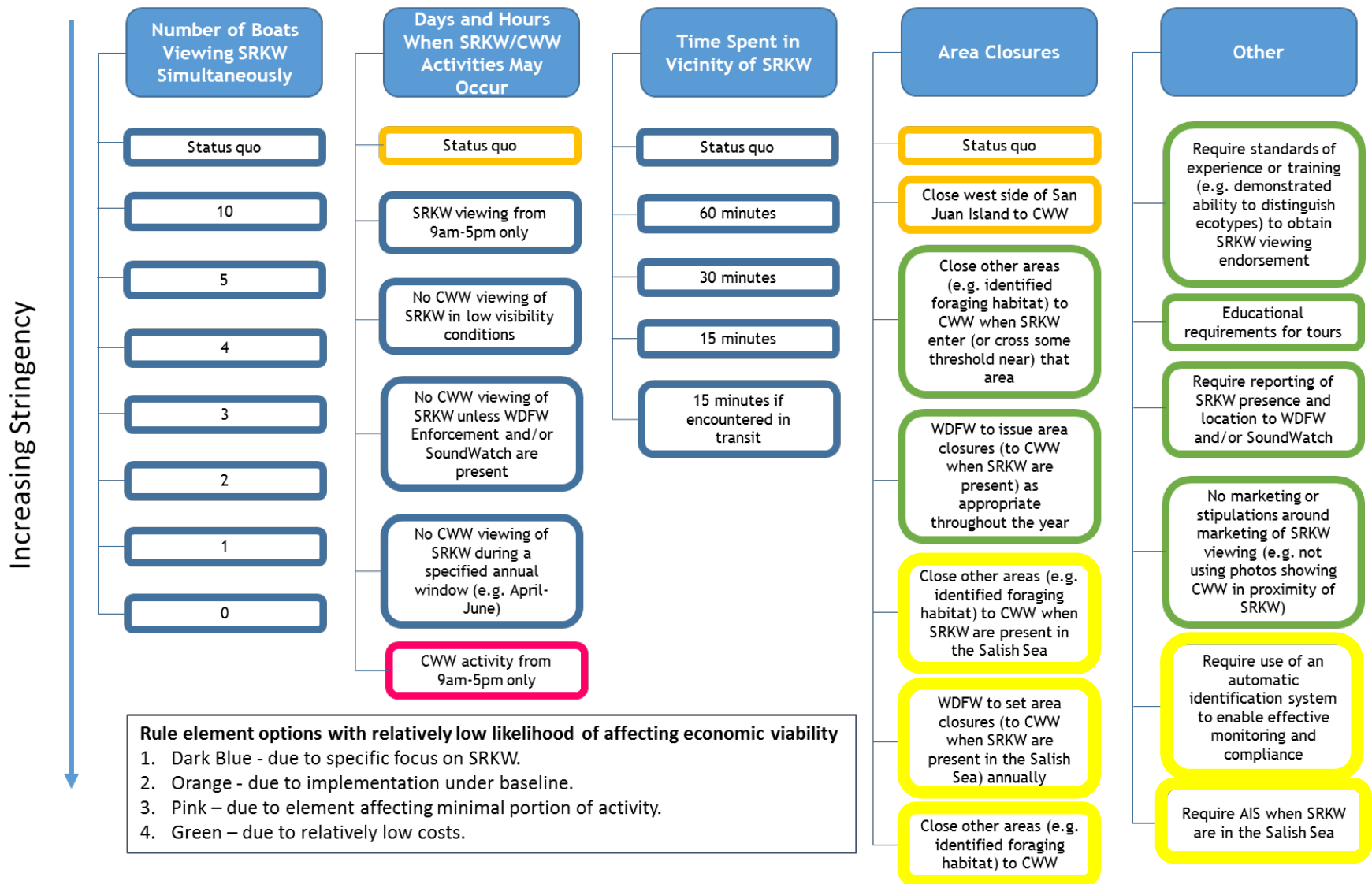
# Key Questions

1. What is the universe of businesses that may incur costs as a result of the rule?
2. In what ways could the proposed rule options affect CWW license holders?
3. Is the industry likely to be able to adapt to these regulatory requirements?
4. What potential regulatory requirements are more or less likely to affect the ability of CWW license holders to continue to operate?

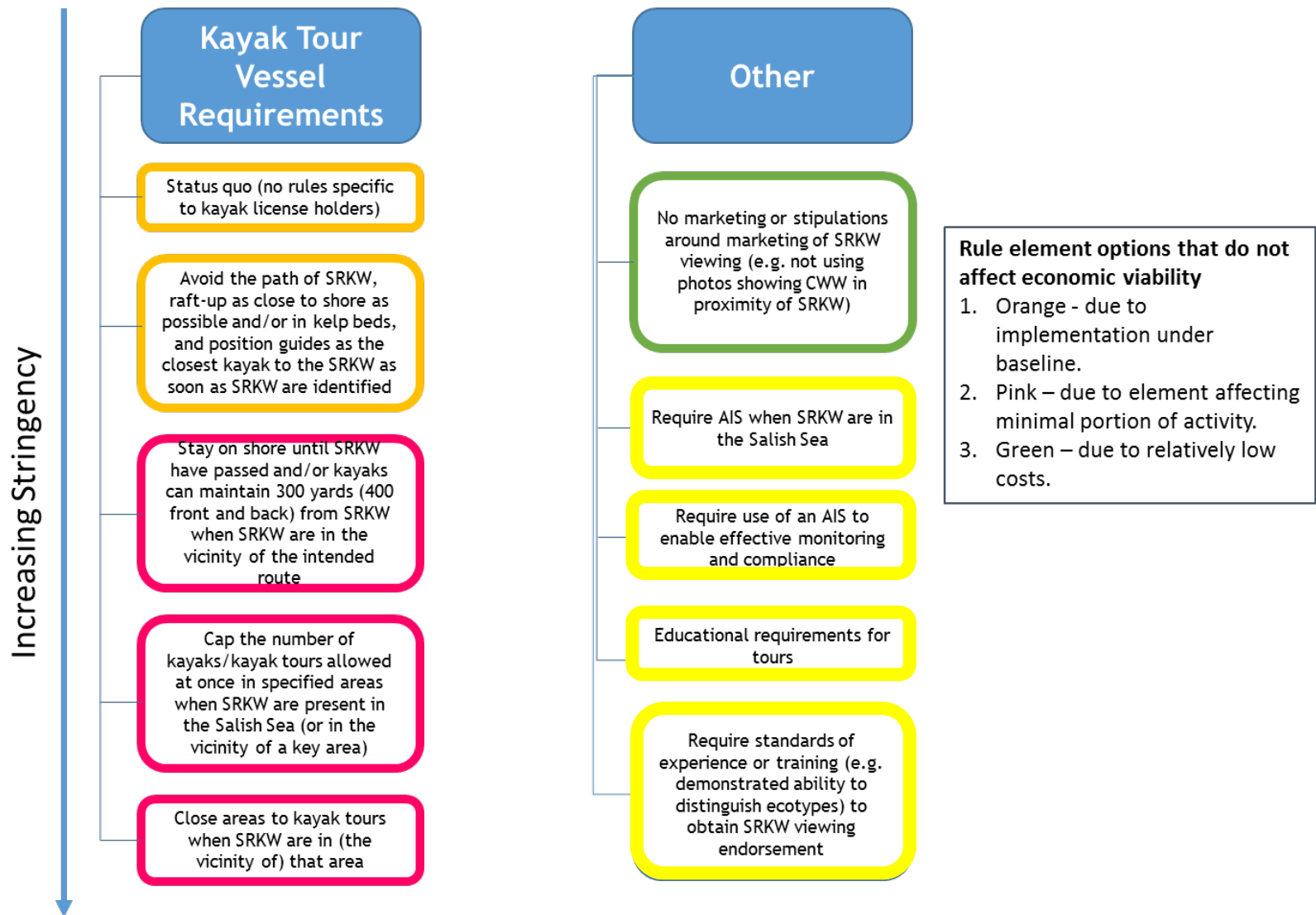
# Defining the Affected Industry

INDUSTRY SECTOR	PRIMARY ACTIVITY
Primary Motorized Whale Watch	Motorized or sailing vessel excursions with the express and primary purpose of viewing whales.
Kayak Touring	Human-powered group paddling tours, including day trips and multi-day excursions, for sightseeing, coastal exploration, camping, and wildlife viewing.
Incidental Whale Watch	Motorized or sailing excursions primarily for non-whale viewing purposes including sightseeing, dining cruises, transportation (ferry, water taxi), charter fishing, viewing other wildlife (e.g., birds), etc.

# Rule Elements - Primary Motorized Whale Watch



# Rule Elements - Kayak Tour Sector



# Types of Costs

Rule element options affect the CWW business in two ways:

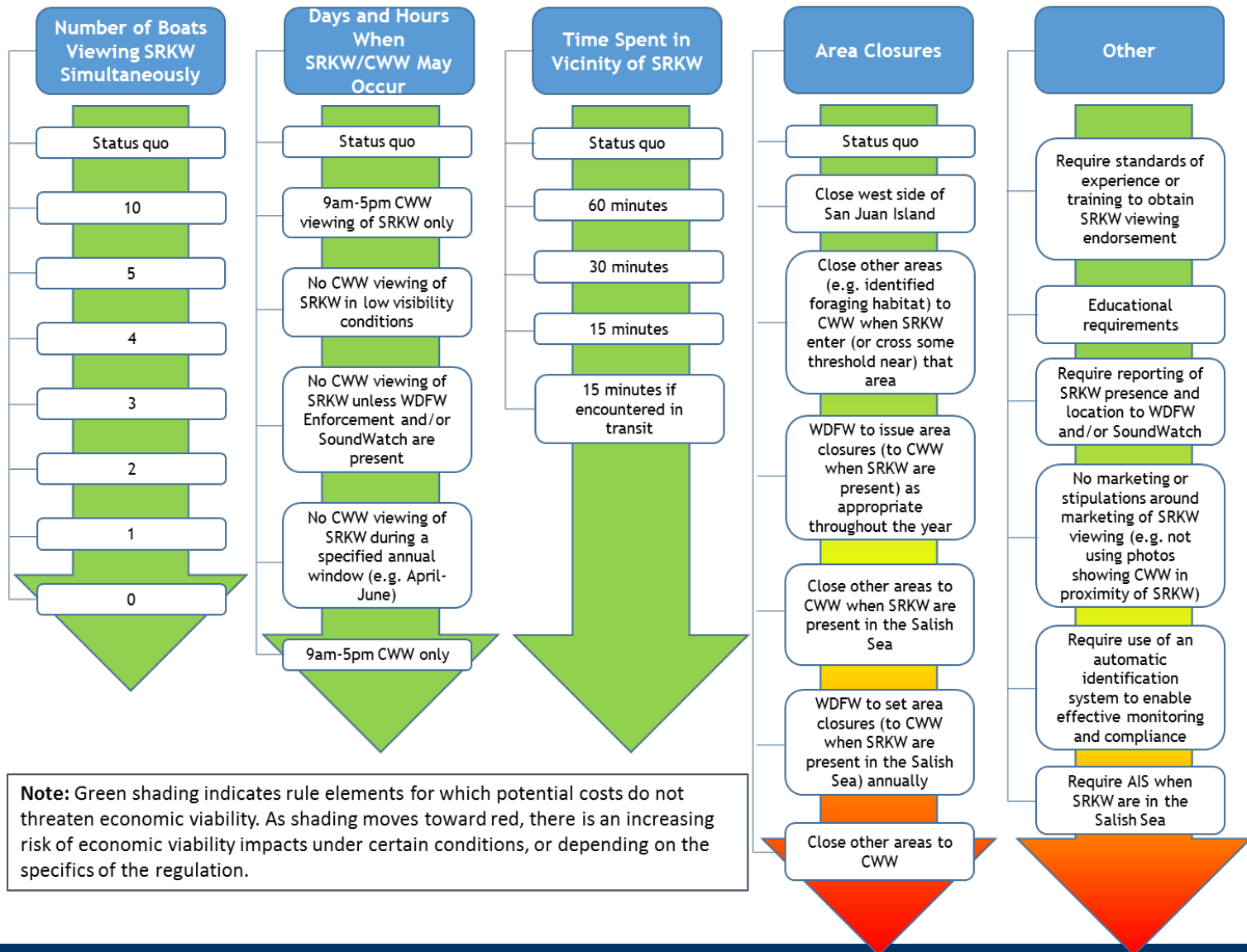
- **Generating direct compliance costs**
  - Expenditures the industry would need to make in order to comply with the regulation (e.g., purchasing equipment or increased labor costs).
- **Affecting activity levels**
  - **Reduced Supply:** Regulation restricts the number of whale watching tours that the industry can feasibly offer in a given year (e.g., due to time closures)
  - **Reduced Demand:** Because perceptions of whale watching trip experiences are diminished such that demand for whale watching trips is reduced (e.g., area closures to all CWW activity that might decrease the likelihood of seeing a whale at all).

# Industry Financial Profile

INDUSTRY SECTOR	NUMBER OF COMPANIES IN REVENUE ESTIMATE	COMBINED RIDERSHIP (2019)	COMBINED ANNUAL REVENUE	PROFIT (RANGE)	ESTIMATED SECTOR-WIDE ANNUAL PROFIT
Primary Motorized Whale Watch (Mainland)	3 (estimated)	102,300	\$11,000,000 - \$20,000,000	20% - 30%	\$2,200,000 - \$6,000,000
Primary Motorized Whale Watch (San Juan Islands)	10-12	43,150	\$8,900,000 (Average 2015- 2019)	10% - 20%	\$890,000 - \$1,800,000
Kayak Touring	11-13	Unknown	\$3,200,000 (Average 2015- 2019)	15% - 30%	\$320,000 - \$630,000



# Summary of Results - Primary Motorized Whale Watch



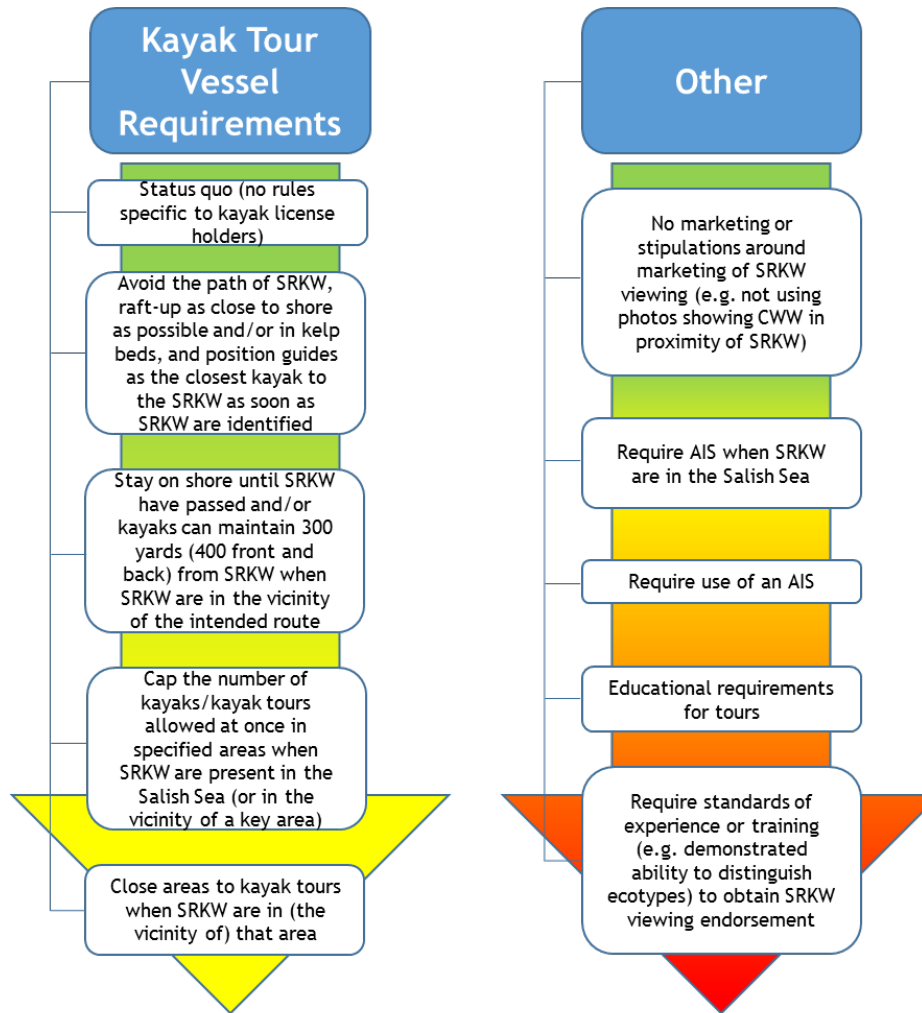
# Primary Whale Watch - AIS

RULE ELEMENT	POTENTIAL COST	ECONOMIC VIABILITY CONCERN FOR SECTOR
AIS	<p>Cost incurred by 50 percent of businesses.</p> <p>\$25,000 sector-wide (\$3,400 per business) in the first year and \$4,700 (\$625 per business) annually thereafter.</p>	<p><b>No.</b> Assuming costs are incurred in an average year.</p> <p><b>Yes.</b> If costs are incurred prior to financial recovery from COVID-19 pandemic.</p>

# Primary Whale Watch - Area Closures

RULE ELEMENT	POTENTIAL COST	ECONOMIC VIABILITY CONCERN?
Area Closures (not based on SRKW immediate presence)	<b>High.</b> Long-term closures of areas unrelated to SRKW immediate presence limits ability of CWW operators to find whales to view. Could result in reduced ridership, or need to take passengers out again at no cost who were not able to view whales.	Yes.

# Summary of Results - Kayak Tour Sector



**Note:** Green shading indicates rule elements for which potential costs do not threaten economic viability. As shading moves toward red, there is an increasing risk of economic viability impacts under certain conditions, or depending on the specifics of the regulation.

# Kayak Sector - AIS

RULE ELEMENT	POTENTIAL COST	ECONOMIC VIABILITY CONCERN FOR SECTOR
AIS	Detailed cost information has not been compiled. Initial research suggests unit costs may be less than AIS unit costs for motorized vessels.	Yes. Technology is not typically used on kayaks, and cost information was not immediately available. Potential effects on viability dependent on whether there are appropriate technologies for kayaks.

# Kayak Sector - Education/Standards of Experience

RULE ELEMENT	POTENTIAL COST	ECONOMIC VIABILITY CONCERN FOR SECTOR
Standards of experience	At maximum, could require hiring of additional staff and curriculum development. At minimum, may require training of staff at relatively low cost.	Yes. If regulatory compliance requires hiring of additional staff.
Educational requirements		No. If regulatory compliance does not require hiring additional staff.

# Summary of Considerations

- Operational costs related to AIS (Primary Whale Watch and Kayak Tour) and elements that may require new staff (Kayak Tour) may threaten economic viability depending on specifics of rule and timing.
- Economic viability most likely to be a concern in terms of changes in activity levels when:
  - A rule option limits all CWW activity, rather than being focused on limiting viewing of SRKW; or
  - A rule option creates permanent or long-term area closures that are not tied to the physical presence of SRKW.
- Mitigation
  - Outreach
  - Timing of Requirements

A close-up photograph of an orca's head and neck, showing its characteristic black and white coloration and a white patch on its face. The orca is in a tank, with water splashing around it.

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Questions?

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