1973

Kings Hill | A plan for development

James Gifford Vannier
The University of Montana

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KINGS HILL: A PLAN
FOR DEVELOPMENT

By
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B.A., Michigan State University

Presented in partial fulfillment of the requirements for the
degree of
Master of Business Administration

UNIVERSITY OF MONTANA
1973

Approved by:

[Signatures]
Chairman, Board of Examiners
Dean, Graduate School

Date June 4, 1973
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I would like to thank Mr. George S. Willet of Ski Lift, Incorporated, and Mr. Homer D. "Bud" Powell, District Supervisor, United States Forest Service, for providing much of the original data.

I sincerely appreciate the thoughtful assistance I have received from Mrs. Virginia Gilmore, the librarian, and Mrs. Ira Smith, my typist. I am especially appreciative of the thoughtful understanding and assistance of my wife, Prudy.

I am indebted to the Strategic Air Command, United States Air Force, and the University of Montana for providing me with the opportunity to obtain an MBA while serving on active duty.
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CHAPTER I
INTRODUCTION

For generations, the Little Belt Mountains have served Montanans as a year-round playground. The early miners who settled the region, being mostly Norwegian, are credited with introducing a sport to the area that has long endured. With wooden slats strapped to their feet, they helped introduce to the Rocky Mountain West the Old World sport of skiing.

The early 1920's saw the first organized attempt at establishing an area specifically designed for skiing near Great Falls, Montana. The Great Falls Ski Club opened Bovey Slope and Prentice Run, named for two men who were early forces in the development of the area, on Porphyry Peak, an 8,000 foot mountain located eight miles south of Neihart, Montana. These two runs, since expanded and renamed, were the first of seven that were to be constructed on the mountain, now known as the Kings Hill Recreation Area.

The area continued under the management of the Great Falls Ski Club until its purchase in 1963 by a group of Great Falls, Montana, businessmen organized as Ski Lift, Incorporated. This purchase may have saved the area from financial demise. The Great Falls Ski Club, operating at a loss, was
ready to close the area. Ski Lift, Incorporated, the majority stockholders of which were all avid ski enthusiasts, saved the area for themselves and the public by providing the much needed financing. Majority stockholders of Ski Lift, Incorporated were Dr. Robert E. Asmussen, Dr. John A. Curtis, Dr. Earl L. Hall, president, Dr. John C. Hanley, Edward O. Noble, John S. Rice, John D. Ross, Joseph Thiebes, Jr., James E. Thompson, all of Great Falls, and the Great Falls Ski Club. Eighty-three per cent of the stock in Ski Lift, Incorporated was purchased by the present owners, George S. Willet and Edward B. Cogswell, Jr., both of Great Falls, in February, 1973.¹

The location of the Kings Hill Recreation Area was chosen primarily for its access and its snow conditions. The ski area is built in a natural snowtrap, as the Little Belt Mountain range funnels the snow clouds over the area. The ski area averages over 300 inches of snow per year, and has never experienced a snow failure, making for some of the most dependable snow conditions in the West.² The ski area is located immediately off U.S. Highway 89. A small gravel road connects the ski area to the highway.

The name "Kings Hill Recreation Area" may be misleading. The area takes its name from a mountain pass on U.S. 89 east of the recreation area. The ski area itself is built


on the 8,026 foot Porphyry Peak, west of the 8,000 foot Kings Hill Mountain. The ski area, located in Meagher County, Montana, sits entirely within the boundaries of the Lewis and Clark National Forest. Kings Hill Recreation Area, comprised of some 730 acres, is accessible by land via U.S. 89. There is no private land within the boundaries of the ski area, and the only public transportation is provided by the Belt Mountain Bus Line, which services the area daily from Great Falls. Great Falls, Montana, the closest major city, is served by four airlines: Northwest, Western, Frontier and Airwest. Montana's two Amtrack routes, neither of which run near the ski area, do not service Great Falls. The area is 65 miles by auto south of Great Falls, and easily within a half day's drive from all other major cities in the state.

**Purpose of the Study**

An analysis of the present physical and managerial structure of the Kings Hill Recreation Area has been attempted. Recommendations have been made for reorganization, further development and future research, and the findings may serve as a guide to the present Kings Hill management in formulating expansion plans.

**Research Limitations**

Primary research for this paper was limited to a series of interviews with the present and former Kings Hill
Fig. 1--Location of Kings Hill Recreation Area and Major Roads in Montana.
management, and the Regional Director of the U.S. Forest Service. Secondary data are listed in the bibliography and footnoted as appropriate. It must be noted that there has never been a study done on the profitability of ski areas in Montana. With the boom in winter sports activity, winter tourism could be a potential gold mine to the state. A complete analysis of winter sports areas in Montana and their impact on the state and local economy is urgently needed. A feasibility study, done by Mr. H. G. Brelesfords of Billings, Montana, on the Kings Hill Recreation Area, is available to the present owners of Ski Lift, Incorporated. This was a private study, and it was not available for review.

Organization of the Paper

The body of the paper is concerned with three broad topics: the national and local markets, Kings Hill Recreation Area today and the Kings Hill of the future. Data for the discussion of the national and local markets are listed in the bibliography, as are sources used and individuals consulted for the discussion of the present facilities of the area. In Chapters III and IV Kings Hill has been examined in the light of what it could be, much of the material being necessarily wholly original. The conclusion summarizes the needs of the facility, and provides recommendations for further research. In addition, several excellent professional magazines for ski area owners have been listed. Addresses where these publications may be obtained and price per subscription are included.
CHAPTER II

THE WINTER SPORTS MARKET

The National Scene

For a long time, we suspected we had land with a higher economic use than growing timber.

--Business Week\(^1\)

Skiing is big business. In 1969, there were over 1,000 ski resorts in the United States and Canada, serving over five million skiers, two-thirds of whom are considered "hard-core" skiers, or persons who ski five or more times per year.\(^2\) The majority of the ski areas are located east of the Mississippi River, with resorts in New England and the Middle Atlantic states accounting for the largest share of dollar volume, much of which is represented by weekend traffic from major metropolitan areas. Over-all, skiing has gone from a paltry $500 million business in the mid-1960's to one of approximately $1.3 billion in 1971.\(^3\) The profit

\(^1\)"Big Money Plays in the Snow," Business Week, October 5, 1969, p. 142.


\(^3\)Standard and Poor's Industry Surveys: Basic Analysis, New York: Standard and Poor's Corporation, 1972, p. 113.
Fig. 2—Geographic location of major ski areas in the United States.
potential inherent in a sport which can cost the individual from $100 to $400 for equipment alone has not been overlooked by American corporations. Ling-Temco-Vought (LTV), American Cement, Bankers Bond and Guaranty Corporation of Philadelphia, Lander McCormick Trust of Chicago, International Paper, Boise Cascade, Ralston Purina, St. Regis Paper, Weyerhaeuser Corporation, Johns Mansville Corporation and Scott Paper are all majority stockholders or sole owners of American ski resorts. Nor is it just corporations. Private individuals, some prominent in their respective fields, are trying to take advantage of expected high rewards in ski resort development. Madonna Village, a year-round vacation community near Jeffersonville, Vermont, is the creation of Thomas J. Watson, Jr., Chairman of the Board of International Business Machines (IBM). Actor Robert Redford has opened Sundance, near Provo, Utah, and former newscaster Chet Huntley is hoping his fame and Chrysler Realty Corporation's planning and money will bring skiers flocking to the new Big Sky of Montana.

The boom in skiing is being encouraged by the nation's airlines and the ski dollar is being actively sought by many states. Continental Airlines spent $155,000 on ski promotion in 1969. In 1970, United Airlines spent $1.2 million on ski promotion, and Trans World Airlines began pushing some 28 ski package tours at home and abroad the same year.4

4"Where the Money Is in Skiing," p. 112.
In Vermont alone, the Economic Development Division of the State Development Department estimated 350 thousand skiers pumped $46.4 million into the state economy during the 1969-70 season. Almost 91 per cent, or 320 thousand skiers, were from out-of-state, spending an average $22.30 per day on a two day trip.\footnote{5}{"Vermont's Economy Aided by Skiers," New York Times, July 26, 1970, Sec. V, p. 9.}

Colorado, long a mecca for the nation's skiers, estimated 1971 receipts of $50 million from out-of-state skiers alone, and that doesn't include what local skiers spent themselves.

It is estimated that the sport grows nationally at a 17 to 25 percentage rate. Each skier introduces another five persons to the slopes annually.\footnote{6}{"State Ski Area Cashing In on U.S. Recreation Explosion," Great Falls Tribune, February 7, 1971, p. 15.} Ski areas of all sizes are experiencing demands on their facilities faster than those facilities can be supplied. Vail, Colorado, was 48 per cent ahead of its total 1968 lift ticket sales by February, 1969, an increase of nearly six times its sales of those in 1961 when the resort opened. Bridger Bowl, Montana, had 80 per cent of its 1971 traffic by the first of 1972, with sales of season passes increasing from 1,400 to over 2,200.\footnote{7}{Ibid.} The crowds in the East have become so large that weekend lift ticket sales at some areas are on a reservation only basis.
To meet the demand, more and bigger resorts are opening as fast as possible. Chrysler Realty Corporation is building the 10,000 acre, $20 million Big Sky of Montana resort, scheduled to open for the 1973-74 season. Snowbird, Utah, destined to rank as one of the outstanding ski resorts in the world, opened in 1970 after an investment of $13.5 million. Keystone Mountain, Colorado, the Ralston Purina enterprise, also opened in 1970, after an initial expenditure of $6 million, and Northstar-at-Tahoe, now in the planning stages, is expected to cost a staggering $100 million.

Population trends, the rise in discretionary income and the shortened work week are key factors in the boom in skiing, and there is no letup in sight.

Demand for leisure products emphasizing active participation, such as skiing . . . is most pronounced in the young-adult age group, which is expected to be the most rapidly growing segment of the population in the U.S. over the coming years.  

Projections indicate that the 55 million individuals in the 20-39 age bracket in 1970 will expand to 62 million in 1975 and to 72 million by 1980, with well over 20 million American families making over $15,000 annually (in 1970 dollars) by that year. Per capita disposable income, which averaged $1,970 in 1960, is expected to climb to $2,900 in 1976 and $4,100 by the year 2000.

---

Fig. 3—U. S. Population Projections by Age Groups (in Millions).
The American work week, which averaged 39 hours in 1960, is expected to average 36 hours in 1976 and only 32 hours in 2000. While the average work week is expected to decrease, the average length of paid vacation is expected to increase, from the 2.0 week paid vacation in 1960 to 2.8 weeks in 1976 and a projected 3.9 weeks in 2000.9

The U.S. Forest Service, which presently leases land to some 200 ski resorts for 1 1/2 to 5 per cent of gross income, is anticipating future increased demand. The Forest Service has inventoried and eventually will put up for bid fifty presently undeveloped sites for lease as ski resorts, their prime concern being economically feasible resorts built in a logical sequence as the skier population grows.

Who is this individual who spends up to $400 for equipment, and anywhere from $4.50 up for the opportunity to ski? The Denver Research Institute estimates the average out-of-state skier in Colorado is 27 years old, college educated, and has an income of $14,700 per year. He will spend an average of $40 per day at a resort, including an average $7.50 for a lift ticket, although it is thought that the atmosphere of the ski area dictates to a large extent what he spends.10 For every dollar the skier spends at a


10"Where the Money Is in Skiing," p. 112.
resort, he will spend another five dollars elsewhere on related services, excluding the big ticket items such as land, or winter homes.

Yet even at $40 per skier per day, approximately 80 per cent of existing ski resorts in the country only break even or lose money.\textsuperscript{11} Of the scores of prominent, publicly held corporations that have leaped into the ski market, some are having difficulty making ends meet. Boise Cascade, after an estimated loss of over $11 million in 1970, has dropped out, stating, "the situation is just too emotional."\textsuperscript{12} Rounds and Porter Lumber Company of Wichita, Kansas, has disposed of its resort at Brekenridge, Colorado, after spending an estimated $3 million ("they tried to run it like a lumber company.")\textsuperscript{13} The state of California, after losing an estimated $11 million on its Squaw Valley complex in the last 11 years, put the area on the auction block in 1970. Snowbird, Utah, now in its first full season of operation, is losing $20,000 per week. The major problem seems to be lack of resort savvy. According to some, the profitability of a ski area reflects to a degree the extent to which the


\textsuperscript{13}"Big Money Plays in the Snow," p. 142.
stockholders regard the area as a hobby. Key ski area personnel regard several factors as essential for good business. Among those mentioned are friendliness to customers and cooperation with residents of the surrounding community, care of snow, adequate base facilities and most importantly, a recognition of "where the money is" in the beginning and intermediate skiers. Opinions of ski area managers differ on the importance of various activities. While some feel that a reasonable return on investment can be made on lift operations alone, others say that significant profit can only be made elsewhere. Only a few, however, feel that real estate sales and year-round operations are really necessary, a feeling which does not receive support from present practice. Many of the major areas are operating on a year-round basis, emphasizing the concept of the "total resort," some with spectacular success. Land prices in Vail, Colorado, have gone from $300 per acre in 1961 to over $60,000 per acre in 1970. At Stratton Mountain in Manchester, Vermont, land which sold for $25 per acre 10 years ago is now selling for $18,000 per acre. Developers at Snowmass-at-Aspen have found the first of their eight planned condominium complexes so popular that they have allocated millions for the same at Sun Valley, Idaho. Sun Valley's present condominiums, now worth 50 per cent more than their 1966 cost of

$50,000, offer the guest every conceivable service from
stockbrokers to maids who clean up after private parties,
to a grocery shopping service if the resident leaves a
grocery list on his door. Developers at many areas are
crowding ten to twenty condominium units, with a selling
price of $10,000 to $50,000 apiece, on one acre of land. At
leading areas, the units are being sold faster than they can
be built.

There are also problems with the total resort,
primarily the cost of labor. At Stratton Mountain, local
construction companies are charging $22 to $26 per square
foot, with a year's lead time for construction. Buyers
there are bringing in construction companies from Boston and
Connecticut which are able to build three of the same units
in 70 days for $16 per square foot. Disenchantment among
condominium owners is also a problem, and the average unit
is sold every three to five years. Chief complaints are
the feeling of being isolated, and people inherently do not
like digging out of snow in the winter and mud in the spring.

Profitability among ski resorts nationwide varies
considerably. The modest, average rate of return in the
industry is gained through substantial risk to the investor.
Careful planning and financial strength are the first two
steps to success. The prospective resort owner must be able
to analyze the mistakes of others and proceed with caution
lest he join the ranks of those who have failed.
The national ski market has almost tripled in the last six years. Major American corporations, encouraged by the success of others and undeterred by those who have failed, have leaped into the growing market to the tune of some $700 million. Related services, such as airlines, and many states are beginning to recognize the profit potential in the "white gold." Population trends, the rise in discretionary income and the shorter work week are chief factors in the winter recreation boom. The U.S. Forest Service, while actively encouraging the growth of recreation areas nationwide, is attempting to ensure the proper development and control of the available recreation land. Growth in demand for recreational products and services is expected to continue to increase at an above average rate during the balance of this decade. According to the Department of Labor and the National Industrial Conference Board, nonfarm families with incomes of $15,000 or more spent an average of $597 annually on recreation equipment and activities in the early 1960's. By 1975, there will be an estimated 16.2 million families in the greater than $15,000 annual income bracket, an increase of approximately 50 per cent over the 10.8 million families in 1970. By 1980, those families making $15,000 or more per year are expected to increase to over 23 million families.

However, with the social structure of the United States apparently undergoing an important transformation, the growing markets of today may quickly give way to the fads of tomorrow.

The Snowmobile

Snowmobiling has developed into a major winter sport in the past few years in the United States and Canada. There are now over 1.7 million snowmobilers registered in North America. The state of Maine alone has 43 snowmobile clubs with a membership of over 6,000. One out of every ten families in that state owns a snowmobile, the highest per capita ownership in the nation. The outlook for continued growth in the snowmobile market is fairly good, however, the more expensive recreational vehicles, of which snowmobiles are a part, are extremely vulnerable when consumers reduce discretionary spending.

Snowmobiles and ski resorts generally do not mix, unless there are properly marked snowmobile trails. One of the largest problems is control over entry to the area. Eliminating the thought of trying to fence an entire ski area in, the snowmobiler has almost unlimited access to the area from all directions. Many resorts have concessions designed specifically for snowmobilers in the attempt to point the machines away from the slopes, but there are very few (one estimate is six) snowmobile tracks specifically designed to test snowmobile performance and the skill of the
driver. The U.S. Forest Service and many state Parks and Recreation departments have marked snowmobile trails in state and national parks, providing free trail maps in an effort to keep safety hazards and noise pollution to a minimum.

Cross-Country Skiing

Nordic, or cross-country skiing, also called touring, is safer, easier and less strenuous than the Alpine method. Most major U.S. ski areas now teach the cross-country technique, which uses lighter, cheaper equipment. This gentle winter sport avoids the high-speed collisions and fractures which more often occur in the Alpine form. These characteristics make cross-country skiing easily feasible as an all around family sport.

There are now over 50,000 Americans ski touring.16 Due to its less strenuous nature and lower-cost equipment requirement (the full touring outfit may cost the beginner no more than $75,) more families are expected to take up this form of skiing. A major problem of the 1972-73 ski season for many resorts was the lack of ski touring equipment that could be sold or rented to prospective customers. The boom in the sport took many resort owners by surprise, and most are now stocking up for the anticipated rush in the 1973-74 season.

Montana presently has 26 ski resorts and designated ski areas, including the yet to be opened Big Sky of Montana. In 1968, there were 344,000 visits to the 15 resorts located on national forest lands, an increase of 12 per cent over 1967 and more than double the number of visits in 1963. Bridger Bowl was the top area that year with 72,200 visits, many of which may be accounted for by students from the nearby Montana State University. Surprisingly, Kings Hill came in third, beating Red Lodge by some 4,900 visits. The data are five years old, and the ranking of areas may have varied since then. Kings Hill alone reported in 1970 that the sale of adult lift tickets, lower lift tickets and junior tickets was up 142 per cent, 160 per cent and 180 per cent respectively over the 1969 totals. Traffic on the beginners "Dope Slope" was up more than 280 per cent. Many of the published data are contradictory and may be misleading. The Bureau of Business and Economic Research at the University of Montana reported in its Montana Economic Study that there were only 327,400 visits to the 15 resorts located on national forest lands in 1968, a discrepancy of 16,600 visits from that reported in the Great Falls Tribune for the same year.

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18 "Chair Lift in Planning Stages at Kings Hill," Great Falls Tribune, February 15, 1970, p. 9D.
Fig. 4--Existing ski areas in Montana.
TABLE I

LIST OF MONTANA SKI AREAS AND LOCATION

<table>
<thead>
<tr>
<th>Ski Area</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Bear Paw</td>
<td>30 mi. S of Havre</td>
</tr>
<tr>
<td>6000'</td>
<td></td>
</tr>
<tr>
<td>2. Beef Trail</td>
<td>8 mi. SW of Butte</td>
</tr>
<tr>
<td>5280'</td>
<td></td>
</tr>
<tr>
<td>3. Belmont</td>
<td>25 mi. NW of Helena</td>
</tr>
<tr>
<td>5800' - 7300'</td>
<td></td>
</tr>
<tr>
<td>4. The Big Mountain</td>
<td>8 mi. N of Whitefish</td>
</tr>
<tr>
<td>4774' - 7000'</td>
<td></td>
</tr>
<tr>
<td>5. Big Sky of Montana</td>
<td>43 mi. S of Bozeman on Hwy. 191</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Bridger Bowl</td>
<td>16 mi. NE of Bozeman</td>
</tr>
<tr>
<td>6500' - 8500'</td>
<td></td>
</tr>
<tr>
<td>7. Cooke City</td>
<td>Edge of Cooke City</td>
</tr>
<tr>
<td>7500'</td>
<td></td>
</tr>
<tr>
<td>8. Corona Lake</td>
<td>18 mi. N of Plains</td>
</tr>
<tr>
<td>5000' - 5700'</td>
<td></td>
</tr>
<tr>
<td>9. Deep Creek</td>
<td>at Wise River 43 mi. SW of Butte</td>
</tr>
<tr>
<td>6100'</td>
<td></td>
</tr>
<tr>
<td>10. Discovery Basin</td>
<td>20 mi. W of Anaconda, 17 mi. S of Phillipsburg on Hwy. 10A</td>
</tr>
<tr>
<td>6900' - 8100'</td>
<td></td>
</tr>
<tr>
<td>11. Funland</td>
<td>Jardine</td>
</tr>
<tr>
<td>7530'</td>
<td></td>
</tr>
<tr>
<td>12. Grass Mountain</td>
<td>23 mi. E of Townsend; 21 mi. SW of White Sulpher Springs</td>
</tr>
<tr>
<td>5600' - 7687'</td>
<td></td>
</tr>
<tr>
<td>13. Kings Hill</td>
<td>8 mi. S of Neihart; 65 mi. S of Great Falls on Hwy. 89</td>
</tr>
<tr>
<td>6860' - 8190'</td>
<td></td>
</tr>
<tr>
<td>Ski Area</td>
<td>Location</td>
</tr>
<tr>
<td>----------------------</td>
<td>----------------------------------------------------</td>
</tr>
<tr>
<td>Lakeview Mountain</td>
<td>28 mi. E of Monida on Mont./Idaho border</td>
</tr>
<tr>
<td>Lookout Pass</td>
<td>110 mi. W of Missoula on Mont./Idaho border, U.S. Hwys. 10 and 90</td>
</tr>
<tr>
<td>Lost Trail</td>
<td>50 mi. S of Hamilton</td>
</tr>
<tr>
<td>Marshall Mountain</td>
<td>4 mi. E of Missoula</td>
</tr>
<tr>
<td>Maverick Mountain</td>
<td>38 mi. W of Dillon, on Hwy. 278 Elkhorn Hot Springs, Polaris</td>
</tr>
<tr>
<td>Red Lodge Mountain</td>
<td>65 mi. SW of Billings, 6 mi. W of Red Lodge</td>
</tr>
<tr>
<td>Sleeping Child</td>
<td>14 mi. SE of Hamilton</td>
</tr>
<tr>
<td>Snow Bowl</td>
<td>13 mi. N of Missoula</td>
</tr>
<tr>
<td>Teton Pass</td>
<td>32 mi. NW of Choteau</td>
</tr>
<tr>
<td>Turner Mountain</td>
<td>22 mi. NW of Libby</td>
</tr>
<tr>
<td>Wraith Hill</td>
<td>12 mi. W of Anaconda</td>
</tr>
<tr>
<td>Z-Bar-T</td>
<td>16 mi. S of Butte</td>
</tr>
</tbody>
</table>
### TABLE 2  
VISITS TO 14 SELECTED AREAS  
(1968)

<table>
<thead>
<tr>
<th>Area</th>
<th>Number of Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridger Bowl</td>
<td>(1) 72,200</td>
</tr>
<tr>
<td>Big Mountain</td>
<td>(1) 71,300</td>
</tr>
<tr>
<td>Schwitzer Basin (Idaho)</td>
<td>(1) 50,000</td>
</tr>
<tr>
<td>Kings Hill</td>
<td>(2) 34,900</td>
</tr>
<tr>
<td>Red Lodge</td>
<td>(1) 30,000</td>
</tr>
<tr>
<td>Snow Bowl</td>
<td>(1) 29,000</td>
</tr>
<tr>
<td>Lookout Pass (Idaho)</td>
<td>(3) 14,400</td>
</tr>
<tr>
<td>Z-T</td>
<td>(3) 12,900</td>
</tr>
<tr>
<td>Wraith Hill</td>
<td>(4) 6,800</td>
</tr>
<tr>
<td>Turner Mountain</td>
<td>(4) 4,800</td>
</tr>
<tr>
<td>Rainy Mountain (now Maverick Mountain)</td>
<td>(5) 4,600</td>
</tr>
<tr>
<td>Lost Trail Pass</td>
<td>(6) 4,400</td>
</tr>
<tr>
<td>Teton Pass</td>
<td>(7) 4,300</td>
</tr>
<tr>
<td>Coronna Lake</td>
<td>(8) 1,200</td>
</tr>
<tr>
<td>Grass Mountain</td>
<td>(9) 1,000</td>
</tr>
</tbody>
</table>

(1) Open daily  
(2) Open Thursday through Sunday and holidays  
(3) Open Saturday, Sunday and holidays  
(4) Open Saturday and Sunday only  
(5) Open Tuesday through Thursday, weekends and holidays  
(6) Open Wednesday and weekends  
(7) Open holidays and weekends  
(8) Open Thursday and weekends  
(9) Open weekends, Christmas and Washington's Birthday

Five counties in Montana are rated by the U.S. Department of Agriculture Soil Conservation Service as having high potential for development as winter sports areas; Flathead, Ravalli, Carbon, Gallatin and Meagher. Surprisingly, only 8 of Montana's 26 ski areas fall within these 5 counties, which indicates room for much development. Criterion used by the Soil Conservation Service in analyzing the potential winter recreation areas were climate, scenic beauty, natural areas, soils, population, proximity and access and rural ownership and land use.

Thirty-six per cent, or 16.7 million acres of land in Montana is managed by the U.S. Forest Service, which divides the state into 7 planning regions. Cascade and Meagher Counties, in Planning Region Four, include some 19 thousand acres. The activity days for skiing in Planning Region Four were reportedly 77,654 days. It is anticipated that 90,977 skiing activity days will be needed by 1975, an increase of over 14 per cent.\(^\text{19}\) Cascade and Meagher Counties will account for 47,746 and 1,002 of the total activity days respectively. Great Falls alone will account for 34,520 of the activity days required. The "activity days" calculation is found by multiplying the county population times an estimated participation rate per person of .40,\(^\text{20}\) and as such, does not take into account any anticipated out-of-state demand.


\(^{20}\) Ibid.
Fig. 5—Area potential by county

- High potential
- Medium potential
- Low potential
The calculations are based solely on the projected increase in county population, which for Cascade County is estimated at 119 thousand in 1975, and for Meagher County is estimated at 2,506 for 1975.

Cascade and Meagher Counties fall in Montana Economic Region II. Other counties included in Region II are Glacier, Toole, Liberty, Hill, Blaine, Phillips, Pondera, Choteau, Teton, Fergus, Petroleum and Judith Basin. The change in population for this year is expected to decline from the 1968 figure of 168.4 thousand to 167.7 in 1980. Civilian employment in the region is expected to increase from the average monthly figure of 61.2 thousand to an average monthly employment of 63.0 thousand in 1980, an increase of 2.9 per cent, making Region II the slowest growing of the six economic regions in the state. Primary employment in the region, consisting of agriculture, manufacturing and mining, railroads and federal government is expected to decrease to 18 thousand jobs, 7.9 per cent below the 1968 figure of 19.7 thousand. Derivative employment on the other hand, is expected to increase by 1,760 jobs from its 1968 level of 41.6 thousand, or 2.9 per cent by 1980.

The main reason for the decline in primary employment is the projected increase in jobs of less than 3 per cent, not enough to cover the increase in the work force which is expected to occur.
Total personal income in the area is projected to increase at an average annual rate of 1.6 per cent in 1958 dollars. Per capita personal income is projected to rise at an annual average rate of 1.8 per cent reaching $3,481 by 1980, 4.5 per cent above the anticipated state average for that year.21

Outdoor recreation is a growing economic enterprise in Montana. The mountainous region of the Western United States has 48 per cent of the national recreation acreage but only 4 per cent of the national population. In contrast, the Northeast has 25 per cent of the population in an area which contains only 4 per cent of the national recreation acreage. Tourism and recreation (all seasons) is now the third largest industry in Montana. Visitor growth for the next 14 years is expected to increase some 65 per cent from the 1970 total of 3.8 million visitors yearly. Admittedly, these data are for all seasons and all forms of recreation, but they may have some significance in their impact on local ski areas. Big Mountain developers estimate that over 70 per cent of its skiers come from out-of-state. As the demand for skiing opportunities increases, it will largely be through the efforts of private investors that the demand is satisfied.

Big Sky of Montana, which will be opened to limited skiing in 1973, has visions of 6,000 to 10,000 skiers per weekend by its completion date in 1980. The first luge run in the country is being contemplated for the Lolo Hot Springs area near Missoula. The U.S. Forest Service, by identifying areas in Montana feasible for resort development, has taken the necessary first step to meet the demand of the future. It now appears private enterprise must lead the way in the development.
KINGS HILL TODAY AND TOMORROW

Management and Operation

Kings Hill Recreation Area is presently owned and operated by Ski Lift, Incorporated, of Great Falls, Montana. George S. Willet and Edward B. Cogswell, Jr. are majority shareholders. James E. Thompson of Great Falls is the present manager, although it is anticipated Willet will assume managerial responsibilities prior to the 1973-74 season.

The land at Kings Hill is owned entirely by the U.S. Forest Service, and is leased by Ski Lift, Incorporated. The present lease is for 30 years and costs 1 1/2 per cent of net sales of the lifts, cafeteria, rentals and ski school. The minimum fee is $530. Expansion plans must be coordinated with the Forest Service, and there are no problems anticipated by present management in obtaining approval for such expansion.

The immediate complex of buildings and parking area rests on approximately 90 of the area's 730 acres. The major buildings in the complex are the lodge and ski shop. All concessions at the lodge are owned and operated by Ski Lift, Incorporated. The ski shop, leased by Ski Hut, Incorporated...
through 1971, was leased by J. E. Thompson, through the 1972-73 season, following which Ski Lift, Incorporated took over full ownership of the facility. The parking area is capable at this time of handling approximately 200 cars per day.

The area reserved for skiing is composed of seven runs on approximately 640 acres. The snowpack in the area frequently runs more than five feet. The Mizpah run is 2,450 feet long with a vertical rise of 425 feet. The other two beginner and junior intermediate runs are 1,800 feet long with a vertical rise of 300 feet. The three runs from the 8,000 foot peak are Hall-0, Funnel and Mile. The seventh run, officially known as The Cliff Hanger but referred to by many as the "Oh My God," was opened in 1967. The run is approximately 2,000 feet long and has a 70 per cent grade. There are five lifts and tows at the area. The Stadilli double chair lift, made in Zurich, Switzerland, and erected in 1970 at a cost of $250,000, is considered by many to be the best in the state. The lift is 6,400 feet long with a vertical rise of 1,330 feet. The area has one Constem T-Bar, 4,150 feet long, with a rise of 1,050 feet, moving the skier to the top of the run in an elapsed time of 18 1/2 minutes. The lift manufacturer considers this one of the best engineered T-bars in the country. The area also has two pomalifts, one 2,500 feet long with a vertical rise of 450 feet, and one, 1,700 feet long with a vertical rise of 350 feet, and
one rope tow serving the beginners slope which is 550 feet long with a rise of 100 feet. The total length of runs is over 12 miles, offering a challenge to the expert, intermediate and novice. The resort is equipped with a day lodge and ski shop which offers sales and rentals. The area is served by a Ski Patrol, and offers a certified ski school and photography trips via Sno-Cat. The area has two Sno-Cats and one snowmobile, all equipped with shortwave radios. During the 1972-73 season the area was open Thursday through Sunday, holidays and the entire Christmas holiday from 9:30 to 4:00.

The ski season at Kings Hill lasts from mid-November until late April at the present time, although Ski Lift, Incorporated has plans for year-round recreational activities in the future. The area serves 1,000 skiers on an average day, with 1,500 to 2,000 lift tickets sold per day on weekends. Sales on all concessions, lift tickets, ski school receipts and food are estimated at $200,000 per year.\(^1\) There are no overnight accommodations at the area at present. Skiers may find accommodations in Neihart, White Sulphur Springs or Great Falls.

One of the major criticisms of the present area (besides lack of overnight facilities) is the length of the runs. An Olympic skier was clocked on the Hall-0 run at

\(^1\)G. S. Willet, private interview, Great Falls, Montana, April, 1973.
33 seconds with no one else on the slope. With skiers on the slope, the skier was clocked in 55 seconds. The Ridge Run, which covers over a mile, should alleviate this problem to a degree. The Ridge Run takes the average intermediate skier 30 to 45 minutes to complete.

The management of Kings Hill has plans to restructure the lifts and runs during the summer of 1973 to make them longer and more challenging. The present lodge will be remodeled and enlarged to handle needs until an overnight chalet can be built. Prior to selling the area in 1973, the former owners of Kings Hill had planned a $1.5 million expansion of the facilities. Plans at that time included a $1 million 100 unit motel complex. The complex would also include a restaurant and bar at an estimated cost of $250,000. A swimming pool was contemplated with a planned construction cost of roughly $130,000. It was estimated at that time that the present work force of forty people would have to be increased to 100 to 120 full time employees to run the additional facilities. It should be noted that a bank loan for the full $1.5 million due in twenty years would require an annual payment of approximately $162,500,\(^2\) a substantial amount for an area that at present grosses approximately $200,000 per year. A federal government loan for 50 per cent of the amount required would reduce the

annual interest payment by half, to $81,250 annually, a more realistic figure. Russ Estes, director of the Center of Industrial Development, has stated, "Meagher County is a priority area" for federal financing. Richard Conklin, Meagher County attorney, also feels federal funds may be easy for Meagher County to obtain. The present management of Kings Hill feels that federal funding, while making for a relatively cheap loan, is too restrictive in nature and prefers financing from private sources. The $1.5 million figure estimated in 1971 does not include any working capital.

The Small Business Administration does make loans to resorts and recreation enterprises for working capital when such loans are not available from private sources at reasonable terms. The motel complex would break even at about a 54 per cent occupancy rate, but this does not include principle and interest payment. A 65 per cent occupancy rate of a motel would produce about $954,070 in revenue on a national average. When compared to the national average expenses for a 100 unit motel operation of $872,760 per year, there would be $81,310 left for debt servicing, only sixty dollars more than the required payment would be if 50 per cent of the total amount were federally financed. The expected occupancy rate of the motel complex would be 95 per cent in midwinter and 53 per cent in the spring if occupancy was at the national average. The area attracted 54,000 skiers

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Ibid.  
Ibid.
during the 1970-71 ski season. A reminder is needed at this point. The expected occupancy rates cited are for the skiing season only, while costs and revenues are for a calendar year. A year-round operation would attract more visitors than the 1971 total, and would tend to bring the average occupancy rate more in line with the national average, depending of course, on how the area was promoted.

The cost of financing the area, since outdoor recreation projects are relatively risky ventures, will tend to be high. While there are undoubtedly many private investors willing to gamble on a recreation area with development potential, their attitude toward risk may be very close to that of commercial institutions, and many may demand a share in the enterprise. If the security offered a loan is comprised only of the recreation facilities to be developed, financing will depend on whether the project may be expected to generate sufficient income to amortize the principle sum of the loan as well as meet regular interest payments. The financial strength of the developers as well as their skill and competence as operators will also play a significant part in the lenders decision. Where the developers are in a position to offer security over and above that provided by the recreation facilities, they will have a better opportunity to secure financing.\(^5\)

Although Ski Lift, Incorporated has decided to pursue private financing, there is federal financing available. The previously mentioned Small Business Administration makes loans via three methods: (1) guarantee of a bank loan, (2) participation in a loan by providing partial funds if no bank will make a loan for the full amount needed, or (3) a direct loan for the total amount.

The Economic Development Administration (EDA), established by the Public Works and Development Act of 1965, makes long term loans of up to 25 years at relatively low interest rates. The EDA will also guarantee loans that are made for the purpose of providing working capital. The Secretary of Housing and Urban Development (HUD) can make supplemental grants from HUD programs which include the Basic Water and Sewer Grant Program, the Open Space Land Program and the Water and Waste Facilities Program.

A less likely possibility is the Farmers Home Administration, which makes loans to community groups for recreational facilities that will serve primarily farmers either in direct use or, and this is the crucial phrase for the Kings Hill area, through economic benefits. Only rural areas of 5,500 people or less are eligible for the loan. The total population of Meagher County in 1970 was 2,122. The general requirements for a Farmers Home Administration loan are: (1) funds are not available at reasonable rates and terms from other sources, (2) the project is effectively organized
and financially sound and (3) the loans are to farmers or groups of rural residents. Meagher County or the community of Neihart may be eligible to apply for this type of loan, which then may be used for improvements in the immediate Kings Hill area.

In addition to these government programs, life insurance companies and pension funds often make loans, the maximum loan usually being for 75 per cent of valuation. The average loan is usually made for 65 per cent of valuation. Commercial banks of course are also an alternative.

Small Business Investment Companies (SBIC). financial corporations operating outside the provisions of the Small Business Investment Act and local, regional and statewide development companies organized to encourage the development of enterprises in their area, are also an important financing group. This group usually uses three forms of financing: (1) outright purchase of equity securities, usually common stock, (2) the purchase of debentures convertible into stock, generally not secured by collateral and (3) advances on notes of indebtedness secured by collateral and advances on notes of indebtedness accompanied by warrants for the purchase of equity securities, usually common stock. In addition, long term loans secured by collateral may be advanced, but which are without warrants or other rights for purchase of

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6 Ibid., p. 53.
of equity interest. This group charges seven to eight per cent interest for venture capital financing, while the average rate on long-term loans is eight to nine per cent.

Ski Lift, Incorporated should have a prospectus or financial feasibility study prepared for review by prospective lenders. The management also must be able to say "yes" to the following points:

1. Does the recreation enterprise have real public appeal?
2. Is the recreation area accessible year-round?
3. Is the project leadership strong, experienced, capable and well-regarded?
4. Has the project been thoroughly researched to test practicality?
5. Is the planned development a balanced and workable one?
6. Does the project have full local support?
7. Will the project receive all necessary promotion at the start and on a continuing basis?
8. Will the management be thoroughly professional in every way?
9. Will design and construction be in thorough harmony with the area and the project?
10. Is management prepared and equipped to overcome the initial and subsequent growing pain problems that plague new developments?

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8 "Financing Outdoor Recreation," p. 54.
Weather, a major economic question mark at all ski resorts, may create a problem of significant proportions whenever the recreation project requires a high ratio of improvement values to land values or where a substantial investment in land purchase or lease is required. The amortization of improvements is a difficult enough matter when the project operates on a year-round basis. The added burden of recovering most of the costs in a small portion of the year frequently leaves little or no return for the owners on their investment during the amortization period. Owners who lease land for recreational projects sometimes exhibit little understanding that an extended amortization period is required to justify the initial expenditure for construction of capital improvements. The understanding that an adequate amortization period is required, with probably negative profits, is a major pitfall for many resort operators.

Before a rational plan for expansion can be developed, the factors affecting the profitability of a ski area should be discussed and understood. Obviously, a ski area must be able to attract a sufficient number of skiers to more than cover variable costs. Skier preferences therefore, should be a top priority at any resort, a point which the previous management of Kings Hill had missed. Skiers want to buy a satisfying ski trip experience, which not only requires good

\(^9\)Ibid., p. 55.
snow, ski equipment and well-groomed slopes, but also related considerations such as the type of skiing. The weather, the kinds of lifts, the size of crowds, the first aid, the ski instruction and the trip going to and returning from the resort are exceedingly important, including the forms of outdoor recreation other than skiing available and the after ski life at the chalet.

Skiers, like everyone else, have cost-benefit awareness. They will pay additional money if they feel the extra quality of the ski trip is worth the cost. Local skiers are primarily interested in skiing as close to home as possible in an effort to minimize the time and money spent in getting to the area. Vacation skiers on the other hand, while certainly concerned to an extent with money, also consider lodging, food and evening entertainment when selecting an area.

A ski area, like any other form of business enterprise, competes with other businesses of a similar type. The ski area competes with other local recreational opportunities and it also competes with non-local ski resorts. The goal of the ski resort owner would be encouragement of growth in skiing itself and growth in share compared with other resorts. The share of the market can be affected in several ways, most important of which is developing special or unique features and making potential customers aware of them. If the ski area can be known for its excellent instruction and gentle slopes, it should bill itself as primarily a
beginners area and actively seek new skiers to increase its market. Advertising is highly important. Most ski areas advertise to out-of-state prospects in travel magazines and magazines concerned primarily with the sport, such as Ski Magazine.

Kings Hill is in critical need of complementary facilities but this phase of development will be considered below. As development goes forward the resort management should follow an advertising strategy addressed to mass media in a very limited number of selected northern midwest cities. A well planned program of toll free reservations, round trip charter flights from, say, Minneapolis to Great Falls (two hours) and a package ski plan including lodging, meals, ski instruction and entertainment, probably would pay handsome dividends by increasing the number of Minnesota skiers visiting the area. Once the area has become well known in Minnesota, another area, such as Chicago, might be selected for the same mass media promotion approach.

A good reputation is extremely important to a resort area. Older ski areas generally are more prosperous than new ones, mainly because of being better known. An upward bias is given to the rates of return on gross fixed assets of older areas if valued at original cost, because those assets purchased in earlier years cost less than the similar fixed assets do today. Finally, older areas are presumed to have been established on the best available sites, although
changing transportation technology, population densities and skier tastes may have diminished the locational value over the years.

Location and promotion, both extremely important, must be complemented by good management if the resort is to be successful. A full time, experienced and imaginative manager is essential. Managing a ski area is a full time job, requiring a solid business background. Vail, Incorporated recently hired two Harvard MBA graduates to manage the Vail complex, and other areas are actively seeking top managerial talent.

An excellent study entitled "Ski Area Profitability" by Dan M. Bechter in the Federal Reserve Bank of Kansas City's *Monthly Review* identified two factors affecting the profitability of an area in addition to those discussed; number of days the resort is open and average capacity utilization. Bechter, in a sample of 34 ski areas in Colorado, New Mexico and Montana, found that each four-to-six additional days of operation added approximately one percentage point to the rate of return on sales. An average four per cent increase in capacity utilization also resulted in an additional one percentage point increase in the rate of return on sales.¹⁰ The association of lift capacity and profitability raises questions about the practice of carrying capacity

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adequate to serve peak day attendance but far in excess of the average attendance.

Bechter also noted that advertising outlay rose relatively with size, while insurance liabilities, Forest Service fees and depreciation fall proportionately as size increases. Interestingly, nonlift operations did not appear to contribute larger proportionate shares to gross margin as average size increased.\textsuperscript{11} Notable for their lack of significance in the Bechter study in explaining profitability were price, size of area, lift quality (the ratio of number of chair lifts and gondolas to the total number of tows and lifts,\textsuperscript{12} snowdepth, daily temperature, slope difficulty, vertical drop and nearness to population. This does not mean these are not very important, just that the data available and statistical techniques used do not reveal a profound influence of these factors on financial success.\textsuperscript{12} One-third of the variation in the rate of return on sales among ski areas participating in the Bechter study was explained by the age of the area, the length of the area's season and the ability of an area to use its lifts close to capacity. The Bechter study is highly recommended to the Kings Hill management for their review.

The Immediate Future

Before Ski Lift, Incorporated attempts to expand the Kings Hill Recreation Area, a formal plan of expansion should

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\begin{itemize}
  \item \textsuperscript{11}\textit{Ibid.}, p. 7.
  \item \textsuperscript{12}\textit{Ibid.}, p. 9.
\end{itemize}
be drawn. Kotler noted six questions which should be considered by managers when formulating the long-range plan: 13

1. Where is the company now, and why (diagnosis)?
2. Where is the company headed (prognosis)?
3. Where should the company be headed (objectives)?
4. What is the best way to get there (strategy)?
5. What specific actions should be undertaken and when (tactics)?
6. What measures should be watched to indicate whether the company is succeeding (control)?

Keeping these six questions in mind, the long-range plan for the Kings Hill area may be drawn following the steps in Figure 6. The first step, organization of the study, includes organizing the study group, to include the two majority shareholders of Ski Lift, Incorporated, (Willet and Cogswell,) the manager of Kings Hill if he is not one of the owners, the chief of maintenance for the area, the head of the ski school and anyone else whose special knowledge and skills the management feels would be useful. The study group would review the present operation in detail, and determine where the area has failed in the past.

The second step is to estimate the potential demand for the Kings Hill facilities to include a sample study of skier preferences, where the skier comes from and how often

Fig. 6—Steps in long-range planning process for Kings Hill Development.
he skis the area. The population and employment statistics in Chapter II of this paper are a useful starting point. This analysis would not shed any light on the opportunity of bringing skiers who have never been there and these may represent the major potential. There is some distance beyond which skiers will not travel for a one day activity. An important element of the research concerns the effect on the market area which would result from overnight facilities.

The third step is to inventory the existing recreational capability at Kings Hill. Considerations here are number and length of runs, capacity of lifts, convenience accommodations for skiers including availability of parking, existing overnight facilities, food service and other forms of outdoor and indoor recreation available.

The fourth step is determination of the present deficiencies in the area. The sample study recommended in step two would be a useful starting point. The casual skier at the area may point out a deficiency the management completely missed.

The fifth step is to undertake specific feasibility studies to determine which deficiencies can be corrected and their specific cost. The profitability of the area and the availability of funds to the management may preclude the correction of all deficiencies immediately. Obviously, primary deficiencies should be corrected initially, and revenue providing deficiencies should have top priority, such as overnight accommodations at the area.
The sixth and final step is to undertake the action necessary to correct the deficiencies, insuring proper cost control and development in accord with the long-range needs of the area.

It is almost intuitively obvious that Kings Hill needs a chalet-motel facility immediately. An overnight facility would allow easier access to skiers from outside the immediate area who now are limited to accommodations as far away as Great Falls. The facility should include a formal dining room for overnight guests and "ski-teria" for lunches and quick snacks while on the slopes. Construction and maintenance should be of a quality consistent with the goal of offering the best possible accommodations for a reasonable price. It should be assumed that this would be a price sensitive resort. The restaurant should be designed to accommodate the skier but not preclude the casual diner. A bar should be included catering to both day and overnight guests.

In addition, the runs should be restructured at the earliest feasible date. This is a major undertaking, and planning should be well underway before the construction season begins. The restructuring should be organized to provide more utilization of the chair lift, and runs should be lengthened to the fullest extent, perhaps by curving many of them around Porphyry Peak, rather than having them run straight down the mountain as many of them do now.
Thirdly, transportation schedules should be arranged with the Intermountain Bus Lines to provide more convenient service from Great Falls to the area. Scheduled stops at various points around the city, to include the airport, and more frequent service may enable many skiers to take advantage of the area when otherwise they may not be able to due to lack of transportation.

The existing day lodge should be renovated and enlarged, perhaps to include the present Ski Shop, enabling the Ski Shop to have a constant flow of traffic. The lodge should be enlarged to accommodate the present demand more easily and the Ski Shop should be expanded to offer more ski fashions, sales, rentals and repairs.

The present parking area must be expanded, as it does not provide enough parking to meet weekend demand now. On weekends many patrons must park on the access road to the parking area.

These improvements are imperative, but they require two very important things—land and money. The management of Kings Hill indicated that adequate financing could be arranged. The land on the other hand, may be less readily available. Mr. H. D. Powell, District Manager of the U.S. Forest Service, feels that the present area is sufficient. He will demand specific justification before granting

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additional land, including demonstrated management expertise and sufficient funding. As stated above, Ski Lift, Incorporated anticipates no trouble. Perhaps the management is depending on the statement of Governor Tom Judge at a meeting of Ski Lift, Incorporated with representatives of state and federal agencies and business and civic leaders from Great Falls and White Sulphur Springs:

The greatest possible industry we have is recreation. The state of Montana will pledge any cooperation possible in this venture.\footnote{\textit{Sledding Rough But Kings Hill Hopes to Grow,} \textit{Great Falls Tribune}, October 6, 1971, p. 1.}
CHAPTER IV

THE SUPER RESORT

Expansion

To this point the growth of the winter outdoor recreation industry, the impact of that growth on some present areas, and to a limited extent, the present and expected impact upon the Kings Hill area have been discussed. Suggestions for immediate improvements have been made, and present plans for the area drawn by Ski Lift, Incorporated call for the actual implementation of those improvements. Perhaps the improvements now underway and those contemplated for the immediate future (one to five years) will be the maximum the area can support. The actual future of the national economy is hard to predict, and the desires of the ski enthusiasts of the future are even harder to forecast. If the economy continues to expand and the outdoor recreation expenditure continues its present growth, demand on many of the large existing resorts will reach the saturation point. Skiers will actively seek out new areas to pursue the sport. If the assumption is made that the sport of skiing, and other forms of outdoor winter recreation will continue to grow at the present pace, the possibility of a major expansion of Kings Hill will be feasible.
There are too many serious shortcomings to assume that Kings Hill might ever become another Aspen or Vail. The area is not large enough, even with additional land that could be leased at present. Unless the Forest Service and the national ecological groups, such as the Sierra Club, underwent a major reversal in their thinking about the use of public land for private enterprise, the land may never be available. Adequate land is vital for an outdoor resort complex. If private land were available in the immediate area, the development possibilities would be endless, but it is not, and the Forest Service is going to have the final say on any additional public land that is leased.

The lack of land and access reduce the plans for a "super resort" complex to an almost academic exercise. A 1969 seminar on the growth of ski resorts sponsored by United Airlines emphasized the need for ski villages with everything available to the skier within walking distance. A condominium apparently could not be located in the immediate vicinity. The lack of a major highway and airline service in the surrounding area is another limiting factor. However, some present super resorts, such as Snowbird, are being built with less adequate access.

Financing is the third limiting factor. The present management of Kings Hill feels financing will not be difficult. They may be correct. Capital markets are very competitive, however, and the bulk of the financing will be external, implying significant debt servicing cost.
The three limiting factors of land, access and financing must be resolved before any major expansion of Kings Hill can take place. Land affects expansion plans in a rather obvious way. Without plenty of it there is no place to build a motel complex and insure adequate parking, nor is there room for such attractions as swimming pools, golf courses and other facilities. Financing is again an obvious limitation. Without proper financing any expansion effort is limited to a piecemeal operation at best, if expansion can take place at all. Access to the area, and here one is concerned with the out-of-state skier primarily, is often overlooked in the rush to expand. Transportation affects the area in three rather distinct ways. First, the kind of transportation facilities available determines travel time, and therefore the amount of time the skier can spend at the resort. Secondly, the type of transportation affects the skier in terms of cost. Travel by air is fast but expensive, especially if the trip is a family ski vacation. Travel by car is also expensive, the farther the trip the higher the cost in terms of food and lodging along the way. Travel by train is out of the question for Kings Hill, as there is no Amtrak connection in Great Falls. Thirdly, the type of travel affects the character of the recreation experience.\(^1\) A physically uncomfortable trip such as driving

long distances in the dead of winter over icy and poorly kept roads will not endear the resort to the skier. The trip experience will not have been pleasant and enjoyable.

There is little Kings Hill can do to change the transportation experience for their out-of-state customers. Charter flights are an answer, assuming there is a large enough demand in the population centers in other states. Montana roads can mean uncertain driving in the winter, and many cars from the far West or Midwest are not equipped with the necessary equipment for long distant winter driving in the state.

The fate of Kings Hill as it is regarded by the out-of-state skier rests not only on what Kings Hill itself does to enhance its image in the minds of non-resident skiers, but what the state of Montana does to attract winter tourists, and particularly what other ski resorts in the state do to increase non-resident traffic. It is exceedingly important for a resort owner to pursue out-of-state patrons by way of increasing demand for all recreational services. However, one of the greatest needs for developing winter sports activity in the state is the creation of "circuit skiing," much as it is found in Colorado. The state of Colorado has long been known for the excellence of all its resorts, not just one or two in particular. This allows the out-of-state skier to sample many resort areas rather than spend his entire vacation on the same slopes. The Montana
Department of Highways has taken the lead in the concept of "circuit skiing" in the state by advertising four of the leading winter resorts in the state, Big Mountain, Red Lodge, Bridger Bowl and Snow Bowl, in out-of-state newspapers. Big Sky of Montana will be a large drawing card for the state and will yield additional demand on surrounding ski areas.

Any expansion of Kings Hill must necessarily include the west side of Porphyry Peak, which at present has no facilities available for skiing. To attract out-of-state skiers the resort must provide a sufficient number of runs and of adequate length. Skiers are able now to ski the west side of the peak, but there are no lift facilities to return the skier to the summit. This expansion is urgently needed and should proceed if land is available.

Complementary Activities

Complementary activities are needed not only for the enjoyment of the skier but to entertain the non-skier. Fully 50 per cent of the people present at a major ski resort at any one time are non-skiers. Many resorts are now beginning to realize that this is where a large part of their service market is, and are now adding facilities. Toboggan runs, mini-bobsleds, curling, skating and snowmobiles are all possibilities which would require little in the way of

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preparation. Tennis courts could be lined and frozen to provide instant 120 foot by 132 foot skating rinks.\(^3\) Classes in figure skating, speed skating and ball hockey may be provided for the visitor, a program which has been tried with great success at Vail, Colorado.

A snowmobile area, offset from the resort complex due to noise, and complete with sales, rentals and repairs, could attract not only the snowmobile owner but also the casual guest interested in trying a machine for fun. A snowmobile track, sanctioned by the National Snowmobile Association, could be used for local, state and national snowmobile races, drawing spectators and competitors alike to the resort area. Cross-country snowmobile trails constructed by the Forest Service are being used at the area at present, and additional trails may be constructed that connect with the track and service area.

A children's outdoor supervised play area would allow many young parents to ski without incurring the added expense of babysitters and might encourage many to ski more often. Well-organized programs with correct supervision for pre-schoolers would be easy to establish and maintain, and would be welcomed by many parents.

Probably the most important and certainly most costly of resort activities is the construction and operation

\(^{\text{III}}\)Icemaster lining may be obtained from Staff Industries, Upper Montclair, New Jersey. The Icemaster lining is constructed specifically for tennis courts and may be patched, removed and stored.
of a chalet-motel complex. The chalet itself should blend with its environment and offer the latest in convenience and luxury to its guests. Entertainment is extremely important. A casual bar is imperative for late night dancing, snacks and drinks, while a formal dining room offering excellent food at the cheapest possible price would go a long way in creating a favorable impression on guests. Advertisements should stress toll-free reservations, service and luxury. Indoor-outdoor pools, sauna baths and special party activities would complement a year-round chalet which should strive for recognition.

Management Organization

A successful resort, while based to a large extent on facilities, is even more dependent upon aggressive, efficient management. The past management practices of Kings Hill were inadequate. The recent sale of Kings Hill and the consolidation of the enterprise is an excellent opportunity for Ski Lift, Incorporated to reassess its opportunities. Organization is the keynote at this time and considerable effort should be devoted constructing an effective and aggressive management structure.

The proposal for an efficient management system is based upon free-form organization utilizing cost centers rather than functionally divided budgetary units as the major entities. The free-form design is excellent for the dynamic enterprise for it is constructed so its constituent parts
may be operated flexibly. The utilization of the independent cost center concept and system and team approach de-emphasizes organization charts and chains of command. The main functions of the enterprise are considered equally important opportunities for profit generation. A small central group at the top is relatively stable and would consist mainly of planners and a center for control and evaluation. The free-form organization is primarily opportunistic, the main ingredients being centralized control and decentralized operations, cost center emphasis, the use of computerized evaluations of performance, and stress on young, dynamic managers willing to undertake personal and corporate risk.

It should be noted there are both benefits and costs to decentralization. The benefits include the following:

1. More optimum decisions are likely because the manager of the subunit is in a better position to react to information about local conditions in a timely manner.

2. The burden of decision making is distributed so that the collective decisions of the management are optimized.

3. The greater freedom incurred by the manager heightens his incentives because he has more control over the factors that affect and measure his performance. In other words, the decentralized cost center has a more desirable motivational effect.

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4Ibid.

There are, however, costs associated with the decentralized cost center form of organization, the largest of which is dysfunctional decision-making; that is, decision-making where the benefit to one cost center is more than offset by the cost of that decision to another cost center. Dysfunctional decision-making is most likely where the sub-units in the organization are highly interdependent, which they would assuredly be in an operation such as a ski resort.

A sample chart depicting the general organization of cost centers and their areas of responsibility is shown in Figures 7, 8, 9 and 10. The resort may easily be broken into three cost centers, chalet and restaurant, recreational activity and staff agencies. Cost center number one is broken into two parts, both of which report to, ideally, an experienced hotel and restaurant manager. The chalet operation would include not only the actual day-to-day operation of the chalet but also entertainment, both indoor and outdoor. Again, ideally the entertainment would be left to an experienced specialist who is knowledgeable of resort activities, such as an entertainment director aboard a cruise ship, and who would organize parties and book entertainment for the resort. Outdoor entertainment would be composed of night ski shows featuring the resort instructors in the winter, and perhaps evening concerts or pool parties in the summer.

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6 Ibid.
Fig. 7--Organization of responsibilities
Indoor Casual Bar Entertainment Private and "Mixer Parties"

Outdoor Tournaments Casual Bar Lounge Entertainment

Food Services Director Ski-teria Diningroom (Chalet) Concessions Formal Lounge Casual Bar

Golf Snowmobile Tennis Course Area Courts and Pool

Fig. 8--Cost Center #1
Fig. 9—Cost Center #2
Fig. 10—Cost Center #3
The food services operation would include not only the formal chalet dining room, but also the chalet lounge, casual bar, "ski-teria" and assorted concessions which may be emplaced at the golf course, riding stables, snowmobile area and trap and skeet range. The food services manager works directly for the hotel manager and close cooperation would be required to ensure a smooth and adequate flow of supplies and entertainment.

Cost center number two may also be divided into two parts, winter operations and summer operations. It must be understood that many of the facilities may be used year-round, such as the track used by snowmobilers in the winter may also be used by motorcycles in the summer, the golf course may double in the winter by providing a large area for cross-country ski runs. There are many other opportunities. During winter operations the profit center may be divided into three parts, skiing, skating and snowmobiling. The skiing operation would be by far the largest, encompassing the operation of the ski shop, operation of all lifts and tows, skiing instruction and ski patrol operations. The snowmobile manager would be responsible for rentals, sales and service of snowmobiles, providing service for snowmobile safaris and special events which may be requested by the entertainment director. The skating area should be separated from the other two functional areas due to its appeal to all age groups as a leisure time activity. Classes in figure
skating, speed skating and hockey for youngsters may be held, with each phase of the sport supervised by a specialist in that area. Speed skating, long a major winter sport in Europe, is just beginning to catch on in this country. A speed skating rink could be constructed at nominal cost, with the rink bed serving as a track and field area in the summer months. This country and Canada have turned out many fine Olympic figure skaters in the past ten years, who may be available to coach during the winter months. Hockey is the fastest growing spectator sport in the nation, and retired professional players may be available to coach youngsters interested in seeking expertise in the game. The recurring theme in these three activities is coaching. There are many fine winter sports clinics held each year all over the country. However, there is no one area specifically devoted to the three winter sports of speed skating, figure skating and ice hockey. A major problem with this approach is that it most likely would appeal to youngsters of grade school and high school age, who must attend school during the winter months, forcing demand far below the cost of providing facilities and necessary coaching staff. Christmas vacations would provide the only real opportunity to implement this program.

The third functional area of cost center number two would be the snowmobile operation. A snowmobile track, specifically designed to test the endurance of the machine and the
skill of the driver, may be constructed at some distance from the resort area to reduce, as much as possible, the irritant of noise. The track would include facilities for snowmobile sales, service, rentals and refreshment concessions, and might easily be converted to motorcycles in the summer months. A track approved by the National Snowmobile Association might be used for national races, on a par with the Midnight Sun 500 and the Booneville 100, which are yearly at present. These races might draw competitors nationwide, increasing demand for food and lodging during race week. Special days for lady drivers and amatuer races are other possibilities for weekend events.

Summer recreation at the resort complex could include golf, riding, swimming, trap and skeet shooting and related programs. Instruction in all these pursuits would be provided. The summer would provide an excellent opportunity for youth groups to attend special clinics, such as swimming camps, football camps and tennis camps. Most major year-round resorts have 18-hole golf courses, swimming pools, tennis courts and the like. Sugarbush, Vermont, offers in addition a gliding club, a polo field and a hunts club with a 40 horse stable. Mount Snow, Vermont, offers an Arnold Palmer Golf School, a learn-to-fly course priced at $199 for 10 lessons and a week's stay at the resort and a football camp coached by professional players for $150 per person per week every summer. Summer programs are limited
only to the imagination of the resort management and the
resort's proximity to population centers.

The third cost center at the Kings Hill resort would
consist entirely of the staff departments necessary to
finance, control, market and maintain the resort. Staff
departments considered essential to the operation are legal,
finance (to include accounting and auditing), marketing (to
include advertising and public and community relations),
traffic and transportation, personnel, real estate sales and
maintenance. Some of these staff departments such as the
legal department, would be one man operations initially,
with other employees added as the resort complex grew. The
maintenance on the other hand would probably be the largest
single department at any one time, providing maintenance of
all types from minor room maintenance at the chalet to lift
and run maintenance on the slopes.

A major pitfall in using the concept of the cost
center, especially as described here, is the pricing of
services of one subunit when those services are consumed by
another subunit. Cost center number three would be the
most involved in this problem, since it is an entirely
service-oriented cost center. This leads to one of the
most troublesome aspects of the control system for the
resort, that of transfer pricing. Transfer pricing is a
requirement for interactions between decentralized subunits.
Its fundamental objective is to facilitate optimal decision-making in a decentralized organization. The most desirable transfer price to use is market price because it generally leads to optimal decisions. The major problem with market price, however, is that no intermediate market may exist for the exact service in question. The question concerning the topic of transfer pricing is whether decisions that are made will be optimal for the corporation as a whole. This, of course, would present no problem to cost center number three of our hypothetical resort, for it is a service-oriented cost center and as such, services the area in general. When the divisions are highly interdependent, as the three centers would surely be, market prices often fail to provide the guidance necessary. Long run average or "normal" market prices may be used, but these prices do not incorporate current market prices in the system. Transfer prices based on full cost or full cost plus some markup are also in common use, the reason being clarity and convenience. This cost plus pricing is often viewed as yielding a "satisfactory" approximation of an outside market price. Therefore, the resulting synthetic market price is regarded as a good, practical substitute that is acceptable for both economic decisions and performance evaluation. The form of pricing to be used between cost centers must be resolved by top management, consistent with the goals to be attained.

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7Ibid., p. 730. 8Ibid., p. 741.
CHAPTER V

CONCLUSION

Problems to be Resolved

The dream of a Kings Hill Super Resort is just that, a dream. An area with a vertical rise of only 1,300 feet is hardly in the class of Snowbird, Utah, one of the few skiing mountains in America with a vertical rise of over 3,000 feet. There are, however, possibilities for a limited expansion of Kings Hill. The new owners of Ski Lift, Incorporated, with the aid of a feasibility study, feel strongly that expansion would be appropriate. There are problems to be faced, any one of which would stop plans for even limited expansion.

Financing

Private financing is fine depending upon what is expected in return. Selling limited partnerships in Ski Lift, Incorporated would dissipate the owners' control to a degree. Vail, Colorado was successful in selling 100 limited partnerships for $10,000 each. In return, besides four lifetime ski passes and 5,200 shares of stock in Vail, Incorporated, the investors received one halfacre of land, a commodity which is not available to Ski Lift, Incorporated to sell. Some question the availability of private investors at all,
but such concerns are overstated. The owner of Catamount, New York, is financing that area by asking skiers to give a $1,000 interest free note for twenty years in return for free skiing. Season passes at that area go for $105. Vail, Colorado went public in 1964, at $3.50 per share. Today, it is selling at $11.00 per share. These are just two possibilities. George Willet of Ski Lift, Incorporated has been approached by individuals from the West Coast, wanting to get in on the interim or long-term financing of the project. Banks in Salt Lake City, according to Willet, are willing to finance 95 per cent of a condominium development. Ski Lift, Incorporated has also found that insurance companies are interested in development plans, and at present, five people in Great Falls alone are willing to put down a significant downpayment if a condominium unit can be guaranteed in three years.\(^1\)

In addition, there are government programs to aid in development of recreational areas, although there are restrictions as to how the money is spent. With the boom in real estate and the current demand on present ski resorts, the financing of a Kings Hill expansion may be one of the least of Ski Lift's worries.

Land

H. D. Powell of the Forest Service has stated his organization is willing to help, provided the plans are

\(^1\)G. S. Willet, April, 1973.
well organized, sufficiently financed and will not destroy the environment to any great degree. The question is, how much land will be available? It may not be much, and land is essential to any ski area operation. As the ecological environment around Kings Hill is already destroyed to a degree, insofar as the ski area is already there, environmental groups may not protest to the same extent as was true at Big Sky or that which halted the construction of Walt Disney Enterprise's Mineral King Valley in California. The Forest Service is the stumbling block for Kings Hill, and positive proof that additional land is essential to the operation of the area, although very difficult to acquire, will be needed before expansion plans can be approved.

Access

There is little Ski Lift, Incorporated can do to improve on the access to the area, but they can help make what limited access there is more enjoyable for their customers. Buses can be made available at Great Falls International Airport to greet out-of-state guests with reservations, and entertain them on the 1 1/2 hour trip to the area with hors d'oeuvres and wine or champagne. Winterized car rentals can be established with Avis, Hertz and National both at the airport and at the ski area. Avis offers ski shuttle cars from airports to resort areas in Colorado,

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Idaho, Nevada and California, and a program can be instituted in Montana if the demand is large enough.

**Demand**

Even with the population of Great Falls expected to top 100,000 by 1980, out-of-state skiers are a must to provide a constant flow of traffic for the chalet. Montana and Utah are the last two states to offer short lift lines and uncrowded slopes, and with the opening of Snowbird, Utah is becoming the new mecca for the sport. Montana has a long way to go before it is possible to rival Colorado in demand but there are indications that Montana's out-of-state demand is growing. In 1969, Big Mountain reported 50 per cent of its 163,213 skiers for the year were from the Seattle-Tacoma-Everett, Washington area, and 25 per cent were from the Midwest and Canada. With a comfortable, modern chalet, Kings Hill may capitalize on the yearly 15 per cent national increase in ski area demand.

A Kings Hill information brochure showing accommodations, rates, transportation rates, etc., should be published and made available to non-resident skiers. Airlines, such as Hughes Airwest, publish pamphlets listing ski areas they serve, ski package plans available at the resort, how to obtain reservations and flight schedules to the nearest airport. Ski Lift, Incorporated should ensure the area is included in these publications as soon as chalet accommodations are available.
The impact of overnight accommodations on the potential market area is illustrated in Figure 11. Without overnight accommodations, the market is the ski area within circle 1, the major population center being Great Falls. The distance from the ski area to the perimeter of circle 1 is the farthest distance customers can be expected to drive round trip for a day's skiing. The addition of limited overnight facilities would expand the potential market area to the perimeter of circle 2, which includes Helena, Butte and Billings and this brings Kings Hill into active competition with Red Lodge. The construction of complete facilities to include restaurant and an indoor recreation area would extend the potential market to the perimeter of circle 3, which encompasses the five major cities in the state.

The expansion of the market area would not go unchallenged by the state's 25 other ski areas. While some of the competing areas are well equipped, many suffer from insufficient snow during the season. The excellent snow conditions found at Kings Hill throughout the season is a major attraction. Kings Hill, with overnight facilities, would be the beneficiary of the periodic poor snow conditions at other resorts. Additional market areas beyond the perimeter of circle 3 are to be found in the out-of-state population centers. Minneapolis may add as much as 10 per cent to the current Kings Hill ski population. Chicago in the East and Seattle in the West would provide the second major out-of-state market for the area.
Fig. 11—Change in market potential resulting from complementary facilities.
Other Considerations

Besides the four limiting factors of financing, land, access and demand, there are other minor points which should be considered:

Name

The name "Kings Hill" does not suggest marketability. It brings to mind a small, local operation with few facilities, which is exactly what it is. As the area expands, a new name should be established for the area, and all runs should likewise be renamed. In keeping with the history of the area, perhaps an area name reminiscent of the early mining days should be used, with the runs renamed in the same vein.

Parking

The present parking situation at Kings Hill, especially on bright warm Saturdays, borders on the ridiculous. Heavy buses chartered by high school ski clubs get stuck in the snow and private cars park the length of the access road. The parking area needs to be enlarged and kept free of snow to the greatest extent possible. One solution of course is heated pavement, which would probably cost more than would be gained in user satisfaction. Gravel or cinders would at least provide some traction on icy days for a start, but an asphalt-paved, well-plowed, salted parking area would be an addition welcomed by all.
Traffic Flow

The traffic flow around and in the area, again particularly on crowded weekends, is exceedingly bad. The lift ticket center should be removed from the chalet and placed outside. The restrooms are filthy and ill-kept. The chalet itself is noisy, crowded and dirty. This directly reflects upon the lack of concern by the manager and past owners, and great improvement is expected by the 1973-74 season. The ski shop should be moved farther from the chalet to cut down on the crowds trying to circulate between the two centers. Snow-free walkways should be installed between the two areas to facilitate crowd movement. The bottom area of the chalet should be enclosed and used as a snack area to relieve the crowded main floor conditions. Ski racks presently beneath the chalet, and the lockers now on the bottom floor should be moved to another building. The construction of a permanent chalet-motel would, of course, alleviate many of these conditions. Ski Lift, Incorporated must make the suggested improvements immediately, however, for the enjoyment of its present customers.

Final Appraisal

Conditions are ripe for construction of a ski resort near Great Falls, Montana. Skiing is the fastest growing participant winter sport in the country. The skiing population nationwide grows at a pace of 15 per cent yearly.
Discretionary income and recreational spending are rising rapidly. The Great Falls population and economy are projected to expand steadily. Cross-country skiing, skating and snowmobiling are sweeping the nation as enjoyable outdoor pursuits.

Unfortunately, I do not believe Kings Hill is the area for the expansion to take place. Big Baldy Mountain, near Kings Hill in the Little Belt range, is over 1,100 feet taller than Porphyry Peak, with a possible vertical rise of almost 2,500 feet. Again, this is Forest Service land, and any development would surely meet opposition and require large financial backing. In terms of sheer size, however, Big Baldy Mountain is infinitely more suitable for a large ski resort.

The Teton Pass area, although at present quite small and undeveloped, is located in the heart of the Rocky Mountains near the Continental Divide. There are three mountains near Teton Peak all with elevations of over 8,800 feet. Again one meets the Forest Service, for Pentagon Mountain, Redhead Peak, Mount Wright and Teton Peak all are located in either the Flathead or Lewis and Clark National Forests.

Kings Hill is just too small to attract the demanding advanced skier. Ski Lift, Incorporated's plans to advertise the area following the theme of "Learn How to Ski the Rocky Mountain West" is fine by itself, but those who have "learned to ski the Rocky Mountain West" will take their new-found
skills elsewhere. Repeat traffic will be limited to a large extent to the population of Great Falls, which is just not large enough to support a major expansion. A small overnight chalet and bar would most likely be successful, for I'm sure many Great Falls families alone would consider spending a weekend away from home as a mid-winter mini-vacation.

There is always the chance though, that the area may be more successful than anyone imagined. Willet, a C.P.A. and present co-owner of the Kings Hill area, should understand better than most the necessity of close control over costs and the necessity of substantial working capital. Strong management and cooperation from the Forest Service are two absolute musts. I believe the present plans for Kings Hill are on the right track. Caution, thorough planning and a little luck may spell the difference.

They thought I was crazy. Oh sure, they were sympathetic, but all those smart guys and big computers refused to believe me . . . those hotshot businessmen down at the University of Colorado's Business School wouldn't even let me in the door . . . now that I look back on it, the hardest part was deciding on a name . . . for lack of anything better, we called it Vail.

--Vail, Incorporated

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ADDENDUM

In May, 1973, a group of Great Falls, Montana businessmen announced plans for a $2.5 million chalet-motel complex in the Kings Hill area. This project is in addition to anticipated construction of overnight facilities by Ski Lift, Incorporated.

The present demand on the Kings Hill area may not be sufficient to support two major overnight facilities. Although the market area, after construction of both complete recreational complexes, would encompass the entire state, the Big Sky project near Bozeman, Montana will compete for the in-state business as well as attract many out-of-state skiers. The possibility of further development of other in-state ski resorts is not known but cannot be totally discounted.

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APPENDIX A

PUBLICATIONS AVAILABLE

The following are publications I feel would be valuable to the management of Ski Lift, Incorporated. Although there are others available, the publications listed are, in my opinion, the most valuable to ski resort managers.

Ski Area Management, Universal Publishing and Distributing Corporation, 800 Second Avenue, New York, 10017. Free to active managers of ski resorts. Circulation: 3,500. This is a trade publication containing articles of interest to key management and maintenance personnel. Topics covered include lift construction, volume feeding, bar management, and land clearing and seeding.

Skiing Area News, Ziff-Davis Publishing Company, 1 Park Avenue, New York, 10016. Published quarterly. Subscription fee $4.00 per year. Circulation: 4,747. All articles in the publication relate to equipment and methods involved in the profitable operation of a ski resort.
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Source: Montana, Fish and Game Department, Statewide Outdoor Recreation Plan, Helena, Montana, 1965.
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BOOKS


ARTICLES AND PERIODICALS


1Great Falls Tribune and New York Times articles are in chronological order.

"Big Money Plays in the Snow." Business Week, October 25, 1969, p. 142.


"The Sun Valley Serenade . . . and Blues." Ski, November, 1972, p. 76.


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RECORD OF INTERVIEWS


G. S. Willett, private interview, Great Falls, Montana, April, 1973.