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**Aulavik Outfitting And Guided Expeditions -  
Business Plan - 1993 - 1996  
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# **AULAVIK OUTFITTING AND GUIDED EXPEDITIONS BUSINESS PLAN 1993-1996**

**(Sachs Harbour-Banksland Tourism  
Strategy, 1993-1996, Part 2)**

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April, 1993

## **AU LAVIK OUTFITTING AND GUIDED EXPEDITIONS 1993-1996**

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## **1.0 INTRODUCTION**

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This business plan is prepared as an outline and may be adopted by an existing licensed outfitter in Sachs Harbour or alternatively by a new licensed tourism outfitter. The business plan is designed to improve business profits, and long term employment and labour income benefits to the community. Planning activities are scheduled for a three year period. Because this is a public document, there is no specific historical or corporate information regarding existing operations reported.

The business plan follows the format prescribed in the guidelines to the Business Development Fund (BDF) of the Department of Economic Development and Tourism. Adjusted for a specific tourism outfitter's operation it may accompany an application for funding to the BDF or other banking institution. The business plan focuses on the planned activity, its cost, how the business will pay those costs and the long term effect on the profits of the business. The plan details:

- Opportunity Summary
- Corporate Status and History
- Financial Information about the Business and the Planning Opportunity
- The Effects of the Opportunity on Market and Product Development
- Operations
- Benefits

For many businesses, business planning often occurs periodically when a longer term strategic need is identified requiring significant investment. Preparing an annual business plan may help a business operator focus on a range of funding resources which may be available for supporting ongoing business development.

### **1.1 Opportunity Summary**

This business plan is in keeping with the community's goals to increase tourism revenues and improve control over and access to tourism resources on Banksland. This plan identifies activities which an outfitter may wish to implement over the next three years to establish a market share of the outdoor river adventure market for Banksland. Human resource needs and training, market planning and implementation, and infrastructure development are opportunities identified for the three year timeframe.

The Thomsen River (Canada's most northerly navigatable river situated in Aulavik National Park) is the outfitting area described for this river adventure tour. There is an excellent opportunity to conduct a canoe adventure tour package on this river during the open water season in July. Currently there are no outfitters licensed to operate tours on the Thomsen River, The canoe adventure tour would be packaged with air transportation from Inuvik to a destination near the southern Aulavik National Park boundary and pick-up from Castel Bay near the mouth of the river and return to Inuvik. It is expected that the air charter would include Sachs Harbour on the "legs" of each trip for refueling purposes. An expedition guide and helper, canoeing and camping equipment, full meals and daily itinerary for 12 days is also packaged with the canoe adventure tour.

A 12 day tour would be sold as an exclusive canoeing expedition on Canada's most northerly navigatable river, Hiking would also be offered to the outstanding natural features in the Thomsen and Muskox River valleys, enabling photography and interpretation of the abundant wildlife, wildflowers, natural, and archaeological features. If the expedition is offered early enough in July, a second 12 day package may be scheduled immediately after the first.

An outfitter may consider renting camping and canoe equipment for unescorted canoeing groups, if it is available, Investment activities should include to:

- .1. equipment (tents, canoes, paddles, camp kitchen, waterproof packs, sleeping bags and safety equipment),
- 2. market planning and implementation,
- 3. guide training, and
- .4. start-up costs.

Investment activities should be phased in during a three year time frame.

## **1.2 Corporate History**

The new entrepreneur should detail to a funding/financial institution:

- the level of experience and skills he/she brings to the business opportunity including training, guiding, business administration,
- the equity the individual is prepared to invest in the new business,
- the kind of business structure proposed (eg. development corporation, limited company, sole proprietorship, co-operative or partnership),
- how the business will blend with other work activities, and

- the reasons for the decision to become a tourism outfitter.

Updated resumes of business owners should be appended to the business plan.

## **2.0 FINANCIAL INFORMATION**

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### **2.1 Source and Application of Funds**

To develop a canoe adventure product for markets for canoe adventure tours on the Thomsen River the following investment program is suggested.

#### Application of Funds:

##### 1. Equipment

The equipment list is prepared as an example of basic equipment required to outfit a canoe adventure for up to 12 customers, one expedition guide and helper. The customer will be required to supply their own warm sleeping bag, rain gear and waterproof packs. Storage of canoes at the Geological Survey Cabin overwinter should be arranged.

8 canoes @ \$2,000 (4-16' & 4-17' nesting canoes ABS plastic or polyethylene, with spray covers)	\$16,000.
16 lifejackets @ \$75	\$1,200.
21 plastic paddles @ \$30	\$ 630.
8 four season dome tents @ \$650	\$5,200.
1 portable camp kitchen - pots, pans, utensils, cups, coolers,	\$ 470.
14 compressed foam mattresses @ \$50	<b>\$ 700.</b>
Emergency 1st Aid Kit, ELT and SBX 11A Radio	\$2,800.
Tarps, repair kits, throw bags, stoves, tundra chairs	\$1,000.
Total Year 1	\$28,000.

Quotations for the major equipment should be appended to the business plan.

##### 2. Market Planning and Implementation (see 3.4 Market Planning)

Totals: Year 1 \$12,200 Year 2 \$13,300 Year 3 \$5,000

##### 3. Guide Training (see 4.1 Management, Staffing and Training)

**4. Human Resource Training - Outfitter Administration, marketing and booking** (see 4.1 Management, Staffing and Training)

**5. Start-up Costs:**

Start-up costs may include:

- Legal costs of incorporation
- Accounting services for a new bookkeeping system
- Insurance (Banks require that they be paid first in the event of an insurable loss and the GNWT requires proof of liability insurance to secure an outfitters' license.)

Transportation of the canoes to an appropriate landing spot near the headwaters of the Thomsen River and reconnaissance of the Thomsen River. Operating Losses (if a small loss is forecast in the operating year the outfitter may choose to include it in the working capital required for start-up of the business. The business, however must demonstrate significant growth potential and a positive financial position for the remaining forecast years.)

Total Year 1 \$8,000      Year 2 \$ N\C      Year 3 \$N\C

Source of Funds

An investment scenario for the above capital (equipment and start-up) and marketing costs:

Business Investment Program (BDF) = 70% of \$36,000 = \$25,200

Minimum owner equity investment = 10% of \$36,000) = \$3,600

(The outfitter may consider a proposal to the regional CEDO for equity investment assistance if short of the equity limit.)

Bank Financing = \$7,200

Marketing for Year 1 \$12,200      Year 2 \$13,300      Year 3 \$5,000

The Market and Product Development (Business Development Fund\ GNWT) is based on a 90% contribution to a maximum of \$15,000 per year for three years.

BDF Investment (90%) Year 1\$10,980 Year2\$11,970 Year 3\$4,500

Operating Capital            \$1,220            \$1,330 Year 3\$500

## 2.2 Pro Forma Statements and Business Viability

The three year pro forma statements (three year forecast of income and expenditures presented in appendix c) indicate that the business can be viable. The entrepreneur choosing this business plan will need to modify the statements to suit his or her own needs. It is assumed that two twelve day tours with departures in July are possible and within the first three full operating seasons the target will be to increase occupancy from 66% to 100% of one full tour. Beyond a blend of bank financing and grant contributions for equipment, the business will also require grant contributions for start-up and marketing. These contributions will see the business through its' expensive formative years.

## 2.3 Disclosure of Gov't Assistance in Last 3 Years

Some government funding agencies have limitations on available funding based on previous government assistance. The entrepreneur choosing to implement this business plan may be required to disclose government assistance received in the past three years outlining the program and allowable contribution.

## 2.4 Loan Security, Bank Financing, and Statements of Net Worth of Owners

Banks and the government require for their files updated statements of personal net worth from applicants for funds, Most banking institutions will supply personal net worth forms.



## **3.0 MARKET AND PRODUCT DEVELOPMENT**

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### **3.1 Current Market**

Ecotourism, and outdoor adventure touring has been increasing at approximately 15% per year in recent years and will continue at that rate during the next five years. Ecotourism is the growth product for tourism markets to the NWT (pers. comm. Danette Jaeb, The North Group)

Water adventure trips were tested on several Banksland rivers including the Thomsen River during the late 1980's. Today, however with the National Park about to be proclaimed the opportunity is wide open to develop and promote exclusive expeditions on the Thomsen River. At least one tour agent has examined the feasibility and logistics of conducting a water adventure tour.

A float tour on the Horton River and boat tours in the Mackenzie Delta to the Arctic Coast are offered by the two companies listing tours in the Western Arctic Travel Zone in the 1993 NWT Explorers' Guide. By comparison with other travel destinations in the NWT (particularly Baffin) the Western Arctic is very much underrepresented by water adventure package tour operators. There is however, a high concentration of general touring operators offering tour packages to the Western Arctic.

### **3.2 Competition**

Excluding other northern destinations in Alaska, Greenland and Yukon, there is growing competition to attract visitors to the Northwest Territories for a variety of naturalist/photography, water adventure, wilderness/outdoor and historical cultural tours. A total of close to 100 tour operators are now listing a variety of non-consumptive tours in the N.W.T.

#### Water Adventure (Rafting, canoeing and sea kayaking)

35-40 tour operators offer tours in all the travel zones. The water adventure tour product is well established in the Baffin, Big River, Nahanni Ram and Arctic Coast travel destination zones in the NWT. Trips are generally longer than naturalist\ photography touring averaging 14-15 days but as long as 23 days. Trips are priced from \$150 per day to \$525. The more easily accessed sub-arctic rivers are priced below \$200 per day while barrenlands and arctic water destinations range between \$200 and \$300 and the very remote high arctic Ellesmere/Grise Fiord destination is sold for \$525, Pricing is based on accessibility, competition for the same resource and length of trip. Generally

water adventure tour packages are sold by tour agents with established products in the marketplace and listing a variety of river or water based touring options. Water adventure tours must however compete for market share with a growing list of other non-consumptive tour products sold at various destinations in the NWT.

#### Naturalist/Photography Touring

30-35 tour operators offer tours in six NWT travel zones but business is concentrated in the Baffin (12-15 tour operators). Trip duration varies from 3-14 days however a reasonable average is 7-9 days. Trips are priced from about \$250 per day to as high as \$578 per day and pricing may vary depending on where packaged transportation originates. Some tours use a naturalist lodge as a base camp, or combine community and on-the-land camping activities. For the better established tour product or natural resource destination (for example Mackenzie Mountains, Auyuittuq National Park Reserve or Pangnirtung Pass) there may be more than one agent packaging and selling a tour product at very different tour prices.

#### Wilderness Outdoor Adventure (Dog sledging, hiking/backpacking, cross-country skiing)

20 tour operators offer tours throughout the NWT 'with concentration in the Baffin (12-13 operators). Trip duration is 3-15 days. Hiking and backpacking trips usually last from 10-14 days and are priced at \$200 per day or less, while dog sledging trips may range from \$200 to \$400 and last from 7-10 days. At least one exclusive wilderness outdoor adventure tour to the North Pole is priced at \$1400 per day.

#### Historical/Cultural

10 tour operators offering tours primarily in the Baffin. Multiple community/country tours of arts and crafts operations, and museums, and or camp/traditional Inuit life highlight this tour product. Trips are 6 to 11 days long and while there are a few priced below \$250 per day, they are typically priced above \$400 per day, however depend on travel and accommodation availability and costs. (Note: The above information is sourced from the Northwest Territories Explorers' Guide)

### **3.3 Market Potential and Share**

There is considerable competition in the NWT water adventure market, however with few tour operators offering tours in the Western Arctic and the impending proclamation of Aulavik National Park there is potential to develop a quality,

longer duration and more expensive guided canoeing expedition on the Thomsen River. In recent years a concentration of water adventure and outdoor adventure commercial touring activity has developed around the National Parks and Park Reserves in the NWT. Nahanni, Ellesmere, Wood Buffalo and Auyuittuq National Parks now can boast an increasing range of water based tour products. The opportunity to use Aulavik National Park and the most northerly navigatable river as a tool to develop market will certainly be sought by water adventure tour companies.

Because of the high cost of moving guests and equipment to the Thomsen River, the product must be priced high and sold as an exclusive expedition. At \$400 per guest day the product would be priced higher than the average water adventure but still below the most expensive. Two 12 day tours can be contemplated annually to maximize air charters. The second tour would be operated if sufficient demand warranted. A capacity of 12 guests plus gear is possible on a twin otter air charter from Inuvik with a stop in Sachs Harbour for refueling and pick up of guide, and helper.

Viability will almost certainly depend on the outfitter introducing the tour product to the market place quickly and gaining acceptance for it. The development and implementation of a marketing plan and use of tour agents can facilitate rapid entry into the marketplace. The outfitter must achieve bookings equivalent to 66% of full occupancy for one tour in the first season and increase to one completely full tour within the first three operating seasons for a feasible business venture. In the first three operating years the tour scenario will produce revenues slightly more than \$57,000 annually.

### 3.4 Market Planning

In order to gain rapid entry into the market and subsequently achieve maximum annual receipts, the business must develop and implement a marketing plan. The marketing plan should provide a mix of advertising, media relations/travel trade, direct mail, and other marketing aids. Market penetration into the highly competitive water adventure market will be required. As indicated there is a growing list of tour operators/wholesale agents already offering tours in the NWT. A suggested marketing plan to include:

#### A. Advertising

An annual **print advertising campaign** should include advertising in various water adventure publications-examples include: National Geo Traveller, Outside and Canadian Geographical. The Cooperative Advertising Campaign sponsored

by the Department of Economic Development and Tourism may be able to assist the operator in choosing magazines with distribution and ratings suited to the tour. There are a number of northern magazines which have an increasing circulation to southern Canadian readers. These include up Here, Above and Beyond. (Although magazine advertising has traditionally been a good way to generate inquiries, it is now becoming very expensive and with questionable leads for some tour products, We suggest that the outfitter cooperate with booking agents, tour operators or the NWT Cooperative Advertising Campaign to reduce costs.)

NWT Air "Touch the Arctic" Adventure Tour Program is a good opportunity for the operator to be involved with the Western Arctic Travel Zone, a northern airline and possibly a booking agent. Involvement with this program would certainly mean that air travel on NWT Air from Edmonton would be packaged and costed into the tour, the publication and advertising would be distributed to NWT Air agents and all NWT Air aircraft. NWT Air agents actually book the tour packages.

Annual tour listings should appear under water adventure and/or wilderness/adventure categories for the Western Arctic in the Northwest Territories Explorers' Guide. The Explorers' Guide has a wide distribution and is the main information source provided to Arctic Hotline inquiries. Advertising is also available in this publication.

A further option for print advertising is in the travel and leisure section of large circulation newspapers in western Canada (eg. The Edmonton Journal or The Province).

The outfitter should budget for advertising in the fall as most advertising should be placed in the late summer or fall.

Total Budget: Year 1\$3,000                      Year 2\$3,000                      Year 3\$3,000

#### B. Media Relations/Travel Trade

For the media and travel trade **familiarization tours** are a very important and practice marketing tool. Over a three year period the the outfitter should host "fare tours" with wholesalers/tour agents, and freelance travel writers. If the outfitter is dealing with overseas or US agents or writers, the Canadian consulate in the nearest city will assist in checking credentials and possibly offer some financial support a number of reputable Canadian water adventure agents are

listed in the 1993 NWT Explorers' Guide. It is important that agents and writers be involved in testing the tour product during the first year so that they can provide "feedback" for necessary changes to make the product easier to sell. In this business plan scenario the opportunity exists to fill up extra space on the air charter with agents. Budgeting in this scenario is allowed for two agents and travel writers to fill available space on air charters in each of year one and two. (Assistance for media relations/travel trade can be obtained from airlines - airline passes, the Western Arctic Travel Zone, and the Department of Economic Development.)

The outfitter should be very clear as to what is being offered in the tour package, and how much the outfitting services will cost. A written agreement with the tour wholesalers, and booking agents is necessary. For booking agents, the outfitter should build into the selling price a sales commission of at least 15%.

"Media relations/travel trade fam tours" can be taken when there are guests, however paying customers should be informed of the "fare tour" participants.

Total Budget: Year 1 \$3,000                      Year 2 \$3,000                      Year 3 \$N/C

It is essential that the outfitter **generate a photo library**. The photos should focus on the natural features of the area but also document guests, the outfitter and gear, the community and other features. These photos can be duplicated and used to support travel agents, for use at wholesaler/tour conventions (Rendezvous Canda), in the development of an outfitter brochure, and on video discs when they are installed at visitor centres (Dawson, Northern Frontier and Inuvik).

The professional photographer should be on a tour with either paying guests or a media/travel trade "fare tour". The outfitter should have a list of photo opportunities which he and the photographer agree on. The outfitter must seek a release from the photographer and for that matter from guests who shoot pictures for ownership of the photographic materials. It may be possible for an outfitter to cooperate with the Canadian Parks Service or GNWT in developing a photo library.

Total Budget: Year 1 \$2,400                      Year 2 N\C                      Year 3 N\C

### C. Marketing Aids

A product brochure will be useful to the outfitter in terms of selling the tour directly to customers, and attracting wholesalers and agents. If the outfitter does his\her own booking an information package including a brochure should go out to each inquiry. Brochures should also be distributed to visitor centres in the Yellowknife, Dawson and Inuvik. Three fold 8.5" x 11", or four fold 8.5" x 14" are the most economical and full colour is the most effective, however black and white will be the most economical.

The outfitter should begin the brochure after the photo shoot and it will take two to three months for copy, layout and printing delivering. Typically higher volumes (an inventory of 3,000-5,000 copies should last 3 years) will be more economical. A black and white rate card printed annually will allow the outfitter to change outfitting and tour rates, and pricing/deposit policy.

As an alternative to purchasing a brochure, the outfitter may choose to cooperate with a tour agent and have the Thomsen River Expedition listed as one of the water adventure tours offered by the tour agent. This option will be a more cost effective way of sending a higher quality message to a wider market,

Total Budget: Year 1 N\C                      Year 2 \$4,000                      Year 3 \$500

**Signage or decals** may be optional, however may be useful in identifying the outfitter's equipment and as a backdrop for client photos.

Total Budget: Year 1 \$200 Year 2 N\C                      Year 3 N\C

During the first three operating years the total budget for marketing should be:

### 4. Direct Mail

**Direct mail marketing involves** the preparation and maintenance of a mailing list, and an information package, and the cost of handling and postage, A mailing list or customer inquiry list can be developed from former customers, direct inquiries, and the Department of Economic Development and Tourism Sales Leads program. In the long term it may be advantageous to maintain an electronic mailing list on a computer software program such as WordPerfect 5.1 in order to easily print out addressed labels.

The information package for the mail out may be as simple as a Christmas card featuring a memorable scene on the river or a copy of the product brochure. The information package should also contain standardized letters and information sheets required for booking customers.

Total Budget: Year 1 \$2,000 Year 2 \$1,500 Year 3 \$1,500

During the first three operating years the total budget for marketing should be:

Year 1 \$12,200 Year 2 \$13,300 Year 3 \$5,000

## 4.0 OPERATIONS

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### 4.1 Management, Staffing and Training

Staff and the management of staff is very important to the success of a small tourism business. Guiding will be a critical element in delivering a quality water adventure on the Thomsen River. Because this business opportunity is small and very concentrated the outfitter will likely be the main guide and work with a helper. The guide and outfitter should have a range of skills including but not limited to group food planning and preparation, first aid, swimming and life saving, whitewater and canoeing, natural interpretation, public relations and hospitality, and leadership skills. The outfitter should clearly inform potential clients in promotional materials and correspondence about the level of guiding service available in the community. Good testimonials and references from previous guests can improve the potential for bookings. If the business grows to the level of needing more guides the outfitter should have an agreement with guides to undertake a set of duties in the delivery of the water adventure tour. If the tour is well organized, everyone is informed, there are contingencies in place for weather conditions or natural viewing the customer should be satisfied. A satisfied customer can be an outfitter's best marketing agent.

Level 1 Guide training will be delivered in Sachs Harbour in 1993. The outfitter should develop a hiring policy that all guides will have a minimum level of guide training. As a tourism zone or community tourism association member, the outfitter may continue to push for refresher guide training sessions to be held in the region. The outfitter may acquire funding assistance through EIC to attend guide training programs.

The outfitter must be able to manage and make changes in operations. Feedback from guests is essential and can be done formally with the use of a

questionnaire, or through outfitter interaction with guests. The outfitter should always try to spend time with each guest. The outfitter must also be in control of the administration of the business and an office or administrative system should be in place for the outfitting business. It should not be complicated but should include clear staffing and training policies; market planning, marketing and booking procedures; expediting, communications and travel logistics; and financial administration/bookkeeping systems.

The outfitter may acquire these skills and services by:

- 1. attending the 10 month Tourism Training Program in Yellowknife or requesting that specific courses of the program be delivered in Sachs Harbour. The outfitter should contact either the Tourism Training Group in Yellowknife or the Yellowknife Campus of Arctic College for more details,
- 2. purchasing these services, or
- 3. making an agreement with a professional to provide on-the-job training,

The Canadian Executive Service Organization (CESO) will supply professionals, usually on a short term basis, at no cost to a Canadian aboriginal business. The agency may be accessed through the Department of Economic Development and Tourism. It would be expedient for a new outfitter and possibly other tourism outfitters to cooperate and have a professional in the community for an extended stay of 4-6 weeks. Considering the remoteness of Sachs Harbour there may be some accommodation and travel costs, however assistance should be available from either the GNWT, the Pathways Board or the Hamlet (communities may apply to the Economic Development Cooperation Agreement category 3.0 Community Sponsored Development/3.2 Business Services for assistance to conduct training and business counseling sessions, and facilitate business access to community financial services).

In April 1993, the GNWT announced the NWT Workers Training Fund. This program is for one year only ending March 31, 1994 and may be used to pay for work projects in the community. The Hamlet Council in Sachs Harbour approves and administers the \$29,000 community allocation. The HTC may consider approaching the hamlet with a proposal to be a sponsor providing practical on-the-job training for a new water adventure tour product. For application information contact Municipal and Community Affairs, the Department Responsible for Education, Culture and Employment Programs or the Hamlet of Sachs Harbour.



## 4.2 Licensing, Professional Services and Affiliations

An outfitter or guide operating in Aulavik National Park will require a National Park Act business license issued by the Canadian Parks Service, Prior to official proclamation of the National Park in September 1,993, applications for outfitting licenses will be to the Department of Economic Development and Tourism. Annual renewal of the license is necessary, The outfitter should remain in good standing with the companies registrar (if incorporated), comply with Worker's Compensation regulations and carry sufficient liability insurance (\$1 ,000,000) to cover any legal action resulting from a negligent mishap, A copy of the actual business licence should be included in an appendix to the business plan.

A growing outfitting operation may wish to incorporate to offer some limited liability for the outfitter. Retaining the services of a lawyer, and accountant and establishing a relationship with a bank will help with financial and legal matters undertaken by the business.

The business plan should identify professionals serving the business.

Affiliation with the Western Arctic Tourism Association may offer some benefits to the outfitter. Membership may offer cooperative marketing, business networking, and human resource development opportunities.

## 5.0 BENEFITS

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### 5.1 Environmental Considerations

Bankers and government funding agencies are increasingly concerned about potential environmental impacts from business operations and the costs of cleaning-up or mitigating the impacts. Conditions of National Parks Act business license will be addressed in the Interim Management Guidelines due in 1994 and formally in the Park Management Plan in 1998. The outfitter should develop and implement a policy indicating how the business will cope with solid and human wastes. The outfitter may contact the Environmental Health Officer at the Inuvik Regional Health Board, the Canadian Parks Service or alternatively the nurse at the Sachs Harbour community health centre for assistance. The policy might also demonstrate how the outfitter uses the land and its resources in an environmentally conscious manner.

## 5.2 Economic, and Social Benefits

Some funding programs are directly linked to employment creation. An outfitter applying for this type of funding will be required to demonstrate how many jobs there are in the business and how many more might be created due to the opportunity identified in the business plan, Correspondingly labour income for these jobs should be documented.

APPENDIX C: FINANCIAL AND PRO FORMA STATEMENTS

**NOTES TO PRO FORMA STATEMENTS:**

1. Sales are based on eight bookings in year increasing bookings to 12 in year 3. The price is calculated at \$400 per day for 12 Other income included in the first three operating years are grant contributions from BDF to offset marketing costs (90%) and start-up costs (70%).
2. Wages are calculated at \$300 per day for guide and helper for the 12 days of the tour package.
3. Transportation in the first year is based on the air charter costs from Inuvik to Sachs to the Thomsen River and return and the additional air charter costs of ferrying the canoes from Castel Bay back to an up-river drop-off near the Park boundary. First year transportation costs also include an overland trip to transport the canoes to the up-river drop-off near the Park boundary. In years two and three air charter costs are included for Inuvik, Sachs, Thomsen River and return, and ferrying the canoes between Castel Bay and the drop-off near the up-river Park boundary. Air charter costs are discounted by 15% however 5% price increases are added to year 2 and year 3.
4. Marketing expenses are listed in the marketing campaign 3.4.
5. Commissions are based on agents selling 100% of the bookings in year 1 decreasing to 80% by year three. Commissions are calculated on 15% of sales revenues.
6. Food and supplies are calculated for each of the paying guests, familiarization tour guests, and guide and helper at \$25 per day.
7. Office expenses include telephone and office supplies @ \$100 per month.
8. Professional fees include legal start-up fees, registration of loan debenture, preparation of minutes of board of directors annual general meeting (if incorporated), and preparation of annual financial statements.

9. Insurance policy for \$1 million liability and a broad policy to cover damage to equipment.

10. Interest charges on a small bank loan of \$7,200 for a three year term at 9.75% plus additional bank charges at \$40 per month.

11. Depreciation is calculated on the new equipment purchased at 20% of the purchase value.

12. Income taxes at 22% in each year where there is a profit.

13. The cash reserve is the total amount of actual cash which may build up in the business between year one and year three.

**Aulavik Outfitting, Guided Expeditions**  
**Proforma Income Statements**  
**Three Years of Operations**

Sales	Yr.1	Yr.2	Yr.3
Sales	38400	48000	<b>57600</b>
Marketing & Product Dev. -BDF	10980	11970	4500
Business Investment-BDF	5600		
Net Sales	54980	59970	62100
Expenses			
Wages	3600	3600	3600
Transportation	18703	17685	19589
Marketing	12200	13300	5000
Booking Commission	5760	6480	6912
Supplies, Food, Camp Fuel	3600	4200	4200
<b>Office</b> (phone, supplies)	1200	1200	1200
Prof. Fees <b>Legal/Acct</b>	2500	1575	1575
Licenses, Memberships	250	250	250
Insurance	1500	1575	1654
Int. (9.75% 3 yr. term/\$7200)	1074	857	618
Depreciation (20% of Equipment)	5600	5600	5600
Operating Expenses	55987	56322	50198
Net Income Before Tax	-1007	3648	11902
Income Taxes @ 22%		581	2618
Net Income	-1007	3067	9284
Add <b>Depreciation</b>	5600	5600	5600
Less Principal Payments	2178	2395	2634
CASH RESERVE	2416	6272	12250