

**Northwest Colorado Stewardship (NWCOS)
Socioeconomic Subcommittee
June 28, 2005
Conference Call Summary**

Note: This call did not have a formal agenda. The only topic discussed was the use of contingent valuation (CV) in the survey to assess the economic value of recreation in the Little Snake Resource Area.

Attendance

Jeremy Casterson, Jeff Comstock, Stephen Flaherty, John Loomis, and Heather Bergman.
Facilitator note: This meeting was called at very late notice and did not include a full diversity of participants.

Background

In earlier discussions and emails, the CSU faculty noted that they typically use a CV question to help calculate the specific value of a trip to BLM lands. Typically visitors to BLM lands are combining the visit with several other destinations. In order to separate out the value of visiting just the BLM lands, the CSU faculty recommend recalculating the Consumer Surplus. Consumer Surplus is the difference between the actual money paid by the user and the total value of that recreation activity—the amount someone *would* pay to do that recreation activity. The Travel Cost Method and Contingent Valuation are two possible ways of defining Consumer Surplus. Some NWCOS members have expressed concerns about using the CV method given that it asks people “what they would be willing to pay” and thus does not rely solely on dollars spent. These individuals cite statements by scholars in the field that because CV asks people questions instead of observing their actual behavior, it is very controversial and is often discounted by policymakers.

Conference Call Discussion

Several participants expressed frustration that CV is still being discussed, because they thought that the group had previously agreed that no contingent valuation would be included in this study. Others stated their understanding that the group had agreed not to use contingent valuation for non-use values but to go ahead and use it to get at actual use values. The misunderstanding among participants in the same meeting seems to be rooted in different ideas of what constitutes “non-use”. For some, it refers to someone sitting in a rocking chair thinking about how nice they think it is that the Grand Canyon doesn’t have drilling in it—even though they have never actually visited the Grand Canyon. In this case, no real use of the Grand Canyon occurs, no money is exchanged, but the person responds to a CV question on the value of the Grand Canyon by saying, “I’d pay \$X to keep it the way it is.” These individuals agree that this type of non-use will not be included in the socioeconomic analysis for the Little Snake Resource Area, but think that CV can be used in cases where actual use occurred and actual money changed hands, and hypothetical CV question would serve to isolate the specific value of a stop in Moffat County as part of a multi-destination trip. This might mean asking someone who stopped to hike at Cold Spring Mountain on their way to Dinosaur what they would have paid for a visit *just* to Cold Spring. By contrast, other participants are concerned about using CV whenever it asks a question where actual money does not change hands and/or people are asked

to report what they *would* do.

In response to a question about the implications of taking out the CV question altogether, John Loomis said that:

- If it is left out and there is a low response rate on the survey, there might not be enough data to make the travel cost data (actual dollars spent) statistically viable and then there would be no data upon which to base an analysis.
- If it is left out, there is no way to put a value on the use of BLM lands by multi-destination users without using the travel cost data which would likely over-estimate the value of recreation (because the actual cost of the overall trip would be inaccurately equated with the cost of their stop on BLM lands).

In response to a suggestion that the contingent valuation question be only asked of those people on multi-destination trips, John Loomis said this is not a good idea because:

- It could make the survey more confusing and therefore reduce the response rate.
- As above, if there aren't enough data from the travel cost model, there would be no back-up data to analyze.

John agreed that if there is sufficient travel cost data to be statistically significant, CSU will only analyze the CV data for multiple-destination users. [Facilitator's Note: In reviewing this draft meeting summary, one participant on the call stated that he thought CV would only used if the TCM data were not going to be statistically significant for both single-site users and multiple-site users, rather than it being used in any case for multiple-site users and as a back-up for single-site users as is described above. Given this disagreement, and the fact that the survey has already gone out, the facilitators recommend that BLM clarify how they plan to proceed.]

In response to a question about why Colorado State University (CSU) cannot use a revealed preference model, John Loomis stated that this model is similar to the travel cost model, and it therefore suffers from the same limitations he cited for TCM.

One participant stated that CSU needs to specify in its report which numbers are hard or real numbers (actual dollars spent) and which are contingent numbers (dollars a user *would* spend). John Loomis said that CSU will make this distinction in its report.

One participant stated a concern that the socioeconomic analysis is going to be all contingent valuation with no real assessment of actual dollars spent. John Loomis stated that the travel cost model will be used as the primary tool in this study, with contingent valuation serving as a secondary tool to get at the value of use of BLM lands on multiple-destination trips and as a back-up tool in case there is insufficient response to make the travel cost data statistically significant.

The group discussed the reliability of contingent value assessment—meaning that if the study is repeated, the same results will be found. John Loomis stated that he is aware of 4 studies indicating CV is reliable. He said he is not aware of any studies indicating that is not reliable, but he welcomes information to the contrary if anyone knows of any. The group also discussed whether or not CV is valid, meaning that it accurately measures what it's supposed to be measuring. John said that he only knows of one study on the validity of CV (in *Land Economics*,

Feb. 1996. vol. 71, n 1), and it states that when compared to travel cost data, CV comes up with very similar results—for every dollar measured in travel costs, CV comes up with \$.89. Again, John welcomed journal articles or other information indicating that CV is not valid. [Facilitator’s Note: Stephen Flaherty has identified scholarly information that questions the validity of contingent value. This information is available on the Internet at http://www.ecosystemvaluation.org/contingent_valuation.htm.]

Jeremy said that there is BLM guidance on this issue directing the agency to use non-market tools (which include willingness-to-pay) in its assessment of socioeconomic impacts. (Land Use Planning Handbook, Appendix D, p. 6, 10).

In light of all this, the plan is as follows:

1. CSU will use the travel cost model as its main tool.
2. CSU will use CVA as a secondary tool to get at multi-destination users, AND as a back-up just in case there aren’t enough users to make travel cost data statistically significant.
3. When the data are collected, CSU will share the raw data with this subcommittee, and explain what analysis tools will be used, on which data, and why.
4. In its report, CSU will distinguish between hard numbers and CV numbers, and will calculate confidence intervals for both so people can see any difference in confidence between travel cost data and CV data.
5. CSU is open to listing in its report the exact questions that were asked, so that people have all the information when they read the analysis and its conclusions.

Two participants expressed their strong opposition to moving forward with the above plan, including Stephen Flaherty, who is opposed to using CV because of its questionable validity. These individuals would like the CV question removed from the survey. However, in light of BLM’s directive on this issue and the need to get this survey handed out over the Fourth of July weekend, they agreed not to block the above plan. Thus, the survey will be administered by CSU as proposed. There was frustration that a decision on this has to be made immediately (because CSU is beginning data collection this weekend), without further discussion. Jeremy agreed to take the group’s issues and concerns to John Husband when briefing him about the socio-economic study to make sure he understands the controversy surrounding this question.