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Michael Smith

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Subject: Written Testimony as to the Impact on Raising the Minimum Wage

I am writing to you as the managing partner of ArborTrek Canopy Adventures, LLC and President of AdventureSmith, Inc. Most Vermonters know us for the zip line canopy tour we have operated independently at Smugglers' Notch Resort since 2010. Others might know me for my work in adventure education and, in particular, business consulting for adventure tour operators.

Adventure recreation, while a growing industry, is not a career industry for the feint of heart. The work of a guide is generally seasonal and temporary. It fluctuates with tourism figures, weather, and economic changes. That said, it can make a considerable impact on both the lives of employees and on the lives of clients who those employees impel into adventure, coach through challenging situations, and guide through highly novel programs.

The rewards of working as an adventure guide are many, but rarely is long-term employment advisable for the employee or employer. The work cycle of our businesses is short. Guides immerse themselves in the study of the technical and risk management requirements. They receive instruction in natural history and ecology of the region and are trained to be ambassadors for our region and the State of Vermont. They receive content in physics, construction, first aid, rescue, and business. Through their work, they gain experience in public speaking, risk management, personal presentation, and networking. Many of our guides find the work personally rewarding and they are passionate to share themselves and their State with visitors. It shows. Our clients frequently report that our guides were the best part of their Vermont vacation.

As rewarding as the work is to lead families and individuals through the forests and on adventures, the skill set is relatively simple and the work can become mundane and risky. Complacency is one of the greatest risks to guides. As such, we invest heavily in training and staff development. Active learners are often more attentive. We have also learned that it is important for both our managers and guides to recognize the life cycle of the job. Once an employee stops learning, their risk increases substantially. As such, we encourage our employees to use the experience to improve themselves and to meet new people. Our best guides regularly find employment in their chosen career fields, often as a referral from one of our many clients.

Our management team provides ongoing coaching to the guides and, where possible, instruction in other small business skill sets like word processing, bookkeeping, marketing, and business administration. Ancillary small business skills help some of our staff extend the working season and take on more complex roles in the organization. Those that make themselves most useful and develop multiple skill sets often find long-term employment, either with us or other tourism-based businesses.

I provide this background because the current wage increases are already making it difficult to provide additional training and non-revenue-producing work to our staff. Thus far, we have been able to absorb these costs without price increases to our customers. They have, however, come at a big hit to our bottom line.

Labor is already our highest cost. Proposed increases from H.93 and H.64 will dramatically increase our operating costs. It is not just entry level guides which will require increases. Middle and senior level managers will also require substantial level wage increases, else they will trade responsibility for leisure and simplicity. An increase to a base of \$15/hour represents a 38% increase to current operating costs and will cut our EBITDA by 76%, putting us in a position where neither banks nor private equity will continue to invest in our business.

The idea that these costs can be absorbed or passed on to the consumer doesn't work. We already charge 15-20% more than tours in neighboring states. Our worker compensation is 472% higher here in Vermont than what we pay in Tennessee (both with the same modifier). Vermont state taxes and employee costs are substantially higher than other states in which we operate. Over the past few years, we have lost market share to neighboring states and Canada. Further increases will only further benefit tourism outside of Vermont.

The current increases to taxes, healthcare, insurance and wages already have us on our heels. Regardless of the outcome of H.93 and H.64, we are already being forced to automate functions, reduce staffing, and reduce staff development hours. Current increases will require us to reduce staffing by 8% this year and 6% next year. We are a relatively small company with 45 full-time seasonal staff during peak summer season, 10-12 full-time staff in the swing seasons, and 5 staff in the winter. These reductions will hit our company hard. As the managing partner, labor cost increases will hit me hardest. To reduce costs, I will be forced to take on more and more projects that I previously delegated to staff.

I am not suggesting that an increase to \$15.00 an hour is not warranted. My staff are talented people (most are students pursuing STEM- and business-related degrees at local universities and colleges) and I am confident that they will all make \$15/hour at their chosen careers. In fact, I believe more than a third of them will probably earn double the average household income in less than ten years after leaving our company. I share this because many entry-level employees at adventure tourism/recreation businesses are not seeking career paths. In most cases, they are seeking the opportunity to have fun and earn income during transitions or their early work years.

I am deeply concerned by [H.93](#) and [H.64](#). Recreation and tourism are significant economic drivers in Vermont and I am proud to operate here. I cannot, however, see the industry continuing to employ the quantity of Vermonters that it does at present if wages continue to increase. While minor increases in costs may be absorbed by ticket price increases to visitors to the State, they will not be accepted by local Vermonters.

As a consultant to the adventure tourism industry with many years of experience, I believe that H.93 and H.64 will have many unintended consequences.

1. Employers will turn to automation and technology. There are few positions which cannot currently be automated. It is a matter of return on investment. An increase in wages for entry level workers to \$15.00/hour almost seals the deal. In the adventure tourism industry, this means replacing customer service staff with call centers in lower cost regions, food service and ticket sales jobs with kiosks, and guides with narrated apps and mechanical systems which do not require trained employees.
2. Training and development opportunities will decrease. One of the first line items to be cut is training and staff development. Less training will increase worker compensation costs, opportunities for advancement, and On-the-Job Training (OJT). It will trap lower wage workers in low wage positions that require additional education or skill development to advance. High school, college, and young professionals will be hit the hardest by cuts to OJT
3. Consumer costs (hotels, ticket prices, etc.) will increase and drive consumers to our competitors. The Vermont brand will not continue to power growth if prices continue to increase at a rate above our neighboring States. Many northern Vermont businesses have been hit hard by the disparity between the U.S. and Canadian dollar. Immigration reform will only serve to reduce the number of international visitors. U.S. consumers will act budget-wise and travel to states with the best rates. Vermont consumers will find travelling to lower wage markets more affordable. This trend is supported by booking sites like Travelocity, TripAdvisor, Expedia, etc. that pitch consumers vacations at the lowest fare.
4. Reduction in hours. Business will cut hours for jobs with little to no training. Jobs which require additional training will be split to simplify job tasks resulting in two jobs with fewer hours.
5. The quintessential "ski bum". Vermont's travel seasons are "faucet on, faucet off". While most workers seek additional work in between seasons, this is no longer necessary at \$15.00/hour. There is a leisure class at both ends of the social spectrum. This will create a on/off employed/unemployed cycle with a high leisure value to the worker, but a huge cost to the business owners and the State. Tourism business are facing growing concerns from changing climate patterns, a reduction in the number of days of school vacation per year, and modern booking trends. Increasing unemployment costs and higher turnover are not trends which can be easily absorbed.
6. Last and most importantly, small business owners will stop hiring and take on more work. This is perhaps the most detrimental of consequences to H.93 and H.64. Running small businesses is already difficult. When owners take on more and more work to save costs, the chance of success is greatly reduced. A higher minimum wage will destroy the small business engine in the State of Vermont and drive ambitious entrepreneurs to other markets.

I am considerate of the need for increases, but I do not see the net impact of the current plans as being positive for the State. In fact, I see it being highly detrimental with long-term consequences that have not been considered. Any considerations for an increase to minimum wage must lag all of the surrounding states, else I fear Vermont will lead the Northeast in under/unemployment and we will find businesses exiting the State or entering bankruptcy.

I urge the State to look at other options and not to consider H.93 or H.64. Instead, I encourage the State of Vermont to look at ways in which it can foster the spirit of entrepreneurship, reduce hurdles to small and mid-size business owners, and help develop new industries which support upward mobility, especially in rural areas. Real change needs to start in the way we educate our children about money, growth, and business.

It is my experience that wages increase when businesses are successful, not when they are burdened.

Sincerely,

Michael R. Smith