



United States Department of the Interior



BUREAU OF LAND MANAGEMENT
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<http://www.co.blm.gov/lspa/index.htm>

In Reply Refer To:
1612 (100)

July 1, 2005

Stephen Flaherty
Western Gas Resources
1099 18th Street
Suite 1200
Denver, Colorado 80202

Re: Your letter dated June 29, 2005, regarding the Socioeconomic Study for the Resource Management Plan

Dear Mr. Flaherty:

Thank you for your letter relating your concerns about the use of the contingent valuation method (CVM) for estimating economic values. I would like to take this opportunity to respond to your concerns.

Regarding the meeting with Colorado State University on May 3, 2005 to discuss this aspect of the study, there was obviously a misunderstanding about what the group had agreed to. Jeremy Casterson, Planning and Environmental Coordinator for our office, attended this meeting via conference call. Kristi Parker Celico, the professional mediator from the Keystone Center contracted by the BLM, facilitated that meeting in person. Kristi and Jeremy both remember that NWCOS and CSU agreed not to use CVM for *non-use values*, but did agree to use CVM for *use values*. There was apparently some confusion as to what CSU and NWCOS agreed to during that meeting.

CVM is a methodology that allows us to estimate the value of natural resources that do not have market values. We recognize the limitation of such techniques but feel that they are valuable in helping us understand the magnitude of the value that society places on such resources. The limitations of this methodology are clearly understood and we recognize that they can and should not be directly compared to market values. It is our intention that the results of the CSU study will be conveyed to any decision maker or the public with a discussion of limitations included.

As you point out in your letter, there is a difference between use and non-use contingent valuation. Contingent valuation of non-use values estimate someone's willingness-to-pay for a value that they may never use. For example, a question aimed at determining contingent

valuation for a non-use value could ask how much someone would be willing to pay to preserve an area as wilderness. This is non-use valuation because the survey respondent never had the intention to use that resource or value. This approach is indeed controversial and the Little Snake Field Office will not use CVM to estimate non-use values in this socio-economic study. Nor will the BLM use this non-market valuation information for a cost-benefit comparison.

In addition to using CVM to estimate non-use values, CVM can also be used to determine *use values*. A survey question attempting to determine use value would ask how much more the respondent would be willing to pay for a value or resource *that they actually used*. An example of a CVM question to determine a use value would be “would you be willing to pay \$100 more for that river trip you just returned from?” The question asks them directly about a resource that they did actually use. This method is also somewhat controversial, but when reading the actual survey question, we are less concerned about this issue because it asks about a resource that the respondent has actually used.

The question in the CSU recreation survey reads as follows:

As you know, some of the costs of travel such as gasoline often increase. If the **total cost** of this most recent trip had been \$ _____ **higher**, would you have made this trip to the recreation area visited?

Circle one: YES NO

Before survey administration, the blank will be filled in with one of several dollar amounts, such as \$50, \$100, or \$200. Therefore, according to their “willingness to pay,” consumers would take fewer trips at higher prices, and more trips at lower prices. This will allow CSU to derive a demand curve and determine the total value of the recreation experience. This is the only question out of almost 30 questions on the survey that uses CVM. The recreation assessment aspect of the socio-economic analysis will be of value for the BLM because we have very little data on the value of recreation to our community.

I did get a chance to read the website you referenced in your letter (www.ecosystemvaluation.org). The limitations of CVM detailed on this website largely pertain to *non-use valuation* for estimating the value of *environmental quality*. For example, one limitation mentioned is that, “respondents may state a positive willingness to pay in order to signal that they place importance on improved environmental quality in general,” or because they “feel good about the act of giving for a social good.” After reading the actual survey question above, it is apparent that this question has nothing to do with environmental quality or social good. A respondent would not express a positive willingness to pay because they feel good—this is a straight forward question related to their recreation experience. Additionally, the limitations of an “ordering problem” and “embedding effect” are not pertinent to this particular question, as are many of the other limitations listed on this website.

The use of CVM and other methods to estimate the value of non-market goods is rooted in BLM guidance. The Land Use Planning Handbook, Appendix D, encourages BLM offices to consider consumer surplus, “as determined by estimates of willingness-to-pay (non-market values).” CVM is one method to estimate willingness-to-pay. There are other methods as well, as you mention in your letter, such as the Travel Cost Method (TCM). However, Dr. Loomis explained

that he cannot use the TCM in every situation, since the use of that method is limited to respondents who have only one purpose and destination for their recreation trip. TCM will not work for respondents who use BLM lands on the way to other destinations. In such circumstances, CVM is then needed to estimate the value of that recreation experience.

Dr. Loomis leads the field in non-market valuation and CVM. He has written over 160 peer-reviewed journal articles on resource economics and non-market valuation and a book on estimating the economic value of recreation on public lands. In addition, there are many more credible journal articles illustrating the usefulness of the CVM method to estimate willingness-to-pay. In addition to Dr. Loomis, there are other CSU faculty members involved in this study. I am confident that the Department of Agriculture and Resource Economics as a whole will produce a robust and credible socio-economic study for the Little Snake RMP. We intend to speak with CSU to ensure future interactions between our contractor and our partners are conducted in a professional and courteous manner.

In your letter you request that the BLM review Dr. Loomis' research before making any land use plan decisions based on his analysis. BLM will honor this request, as it is normal BLM procedure to review data before using it to help make decisions or including it in our planning documents. In the spirit of transparency that the Little Snake Field Office has continually shown throughout this collaborative process, all documentation related to this study will be made public during the release of the Draft RMP/EIS. The process used in this study will be clearly spelled out in the documentation so the public will know that CVM was used to derive certain data.

Thank you for your continued involvement in NWCOS and with the BLM in our planning effort.

Sincerely,

John E. Husband
Field Manager

cc: Ron Wenker
Kathleen Clarke