Next steps towards an optimal park pricing program

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Great potential!

- Valuable natural capital at stake!

”Demand” from park agencies:

- Increased demand for self-financing.
- Currently ”no scientific basis for fees”.
- Difficult negotiations with operators.

”Supply” from academics:

- Apply our tools;
- Do more research;
- We care!

Next step 1: Program proposal

1. We should try a big multi-country program approach!
   a) Please keep investing in the problem statement, the need for the project, the data availability etc.
   b) Appointment of persons for syntheses.
   c) Appointment of focal persons from park authorities.
   d) Solicit proposals from researchers.

Next step 2:

- We should do it anyhow!
  - The need is there!
  - The capacity is there!
  - A lot of studies are ongoing!
  - Find a way!

Next step 3: Annual meeting

- Functions of an annual park pricing meeting:
  - Continue to develop a joint approach;
  - Inform each other of changes in price structures;
  - Input into tariff setting (annual updates);
  - Sharing and discussing recent research;
  - Help improving tariff setting, branding, improving characteristics, voluntary donations etc.

Next step 4: Institutionalization

- Repository of data;
- Core analysis for country and multi-country tariff setting;
- Organizer of annual meetings;
- Credible institution as counterpart to national and international stakeholders.

What to do?

Why park pricing as an EfD theme?

- Increasingly important sector;
- Major values at stake (irreversibilities);
- Past research experiences and capacity;
- Multiple centers interested;
- Stakeholder interest and involvement;

What can EfD bring to the table?

- Committed domestic researchers;
- Next generation advisors;
- International collaborators;
- Seed money to initiate a program;
- Research and dissemination infrastructure;

The park pricing research project

- Background
- Problem statement
- Goal
- Specific objectives
- Methodology
- Project outcomes
- Next steps
- Project partners/collaborators and responsibilities
- Project budget

Background

- Costa Rica presentation ar 2007 annual meeting
- Costa Rica presentation at 2009 annual meeting
- Park pricing workshop in Nakuru (October 2010)
- Interest from ZimParks, SANParks, UWA, KWS, TANAPA

PROBLEM STATEMENT

- National parks are at the forefront of biodiversity conservation
- Conservation at parks under threat from:
  - insufficient funds to manage them, and
  - the pressure to exploit them in alternative land-uses which easily demonstrate their worth
- Most importantly, parks services increasingly being asked to rely on own revenues
- Major opportunity for focus on park pricing reform

GOAL

- To use optimal park pricing to achieve sustainable park management
- To maximise the value of parks for a combination of parks and national interests

SPECIFIC OBJECTIVES

- To identify pricing objectives desired by parks agencies in the participating countries to achieve sustainable park management
- To assess the weaknesses of the current pricing regimes (especially with respect to entry fees and concession fees)
- Investigate the attributes of an optimal pricing regime
- To review alternative pricing regimes to identify their suitability to the existing context
- To design an optimal pricing regime which satisfies the objectives desired by parks agencies in the participating countries

METHODOLOGY

- It is envisaged that most of the articles from this project will employ the following methodologies
  - Mathematical modelling
  - Econometric analysis of historical data
  - Contingent valuation
  - Travel cost method
  - Contingent behaviour
  - Choice experiments

WORK PACKAGE 1

- **Fundamental analyses**
- This project emerges from the realization that African parks increasingly rely on their own revenues for their management. These revenues are typically set by national park services. Since this situation differs from theoretical public finance design principles, this work package will review first and second best approaches to park tariffs and park management.
  - What are the foundations for tariff setting? A review of arguments regarding earmarking of funds for park management/public goods, e.g. for cost recovery.
  - A review of implications on management of the level of tariff setting (local/district/provincial/national/regional).
  - A review of existing governance, funding and tariff systems of national parks in Botswana?, Ethiopia, Kenya, Namibia?, Rwanda?, South Africa, Tanzania, Uganda and Zimbabwe.
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WORK PACKAGE 2

- **Demand analyses of national parks**
- Optimal tariffs should be sensitive to the demand for various park characteristics.
  - Estimation of demand functions based on historical data on visitation rates, prices, and park characteristics.
  - Analysis of demand for park characteristics based on stated preference studies with variations in park characteristics.
  - Analysis of cross-price elasticities of demand for major parks within countries.
  - Trophy hunting demand
  - Concession demand (principles relating to concessions, actual practice in dealing with concessions, potential: how can you best deal with concessions)
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WORK PACKAGE 3

- **Analysis of cross-country implications**
- Given that park visits in the region are substitutes and that there are arguments for regional collaboration in the design of tariffs, the following studies are needed:
  - Theoretical considerations for regional cooperation in tariff design.
  - Experiences from design of related cartels.
  - Analysis of substitution of park visits between countries.
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WORK PACKAGE 4

- **Ecological sustainability**
- The primary objective for most park services is to ensure ecological sustainability. Since park tariffs affect number of visitors and modes of utilization it is important to bring in ecological constraints into the design.
  - Review of the conservation biology literature to identify relevant:
    - Carrying capacities of animal stocks;
    - Damage functions related to mode of park use.
    - Damage functions related to visitor concentrations
  - for different kinds of ecosystems
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WORK PACKAGE 5

- **Multiplicator effects for surrounding communities/society**
  - Exit polls (important to be careful in the identification of spending)
  - CGE model (Tanzania has developed a SAM with a tourism sector)
  - Experiences of “park forums” and participatory revenue sharing.
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WORK PACKAGE 6

- **Ecosystem services**
  - Identification and valuation of ecosystem services provided by parks, such as:
    - Biodiversity conservation
    - Watershed management
    - Carbon

WORK PACKAGE 7

- **Stakeholder analyses**
  - Identification of various stake holders.
  - Analysis of profitability and entry of tour operators.
  - Corruption analysis
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WORK PACKAGE 8

- **Design of optimal fees**
  - Theoretical description of optimal tariffs.
  - Park specific tariffs.
  - Multi-park tariffs (including substitution)
  - Theoretical description of optimal concession fees.
  - Optimal combination of entry fees and concession fees (theoretical and simulations).
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PROJECT OUTCOMES

- Workshop of senior park managers on how they can form a cartel and be better off
- Special issue

NEXT STEPS

- Follow-up park pricing workshop (28-29 April 2011)

PROJECT PARTNERS/COLLABORATORS

- Botswana?
- Ethiopia: Rahel (EfDE), Rahel to get a parks name by 10 November
- Kenya: James Njogu (KWS), Mark Yobesia (KWS), Goeffrey Sikei (EfDK), Wilfred Nyangena (EfDK)
- Namibia?
- Rwanda? Claudine
- South Africa: Edwin Muchapondwa (EfDSA), Johane Dikgang (EfDSA), Jane Turpie (EfDSA), Louise Swemmer (SANParks)
- Tanzania: Emillian Kihwele (TANAPA), Razack Lokina (EfDT)
- Uganda: Margaret Banga (EfDT), Moses Chelibei UWA), Stephen Masaba (UWA)
- Zimbabwe: Liberty Nyaguse (ZimParks), Carren Pindiriri (UZ)
- International: Gunnar Kohlin (EfD), Gardner Brown (WSU), Francisco Alpizar (EfDCR), Allen Blackman, Roger Madrigal, Carolyn Fischer, Jo Albers, Thomas Sterner, Peter Berck, Wisdom Akpalu

PROJECT BUDGET

- EfD
- GEF
- SIDA
- ACBF
- AfDB
- WWF
- AWF
- World Bank
- Larry Linden
- Tourism Research
- World Tourism Organisation
- VW Foundation