Park Pricing in Kenya
Background Paper

EfD-Kenya

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Introduction

- Tourism contributes;
  - about 5%of GDP and 4% of total employment in Kenya
  - The general tourism economy, capturing backward and forward linkages, contributes about 11.6% of GDP
  - Also contributes almost 23% in foreign exchange earnings
  - Employs about 9% in the formal sector employment
- Generally, it provides Kenya an opportunity to make the most of its competitive advantage
- Currently, Kenya aims to raise the number of international visitors from 1.8million in 2006 to 3million in 2012

Protected area network in Kenya

- PAs form the backbone of the tourism industry.
- Account for up to 90% of nature based tourism and about 75% of total tourism earnings in Kenya (KWS, 2008).
- The main growth sub-sector in tourism in the 2010-2014 period will be the national parks and game reserves
- However, most of the wildlife PAs were established without due regard to the surrounding landscapes
- Rigid boundaries between PAs and the surrounding landscapes have compromised integrated and effective management of many ecosystems
- Besides KWS which retains the overall responsibility to mange wildlife in both private and public land, there are hundreds of NGO's, landowners, private sector and local community institutions that are involved in wildlife conservation and management.

Objectives

General Objectives

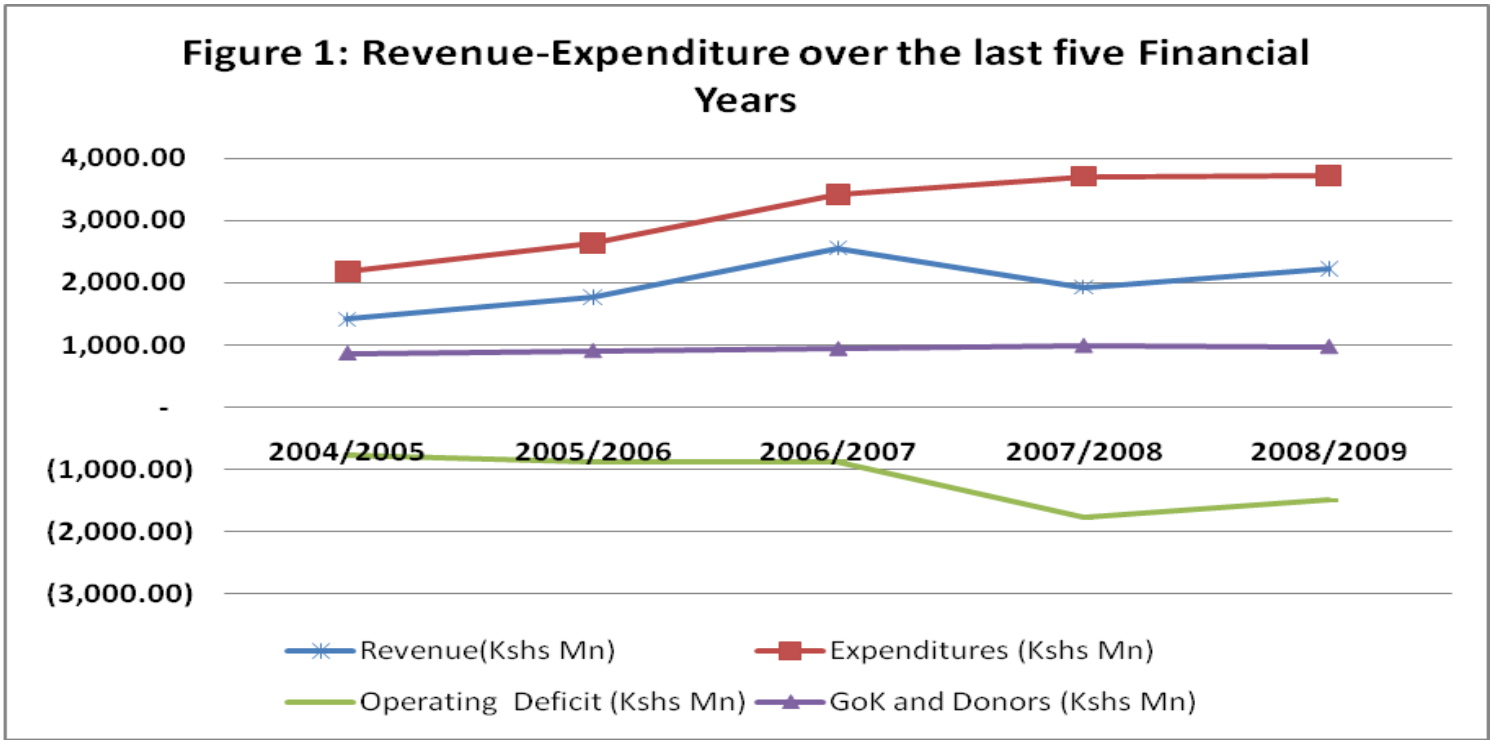
- The current study is aimed at ensuring the agencies concerned with wildlife protection attain financial stability through maximizing self generated revenue from tourism and park recreational activities and streamlining revenue collection
- Specifically, the study will inform development and implementation of a tourism pricing policy based on differential pricing strategy

Pricing structure (1)

- Park pricing has been one of the major impediment to growth of the tourism sector in Kenya
- The current pricing systems have not been sufficient to achieve the conservation level of nature as required by the society.
  - There is the lack of incentives to motivate local individual and nature users in general, to adopt behaviors compliant with nature sustainable uses
- Kenya has been perceived to be subsiding tourism exports to richer countries resulting in failure to reach financial sufficiency
- The current pricing policies are not able to either restrict tourism to carrying capacity or maximize on revenues generated – they are set arbitrarily

Pricing structure (2)

- Revenues generated are not enough to off-set costs (Figure 1)



Source: KWS Audited Accounts

- KWS is seriously constrained financially

Pricing structure (3)

- KWS administers a tariff system established largely through consultations and bargaining with the industry stakeholders.
- Park entry accounts for well over 90% of internally generated revenue
- Park entry fee is structured in line with park categorization based on park visitation, location and park attractions
- Park entry fees was developed without a formal methodology and has been reviewed four times since 1996 in a similar *ad hoc* manner
- KWS has applied various forms of differentiation;
  - Differentiation by individual visitors - earliest form of pricing structure (citizens, residents and non-residents visitors, students and children etc)
  - Differentiation by volume of visitors; and
  - Differentiation by sites with some parks being isolated as premium parks

Pricing structure (4)

- Table 1 below indicates changes in adult visitor's park entry prices for the period, 1990 – 2010

Table 1: Changes in adult park entry fees for premium parks 1990 - 2010										
	Apr-90	Dec-90	Dec-91	Dec-92	Dec-93	Jan-96	Jan-03	Jul-06	Jul-08	Jan-10
foreigners	200.00	220.00	450.00	540.00	1,100.00	$27.00	$30.00	$40.00	$60.00	$60 to $75
residents	40.00	45.00	55.00	65.00	100.00	250.00	500.00	1,000.00	1,000.00	1,000.00
citizens	-	-	-	-	-	100.00	100.00	200.00	300.00	500.00

- Table 2: Relative Impact on Park Visitation of increases in Adult Park Entry fees, 1993- 2009

	% increase price Dec-92	%Δ in visitation 1993	% price increase Dec-93	% change in visitation 1994	% price increase Jan-96	%change in park visitation 1997	% price increase Jan-2003	% change in park visitation 2004	% price increase July-2006	% change in park visitation 2007	% price increase July-2008	% change in park visitation 2009
Foreigners	20	14.7	104	6.8	35	-2	11	25	33	1	50	76
Citizens	18	2.7	54	-11	150	-17	100	47	100	7	0	32
Total		17.4		-4.2		-19		73		8		109

Source: KWS data and own computation

Proposed Methodological approach???

- The study will build on earlier works by Alpizar (2006), and use price discrimination approach to analyze park pricing in Kenya. The study intends to adopt Alpizar's *Optimal Pricing of Recreation in Protected Areas (OPRPA)* model.

Moving forward

- Materials needed (most already provided);
  - The 1995 KWS product and pricing study report
  - Management plans for parks
  - KWS strategic plan
  - Visitor statistics to parks, reserves and sanctuaries
  - KWS expenditure data
  - KWS revenue data
  - Inventory of all tourist facilities in the different regions of the country
  - Visitor trends and major tourist attraction sites
  - Human population data

Data needs (1)

Demand side

- Attitudes to environmental goods and services
- WTP and/or WTA bids for the good using one or more of the elicitation methods
- Socioeconomic characteristics of the visitor(Age, Gender, Level of Education, Income, etc)
- Location of the visitor's home to indicate the distance from home to the PA visited
- Frequency of park visitation in the past year or season
- Duration of stay during the visit
- Mode of travel to the Parks
- Trip characteristic, whether package, self-organized or organized group
- Travel expenses

Data needs (2)

- Size of Party at the particular visit (number of other persons travelling with the visitor)
- Other locations visited during the same trip, and amount of time spent at each
- Motivation to undertake the visit (is the trip only to visit the site, or for several purposes)
- Visitor Satisfaction level with the visits to the particular Park/Reserve
- Perceptions of environmental quality or suitability of the Park for Nature Based tourist recreation activity.
- Information on substitute sites that the person might visit instead of this Park
- Expenses during the stay at the visited Park/Reserve

Data needs (3)

Supply side data

- Production costs
  - In-puts (labor, land, capital)
  - Out-puts (goods and services)
- Total Costs (Fixed and variable)
- Total revenues from all tourism revenues streams
- Profits and losses (Gross, net)

We hope James/KWS will not charge us for conducting research in PAs!!!

Thank You!