PRIVATISING PARKS
A PROGRESS REPORT

While there has been some private sector engagement in national parks, public sector bureaucracies still have a virtual monopoly over management, argues **Jeff Bennett**

In the summer 2000-2001 issue of *Policy*, I contributed an article entitled 'Privatising Parks: Why the Private Sector Can Enhance Nature Protection'. In that article, I raised two fundamental questions:

1. Have governments 'got it right' in terms of the extent of the portfolio held as national parks, nature reserves and other 'protected areas'? Has too much land and sea been removed from being able to support extractive industries? Or has too little been set aside to ensure the environment is adequately protected?

2. Have governments 'got it right' in terms of the management of the parks? Are park operations cost-effective and responsive to the demands of their tax-paying users?

Then, as now, the processes used by governments to determine the level of investment made in protected areas have not relied on much by way of quantified estimates of the benefits and costs they bring to society. Decisions to declare new parks have been made predominantly on the basis of the political process that takes into account the relative capacity of vested interest groups to deliver marginal electorate votes. While this process may have well served the politicians' prospects for re-election, it is unlikely to have delivered the best outcomes for society at large.

The management of protected areas also still remains in the hands of the bureaucracy. State and federal government agencies, most notably the various National Parks and Wildlife Services (NPWS), are responsible for both the long-term strategic planning of the parks and the day-to-day operational matters. Essentially, these public sector bureaucracies have maintained their monopoly control over the management of around 10% of the nation's land area. Given the lack of competition from alternative suppliers of management services and the security offered to staff by public sector employment, the incentives for the NPWS to control costs, be responsive to consumer demand and, in general, to provide value for money, are still lacking. The combination of the magnitude of the area of land (and sea) now set aside as protected areas[1] and the managerial issues facing the responsible authorities continue to give rise to concerns regarding the long-term sustainability of the estate in the face of threats such as feral plants and animals and bushfire control.

The 2000-01 article made the argument that the introduction of private sector market forces into the park acquisition and management processes could improve the use of resources in the realm of natural area protection.

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The argument went against the standard Economics 101 approach to considering the prospects for private sector provision and management of parks. That approach focuses on the 'public good' characteristics of the benefits provided by protected areas: primarily that the costs of excluding non-payers from using the goods are so high that a profit motivated supplier would have no incentive to enter the market.

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The alternative economic analysis put by the article pointed to numerous cases where relatively low-cost measures can be employed to collect entrance fees and exclude those who don't pay. For instance, many parks are only accessible via a small number of road entrances that can be 'tolled'. Furthermore, it was argued that altruistic behaviour whereby people who enjoy the so-called 'non-use' values of protected areas (such as the knowledge that endangered species continue to exist) give donations and hence choose not to 'free-ride'. It was also noted that while the 'non-use' values of protected areas such as biodiversity conservation are 'non-excludable', they are supplied jointly along with the use benefits enjoyed by those who visit the areas.

The article put forward a number of potential policy measures that follow from the logic of the alternative economic analysis.

First, it was suggested that the then current stock of protected areas should be regarded as a baseline for the level of protected area provision. Any further extensions of the estate should be required to meet at least a pseudo-market test. This would involve all state governments and the federal government agreeing to a moratorium on future national park declarations. Such a moratorium would prevent the supply of more public sector parks from 'crowding out' the efforts of nascent private suppliers: People with an interest in expanding park supply would have to pay for it rather than lobby for it.

Second, the argument was made that the management of individual national parks should be put out to competitive tendering. The relevant government agency would thus 'contract out' the management function but would retain the responsibility for establishing the terms and conditions of the management contracts, conducting the tendering process and for monitoring/enforcement of the contracts. Periodic letting of contracts would ensure competition of supply through time, with the time span of the contracts striking a balance between maintaining competitive pressure and creating incentives for management to involve longer-term strategies and investments.

So after 16 years since the original article was published, it's opportune to take a look at what progress has been made in implementing these policy suggestions.

Private sector engagement in acquisitions and management

In the acquisition space, a number of prominent private sector entities have been active in buying and covenanting properties to be set aside as protected areas. In a fiscal climate where governments have been reluctant to commit to acquisition expenditure,[2] Bush Heritage Australia (BHA) and Australian Wildlife Conservancy (AWC) have been active in purchasing significant estates. Their combined holdings of land now amount to around five million hectares with a further five million hectares managed in partnership, primarily with Indigenous owners.[3] Funds to make these purchases have been sourced from individual and corporate donors. However, it should be noted that donations made to both entities are tax deductible. Furthermore, several purchases made by both entities have also been funded by 'matching' contributions, whereby donations made to BHA/AWC are matched on a dollar for dollar basis by taxpayer funds. Governments are still 'subsidising' protected area acquisition.

It should also be noted that one private sector entity devoted to the acquisition of protected areas, Earth Sanctuaries Pty Ltd (ES), has faded from prominence. Founded by John Walmsley and based at Warrawong Sanctuary in the Adelaide Hills, ES operated on a business model in which interested parties would buy new shares in the (unlisted) company. Buyers of these shares were motivated by altruism and effectively donated the share purchase price. Dividends were not anticipated and weren't paid. Sufficient funds were raised in this manner to purchase a number of additional sanctuaries both in South Australia and interstate.

However, ES departed from this successful model in an attempt to grow further. It sought public listing. In doing so, it had difficulties in satisfying the Australian Securities and Investments Commission in respect to the capital value of each share (for instance, the wildlife assets on the company's properties had no market value given they are technically the property of the Crown). It also shifted its intended source of funds to those who were more serious about seeing a rate of return on their investment. The 'Mum and Dad' investors/donors who had played such a critical role in the early growth of the venture presumed their help was no longer needed. Following listing, the price of ES shares steadily fell and eventually the bulk of their protected area holdings were sold off, primarily to Australian Wildlife Conservancy, with significant financial assistance from the Federal government.

In the management space, there has been a steady movement in various NPWS to engage more with private sector suppliers of services. For instance, in NSW, the NPWS's concessions policy under which private businesses are licensed to conduct their operations within park boundaries has grown in use. The activities licensed range from operating cafes and kiosks through to accommodation and marinas. Kosciusko National Park is a notable example with ski fields and accommodation being located within the park boundaries. The NSW NPWS also operates the 'Eco Pass' scheme whereby commercial recreation and tour businesses pay a licence fee to use a park as part of the products they offer for sale. In Tasmania, businesses work with the NPWS to conduct guided walks in high profile parks such as Bay of Fires and Cradle Mountain-Lake St Clair National Parks that involve staying in upmarket huts which feature hot showers and gourmet meals.

Despite these (mostly) positive steps, there is still a long way to go before the efficiency incentives afforded by private sector engagement are fully apparent. This is especially true in the management space.

A range of further business opportunities could arise from the privatisation of park management. Commercial, profit-motivated firms would form to bid for the right to manage parks that have high visitation levels and where access fees can be readily charged. Innovative cost-effective mechanisms for excluding those users who don't pay may be developed. For instance, even in remote parks with multiple access points, online access permits could be sold with random on-site patrols, possibly involving drones or other surveillance techniques, in place to enforce trespass laws. In contexts where levels of visitation are trivial and unlikely to yield sufficient revenue to create profits, those tendering would put forward the amount they would need to be paid to carry out the management function. Neighbouring farmers, who already own the sort of capital equipment needed for park maintenance jobs like weed spraying, feral animal control, fire control and road grading, could find such contracts a useful source of additional income.

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Each of Australia's capital cities has population levels that fuel strong demand for national park use. And each capital has national parks in relatively close proximity. That means there are numerous national parks which would offer strong streams of visitation-based revenues to their operators. For instance, the three key national parks surrounding Sydney offer not only high visitation rates but also relatively low-cost fee collection opportunities. Royal National Park attracts 3.3 million visitors per annum and Ku-ring-gai Chase National Park is visited by 2.7 million people each year. Both of these parks have established fee collection systems. The Blue Mountains National Park has the largest number of visitors at 4.3 million per annum but has more complex fee collection prospects given its large number of entry points along the Great Western Highway and the associated population centres.[4]

Public-private operations in the United States

Lesser used national parks may also offer profit potential. The experience of the US Forest Service (USFS) is instructive in that regard. Being forced to close some of its recreation areas within the National Forests across a number of states because of the losses they were incurring, the USFS turned to the private sector for a solution. A profit focused business, Recreation Resource Management of America Inc. (RRMA), offered to re-open the closed areas in return for a fixed cost plus a proportion of the revenues raised from charging a use fee to campers. The company now manages almost 100 campground sites in Arizona and Colorado. In these campgrounds, RRMA acts as a concessionaire to the USFS, effectively leasing the campgrounds. Under this model, ownership of the protected area is held by the public sector (USFS) but the management of the recreation component of the management task is conducted by the private sector (RRMA). Decisions regarding the management of the ecosystem remain the responsibility of the USFS.

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The success of the RRMA-USFS partnership implies that the private sector provider is able to generate more visitor revenue at a lower cost than the public sector alternative: Where the USFS was unable to cover the costs of servicing the recreational visitor market, RRMA has been able to make profits sufficient to keep them in business for 25 years. Most of the differences in cost structures between the public and the private sector operations relate to labour costs. In RRMA managed sites, staff members are predominantly part-time, working only during the seasons when camping is popular. This applies to head office staff as well as field staff. Many RRMA staff stay on-site in the camping grounds, living in their own recreational vehicles. Often the staff are retired people taking the opportunity to earn some income while travelling around the country. Wages are paid to reflect the skills required to collect rubbish, maintain walking trails, clean bathroom facilities and manage the visitors to ensure a pleasurable stay.

Public sector managed areas, in contrast, usually employ full-time staff who are qualified in environmental science or similar, and who are likely to begrudge performing menial campground management activities. Furthermore, some agencies require their park management staff to have law enforcement certification, thus adding to the wages that must be paid. The inflexibility, higher average hourly wage rates and the additional on-costs being paid by the public sector operations go a long way to explain their higher cost structures.

However, the differences between public and private operators go beyond cost structures. Perhaps more importantly, the incentives faced by private operators are more closely aligned with delivering greater benefits to the park users. Given that their revenue stream is determined by the demand for the goods and services they offer, private operators (and their staff) have an incentive to ensure that their camp sites are clean and well presented, that the bathrooms are regularly serviced, that staff on-site are welcoming and informative, and so on. In contrast, and particularly where gate takings are returned to the general revenue pool of government and not retained to fund park expenditure, the incentives for public sector staff to provide good service to visitors are significantly diluted.

Importantly, the costs and operations of the private sector concessionaire are not only subject to the incentives created by users. They are also driven by competition between alternative suppliers. RRMA competes with five other corporations of a similar scale when tendering for the rights to manage a campground. The tendering process involves competition across both financial and operational matters.

Contracts between RRMA and the USFS are for a period of five years with the option of a further five years. This rotation of contracts ensures that the pressures afforded by competition between suppliers are maintained. However, it doesn't give the private supplier a strong incentive to improve or even maintain the built infrastructure of the recreation area. To combat that problem, the USFS quarantines the payments made by RRMA into a fund that is dedicated to capital investment. Furthermore, expenses incurred by RRMA in the maintenance of the sites being managed may be taken in lieu of concession payments. Plans for investment and maintenance activities require strong cooperation between the USFS and RRMA, much as they would be between a 'landlord and the tenant'. This is achieved through an annual planning process that establishes a strategy of action for the summer period (in a climate where winter construction and maintenance is problematic). Collaboration also ensures that the full suite of environmental goods and services provided by the protected area is accounted for.

Conclusion

The public-private partnership that has been established between USFS and RRMA serves as a useful example of how such arrangements can ensure the continued supply of high quality user services in protected areas while simultaneously relieving pressures on the public purse and not depleting the environmental conservation values (or non-use benefits) provided by the protected areas. By enlisting the strengths of the private sector operation in controlling costs and ensuring visitor satisfaction, while constraining activities to protect other environmental values, the partnership agreements make sure that private and public goods are simultaneously produced.

Some in the community—particularly those in the green-left faction—might find the prospect of greater private sector engagement in the ownership and management of protected areas to be too radical a departure from the status quo to be even countenanced. Certainly, there are vested interests that will object strongly to change. Yet in both the ownership and management spaces, the move toward more private sector engagement is already underway. The policy precedent has been set.

Endnotes

1 Australia has a significant proportion of its natural resource wealth both owned and managed by the Crown, at both State and Federal levels. Specifically, there are around 500 national parks spread across all states making up a total of 28 million hectares. That represents 4% of the nation's land area. A further 6% is reserved as state forests, conservation reserves and nature reserves (see http://www.australia.gov.au/about-australia/australian-story/national-park). When the 230 million hectares of Commonwealth Marine Parks is added in, along with the assorted marine sanctuaries declared by State governments (7% of the NSW coastline is set aside), it is clear that a significant asset is at stake (see https://www.marineconservation.org.au/pages/commonwealth-marine-parks.html).

2 An exception is the setting aside of marine parks, where there have been no acquisition costs.

3 See http://www.australianwildlife.org/sanctuaries.aspx and https://www.bushheritage.org.au/about/annual-reports

4 See http://www.environment.nsw.gov.au/research/NSWparkspopularity.htm