

EGON SMERAL

An Entrance Fee for Nature?

55

EGON SMERAL

An Entrance Fee for Nature?

Vortrag anlässlich des 42. Kongresses der International Association of Scientific Experts in Tourism (AIEST), "The Freedom of Travelling: Rights and Duties of the Tourists in the Year 2000", Paris, 23.-29. August 1992

WIFO-Vorträge, 1992, (55)

EGON SMERAL

An Entrance Fee for Nature?

... There ain't no such things as a free lunch ...
(E. G. Dolan, *The Economic Strategy for Environmental Crisis, 1971*)

What has happened?

The ongoing debate about the pros and cons of collecting an entrance fee for nature in order to curb temporary excess demand in environmentally threatened areas has led to many misunderstandings. This could result in a hardening of the positions of the two opposing sides before this unquestionably important topic has been thoroughly thought through on an objective level. This would not help the situation in any way, as the "nature ticket discussion" only looks at one of the many possible interpretations resulting from the complex controversy surrounding this basic problem as well as its possible solutions. The following important elements play a role in the problem:

- Travellers' growing unease over the lowering of environmental quality and the short-term overcrowding of certain areas of the tourism and leisure supply. This is not limited to just natural attractions (i. e., lakes, mountains or forests) but also includes cultural monuments, historical city centres, various sport and leisure facilities, and so on. Examples include waiting in line to ski in glacier areas or to ascend mountain summits, long lines of traffic on alpine roads, overcrowded town and city centres, lack of parking, exhaust fumes, trampled lake shores, tourists' complaints about the sinking quality of leisure activities and the environment, etc.

Many studies give an indication of the growing environmental sensitivity:

According to a study from the mid-eighties of the B. A. T. Leisure Research Institute and the German Travel Analysis ("Deutsche Reiseanalyse"), about a third of the surveyed vacationers stated that they had seen environmental damage at their destination. Since that point in time, the amount has more than doubled. A significant proportion of German vacationers seek exact information about the environmental situation in their destination before travelling. Over 70 percent of the

population of the former F. R. G. believe that tourism fundamentally contributes to environmental pollution in vacation destination areas.

According to the most recent studies, a large percentage of the German population would agree to an increase in travel costs if it would serve to benefit the environment. However, the collected amounts ("willingness to pay") would have to be much lower than the full social costs.

- The growing protests of the local inhabitants against the restrictions on their living and leisure space. For example, traffic and noise pollution have caused local residents to blockade roads during periods of intense tourism visitation. Furthermore, the local people's complaints about the masses of visitors and the resulting pollution, lowered living quality, the selling out of local land and the commercial exploitation of local customs have been increasing.
- The tourism and leisure sectors' fears of having to accept competitive disadvantages when an entrance fee for nature would be charged.
- An intensification of the environmental problems in general. It must be emphasized here that tourism alone cannot be held responsible for the global environmental problems. Other economic sectors contribute significantly more to environmental pollution.
- The desire to prevent social injustices as much as possible (expensive holidays are not equally affordable in all levels of society).
- The refusal to intervene in the free market economy.
- The unwillingness of Europe's transportation policy decision makers to confront polluting highway transportation forms with international price policy regulations that also would reflect the social costs caused by those involved.

The first two points above are of particular importance for future tourism development, given the positive long-term growth prospects and the possible resulting damage of the socio-ecological system.

The role of tourism policy

Specifically, the positive long-term growth prospects for tourism and leisure could intensify environmental pollution and local inhabitants' distress with the situation¹⁾. The analysis of the main factors of tourism development in this decade shows us that more tourists will be travelling more often at the same time and their demand will impact environmental goods with quantitative capacity limits. The main reasons for the growing demand are as follows:

- Economic growth. In the nineties, the real growth rate of the European GDP will accelerate, approaching 3 percent a year until the year 2000. Contrary to the eighties, the economic growth in Europe in this decade will be faster than in North America, but not faster than in the economies of Japan and Australia. In total, the general forecast philosophy of the nineties is that continental Europe and the Pacific Basin will be the dynamic heart of the world economy.

Other factors which stimulate tourism are:

- socio-demographic factors,
- changing values and lifestyles,
- reduction of working time,
- urbanization,
- transport, information technology and organization, and
- political developments like the liberalization in Eastern Europe and the completion of the European Common Market.

In total, all factors together will result in a high growth rate for tourism: Calculations for international tourism in Europe until the year 2000, based on a world travel model (see Note 1), amount to a yearly growth rate of between 4 and 5 percent in terms of travel exports and travel imports at constant prices.

This scenario clearly shows us that, if no preventative action is taken, the result will be increased congestion and pollution in the areas of Europe most affected by tourism flows. Establishing policy mea-

¹⁾ Smeral, E., *Tourismus 2000: Analysen, Konzepte und Prognosen*, Signum, Wien, 1990; Smeral, E., "Long-Term Forecasts for Tourism Industries: The Case of Austria and Switzerland", *The Service Industries Journal*, 1992, (1); Smeral, E., Witt, St., Witt, Ch., "Econometric Forecasts of Tourism: Trends to 2000", *Annals of Tourism Research*, 1992, (3).

asures which would really protect a good part of the natural resources used in tourism or leisure will be one of the challenges of the nineties and the twenty-first century.

What could be done?

Given current and future development trends, tourism and leisure policies must create a framework for relieving the situation. The central goal of the tourism policy should be the protection of the environmental good in question so that the quality level remains satisfactory for present and future consumers, including local inhabitants. In addition, tourism and leisure policies should continue to be based on the principles of qualitative growth. Important tasks include elaborating of approaches for solving regional traffic congestion problems (e. g., in alpine valleys, along lakes and rivers) as well as the rectification of visitor and traveller streams²⁾. In particular, shifting peak demand to shoulder and low seasons or to areas with fewer visitors could help to hold isolated incidents of environmental pollution in check.

Such adjustment measures would also result in additional economic opportunities for businesses in regions of low-level capacity utilization. Should it prove possible to redistribute excess demand seasonally or regionally, the average capacity utilization would increase. Relatedly, the tapping of new demand segments targeted for the shoulder and low seasons would lead to an increase in the average capacity utilization.

Examples of steps which could be taken to adjust demand include attempts to influence the regulations governing school holidays (to be effective a pan-European initiative would have to be taken), a revision of work-leisure time structures (e. g., free choice of the "weekend", annual working hour contracts), flexible arrival and departure days, greater seasonal price differences, the creation of traffic guide-line systems, improved traffic information, the careful development of areas with low demand wishing to become tourism destinations and the adaptation of tourism promotion to the new scarcity of many environmental goods. Intensifying year-round tourism is also an important rectifying measure. Examples include creating indoor as well as outdoor sports, game and swimming centres; theme parks, muse-

²⁾ Smeral, E., "Kosten und Nutzen der Verkehrsberuhigung in alpinen Tälern", WIFO-Vorträge, 1991, (50).

ums, walking and bicycle routes; a sufficient transportation infrastructure and areas with integrated living, shopping, working, and leisure facilities.

In view of this roughly drafted catalogue of steps to be taken, charging the discussed entrance fee for nature can be viewed just as a local measure that could only partially support the general tourism policy. The collection of entrance fees, supplementary charges or the sale of user licences seem to be justified in the case of enclosed areas or facilities (e. g., glacial regions, mountains with access roads, lake shores and river banks, cultural monuments with monitored entrances, etc.), when heavy usage or visitation threatens the loss of quality – even the continued existence – of an environmental or tourism good. In many cases when components of the tourism and leisure supply are offered too cheaply or even free, a damaging excess in demand occurs. In other words, the external costs and/or the total social costs (e. g., the damage to nature, refuse disposal, the lowered life quality of local inhabitants, the decreasing quality of the tourism experience brought on by overcrowding, loss of aesthetic qualities, etc.) are not or only partly included in the price.

The problem of external costs

External costs can be roughly defined as burdens which must be born by those who are not their cause. Complementarily, internal or private costs are those which result from the employment of production factors that are owned by the producer or whose use can be legally ensured. In most cases, only internal costs are accounted for in the price calculated from the business management stand-point. The sum of internal and external costs result in the total social costs (see Table).

Total social costs

External social costs		Internal social costs	
Costs associated with the environment	Costs not associated with the environment	Non-imputed internal costs	Imputed internal costs

Different types of costs are shown in this overview. Only the bold printed "imputed internal costs" are taken into account in traditional cost accounting.

At present, pollution of the environment is generally free of cost to those responsible. Our economic system is based on the principle that anything somebody wants to use and does not own can be had for the right price. According to the proposals of E. G. Dolan³⁾, the economic system should be re-designed so that hidden costs are made visible, with the specific end goal being that no one can get away with using of the environment without paying for it in full.

As long as natural resources seemed inexhaustible, using them did not result in any external costs for others; it was possible to take advantage of natural resources as though they were a gift. In today's situation, however, when pollution of the environment excludes future utilization and increasingly results in higher external costs, making use of the environment for free becomes problematic. When external costs are not taken into consideration in the market price, a shift in demand relationships away from the optimum occurs: The demand for endangered natural goods is stronger than the existing natural resources can tolerate (one consumes and manages "beyond one's means"). Without taking measures to internalize these negative external effects, the environmental situation will worsen due to a failure of the market. The collection of an entrance fee for a demarcateable and endangered region reflecting the social costs would diminish demand by potential damagers of the environment by producing a "cost reality". Whether seasonal differences are taken into consideration or not will be dependent on the specific individual case.

Measuring the demand for public resources used in tourism and the estimation of the total willingness to pay is an important information basis for evaluating the effects of tourism policies and to establish optimal measures.

Two methods for demand measuring are most commonly used⁴⁾: the travel cost approach and the contingent value method. The travel cost approach is a indirect method that estimates the willingness to pay for a resource by observing the expenditures on activities, especially travelling, in connection with using public resources. The contingent value method is a direct method and is based on a survey of visitors on the value of a resource. The contingent value method can be more useful than the travel cost

³⁾ Dolan, E. G., TANSTAAFL (= There ain't no such thing as a free lunch). The Economic Strategy for Environmental Crisis, New York, 1971.

⁴⁾ Smeral, E., "Measuring and Managing Demand for Public Resources", in Witt, St., Moutinho, L. (Eds.), Tourism Marketing and Management Handbook, 2nd Edition, Prentice Hall, London, 1993.

approach in the case of multi-destination trips or when estimating the increase in value resulting from management efforts to reduce congestion.

The internalization of external costs through the collection of appropriate entrance fees for regions which can be demarcated and are threatened by over-consumption can be an important additional measure for the local support of tourism policies. In contrast to local entrance fees or other specific forms of restrictions, a general eco-fee for the use of natural resources is unable to take local circumstances into consideration and has the effect of damaging and distorting the causative principle.

In addition to the use of pricing policy, there are other ways to impose demand limitations in order to protect endangered regions. In particular, quotas on the number of visitors should be mentioned here: only allowing a certain number of visitors (in a given period of time) into a national park, on a mountain, in a gorge, on a lake shoreline, etc. The installation of a computer supported reservation system would simplify the administration, helping to prevent unnecessary travel and aggravation when certain areas or transportation services are clearly "sold out".

One should consider if simple quantitative quotas might not be socially fairer than a measure based on price policy, as putting a price on a tourism area may cause endangered areas to become luxury goods that are not affordable for all. In the extreme case, the signal of a high price for a previously protected region could raise its appeal, causing it to become a playground of the rich. Furthermore, it is not certain if the ability to pay for nature will serve to provide sufficient protection, as a reallocation of the budget for leisure expenditures cannot be ruled out.

An additional system of restriction would be the coupling of an entrance ticket for a certain endangered area with a room reservation or some other appropriate regional service. For those living in the area, some form of exception to the regulation would have to be found.

In general, the specific quota system imposed will differ from individual case to case. The combination of different systems is also possible.

Summary

Tourism demand affects many goods and services as well as natural resources. In most cases, the realization of tourism demand requires the environment as an input. The inflexibility of our socio-economic

systems and the fact that society is not yet ready to bear the full external costs of its different activities – especially consumption of the environment – are having a negative impact on the quality of many natural resources used in tourism. The safeguarding and maintenance of an intact environment is very important for the tourism industry and consumer satisfaction, particularly as visiting natural attractions is an important travel motive and the desire to spend one's leisure time in an intact environment promises to become a mega-trend.

Macroeconomic policy measures should be based on the principles of qualitative growth. Important additional tasks are the elaboration of approaches for solving regional traffic congestion problems (e. g., in alpine valleys, along lakes and rivers) as well as the rectification of visitor and traveller streams.

The internalization of external costs through the collection of an appropriate entrance fee for regions could be an important additional measure for the local support of tourism policies. There are other ways to impose demand quotas in order to protect endangered regions. In particular, quotas on the number of visitors could be established. It remains to be decided if simple quantitative limitation might not be socially fairer than a measure based on fee collection, as through the implementation of such a price measure, endangered areas become luxury goods that are not affordable for all.