



User Charges

Description

There is a range of economic devices that can be used to modify the market price (the price we pay) of a commodity. These include:

- User charges,
- Taxes, voluntary or compulsory levies and other pricing mechanisms

These tools can be used to raise revenue, reduce the demand for particular activities, and to manage the supply of services. The ones most relevant to the tourism sector are described and discussed below. Some are specific to publicly-owned conservation areas while others can be apply to both public and private areas. There are also many other types of price-based economic instruments which are not discussed here.

User charges

The purpose of user charges and prices is to raise revenue to ensure viability of service supply, and signal to users the full costs their use imposes. This may also have the effect of rationing use since prices and user charges impact on users in proportion to the use they make of the resource. By collecting the imposed fees close to the point at which services are provided, user charges also indicate where revenues may be needed to meet future demand increases.

If the price is too low it may lead to overuse and adverse effects on the resource; on the other hand, having the resource over-priced and under-used is also inefficient, even if it results in suppliers being highly profitable. Prices and charges can give an incentive to reduce use and allow users who value the resource the most to use it the most. With tourism that impacts on the natural environment it is very difficult to determine what the price should be, and prices are sometimes used to 'ration' scarce resources.

User charges to private facilities (such as private tracks or conservation areas, "eco-lodges" or other private accommodation facilities in natural areas, wildlife parks or hunting areas, private ski-fields) are the sole or primary means of revenue for such ventures. For tourism in natural areas, user charges need to cover the costs of environmental management as well as meeting all running costs and providing a financial return to the owner.

Visitors to the public estate partly base their use decisions on the private costs of use, including the expenditures of time, effort and money required to reach the area, but the full social costs of their use include a range of "externality effects" which are not felt directly by the users who create them. These include:

- effects on the physical condition of the natural environment, such as trampling of natural vegetation (see [biophysical carrying capacity](#) 🌿);
- use-related wear and tear on the physical fabric of facilities;
- effects on the experience of other users, most notably manifested in congestion of facilities like car parks or accommodation, but also in the less tangible devaluation of wilderness by encroachments by non-traditional activities (see [crowding management](#) 🌿);

Taxes and levies

Taxes can be regarded as economic instruments when they act like a price supplement for goods and services, "correcting" prices for effects not handled by the market (e.g. pollution) by making individuals' tax payments bear some relation to the level of effect they create.


A similar but wider instrument in tourism is a levy on users. Levies can be applied by either public or private providers (more commonly the latter). They are generally imposed to raise revenue for a specific purpose including environmental management. They may be compulsory or voluntary. Other forms of specific tax used or proposed for tourism funding include bed-night taxes (as in some European countries) or levies on activity-related equipment sales (e.g. camping gear).

Taxing arrivals in New Zealand and diverting revenues to projects on conservation lands would be relatively easy to administer. A disadvantage is that some groups of visitors that do not visit conservation lands would subsidise those who do. Neither would it provide any guide to where the funds collected should be spent, whereas revenues from user charge or site-specific taxes gauge directly the strength of demand for different facilities and locations. Equally it can be argued that almost all international visitors benefit from and enjoy



New Zealand's natural environment and attractions, and that a tax on overseas visitors supplements New Zealanders' income tax revenues used for maintenance of public conservation areas and values.

Tradable permits and property rights

Tradable permits give access to a resource that can be exchanged between resource users. The most common example in New Zealand is the fisheries quota system. The system creates a property right and requires the establishment of a market. Concession licences ([concessions](#) ) are a form of property right since they confer entitlements to, and associated constraints on, use of resources. 'Right of foot' 'access to national parks for members of the public is also a form of property right. Such entitlements are not synonymous with any single legal instrument nor do they imply privatisation.

Property rights mould expectations of how resources can be used, what income can be derived from them, and hence how valuable or worthwhile is any investment in them. Most of the advantages claimed for freehold private ownership are also available from less absolute tenures, such as leasehold and licenses, provided the rights are adequately defined.

How and when the tool is used

Examples of user charges applied in New Zealand public conservation areas include, for example, hut and camping area charges. These charges use the now well-accepted policy that while access to New Zealand public conservation areas is free, charges may be made for facilities and services.

An example of a an instrument similar to a 'tourism tax' is a levy on users, such as one applied recently to boat services at Milford Sound to fund an upgrade of common wharf and coach park facilities. Other taxes that have been applied in New Zealand to fund particular activities are bed night taxes.

There are many examples of the use of voluntary levies in New Zealand and overseas. For example, walkers on the Queen Charlotte Track in the Marlborough Sounds pay an "environmental levy" (through their water transport operators) to pay for infrastructure and other environmental enhancement on both private and public land through which the track passes. An increasing number of airline and hotel operators offer voluntary levies for customers to offset their carbon footprint, or other environmental initiatives. Many commercial operators make donations for the same purposes. This is in effect a compulsory levy. These levies are used as marketing tools, especially by ecotourism operators.

As noted above the most common New Zealand example of a tradable permit system is the fisheries quota system. While there are no current examples applied to the tourism area, concession licences for private operation of tourism opportunities on the public conservation estate are a form of property right since they confer entitlements to, and associated constraints on, use of resources.

Application

Many of the instruments described are used in various forms relating to uses of conservation lands, for example, concession fees, hut tickets, and other user charges. However, in many cases there is no evidence that they are being used to best advantage. Economists would argue that if users vary in their willingness to pay and price sensitivity (e.g. overseas and domestic visitors), it is neither efficient nor equitable to subsidise every user with low uniform charges, which result in overcrowded facilities and a less satisfying experience for all. In principle, well-designed non-uniform charges coupled with differentiated service levels could collect more revenue while retaining opportunities for more price sensitive users to continue to have access. While this is theoretically correct, other barriers exist that are not taken into account when applying a strict economic framework.

Our evaluation

Improving the economic efficiency of visitor services on conservation lands is not simply a case of expanding the opportunities for private profitability. Rather it requires maximising long-term net benefits by choosing from various possible combinations of activities and uses, after comparison of both financial and non-financial costs and benefits. This is consistent with continued public ownership and management of the landscape resource, with a mixture of public and private facilities and operations.

The prime function of nature conservation on public lands implies constraints on permitted activities, whose compatibility depends primarily on their impacts on environment and other uses, rather than on the



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characteristics of those undertaking them. A public hut can be equivalent in impact to a commercial lodge of similar size and use level; a footprint from a commercially guided walker is equivalent to that from an independent walker.

Avoidance of environmental impacts implies limitation of development on conservation lands, and confers something of scarcity and value on those that take place. Commercial operators can expect to pay a resource royalty or fee according to the privilege they enjoy through such limitations on other uses.

Where a commercial operator provides goods and services of benefit to a wider public than its clients as part of its conditions of operation, it may expect to receive some recognition and reduction in the fees it pays. A similar principle applies to non-commercial users - clubs that volunteer their members' time for track maintenance, ski patrols or search and rescue may expect some discount over those that do not.

Elements of these economic approaches are already apparent in visitor services on conservation lands. It is likely that further refinement of approaches, in particular with regard to differentiation of prices and services and peak-period variations, could increase the capacity of conservation lands to receive visitors and enhance the satisfaction (and reputation) derived from those lands, while still maintaining their natural characteristics and addressing equity concerns.

Levies for environmental enhancement appear to be increasing in use. This is appropriate for a country like New Zealand which is very dependent on environmental quality, and as a price-based mechanism which can take account of willingness and ability to pay.