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Fiscal implications of moving to tourism finance for parks: Ontario Provincial Parks

Paul F.J. Eagles

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This article reviews the fiscal implications of moving from government funding of park management to user-funded operations in a major park system, the Provincial Parks in Ontario, Canada. In 1995/1996 after the introduction of the new funding model, the government grant to Ontario Parks was reduced to $10.6 million from $28.8 million, a reduction of 63%. Over the 15-year study-period from 1995 to 2010, the tourism-based income increased from $18.1 million to $64.9 million, an increase of 257%, while visitation increased from 8.6 million to 9.5 million in the same period, an increase of 10%. The total operating budget of Ontario Parks increased from $28.2 million to $76.5 million, an increase of 165%. The park tourism income increased through: (1) increased levels of fees charged; (2) increased diversity of pricing; and (3) broadening the income to include new features. Factors leading to the successful utilization of this user pay system for a park system are suggested.

Keywords: park tourism, park finance, fees, trends, state parks, provincial parks, privatization, tourism income, revenue generation

INTRODUCTION

Conservation of parks is costly and accordingly finance is an important component of management (Bushell & McCool, 2007; Crompton, 1999; Eagles & McCool, 2002; Emerton, Bishop, & Thomas, 2005). Effective management is dependent upon sufficient finance so that parks can provide benefits to society, such as outdoor recreation and biodiversity conservation. Traditionally, parks have been managed by government agencies and have tended to rely heavily on government funding. However, parks must compete with other public sectors for funding, such as powerful interests associated with education, the military, and health, and are increasingly losing this competition (Athanas, Vorhies, Ghersi, Shadie, & Shultis, 2001; Phillips, 2000). Within park management, and many other public services, there are two underlying and competing concepts, which are public good and private benefit. Conservation of natural and cultural resources is usually seen as being a public good, with all people within society benefiting to some degree. Conversely, public use of a park is seen as a private good, benefiting only those who participate. Therefore, fees for visitor use of a park are often seen as an attempt to balance between the public good and the private benefit. The relative proportion of the management cost ascribed to the public good, therefore to taxes on all in society, or to the private good, and therefore to user fees of those who participate, is an important public policy. There is considerable debate concerning the relative proportions of these budget elements (Eagles & McCool,
Drumm (2007) maintains that tourism is often seen as a threat to biodiversity since many parks do not have sufficient tourism management capacity. Many park systems “have not been able to finance the investments necessary to access the benefits that tourism can generate for protected areas” (Drumm, 2007, p. 191).

Due to budget deficits and competition from other sectors, many governments are reducing the amount allocated for park management. User fees have long been a source of income for parks, especially at the municipal level. Bushell and McCool (2007, p. 13) state that governments increasingly rely more heavily on user fees to fund park operations, in several ways, such as: donations, increased entrance fees and recreation user fees, concession and rental fees, new licenses, taxes on retail purchases by visitors, and tax revenues associated with tourism. Drumm (2007, p.207) maintains that park visitation and the associated tourism has “enormous potential to be a significant source of conservation finance for financially challenged protected area systems.”

McLean, Hurd, Beggs, and Chavez (2000) reported that 46.7% of state park funds in the USA came from the general government.
Fiscal implications of moving to tourism finance for parks

Fund of the state, with 53.3% coming from tourism fees, concessions, and special purpose funds. Walls (2009) reported that in 2008 the average percentage of state park budgets in the USA covered by user fees was 42%. McLean et al. (2000) noted that from 1990 to 1999 state parks in the USA showed virtually no increase in the percentage of budgets coming from tourism revenue, and noted that procedures must be put in place to understand how income from tourism can be earned. They recommended that work must be undertaken to address issues of “pricing, variable pricing, off-season attendance and more” (p. 14) in order to increase revenue streams.

Van Sickle and Eagles (1998) reported that in major Canadian park agencies the income from tourism varied from 1% to 52%, with a mean of 17%. These low amounts of tourism income made parks’ management vulnerable to cuts in the grants from government.

In many park systems, cuts to park budgets are occurring. Budget cuts have been a frequent occurrence in state park systems in the USA in the last few years (Landrum, 1999; New York Times, 2011; Walls, 2009). For example, in 2011 California State Parks closed 70 of its 278 parks in order to deal with a $33 million reduction in income from the state (Sacramento CBS, 2011). A similar situation occurred earlier in some Canadian provinces, but with less severe cuts (Eagles, 2003). Such cuts in park operations might not be necessary if sufficient income was earned from tourism fees and charges to cover essential aspects of park management.

There are many possible sources of income for park management. These include: government allocations, entrance fees, recreation activity fees, accommodation for visitors, accommodation for staff, concessions, equipment rental to visitors, food sales, merchandise sales, campfire wood sales, sales of intellectual property, cross-product marketing, interest on income, land sales, foreign aid, debt for nature swaps, donations, carbon offsets, lotteries, and public-good service payments (Athanas et al., 2001; Drumm, 2007; Eagles & McCool, 2002; Eagles, McCool, & Haynes, 2002; Emerton et al., 2005; Phillips, 2000; Spergel, 2001; Verweij, 2004). More research is needed on a “comprehensive system of tourism-based income-generation mechanisms to at least cover the cost that visitation creates for protected areas” (Drumm, 2007, p.191). This article provides a case study of one major park system that moved over a 15-year period toward a financial system that relies much more heavily on tourism-based income-generation, and less on government allocations. The goal of the research is to understand if and how the various possible income sources listed above were utilized. The findings from the research might be of use to others faced with similar park financial trends and pressures.

This article does not deal with the debate about how parks should be funded, with some feeling that public conservation and recreation services should be paid for by society through taxes (More, 2007), or the opposite view that a user pay system has considerable benefits (Queensland Department of the Environment, 2000). It deals with the actual funding of one park system, in order to better understand the potential of tourism funding of park management.

PURPOSE OF THE STUDY

The movement to tourism-based funding for parks has implications. First, it provides an opportunity for the government to reduce its allocation according to the amount of income earned from tourism. Another likely outcome would be increases in the fee levels paid by park users. This in turn could cause reductions in visitation due to higher prices. One might also expect the parks to utilize a wider variety of sources of income, beyond entrance and use fees. It is important
to understand what these sources might be. Therefore, this article explores the following questions:

1. Is the government grant level reduced when tourism funding increases?
2. Do the park fees increase and how much?
3. If fees increase, does use decline?
4. Are a wider variety of sources of income utilized?
5. What are these new income sources?

This article provides a review of the fiscal implications of moving from government funding for park management to user-funded operations in one prominent park system in Canada; Ontario Provincial Parks for the period from 1995 to 2010. The reasons for the choice of this park system are outlined in the next section.

ONTARIO PROVINCIAL PARKS’ BACKGROUND

Ontario has the oldest and second-largest provincial park system in Canada. With the establishment of Algonquin National Park in 1893, later renamed Algonquin Provincial Park, Ontario started to create a park system, in competition with the national system being developed by the Government of Canada. The Ontario system grew slowly for the first 60 years, but expanded rapidly with outdoor recreation expansion during the post-World War II period (Killan, 1993). By 2011, the system contained 630 provincial parks and conservation reserves covering an area of 9.5 million hectares, or about 9% of the province (Ontario Parks, 2011a). Of these 630 protected areas, 114 are operating parks, units that provide recreation services to the public and are staffed accordingly. By 2011, the visitation grew to 9.5 million visitor days of outdoor recreation (Ontario Parks, 2011b).

Traditionally, the park system operated as a branch of the Ministry of Natural Resources (MNR). All budget monies came from government, and all income was returned to the consolidated revenue fund of the provincial government. The individual parks or the park branches could not retain income earned from user fees, as all income was returned to the government (Eagles, 1995). This long standing system started to change in the early 1990s as internal government pressures led to lower emphasis on the environmental management aspects (Environmental Commissioner of Ontario, 2007). The portion of the Ontario provincial budget devoted to the environmental mandate declined considerably. In 1992/1993 the budget of the Ministry of Environment and MNR combined was 2.2% of the overall provincial budget, but declined to 0.8% in 2010/2011 (Environmental Commissioner of Ontario, 2011). This reveals that in Ontario the environmental mandate was not competing well with other public sectors for funding, such as powerful interests associated with education and health, similar trends found in other jurisdictions (Athanas et al., 2001; Phillips, 2000).

Starting in the early 1990s, the Director of Ontario Provincial Parks, Norm Richards, saw the need to diversify income sources for parks. He consulted for several years with important stakeholder groups about the possibility of moving to a more user-funded basis of operation. Some groups were wary of this move, but ultimately provided support. His effort was successful and the Government of Ontario approved a new business management model for Ontario Provincial Parks starting in 1995. The key aspects of this new model were:

1. all provincial park revenues retained in a Special Purpose Account for spending on purposes related to provincial parks;
2. a new straight-line organization was created, with Park Superintendents reporting to five Zone Managers who...
then report directly to the Managing Director, Ontario Parks;
(3) park fees established by the Minister of Natural Resources (rather than approved by Cabinet, as was previously the case);
(4) a legal ability to receive grants, bequests or gifts;
(5) an Ontario Parks Board of Directors established to provide advice to the Minister of Natural Resources; and
(6) Ontario Parks remained a branch of the Ontario MNR (Moos, 2002).

The new management model for Ontario Parks did not involve the creation of a parks agency, with full powers of independent operation, such as occurs with a crown corporation. It remained as a branch within a larger Ministry.

In 1996 Ontario Parks launched a website for the first time (Moos, 2002), providing ready information access to the potential consumer market. Halpenny (2007) describes the development of a marketing program in Ontario Parks to help implement the new business plan. This program included several initiatives, such as: (1) setting marketing goals; (2) conducting market research; (3) developing new visitor products and services; (4) creating an Ontario Parks brand; (5) identifying visitor segments; (6) target marketing; (7) better promotion; (8) better consumer product distribution; (9) revised pricing; and (10) partnerships. She concluded that the program was a success in terms of achieving its own goals.

Crompton (1999, p. 173) states that privatization involves an “increase [in] the role of the private sector, in the financing, production, or management of services or assets.” However, the Ontario Parks policy involves increased levels of insourcing of many services, not outsourcing to private companies. This model of management is often called a parastatal, whereby a government operation functions much like a private corporation. The Ontario model is a mild form of parastatal, as Ontario Parks does not have full agency or corporate status. Ontario increasingly utilized fewer concessionaires, which are private, profit-making companies, to provide tourism services, due to the fact that parks’ organization could earn more money directly through service provision, rather than indirectly through another body. Ontario also increasingly used private, non-profit companies for environmental education services, although their financial operations were not detailed in this article. Therefore, simultaneously Ontario Parks successfully utilized two types of privatization to increase income levels: (1) privatization within government for many tourism services and (2) privatization outside government through the use of dedicated non-profit organizations. Both of these expand the view that privatization only means moving to private, profit-making companies for tourism management. More (2007) suggests that this approach might be called a public utility model of management, much as water or electrical services are often provided to the public by a public body at cost.

METHODOLOGICAL APPROACH

The research utilized published and unpublished data sources. The primary data set consisted of unpublished spreadsheets from Ontario Parks detailing the agency income for each fiscal year, starting in 1995 and ending in 2010. This income was placed into the Special Purpose Account that is used “for a purpose related to provincial parks” (Revised Statutes of Ontario, 2006). Government grant data were obtained from the Ontario budget documents for each year from 2000 to 2011. From 1995 to 1999, government grant data were estimated from graphs published by the Environmental Commissioner of Ontario (2007). These data were combined in a spreadsheet that enabled longitudinal analysis. In this article, the year refers to the year before the year...
in which the fiscal year ended; so 1996 refers to the fiscal year that ended on 31 March 1996.

RESULTS

In 1994, the last year that government provided all the operational funding for provincial parks, the total park system budget was approximately $45 million (Environmental Commissioner of Ontario, 2007). In 1994 about 36% of the budget was earned by park fees, but these were placed into central government coffers and were unavailable to the park branches (Van Sickle & Eagles, 1998). Therefore, about $16.2 million of the $45 million was tourism-based income and $28.8 million was from government grants. In 1995 after the introduction of the new funding model, the government grant was reduced to $10.6 million from $28.8 million, a reduction of 63%, substantially more than the 20% cut given to the entire MNR in 1994/1995 (Environmental Commissioner of Ontario, 2007). This suggests that the movement to tourism funding for parks enabled the government to reduce the grant to parks much more than the reductions applied to the larger natural resource management agency.

In the first year of the new financial system, there was a considerable drop in overall budget from $45 million to $28.8 million, a drop of 36%. This was largely due to a drop in the provincial grant, shown above.

However, as park operations developed their business plans over the 15-year study period from 1995 to 2010, the total operating budget of Ontario Parks increased from $28.8 million to $76.5 million, an increase of 163%. In 1995 the provincial government provided $10.6 million for operating funds, while in 2010 it provided $11.6 million, an increase of 10.9% over 15 years. In 1995 Ontario Parks earned $18.2 million from various fees and charges, while in 2010 it earned $64.9 million, an increase of 257% over 15 years. Therefore, the overall budget increase was largely due to tourism income, rather than increases in government allocations. As a proportion of the operating budget, tourism moved from providing 63% in 1995 to 85% in 2010 (Figure 2). All of these

Fig. 2. Tourism’s Contribution to the Budget
proportions are much higher than the 36% earned in 1994, the year before the new business model was introduced.

It is useful to explore the sources of the new tourism income. In 1995, the non-government income came from 11 sources. By 2010 it came from 26 sources. This reveals a broadening of income sources, with new revenue streams brought on board including: reservation penalties, winter ski permits, donations, staff house fees, park fines, merchandise sales, campfire wood sales, camper supplies sales, recreation equipment rentals, sales of cold beverages, winter storage fees for recreation vehicles, parking fees, and annual vehicle permits.

Over time, there was also an increase in the level of fees charged, such as day use entrance permits and camping fees (Figure 3). From 1995 to 2010 the fees for campsites with electricity on site increased 152%, while the fees for campsites without electricity increased 166%. The daily vehicle permit fees for day use increased 79% for low use periods and 221% for high use periods, as differential fees for time of year were introduced. The commercial bus permit fee increased 207%.

When grouped into four categories, the data reveal that the overall day use income increased 124%, camping income 225%, merchandise sales 409%, and other income 9870% (Figure 3). In 2010, camping income of $47 million was 61% of the overall budget of $76.5 million. This reveals that over the study period, Ontario Parks became increasingly dependent upon the fees paid by campers (Figure 4).

The increase in camping income occurred due to three major factors. First, the overall cost of campsites increased. Second, the campsites were differentiated into three levels: premium, middle, and low. These three fee levels reflected the popularity of the campsite, the availability of facilities such as flush toilets and showers, and the availability of environmental education programs (Ontario Parks, 2011c). Within each of the three levels were subcategories according to the presence of electricity on site, seniors’ discounts, and discounts for people with disabilities. Included in the camping income were charges for the use of yurts (permanent tents on campsites) in 11 parks, rustic cabins in four parks, and cottages in four parks (Ontario Parks, 2011d). Third, due to high demand and access to the new income Ontario Parks was able to construct new campgrounds in four parks.

**Fig. 3.** Ontario Parks’ Fee Changes 1995–2010
for the first time in over 30 years (Moos, 2002). Group campgrounds occur in many parks, enabling large groups to camp together, such as church or school groups. Fourth, there was an additional fee for reserving the accommodation in advance, a service introduced in 1999. This was initially done through a telephone call center, and booking by the internet was introduced in 2000 (Moos, 2002). The internet booking was particularly sophisticated as it allowed the user to interact with the actual accommodation inventory data for the system in order to find and select accommodation and dates that fit expectations.

Consumers quickly learned to manipulate the booking system so as to obtain prime campsites well into the booking period, or obtain groups of sites for friends and relatives who wish to camp on adjacent sites. The booking system enabled people to book a site up to five months in advance. However, one could book ahead into the five-month period. So people who wanted prime campsites, say a waterfront site on a holiday week-end, would book five months ahead, plus a month or more beyond the five-month period, essentially booking a site six months in advance. They had to pay up front for the entire booking. Then as time advanced, they would cancel all the extraneous dates, leaving only the prime times they really wanted, and then obtain a refund. Often they would cancel at the last minute, meaning that the site was blocked for booking by others for long periods. The Manager of Park Operations for Ontario Parks estimated that up to 100,000 campsite nights of income were lost in one year due to this activity (Vanstaalduinen, personal communication). To reduce the loss of site utilization, Ontario Parks brought in a penalty for cancellation of booking, starting in 2005. This penalty escalated according to the length of

**Fig. 4.** Ontario Parks’ Tourism Income 1995–2010
time that the campsite had been held. The maximum penalty was 50% of the payment when the site had been held for greater than four months. In 2008 this income appeared as separate income category, and subsequently varied from $1.1 million to $1.6 million.

An important element of other income is land leases in the parks. Two parks have private cottages on leased land, Rondeau and Algonquin. Algonquin Park also has three lodges and seven children’s camps (Eagles & Bandoh, 2009). As the parks sought to increase income, the yearly land use fees for the cottages, lodges, and camps were increased and commercial operations were required to pay a percentage of gross income for the first time. The land use permit income increased from $811,125 in 1996 to $2.3 million in 2008, an increase of 168%.

Algonquin Provincial Park has a logging activity supervised by the Algonquin Forestry Authority, a separate government agency. This is the only park with commercial logging facility. The activity provides no money to the park, but requires expenditures due to the need for supervisory activities (Eagles & Bandoh, 2009). This is a potential source of considerable income in the future.

Ontario Parks has the authority to retain the income from fines. This income varied from a low of $25,762 in 2003 to a high of $166,598 in 2001. Starting in 2004 employees staying in park housing paid for accommodation, with the income varying from a low of $33,743 in 2004 to a high of $224,482 in 2006.

Starting in 1997, Ontario Parks began selling merchandise and providing equipment rental. The equipment rentals became an important income source. In 1997 the income from rentals of bicycles, canoes, and paddle boats was $74,494. This peaked at $909,964 in 2008, but dropped to $727,000 in 2010. Over the period of 1998–2010, the increase in income was 876%. Some parks also license private contractors to provide rental services, a continuation of long-standing practice that existed before 1995.

In 1997 the total income from merchandise sales was $1.2 million, which increased to $5.9 million in 2010, an increase of 409%. This income was derived from the sale of clothing, camper supplies, cold beverages, and campfire firewood. One major contributor to this increase was the sale of firewood to campers. In earlier times the firewood had been provided free of charge, with the cost bundled into the campsite fee. In 1995 Ontario Parks earned $24,120 from the sale of firewood to campers. In that year, most of the firewood was sold by concessionaries. Starting in 1998, Ontario Parks started to remove concessionaire involvement in the sales of firewood and used their own seasonal staff. This resulted in a major increase in income to $2.4 million in 2010, an increase of 9770%.

This financial success of firewood sales encouraged Ontario Parks to use concessionaires less and to undertake some merchandise sales and rental services directly by park staff, in order to earn higher levels of income. Accordingly, the income from concessionaires dropped as fewer were used. Even though the parks started to earn a substantial amount of income from sources that had previously been available only to concessionaires, such as firewood and merchandise sales, the income to the parks from concessionaires dropped only 3% from 1996 to 2010, staying around $1.7 million per year. This suggests that the earlier concessionaire contracts had been poorly designed to provide income to the parks.

Given the higher levels of fees and charges for visitor services in the parks, one might expect consumer resistance in the form of lower levels of visitation. Figure 5 shows that as the tourism-based income increased
from $18.1 million in 1995 to $64.9 million in 2010, an increase of 257%, visitation increased from 8.6 million to 9.5 million in the same period, an increase of 10%. This reveals that the increases in use fees were not associated with reduced park usage. From 1995 to 2010, income increased by 257%, unadjusted for inflation. In the same period, changes in the Canadian Consumer Price Index (CPI) (Statistics Canada, 2012) gave an increase of 33%, revealing that the income increase was well above the rate of inflation.

Fig. 5. Ontario Parks’ Income and Visitation 1995–2011

Fig. 6. Ontario Parks’ Financial Return per Visitor Day of Recreation
The income per visitor day of recreation is an important indicator of financial effectiveness. Figure 6 shows the financial return to Ontario Parks from tourism fees and charges for each visitor day of recreation in the parks from 1995 to 2010. This yield increased from $2.51 per visitor day in 1995 to $6.83 in 2010. The return rate stabilized around $6.85 per visitor day in the last three fiscal years.

**DISCUSSION OF FINDINGS**

This research found that the movement to tourism funding for parks was associated with a substantial reduction of government funding for park operations. This confirms the fears that movement to tourism funding gives governments the opportunity to reduce grants.

However, the Ontario Parks’ overall operational budget increased 165% over the study period, while the overall budget for the MNR declined considerably (Environmental Commissioner of Ontario, 2007). In constant dollars, the overall MNR operating budget was $700 million in 1995/1996 and $400 million in 2010/2011 (Environmental Commissioner of Ontario, 2011), a drop of 43%. Therefore, it is reasonable to conclude that the parks were relatively in much better financial shape due to tourism-funded operations than they would have been if they had been financed by government at the same rate as the other operations of the MNR. None of the operating parks in Ontario were closed during the study period, as occurred in US State Parks in recent years.

Over the study period, the park tourism income increased through three major factors: (1) increased levels of fees charged, (2) increased diversity of pricing for activities, and (3) broadening the income to include new features such as: reservation penalties, winter ski permits, donations, staff house fees, park fines, merchandise sales, camper supplies sales, firewood sales, recreation equipment rentals, sales of cold beverages, winter storage fees for recreation vehicles, parking fees, and annual vehicle permits.

Recreational use increased along with the higher levels of fees and charges. This runs counter to the argument that higher prices may reduce demand and lead to declining visitation (More, 2007; Reiling & Cheng, 1994). This increase in use along with increases in price suggests that the demand for this park service was relatively inelastic, that is the increase in price did not negatively affect the demand. This also suggests that the earlier lower prices were not efficiently capturing the consumers’ willingness to pay. The higher use may also be due to some improved services that visitors received along some of the new fees. For example, the accommodation registration system, with a new fee of $6 to $9, became heavily used, since it allowed for much better vacation planning compared to the older, first-come first-served activity at the park. Earlier before the introduction of the registration system, it was very intimidating for a camping group to arrive at a park distant from home to potentially find no supply of accommodation. In 2008 the registration system contained 305,903 accommodation reservations, with only 16,669 (5.45%) made upon arrival at the parks (Ontario Parks, 2012). Apparently, given the high use level of the registration system, the fee of about $9 per booking was an acceptable price to pay for a useful service.

Even though Ontario Parks had an active program to encourage donations, the income was very modest, ranging from $1260 in 1998 to a high of $13,743 in 2001. This suggests that park users show a low willingness to donate money to a government unit. Increasing donations, which are heavily utilized by other public organizations such as hospitals and universities, will require a larger targeted program.
The return per visitor day increased over the study period from $2.51 per visitor day in 1995 to $6.83 in 2010. This later amount appears to be small. It is about the cost of an inexpensive meal at a fast food restaurant or a movie in a theatre in Canada. For comparison purposes, the author could not find any comparative visitor day yield figures for other park systems.

This research reveals some tourism services without any income, including: direct recreation service provision, such as guiding, recreational instruction, and environmental education. Some of these activities are provided by non-profit organizations associated with the parks, typically called Friends Groups. These groups provide guiding, interpretation, and environmental education programs. Eagles and Bandoh (2009) report that 75% of the interpretive programs in Algonquin Provincial Park, Ontario’s most visited Provincial Park, are provided by the Friends of Algonquin Park. Those funds are not part of the overall agency budget data and therefore were not analyzed in this research.

The budget analysis found no income from recreational instruction programs, except for one park, Bronte Creek. Recreation instruction programs could deal with issues such as learning to canoe, travel in the wilderness, or safety around water. Similar programs are very popular in municipal parks and recreation programs in Canada. For the first time in 2011, Parks Canada (2011), the management agency for national parks in Canada, and Ontario Parks (2011e) started to offer learning to camp programs in order to assist novice visitors in starting this activity. However, these initial camping instruction programs were provided free to the consumer. Recreational instruction programs are a potential income area for Ontario Parks that could be further expanded in the future.

CONCLUSIONS

This article fulfills the call of McLean et al. (2000) for research on approaches to increase revenue streams from tourism to parks and the call by Drumm (2007) for a better understanding of the tourism-based income-generation mechanism available for parks. The author could not find literature providing financial details of the move toward increased levels of tourism funding in a major park agency, making this article useful.

There are many possible income sources for park management. Table 1 compares Ontario Parks’ actual income sources to the potential list to sources outlined earlier in the article (Athanas et al., 2001; Drumm, 2007; Eagles & McCool, 2002; Eagles et al., 2002; Emerton et al., 2005; Phillips, 2000; Spergel, 2001; Verweij, 2004). The sources of income that have potential for substantial new income in the future include: recreation activity fees, education and interpretation program fees, sales of intellectual property, carbon offsets, and public good service payments. As noted earlier, new income could be derived from the forestry activities in the one park that has logging, Algonquin Park.

This article reveals that the tourism funding of Ontario Parks provides for much higher levels of budget than would be expected if the overall budget level for the MNR was used as a guide. The increases in tourism income resulted from higher fees, new fees, and new services. The income yield per person day of recreation in the park is low, at slightly under $7.00 per person day. This is about the cost for entrance to a movie in a cinema. It is challenging to understand how 85% of the operating budget for the entire park system of 630 provincial parks and conservation reserves covering an area of 9.5 million hectares, or about 9% of the province, is based on such a small
amount of money. Nevertheless, the park system would be in much poorer financial shape without this funding. Walls (2009) reported that in 2007 the median state park expenditure in the USA was $3.20 per visit. Ontario’s income and presumably the expenditure were over double that amount.

It is important to note that the Ontario Provincial Park system is very large at 95,000 square kilometers (Walls, 2009). Therefore, Ontario has a massive land area to manage, which is expensive. Globally, the Ontario system is of the same scale as many national park systems.

The Ontario Parks’ tourism-based income became dominated by accommodation sales, providing 61% of all tourism income, most of it from camping. Ontario has a highly seasonal operation, with the vast majority of the visitation in the warm summer months of July and August, and recently more activity in September and October due to warming climate. Ontario Parks (2011b) reported the summer campsite occupancy rate varying from 30% in far northern parks to almost 100% in popular southern parks near the major cities. SAN-Parks (2011) expressed concern about a decline in the park-operated accommodation rate to 69.2% in 2010 and a decline to 33.7% for concession lodges in the national parks. Ontario has not seen such a decline, with accommodation sales staying at relatively high levels. Ontario has substantial unfulfilled demand for mid-range roofed accommodation (Eagles, van Hemessen, & Legault, 2013).

This research shows Ontario working toward tools that spawn diversification of

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<tr>
<th>Income source</th>
<th>Ontario</th>
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<td>Government allocations</td>
<td>Yes</td>
<td>Initial major decline, then stable, then more decline</td>
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<td>Entrance fees</td>
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<td>Utilized for decades and well accepted by users</td>
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<td>Recreation activity fees</td>
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<td>Accommodation for visitors</td>
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<td>Accommodation for staff</td>
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<tr>
<td>Sales of intellectual property</td>
<td>No</td>
<td>Possible but difficult</td>
</tr>
<tr>
<td>Winter storage fees for recreation vehicles</td>
<td>Yes</td>
<td>A potential source for more income</td>
</tr>
<tr>
<td>Campfire wood sales</td>
<td>Yes</td>
<td>Important current source of income</td>
</tr>
<tr>
<td>Cross-product marketing</td>
<td>Yes</td>
<td>Done on a small scale with park information newspapers. More possible</td>
</tr>
<tr>
<td>Interest</td>
<td>Yes</td>
<td>Earned on income, when possible</td>
</tr>
<tr>
<td>Land sales</td>
<td>No</td>
<td>Not possible</td>
</tr>
<tr>
<td>Foreign aid</td>
<td>No</td>
<td>Not possible</td>
</tr>
<tr>
<td>Debt for nature swap</td>
<td>No</td>
<td>Not possible</td>
</tr>
<tr>
<td>Donations</td>
<td>Yes</td>
<td>Small activity which needs a major effort if this is to grow</td>
</tr>
<tr>
<td>Carbon offsets</td>
<td>No</td>
<td>A major potential source in the future</td>
</tr>
<tr>
<td>Lotteries</td>
<td>No</td>
<td>Not used</td>
</tr>
<tr>
<td>Public good service payments</td>
<td>No</td>
<td>A potential source, especially payment for the use of water downstream</td>
</tr>
</tbody>
</table>
income streams, increased diversification of resource inputs, and more choice within outdoor and park experiences. This was done in order to develop financially sustainable futures for the parks.

Emerton et al. (2005, p. 22) report that “many park goods and services are seriously under-priced or not priced at all.” They state that: “Overcoming market, price and policy distortions that act as obstacles to funding is a key element of [park] financial sustainability” (p. 22). This research reveals Ontario Parks moving tourism service pricing to a more realistic level and starting to price services that had previously not been priced. The new business model was able to overcome some of the policy distortions caused by the earlier government funding approach. However, the current yield per person did not increase in the last three years, possibly indicating some market resistance to higher prices.

As this article was being completed, the Government of Ontario started a major budget restraint activity due to a CDN $16 billion annual budget deficit (Laforet, 2012). Ontario Parks has been given a goal of increasing the tourism income further, to 100% if possible. Special efforts are underway to try to attain this goal, including notice to close small Northern Ontario parks with very low camping utilization levels (Ontario Government, 2012). Given this context, it is probable that tourism funding for the park system will stay in place for the foreseeable future.

This article reveals financial success for tourism-based funding of a major park agency, which shows that government operations of parks can be financially effective in providing public services. It also reveals that the management model, what might be called a mild parastatal, has been effective in providing the structure for increasing income and the continuation of all other aspects of park management, such as management planning and resource protection.

The ongoing reduction in the use of concessions and their replacement by park operations is noteworthy. Ontario Parks is increasingly utilizing the policy of directly operating any activity that has income potential, in order to obtain higher levels of income for the parks. Lohuis (personal communication) maintains that typical food concessions yield 10–12% of gross sales back to the organization contracting the service. However, with gross margins as high as 50% for self-operation and with profits at 15–35%, the park manager can earn more money by self-operation. Concessions are now only used for highly specialized activities, such as some forms of maintenance. Some concession agreements operate cooperatively with local municipal governments, such as the contracting out of the collection of garbage and recyclable materials.

It might be useful to comment on why this movement to a user pay system has been successful. For almost a century, users to Ontario Parks have paid fees for camping and day use. Accordingly, the users developed an expectation that fees accompany park use. This is markedly different from some other systems, such as Alberta Provincial Parks, where day use fees have never been charged and there is now resistance to their introduction. The introduction of increased levels of user fees in the early 1990s was opposed by some aspects of the environmental movement. However, the massive budget cuts by the Harris government of the mid-1990s made it obvious that a user fee approach provided major benefit to the park system, and the opposition ceased.

The park staff members showed high levels of innovation, readily accepting the opportunity to find new ways to earn income. Staff members quickly accepted the user pay system, almost certainly due to the self-interest of continuing employment. The users accepted the increased fees because many were associated with
better services. For example, the camping preregistration system is expensive to operate, but is highly valued by users. Therefore payment for its use was enthusiastically adopted. Ontario Parks quickly developed a small but highly effective marketing unit in head office.

It is also important to note that Ontario Parks does not have major competition for outdoor recreation in exceptional natural environments. The national park system in Ontario is hardly visible with only five parks, of which four are tiny and the one large one is remote with almost no visitor services. The conservation areas system, which is based on water management projects, is large with over 300 areas and over 8000 campsites. This system has been based on a user pay system for over 60 years, providing an example for the move by the provincial system. However, it is based on relatively prosaic near-urban landscapes that do not compare to the magnificent forests, lakes, rivers, beaches, and wildlife that occur in provincial parks. In summary, the user pay system has been successful due to: (1) market familiarity with park fees; (2) political timing that was advantageous; (3) acceptance and innovation by staff; (4) development of a marketing unit; (5) fees associated with new and better services; and (6) the lack of market competition.

This article does not deal with the expenditure side of park operations; only dealing with income. The article does not deal with the difficulties of a park system operating without full agency status within a larger government policy structure. For example, government policy requires purchases to be made through a complex and time-consuming tender process. This is done to ensure fairness and accountability. However, it is unwieldy for many activities, such as the purchase of provisions for a camper supply store. Many functions occur outside the park operations and within the larger MNR, such as human resource management and remote aircraft operations. There are both pros and cons with such arrangements. More research is needed to understand the financial issues of parks operating within a larger government ministry, or operating as a separate, stand-alone agency.

As Ontario Parks move forward along the path of tourism funding for park management, it can continue to develop new approaches to earn higher levels of income, probably through imaginative new programs, rather than relying so heavily on camping fees. Researchers should look at other park systems so that comparative studies could reveal if the findings here are indicative of broader trends in tourism-based income for park management.

Hopefully this research stimulates more attention on the tourism-based funding of parks. Much more work is needed in other park systems in order to test whether the findings found in this research occur elsewhere.

This research only discusses the level of income from various income sources. It does not address whether the parks have sufficient management capacity, in terms of infrastructure, personnel, and management systems (Drumm, 2007). This financial research needs to be connected to the concept of management capacity in order to better understand if the level of income obtained does lead to effective management.

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REFERENCES


