

# PRIVATIZATION: AN OVERVIEW

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## Privatization: An Overview— Introduction and Summary

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THIS ISSUE OF THE GEORGE WRIGHT FORUM IS PRIMARILY DEVOTED TO PRIVATIZATION of the national parks. State parks are the subject of one of the papers in view of their special relationships to national parks.

The opening article by Thomas A. More's provides a start-up definition of privatization. He writes that the privatization of public resources has been underway in the United States for the past 30 years. Privatization is best understood as a multi-dimensional process that that can exist in varying degrees. It can range from simple changes such as the adoption of the business vocabulary (e.g., "customer service") to complete "load shedding"—the actual transfer of lands or programs to private organizations. In short, privatization is the shift away from direct government provision of goods and services to the private sector.

Three of the authors—More analytically, Alfred Runte historically, and Ney C. Landrum on the state parks—essentially examine the nature and scope of privatization of the parks. Two authors set forth the objectives and values of privatization: Sylvia LeRoy very broadly, and Geoffrey F. Segal very specifically. Two more, John Shultis and John L. Crompton very specifically, analyze the forces underlying the privatization movement. Finally, Bill Wade and Scott Silver, challenge the objectives and values of privatization of the parks. In summarizing all these articles for this introduction, I have used their own words as much as possible.

In "From Public to Private: Five Concepts of Park Management and Their Consequences," Thomas A. More provides management models that range from purely public to purely private. First, however, he

reviews the historical context of privatization. He reminds us of the "radical suggestion" made in 1870 "that there ought to be no private ownership of any portion of that region [Yellowstone], but that the whole of it ought to be set aside as a great national park." Between the Antiquities Act of 1906 and the radically changing temper of our times, Theodore Roosevelt's philosophy essentially prevailed. "Government's role in conservation was clear: halt the rapacious use of resources—the 'slash and burn' policies—that characterized the late 19th century." Beginning in the 1970s, the public has been encouraged to weaken government. Privatization has emerged as a leading national policy. A major response has been public strategies based on various business principles and practices.

Following the historical context, More

presents five alternative management models, examining each in considerable detail. First, at one end of the public-private spectrum is the fully public model. Under this model, park management should be fully funded through taxes. Second, public parks could operate like public utilities, such as water authorities, in which users pay some (or all) of the costs. Making the parks financially self-sustaining is a primary goal so that non-users have no tax burden. Outsourcing is a third management model. The public sector provides funding, but private firms compete for production rights. The fourth management model is private ownership of parks and protected areas by not-for-profit organizations such as The Nature Conservancy. The fifth model is fully private, in which individual firms purchase and operate natural areas on a for-profit basis. In concluding, one of the issues that More notes is the profound difference between the 1870 vision and today's practices and rhetoric.

That the public lands have always been highly commercialized and that privatization is nothing new are the initial thoughts expressed by historian Alfred Runte. "Even some of our greatest environmentalists, Ansel Adams, for example, have made millions off the public lands. Best's Studio, years ago renamed the Ansel Adams Gallery, sits prominently in Yosemite Valley. It is a distinctly commercial enterprise. Does it matter that Adams's heirs pay a franchise fee for the privilege of remaining on public land?" Runte asserts that privatization differs only by degree from other business-oriented park objectives." The privatization movement is just the latest chapter in the history of the growth of business involvement." Take away the automobile, he feels, and privatization is dead, at

least, that "clamoring to pockmark the public lands with development. How would the visitors get there?"

By no means are all privatizations contrary to the public interest. Runte draws our attention to the rebuilding of the historic red buses in Glacier National Park. All 33 of them are back on the road, he proclaims, "thanks to a partnership including Glacier Park Inc., the National Park Foundation, the Ford Motor Company, and several others, "Does it matter if someone profits? Not if how they profit demands good stewardship." A comparable rediscovery of community is occurring in Yellowstone. Xanterra, its principal concessionaire, now sponsors Heritage Days, for example, through which it has pledged the restoration of Yellowstone's historic motor stages. "There are responsible concessionaires, and some downright good ones, just as government can be irresponsible." Ultimately, the real issue is the culture, our penchant as Americans for commercializing everything. Our colleges and universities have increasingly adopted the argument that everything should pay its way. "We cease looking for the core of the problem at the peril of the best idea we ever had."

Ney Landrum reminds us of the many roles played by state parks supplementary to the national parks and goes on to analyze what he terms "entrepreneurism" in the former. It is a useful concept that suggests active business-oriented leadership. The wide diversity of state park philosophies and management approaches in use today reflect the many fundamental differences among the states themselves. One of the most controversial issues is the place of entrepreneurship, involving commercialization and/or privatization, in state park operations. Landrum uses the term "commer-

cialization” for activities involving money-making and “privatization” for activities such as turning over park facilities and functions to private entities for handling. Both practices have been a regular part of the state park scene for many years.

The ability to derive revenues from state park operations has been a strong motivating force from the very beginning. When California undertook to open a part of the Yosemite Valley in 1866 for public recreational use (in what is usually regarded as the very first state park initiative), it sought to finance the operation through a variety of on-site entrepreneurial measures. Not long after, Stephen Mather introduced the concept into the national parks with fancy resort accommodations built by private concessionaires at Grand Canyon, Yosemite, Yellowstone, and elsewhere. Successes there created a powerful precedent, and the idea for both plusher park developments and the involvement of private enterprise caught on, gradually gaining momentum in the state parks as well. Indeed, many of the facilities and programs in the state parks today are designed as much (if not more) to produce revenue as to satisfy public recreation needs. “There is no single paradigm for an ideal state park system in America,” writes Landrum. Determining an appropriate degree of commercialization—whether much, little, or none—and the extent to which privatization can be helpful and productive in the process, will have a critically important bearing on the shape that future state park system will take.

While noting a number of very positive developments in the management of protected areas in Canada, Sylvia LeRoy writes that there is growing recognition that government ownership and regulation is failing Canada’s parks. Her article brings together

the entire range of privatization options for reform, from user fees all the way to limited commodification and complete turnover to private operators. Her article contains a particularly useful and logically constructed annotated presentation.

There has been a global trend for park systems to rely increasingly on user fees. The provision of services also becomes more efficient, innovative, and responsive to the public when parks depend on internally generated revenue for significant portions of their operational budget. Non-users are no longer being taxed for a service they don’t use. User fees internalize the costs of parks. The concerns that have been raised that fees will prevent low-income citizens from accessing public parks may well be unfounded. The necessary accountability and transparency can be achieved by decentralizing park management. Park managers may consider the development of new revenue generation mechanisms, such as concessionaire contracts or the establishment of new visitor services and recreational opportunities. Following the example of the National Audubon Society, consideration should also be given to turning a small portion of land in some parks to multiple use—commodity production that can generate revenues to enhance and preserve more ecologically sensitive areas. Other privatization techniques, such as outsourcing services previously provided in-house, can also help generate efficiencies.

Policy-makers should learn from appropriate models of private stewardship. Many lands are protected by the common law doctrine of trust, defined broadly as “a fiduciary relationship in which one person or organization holds or manages property for the exclusive benefit of another.” The growing success of private conservation initia-

tives shows how realistic market pricing, and non-profit or private management models, can help create the incentives needed to secure the health of our parks for future generations.

Geoffrey Segal kindly provided his article at our request. It is a transcript of written testimony that he presented in 2003 to the U.S. Senate Energy and Natural Resources Committee's Subcommittee on National Parks. It deals primarily with competitive sourcing, an initiative of special interest to the National Park Service. Segal prefaced his transcript by noting that "recently the management of the National Park Service (NPS) has been under a microscope. A series of financial lapses and a multi-billion dollar backlog of maintenance and other work signal weak standards and general mismanagement." In the article, Segal notes that the president's management agenda (PMA) is a set of initiatives designed to improve the management of federal agencies by adopting performance-based criteria for decision-making and action. Competition or competitive sourcing is a major component of the PMA.

Competitive sourcing has two often-overlooked related benefits. First, it allows agencies to refocus on core functions and mission-critical activities. Secondly, it helps them address their human capital management. A common misconception about competitive sourcing is that it leads to layoffs and to loss of pay and benefits for workers. But a long line of research shows that in fact the majority of employees are hired by contractors or shift to other jobs in government while only 5–7% are laid off.

Some opponents of competitive sourcing insist that our national parks are special, and that they should be shielded from competition. However, several states and prov-

inces in Canada have long used competitive sourcing and the private sector to provide services in their respective park systems. In fact, according to the Council of State Governments, parks departments that were surveyed "were more likely than other [executive] agencies to expand [competitive sourcing] in the past five years." Despite the benefits of competitive sourcing there remains skepticism and objections to the initiatives. The American taxpayer and park visitors deserve the best services possible. Competitive sourcing gives NPS an opportunity to improve its efficiency, tackle its massive maintenance backlog, and focus its resources and energy on its core functions.

John Shultis is concerned with parks in the context of protected areas and with privatization in the context of neo-conservative philosophy and policy. The following is the abstract of his article that he generously provided at an early date.

All management decisions, whether based on empirical data or not, are expressed within the rubric of existing sociopolitical ideologies. At the beginning of the 21st century, a major social force affecting protected areas is the growth of neo-conservatism. Like the Keynesian system before it, neo-conservatism and its associated economic doctrine of fiscal conservatism have expanded throughout most of the Western world to pervade all political party agendas.

Policies associated with fiscal conservatism that affect protected areas include: (1) decreased taxation at both the individual and corporate level; (2) decreased government spending; (3) public-private sector partnerships in the provision of traditionally public-sector activities; (4) the introduction of user fees to help offset decreased government spending; and (5) a laissez faire economic system, which allows

the market (rather than government) to set prices, levels, and locations of goods and services.

Protected areas have not been immune to the re-introduction of these economic policies. Indeed, funding for “environmental” concerns such as protected areas are often among the first government spending to be targeted for budget cuts and downsizing, and many governments throughout the world have thus decreased government allocations, introduced and increased user fees, and increased commercialization and privatization within park agencies.

Case studies in Canada, New Zealand, and the United States highlight the global significance and common impacts that downsizing, budget cuts, and increased commercialization have had on park managers and systems. Greater awareness of these tenets and common effects of neo-conservatism will allow scientists to better understand how they affect contemporary decision-making in parks, and can also allow natural and social scientists to predict future research needs or priorities.

John Crompton graciously authorized us to reprint the executive summary of his early excellent analysis of the “Forces Underlying the Emergence of Privatization in Parks and Recreation” that was originally published in 1998 in the *Journal of Park and Recreation Administration*. Tom More, in turn, neatly summarized Crompton’s summary in his article. More’s summary of Crompton’s four forces is as follows. First, direct service provision by public agencies became seen as costly and inefficient. Typically, two-thirds of an agency’s budget is devoted to salaries and benefits. Many employees have long-term tenure, limiting the agency’s ability to respond to shifting public demand. Flexibility also is limited

by agency mandates and regulations necessary to ensure public accountability for funding; private firms lack such restrictions. Second, political thinking converged. Conservatives who wanted smaller government believed public agencies were costly and inefficient. Liberals found agencies to be bureaucratic and wanted better funding and service delivery for parks. Both groups thought privatization could achieve their objectives. Third, direct service provision by public agencies can be monopolistic, and monopolies have inherent inefficiencies. For example, monopolies lack incentives to be responsive to clients or to innovate. Privatization injects competition to promote innovation, efficiency, and responsiveness to changing demand. Lastly, the need for a service can be distinguished from its production. A public agency can provide funding, but may contract with private firms for actual service production. Many natural resource management agencies in the United States, Canada, Australia, and elsewhere now contract out for maintenance service, facility operation, interpretive and educational services, etc. Contracting out enables periodic review of performance, and contract changes if necessary.

Bill Wade does not agree that privatization is the solution to Garrett Hardin’s “Tragedy of the Commons” whereby excessive visitation fostered by “freedom in a commons” ends up bringing ruin to all. Wade goes on to say that while issues of “carrying capacities” still persist, a new, more serious form of exploitation has become an increasing threat to the values and purposes of the National Park System in recent years. This threat is privatization, or more specifically, commercialization. In fact, this threat has accelerated over the past four years. It is especially disturbing that a

major source of this new exploitation is the government itself. Noting that some forms of private enterprise have been present in national parks almost since their inception, Wade writes that there is a major difference between commercial activity permitted for the public interest, and the “privatization” that is being promoted today.

Perhaps the most menacing form of privatizing is that of increasing preferential treatment for special interests in the management and use of national parks. One is the greater tolerance for, if not insistence, that motorized recreational uses in parks be increased. A second example of preferential treatment appears to be an attempt to subvert the public’s role in park planning by giving interests in so-called gateway communities unprecedented and disproportionate influence over the planning and decision-making processes in the adjacent parks.

The rationale hyped for privatization is that it costs less. While direct costs may appear to be lower, when added with the indirect costs of administering the contracts, auditing their work and expenditures and compliance, the costs may well be higher than the cost of the government doing the work. Moreover, when factors such as loss of flexibility, continuity, and institutional memory are considered, the “costs” are even higher.

Scott Silver analyzes the roots and legislative history of, and the 2004 successor to, the 1996 Recreation Fee Demonstration Program. He writes that the first step towards “Fee-Demo” was the 1962 report of the Outdoor Recreation Resources Review Commission. The latter led to the Land and Water Conservation Fund Act of 1965,

which authorized charging for certain limited recreation user, access, and entrance fees on federally managed public lands, and expressly prohibited the charging of all others. Revenues were unavailable for direct use by land managers.

Fee-Demo was formally recognized in 1996 by a rider to the Department of the Interior appropriations bill. Eight years later, with the passage of the Federal Lands Recreation Enhancement Act in 2004 as a rider to the omnibus appropriations bill, Fee-Demo was revoked. Silver expresses the view that the purpose of Fee-Demo was to give the federal land management agencies a chance to demonstrate to Congress that a wider range of recreation fees than had been authorized in 1965 could be effectively charged and collected.

Fee-Demo became a highly controversial issue with opposition coming from all directions. Cities, counties and even entire states passed resolutions and memorials in which opposition to the program was expressed to the land management agencies and to the president of the United States. Multiple bills were introduced in the U.S. House of Representatives to terminate the program, though no such bill was ever permitted a legislative hearing. Many see Fee-Demo as part of a larger privatization agenda. A handful recall an original purpose of replacing allocated funding with user fees. Perhaps the most common argument is that only those who use the resource should pay for it. The issue of charging recreation user fees for use of federally managed public land has engendered strong support and equally strong opposition. It is an issue that is as contentious today as when it was first proposed.

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