The Galapagos National Park entrance fee: A global perspective and options for the future

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Introduction

In the case of protected areas such as the Galapagos National Park (GNP), the entrance fee reflects management policies established by the regional authorities and should also consider similar products in the market (primarily other national park in the case of Galapagos), the cost of maintaining the protected area, and the willingness of visitors to pay for visiting the area. Determining the entrance fee for the GNP has implications that go beyond funding for the Galapagos National Park Service (GNPS) and other institutions. It has management implications related to the number of visitors that the protected area can receive, taking into consideration both the impact of visitors on the protected area as well as the socioeconomic effect these visitors have on both the protected areas and the inhabited areas of the archipelago.

The aim of this study was to evaluate the feasibility of increasing the GNP entrance fee based on: 1) the market, through an evaluation of global, national, and local trends in tourism; 2) the client, through a study of the market and client willingness to pay the GNP entrance fee; 3) the management costs of the GNP and the other beneficiary institutions receiving a portion of the entrance fee, and 4) competition from protected areas in other parts of the world.

Current use of the Galapagos National Park entrance fee by beneficiary institutions

The Special Law for Galapagos of 1998 established six institutions that receive a portion of the park entrance fee (Table 1). The GNPS, the institution responsible for managing the PNG (97% of the land area of the archipelago, 799 540 ha) and of the Galapagos Marine Reserve (GMR, 13 800 000 ha), receives 45% of the fee. The remaining 3% of the land, which includes both public and private property, is under the jurisdiction and management of a series of institutions. Some of these institutions receive the remaining portion of the entrance fee to the GNP.

The revenue produced from the collection of entrance fees to the GNP has increased significantly in recent years along with the number of tourists, from US$5.5 million in 2002 to US$10 million in 2007 (Table 1). The revenues received by the beneficiary institutions nearly doubled from 2002 to 2007.
Table 1. Revenues received (US$) annually by the beneficiary institutions from the collection of entrance fees to the GNP from 2002 to 2007 (data in 2007 through November).

<table>
<thead>
<tr>
<th>BENEFICIARY INSTITUTION OF PARK ENTRANCE FEE</th>
<th>% of Entrance Fee</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galapagos National Park</td>
<td>40</td>
<td>2 222 739</td>
<td>2 443 055</td>
<td>3 024 610</td>
<td>3 454 226</td>
<td>3 887 255</td>
<td>4 007 822</td>
<td>19 039 706</td>
</tr>
<tr>
<td>Municipalities</td>
<td>25</td>
<td>1 389 212</td>
<td>1 526 909</td>
<td>1 890 381</td>
<td>2 158 891</td>
<td>2 429 534</td>
<td>2 504 888</td>
<td>11 899 816</td>
</tr>
<tr>
<td>Provincial Council</td>
<td>10</td>
<td>555 685</td>
<td>610 764</td>
<td>756 153</td>
<td>863 556</td>
<td>971 814</td>
<td>1 001 955</td>
<td>4 759 926</td>
</tr>
<tr>
<td>Marine Reserve</td>
<td>5</td>
<td>277 842</td>
<td>305 382</td>
<td>378 076</td>
<td>431 778</td>
<td>485 907</td>
<td>500 978</td>
<td>2 379 963</td>
</tr>
<tr>
<td>INGALA</td>
<td>5</td>
<td>277 842</td>
<td>305 382</td>
<td>378 076</td>
<td>431 778</td>
<td>485 907</td>
<td>500 978</td>
<td>2 379 963</td>
</tr>
<tr>
<td>SESA SICGAL</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>Ecuadorian Navy</td>
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<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100</td>
<td>5 556 847</td>
<td>6 107 637</td>
<td>7 561 525</td>
<td>8 635 565</td>
<td>9 718 137</td>
<td>10 019 554</td>
<td>47 599 265</td>
</tr>
</tbody>
</table>

% increase in US$ with respect to the previous year: 10 24 14 13

Number of visitors:

<table>
<thead>
<tr>
<th>% increase in number of visitors with respect to previous year</th>
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<tbody>
<tr>
<td>6 11 19 12 19</td>
</tr>
</tbody>
</table>

Source: Galapagos National Park, 2007

The Special Law for Galapagos indicated that the funds should be used for the following purposes:

1) Education, sports, health, and environmental health projects;
2) Environmental services, and
3) Services directly related to tourism.

The following information includes data from three of the six beneficiary institutions: the National Institute of Galapagos (INGALA), the Ecuadorian Agricultural Health System and Quarantine Inspection System for Galapagos (SESA-SICGAL), and the GNPS. The other three institutions (Municipal and Provincial Governments and the Navy) did not provide the requested information.

The Galapagos National Park Service, which receives 45% of the entrance fee for the management of the GNP and the GMR, finances 45% of its budget with the resources from the entrance fee. Financial projections of the GNP and the GMR indicate that they will require an increase of 32% above the amount currently received annually from the entrance fees over the next five years, with the majority of these additional resources used to strengthen tourism management and management of the GMR.

INGALA, which receives 10% of the park entrance fee, finances approximately 30% of its budget from this source. Historical information (2004-2007) indicates that INGALA has spent approximately 77% of the resources received in activities established by the Special Law and 23% in other activities, including telecommunications, internet system, and restructuring processes, among others, most of which could be considered directly related to the permitted activities.

The financial information provided by INGALA indicates that their annual financial needs for the next three years require a 100% increase above the funds currently received from the park entrance fee.

SESA SICGAL, which receives 5% of the park entrance fees collected, finances approximately 70% of its budget from this source. Historical information (2004-2006) indicates that SESA SICGAL has spent...
these funds in two main areas: personnel (89%) and operational costs (11%). The projected annual budgets for 2009-2012 are nearly five times greater than the amount currently received from the park entrance fee.

If the institutional project of controlling invasive species is considered an environmental service in accordance with the Special Law, the majority of the operational costs should not be financed exclusively from the revenues generated by park entrance fees (paid for by tourists). These costs should be assumed by other stakeholders who import goods and services for local consumption (residents, local businesses, etc.). The lack of analysis of the origin of the costs creates complex subsidies that distort the truth.

Ensuring that the funds are used efficiently, effectively, and according to law is critical. Currently there are no existing procedures or protocols within the INGALA Council for audits and annual reporting by the institutions that benefit from the entrance fee. This study highlights the need to establish such a system and to ensure an efficient and effective use of these resources.

During the last five years, the revenues received by institutions benefiting from park entrance fees have nearly doubled. This increase is directly linked to the increase in tourism and the Galapagos economy. If the number of tourists continues to increase at the current rate and the local population continues to increase in response to the demand for labor, the demands placed on institutions responsible for the welfare of the population will also grow. However, it is not clear to what extent additional financial resources are required versus the extent to which the institutions need to improve the efficiency with which they use the currently available funds.

The client: ability and willingness to pay the park entrance fee

Market opinion polls show that 95% of foreign tourists that travel to Galapagos do so because they are attracted by the unique flora and fauna of the archipelago, because they want to see what Charles Darwin saw, because of recommendations from others, or to see the islands before conditions deteriorate (Figure 1). It is clear that the greatest competitive advantage of Galapagos is its natural capital. Only 1.4% indicated they were interested in learning about the people living in the islands and none of these individuals selected that as their primary reason. Of the 4.4% who responded that their visit was due to other reasons, SCUBA diving was the principal reason; however, this is also related to the uniqueness of Galapagos and its geology and biodiversity.

Most travelers (87%) know that a park entrance fee exists. However, only 30% of those surveyed knew the destination of those funds. Those surveyed indicated that they would be amenable to paying

Figure 1. Principal reasons that foreign tourists visit Galapagos.
more than the established rate if they knew how the funds were used and/or if the funds were dedicated to the conservation of the islands.

Eighty-three percent of the tourists prefer one single entrance fee per visit regardless of the number of days spent in the islands. The remaining 17% would prefer paying a daily fee for the time they spend in the islands. The supposition is that the increase in entrance fee would reduce the number of tourists, but that the additional revenue would more than make up for that drop. However, studies of willingness to pay such increases carried out in other national parks in the world demonstrate that the subsequent decrease in demand remains in effect for a limited period of time. After a few months in areas of high tourist interest, the demand returns to an amount equal to that prior to the increase of the entrance fee. This same scenario played out in Galapagos when the entrance fee was raised to its current amount.

The competition

The surveys indicated that 32% of those polled had no alternative destinations because Galapagos was one of the places that they had always wanted to visit. The results did indicate that the primary destinations that provide some competition for Galapagos are: 1) Peru and Macchu Pichu (22.1% of those surveyed); 2) African countries such as Kenya and Tanzania (13.9%); 3) other sites in Ecuador (16.3%), and 4) Antarctica (3.5%) and Australia (3%). Many of the mentioned sites do not have an entrance fee.

A review of entrance fees to other national parks in other countries indicate that Tanzania is the country whose National System of Protected Areas registers the highest entrance fees (Gombe has a daily fee of US$100, Mahale US$80 per day, Serengeti US$50 per day, and Mount Kilimanjaro US$60 per day).

The average entrance fee to national parks in Kenya is US$40 per day. The national system of protected areas in South Africa has lower entrance fees (US$13 and $18 per day). All of the mentioned fees are for adult foreign tourists. In most of the cases there are significantly lower fees for nationals and children. In comparison to the African park experience, the average daily rate for Galapagos visitors is US$14.28, given an average stay of seven days, or US$25 per day with an average stay of four days.

However, a further analysis of the prices in Africa shows that the majority of

![Figure 2. Percent of respondents willing to pay specific values for the entrance fee to the Galapagos National Parks. N/R = no response.](image-url)
national parks are visited for an average of two to four days and that a large percentage of tourist packages offer 15-20 day tours, which visit between four to seven separate areas. Also, Gombe Stream and Mahala National Parks, with the highest entrance fees (US$100 and US$80 per day), receive a maximum of 1000 tourists per year and an average of 800.

Future possibilities

Regulations and auditing

Because of the significant financial resources involved and the projected budget increases in future years, it is important to ensure more effective and efficient use of resources. Therefore the establishment and implementation of regulations for the use and auditing of the revenues from the park entrance fee are recommended over the short term. However, there is a general conflict of interest in the current structure of the INGALA Council, the organization that would establish these regulations, in that the audit would also be approved by the INGALA Council, whose members include beneficiary institutions that would be audited.

Park entrance fee

Results of the opinion survey suggest that the GNP should maintain a single entrance fee without regard to the number of days that a tourist remains in the islands. When considering an increase in the entrance fee, two possible options are suggested. However, it is important that no increase in the entrance fee be established until the fundamental recommendation on the use of the funds and the auditing of accounts is implemented. Economic studies (Taylor 1999, 2002, 2006) have shown both direct and indirect impacts that are generated by injections of resources into the Galapagos economy. Additional resources generated by an increase in the entrance fee could have negative effects on sustainable human development and on the conservation of the natural resources of Galapagos if the amounts of the inversion are not carefully evaluated in terms of their eventual impacts.

Option 1 for foreigners who are not residents of countries included in the Southern Common Market (MERCOSUR – Mercado Común del Sur) or the Andean Community of Nations (CAN – Comunidad Andina de Naciones):

*Increase the entrance fee to the GNP to US$120 per person to cover the necessities of the beneficiary institutions.*

If the reason for the increase in the entrance fee is to cover the increase in financial needs of the beneficiary institutions resulting from the increase in immigration and tourism, an increase to US$120 per tourist should be sufficient (assuming an increase in the number of tourists equal to historical rates).

However, the message sent with such an increase would be: Galapagos has increasing needs, so additional resources are required to administer the islands. This reasoning basically omits any discussion of the fundamental reasons for the growth and therefore does not contribute to solving the challenges of conservation and sustainable development of the islands. It only tries to solve the spiraling need for financing due to continued growth in population and tourism.

Option 2 for foreigners who are not residents of countries within MERCOSUR or CAN:

*Increase the entrance fee to the GNP to US$200 only when this decision is accompanied by concrete actions that demonstrate firm steps to ensure the conservation of Galapagos either by management of the number of tourists that visit the islands and/or by management of both direct and indirect effects of tourism.*

This option reflects the willingness to pay expressed by the majority of tourists. If there is a substantial increase in the park entrance fee without accompanying decisions for the short and mid term that
demonstrate advances in the management in the number of tourists visiting the islands and/or the management of the direct and indirect effects of tourism, Galapagos will be presenting a contradictory message to the world, simply reflecting the single intention of obtaining economic benefits from the islands.

A fundamental requirement for this scenario must be an analysis of the distribution mechanism of the additional resources since the current system has been shown to be inadequate in terms of auditing. The design of a new financial mechanism (trust fund or some other) should be based on best practices worldwide that contribute to efficient, transparent, participatory, and agile management of the economic resources that will benefit the conservation of the ecosystem and the welfare of the local population in fundamental areas such as health and education.

**Recommendation for Ecuadorian and foreign resident of countries within MERCOSUR or CAN:**

*Maintain different fees for Ecuadorians and foreign residents of MERCOSUR and CAN countries in line with the difference in revenue per capita of Ecuadorians versus revenues per capita in the principal markets for tourism to Galapagos (United States, Great Britain, Germany, Spain, etc.).*

The economic information provided by the United Nations indicates that the per capita revenue of Ecuadorians is 6% of the average revenue of visitor from the countries mentioned. In this context, if an estimate of 10% is used, an increase in the park entrance fee to US$120 for the majority of foreign visitors would result in an entrance fee of US$7.20 for Ecuadorians and foreign residents of MERCOSUR and CAN countries. If the entrance fee is increased to US$200 for foreigners, the fee for Ecuadorians and foreign residents of MERCOSUR and CAN countries would equal US$12.