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MINUTES
CONCESSIONS MANAGEMENT ADVISORY BOARD
10TH MEETING

TUESDAY, OCTOBER 28, 2003

Convene Meeting

Chair Naille convened the tenth meeting of the National Park Service Concessions Management Advisory Board on October 28, 2003 in Key West, Florida.

Ms. Orlando explained that the Board meets under the authority of the Federal Advisory Committee Act and must, therefore, comply with various requirements of the Act. Primary under the Act is that the meeting will be conducive to public participation and that any member of the public may speak or file a written statement with the Advisory Board at any time, and lastly, that each Advisory Committee meeting will be held in a place accessible to the public.

Ms. Orlando then introduced Acting Superintendent John Benjamin at the Four South Florida Parks.

Welcome

Mr. Benjamin welcomed the Board and provided the Board with a brief overview of the Four South Florida Parks. He explained proposed new and expanded operations at Tortugas.
Mr. Benjamin also expressed gratitude for helping to deal with the concessioners, set policy, set the cycle to that, and help manage that partnership. Xanterra at Everglades National Park is coming up with the standards for environmental management. Mr. Benjamin was delighted to be able to host the Board and hoped the Board members would get to see Tortugas on Thursday and take the opportunity to visit Everglades as well. It is a park that has spark and continues to maintain the largest, most comprehensive environmental restoration that the world has ever undertaken. The park preserves, protects and promulgates the national and cultural heritage of the people of the United States, and really the people of the world.

Chair Naille noted that it was nice to hear words of encouragement on the work that concession operations are doing and the partnership role that is played between both organizations because that way things get done a lot faster and a lot smoother.

INTRODUCTIONS

The following persons introduced themselves:

Allen Naille, Chairman, former CEO of AMFAC Parks and Resorts, Flagstaff, Arizona.

Phil Voorhees, National Parks and conservation Association, Board Member.

Bill Norman, President and CEO Travel Industry Association of America, Washington, D.C., Board Member.

Burt Weerts, former State Parks Director, Atlanta, Georgia, Board Member.

Ramona Sakiestewa, artist, living in Santa Fe, New Mexico, Board Member.

Jim Eyster, Ithaca, New York, former faculty member of the School of Hotel Administration at Cornell University, Board Member.

Dick Linford, Outfitter, Forest Service and BLM, Board Member from California.

Cindy Orlando, Chief, Concessions, National Park Service, Washington, D.C.

Dick Ring, Associate Director, Admin. & Business Practices, Washington, D.C.

Nick Hardigg, Chief, Concessions Management at Grand Canyon.

Pete Oswald, National Park Service.

Judy Bassett with the National Park Hospitality Association.

Steve Lebel, Concessions Program Manager in Washington, D.C.

Christian Belland of Yankee Roamer, Inc., a ferry service out to the Tortugas National Park.

Mary Murphy, Business Management in Yellowstone National Park.

John Huey, Delaware North Company, Director of Environmental Affairs.

Peter Crage, Chief Financial Officer for Delaware North Parks and Resorts.

Rose Fennell, National Park Service, Washington, D.C.

Sherrill Watson from Concession Management, Washington, D.C.

Hyde, Concessions Program in *.

Dan Kimble, National Park Service in Washington.

Chris Lane, Environmental Affairs Director with Xanterra Parks and Resorts.

Steve Tedder, Vice President, National Park Operations for Xanterra Parks and Resorts.

Bill Fay, Chief, Concessions Management for Everglades National Park.

Joe Renfro of Aramark Parks and Resorts, Atlanta, Georgia.

Tony Sisto with the National Park Service.

Randy Jones, National Park Service, Washington.

Kurt Cornelssen, PriceWaterhouseCoopers.

Wendy Berhman, Manager Environmental Program, Concessions Program in Denver.

Dale Ditmanson, Associate Director for Operations in Northeast Region.

Kevin Apgar, National Park Service in Denali Concessions Program, Alaska.

John Benjamin.

Judy Jennings, Chief of Business Resources Division, Denver, CO.

Jim Wilburn, (indiscernible) Resorts.

Kim Oshinski, contractor with the National Park Service.

Kathy Fleming, Concessions Program, Denver, CO.

Sandy Poole, Concessions Program Manager for the Denver Office of the National Park Service.

Henry Benedetti, Associate Regional Director of Operations *

Bruce O'Connell, Blueridge Parkway, North Carolina.

Agenda

Chair Naille explained he would be making some changes to the agenda, mostly from a time point of view.

Approval of minutes

Board Member Weerts moved, seconded by Board Member Sakiestewa to approve the June 11, 2003 minutes. The motion carried unanimously.

Report on Findings and Overview of GAO REPORT on NPS Management of Its Nonprofit Partners

Pete Oswald of the U.S. General Accounting Office provided the Board with a report on Non-profit activities at National Parks. The report covered 100 pages and Mr. Oswald wanted to give the Board a brief overview of what is in the report. He explained that the GAO does the bidding of the Congress and is a Congressional agency responding to requests from Congressional committees. This report just issued was a request from the House Resources Committee. Much effort was devoted to trying to identify what the contributions of the national park partners were such as the cooperating associations and the friends groups that are at the parks. Mr. Oswald made the following observations:

- Non-Profit role is substantial & Increasing
  - $26.7 million in FY 1997
  - $47.4 million in FY 2001
  - Over $200 million in net assets (FY 2001)
- Revenue-generating activities of associations & concessioners are not always distinct
  - Associations are at 323 parks. At 84 of these parks (Parks with high visitation,) the associations offer Sales/services similar to concessioners
  - Association revenue grew 22% from 1997-2001
  - Association revenue from visitor convenience items grew 55% from 1997-2001
- Local parks have broad discretion over nonprofit activities
- Inconsistencies in local park sales practices
- Both associations & concessioners are encouraged to sell educational/thematic merchandise
- Some conflict over sales activities at 3 of 6 parks visited
- Friends groups do not compete with concessioners within parks
- Financial incentives exist to expand cooperating association activities at local parks (5-year contribution rate - 26%)
- NPS goals encourage increased nonprofit contributions (for associations - 35% from 1997 to 2005)
- NPS goals encourage increased concessioner revenue (franchise fees from 4% in 2000 to 10% by 2005)
- NPS lacks basic information on scope and contributions of nonprofit partners at individual parks.
- General Management Plans are often outdated (none or 20+ years at 25% of parks)
- Few commercial service plans (CSPs) at parks (6 completed, 22 in process)
- Only 3 of 84 parks having both association and concessioner sales, have a CSP
- Commercial activities of non-profits are not considered in plans
- Park managers do not provide transparent rationale for park sales and services decisions

Mr. Oswald pointed out that there are a number of benefits that the cooperating associations receive that are, in essence, cost to the federal government. They get a free facility at the park, they do not pay federal taxes. Even on a visitor convenience item, if a concessioner is selling a visitor convenience item, they are obviously paying Federal tax on that item. If the cooperating association is selling that same convenience item, they are not paying taxes. To possibly remedy that situation was possibly requiring the cooperating associations to file comparable to the 990's, to their tax returns, which would result in a kind of validation of what they are reporting. This would also identify their unrelated business income, putting them on the same playing field as the concessioners. They would not be getting the tax advantage that the cooperating associations have right now vs. the concessioner who is selling the same items. However, there is an IRS opinion that indicates that any other visitor convenience sale by a cooperating association, was not necessarily an unrelated business income item. If the proceeds from that were being used for the purpose of the association or contribution to the National Park System, they were not reporting it as an income tax

item and, according to IRS, it did not appear that there was any problem with that. Mr. Oswald thought this to be incredibly interesting. All the assets that are retained are potentially available contributions to the Park Service and cannot be used for anything else. They can be used for dissolution, dissolving the organization if it goes under, or recovering administrative expenses and that sort of thing, but they cannot be used for investment in shares and distribution to stockholders. It has to be used for the Park. The Park has the ability to ask them for more money if they see that there is a large sum of money sitting around that nothing is being done with. It is expected that the franchise fees are going to go up in the next couple of years. The Park Service has strategic goals from both cooperating associations and from Friends groups where they expect contributions across the parks nationwide will go up by as much as 35 percent over the next few years.

Responding to a question by Board Member Sakiestewa regarding the in-kind match, Mr. Oswald further explained that the financial incentive was not the biggest factor in the decision to have a service provided by a cooperating association vs. a concessioner. With the cooperating association, generally 100 percent of whatever they raise goes to the Park, whereas only 80 percent of it goes directly to the Park for the concessioner. There are other issues as well, because what gets raised at a large park does not all stay there. Eastern National has a system for distributing that money and this is referred to in the draft as the Robinhood approach. It raises some interesting situations. Where you have got Grand Canyon, for example, the cooperating association there raises a lot of money that stays at Grand Canyon. Where you have got other parks that are large that raise money, and they do not keep it, it goes into the Eastern National or Western Cooperating Association pool and gets distributed differently.

Responding to a question by Chair Naille Ms. Fennell stated that there is an advisory board that has National Park Service people on it with Eastern National, and together with the Board of Eastern National, negotiations do take place, but ultimately it is left to the Board of Eastern National as to what the distribution lots will be.

Board Member Sakiestewa reminded the Board that a book from the Nonprofit Law Center in the United States gives a boilerplate kind of overview of how nonprofit organizations need to be run. She further pointed out that if there is not a contribution of at least 30 percent of what they are doing, then they really should not be in business. A lot of the personnel in the park could not run without this volunteer personnel, but it is costing the Park something to train those people and have those people in the park, so they need to set up some kind of business plan that is kind of unilateral that you all can work from either in the future or backwards with these contracts because it seems very kind of hit and miss, and they are nice people, and they all have good intention, but there have been cases where tax exempt organizations, in fact, collected so much money that they decided, “We are not giving.”

Ms. Fennell replied that unlike most tax exempt organizations, cooperating associations are retail based, so about 60 percent of their revenue goes right back into inventory replenishment, which leaves them about 40 percent for operations, and out of that has to come the contribution to the National Park Service.

Board Member Sakiestewa added that with regard to the bottom line of nonprofits, many times the partners produce products for the Park Service that are known not to be money losers, and a lot of times those do not show up on the bottom line. They develop products that would not be profitable otherwise. They might take ten years to break even, but they are interpretive materials that would not exist otherwise, and it is hard to figure out how to account for those money making investments, what the

return is to the Park. There is a second bottom line that does not even show up. Much of it is not accountable. This way it is a difficult venture.

Mr. Oswald explained that some of the cooperating associations are largely fundraisers. Golden Gate is a good example. It is not purely a cooperating association the way Eastern National or Grand Canyon, so their contribution rate, because they are largely a fundraiser, would be expected to be much higher as a percent of the revenue they raise because they do not have the overhead that Eastern National has for their sales operation.

Board Member Sakiestewa referred to this ongoing belief that if you are in tax exempt work, or non-profit to some people, that you do not make money and it is okay to do that, but in fact as the funding pool gets smaller and smaller, you really need to have these organizations come up with a business plan just like a for-profit business to see if it is viable, because most of these organizations would not start up if they looked ahead down the road and saw that they were not going to make x amount of dollars. They need to have goals and targets just like the regular business.

Chair Naille added that in many of the big western parks, for example, you have to house those people, and put in huge investments on building housing which costs tons of bucks, especially in parks. So there is going to be some factor of that that affects the profitability of the operation because they are spending money for things that you would not normally have to spend money on.

Mr. Oswald said that the concern was, you have to distinguish between what is appropriately within the purview of government regulation and what is not. These are nonprofit private organizations and, while they have agreements, the cooperating associations do with the Park Service, there are limitations as to the control the Park Service can exert over Friends. Every private non-profit that deals with the Park Service, should have a business plan. Some of them are very small and a business plan really would not make sense. But for Friends groups, which are largely fundraisers, they are required to have a fundraising agreement for their larger products, so it is somewhat analogous. Often these organizations do have goals and they set their own targets. They know which stores are making money and which are not.

Board Member Linford asked for an explanation of the 1,049 percent on page 52.

Ms. Fennell explained that in that example, the Central High Museum that has that very bizarre number, this is their first year of operation. They were sitting on a pool of assets that were suddenly donated to the Park Service all at once, but their revenue that one year was a few thousand dollars.

Board Member Linford expressed concern in terms of the profitability of these associations, and the percent that these associations contribute to the parks.

Chair Naille stated that cooperating associations were designed to supplement places where concessionaires were not profitable. They were designed to produce things that are not always profitable to help the mission of that individual park or series of parks it is involved with. Some of them have exploded into big sort of corporation-like operations with very serious board structures, others are still kind of ma and pa type operations. The mission of the Park Service was what the whole issue was about in the first place, so things are being produced that would not be available to the visitor as a visitor service entity, and so maybe they are not going to be so profitable and one has to figure out ways to keep them alive. Not all museum shops are doing that well of late because they are struggling at times in places where they have been strong. There are, however, some problems with some concessioners getting upset with competing type problems with cooperative associations.

Mr. Oswald explained that the purposed of the job was not to assure that each cooperating association was profitable, but simply to try and determine what the contributions of those organizations were to the Park Service. The concern was more about whether there was an overlap with the concessioners and why that overlap was occurring, what can be done about it. The remedy that was suggested was that there be a commercial service plan at those parks that had both a concession component that sold merchandise and a cooperating association that sold merchandise, and that the commercial service plan laid out what you expect the role of that nonprofit to be in the future so that the concessioner at least has some predictability whether they compete for the contract. It did not seem fair that, midway through a contract, a park superintendent could suddenly decide that, while a concessioner is offering a tour service, they want to have a tour service operated by a non-profit. If that is the direction they are heading in, that is within the purview of the superintendent and the Park Service, and the important aspect of that is to let the concessioner know as soon as possible that that is where they are headed, so when the concessioner bids they know that their tour operation is going to have competition ten years down the road, or five years down the road, whenever that happens. Each park is required by law to have an up to date general management plan, updated every ten to 15 years. 25 percent of the parks did not have a general management plan. They were at least 20 years along with their general management plan. The Commercial Service Plan should really stay on it, should really be based on that General Management Plan. The General Management Plan is the broad view of how that park is going to change and develop over the next 15 years, and the commercial plan is just one piece that fits into that broader plan. Mr. Oswald was not optimistic that the Park Service has the resources or has given the priority to the commercial service plan that is going to remedy the situation. Nonetheless, that is the recommendation and it is the hope that that might result in more money being given to the park for an activity like the commercial service plan development, and that the park might recognize that this is a useful tool for identifying and avoiding potential problems, and identifying exactly where they want the various organizations to go in the future.

Board Member Voorhees referred to the fact that Commercial Service Plans are conceptually, relatively new entities in the Park Service and asked if there would be any reason why a park which has had an out of date or non-existent GMP feel inhibited from developing a commercial services plan.

Mr. Oswald thought that the General Management Plans were not updated because they often involve a lot of environmental study. There is some concern that the Commercial Service Plan might also run into environmental assessments or environmental impact studies. He did not think the people at the parks are aware of the support that is available from the Denver office in developing Commercial Service Plans. Denver has a person who is willing to come out and work with the various parks and help them with their Commercial Service Plan.

Ms. Orlando commented that there is no commercial service planning entity in Denver, but there is one person who works in the Concession Office out of Washington who is located in Denver, who has been valiant in his efforts over the years in trying to get these done. She mentioned that a lot of time was spent in the last few months meeting with the larger planning and construction office in Denver, and that they are trying to coordinate those efforts and wrap the Commercial Services Planning component into the broader GMP dialogue.

Ms. Orlando pointed to the number 3 being a little bit misleading. There are a number of Commercial Services Plans that are in progress. She commended the Southeast Region, who have been very aggressive in trying to get these documents in

place before their new contracts roll.

Mr. Ring referred to doing a Commercial Services Plan if you do not have an up to date GMP, and stated that over the next couple of days there will be an opportunity to see how exactly that situation evolved. He stressed that the fundamental management decisions must be up to date upon which one can then build the Commercial Services Plan. There is a lot to doing commercial planning in the park that certainly should be done, but it has to be integrated into the planning process of the agency and then probably prioritized on where there is a problem significant enough to really devote the time and the resources to do a formal planning process, vs. just trying to handle it on an operational management level.

Board Member Voorhees asked absent a Commercial Services Plan, what would be the guidance mechanism for superintendent or management staff that provides a level of consistency to all of the parks' commercial partners. Mr. Oswald stated that many of those issues come up and get dealt with on an operational footing in meetings with a superintendent and the concessioner and the cooperator to try to make just the common sense judgments about how to operate on a day to day basis. But equally, one should recognize that the commercial activities that go on inside a park have a very distinct place in the planning of the agency and need to have a greater presence and be incorporated to a greater degree than they have.

Board Member Voorhees next inquired if there is any kind of an average cost for producing these that can be related.

Ms. Orlando replied that this would depend if this is done in-house or outsourced.

Mr. Benedetti provided details of his experience in this regard.

Ms. Orlando reiterated it would also depend on what level of planning has already come into play at that particular park, in other words, if there is public scoping involved, and just how extensive that effort needs to be. In-house, the one Commercial Service Planning employee is funded by Concession Management, so that the park then just has to pick up the cost for public scoping and printing, his travel, etc. etc. So it really varies.

Chair Naille inquired how often, in theory, is the concept of Commercial Service Plans scheduled.

Mr. Oswald indicated that this depended on the General Management Plan, if substantial changes are made with respect to concessions operation, at that point in time it be important that they amend that plan. If so then there is need for more frequent updating. If not, perhaps that Commercial Service Plan might stay consistent with the General Management Plan until that gets revised, but the expectation is that there would be more place for revision of a plan that stemmed from the broader General Management Plan.

Chair Naille suggested incorporating the Commercial Service Plan in the entire General Management Plan and at that point in time, everything is handled with the general management plan, and then the Commercial Service Plan just becomes another part of the General Management Plan.

Ms. Orlando stated that this is one thing that they are working towards integrating into the overall planning process, the GNP process, so that there is just not a stand alone CSP. There may be situations where you have a new GMP or a recent GMP, so the implementation plan such as a Commercial Service Plan would follow logically after that has already been completed where there are those situations.

A further general discussion followed along these lines. A discussion was also held on policies governing
Friends organizations.

Mr. Jones commented that every Friends Group operates under a written agreement between the park and the organization and that no group can go out and do business or raise money on behalf of the park without written authorization, and all those authorizations should include the terms and conditions, how they would be done, what audits would be done.

Mr. Oswald related that The Friends Groups have a standard agreement with the park. At the back of the Director's Order for the cooperating associations, there is standardized agreement. For Friends Group, it is a very ad hoc situation, and there are relationships between a park and Friends Groups that may be documented one way or another. There is no standardization and the agreements that are out, while DO 21, the Fundraising Directive, does say that no one should be raising money on behalf of the Park Service without the agreement of the Park Service, there should be some kind of agreement before those Friends Groups go out and do that. And there is an approval process. Some of that is being approved at the park level and there is no aggregating of that information.

Mr. Oswald further indicated that there is not a list of Friends Groups that the Park maintains. There was a directory that was a few years old which was put together by the Park Foundation and the Park Service. About 20-25 percent of the organizations or information was not accurate, resulting in having to contact each of those, doing a search using some tax information that was available, talking to various regions, and asking every region to identify what Friends Groups they were aware of and to list them. The end result was a list of 180 Friends Groups. They were sent a questionnaire for information on what they donated to the park in terms of services and in cash contributions, as well as tax statements. About 53 percent responded to the survey and then, with the tax information, this went up to about 70 percent. The numbers in the report do not reflect all of the Friends Groups, but they reflect the larger friends groups who had $25,000 in revenue.

A discussion followed on the consistency of those agreements.

Board Member Linford inquired into the difference between a Cooperating Association and a Friends Group.

Mr. Oswald indicated there was no clear distinction.

Mr. Jones commented that these are tailored based on what the individual park needs. He acknowledged there was a problem, which is one of the reasons why several months ago Washington initiated an organizational change and established a new Associate Director for Partnerships, who has a team of people addressing a lot of these issues now. It is a fairly active program right now and it is getting a lot of attention to detail.

Chair Naille mentioned he chairs the Grand Canyon National Park Foundation which is a Friends Group, and has just been getting ideas on what they can sell in the future. The Friends Group is a fundraising organization that looks for outside funds to assist the park. And the cooperative association is a retail operation that has facilities in the park.

Ms. Fennell explained when a cooperating association makes a donation to the National Park Service, that money has to be used for interpretation or education, it cannot be used to fill a pothole or to do maintenance, or count mule, deer, or anything else, unless that is an educational activity.

Chair Naille pointed out that this was the original mandate of the Associations, why they were created to provide interpretive products. But the Friends, the money can go to whatever they decide it is going to go to in cooperation with the park.

Board Member Norman made a general comment. If one looks at the basic

purposes that all of the entities now that are involved, the Cooperative Associations, the Friends, the concessioners with the National Park Service, all play a very important role, but what is so significant about that is that they have a vested interest in working together and their incentives to do so. People have a way of wanting to work together. The second part in the GAO Report had to do with the predictability of commercial environment and planning for it, meaning that all the entities can at least be in a position that they can act on it. He expected that five years from now this would not be an issue that would ever come before the Board because everyone has a vested interest in working together and can play upon that.

A general discussion on this subject followed.

With regard to the scope of sales issue, Ms. Fennell reported that the new Directors Order 32 requires that every single park have a scope of sales and that preferably, because this is not going to be mandated, that scope of sales be the result of what is called a Comprehensive Interpretative Planning Process, where you have the park's interpreters, concessioners, cooperating associations sitting down together, figuring out what that parks themes are. The scope of sale statement is certainly the opportunity for a concessioner to make the necessary changes and would result in predictability, transparency, and all of those things that mentioned in the GAO review.

Mr. Tedder pointed out that cooperative associations are not governed by the Concessions Division, so there is always a lack of communication on what is being sold. It falls under interpretation. The direction for concessioners is to go to more interpretive, thematic merchandising, and so there is definitely now a big overlap.

Chair Naille said that when it gets to the field, it does not happen. The superintendent does not bring the Park Service, the interpretive staff, the cooperative association, and the concessioner together for a discussion.

Ms. Fennell reiterated that by the scope of sale statement being a derivative of the comprehensive interpretive plan, there is more opportunity to bring all the stakeholders to the table.

A discussion followed on this particular subject.

Ms. Orlando reported that this particular year there is a partnership conference which will have this kind of discussion. There will also be a future superintendent conference. The fact that this is a new position, that the Director has identified in Washington as a critical associate need is really telling for the direction the agency wants to head in.

With regard to the new contracts, a management decision as to what is necessary and appropriate drives what is in a prospectus, which is authorized under the concession authority, which in and of itself is a decision that this will be a concession contract, and this service will be provided under a concession contract. So wherever possible the Commercial Service Plan or decisions from Commercial Service Plan will be inserted into that new document. Mr. O'Connell offered some examples according to his experience with the sale of items in connection with the cooperating associations. With the new law and the new contract, concessioners are being driven now to get rid of all the fluff in the gift shop and have it almost all for thematic and interpretive items. That is the direction it is supposed to go, resulting in more of a conflict now. Now there must be more concern about the nonprofit competition down the road than there was in the past because now they are selling the same items. He expressed concern in this regard.

Mr. Oswald inquired how will visitor convenience items be handled in the future and asked if this will be in the contracts.

Ms. Orlando indicated that everything converts to a contract, there won't be

anymore permits.

Mr. Oswald said he was curious as to whether the Board is considering a recommendation at this time and if that is something that might be discussed as well. One of the issues is that within DO 32 it specifies a cooperating association is not to sell visitor convenience items if the same items are being sold by the concessioner in the same facility. Why does it have to be in the same facility and what is the answer. The answer is really to provide more discretion to the superintendent, but when language is inserted in a directive like that, it basically legitimizes any operation that cooperating association has that is competing in terms of visitor convenience items, that is competing with a concessioner, as long as it is not in the same category and it has been approved by the superintendent.

Mr. Oswald pointed out the necessary and appropriate standard that gets applied to concessioners and the fact that that is not something that is applied to a cooperating association. He felt that needs to be understood. It does not have to be necessary and appropriate, it just has to add to the interpretational, educational, a certain preservation of experience. That is the real purpose behind all this. In looking at concessioner's relations, one of the considerations there is that they consider before a concession contract be advertised the availability of services outside the park. That is one factor. For cooperating associations, that is not a factor. There is also the fact that there is an emergence of roles here. While there may be scope of works statements that are being prepared by the cooperating associations, the same types of statements are being prepared by the concessioners

Board Member Sakiestewa commented that in many ways you are competing against yourself here when you have associations that are all raising outside money. Everyone is going after the same foundations on a national basis as every museum, as every school, as every other tax exempt organization that fits in 501©)(3). So essentially you are competing against yourself by having so many of these foundations.

Mr. Oswald stated some work has started in looking at National Park Foundation. They'd like to have more unrestricted dollars to help address projects that are specific to individual parks and are of higher priority. What they're considering doing now is moving in the direction of trying to raise money from individual donors instead of just addressing the corporate level, and when they do that they're going to be targeting some of the same people that the groups that are already out at the parks are targeting. So you don't want a couple people knocking on the same door for the same reason.

It is important for the concession program not to have programs competing against the cooperating associations. They both have a role serving park visitors and it's important to try and distinguish what those roles are as precisely as possible so that that conflict is minimized. There will be some overlap, and there's no problem with some overlap, as long as it's done in a way that's fair to the concession operation and not brought up halfway through a concession contract where one ends up having competition that it didn't appear would exist when the contract was signed. Mr. Oswald hoped that the most important outcome of the work is there will be a tool, possibly the commercial services plan, to provide predictability for the concession community and to allow the associations to continue the work that they do without directly competing with concession operations.

A general discussion on this subject followed, as well as on possible ways in which to dissolve organizations and the liability involved.

Commenting on issued brought up Ms. Orlando clarified that cooperating associations can compete for contracts today. Anybody can compete for a contract, they just have to meet the criteria that shows that they are responsive and that they have all

of the capabilities that are outlined in the selection factors, regardless of whether it is for a profit or nonprofit.

Board Member Sakiestewa disagreed and noted that as a tax exempt group you can make as much money as you want. You have to give back under a certain IRS formula.

Mr. Ring pointed out that this discussion certainly builds on the idea that of getting closer and closer together in terms of how one works as partners and who plays which role, and it certainly raises questions that are very legitimate. Many of them are going to be answered legally. For instance, if a cooperating association determines they want to bid on a concessions opportunity as a nonprofit, legally they may be entitled to do so, but then that does raise questions about whether or not we the Park Service can enter into and have to sever at least that portion of the support function that we provide them as a cooperating association so that they are not entitled to benefit from direct support as a concession in that part of their operations. There are a series of those kinds of questions that arise that have to be dealt with and there are probably legal answers to that are going to guide as well. But there are also rights that concessioners have on what they want to bid on, that cooperating nonprofits have in terms of what they want to do that they get to make on their own that are maybe outside the context of the agreements with them, and they're entitled to do those things.

Mr. Renfro thought this may be an issue that could mushroom and become much larger, leaving the Board in the position of being reactive where right now it has the opportunity to be proactive.

Mr. Jones strongly agreed that there needs to be a level playing field because there actually is no process in place yet that ensures the protection of that.

Mr. O'Connell expressed concerns with regard to future bidding on concessions contracts, where he might have to compete with someone who doesn't have to pay taxes, gets subsidies, and how will the review panel that awards the contracts weigh those things pro and con. He wondered if he possible should set up a nonprofit company and maybe bid on his contract as a nonprofit.

Board Member Sakiestewa referred to a successful nonprofit shop, the Metropolitan Museum in New York which has the largest tax exempt store of anyplace in the country, and then think about all your sports booster teams which are 501(c)(3)©)(3) that raise money and sell license plates, ties, whatever for the basketball team and for the football team.

Mr. Oswald observed that it wouldn't work for the Friends Groups, but if a cooperating association is bidding on a contract, and there are cooperating associations that have contracts, and they're paying a franchise fee as a condition of that contract, and the franchise fee dollars are being handled the way normal concession franchise fee dollars are being handled, then the money isn't necessarily going back into educational, interpretive and preservation purposes. If that's the case, there's a stronger argument for those revenues being reported as unrelated business income. This was looked into and the attorneys have said that there is some technical advice out there by the IRS that seems to indicate, not on a franchise fee payment per se, but in a case where a museum was clearly selling things like ponchos and items like that that weren't related to enhancement of that visitor experience, that those items were not necessarily reportable as income tax. It is basically a legal determination and if that money is coming out as a franchise fee, there should be a question as to whether it is conforming to the purpose of that cooperating association, because that cooperating association does not have control of the franchise fee payments.

A further discussion followed along those lines.

Chair Naille indicated that this issued was of interest to the advisory board and probably will be revisited a number of times.

Mr. Tedder brought up the fact of moving forward on the open market declaration on retail, which will certainly bring in a different perspective going forward on pricing levels within a park between cooperating associations, nonprofit and concessioners.

SEE AMERICA CAMPAIGN

Presentation by Board Member Norman

Board Member Norman made a presentation based on the National Park Service, where it is are moving towards. In particular, that it is a $585 billion industry and what has happened in the aftermath of 9/11.

Domestic Travel.

Down from 2002. This started long before the events of 9/11, in March of 2001 and actually 9/11 just caused a precipitous fall of something that was already declining, to put it into perspective.

International visitation to the United States is very important to bear in mind, because international visitors stay longer, they spend more, they are great for the margin, and within the entire world, international visitation down, there is still a growing pie. The United States, which has always been a leader because it had such a great product, is now number three in the world behind France and Spain, and some reasons as to why that is occurring has a very significant implication for Park Services.

Some 580,000 jobs were lost in travel and tourism between August 2001 and June of 2003. Some 1 million jobs lost in the United States all the way through. It is interesting to show the disproportion, 6 percent of total employment the travel and tourism industry has, but it has suffered 24 percent of all jobs lost, so it really did have a highly disproportionate impact.

People are not traveling and taking part in all the services because of economic and financial reasons as well as because of concerns about war, terrorism, safety (about 5 percent.) Throughout the country there is a greater interest in highway travel, interstate travel, short getaways three days or less, visiting small towns and rural areas, reconnecting with what is important and economizing, this is permeating all the decisions that are being made. There is less interest in travel outside the United States or air travel or visiting places that draw large crowds, visiting major cities and urban areas. This has been shown consistently over and over again in terms of the trends. SARS has a very significant psychological impact. It had little effect on domestic travel, but it had a horrendous effect in terms of travel outside to and within the United States.

In looking at the current business trends, 40 percent of North American companies have reduced their travel budgets this year, and they are looking more for online bookings and nonrefundable air fares, and for the first time, one starts to see increased use of all alternatives to travel, such as stronger teleconferencing, web meetings and other things that is taking place that really has become a very significant factor. So looking at the travel performance of the first three-quarters of 2003, overnight domestic travel is up and leisure travel, and the summer travel is up.

Hotel room nights finally exceeded the 2000 level this summer. The lower scale hotels are the ones that are doing the best.

There have been some very interesting trends since 9/11. Perhaps the most significant one that is people are traveling to destinations closer to home. This is very significant. They are booking trips within two weeks of travel.

The online is really coming along in terms of requests for information, so you have more knowledgeable consumers. That means that those who have been

traditional travel agents play a much smaller role than they have in the past. Online booking reservations really are increasing and people are spending less. International travel to the United States is tanking.

Cruises were a different story and set a 2000 record. They are on track to meet a very large number.

In 2002 RV's have just gone up, because all the trends play into the RV's. Their rentals have gone up. In fact, there is a new trend that when foreign visitors come in, rather than they worry about airplanes and rental cars, they get an RV, and they can't keep up with renting them fast enough. In fact, even corporations have got into the new trend of renting them to transport their staffs in terms of offices on wheels. From the head of the Recreational Vehicle Industry Association, they can't build them fast enough, and it doesn't matter how much gasoline they're getting, all they worry about is not the price, but availability.

Future Trends. Consumer confidence rose after the war. Consumer confidence is a great indicator of where this industry is going to be going, but it is wavering now. People are still nervous, they don't know what's going on, and there is a recovery going on but it seems to be a jobless recovery and people have a tremendous amount of angst. The economy is still dominating as the most important problem, and that is the biggest reason why spending decisions are going to be made. Public confidence is falling back to levels seen last March, but consumers are still continuing to spend. The travel sentiment is towards travel in about seven, eight different categories, but it is still below the norm of what it has been going back to 2000.

Forecast: The recovery is on its way. The economic activity that had been hampered in the first half of 2003 is coming back, and there is some momentum in here. There is evidence of consumer and business spending accelerating. Unfortunately, all this is happening at a time at which unemployment is still high and hiring simply has to resume. There never will be employment levels the way they were because individuals have learned a process, particularly in this industry, of how to operate more efficiently, more effectively, taking advantage of technology, and there is no way of going to go back to the levels which they were, that is a fact.

There was a significant increase in online travelers, up 38.5 million trips from about 5 million trips that were actually booked. This is really significant in terms of what is happening and the patterns in which people are doing things. E-travel trends, $27 billion this year, 20 percent of all the sales. It is estimated that online hotel sales are up 49 percent in 2002 and they will be up to 20 percent of all sales by 2005.

Leisure travel is expected to grow slowly, especially closer to home and highway travel. Travelers are reluctant to commit, and so one will see late bookings. It is going to move up, but not at a significant rate, but that is where the real growth is coming

Business travel is a very significant concern. Business travel is expected to remain weak, and that changes the whole nature of how hotels and rent-a-car companies, airlines, have operated and will continue to operate, because only a slight rebound is likely, and this is being taken care of because they are being challenged by some tighter travel restrictions and they are increasing the use of technology to replace. The overall economy is going to be a driver for the business travel. It is going to rise slightly.

There is some blurring between business travel and leisure travel and the way in which people are traveling is significantly changing. The outlook is mixed for corporate planning, but some 51 percent of all the corporations, and the National Business Travel Association, said that they are going to decrease their spending.

Hotel performance will be improving in 2004. This is really good news.

International travel is down again in 2003, and this is a serious concern, because international travelers to this country spend more, they stay longer, and they really contribute to margins, but there are a lot of other reasons that causes that to occur.

The outlook for air travel is really unfortunate. Travel is going to be lagging behind almost everyone else. The recovery is postponed until 2004 and will not be profitable until 2005 again, assuming that some of the others are able to hang around there. The high priced business fares are headed down, and remember they have always subsidized the others. But the most important thing is that they have lost $30 billion since 2001 and they really are in scrapes.

International travel to the United States is really concerning. Arrivals are down. The reason why there is great concern is that never has the travel industry spent so much time fighting with the government, because of trying to get this balance between homeland security and economic security. This also reflect in a great drop at the national parks. Individuals are just not coming because we make it so very, very difficult. Rules and regulations make it very, very difficult for someone to come here. But domestic travel will rebound in total spending in the U.S.

Mr. Norman next briefly made a presentation that had to do with what is happening with See America. One should bear in mind how important travel and tourism is. It is the third largest retail sales, it is a $537 billion industry, employing one in every seven American workers with $166 million payroll, and has a positive influence. Some relevant trends to bear in mind are - people are staying closer to home, they are spending less money, they are driving more than flying, and they are connecting to people, places and family. Add to that the fact that people are booking closer to departure dates and prices are predominating. International travel is down in double digits, and gateway cities are hit the hardest because of business travel. The survey bears this out.

The most popular U.S. trips for domestic travelers and international travelers — road trips and scenic drives, beaches and lakes, visiting friends and relatives, cities and urban areas, smaller towns and rural places, national and state parks, and the like. In looking at the objectives for road travel within the United States, to use the brand which is See America, and have opportunities for which everyone can participate, is use this as a vehicle for the thousands of travel industry organizations who want to speak the same language in the marketplace and to leverage them all together for mutual benefit. There have been in the past year, as an example, some 400 industry organizations have participated in the See America campaign to show how this is leveraged. Mr. Norman provided examples of the participation in the See America campaign.

See American wants to raise awareness of the breadth and diversity of the national park system, but more importantly what it is trying to do in this regard, because it is to the collective benefit to encourage visitation to some of the lesser known parks.

The National Park posters and photographic email are but a few of the items utilized. In terms of public relations, there are emails, theme releases highlighting different parks, online press kits for everyone to use. At the international pow-wow, bringing together the largest international tour operators from around the world, in a space of three days some $3 billion worth of business will be transacted on the floor in terms of visitation to this country. There will be a major presence of the National Parks at this international pow-wow April 24th through 28th in Los Angeles, bringing together

international buyers and travel suppliers and journalists and all the others to pull this, and this is going to be a major, major deal.

In terms of all the National Park Service, the industry is going to ask if they will display the official poster in prominent areas to encourage current visitors to consider another park visit. They will distribute these national parks bookmarks as mementos. Mr. Norman indicated that all the collaterals will say "See America's National Parks" in here, and then link the individual National Park webs to See America so when someone in the U.K. decides that they want to hit See America and they want to go somewhere in the State of Florida, they will hit Florida, and there will be an automatic link that goes to all the National Park Services that are in here.

Concessioners are being asked to include this in all their advertising, direct mail and promotion, links to the website to help there, distribute the photo email and display the national parks posters and the bookmarks, and submit stories, et cetera. The bookmark that is coming out here now will be about See America's National Parks and will be located here in a way that is accessible.

This is probably going to be the most major promotion that the industry has had in terms of trying to get everyone to visit the lesser known national parks. Mr. Norman felt there will be a tremendous quantity of activity, but more important than anything else, this is really going to hit internationally. Offices are located in Europe, South America and Asia, and the emphasis will be to show the beauty and grandeur of this country.

A discussion followed on the funding of this campaign.

Panel Discussion: "Environmental Management Strategies"

Wendy Berhman, Environmental Specialist on the National Park Service Washington Concession staff, based in Denver, presently detailed as a concession management analyst and specialist, presented the Board with an overview of environmental programs. She mentioned that it is important to understand that this environmental movement is occurring outside of the Park Service and in other organizations and other agencies, and one of the speakers this afternoon will be Dr. Weissman from Green Seal who will be discussing his partnership with the Department of the Interior as well as some of his work with other concessioners.

The concession environmental management program was established in 1998. The staff consists of Ms. Berhman and two full-time employees, a volunteer and a cadre of environmental consultants, some of which work out of the offices in Denver. She announced that the presentation will involve highlights of the evolution of the program, the need for the program, the opportunities that seized to move the program forward, approach, and identification of some of the key results already achieved, challenges the program is facing, and then end with the vision of the program moving concession environmental management forward.

The cause is ultimately about helping to improve environmental performance at the park level and in order to ensure that the program is effective one must understand who the clients are. Most concessioners are small businesses, mom-and-pop operations and a typical concession specialist at the park level. On any single day this person can be charged with looking at improving menus and rates, doing comparable rate studies, doing operational evaluations, coordinating health inspections, coordinating safety inspections. Their plate is quite full. Add to this the need for them to understand the environmental impacts of their concession operations and manage those environmental impacts. To most concession specialists words like 'ISWAP, IPM, solid waste, spill prevention' are a foreign language. The typical small concessioners are

well-intentioned but need assistance in understanding what environmental regulations apply to them and what best management practices they can apply.

There are many kind of environmental impacts associated with concession operations that most people do not think of such as waste water treatment collection systems fuel pumps, fuel trucks and stations, managing a photo lab, ticket booths, interpretive displays. The impacts of some operations include air pollution, water pollution, solid waste management.

Concessioners have multi-faceted environmental impacts and are doing their best to manage these impacts, but lack of awareness about environmental impacts or lack of resources to manage those impacts are common. All concessioners and parks juggle issues such as public health, safety, loss control and general maintenance and operational needs. The plate continues to be added on.

Add to this framework the tremendous amount of regulatory framework that governs environmental protection. This is challenging considering that environmental protection has more regulations than the U.S. Tax Code. Concessioners have difficulty in interpreting what regulations apply to them and how they apply to those specific operations they operate in the park. Add to the regulatory framework the pressures of growing visitation that stresses not only the park resources but the ability to provide quality visitor services. Add also the consideration by park managers to demonstrate and showcase sustainability. The need continues to grow, but concessioner needs and park needs are very different. First, concessioners are business oriented. They operate within a framework that includes profit margins and marketplace demand. They provide a variety of services that are not typical in park operations. They operate across seven regions. Lastly, they operate under the authority of the concession contract, and that is what regulates and mandates what they can do or cannot do.

The window of opportunity for this program presented itself in 1998 when the new law opened up the door to emphasize resource protection. Over the next three to five years over 85 percent of the contracts are up for renewal. This provides us with the opportunity to integrate environmental management throughout new contracts.

There is also an opportunity for environmental management because visitor interest is increasing. Our visitors are becoming more sophisticated in their knowledge of resource protection and sustainability. People want to do business with companies that are doing the right thing.

Ms. Berhman next showed examples of programs that have been developed by nonprofit organizations. They range from voluntary programs to third party certifications and paid membership.

The approach that has been taken for the concession environmental management program has been to provide assistance and guidance that advances the environmental performance of businesses providing visitor services in the national parks. There are three key mechanisms, education, communication and evaluation. This starts at the beginning with the identification of impacts and criteria at the planning process level. The program cane can then help parks interpret that information into contracts. Once a contract is awarded, the program can then provide oversight to the parks in assisting them to understand what the environmental impacts are and their duties to manage those impacts.

One of the key planning tools used is the environmental audits. The concession program is responsible for conducting the environmental audits of all 590 of its concession contracts. This requirement is actually a Park Service, Department of the Interior and an Executive Order requirement. So far the program has completed 60

environmental audits out of the 590 and the audit information is actually getting translated into the planning and contract development stage.

Training is one of the key elements and environmental modules have already been incorporated into the concession contract training and into the NAU training. A number of resources are utilized to communicate information to concessioners, to concession staff and other stakeholders. The program continues to pursue partnerships. In March of this year the program entered into a memorandum of agreement with the Environmental Protection Agency, specifically with the Small Business Division of the Environmental Protection Agency. This partnership is used to create a network or a resource that all of the smaller concessioners can use. The EPA program is state based, so it is more applicable to the concessioners in the different states.

So far, the results include an increased awareness of environmental compliance. As information gets out, as concessioners are audited, awareness is being raised resulting in a continually more improved environmental performance during these audits. There is a lot more interest in selling and buying environmental products by concessioners. Concessioners are also using environmental purchasing as a way to drive the market. There are tremendous results in waste reduction activities. Concessioners are researching and implementing strategies to encourage energy and water conservation. There has been a tremendous increase in corporate support for environmental commitment and many concessioners are starting to pursue and are very interested in environmental awards and getting recognized at a local, state and national level.

The challenges include the diversity of concessioners and types of concessions, understanding the costs of environmental management and capital costs as well as performance claims. An increased awareness leads concessioners to be more innovative, more competitive on the environmental side, and more and more of best management practices are being implemented.

Concession operations are and will serve as showcases for environmental management and resource protection. They are challenging the minds that environmental management and the typical business model are exclusive, demonstrating that one can make a difference by setting an example. NPS concessioners are demonstrating that environmental management is no longer a bad word. Environmental management provides the system and framework upon which new business models are built. What better place to showcase these new businesses than in the national parks.

Board Member Voorhees had a question about the approach taken to make sure that everything is incorporated in terms of environmental performance.

Ms. Berhman acknowledged this was a challenge and explained that the way the program is addressing that is with environmental audits. The environmental audits happen before new contracts are being planned. It identifies all the compliance issues, so a park going into a contract planning stage understands the compliance issues and will hopefully address that in questions.

The challenge is with the best management practices. And with best management practices, the definition inherently is that they continually change and improve as technology improves. Recycling is one of the best examples of a best management practice and typically this can be built into the contract requirements for the concessioner to recycle.

The program is also looking at agencies like EPA to coordinate with them to perhaps establish a website where best management practices for services types

typical to concessions would be set, and so that concessioners could go to this website when they are developing a proposal, look at the list of BMP's and perhaps take them all or take some of them that they think from a business perspective they can manage.

Ms. Berhman next introduced John Huey, who works for Delaware North Companies.

John Huey, Director of Environmental Affairs, Delaware North Parks & Resorts, stated that many of the Delaware North Parks operations have ISO registrations. It is a standard project management process that was brought into the environmental system by ISO, and consist of making a plan, implementing it, working it, doing some corrective action when necessary, and then some auditing. Then you have management take a look, give them a good solid report, and then start all over again.

Some of the challenges involve the system versus environmental action. The ISO process consist of the initial implementation and training, going to the various locations and giving them just some basics, what is ISO, how does it work, what is the Greenpath system and how does it work, and here are all the administrative requirements, the activities that you have to pursue to make this system work, and get going, start working. The program tries to identify all of the regulatory and legal requirements, sometimes looking at a contract.

After identifying the significant environmental aspects, the program develops objectives and targets and environmental management plans, followed by the development of an environmental management plan. All the staff is trained about Greenpath, as they have some significant role in the environmental programs. The program manages the administrative requirements per ISO; there are internal audits; and compliance audits. There has to be at least one internal audit annually at every location for both the EMS and the compliance audits.

Then the program goes through some steps of ISO audits. Sometimes there is a desk audit where the ISO auditor takes all the documentation and records and reviews them in his office to see if the operation is meeting the ISO standards. If so, a report will be issued followed by an onsite readiness review, followed by a full blown registration audit. This audit can take, depending on the size of the operation two or three days.

After the registration there will be internal audits and annual ISO surveillance audits. Every third year there will be a complete re-registration audit.

The concept of competing priorities and philosophies was also addressed, as well as the importance of staying on the Greenpath. Mr. Huey emphasized that there is one environmental management system for all of the corporation. The policies and procedures are online so that they are available to the environmental people out in the field. Mr. Huey explained that he is the one to go out and make sure everybody is following these policies and procedures, and he helps them identify their environmental aspects so that everybody is using pretty much the same process. There are unit environmental managers everywhere. making sure all of the environmental issues follow the ISO way and the Greenpath way. These green teams usually have people from every major unit or every major department in a facility.

Greenpath and ISO 14001 both help in showing associates commitment and that this is a reason for people to be proud to work for the company.

With regard to concessions, it is important to realize the need to make money, but one should also recognize the responsibility to these special places and letting the guests know this responsibility is taken very seriously. ISO registration provides evidence of a working management plan.

Mr. Huey touched on some of last year's major accomplishments.

Ms. Berhman reiterated that Executive Order 13148 calls for environmental management for federal agencies. Within that Executive Order it mandates that all federal agencies will have environmental management systems implemented and applied at all appropriate facilities by 2005. The Park Service itself is rolling out their environmental management system for parks. Currently this year there are ten parks that are testing this model of what an environmental management system is. Within the next two years 389 parks will be brought up to speed on environmental management and have environmental management systems in place. The concession program is actually ahead of this curve in that this was built into contracts and regulations back in 1998.

Mr. O'Connell reported he heard that the environmental management plan move is being de-emphasized slightly in place of resource protection.

Ms. Berhman replied that resource protection was always and will remain one of the key factors and criteria for contracts. The selection factor one talks about preserving, conserving and protecting park resources. The secondary selection factor talks about what can be done to further protect, conserve and preserve. What parks fold under that resource protection heading is going to vary from park to park depending on the environmental impacts to that park of the key resource issues. An environmental management system is simply a system that every concessioner, every category one and two concessioner, will have to put in place to manage resource protection. One is not going to be given priority over another. EMP's are still going to be required of concessioners, they are due 60 days after the contract award.

A discussion followed on this subject.

Jason Ryan, Assistant General Manager, Operations, Forever Resorts, Signal Mountain Lodge provided the Board with background information with regard to his interest in providing interpretive and educational material in a national park in accordance with Green Line standards. He mentioned that his facility received awards and certifications for ISO and GreenSeal and Green Star and DOI awards. GreenSeal monitors what products are used, and the ISO monitors the GreenSeal. One of the biggest challenges was attaining GreenSeal, because of the particulars. GreenSeal sets standards for what to use and how things are done specifically. West Mississippi was the first national park concessioner to become GreenSeal certified.

Mr. Ryan discussed the evaluation of current products and processes, the product research and vendor communications, product testing and what is involved in the annual audit. He also discussed the *living program*, which is continually growing, changing and improving. Employee ownership and pride is probably one of the most essential parts to making sure that this program happens. He pointed out that that the most existing part of this program was the fact that it changed the community so much by these environmental efforts.

Mr. Ryan acknowledge getting good ideas from the Green Hotels Association. He also mentioned that 15 percent of their power is generated from wind turbines in Wyoming, through the EPA Green Energy Partnership Association. Vendors started educating themselves because they wanted to sell products. With regard to environmental stewardship he receives many suggestions.

Mr. Ryan emphasized the importance of marketing education and has taken it on as his duty to educate the guests and employees as to the benefits of these programs. The Forever Green meetings are held every month, attended by managers and by employees. Property postings are put up in every guest room, every dorm room, every lobby, gift store, marina, that states what is specifically being done in that area to protect and preserve the environment. In addition to that there are customer feedback

comment cards, as well as referrals from local businesses in town sending people up area for organic food. Organics is improved food.

Mr. Ryan described simple changes in recycling methods that resulted in the virtual elimination of cross-contamination, reducing labor costs, no sorting.

Board Member Eyster inquired to what degree the costs of good sold go up in supplies and food, and would the customer be willing to pay the difference.

Mr. Ryan replied that actually a lot of money is saved with many of the energy conserving methods such as water conservation. Buying bulk keeps prices down as well.

Mr. O'Connell inquired if, in using comparability rates, the concessions management specialist gives food rates based on comparable restaurants that serve organic food, or would it be compared against restaurants that just serve a regular choice steak.

Mr. Ryan stated they, for the most part, are compared against the regular restaurants. The vendors have been able to get some pretty good deals and it has taken a lot of work, but surprisingly enough they were able to keep it in control.

Mr. Crage wondered if Mr. Ryan had a QA compliance program in place to ensure that vendors are complying with the specifications that are provided for post consumer paper and organic versus free range.

Mr. Ryan said he always put it in writing, because he found that what really moved everything along was asking for it in writing.

Mr. Ring commented that it is pretty interesting and exciting to reach a stage in his career where a significant part of the discussion with the Park Service and concessioners is about paying attention to these kinds of issues and the details. He extended his thanks to everyone who has been involved in this and asked for recognition that the Department of Interior has announced its environmental achievement awards for this year. The award given by the Department of the Interior are to Delaware North was for reducing, reusing and recycling throughout the west, and that's all of their western parks and to Forever Resorts for their environmental best practices.

Ms. Orlando announced that the Acadia Corporation was awarded through the Maine Safety Council with an innovation in safety and health award. Blue and Gold Fleet has won the Green and Clean Business designation from the City and County of San Francisco, the Environmental Health Department. Winning anything in San Francisco is probably quite an accomplishment. Grand Teton Lodge Company has been presented with an environmental achievement award for its aggressive multi-faceted pollution prevention program as well.

Ms. Berhman next introduced Dr. Arthur Weissman, President and CEO of Green Seal.

Dr. Weissman presented the Board with a brief overview on Green Lodging and then on Green Purchasing. These are each topics that one could spend days on, certainly Green Purchasing. GreenSeal gives training on Green Purchasing and they have been working now with several concessioners and certifying some of their lodges at the parks. One of the things that the hotels and the concessioners have been dealing with are basic compliance issues such as hazardous materials management, according to federal, state and local regulations, and help them with doing something that will have a lasting impression on their clients and will help make a better environment for the future.

Other areas are:

the use of green cleaners is a natural thing.

sustainable lodging

sustainable purchasing
customer and guest satisfaction

Dr. Weissman touched on some of the leading Green Lodging programs in the U.S. He referred to pamphlets that were handed out as well as the website www.greenseal.org — one word for this purpose. GreenSeal has many different programs. They are a nonprofit organization, been around since 1989, with the sole mission of improving the environment by focusing on the economy, and specifically the products and services that are made and delivered and purchased in this economy. GreenSeal works to green our whole culture, basically, and works with manufacturers in certifying products and with service providers, and also work with large institutions, governments. They have been working with the federal agencies for a number of years, like the Department of the Interior, U.S. Army, EPA, Department of Energy, National Park Service in particular, and also increasingly with state and local governments. They have been working particularly or specifically in the lodging industry since 1995.

A program is specifically designed to identify what are considered to be environmentally responsible hotels through a standard that was set and an independent audit of each property and its materials flow as well as its operations. The standard consist of six big areas with specific criteria in each covering all these different aspects of energy use, water use, waste production and minimization, environmental purchasing, as well as hazardous substances.

GreenSeal's work in this program in the national parks has resulted so far in several certifications for Aramark and Forever Resorts with a number of others in process in the pipeline. Dr. Weissman stated that from the GreenSeal perspective Green Lodging is very important, as an industry the lodging sector is important, and particularly looking at the National Park Service which is a showcase and has so many different lodges that are run by concessioners around the country. Also, if the National Park Service is going to be an environmental leader, it has to make sure that its concessioners are also environmental leaders, so the programs that were developed in GreenSeal and some similar ones can be very much a part of this initiative.

Board Member Sakiestewa inquired about the impact of CERES especially as a lobbying group?

Dr. Weissman explained that the group consists of many activists that caused all the changes in investment that made apartheid fall in South Africa. They are a pretty powerful group. There are about a half dozen major corporations probably among the Fortune 100 that are subscribing to this checklist.

Mr. Crage asked if GreenSeal's review begins at the point where the product is purchased and the components and the ingredients in the product are environmentally friendly, or does the review go back to the vendor and what point does the review of the environmental friendliness of a particular product stop.

Dr. Weissman explained that each of the product standards has dozens of criteria, but it is a matter of how can there be a standard that makes sense, that is practical, that can be used in the market. There are a couple of key concepts one of which is life cycle. Life cycle is the whole aspect of how the raw materials are extracted from nature all the way to the manufacturing, the transportation, the use and then the end of life of the product.

And there is something else very important related to that, which is life cycle costing. It is not just what is paid at the beginning; it is also what you pay through the whole life of the use of the product and possibly in its disposal or recycling, and what happens if you do things that are not very environmentally oriented or efficient. Each

product has a unique profile, every product is unique and different, and that is what makes it complicated. GreenSeal puts all these different criteria together from all the different environmental attributes of any product's life cycle profile and looks at the market of products in that category, and for each criteria what would be the leadership level. GreenSeal then goes through the whole consensus process to arrive at the final GreenSeal environmental standard.

Dr. Weissman listed some of the websites that have information on purchasing, www.greenseal.org and also EPA has a very good resource site in their environmental purchasing program, www.epa.gov/oppt/epp, and the Center for a New American Dream and their procurement strategies site.

Joe Renfro, Vice-president for Aramark's Business Development next presented the Board with a slide presentation covering the mission of the Park Service, and almost any concessioner's mission present at the meeting. He stated that there is a core belief in the ethic of environmentalism and of conservation beyond just providing great hospitality services. He stated that all concessioners have the same inspiration to want to be the best, wanting to share their best ideas and best practices with one another for the betterment of the entire organization

Mr. Renfro explained that the training developed over the last few years was that the core building block has to be an understanding of the responsibility of protection and preservation of assets. Aramark runs about 15 different operations under 15 contracts with both the National Park Service, U.S. Forest Service, several state agencies as well as private landholders across about ten states across the U.S. and this includes everything from hotels to tour boats to bus tours to river rafting in the Grand Canyon. One of the challenges in the EMS is to try to homogenize in one EMS such a latitude of operations as well as the many different agencies that cross over. Paramount would be going beyond just a conservation ethic and taking that into an education ethic. U.S. travelers have strong feelings about preserving natural environment as well as history and culture, and they are calling it geotourism. This new trend shows more than three-quarters of American travelers feel it is important that their visits not damage the environment, and 62 percent say it is important that they learn about other cultures. This goes right to that point of responsibility for the concessioners and it is also an opportunity for them.

Aramark has certainly partnered with GreenSeal for a variety of reasons, but one of the questions posed was how to determine the quality of a certain material. It is up to the EMS to take it beyond just the quality of that widget and look at the way in which that manufacturer does manufacture it, what they do beyond the distribution channel and what one can do to change that distribution channel, both when receiving it and afterwards. This again is getting to the education method of why and how, so that it is imparted and exported from the guests in the Park Service to take it back home with them.

Some of Aramark's goals, like any EMS, is going to be able to evaluate itself and bring probably more rigid standardization. One of Aramark's current achievements is that they will be a hundred percent GreenSeal certified by the end of the 2004 season. ISO was adopted at one location. Aramark is judging the merits of implementing it at each location versus just testing the programs that are in place and applying it across all locations right now.

Mr. Renfro provided details on green suites, recycling retail products, waste management introduction initiatives, water energy conservation, procurement and purchasing, transportation initiatives, interpretive programs, and sustainable designed buildings.

Chair Naille asked if brochures or information bulletins are placed in the rooms or at the stores for the guests to see on the activities in the way of greening the hotels and operations.

Mr. Renfro said they do so.

Chair Naille stated he considers this an interpretive tool because information goes out to the guests.

Mr. Renfro this information is now a big part of the reservation process in the operations through the website, so the people are hopefully getting that environmental message before they even arrive within the park and have expectations of what can be expected when they do get in the park.

Chris Lane, Environmental Program Manager, Xanterra Parks & Resorts next addressed the Board concerning third party certifications, ISO, to explain how these were integrated into Xanterra's programs. He pointed out that there are more than 40 corporate codes of conduct. The ski industry has one, the golf industry has one, there is an International Chamber of Commerce charter for sustainable development of 2,000 signatories, the chemical industry has their Responsible Care Program spread over 35 countries. The CERES principles, Green Globe, GreenSeal lodging certifications, countless product certifications, and countless affiliations.

Xanterra has de-emphasized some of the marketing-based programs and set their objective on the bottom line, resulting in programs that are more prescriptive and have actual results. The Environmental management systems was certified with ISO 14001. It is a standard for an environmental management system. EPA's National Environmental Performance Track Program is another example of that.

Mr. Lane discussed sustainable design in buildings, procurement based on the EPA's environmentally preferable procurement guidelines, water quality, the Energy Star Partner Program involving the buildings, the products, and emissions, transportation, water conservation, waste, community Outreach, and regulatory compliance.

Mr. Lane went into some details about the ISO 14000 internal audits. Xanterra did a phase one and phase two audit with ISO to get registered, then audited with good results.

He mentioned that Xanterra has named their EMS also, Ecologics, the logical integration of ecology and business, and it is a unifying theme that they train their employees on in continual improvement, compliance with environmental measures, incorporation of best management practices and flexibility. That is the operative word, flexibility to respond to site specific priorities. Mr. Lane explained that Xanterra took their ISO 14000 EMS and tied it hand in glove with the concessions environmental management program, which includes compliance, best management practices and the executive orders. They also tied it in to other external certifications, and informing the public, the guests, and reporting externally on performance, for better or for worse.

Mr. Lane provided further details on the Executive Orders, Executive 13123, 13101, implementation of environmental management systems in 13148. He also talked about the U.S. Green Building Council and their LEED Program (Leadership in Energy and Environmental Design.) A coalition of architects, engineering firms, builders, environmentalists, real estate developers all got together in '93 and developed this program which has now thousands of members and is the definitive sustainable design standard, and probably will be in the future. The LEED program is based on these five components; sustainable site design; water efficiency; materials management, indoor air quality, and health and safety issues. He then explained the

benefits of the LEED program.

Mr. Lane provided information on Xanterra's environmentally preferable procurement, particularly as it relates to food production. Xanterra is looking at addressing environmentally preferable procurement from a food side also. They created a fish policy to determine which kinds of fish will or will not be served, and the most recent addition is they have certified the food chain with wild Alaska salmon. This sustainable cuisine also includes organic coffee, and conservation beef. The environmental impacts of food service include energy, solid waste, air emissions, and water. Xanterra has addressed this by creating a specific energy management and resource management in the food service program.

Xanterra has developed a four-point process based on the Canadian Environment Ministry's program and the EPA's program that walks any employee through what exactly is green, what is toxicity. This program is in place, providing guidance on purchasing efficient vehicles, environmental analysis of cleaners, letters to contractors and vendors, fish policy and capital expenditures. Xanterra has a ten point checklist required for every single capital expenditure. This list includes saving energy, lighting, oil retrofits, chiller retrofits, HVAC retrofits, all Energy Star, controls, and providing guidance to their properties; and transportation.

Mr. Lane explained Xanterra's community outreach program, called Earth Share.

A discussion followed on working out conflicts between environmental practices and historic preservation.

In conclusion Ms. Berhman determined it has become clear from what these presenters clearly identified, that one size does not fit all, and this program is very much focused on the fact of developing resources. She brought several of the CD's that were developed for this program, and it basically takes everything discussed today and puts it in a one stop shop for the small concessioners.

Adjournment

Chair Naille adjourned the meeting until the next morning October 29, 2003, 8:30 a.m.

Wednesday October 29, 2003 minutes

CONVENE MEETING

Chair Naille opened the meeting at 8:30 am. He expressed regret that Bill Norman will be leaving the Board and thanked him for his great work.

Board Member Norman thanked the Board, stating how extraordinarily impressed he is by the dedication and sincere convictions of many people in the National Parks Service and what a great learning experience it has been for him to be on the board. He also mentioned his hope of a heightened appreciation at both the Secretary and Director's level as to the importance of concessions for the Park Service as well as the importance of National Park's being preserved and accessible for future generations. He mentioned the need to ensure better guidelines,

guidance and more emphasis on better practices in terms of the overall Park Service governance that will allow them to operate with a higher degree of consistency and accountability. It has to have the systems, technology and guidance to do this more efficiently. He commended the Board for their service to their country.

Report pm Status of Advisory Board Work Groups.

Board Member Sakiestewa mentioned the public visitor at the Yellowstone meeting from the Rosen Group who does the craft shows. The group does a publication that represents individual artists in the craft shows. Board member Sakiestewa put together a binder for the Board to review. She articulated one of the criticisms of the Rosen Group, which was that there were items in the shops in Yellowstone that were mass produced. There are individual artists who do mass production in order to have the inventory for a large venue, yet there is a great interest by the Board and many of the parks to have one-of-a-kind regional hand crafts. Board member Sakiestewa put together a list of experienced people to rethink some more user friendly guidelines and better incentives for concessioners, than are currently in place that can then be presented to the Board. She believed it requires separate tracking with two different bookkeeping systems.

Board member Linford explained the change in commercial use authorization. The CUA's, which are commercial use allocations, are taking the place of the old IBP's or incidental business permits. This is for people who either do business or operate both inside and outside the Park, such as bus tour operators, or for those who do business inside the Park grossing less than $25,000 a year. The new law created a new category called the commercial use allocation which are now codified. One of the critical differences is that the new law gives a supervisor the power to limit the number of CUA's in the park.

Ms. Fleming stated that commercial bus tours were probably going to be put under commercial use authorizations because there is a concern about their fee structure which is somewhat outside the proposed rule. Thus there is a work group that is being put together to look at this problem.

Board Member Linford mentioned the people that would be influenced by this such as, Outward Bound, National Outdoor Leadership School, the Sierra Club, Backroads Bicycle, the Alaskan professional hunters and the Alaskan bush pilots as well as the little operators. Some of these may hit several national parks and will have to operate under CUA's in each national park. These groups are concerned because now these permits can be limited and would be issued on a random selection basis. The CUA's would be limited to two years and there would be no preference every renewal. The committee met in Washington in April with all the interested parties and broke into three subgroups to come back at a later meeting with some recommendations, and the subgroups were one dealing with fees, one dealing with the administration of the permits and one on the limitations issue of the permits.

_ fees should be consolidated. The law speaks in terms of cost recovery in fees.

-The parties concerned wanted prior experience to be a consideration on the reissuance of permits.

-It was also a major concern that companies who have invested in their business may not be able to get their permit renewed.

Ms. Orlando informed everyone that the final recommendations by these groups are due by mid-November, and from that point on the language draft revised proposed regulations will be drafted and published again in the Federal Register for comment. There is a process that kicks into place in terms of OMB review and departmental review. Hopefully the Board will have another proposed rule out in the Federal Register by early spring for comment.

Board Member Linford commented that the system works well; hostility and venting from the parties concerned, transformed into a sense of cooperation in the workgroups. This was very apparent in the Seattle meeting.

Ms. Orlando brought up the concern that nonprofit organizations would be treated the same as profit organizations.

Mr. Oswald questioned if the regulation provided that the nonprofits would not be

subject to a fee.

Board Member Linford clarified that it would apply to the nonprofits who are not reporting a taxable income and if they derive a taxable income they would have to go through the regular process.

Chair Naille questioned how the issues brought up in the meetings have been dealt with. Mr. Ring explained that there is an interagency fee council that is made up of different departments that are involved in public lands and fee programs that are looking at consistent policies on the whole fee program across the federal government, including the Forest Service, the Corps of Engineers and several agencies within the Department of the Interior including BLM, Park Service, Fish and Wildlife Service. He explained that Senator Thomas has introduced a fee bill for a permanent fee program authority for the Park Service only, which has done very well in the several years it has demonstrated authority. There has been a hearing on the Senate side that is not expected to move forward into permanent legislation. Therefore he believes the temporary fee authority will be extended through the appropriations bill giving room for a healthy discussion on how permanent the authority should be handled. All fees that are charged come in through the parks to the region and have to be proposed and approved at the Washington level. It was indicated to the tour bus industry that any change in time fees that are going to affect them would have a one-year lead time. Staff is working on issues on how to make it better. There will be a project manager in Washington working on issues to make the plan better and coordinating with Ms. Orlando's office. He mentioned the issue of consolidating a number of fees that are charged in different areas of the park.

The interagency fee council will be looking at where people go from a park to BLM land to a forest to a core property, and if there is consistency and consolidation regarding how the fees are handled. Mr. Ring also clarified that by mutual agreement between the Department of the Interior policy management, the Assistant Secretary and the assistant secretary over the U.S.

Forest Service, are the ones who coordinate the meetings.

Board Member Linford reiterated that the fee layering can cost people a lot of money if they move from, for example, BLM land to Forest Service land to Park Service land in one day, each one charging $3, then the user day fees go up to $9 a day per person. In addition, people want a simple application process, especially for the incidental people. Because if the process is not easy and cheap it will discourage them to even get a CUA.

Mr. Ring stated that the agencies on the fee council are committed to examining the issues. Furthermore, the public visitor research that the Park Service has done has indicated that the large majority of the visiting public prefers to see the fees broken down as opposed to being consolidated where they can see they have a choice of paying a fee or not paying a fee piece by piece rather than paying everything at the gate. In contrast the business community sees it just the opposite. It will take a bit of examination to structure a system that will accommodate these two interests. Staff is looking at the economic impact of all the fees versus the convenience of reducing so many transactions. He suggested a voucher system where one could add up the fees that could be paid versus what the economic impact of paying $3 every time you move from one place would be.

Chair Naille queried if there is going to be an interagency overall fee program at some point in the future.

Mr. Ring thought there was a desire to see some kind of permanent legislation although he was unsure what the outlook was. In addition, he felt that there is a commitment to coordinating the agency programs through the interagency fee council. Furthermore, he clarified a question posed by Chair Naille, that if everyone on a tour bus has national park passes or golden eagles, the fee charged to the tour bus to get into the park should be minimal.

Board Member Voorhees asked specifically how to treat a bush pilot in Alaska for example, whose business is based substantially on activity inside a park. Would that bush pilot be operating under a CUA if his gross collected from that activity is less than $25,000?

Board Member Linford explained that would not be the case because the flight begins outside the park and lands back outside the park again.

Mr. Apgar gave an example of air taxis who often take people from one point to another inside the park; according to the rules they are not allowed to get collect payment on the ground or solicit customers on park land. Therefor it does pose problem for them when they never leave the park.

Mr. Ring explained that not all operations fall under exactly the same circumstances and must be looked at separately so whether they are a CUA or a concession authorization is determined by a number of different factors. The CUA is intended for folks that have no presence or no transactions going on in the park, they have no exclusive assignment of park land or facility, their activity starts and ends outside the park.

Board Member Voorhees asked about the Alaskans seeking an exemption, legislatively.

Ms. Orlando discussed how the Alaskans are concerned about the two year limitation and have voiced interest in contacting their delegation. There needs to be some kind of business certainty so pilots can invest in an airplane without being worried that they will only be able to operate year by year.

Mr. Apgar added that the two-year limit is not a particularly Alaskan issue and he can’t see a reason why there would be a different term in Alaska than there would be any other state.

Mr. Ring reiterated that the two-year issue is paramount for businesses making investments in expensive equipment such as boats and planes.

In addition, both the air operator and the ferry operations have been authorized under commercial use authorizations in previous years. Even though they started and ended outside the park, they also had to manage the use inside the park. After going through a commercial services planning process those operations were converted to concessions.

Board Member Linford thought that the Service could not do anything about the two-year contract because it is codified and in the law.

Mr. Ring added that if the law constrains the Board on the CUA's to doing two-year authorizations, the Board does have some discretion to look at factors that may take an operation out of a CUA and make it a concession contract.

Mr. Apgar mentioned that the Alaska issue was largely due to a misunderstanding of what the draft regulations really required. People thought there was a $25,000 cap on the amount of business they could do and most of their concerns were taken care of when the draft regulations were adequately explained to them.

Mr. Ring voiced his appreciation for the workgroups and the Board's involvement in this effort to make sensible regulations and making sure that people who are affected understand and have their concerns settled.

Board Member Linford mentioned other recommendations including that the process by which CUA's would be limited in a particular park should be a public process rather than just at the discretion of the supervisor. In addition, the draft regulations had language that affected the supervisor and could cancel a CUA without liability, and everybody at the committee felt that there should be some sort of appeal process to that.

Ms. Orlando clarified that the Board is going to follow up with the idea of creating a process for people to go from a CUA to a concession.

Ms. Poole mentioned that they are currently awarding a concession contract for a seaplane that was an IBP and now will become a ten-year concession contract.

Mr. Ring expressed concern whether all of the right criteria was being examined in order to make the judgment of changing an IBP to a concession contract.

Chair Naille mentioned that the discussion with Dr. Eyster will be postponed until after the break. He proceeded to read the annual report from last year for the record. It read as follows:

"Cooperative associations are typically nonprofit organizations that are responsible for providing park visitors with educational and interpretive merchandise, while park concessioners provide a wide array of commercial goods and services aimed broadly at visitor convenience. Each type of service provider helps the National Park Service improve the experience of park visitors, but the agency should clarify their role is to reduce a counterproductive overlap. Communication between the Washington level managers of the concession program and the cooperative association program should be improved to ensure more consistent guidance. Different associate and deputy directors oversee the two programs, making active efforts at senior level communication even more essential. Despite their different mission and their nonprofit status, cooperative associations should be held to similar rigorous standards in reporting their revenues and activities as concessionaires. Finally, the Washington level managers of the concession and cooperative association programs should provide clear guidance regarding the division of retail responsibilities between the two types of service provider. By specifying the type of retail items that cooperative associations may provide and the types of items that are the sole province of concessionaires, program managers may help avoid undesirable confusion and redundancy. Any changes to the rules governing concessions and cooperative associations should take into account the operational needs of service providers, but must be designed to promote the optimal balance of services to park visitors. The expiration in late 2003 of Director's Order 32 which governs the operations of the cooperative associations provides the National Park Service an opportunity to clarify existing guidance."

Chair Naille stated he intends to submit this but probably not in this year's report. He also mentioned that public comment period will be discussed when the Board talks about LSI.

Concessions Advisory Board

Board Member Eyster proceeded to highlight the major points of the working paper. He mentioned that the working groups met in one brief meeting with Kurt Cornelssen, Crage, from Delaware North, Welch from Xanterra and Board member Eyster as well as one

lengthy meeting on August 12th with Cindy Orlando, Cornelssen, Hardigg, Crage and Welch. These meetings took place after the Yellowstone session where they discussed a preferred approach for handling LSI.

*The groups attempted to use a business approach to tackle the issues.

*A major concern for the Park Service is the fact that LSI is in debt. Funds are borrowed from concessioners for which the Park Service is obligated to give the concessioner a reasonable rate of return as would any other lender. One of the problems is that LSI's obligation or debt is a fairly high cost of capital, so there needs to be some flexibility of being able to manage the LSI levels. LSI will always be around because anything that is moved forward, CFIP's or any other major investment, is expected to be funded with concessioner funding.

* What is being discussed will involve projects and contracts going forward; nothing is going to be retroactive that is going to impact the contract that is presently in existence. So those who have LSI are pretty protected with their situation, but there was a desire to take a step now and move forward with all of these contracts that in effect are going to be negotiated shortly.

Looking at page two of the working report the major areas of points are as follows:

Cross-Collateralization, one of the issues raised by concessioners at the last meeting. A major concern was getting approval for using a portfolio financing approach to help reduce the concessioners' cost of capital. The agency's concern is ensuring that capital structure remains sound and reasonable, that it is not over-leveraged. The proposed solution was an amendment of existing regulations, not a change but an amendment. The concessioner that holds two or more concession contracts may pledge the contracts and related rights to secure a single loan transaction, which basically allows them to cross-collateralize their investments for additional loans.

Concerns arose regarding what level the Park Service should be involved in reviewing and approving a prospective sale and transfer, and the committee did not see a need for

an amendment of a regulation, but just clarification.

The LSI Crediting and Depreciation addresses reduced management burdens, and some of the fiscal responsibilities for both the Agency and the concessioner with a caveat regarding a fair return for both parties as much as possible. This leaves two major issues included when does a concessioner get credit for LSI, and how does one depreciate LSI.

Out of the four proposals presented at the Yellowstone meeting, it was unanimously agreed that the working group should focus on the third proposal. This proposal states that crediting would be granted to concessioners if they were the ones providing the funding. If the Park Service were providing the funding, there would be no LSI crediting. So who ever puts the money up at the table is where the credit would originate from, and then a physical schedule depreciation should be used rather than GAAP depreciation.

No LSI credit is given for routine maintenance activities paid for out of the repairs and maintenance line item on the operating budget, and no LSI credit is granted for expenditures from the maintenance reserve account or government reserve accounts. These accounts are budgeted each year. The routine maintenance account, which is the general R&M accounts is for ongoing maintenance, and the reserve accounts are for renewal of assets. If an asset is replaced, or renewed, it would come out of that budget, so there would be no LSI granted. With the reserve accounts, some of that money can accumulate and then be spent as needed for repairs, replacement, etc.

The LSI Granting is a credit granted for emergency or extraordinary expense not covered in either the maintenance reserve or the maintenance expense accounts, assuming that it is funded by the concessioner. If Park Service is out of those monies and wishes not to appropriate additional funds of its own, and those funds are provided then by the concessioner, the concessioner would get LSI credit for that as well as credit for any concession facilities improvement program projects, which is traditionally how things have been handled.

Page 4 lays out the proposed definition of terms and financial perimeters which

include:

*Repairs and Maintenance Expense as a “1", that would be the first category of expenditures on the physical plan and personal items. There are two types of maintenance,

1) The Operational Maintenance

2) The Preventative Maintenance.

those items will be funded out of the Repairs and Maintenance Expenses on the Annual Operating Budgets. These do not include any replacement items.

* The Maintenance Reserve Account, itemized as “2", is set up for “Renewal” and “Replacement.” Maintenance reserve funds are intended for use in component and asset renewal. If there is an item already in place that is being renewed or replaced, that would come out of the Maintenance Reserve Account. If there is a new item added that is in addition to anything that is already there, that would be a capital improvement or a capital addition. So if a carpet is pulled up and a new one is put back down, that is out of the reserve account.

* The CFIP’s, itemized as “3,” would include new construction or substantial rehabilitation. These projects will be described in the prospectus. LSI would be granted for all real property expenses for a CFIP; this can involve new construction, major renovation, or deferred maintenance. If there is a significant amount of deferred maintenance that has to be funded, we want it funded at the beginning of the term of a new contract, or at least within the first year or two. Monies provided by the new concessioner for that deferred maintenance, even though it is a “maintenance item” will be treated as a capital item. This would be spelled out in a prospectus, as well as at the signing of the contract. In addition to the dollar amount, it would also show a feed-in or lead time as to when those funds would be coming in because they may not be required to be paid in the first year or at time zero. It may come in over two or three years, and that would be spelled out in the prospectus also.

* The item marked “4A,” is Unforeseen Expenditures and is considered to be

‘emergency’ items that occur unexpectedly and must be addressed as soon as possible.

*Item “4B,” is Unplanned Expenditure which are projects that might be suggested by the concessioner as an improvement in service, but are not emergencies and are not included in the concession contract as a required project. If the projects are funded by concessioner dollars, LSI could be granted; however, alternative funding of sources was discussed, for example if concessioners provided the funds, they could have a reduction in the franchise fee which would be repayment of those funds.

* Unforeseen Maintenance is planned to be taken from the Repairs and Maintenance Account. If it runs over where those funds are, we may request that the concessioner fund that, in which case the concessioner would be granted LSI credit.

* Crediting and depreciating of Leasehold Surrender Interests.

There was a discussion regarding the Park Service’s authority to create a special fund if it was a government project using federal funds to do an investment in light of the new law that states that capital accounts were explicitly forbidden.

Chair Naille added that the government cannot create a new capital account, but if the government feels that some project should be done, and it falls into the other category where it id funded by the concessioner, they get LSI credit. Furthermore, Mr. Cornelssen thought the Park Service does have the ability to, for example take 80 percent and set it aside for unplanned events or projects.

* There are two types of Replacements, Reserve for Replacement account and Unforeseen Replacements, funded out of the maintenance reserve. If funds are not available, then the service must examine if the Repair and Maintenance was Appropriately Funded and executed as per the contract. If funds are available, we would look at and are suggesting a creation of an unforeseen real property reserve, a new escrow account that would be more tightly disciplined. It does not have to be a separate reserve, but it could enable us to use the maintenance reserve with a slightly higher percentage of gross revenues.

Mr. Cornelssen clarified that the working group all agreed that it would be the owner's reserve account that sits within the contract and if it is not used by the concessioner when the contract is up, they keep it, while maintenance reserve money is essentially foregone fees. In addition, Ms. Jones further clarified that the higher the maintenance reserve, or the unforeseen reserve, the lower the franchise fee.

Mr. O'Connell had a concern about protecting the facilities in the event that a concessioner cashes out the maintenance deferral money, or there is no cash throughout the event of the contract, and a new concessioner steps in, and suddenly there is a hurricane.

Mr. Ring added that the unforeseen circumstances are normally the owner's responsibility, yet when an owner is caught up in a three-year funding cycle with budgets from Congress, often times they are not in a position to instantly put money on the table to handle what is normally an owner's event, which makes the idea of an unforeseen account make sense. He questioned if it made sense to co-mingle it with the maintenance reserve money vs. keep it as a separate fund.

Mr. Ring stated that if the money were held by the Park Service, there would need to be some understanding that the money was not to be obligated.

The heart of the issue is, if the money was held by the concessioner as an otherwise deferred franchise fee, then the question of whether it would pass from one contractor to another to deal with, for example, a hurricane, or whether it would revert back to the owner to be able to have in hand to deal with those kinds of events. As of yet the unforeseen account is not spelled out in the contract.

Mr. Cornelssen stated that there are two options; the money could be put in the Maintenance Reserve Account, the way the current rules work, reverting back to the concessioner, or it could be held in an 80 percent account that is earmarked specifically for unforeseeable reserve.

Mr. Cornelssen made a point that the concessionaire probably would not want to

just get LSI if suddenly someone approaches and says, “I want you to make a million dollar investment.” In these expenses and accounts the Park Service is trying to predict the future, knowing it is going to be off, therefor the unforeseen reserve is a kind of that back-up.

Mr. Hardigg suggested creating a hold account with franchise fees to cover the unforeseen expenditures and Ms. Orlando suggested it be called the “Franchise Fee Account.” She mentioned that the Park Service will have to address some of the contract language.

Mr. Cornelssen articulate that the whole idea is to create as much of a closed loop system as we can so that the assets are well maintained and protected, that the visitors are well served.

Ms. Orlando pointed out that the maintenance reserve funds are government funds, and it is a matter of changing the language in the contract so the funds revert to the government and not the concessioner, then if the money is not spent it can carry over to the next concessioner. Mr. O’Connell agreed that the money belongs in the facility.

Board Member Eyster suggested that money allocated for the unforseen could be protected by an approval mechanism outside the park, it may need the super approval of Washington. It could be a two-step approval process.

Mr. Hardigg summed up the two issues, the first being, that if the Park Service goes the franchise fee route, perhaps there will not be tight enough fiscal control. The second is, by creating a special account and maintenance reserve account, the government may not have the ability to hold on to it when a contract transfers.

In response to Mr. Tedder’s question, Mr. Cornelssen stated that through the process of development of the prospectus, there will be qualitative and quantitative information provided to the bidders. Qualitative would be industry standards in terms of maintenance, international property maintenance code, hospitality and industry standards, depending on the asset class. Once an asset is classified and one has maintenance standards for that class of asset, and an estimate in the prospectus of what that R&M would be. It does not mean it is required, it just

says, “This is what we think it costs to properly maintain these assets based on these standards.” Then subsequent to the contract award, there would be a discussion so that all have agreed on the appropriate amount to be spent on R&M which may have to get re-visited during the term of the contract.

Board Member Eyster continued to discuss Contractual Planned Projects, which would be in the Prospectus, the CFIP, where LSI would be granted. If funds are available for unplanned projects, LSI would be granted. If no funds are available, then there is the option of moving to an adjustable variable franchise fee, and I think this decision tree lays out the steps that the working group is recommending at this point in time on the movement of the granting of LSI.

In response to Ms. Jenning’s question regarding insurance, Mr. Cornelssen stated that there are different types of emergencies. For example although insurance may pay a fire claim, they may not pay for a roof after a bad winter. Furthermore, Mr. Hardigg went on to say that the insurance money would be a recapitalization and would result in LSI. Mr. Cornelssen added that the concessioner is paid, but they have paid through their insurance policy and it was the Park Service that established a standard.

Mr. Hardigg clarified that a concessioner’s LSI does not disappear if they use the 80 percent money for example, a roof project, that they do not get LSI for, when the building is an LSI building. Yet the concessioner needs to be able to predict what the ending value is of LSI so an unforeseen event should not result in them having LSI vanish.

Mr. Crage wondered if the money on an insurance policy held by a concessioner would qualify for LSI. Mr. Cornelssen responded that as long as both parties agreed to the standards of that policy.

Mr. Hardigg clarified that there was a mistake on page 10, item 3, regarding the Unplanned Projects under the LSI eligibility. The last sentence is incorrect.

Mr. O’Connell asked if the Superintendent of the local part is giving away some of the 80 percent because they get 80 percent locally as franchise fee, won’t that be taking money

away from the park?

Mr. Cornellsen responded that one of the concessioners in the working group brought up that there may be a visitor service that is needed half way through the contract that was unplanned, but is still a good thing for the park. The Superintendent agrees that it is good for his/her business, but it was not planned for in the beginning of the contract.

Mr. O'Connell offered that it is looked upon just like a business; if the financing works out and they decide to invest in it, they can get the LSI back.

Mr. O'Connell commented that these problems have arisen because of the new law and if there was such a thing as preferential right still, these would not be issues.

Mr. Tedder asked about Preventive Maintenance and if Routine Painting was cyclic or touch-up.

It was explained that if an entire expanse was painted it would be a reserve event. Mr. Cornelssen further explained that anything done within a three-year cycle is operational, but anything over that such as painting or sealing a roof, would be cyclic items, covered under the maintenance reserve.

In response to Mr. Tedder's question Mr. Cornelssen clarified that, by definition, anything that is a CFIP is major capital, and is called capital improvements, therefor items that are small will not be CFIP.

Board Member Eyster went on to say that the Park Service is trying to avoid the term capital improvements because one could argue that any replacement is a capital improvement and either call it a renewal, replacement, a major capital improvement, or a capital addition.

Board Member Norman expressed his support for option three, but also could see many advantages to option four.

Mr. Apgar was concerned about using the term *cyclic maintenance* because the Park Service Maintenance Management System has some very specific definitions about cyclic repair and rehab. Mr. Cornelssen responded that the Park Service is eliminating the term "cyclic"

from the lexicon so there is no confusion.

Board Member Eyster stated that one of the issues concessioners have raised is whether the Park Service is going to eliminate LSI. The consensus of the group is no, because that is how major capital improvements are funded. LSI can then go up over time, or go down, or it can stay reasonably balanced. The process of valuing LSI from the beginning of the contracts to take the initial LSI and inflate it by the Consumer Price Index so it will grow a little bit, and then a reduction of that total growth by a depreciation schedule of some sort, which is hopefully going to measure physical depreciation to get us to the ending LSI. So the Park Service can start with a beginning LSI and have CFIP's and any kind of contribution made by the concessioner to capital projects with the increases in the LSI, and the annual and CPI increase, then there would be the annual depreciation decrease, and it would end up with the ending LSI. The process works because the Park Service is required to give the concessioner a reasonable and safe return on the invested capital. He spoke about the session on franchise fee analysis in Denver and how it was critical to generate a prospectus to project forward what initial LSI and CPI would be, and what additional CFIP's would be required, as well as what kind of depreciation schedule would be utilized and what Maintenance Reserve would be appropriate to keep the physical assets in reasonable shape to come up with an LSI which is the terminal value, both the concessioner and Park Service need to make investment decisions and to calculate what a reasonable franchise fee would be for that period of time. Those numbers are needed in order to anchor decisions that concessioners are going to make regarding bids on projects, and is needed for the Park Service to put a prospectus out on the contributions of CFIP, and what kind of funding is necessary.

Mr. Fay asked about the physical depreciation schedule and wondered if it would require appraising. Board Member Eyster responded that the Park Service will try to project what physical depreciation is going to be in order to develop a model so that both the concessioner can bid and the Park Service can reasonably establish franchise fees.

Mr. Cornelssen stated that the idea was based on an engineer's and architect's evaluation of useful lives of assets, and the physical depreciation schedule would reflect that, which is analogous to an accounting depreciation schedule. If that physical depreciation schedule changes dramatically because someone is not doing the maintenance, or they are maintaining it even better, then that would have to be addressed during the term of the contract. The idea is not to wait until the very end and have this major disconnect between the parties over what the value of the assets and what the depreciation was.

Board Member Eyster went on to say that the physical useful lives are significantly longer than the accounting useful lives. That is why the Park Service would be breaking a building down into a foundation which might be 100 or 120 useful life, rather than taking everything at 39.5, for example, which is mainly for tax purposes to create an incentive to develop. The work that PriceWaterhouse Coopers has done is to try to develop useful lives that coincide with actual physical depreciation, as opposed to the IRS useful live for accounting and tax purposes.

Mr. Hardigg pointed to the advantage of the efficiency of using scheduled physical depreciation allowing both sides a level of predictability and comfort to approach debt arrangements with minimal risks to both parties, as the private sector is more able to make these investments than the Park Service.

Mr. O'Connell asked why there couldn't be an established value before the prospectus goes out and Ms. Orlando responded that there could be.

Ms. Fleming had a concern about sustainable design practices and the efforts being made in that area. In order to make sure the depreciation schedules are balanced, she thought that each facility would need to be evaluated on its own.

Mr. Ring reiterated that the whole concept from the investment side, is having a clear definition at the time the Park Service goes out for a contract over what the owner's responsibilities are going to be over the term of that contract. In addition, the owner is going to finance those responsibilities, whether it be using their own funds, incurring debt by asking a

concessioner to invest, and dealing with unforeseen events at least as a certain hedge against uncertainty, but having a clear sense of how that is going to happen and knowing whether or not that is economically viable. There is an agreement up front on the value of the investment by the concessioner and how it will depreciate, yet its value will be at the end of the contract.

Board Member Eyster summarized how beneficial it is to lay some sort of an arrangement out that both the concessioner and the Park Service can be clear about what the requirements will be, such as, what the investment is going to be, what the additional investments will be over the period of time, how that investment will grow with CPI, how that investment will decrease by a physical depreciation schedule, and to come up with an LSI at the end that everybody can agree on, which will be very important when the Park Service negotiates contracts. This is the way it is done in the private sector.

In response to Mr. Renfro's question Board Member Eyster explained that when the Park Service does the franchise fee analysis, they take a look at what the private sector market rates are for returns on investment of similar types of businesses. For example it might be an IRR of 13 percent. The park Service will lay out ten years of operating projections with our revenues and our expenses, as well as a requirement on the cost of capital at, for example, 14 percent. It may vary a little depending upon whether there are premiums or risk discounts for that particular location. If there are additional risks an additional point may be assigned. If the net present value is positive, it means the return is higher than 15, or negative, lower, then the adjustment that is made, the variable that comes up, is the franchise fee. The Park Service will target and plug everything in, determining what the franchise fee would be, to give the 15 percent return. The goal is to maintain the assets for the park visitor and, secondly, to give a fair return, then what is left over is the franchise fee. The guest gets the first shot, then the concessioner, then the Park Service is third in line; that is how the franchise fee that goes in the prospectus is determined. The Park Services' obligation, because the concessioner is providing the capital, is to provide them with a market rate of return, that is fair based on the risk-free rate and the risk premium that goes into that type of

operation and that specific location.

Board Member Eyster explained that the reason the cost of capital is higher is because if it were funded on an open market the money would be borrowed at maybe eight or nine percent. But the Park Service is borrowing it from the concessioners, paying a 14 or 15 percent return, financing through LSI. There needs to be a debt and equity return on the investment.

Mr. Cornelssen clarified that the cost of capital is the Park Services' exact return on investment, the cost of the LSI at a market rate of return.

Board Member Eyster further explained that for larger projects a management fee will be built in, a portion of which is an additional operating term. The Park Service wants to quantify this and put it into the total return to the concessioner, so there will be a return of capital, and an operating return.

With regard to depreciation, Board Member Eyster stated that the formula is to take the beginning LSI, add additional LSI, inflate the beginning plus additional by CPI on an annual basis, and then deduct the depreciation, but using useful lives for physical depreciation, not accounting depreciation.

Mr. Cornelssen stated a warranty and bond is, upon completion of a construction project, something that the concessioner would secure. It is some kind of a warranty/guarantee of work, such that if five years into the new life there is a failure or problem, that makes it possible to go back to the contractors and tell them it was something they should have taken care of. There has been some concern on really large projects to try to get a complete bond or guaranty/warranty for the entire project, yet it should be dealt with on a case by case basis.

Board Member Eyster pointed out the second paragraph where it says "expected life" as opposed to "accounting life." He explained that the documents listed look at useful lives from a physical depreciation standpoint which, stretches out the useful life and minimizes the depreciation expense each year. The depreciation should be a small part of the LSI total component.

Mr. Cornelssen explained that the Park Service probably uses the Uniform Act to break down LSI into its major elements, such as, foundation, roof, super structure and interior construction, which are all ASA standards. There would be a separate schedule for each component.

The idea behind trend maintenance is that a contractor, architect or engineer can say, component by component what the preventative maintenance plan should be for that asset, and to define this as much as can be done, up front, so there are no problems later on. Then there could be some sort of review once a year to see if the concessioner is actually doing the preventative maintenance; then if for example, all the PM's were done on a roof and it still failed, it would be a fair negotiation and resolution.

Mr. Tedder further clarified that if, for example, at the end of 15 or 20 years, nothing was done to the interior finishes, it would be a value of zero to the concessioner, yet typically interior finishes are covered under the maintenance reserve account. Furthermore, if it is not covered under the maintenance reserve one must replace the carpet twice during that period, then there would still be the leasehold surrender interest at the value of the replacement of that carpet.

Mr. Hardigg articulated that there has to be an appraisal done on the physical depreciation at the end of a contract so there is an estimate for the future CFIP on whether there is deferred maintenance, but an appraisal will not be done on each individual scheduled item.

Mr. Cornelssen further explained that it is setting up a balance sheet with each building and component and being able to define the depreciation on a physical basis

He emphasized the importance for preventative maintenance because if it is not done then it shortens the useful life of the item, yet if the concessioner can extend the life of an item, there should be a financial benefit. But if for example, a roof fails due to extraneous situations, and may not be covered by insurance, there has to be some negotiation or at least discussion of why it failed earlier.

Mr. Fay pointed out that with agreement on the worth of an asset, this would eliminate the clause of the law and the arbitration option at the end.

Mr.Cornelssen suggested that one way of accomplishing that would be a comparison of balance sheets between the concessioner and the Park Service.

Mr. Hardigg explained that would work if the current contract states there is that ability, but these changes are forward looking. Ms. Orlando explained that the proposal does not require a change in the law, but it will require the regulations and future contracts to be re-written.

Mr. Renfro thought everyone on the committee should be commended. He voiced concern regarding the reconsideration of investment trends.

Mr. Cornelssen reminded everyone that this could result in changed franchise fees.He clarified, in response to a question, that the Preventative Maintenance Plan is being proposed so there is an agreement as to what the Preventative Maintenance Plan should be, adjusted to that locale and when something happens no none can point fingers.

Mr. Renfro's main concern was that a concessioner could pass the Preventative maintenance audit every year, then something happens to an asset, and the concessioner may still be responsible for the repair with, for example, three years left on the contract for not doing the preventative maintenance correctly.

A further discussion followed on this subject.

Board Member Eyster question stated that the review of the franchise fee would not occur on a regular basis, but would be done in the prospectus. Mr. Cornelssen further elaborated that the extraordinary unplanned events could not be routine and there may be an opportunity to revisit the franchise fee if the funds were not available.

Ms. Behrman mentioned the importance of environmental issues and sustainable design in relation to setting LSI levels and depreciation so that initial increased LSI costs because of an increased criteria are considered.

Board Member Eyster suggested that the working group's point of view be taken

into consideration, as well as what was discussed today, to blend it into the working paper, and then move the working paper to the Board with a recommendation that the Park Service move forward to initiate the changes and mirror what is agreed upon today, with additional comments.

Ms. Orlando stated that if the Board wants to entertain further comments or deliberations on this issue, it sets the whole process back in terms of time because there are a lot of other steps that need to take place. There was an interest in moving after this Board meeting and beginning to craft some language. She also mentioned that it would move forward into a public comment period. The Boards input should be received before making formal recommendations to the Park Service in the form of rule making.

Chair Naille proposed taking written comments up to two weeks from today's date. The working group can discuss it verbally by phone as to input on that, make a final recommendation to the Board in a conference call and that the meeting should result in a consensus by the Board on the working group's final findings in two weeks and the Board will then make a positive recommendation at that point in time.

MOTION: Board Member Norman moved, seconded by Board Member Eyster to adopt Chair Naille's proposal to make a recommendation, followed by possible adjustments by the working group. The motion carried unanimously.

Board Member Eyster commented that the useful lives that must be used are the useful lives for physical depreciation, not a calendar year depreciation.

In response to Mr. Renfro's question, Mr. Cornelssen reiterated that before one makes an investment, there is a best guess determination that is made on the remaining useful life of a structure to be able to allocate the LSI and to set depreciation to a schedule, that would be readjusted.

Regional activities

Ms. Orlando proceeded to discuss regional activities, highlighting activities at the Washington level. She mentioned that significant strides have been made regarding contracting,

including completing the annual report of the concession program within the next couple of months.

Other issues she has been working on are the process of renewing concession contracts - down to 173 from about 420-plus expired contracts; larger contracts in various processes of development are Dry Tortugas, Echo Bay, Overton Beach at Lake Mead, Powell Bay at Lake Mead, Grand Teton Lodge, Signal Mountain at Grand Teton, Claylock at Olympic, Mesa Verde, Death Valley, Virgin Islands, Pishka, Wauwepa (phon) at Glenn Canyon, and Xanterra at Yellowstone. Just completed is the review on Carlsbad Caverns, Fire Island.

Ms. Orlando reminded everybody that Director's Orders have been out for public comment and are posted on the Park Service website. Public comment is solicited. The environmental systems, 13A, has closed and any further comments on that should be directed to Wendy Behrman fairly quickly for possible inclusion.

Recently there was a Director's Order for civic engagement and public involvement that the director feels very strongly about, and the workgroups have exemplified the intent of that particular Director's Order No 75A, as well as the Director's Order for Concessions. Ms. Orlando reported to have completed the last policy review. These will be put out for public comment and the Advisory Board will get a copy. She wanted to make sure to include some of the dialog from the last two days. This is a public comment period and written comments will be welcomed.

Ms. Orlando next reported on the implementation of competitive market for retail merchandise for the '03 season. Because the concessioners got the information late, many of them had already implemented their '03 prices, so there was not a hundred percent participation across the Board, but about 25 major parks participated in the program. The preliminary results indicate that there were no complaints from the visitors nor from the concessioners. Each of the parks' concessioners conducted their own research for the prices. Basically, about 90 percent of the established prices were in line with the local community. So all in all, the project so far is a success. When the guidance went out about a year ago it was with the understanding to pilot this for two years before determining what the policy direction will be. Feedback is looking positive so

far. There were basically no significant differences in prices than in the previous seasons in terms of how they were applied.

With regard to the core menu, Dee Hightower is going to give an extensive presentation. That has been in place. One of the overriding concerns prior to implementing core menu was the time it took for rate approvals, and the contracts that have reported back that are using core menu have reported a decrease of between four to fifteen days for receiving rate approval. A couple of years ago concessioners were quite concerned about the amount of time it was taking to get their rate approvals done.

There were still five areas identified for the Park Service to focus on in terms of improvements; continue to identify the types of food service operation best suited for the core menu program and process; work on the guidance; identify where the core menu might not have been communicated to the field; the SERA task force standards evaluation and rate approval task force are still working on their projects; and classification. Focus group meetings were scheduled in three different cities, and Steve Lebel attended the focus group meeting in Washington D.C.

Mr. Lebel reported that three different market segments were examined — seniors, folks with families, and then kind of an open sort of group, and three different responses. The results were mixed, but the lodging generated three different results. The seniors' expectations were less than those with the folks with families. Folks with families looked for more amenities, televisions, whereas the seniors were more or less happy with the way things currently exist. Although there were a number of different comments that came out of it, though, it was reassuring that the way of doing business now is acceptable.

Ms. Orlando said that a final report will be available at the next Board meeting and at the November meeting with the SERA group. At that time the group will review the recommendations that are in the final report and determine what further action needs toe taken.

In terms of outlining the various classifications, field testing was done this past summer as well, and a full report will be forthcoming.

Another ‘How to do business’ course co-sponsored by NPHA will be held to try and get their members the kinds of information they need to compete for concession contracts. A panel will be convening at the outfitters and guides meeting in early December to go over some issues and concerns that they have. These are attempts at outreach and to get the right information out there, because the misinformation that floats around seems to be the source of a lot of concern and issues and is oftentimes unfounded.

A position description is out for an asset manager position. That position will be based in Washington D.C. There will be advertising for the equivalent of a CFO in the Concession program that will also be based on Washington D.C.

Update from Chiefs

Mr. Benedetti gave the Board an update on damage inflicted by Hurricane Isabel. Most damage was minor, but at Morris Marina and Willis Campground, all buildings were damaged and/or destroyed, as was the infrastructure which included water and septic systems. Good maintenance people are up there. The 2004 season starts in March, and he felt comfortable that most operations will be open by the beginning of the 2004 season.

Cape Hatteras also incurred severe damage. The three fishing piers that provide food, gifts, fishing and refreshments all suffered damage. It is anticipated these will be up and running in early 2004.

Mr. Benedetti reported he was currently working on a prospectus with PriceWaterhouse. One is Pishka Inn, which includes lodging, food, beverage, retail gift shop and general store. He was excited about having the prospectus out and thought the new contract will provide good service in Blue Ridge.

The prospectus for Virgin Islands National Park is anticipated to be completed and advertised in December. This campground services, food and beverage, retail, water sports.

The prospectus for Dry Tortugas will be available in January or February, and obviously that’s going to include ferry transportation from Key West, an interpretive program, food

and beverage service.

Mr. Benedetti reported working on four new concessions in partnerships. One is Fort Caroline for water tours, merchandise and limited food and beverage in partnership between Jacksonville, City of Jacksonville, State of Florida and the National Park Service.

The management plan as well as the commercial service plan for Virgin Islands has been completed. The final phase of a general management plan amendment for Fort Sumter National Monument is near completion. By early fall of 2004 there should be a new contract in place.

Upon inquiry by Board Member Voorhees, Mr. Benedetti provided details on Hinkley Plantation Park.

Responding to Board Member Sakiestewa inquiry into the visitor's center for the Dry Tortugas Mr. Benedetti provided further details.

Mr. Ring added that there is a small visitor interpretive area at Fort Jefferson with a small cooperative association connected to it. That has been in place for years, and discussions were held in recent years with the establishment of the National Sanctuary in cooperation with the state to have a joint visitor's center by the Park Service and Fish and Wildlife Service that would be located in surplus facilities right down at the main dock right next to where cruise ships come and book.

Board Member Sakiestewa expressed concern for the limited visitors capacity of Dry Tortugas and the need to preserve and protect this. She suggested erecting a center at Key West along the lines of the Monterey Bay Aquarium that gets a 1.8 million visitors a year. This would afford the potential of remote viewing and school groups using remote viewing and underwater remote viewing.

Mr. Ring explained that the plan is to utilize several thousand square feet of existing space that is being renovated into an interagency visitor's center that the Park Service will be a part of, into which will go exhibits on all of the different areas. The visitation will be pretty

substantial right at the outset. It is located at Key West, right at the city dock where the cruise ships come in, so there is an expectation of substantial visitation to a pretty well-developed visitor's center at the outset.

Board Member Voorhees inquired into the difficult care and capacity issues at Fort Jefferson and Mr. Benedetti explained that only a limited number is allowed to go out to the island.

Mr. Ring explained that no matter what the demand is, the current plan does set capacity limits on how many people can go out to Fort Jefferson. The proposed visitors center there in Key West is for giving cruise ship passengers a chance to learn about Fort Jefferson, and there is a sister fort that the state has, Fort Zachary Taylor, which is literally within a short walk. The interpretive exhibits will be able to tell the story that they are not otherwise able to see because they're not going to have the time to go there. The cruise ship visitors to Key West are marginally going to be served through this facility, and others can come to the Keys within a limited period of time and have an option of learning about it or scheduling one of the slots on the ferry or the air service to go out there.

The visitation at Dry Tortugas went from 26,000 a year in 1991 to 90,000 in 1997, and that is one of the reasons that triggered the management plan and commercial services plan.

Sandy Poole from the Midwest region reported the release of a PriceWaterhouseCooper $3 million contract at Mount Rushmore on July 7th. The solicitation period for that was to close November 4th. A site visit at the park was held on September 10th. The solicitation period was extended to December 16th. About 79 questions were received from various concessioners. Those were released yesterday morning signed by the regional director to all that requested a copy of the prospectus, which is about 33 companies. That solicitation now is December 16th.

The panel that was just concluded on Friday was for another category I contract at Hot Springs National Park. I is for the observation tower and gift shop, a 216-foot tower that has a gift shop attached to that. That panel closed on Friday and hopefully a contract will be awarded

there within the next 30 days or so. There are a lot of issues that come with that, but that is the projected time frame on that.

A panel was held three weeks ago on the seaplane prospectus for a ten-year category III contract to fly out and transport visitors to the park. The solicitation writeup is at the solicitors and that contract will be awarded sometime within the next ten days.

There will be another panel in two weeks for a category II contract at the Ozarks, where there are 18 category III contracts and 5 category II contracts. At Hot Springs we have two other category I's and six leases. Two people are graduating from NAU in December, of the 2.5 people in concessions. There is also a possible new concession specialist.

Judy Jennings stated they have a new regional director, Steve Martin, who came from Grant Teton National Park where he was superintendent. Steve has a concessions background, and so he is aware of issues and problems within the concessions program. He was the chief of concessions at Yellowstone in the early nineties. Has been the superintendent at Denali Gates of the Arctic, and comes from a ranger background.

This past year 85 contracts were completed in the Intermountain Region. Another 40 will probably be completed in the next week, and then another 47 will be done in January. Responding to a solicitation for snowmobile operations in Yellowstone National Park, there were 34 preferred offers. 117 proposals were submitted for those 34 contracts. The winter use plan that just came out is very restrictive and there is still a court case pending that could impact the snowmobile operation overall at Yellowstone, so there is a lot of interest locally in that type of operation.

The 47 outfitters and guides permits in Yellowstone are out. It closes in December and the plan is to panel that in January. Once those contracts are issued it is expected that a huge influx of sale transfers will take place. It appears that a lot of concessioners have been in a hold pattern until they got new contracts to sell their businesses, and that is going to have a major impact, not only for this region, but a lot of regions are having that same issue coming up. So there

will be a lot of time, and sale transfers are not easily done. It just seems almost as extensive as a prospectus.

She reported working with the contractors on the big 50 prospectuses. Unfortunately, this results in a high cost and a staffing expectation that she was not sure could be met in most instances. Cindy Orlando and her office and the Washington office has been very supportive in helping address some of those concerns as far as funding goes. Yellowstone, Glacier, Grand Canyon have special accounts, and they don't have a large amount of money for their franchise fees to address those contracts, to work out with contractors, and that is a major concern.

PriceWaterhouseCoopers has been excellent, they provide a good service. And probably more importantly to the National Park Service they have added a higher level of professionalism into the contracting, resulting in much better prospectuses going out. There is now available better, more complete information and that is due to Price WaterhouseCoopers because they have really improved the level of sophistication on contracting.

Ms. Jennings commended Cindy Orlando for her support and holding the program together. She has changed priorities to meet, provided funding, and the support has been just phenomenal. She related a meeting that was held with the Argentina National Park System. It was one of the best experiences she has ever had and definitely one of the best in her Park Service career of 27 years. She asked the Board to endorse those types of activities, because they are so important for personnel development, and to the visitors. She reported taking a video that had several scenes of national parks and a small child drawing a picture, a sort of feel good type marketing video. These people who didn't speak English asked to watch it twice, and at the end of the second presentation they all clapped.

Ms. Jennings related that Jim Eyster gave a presentation in Denver three weeks ago now, which was probably another one of the most valuable experiences she had. Jim Eyster's background is in teaching and his presentation was phenomenal, and everybody that was fortunate

enough to be there really benefitted from it. She would like to see that same type of presentation and building on that, again asking the Board to look at that same type of presentation for managers so they will have an understanding how to determine fees, and what is being done with the fees.

She reported on meetings with the general managers at Xanterra at a site with regional and park staff people, providing an opportunity to share ideas, share concerns, and look for consistency in the parks and programs.

Ms. Orlando added that with respect to the Argentine trip her office is talking with the Embassy right now to bring a team of Argentine park professionals over to view and participate in the concession program, both in the field and in the central offices, so the relationship continues and that is a real valuable part of it.

Board Member Weerts asked Ms. Jennings if it was because of the higher quality prospectus that were prepared that fewer questions are received from the people that are opening them and bidding on them, thereby reducing any workload.

Ms. Jennings did not think so, but that they are getting different questions. People are responding differently now because they are asking questions focusing on the more competitive aspects.

Ms. Poole added that it is a more sophisticated prospectus that presents a lot more information, and a lot of the questions are very specific to some of that information.

Mr. O'Connell inquired if Ms. Jennings was receiving bids from people bidding against people that have preferential right of renewal.

Ms. Jennings indicated she did quite a lot.

A discussion followed on this subject.

Kevin Apgar gave a brief overview of the Alaska region, covering 16 national parks. The concession program has about 100 contracts and they have about 350 incidental business permits in any given year. So far, since the passage of the new concession law in 1998, they have awarded 28 new contracts. There are only three category I contracts in Alaska and two

of those are with ordered now and the third one is out on the street right now, a prospectus for Glacier Bay. It closes December 1. It is basically a contract for day tour boat services, lodging, food and beverage and some other services associated with the lodge. It is for a 10-year contract and requires a $2.1 million initial investment. Franchise fee is 3 percent and the expected gross receipts are $3.3 to $5 million over the term of the 10-year contract. He was hoping to get interest from the concessioners here.

There have been generally positive results from the concession contracting program. There have been discussions of preferential right of renewal, and, generally many people are competing against incumbents. The competitive process really yields good results.

There are many preferences in Alaska. There is the national renewal preference, and then there is the special legislation in Alaska that gives preferences also for local residents and for Alaska native corporations, native American corporations, all of them are generally anti-competitive. But where competition does come into play there have been some good results. He provided some examples.

He also listed the various prospectuses and proposals received. Mr. Apgar then provided the Board with details of the various Alaskan parks' activities. He reported that the Denali transportation contract was finally awarded this year. That was their major achievement last year, to get the prospectus out and make a selection, but it actually took quite awhile to get the contract awarded, which happened this past May.

They have also been working on the possessory interest negotiations. There only are three category I contracts and those are ones that include capital improvement on park lands. A leasehold surrender interest is actually being negotiated between Aramark and its partner at Denali right now. That contract was awarded to a joint venture and it included a native American corporation that had partnered with Aramark, and the two partners now are dickering over what the possessory interest is.

Mr. Apgar reported on a trip he took, spending two weeks in Kamchatka in Russia

Far East, and this was a trip paid for by the United Nations Development Program that he was fortunate to go on, and it was a wonderful experience.

Mr. Ditmanson thanked the concession program center and stated he had a number of people help him out with evaluation panels and the process of working through documents, as well as having a great experience with PriceWaterhouse folks. He also reported on the impacts of Hurricane Isabelle.

With regard to concession operations, several significant contracts have been awarded in the last year. Acadia Corporation, food services, hotel operation, Benz Corporation at Cape Cod. A new operation at Colonial, which was an historic structure that is now a food service operation. The Davis Park Ferry at Fire Island. A new facility at Gateway which is a real significant historic restoration project of some of the major hangers out on Floyd Bennett Field. These are huge structures that were really in great disrepair. The service is going to combine the preservation of those structures with the introduction of a major sports complex.

There are a number of new contract they hope to have out on the street in the next few months. Bus tour operations at Acadia, gift shop and tours at Cape Cod. A major merging of two current operations with a new one at Fire Island. There will be a combination of the Sailor's Haven operation and a new development at Barrett Beach so there will be three marine and food service operations at Fire Island under one prospectus.

Food service operations at Gateway. The beach concession at Gateway, which is Sandy Hook, which is the current operation. A small campground operation at Delaware, and a gift shop at Fort McHenry, which is currently an Evelyn Hill operation.

The biggest effort is moving forward on the four largest contracts at Northeast Region, three of which are at Statue of Liberty, which include the current Circle Line Ferry Service operations, Aramark which operates the food service operations at Ellis Island, and Evelyn Hill which operates food service operations at Liberty Island. And two of those, Circle Line and Evelyn Hill already have extensions. Aramark expires in '05. The goal here is that there has been a major

change at the Statue of Liberty due to 9/11 as far as how that place operates, what the visitor experience is there, how to deal with all the levels of security that have been applied there probably more so than most other places within the Service. A GMP, commercial services plan is getting underway. The goal is to have a decision in place by the end of calendar year '05 so that in '06 the prospectuses and offers will be on the street.

The fourth contract, one of the four largest within Northeast Region, is Shenandoah, and that expires at the end of '04, and that process is also moving forward, thanks to Price Waterhouse who's been working on both the Statue of Liberty and the Shenandoah efforts.

Another large aspect in the Northeast Region has been leasing. Cindy's group conducted a leasing workshop. There are a couple of major leasing projects, one at Sandy Hook at Gateway, which is the Fort Hancock structures. There are a large number of these structures on the historic site that will be turned into a facility of a business center, a number of nonprofit organizations and other entities which will be within those structures.

Another similar type operation at the Highlands Center at Cape Cod, which was another military installation, a large number of buildings, providing a way to bring nonprofit organizations to do educational, artistic and interpretive operations into the park, which ties in with his long cultural history there.

He mentioned that he has a certificate of eligibles for a new chief of concessions in the Northeast Region. That position was advertised in Philadelphia, it is a GS-13/14 position, and he felt hopeful is was going to be filled within the next few weeks. This was advertised both as a promotion internally and through OPM all sources. It ended up that OPM actually did the announcement out of Denver, and they called up and asked if they could provide them with a subject matter expert to help panel the job, and since the concessions program center is in Denver, Wendy Berhman helped out.

Tony Sisko reported that in the Pacific West Region, they did successfully officially open a new leasing project in San Francisco, the Haslet Hotel down on the waterfront that is a 57-

year lease with Campton Corporation, Campton Hotel. It was about a $35 million project for them to restore this National Historic Register property, and 50 percent through construction of major fire, basically gutted the whole thing, but the masonry walls were saved as well as some of the internal structures that were historic and his group was able, through the fortunately good insurance underwriter that Campton had and frankly a good lease that dealt with the insurance section, to move through very rapidly and in essence finish the project.

In concession activities, the large category I contracts with the help of Price Waterhouse and within the next two or three months, will be released - marina contracts at Lake Mead, Echo Bay, Overton. Within the next few months Claylock Resort up in Olympic Peninsula and Death Valley contract, which is going to be combining their current two contracts of Stovepipe Wells and Scottish Castle, so those will be coming out shortly of the category one contracts.

Others that the region has worked on that will come out this calendar year more than likely will be the Sole Duck Hot Springs Resort up in Olympic, at Lake Roosevelt a small snack bar at Spring Canyon, the Whiskeytown Marina at Shasta Whiskeytown National Recreation Area in Northern California, a small category three kayaking contract that probably won't be till early next year at Olympic, and those are the immediate ones.

The region has just finally been able to award a ten-year contract for Oregon Caves for the restructured concessioner up there. He went on to describe contracts negotiated with Xanterra. Mr. Sisko mentioned that the Commercial service plan is currently on the street for public comment and thanked Steve Lebel for his assistance.

Steve Lebel noted that concessions in Washington that are dependent on local business for revenues have been very steady. For those that are dependent on tourism their revenues are down about 30 percent since 2001.

The contracting efforts are progressing. He listed the various efforts and mentioned that the region has developed a task order for outsourcing support for the outstanding contracts, all of the outstanding contracts at this point. He anticipate their award sometime during

2004. Also being developed in-house is a prospectus for a small food service concession on Pennsylvania Avenue, and a temporary contract is about 95 percent complete for an existing visitor's service that came through a land transfer on the Georgetown Waterfront.

They just finished franchise fee reconsideration negotiations with Tour Mobile, and signed a two-year extension to his contract while undergoing an alternative transportation study.

Mr. Lebel said they have conducted pricing training seminars for a number of concessioners. Core menu and competitive market declarations for service-type visitor services have been implemented at many sites. The core menu has been implemented out of National for the small snack bars down there. It's been very successful, the concessioner loves it.

All of the NCR concession staff are either enrolled in or have graduated from Northern Arizona University's concession certification program.

Ms. Orlando remarked that this whole team has accomplished an incredible amount of work with a skeleton of resources. She acknowledged one other person in the room who has helped and she is not really a concession employee, and that's Kim Oshinski. Kim works for the Washington contracting office, but the program has convinced them that it needed a dedicated 100 percent contracting person who was helping on the procurement side for concessions, and so Kim has been instrumental and Ms. Orlando really appreciate having her as part of the team as well.

Additionally, Concessions is funding another solicitor in the solicitor's office who is dedicated to concessions, and that is in the Washington office. This will enable the program to supplement the staffs in ways that until the new law they weren't able to do.

Nick Hardigg referred to the GAO regarding the nonprofits aspect and said he had some great things to report on the nonprofit aspect in that the sandwich Boards are gone that advertised in many places the nonprofit. The history room will be advertised on the bus system. That room will be upgraded, changing its hours, promoting it with signage and other things, and expanding its. It has just been a really good partnership effort to promote one of Xanterra's,

probably most historic aspect of their operation there, so that operation is going really well, with expanded hours, some upgrades, and hopefully much better sales in the books that they sell there.

In cooperation with Xanterra there will be an upgrade of some tired facilities on the rim that no one loved, the Thunderbird and Kachina. Not just the renovation but a major upgrade of those facilities to the tune of 1.6 million, and there has been agreement on an adjustment to the comparables that will allow a decent return, so just an example of talking, talking finance, talking security and risk and coming to an agreement so that the visitor can be served better with a nicer range of options for the visitors, so that has been a very positive aspect.

Another positive thing from a sad story is the fact that Xanterra came to discuss their growing concerns regarding safety of new operations this year, and it was agreed together to close operations for six months and to work cooperatively to fix up the trails. Xanterra had to forego income from that profitable side of the operation in order to allow that to happen

Mr. Ring commented that these have been great reports providing the Board with a flavor of the level of activity and the level of progress that is going on. He commended them and the staff on what the concessions program has done on service.

Mr. Ring indicated he will be sending out a product that was just completed, and that is under the President's management agenda there has been a call for workforce planning on the part of all the federal bureaus and agencies to really focus on human capital management. In this light he was proud to say to both the concession partners as well as to the advisory Board, and that is that they are partners in this effort.

The service defined the workforce as everyone who goes to work in a national park to get the mission of the agency done, and then pie charted it and inventoried it, and for most other federal bureaus they listed how many federal employees they have. He listed all the folks that fit that definition, and there were about, sort of normalizing it into full-time equivalence in terms of just raw numbers, about 20,000 FTE's that were Park Service employees. There were somewhere in the range 17,000 FTE's for the concessions that are running, which translates into over 25,000

people. There are equally 125,000 volunteers that contribute several thousand man years each year. There are 11,000 essentially full-time equivalents being contributed through the other contracting that is done around the Service, and major step have been taken in putting a workforce plan together that defines that entire group of folks. He also mentioned that they have identified cooperators as well, and a lot of other partners as well as being the workforce of the National Park Service. Equally that plan lends emphasis to why there is a focus on the concessions program, why it is so important that it be supported, the staffing commitments continue to proceed, the training commitments continue to proceed, and over the next couple of years the service will be looking for ideas on how to fulfill its responsibility to that whole workforce to make sure, A, they know the heart of it; B, they are linked into several communication systems and are talking to each other; that they know what the mission of the agency is and they're oriented to it; they know what is expected of them to get the support they need to get what's expected of them done; and to have a way of finding out how they have been doing. That is as true for a concessioner as it is for a Park Service employee as it is for a volunteer as it is for a contractor, and that that is a major emphasis on the part of the agency and a different way of thinking than ever before. This will be shared with the Board and the agency will be looking for any thoughts or ideas on how to take that forward.

Board Member Voorhees asked how this approach had been received by Interior and Mr. Ring said that shock and awe came to mind. It was rather with a great deal of pleasure on the part of the Departmental leadership, and the shock and awe was coming from sort of the other bureaus and other folks. Typically this task is handed over to the human resources folks, who then sort of spit back "Here's what we need to do with our employees. So there has been no objection or push-back. If anything, there has been a, "Oh my gosh, how are we going to deal with something this big in scope?" But that is the challenge, not the concern.

Other Business - Advisory Board

1. Reappointment of Board Members

Sherrill Watson reported the Board Members are still sitting and they are waiting

for nominations from the director or someone higher. No one has been nominated. Everybody's term has expired except Ramona's and Burt Weerts, but they were renewed. Some of those appointments have been up there over a year, trying to be renewed.

Chair Naille announced that all Board members are allowed to serve until a replacement or reappointment has been made.

Mr. Ring observed that in his 30 years of practice associated with the bureau, the appointments to Boards and commissions have made a glacial pace look fast, and whether it is the National Park System Advisory Board or other Boards and commissions, it is taking an extraordinarily long time to work through those processes.

2. Logistics of Next Meeting

Chair Naille announced that the next meeting will be in Washington D.C. It will roughly be the end of February, first part of March, somewhere in there, to coincide with the timing of the National Park hospitality meeting that is scheduled to be held.

3. Agenda Items for next Meeting.

Ms. Orlando indicated she would like to report on the operational side on the core menu and SERA.

Board Member Voorhees proposed the subject of historic leases as they are currently as a topic the Board for a briefing.

4. Discussion of Board's next report to Congress.

Chair Naille indicated the Board is not really required to make a report other than submit what it has done during the last year, and he thanked Phil Voorhees for being the scribe for last year. He did a wonderful job. The Board will incorporate that into this year's discussion in the minutes. All that is going to go to Congress shortly.

Chair Naille thanked Ms. Orlando and he staff for always setting everything up, especially Sherrill Watson, who does a lot of the behind the scenes work. He also thanked all of the regional chiefs and their multifaceted and highly energetic staffs. Chair Naille especially

commended Kurt Cornelssen for his valuable assistance to this Board. He has done a lot to assist Doctor Eyster in this latest workgroup. He helped with running the earlier workgroup with Phil. Not only does he assist the Park Service, which he does far more than he does for the Board, but it helps the Board to understand things too, so a big thank you to PriceWaterhouse and Kurt's entire team that puts that on.

Special thanks also to the workgroups and the leaders who have worked hard on all of these projects.

Public Comment. There was no public comment.

Meeting Adjourned.

The meeting was adjourned at 3:30 p.m.