MINUTES

United States of America

National Park Service

Concessions Management Advisory Board Meeting

23rd Meeting

March 17, 2011

Crystal Gateway Marriott

Washington, D.C.

1. Welcome – Introduction of Board and Staff.

2. Roll Call.

Present were Jo Pendry, Chief of the Commercial Services Program; Dr. James J. Eyster, Chairman of the Board; Debra Hecox Planning and Development Branch Chief, Commercial Services; Kurt Rausch, Contract Management Team Lead; Herve' Houdre', Regional Director of Operations & General Manager of the Intercontinental New York Barclay; Dr. Don Hawkins, Dwight D. Eisenhower Professor of Tourism at the George Washington School of Business; Bill Becker, Executive Director at National Capitalism Solutions.

From the National Park Service: Sandy Poole, Regional Concession Chief, Midwest Region; Robert Hyde, Finance Branch Chief, Commercial Services Program; Ernest Jutte, Commercial Services Program, Jennifer Bonnett, NPS Intermountain Region; Bill Stevens, Regional Concession Chief, Southeast Region; Steve LeBel, Regional Concession Chief, National Capital Region; Kate Stevenson, Associate Director, Business Services, NPS; Kevin Apgar, Regional Concession Chief, Alaska Region; Anne Altman, Regional Concession Chief, Pacific

West Region; Deb Harvey, Asset Management Branch Chief, Commercial Services Program; Shawn Norton, Thomas Liu, and Tim Hudson, NPS. Other attendees included: Dan Felton, International Bottled Water Association; Gary Wygant, Coca-Cola Recycling; Lars Hanslin, and Melissa Lackey, Department of the Interior; Chris Lane, and Jim McCaleb, Xanterra Parks & Resorts; Terry MacRae, Hornblower; Joe Fassler, National Park Hospitality Association (NPHA); John and Cindy Ognjanov, Glacier Park Inc.; Dave Woodside, Acadia Corporation/NPHA; Derrick Crandall, NPHA; Scott Socha and Kelly Scofield, Delaware North Companies (DNC); Dan Jensen, DNC-Yosemite; Peter M. Donau, Delaware North Parks & Resorts at Yellowstone; Bob Concienne, and Bruce W. Fears, ARAMARK; Geoff Baekey, Capital Hotel Management; Rex Maughan, John Schoppman, and Bill Butts, Forever Resorts, Inc.; Melvin Schoppman, Desert Marina Management; Russ Molari, Directed Award; Carol Metzler, TRF Concessions, Inc.; Jonathan Simon, VanNessFeldman; Ruth Tiger, Saltman & Stevens; Doug Verner, Guest Services, Inc.; Patrick Tabor, Swan Mountain Outfitters; Bill Horn, Alaska Professional Hunters Association; and Tom Williamson, Ortega Inc..

3. Convene Business Meeting – Meeting was called to order and passed to Kurt Rausch, Team Lead, Contract Management.

4. Approval of September 20, 2010 Minutes.

5. Documents to be entered into the Record and are attached.

a. Alaska Region/NPS Commercial Guided Sport Hunting Policy by Mr. Wade Willis, Science Now Project entered into the official record.

b. Sustainability in America's National Parks & Concessions – William S. Becker.

c. Sustainability Forum Challenges & Opportunities - Dr. Donald E. Hawkins.

d. Sustainable Hospitality – Triple Bottom Line Strategy in the Hotel Industry - Slide Presentation by Mr. Hervé Houdré.

d. Handout - Regional Contracting Updates

e. Handout - Human Capital Strategy Update

6. General Program Update

Jo Pendry provided updates on:

Concessioner Mark. It is a mark the concessioners can use in their advertising to identify them as a National Park Service (NPS) Concessioner. The decision was made to include the mark into something called a graphic identity, and there is a graphic identity brochure being updated at this time that will allow us to provide the mark for official concessioners to use. The mark will have the arrowhead on it and a special "word treatment" that will allow us to be more consistent with other non-NPS uses of the arrowhead.

Concessioners environmental audit program. Commercial Services has or will have completed an audit of all our concessioners by FY11, followed by routine follow-up audits every 3-5 years after.

Director's Order 35B. Director's Order 35B is instructions to the NPS about utilities, and how the utilities are charged to non-NPS users. This includes concessioners, cooperatives and other users that operate inside the park. About 10 years ago, an Inspector General (IG) report directed the NPS to change the way they charge non-Park users for utilities. They had to include the infrastructure costs, when originally they only charged the cost of the usage, not the infrastructure costs. The IG found that we were undercharging and not following industry standard practices in developing our base, and directed us to modify our policy so that we would charge the full cost of the utility. The way the Director's Order is currently written, it would only apply to infrastructure that is being put in moving forward (e.g. if a concessioner had new infrastructure put in last year, that would not count, but if the concessioner plans for the year after the infrastructure is put into place, then the rate would be recalculated to include that cost of that particular infrastructure and permit it to be amortized over the life of it. Director's Order 35B should be ready for implementation by the end of this fiscal year.

Concessions Professionalization Program or the Human Capital Strategy Effort. The Human Capital Strategy effort has been ongoing for about 3 years. Phases 1 through 3 have been completed. The first phase was an evaluation of core competencies: a survey of the Commercial Services workforce to learn what they know, what they don't know, and what they need to know. That led up to Phase 2 which was position descriptions for Concessions Management Specialists to ensure that there was consistency in job duties and they were up to date and standardized across the NPS. And then the third phase was what is called the "onboarding materials." These are documents and procedures that contain information that is given to new employees that come into the program so that they understand what is expected of them, what the regulations and laws are, where to find materials, who to talk to if they have questions, etc. The next phase is to refine and increase the training that is provided to our Concessions Management Specialists.

NPS website. The National Park Service has been undergoing a tremendous effort to update the information provided to visitors who go to nps.gov to provide more details regarding specific parks and their programs, i.e. national culture and resources and the economic impact of parks in their areas. Additionally, improvements have been made to the Commercial Services part of the website in that now policies that affect concessioners are available for review.

"Made In America." ABC News has been exploring the "Made in America" concept in America's national parks. Dianne Sawyer has visited parks, including Mount Rushmore and the Smithsonian, looking and filming, as well as asking the staff questions regarding how many products are sold that are made in America.

7. Regional Contracting Updates. See Handout - Regional Contracting Updates .

The question was asked, "Are we getting an adequate number of offers for the prospectus, are they competitive in nature, are we having any problems in any of the parks in getting at least a single offer?" Ms. Hecox explained that some of the backlogged contracts have been on the backlog for a long time. Some of them are tougher than others, e.g. the North Café prospectus has been released for a third time as it is difficult to access other than by hiking or by plane. It has been difficult to secure a concessioner for that operation, given the economy and other factors. Dr. Eyster asked, "How does that compare to the last several years, are we getting more interest and responses?"

Ms. Hecox replied that it's a case by case basis and that it has to be the right opportunity, the right financially and strategically feasible. Mr. LeBel from National Capital Region told the group that he has received the number of offers that he had anticipated, no more, no less.

A question was asked concerning the Glacier Bay Lodge concession contract held by ARAMARK in Alaska. Mr. Apgar replied that the NPS engaged in a study of the liability of that concession because they have had a troubled history, and contract renewal is imminent.

Ms. Pendry talked about the Concession Contract Backlog Update. The backup is the 1965-Act contracts that have expired at their original time. Right now, there are 36 contracts on the backlog, and as recently as 5 years ago, there were well over 200. Most of the contracts on the backlog are the most difficult contacts in terms of leasehold surrender interest/possessory interest or other issues.

The Southeast Region is looking for a contract to determine redevelopment opportunities at Flamingo in the Everglades. The park has completed a redevelopment plan for Flamingo as there is a huge demand for services at Flamingo.

There is an interest in having new concessions where we have the need and for closing operations where we no longer have a need.

Mr. Linford asked if there is a trend here. Park use seems to be going up in some parks more than others parks, but he wanted to know if people are going into the backcountry. Ms. Pendry replied that when you have remote operations that aren't that big, the gross receipts are less than $1 million a year, or seasonal, for example from May to October, it's harder or it's not exactly the opportunity that a larger corporation wants. There is a combination of a lot of factors; the right fit has to be found. Ms. Coleman stated that, in California, if we don't get a bid, we can directly negotiate with a sole source. She wanted to know if the NPS has that ability. Ms. Pendry replied that the NPS has very limited sole source authority; it is only limited to a temporary contract that cannot exceed 3 years. So, our alternative is to sole-source and when there is a concessioner willing to operate on a temporary basis under a temporary contract, the hope is that it is successful enough that when it is put out for competition, it is awarded for a longer term contract.

8. Rate Approval Review and Standards, Evaluations, and Rate Approval (SERA) Project Update - Kurt Rausch. Mr. Kurt Rausch provided an update on the SERA project. SERA is a program put in place to update our standards and classification process for the services that we provide. These have not been updated in about 25 years. This program was initiated over a year ago and focused on three major service areas. They were lodging, food & beverage and retail operations. Currently, 90 percent of the design for operations standards and classifications has been completed. The evaluation portion of the project is currently underway. That includes a comparison of the industry evaluating standards and the NPS standards using various methods. Mr. Rausch also noted that the NPS is taking the opportunity to look into its own standards and methods to determine visitor satisfaction compared with the industry. The question was asked, “When do you feel you might be ready to test that concept?” Mr. Rausch replied that the concept will be ready for testing this year.

8. Sustainability Forum – A discussion of Best Practices Opportunities and Challenges.

Mr. Rausch reported that the idea for a Sustainability Forum stemmed from the NPS being asked how they were doing, what they could do better, and what are the challenge points to move the process forward. Commercial services and concessioners are leaders in the sustainability and hospitality business, and this forum will highlight the things that NPS is doing very well. Mr. Rausch reported that there has been some discussion about water bottles and the use of water bottles in parks and how that should and shouldn’t work out. He also mentioned that there was a discussion of healthy foods, and that there was going to be a large “Healthy Parks/Healthy People” forum out in San Francisco in April. Mr. Rausch reported that there are other topics like recycling, and that there is a climate change strategy within the NPS that’s been complicated in its interests and understanding how commercial services fit into that. He also reported that the NPS is in on-going development of new contract prospectuses, and the NPS is interested in looking at how sustainable practices can be more permanently integrated into commercial services.

Mr. Rausch said the forum would be broken into three major pieces. He mentioned that he had three guest speakers from outside of the National Park Service that could provide a unique set of perspectives in terms of what we might be able to do.

9. Sustainability Forum – Mr. Bill Becker – (See handout **-** Sustainability in America’s National Parks & Concessions – William S. Becker). Mr. Becker congratulated the board for its focus on sustainability. Mr. Becker wanted to start by talking about the environmental pressures and economic pressures that are pushing them towards sustainability, and that there is also pull. He said that they are at a crossroads right now in how they design their economy and how they respond to environmental pressures, and how they are reaching a really critical point.

He said that there are more people in the world's cities than ever before, and that urbanization is happening very rapidly, more rapidly than it can be done intelligently. Mr. Becker reported that fossil energy use is contributing to our quality of climate change problems, that we have the capability of making a bigger imprint on the environment than ever before. Mr. Becker said that the cost of environmental damage caused by human beings in 2008 was $6.6 trillion according to an estimate by the United Nations, which at that time was a significant percentage of the global GDP. Mr. Becker also reported, according to the UN, 3,000 of the world's largest companies were responsible for about a third of that damage, so the corporate sector has a huge role in backing them up in helping solve some of the problems.

Mr. Becker said that the National Park Service has the best classrooms to demonstrate and talk about stewardship. He said that that is the place where their businesses can co-exist with the ecology, where human beings can co-exist with natural systems, where they have hundreds of millions of students going through every year and where the park experience, at least in his experience, is so awesome that it creates a teachable moment, an appreciation that he would not otherwise have had in his life for the natural systems around us and how important they are spiritually, and as he will show, economically. Mr. Becker said that sustainability is defined in lots of different ways, and there's been debate for years on how to define it. He said many people talk about the "triple bottom line", talk about the "three E's:" economy, environment and equity, the "three Ps:" profit, planet, and people, but that, in practice, there are at least four components, and probably more: Conservation, mitigation, which is a fancy word for preventing damage, restoration, which means restoring some of the ecosystems and services that have been degraded over time by human development or national factors, and adaptation. Mr. Becker said that the Harvard Business Review tried to dispel the notion that sustainability is as expensive as non-sustainability. He went on to explain that there is a feeling out there that, renewable energy technologies, for example, are more expensive than conventional energy, and sustainability is more expensive than non-sustainability, and that often is not the case. Often, sustainability is an investment of intellectual capital, and not necessarily financial capital. He said that some parts of sustainability are expensive, but depending on how you count, the cost-benefit ratio is often quite positive.

There are some sectors that have a major impact on sustainability. One is the" built environment": buildings, parking lots, and roads. Mr. Becker said buildings and built environment are major contributors to their total energy use, our consumption of electricity, our greenhouse gas emissions, and our waste of raw materials. Mr. Becker then went on to speak about the impact of worker productivity and the experience inside buildings where we spend a good deal of our time. Mr. Becker then cited research that said indoor air quality improved with energy efficiency and removal technologies, reduced sick time among workers, and decreases the error rate when they are writing. Mr. Becker said that they spend much more in commercial building and office building on salaries than they do on energy. Mr. Becker that if they managed to save 1 percent or 30 percent of their energy that that's great, but that the real savings is in preventing loss of work days, or other impacts on the productivity of their workers.

Mr. Becker then went on to speak about another issue, water, and said they pay quite a bit for it, and they will be paying more in the future. There are very simple things we can do to reduce our water usage and the cost of water: fixing leaky toilets, dual faucets, faucet aerators. Thirty percent of waste comes from packaging. Plastic water bottles not only end up as waste, but a lot of oil consumption goes into producing these bottles, as it is one of the molecules for the plastics and products on our shelves today. Mr. Becker went to speak about climate change. He mentioned how responsive the atmosphere was to influxes in the environment. He said the impulses are natural and man-made gases that are going into the atmosphere that turn into a blanket hold the sun's heat inside that blanket and warm the climate. Climate change can be an unusual topic because you don't have to believe in it to believe in solutions, because the same thing we do to address climate change we also need to do for all these other reasons. Any one of these is a way to directly, or indirectly, define change in policy and to reduce that influence we have on the environment.

Parks in the west have been identified by the Natural Resources and Defense Council as the most at risk to the predicted impacts of climate change. Mr. Becker said the parks themselves are tangible examples of the impacts of climate change; they are ecosystems many people visit and where we can see climate change manifesting, so there is an opportunity to educate people who visit parks to understand this problem more. Mr. Becker then spoke about what corporations are doing to "go green." He then talked about the "Garden Soil" project, which asks companies to voluntarily report their carbon emissions and their climate risks, and his bar chart shows that more and more companies are becoming compliant with this. Coca-Cola is campaigning sustainability across seven key business areas in its company. One of its big challenges in reducing water consumption in its product, is its promise to replenish the nature by replacing the same amount of water it uses in beverages. Diversey is a manufacturer of hygiene and cleaning products, and it has committed to cutting its greenhouse emissions by 2013 and a $31 million operational savings over the next 5 years at the rate of return on investment at 163 percent. Chipotle, food with integrity, is committed to purchasing a quarter of one of its product lines from small to mid-sized local farms. The Federal Government issued an Executive Order on sustainability that set these goals; they are a very good guideline for how well we do business in the country, and perhaps, in corporations. Mr. Becker said to show their visitors not only the impacts of climate change or environmental damage, but the good things you are doing in a way where they can take home what they learned from the park. The National Park Service is offering regular sustainability training with concessioners covering principles of this, business cases of sustainability, where the low-hanging fruit is, how to interpret it and how to work within a contractual system in the procurement system to achieve some of these goals.

10. Sustainability Forum – Dr. Donald E. Hawkins. (See handout – Sustainability Forum Challenges & Opportunities). National parks are the ideal environmental classrooms as Mr. Becker pointed out. Dr. Hawkins stated that international arrivals worldwide continue to move forward and that in 2012 he expects that we will reach 1 billion travelers, and by 2015, 1.5 billion travelers and that doesn't include domestic travelers. Dr. Hawkins said that Mr. Becker asked if tourism is a "friend" of the environment and climate, or is it a foe. Actually, both, Dr. Hawkins said. We're both victims and the victor, and we have the political realities we have to deal with, with our current Congress with some major challenges underway and what will be the impact on the tourism industry based on their actions.

Dr. Hawkins continued by saying there is travel promotion that is bringing new revenue to promote the United States in the international market. Dr. Hawkins said that according to the U.S. Travel Association we are seeing a tremendous recovery and will probably exceed all previous records in 2012. He said that in 2011 they expect to not only be in full recovery, but they will see their previous targets in 2012 be more robust. He said there is a new indicator that the U.S. Travel Association, in partnership with Travel Horizons, what are the relative travelers had sanctioned with different types of perks we offer in terms of sector. He continued by saying that airlines were the lowest, rental cars were next, hotels had a higher level of satisfaction. Interesting is that the highest level of satisfaction is with the cruise lines. He said that financial concerns are still out there as you all would recognize in your businesses, the price of gasoline is very dominant, and there are a lot of concerns in the marketplace there. He said we are seeing very substantial change and may create some constraints in travel activity in the months to come, but, on the other hand, they are seeing less sensitivity to the price of air travel, cost of theme parks and attractions, personal debt, rising cost of health care, high-level credit card debt, and are all of these declining past concern? No, he said, they're very substantial, but at least we're moving in the right direction in terms of the market.

Dr. Hawkins said gas prices are continuing to be a substantial concern and that, as of March 8, is around $3.52 a gallon and that this is a substantial constraint on their sector. He also said that about 59 percent of U.S. adults are planning at least one leisure trip between February and July of this year, and those are 7 million more travelers for the coming season. He said they also have the opportunity to entice over 40 million travelers who are not sure if they are going to take a leisure trip, so there is a tremendous opportunity to penetrate these unsure travelers. He said he looks for the next 6 months that people still define travel as a right and not a privilege, so they have been ingraining that into their culture which is good for them from a business point of view. He also said that they will still see more remaining closer to home relative to their interest in driving longer distances, so gas prices will be a concern. He said these gas prices could affect household budgets, and they're still going to see interest in frugality – value for money, but they will see more leisure trips, and travel intentions in the leisure market up slightly. Dr. Hawkins then spoke about how international visitors are coming back to the US, and how they spend more – an average of $1,800 per trip – they stay longer, an average of 18 nights in the United States, it creates a very positive economic impact with a $21.1 billion trade surplus. They stay in motels and they seek out national parks. And, as we look at the visitors from abroad they are seeing substantial increases beyond 2009. He said that travel overseas is 12 percent and they are seeing some gains in Canada and major activity in Brazil, South Korea, and China in bringing international visitors to the United States. Dr. Hawkins said there is a big challenge in joblessness; unemployment and under-employment are all hampering the recovery effort.

Dr. Hawkins said his new focus is on some concerns he would have if he were in the concession business. He said that the whole movement today toward "responsible tourism" is where responsibility comes through the triple bottom line, and that responsibility is something they need to look at as businesses in terms of where we are going to go in the future. Dr. Hawkins said that, in today's marketplace, people want to go beyond sightseeing and are more interested in more "give-back" activities. He said the issue of volunteering activities may be something they want to consider. He said visitors want authenticity; they want to take care of the environment, and really transformative types of experiences. Dr. Hawkins then asked, “Do tourists really care?” He said that 44 percent of U.S. drivers consider environmental impact when they plan travel, 78 percent of UK travels say they will choose holidays designed to be responsible, and 94 percent of young professionals are inclined to work for a company that is environmentally responsible. He also said that 35 percent of travelers would pay more for an environmentally-friendly holiday and responsible travel, 87 percent are interested in locally-produced food, open cultures and guides.

Dr. Hawkins then asked about how their industry can be more responsible. They have to have a way of creating standards, performance criteria, and evaluation so we can recognize those that are in a high level of performance, but help those that are at a low level of performance get better.

11. Sustainability Forum – Mr. Hervé Houdré. (See Handout – Sustainable Hospitality – Triple Bottom Line Strategy in the Hotel Industry). Mr. Houdré said that he would like to see some criteria for back country and/or stock operators. He said he understood the importance of hotels, but there are probably a number of criteria that they need to get best practices for a lot of the activity providers in the park system. He also said he thinks it would be a great idea if we could create a certification process that NPS conducts or recognizes by a third party, where meeting that criteria can get someone extra credit, if we do the evaluation system that gets beyond ‘good’ or ‘no good’, and actually recognizes superior performance. He said that one of the criteria for superior performance on the park evaluations would be that you have achieved a level of certification for sustainability and perhaps reward comes as the result of extensions, so I think that type of criteria would be very helpful.

12. Sustainability Forum – Comments and Remarks The comment was made that concessioners need some kind of certification for people so they can have a kind of standard in these facilities and perhaps concessionaires would get credit and really have an international standard. Dr. Hawkins stated that there are about 140 different types of certification programs out there, but the Sustainable Tourism Council is going to use certain criteria to actually credit certification programs.

13. New Business. Mr. Rausch concluded comments and remark son the forum and opened the meeting to other business. He said that Terry McCrae wants to comment on some potential initiatives that the NPHA is proposing. He also said that he did receive from Wade Willis of Science Now, an inquiry concerning how guide/outfitter concessions in Alaska are awarded and how they have received requests to comment on the increase in insurance requirements for river guides.

Terry McCrae, speaking as the National Park Hospitality Association Board Member, said that the NPHA had a 2-3 day board meeting in Washington, DC with their members, many of whom were major concessionaires from within the parks. During their meeting they met with the Department of the Interior, interacted with Congress, and participated in the Advisory Board. Mr. McCrae then spoke on reducing budgets, and said that since they are all in one form or another attached “at the hip” with respect to the Federal Government budgets, they wanted to be proactive on it as an association, so they spent some time talking about scenarios that might be fruitful in helping with responses to changes in the budget, as well as changes in the parks that would be beneficial to them as concessionaires. He thinks there is a paradigm shift on funding coming that may not be as harsh for the NPS than for others. He went on to say that they have developed a multi-point program to start discussions that will help the stakeholders and the public to get the credibility they need in Washington; it’s called the Better Visitor Services Initiative.

Mr. McCrae then spoke on the initiatives that make up the program. He said that first is to improve the infrastructure, particularly with the intent to attract more visitors, there are a lot of places visitors would want to go if there were better services and more services. He said the next point is to revitalize NPS campgrounds. In this area, he said, there are a number of campgrounds that have been taken over by concessionaires with the blessing of NPS over the years, where they have had more activity and increased utilization. The public is winning, the NPS is winning, and the concessionaires are winning. He then went on to a third initiative, one that encourages concessionaire investment in parks. He said this is more complicated because the NPS struggles with possessory interest/leasehold surrender interest, park maintenance, and things like that. From their standpoint, many of the opportunities are linked with the length of the contracts. The concession contract allows for longer-term contracts, he said, but the NPS has chosen not to take that approach at this point in time. He said they are suggesting rethinking that NPS lengthen them significantly to create more appetite for investment, and if there is a shortage of capital, they're going forward with new budgets, and that might be a nice way to help out. Mr. McCrae then explained another initiative in rethinking park fees. There has been some discussion, but there are opportunities in a lot of places for locating adjustments in the pricing, so when there are people standing in line for two hours happy to pay more, they should let them pay more. And, if they are feeding more people during the off-season, that's when they should be charging less. He said most of the world works on yield-management pricing or dynamic pricing, but mostly the National Park Service doesn't work that way. Mr. McCrae said they also spoke about the opportunity to find strategies besides fee-free days that could help promote the parks, which led him to the last area which is the need to promote, market, and educate visitors about the opportunities in the park.

He then spoke about the National Parks Promotion Council (NPPC). Its main goal is to promote national park participation and visitation. The objective is to have all 394 park units have somebody looking out for them in the context of attracting visitation and communicating the benefits of needing the parks. He said the NPPC is up and running with a year of activity and two great successes. One was a Youtube video campaign, as well as joining Facebook and Twitter last year. They got a lot of cooperation from the parks, and once it was running, the NPPC produced 120 videos presently up and running. They are all 1-5 minute videos filmed by kids, directed to kids and those videos have over 250,000 views on Youtube. They are able to survey the people who look at the videos, get good feedback on why they look, what they look for in them, and what they want to do from them. He said it is a good starting effort in terms of outreach to the segments that are not supporting the park as much as everyone wants them to. He said that the second initiative of the NPPC was having a research summit at Yosemite. There were great findings as a result of starting with a good presentation of the research work that has been done before and could be used to help understand how to promote the parks and increase visitation in the parks and getting the right people at the right time in the right places. He said there are outreach and research committees in the NPPC, and both are fully engaged. The last time the research committee met, there were two specific initiatives they began to speak with NPS about. These programs require capital so they have a fundraising campaign and committee they are working on. The NPPC wants to make sure the NPS know they have a vehicle to do projects and promotions and do things to encourage visitation to the parks, and they are hoping to work in concert to help each other accomplish their missions.

Ms. Coleman stated that the National Association of State Park Directors (NASPD) is trying to broaden their messaging to more than the public; NPS is trying to engage the youth in particular and their interest in the outdoors. NASPD launched American State Parks last year for the whole park system to have universal messages. She said she thinks it would be important to see those messages for the American State Park website and the NPS. The fact of the matter is that State park visitors go to national parks and their visitors go to State parks.

Ms. Deborah Harvey stated that in her experience, line items have been pretty helpful for major rehabilitations of concession facilities. She said if you get rid of those large capital dollars, there is not a national pot anymore, and the best source is going to be entrance fee money and concessions money.

She said those are not drying up the same way, because so far as the economy rebounds visitation at parks is picking back up. Jo can speak to the national numbers, but at least in the Pacific West they are not seeing a huge dip in franchise or gross revenue from their concessionaires. She said part of this is just a financial decision by the NPS. Ms. Pendry added that with the possessory interest in the 1965 law and how possesory interest is valued, the NPS believes there are many cases where the NPS paid more for a facility than what it was really worth on the open market. She said they took facilities over that had significant curb maintenance, so the park service paid too much, got a building that needed a lot of work, put that work in the next contract, and lower the franchise fee. The comment was made that there is a lot of history where the NPS could have been take advantage of by the private sector in times past, but they sit here today with parks that need capital. The commenter said the only pot of capital they all have access to is a giant stream of revenue that comes into the parks via visitation. So, the most revenue is the concession operation. He said the fact that the NPS may have been taken advantage of in the past should not be a factor in today's discussion.

Ms. Pendry commented that yes, the NPS has gotten savvier, and as they renew contracts they do very thorough condition assessments and they put in the contracts requirements for care and maintenance. Typically, they burden those costs in the first 3 years of the contract, so that by the time the next contract comes around they have a healthier contract. They also, in cases where it is financially viable, they will use the alternative Leaseheold Surrender Interest (LSI) law, which allows them to depreciate LSI. She said that where there is need for new investment, they will continue to do that where they can. The NPS has spent significant amounts of appropriated funds for maintenance for some concession facilities, including $50 million in franchise fees to write down possessory interest (PI) on contracts that would have been infeasible if the PI had not been written down. Additionally, management policies must be followed, which says you first look to the gateway communities. If a service is available, like a hotel, for example, in a gateway community, you are discouraged from building a hotel in the park, so they would look first to gateway communities to provide services. One commenter stated that if there is an opportunity to invest someone's money in projects they have, that can have a positive impact on the environment. If there is an opportunity to invest this capital in projects that are good for what we are talking about today, then what is holding them back from doing that?

A concessioner responded that you can't confuse the bookkeeping system with the investment system, one supports the other. But the fact is, if you take the deferred maintenance concept and have the opportunity for a 20-year concession agreement that produced x-million dollars of cash flow, whether you are buying new assets or fixing someone else's deferred maintenance, you have greater opportunity with a longer investment cycle. He said you don't want to buy equipment that has a 10-year life with a 3-year contract, just as an example. He would like to know why the 10-year rule has been established for most of the concessions, each one here operates a different kind of property and strategies as to how they might do that. He also said some concessionaires have the ability to offer more upfront dollars to make improvements, others will offer their improvements over a longer period of time, and the shorter contracts limit the ability to do that. He said that you would see a lot more investment from the concessionaires who have longer-term contracts, at least that's our view of the way it works. Ms. Hecox said that, in the law, Congress states a clear preference for 10-year contracts. There is also a policy preference for the 10-year contract that reflects the statutory requirement. She added that at the end of the February the Signal Mountain (Grand Teton National Park) prospectus proposed for a 15-year contract, and those reflect a higher investment and financial opportunity not only for the concessions, but the NPS as well. She said NPS does recognize when longer-term is more feasible and thus a longer-term is proposed in the prospectus. Mr. Hyde said that the amount of profitability in these contracts flows out in three different ways. One is concession profits, one is franchise fees, and one is maintenance reserve funds. Each one of those has different constraints that control the money and what can be spent. He said, for some of the contracts, he firmly believes that there's not enough money left over to take care of all these buildings. Ms. Pendry stated that there is an uncertainty about LSI among park superintendents and concessioners. A concessioner said that typically, when a concessioner borrows money from a traditional lender, they know what the residual value is, they know when it needs to be paid off, it's written down 10 to 15 years ahead of time and, traditionally, the LSI can be all over the place. He said there is incredible uncertainty that the differences in LSI can be triple what one side believes it to be than what the other side believes it to be. It's a risk to the NPS and the concessionaires.

(Unidentified male speaker) He said maybe the problem is the uncertainty of the LSI PI, meaning, give me the contract saying, "ok, franchise P is X," "you'll loan us Y," and we'll pay back Y over the term of this contract at this rate of interest, and we'll go into fixing X, Y, and Z. He said, then you have the certainty, I don't really understand this idea that LSI is paying twice. If you're borrowing money, you're borrowing money, that's a reduction to what the fee is, and that's because the concessionaire is loaning money in addition to paying the franchise fee. Ms. Harvey said she thinks the message that isn't getting across is that there are other maintenance needs. Ms. Harvey said that NPS does a condition assessment every time a prospectus Is being prepared, so they know of all of their facility needs before a contract. They look at any maintenance needs at that time and determine if they should be packaged in to a capital improvement that may or may not incur LSI, and they look at how many years it would take to give the concessionaire the IRR they should be getting, but still take care of the facilities. She asked what the preventative maintenance is because they want to be fair and realize what financial impact it has on the concessionaire also. A concessioner said he thinks the term of the contract has as much impact inside the park service as it does outside the park service. He said the reason for that is if you make an investment outside the park service you have to earn it over a certain number of years to get it back. But LSI provides that payback whenever the contract ends, so, it has very little impact on concessionaires. He said given that choice, 10 years makes much more sense. Another concessioner said that he thinks that would be true if LSI was a definite number, but there are a lot of interpretations of LSI. Ms. Pendry said you're also looking at the great argument for the use of the alternative formula, in which you know and the NPS knows what you're going to get at the end. Mr. Horn said that at least the NPHA's position is beyond just LSI and PI, and looking at it from the concessionaire's perspective there are investments they should be willing to make as an operator regardless of reimbursement at the end. He went on to say that if you look at sustainability and other elements from an accounting perspective, you have an appropriate period to get a return on investment because you normalize it out over a reasonable period of payback; you are more inclined to embrace those types of things. Mr. McCrae said that it sounds like the focus coming out of this paper is on the term, but it sort of distracts. He said he thinks Mr. Horn's point, which argues more strongly that money concessionaires do take in gets re-invested as much as we can because there are so many other needs that have to come from some other place. He continued by saying that the length of a contract is one aspect of it, but if it can focus on the fact that the only source of revenues they have to work with are those that we take in currently. He suggested that there are utility companies that essentially finance these improvements because there are so many savings. He said he thinks the NPS could benefit from that kind of investment, too. Dr. Eyster said he would like to thank the NPHA for their proposals. He said he understands how the park service develops their prospectuses, their franchise fees, and they take into consideration the investments and possessory interests and a return to concessionaire as a given. He remarked that regardless of the term of the contract, compensation can be made for a shorter-term or longer-term contract that offsets the specific length of the contract. He also recommended there be some dialogue to alleviate some of the differences that are appearing. Ms. Harvey said that she uses a classic Return On Investment (ROI) analysis, but said she is sure they use Internal Rate of Return (IRR) and ROI analysis and you decide whether or not to bid, and NPS does the same thing.

Dr. Eyster said that the position paper they received from Science Now Project questioned the process by which the park service awarded various concessions. He continued by saying this was raised at their last meeting and attempted to address it by listening to the variables and issues. He also said the Science Now Project raised similar issues in that there has been inadequate comment on how concessions contracts are awarded. *Please see handout labeled "Alaska Region/NPS Commercial Guided Sport Hunting Policy" submitted by Mr. Wade Willis, Science Now Project.

Mr. Bill Horn, an attorney representing the Alaskan Professional Hunter's Association, said they have heard the criticisms from two individuals and they are not 100 percent sure exactly what their fundamental problems are with the program. He said that Congress was debating in the 1970s about the passage of an act that designated to Alaska millions of acres of national preserve units, and there was debate on how those units were to be managed. He said that there was a set of explicit promises made when the bill was being written that these traditional uses would be permitted and facilitated and they would be a variety of administrative provisions as a statute to ensure they could continue to access the proper use of flow planes, tent campsites, and provided for the continuation of the sport and guidance services. He cited sections 203, 1110, 1303, 1307, 1313, and 1316. He said the bottom line is that the NPS was in charge of the preserve units in Alaska for the first 10 years. He said the NPS essentially deferred to the comprehensive State scheme and that was the state of affairs for about 10 years. He continued by saying the State program was struck down in 1989 because the Alaska Supreme Court said the State of Alaska did not have the authority to provide that type of limited access. Then, the park service stepped up and set up the Sport Guide Program. It delineated areas, and the ability to provide hunt guide services in those zones. He said that the bottom line is that the presence of the guides in these vast preserve units is the direct outgrowth of explicit Congressional promises made in the 1970s, codified and multiple provisions in the 1980s statute and its been administered consistent with those promises by the terms and conditions of both concession statute and concessions regulation. He said the criticisms directed at the program need to be directed to Congress because that's where the program comes from. Another commenter said the Alaska Supreme Court found it illegal to grant commercial hunting concessions because it provided a limited number of concessions. He added that there was a break in a year between the end of one contract and the real wording of the contract and since it was not a continuous contract that that negated a preferential rate, and that's from everything we've received. Mr. Horn said that the State Supreme Court decision turned on what's called the Equal Access Fish and Wildlife provision in the Alaska state constitution. It said the state could not set up this type of limited access or limited entry type concession programs. He said Federal lands are not subject to the State constitution, and Congress derives its authority from the property clause of the Constitution, and the park service exercises its authority on Federal land. Mr. Horn went on to say that the park service routinely extends its contracts when it can't get its prospectuses up. He said it is a well-established park service policy that an extension doesn't impair or impact any renewal rights you may possess. Dr. Eyster said that the NPS is having a hard time figuring this thing out, but it seems to come down to two major objections which they say negates the policy of the park service. These two are either irrelevant or immaterial to your positions. A concessioner said that the state of Alaska was doing both the occupational licensing for hunting guides and granting commercial use provisions for hunting. The state Supreme Court decided that the method the State was using was unconstitutional under the State's constitution. Ms. Pendry asked Mr. Horn to address one other point Mr. Willis makes in his paper. A commenter said Mr. Willis states that the Alaska Regional Office is institutionalizing concessionaires while awarding exclusive concession contracts that are restricting public access to a public resource. She continued by saying this is the part I want you (Mr. Horn) to address: With no restriction on rates charged, and the astonishing right to sell the concession for profit, even though they are not recouping an investment in an asset in the park. Mr. Horn said that no one sells contracts. The regulation and the statute provide for transfers of contracts subject to NPS review and approval. He said he can think of about half a dozen transfers that have occurred in 10 years. He added that they all pay franchise fees, and that the public is not restricted. You don't necessarily need a guide, but there's nothing in the law that bars you from going out there as a licensed individual and engaging in hunting. Another attendee said, let's suppose I would like to have a contract assigned to me by an existing concessionaire. If I go to him and say "I'd really like this contract assigned to me" and the concessionaire says "how much is it worth to you?" I say, "if you choose me here's $50,000." Does the law preclude me from giving him $50,000 for it? Ms. Pendry replied that when we get requests for sale and transfer of contracts - our contracts cannot be sold as an asset - but we require a lot of information to approve the deal so we can understand the price that's being paid and how that relates to hard assets being transferred. She also said this oftentimes involves things outside the park. If it's the first or second year of a 10-year term, there's 8 years of good revenue out there. She added, we tend to be very careful, but we're not approving putting value on the contract itself. A commenter stated that they've had a lot of problems in Alaska over the years and these are very difficult issues, and by limiting the usage and not controlling the rates they're allowed to charge, you can have an escalation of value.

A panel member said he wanted to point out that in the sale of a business you're assigned a value beyond the physical assets and a company is entitled to be reimbursed for the goodwill they've built up. He said the park service and the forest service are pretty clear that you can't assign any of your purchase price to the application of a contract, so the other logical place is the good will. Dr. Eyster said there have been some comments from the River Running companies about an increase in the required insurance and they asked us to address that today. A concessioner said the park service seems to be insisting that river runners have a minimum of $5 million in insurance coverage, so we're just asking the parks service to go back and look at those numbers, see if they make any sense. Ms. Pendry said there is a park with a $5 million liability limit and the NPS has agreed to go back and do some further research to ensure those limits are correct. The comment was made that this may be a mischaracterization to suggest we established a minimum of $5 million. The risk assessment that is conducted by a qualified insurance provides the determination of risk and that limit is established based on that. Dr. Eyster said that, as most of you now, Jo is in transition now. Part of the deal was that she will be acting in her present position now until a qualified individual is found as a replacement.

14. Adjournment – Mr. Kurt Rausch adjourned the meeting.