

MINUTES
Concessions management advisory board
5TH meeting

WEDNESDAY, MAY 30, 2001 - 9:00 A.M.

Introduction

Cindy Orlando, Concession Program Manager introduced Joe Alston, Superintendent of Grand Canyon and Bill Johnston from AMFAC. Ms. Orlando reviewed the rules of engagement under the Federal Advisory Committee Act.

Welcome

Mr. Joe Alston welcomed all the Commissioners and explained that the issue of handicrafts has been a concern in need of resolution for many years.

Convene Business Meeting:
Call to Order, Introductions, Agenda Review,
Approve Minutes

Mr. Naille convened the 5th meeting of the National Park Service Concession Management Advisory Board at 9:00 A.M. and asked the Board members and participants to identify themselves.

Board Members Present: ALLEN NAILLE, Chairman
RICHARD LINFORD
RAMONA SAKIESTEWA
PHILIP H. VOORHEES
CINDY ORLANDO, Designated Federal Official

Board Members Absent: William Norman
Burt Weerts

Participants: Joe Alston Laura Sherrin Ron Everhart
Gloria Wells-Norlin Bill Johnston Art Hutchinson

Terry Povah	Dan Wenk	Ginger Bice
Georgianna Simpson	Dan Wink	Steve Lynam
Gene Waddell	Dave Rhinehart	Kathy Fleming
Jackson Clark	Joe Rentfro	Lita Ebersole
Sandy Poole	Raymond Gunn	MikeVerkamp
Susie Verkamp	Terry Goodrich	Henry Benedetti
Gary Fraker	Mr. Steers	Dennis Szeffel
Steve Tedder	Sherrill Watson	Jim Eyster
Judy Jennings	Edna Good	Curt Cornelssen
Ned Woodward	Derek Swickey	Jamie Johnson
Kendal Suwyn	Jerry Thompson	Jerry Swofford
Jane Verkayette	Susan Lakes	Jacki Blais
Jon Streit		

Mr. Naille reviewed the agenda and stated that the Board is going to discuss Native American handcraft issues as well as the rate approval process. Mr. Naille explained that the Advisory Board is required to submit annual reports to the Secretary on various recommendations which will include arts and crafts issues. He stated that as time goes on issues will be revisited and recommendations will be made. He informed the participants that a CFO position and a deputy director-type position in the Park Service was a previous recommendation that may be revisited today.

Approval of the Minutes

Board member Sakiestewa made a motion to adopt the minutes from the previous meeting, it was seconded by Board member Voorhees. The minutes were adopted without dissent.

Native American Handicraft Issues

Board member Sakiestewa provided background information to the meeting participants. She stated that the Board began by reading the book *Arbitrary Indian* which defines who is Native American and explained that it is a very complex issue because there are variances from tribe to tribe, and state to state making the policy difficult to work with. Board member Sakiestewa described the organizations that have provided information and materials relating to handicraft issues to the Board and reviewed some National Park Service policies regarding concessions. She stated that the handicraft issue arose at a previous meeting with the question of how to address and incorporate regional craft entities.

Presentation #1

Mr. Jackson Clark stated that his organization is trying to help the artists that they work with, working together to look after their best interests. He referred to a yellow handout and began his presentation with illustrations of the history of Navajo weaving. He described the various processes involved in the production of blankets and the many very fine differences between the designs and materials produced in the Navajo Nation. He discussed the role of trading posts and the historical influence traders had on production.

Mr. Clark noted that there are fakes and frauds that are marketed as Navajo weaving but this is not a big problem because it is easy to tell the difference between weavings created on a commercial shuttle as opposed to those created on a loom by hand. There are far fewer Navajo weavers as years pass and the average age of the weavers is growing older and older. He said there are young women taking up this art form because they love it, but that there is not a lot of money in it for them. He explained that the largest purchasers of Native American arts and crafts in the United States are the National Park and Monument concessions and that these institutional markets are critical to the maintenance of the Native American cultural lifestyle. He stressed that the concessions should train their employees and be dedicated to making sure that the pieces offered are authentic Native American art. Mr. Clark intimated that a buyer for a national park company is an incredibly powerful person in the lives of Native American artists and he expressed hope that the National Parks will continue to support Native American efforts to keep their culture and lifestyle alive.

Presentation #2

Mr. Gene Waddell explained his background in the Indian arts and crafts business. He said he is a dealer and it has been his life's path to find young up-and-coming jewelers and represent them around the United States. He stated that the National Parks and the concessionaire can do a wonderful job promoting and educating the public about Native Americans arts and crafts. Mr. Waddell discussed contemporary Indian jewelry and how it fits in the park system. He stated that he deals with 50 to 60 different craftsmen all of who have biographies that are documented. He explained that labeling is a big issue and the responsibility for it falls on the Native American, the dealer, the trading post, and ultimately the concessionaires. Mr. Waddell suggested working together to educate concessionaire staff on this issue.

Board member Sakiestewa asked how the authentication process is conducted.

Ms. Kennedy-Simpson responded that they begin with the artist and research his or her tribal heritage through the tribe itself.

Mr. Waddell stated that if an artist is not registered in the tribal census numbers, he sometimes has gone back to old family bibles to establish and document heritage.

Board Member Sakiestewa indicated that knowing who the individual artists are is a key issue because one of the tenets of the Indian Arts and Crafts Work Act is declaring who is an Indian. There is a federal mandate to follow the Indian Arts and Crafts Board., but not enforcement of that law.

Mr. Waddell advised that a dealer can provide artist information but if it is not important to the concessionaire to make sure this transfers to the customer then the process falls apart. He stated that there is much jewelry out there that 75 to 80 percent of the time does not have an artist's identification. He said education and labeling is the key.

Ms. Kennedy-Simpson discussed where the line is between what is Indian product and what is not.

Mr. Povah advised that all the Indian jewelry and handicraft he deals in, have invoices stamped with the vendor's assurance that the products are in fact meeting the regulations as set forth by the guidelines, but he would not actually know who the individual artists were.

A general discussion followed on the guidelines as they differ from the Park Service and the Indian Arts and Crafts Board.

Board Member Sakiestewa did not believe the Park Service has the kind of mandate to become the protector and guardian of cultural preservation, however, their guidelines should be in synch with the Indian Arts and Crafts law. Board Member Linford pointed out that Indian jewelry is moving very fast out of the traditional boundaries and wondered if that kind of jewelry would or could still be considered Indian jewelry.

Mr. Clark related how some of the new contemporary designs that did not fit traditional categories were not allowed to be judged. He thought this to be a dangerous damper on the creativity of artists. He also stated that there will always be fraudulent claims, both as to claiming native blood and to the manufacturing of items by Native Americans. The key must be to follow the guidelines as much as possible.

Mr. Waddell produced a partial list of materials used in jewelry today. Board Member Sakiestewa indicated that one of the problems with the program in Alaska was that the guidelines called for traditional folk art using exclusively natural materials. This may impair people's creative expression. The Legislation and the mandate talks about cultural traditions and the other side of that is an open-ended market place for individual artists to sell whatever they make. Board Member Sakiestewa thought that Mr. Waddell's list as well as the list approving materials for traditional versus contemporary could be very useful.

Ms. Kennedy-Simpson next addressed the issue of manufactured versus handcrafted items. She felt that coming up with a definition of what is an Indian handmade pot is the difficult question the Board must wrestle with. The word "traditional" becomes burdensome and the Indian Arts and Crafts Board tried to deal with that issue in that they specifically provided guidelines for traditional and nontraditional crafts to make allowances for the contemporary techniques in making artwork. It is important to start addressing all the contemporary techniques. Throughout Native American history techniques have evolved, such as the use of commercial yarns by weavers. The same goes for jewelry making. It is a serious limitation of an artist's expression to insist that a pot has to be hand-coiled and fired outside instead of in a kiln. A definition of how something is made should include a clarification of how commercial items are transformed to a crafted item be it jewelry or pottery.

A discussion followed on the terminology involving green-ware and how that relates to qualifications for it to become Indian-made.

Another item of discussion was the fact that something could be Indian designed, but not Indian made, disqualifying the product for labeling it Indian made. Ms. Kennedy-Simpson pointed out that there is a definition covering items that go from commercial to crafted items and would qualify as an Indian product under the regulations put out by the Indian Arts and Crafts Enforcement Act. This would occur when the characteristics of a plain pot are being transformed into an art or craft piece as a result of painting being applied with the plain pot acting basically as a canvas.

There followed a discussion on how the term “Indian Style” is being used in marketing products manufactured elsewhere.

Ms. Kennedy-Simpson stressed the fact that it is the concessionaire’s responsibility to represent things correctly and make sure that the people they buy from provide all necessary information to verify the product is authentic.

Gloria Wells-Norlin, member of the Little Shell Band of Chippewa in the State of Montana and founder/partner in the Native American Art Gallery in Bozeman, Montana next addressed the Board. She provided a brief history of her association with the concession organizations at Yellowstone National Park. Ms. Wells-Norlin related some problematic personal experiences with the buyer of one of the concessions with regard to horsehair products. She agreed with Jackson Clark about the difficulties encountered in selling bonafide Native American arts and crafts.

Ms. Wells-Norlin emphasized that the traditional tribal art of the Northern Plains Indians is based on animal parts such as deer hides, elk hides, moose hides, cow hides, hair and feathers, which are the very items being disallowed for sale in the National Parks.

Board Member Sakiestewa pointed out that this is because of a federally recognized standard for endangered species with which the tribes are familiar. She then asked the participating concessionaires to describe how they go about obtaining their Native American art and crafts for their stores. Board Member Sakiestewa brought up the Park’s mandate of regional representation and inquired if the concessionaires buy from just local artists or from all over the country. This would include other kinds of traditional non Native American craft.

Mr. Lynam advised that their operations across the country are interpretive to that regional area. Their buyers go out to the reservation throughout the year, working with both traders and artists.

Ms. Wells-Norlin exhibited some inexpensive, non-Indian made items she purchased at the Yellowstone National Park made in Taiwan and questioned why the stores would not sell

inexpensive Native-American items instead. There are Indian artists from every national who are willing, ready and able to provide the market with their art work. She provided the Board with a variety of items she brought with her from Bozeman, Montana made by Native American artists.

Ms. Susie Verkamp referred to the issue raise with regard to the mandate to use only items from the region and suggested that middle-range products made, for example, by an economic development project or tribal products not specifically from the region, would be preferable to foreign-made products. This would, however, possibly conflict with that mandate for regional products.

Board Member Sakiestewa agreed and mentioned that many Indians moved to Santa Fe whose tribal affiliations are not located in the Southwest and who will be included in a New York show produced by the American Craft Museum. This also causes confusion.

Board Member Eyster inquired from the concessionaires what criteria they use in deciding to accept Indian art and how much discretion they have in their individual outlets in accepting some items and not others.

Mr. Povah explained he leaves it to the discretion of the buyers who will go to trade shows. The buyers have developed and rely on relationships with various vendors in all those marketplaces. He pointed out that the bottom line is whether or no the merchandise will sell and make money for the stores.

A discussion followed on the consignment and payment aspects of the inventory of artwork and the difficulties this may create for artists who have invested time and money in their work.

Ms. Bice spoke about the dichotomy of regional Native American arts and crafts and the guidelines restricting the use of animal hides, as well as the fact that the parks general management plan may protect certain animals.

Ms. Orlando quoted the management policy in regard to artifacts and specimens for merchandising. She noted the very difficult task ahead in dealing with this situation.

Afternoon Tour of Merchandise Facilities

The Board Members toured the Grand Canyon merchandize outlets.

The meeting was adjourned at 4:30 p.m.

Day Two - Thursday 31, 2000

Board Members Attending:

**Mr. Richard Naille III
Dr. James J. Eyster
Mr. Richard Linford
Mr. Philip H. Voorhees
Ms. Ramona Sakiestewa**

Staff Attending

**Cindy Orlando
Sherrill Watson**

Reconvene Meeting

Chairman Naille reconvened the meeting at 8:30 a.m. He welcomed all attendees back to the second day of the Advisory Board meetings at Grand Canyon and gave a brief report on the informative tour of various concessions at the park.

With reference to a request for setting up a subcommittee to help assist this Board in looking into the entire Native American Arts & Craft issue, Ms. Orlando reported she received a mail message this morning from the Indian Arts & Crafts Board informing her that they had the new Regs. Ms. Orlando advised the regs would be shared and noted that there is a comment period of 90 days to review and comment on them as appropriate.

With regard to the work group for the Board, aside from board members and NPS staff, Ms. Orlando said she has asked the National Park Hospitality Association, as well as Delaware North, to submit names of folks who would participate with on this work group. It is anticipated that two or three field trips around the country will be held. A number of resource people in specific geographic areas will be utilized. Two names were received from the Hospitality Association and one name from Delaware North.

Chairman Naille advised the participants that holding a Board meeting in Hawaii would be too prohibitive for the entire board to go over there. He asked that possibly a subcommittee could look at the possibilities of getting involved with Hawaii artisans to see what their problems or needs are. He introduced Curt Cornelssen on the Price Waterhouse-Coopers.

Ms. Orlando prefaced Mr. Cornelssen's presentation in order to put some perspective on the presentation in the report. Last year the program contracted with Price Waterhouse to do a program analysis. Concession Program personnel as well as concessioners were

involved in the interview and survey processes. The analysis incorporated these results. She emphasized that these were comments, concerns and issues that came back from the field, regional offices, and concessioners. The presentation today is basically to get more feedback from the larger public, which will then be drafted in a document to be presented at the Chiefs meeting in a couple of weeks. After that, the final program analysis will be sent out. This should be viewed much like any strategic planning document. It is a living, breathing, vital document, it is dynamic, it can be changed and should be, and should be revisited on an annual basis. She asked Mr. Cornelssen, to the degree that he could, to tie in the issues addressed in the action plan with the recommendations in the Advisory Board's report, especially so with the NAFI report.

There were a couple of recommendations that the Advisory Board made regarding the organizational structure of the concession program in regards to the total agency picture. Although Ms. Orlando could not confirm anything officially today, rumor has it in the Park Service that there will be a new Associate Director for Partnerships and Businesses. Even though this is unofficial information at this point, it gets to the heart of the Advisory Board recommendations, the GAO Report, and numerous IG reports.

Mr. Everhardt stated that pending the completion of the government restructuring initiative the President has just launched, this is likely to mean extensive reorganizations for at least three of the regions that are currently an SO organization. The first deadline on Phase 1, mostly data collection, for the government restructuring initiative is June 18th and then Phase 2 begins after that.

Board Member Voorhees asked to be provided with details on what exactly the Restructuring Initiative entailed and Mr. Everhardt explained that there has been some talk about consolidating some of the functions and professional services, but it is doubtful whether a full time SES person would be needed in professional services. There still may be five associates, but they would be allocated different functions. The initiative is essentially the same, they want to reduce layering within the government, reduce the numbers of supervisors and try to enhance the number of people that they consider to be field people that provide services directly to the public. This was lodged last week by OMB and very preliminary instructions for the Department of the Interior were received. There are seven organizational structures in the Park Service and none of them are very similar. One of the things that may well come out of this particular workforce restructuring is some request that the National Park Service reconfigure its region yet again.

Ned Woodward stated that this issue on reorganization, and according to a nice sharp graph by Mr. Cornelssen at the last meeting, was a disconnect between the leadership in the Concessions Program and the execution of the program in the field. The issue is still if you had an Associate Director for business and partnerships, you don't want to have a fix that doesn't fix the problem. You need to have that connection to the execution of the program in the field. In procurement contracting they use a tool called "warranting" to make sure that standards get down to the field level. He stressed that something needed to

be done either structurally or through some tool mechanism to align the tactical execution in the field with the strategic direction in headquarters.

Mr. Cornelssen commented that the top 50 contracts require very much of a corporate approach, a corporate oversight. For the other contracts, in fact, it would be just the opposite in a way in that there would be corporate standards and corporate procedures, but there should be a high degree of autonomy for the people at the park level and at the regional level. There has to be a higher degree of oversight for those higher contracts, which means probably more oversight and reporting on those big contracts, and a simplification of the other 550 contracts.

Chair Naille stated he actually questioned what the Park Service's position was with the possibility of having an outside organization such as PWC that can assist on each of those contracts and asked if that was being done at all.

Ms. Orlando stated she wanted to address one other recommendation of the Board, the rate approval process which is being investigated further with possibly more changes coming down the pike to that program.

Mr. Cornelssen pointed out that in trying to professionalize the program and increase competencies and injecting new people into the system with more business orientation, if there is no position available, nor the organizational structure behind it, essentially a management career track or business career track in the Park Service, it would be a waste of time trying to attract good people. It is important to have a concept of a business or management career track within the Park Service.

Mr. Cornelssen referred to a copy of the briefing that was handed out, a National Park Service Concession Program Action Plan. This was not the actual Action Plan, but essentially a presentation from the Action Plan to keep it simple and presentable without getting very detailed. The goal of PWC's program review was to come out of it not just with an understanding of what could be done to improve the Concessions Program, but in knowing what an action plan is all about.

DISCUSSION OF DRAFT ACTION PLAN

- Concession Program Mission

The National Park Service will provide, through the use of concession contracts, commercial visitor services within the parks that are necessary and appropriate for visitor use and enjoyment. Concession Operations will be consistent with the protection of park resources and values and demonstrate sound environmental management and stewardship.

- **Concession Program Vision**

The Vision consists of three different phases. First and foremost, the big issue is the contracts that are either expired or about to expire. Of the top fifty within the next two years at least half will have to go out for re-bid. These are extremely complex, legal, financial, structural documents that involve in many cases tens of millions of dollars of assets, lots of revenue, lots of accounting, lots of appraisal issues. The emphasis really needs to be on these large contracts and getting the program organized to deal with these contracts.

Phase I, Short-term (2001-2002) - The Concession Program will re-engineer, reorganize and develop a strategic oversight function to mitigate the legal and financial risks associated with management of high value concession contracts. In the short-term, the focus will be on the major contracts that are rolling. Additionally, the Program will develop protocols, models, strategies and approaches to deal with the small/medium value contracts, although the goal would be really for the small or medium size contracts to provide more simplicity and autonomy to the field, to give them the standards that they need and then allow them to do their jobs because they are very capable of that.

Phase II, Mid-term (2002-2004) - The Concession Program will evaluate its major management processes focusing on areas of improvement and simplification. Staff competencies, models and training will be further evaluated and enhanced. The focus would then shift hopefully after some of these large contracts have been rolled, some oversight procedures have been set up, improvements have been made, and really focus on the management processes to try and re-engineer some of the management processes, looking at staff competencies, and training.

Phase III, Long-term (2005) - The Concession Program will be recognized by internal and external stakeholders as an outstanding fiduciary of National Park Service Concession Assets. There is a lot of work to be done to make that happen, but it is doable.

Mr. Cornelssen next discussed each of the Goals:

- 1. Develop and execute a prudent management plan to roll out all the contracts as expeditiously as possible.**

The program is recognizing to deal with some of the large contracts, that more time is needed to go back and try to refine some of the components of the contracts, simplify some things, tighten up others. And that takes time.

- 2. Ensure the National Park Service exercises its fiduciary responsibility related to concession contracts.**

The Park Service is in the business of asset management where it is acting on behalf of the owner, that is the U.S. Government, the American taxpayer, to ensure that visitors are well served and that the facilities are well maintained, and also to provide the concessionaires with the opportunity to make their money and do their job.

3. Enhance the suitability and quality of concessions in the Park Service.

There is an opportunity for the Park Service to go back and tighten up some of the standards and procedures.

4. Ensure Concessions represents sound environmental management, which is absolutely critical.

5. Ensure staff competencies are appropriate for the program.

6. Enhance relationship with internal and external stakeholders.

Board Member Linford asked for an example of an internal vs. an external stakeholder and Mr. Cornelssen explained that an internal stakeholder would be like the National Leadership Council, and the Board is almost like internal/external. It is authorized by statute, with concessionaires being external.

- **Goals & Strategies - (1) to develop and execute a prudent management plan to roll all contracts as expeditiously as possible.**
 - **The first strategy is to develop a plan for high value contract rollovers.**

Ms. Orlando clarified that Price Waterhouse is not doing any contract, but is identifying strategies and specific needs for the large contracts, benchmarked with the private sector. The Parks are still doing the contracts, the Regions are still doing the contracts. The goal is to have a model prospectus that can be used and that sets the standard for what the contracts should look like.

Chair Naille inquired if presently the Park Service does not have a good inventory control on what the Concessionaires own.

Mr. Cornelssen said it was a little too early to render judgment, but what was found so far was that for the contracts PWC looked at, the inventories are pretty incomplete.

Chair Naille stated he was under the impression PWC was putting together a model that will be taken to the field, but not Price Waterhouse's expertise along with that.

Ms. Orlando explained that what was asked of PWC was to take a look at the legal and legislative requirements under which the program operates; to take a look at the contracts,

the prospectus documents from a business standpoint which have never been looked at from a business standpoint. The program has contracted with Price to give business advice as the program puts these together, and then work with the field and the parks, and provide them with the protocols and the model prospectuses that will include all the important pieces that Mr. Cornelssen was referring to.

Ms. Orlando further stated that what is being established are protocols and standards and model prospectuses. The concept is that the entire National Park Service can access a business advisor that is outside of the Park Service, if indeed that kind of expertise is needed.

Chair Naille discussed the need for bringing in outside assistance in the roll over of these contracts, and wondered if that was being done or not being done. He felt that outside assistance was something that the Board would like to see. Ultimately, Chair Naille wants the Park Service to make the decisions and take the responsibility, but at the same time have that expertise available to them.

Mr. Cornelssen continued his presentation and stated that a preliminary plan has been developed in conjunction with WASO and regions for the top 50 contracts. PWC is currently working on detailed strategies and resource requirements on the most imminent large contracts.

- Develop a plan for small/medium contract rollover.

The regional concessions chiefs addressed this issue in terms of beginning to develop some protocols and standards for the small/medium size contracts.

- The second goal is to ensure that Park Service exercises its fiduciary responsibility related to concession contracts.
 - Redesign Concession program organizational structure to increase fiduciary oversight.
 - Completed working session with regional concession chiefs to develop a detailed plan for WASO reorganization
- Review and improve concession program management and business processes.
 - NPS has worked with PWC to develop a pilot process for standards, evaluation and pricing.

- PWC is currently evaluating and redesigning the contracting process to include data collection, due diligence and prospectus development for high value contracts.

A lengthy discussion followed Mr. Cornelssen’s presentation with regard to the standards.

Mr. Cornelssen noted that the four largest activities from a revenue standpoint, generate about \$150 million for retail, \$150 million for food and beverage, \$150 million for food and lodging, and then the fourth largest is marinas at about \$80-\$85 million. There are definitely national standards for the four product types, very good national standards that, you know, can be used.

- Enhancing oversight for all contracts.
- PWC’s high value contract review includes enhanced oversight tools and technique

Goals & Strategies - (3) Enhance the suitability and Quality of Concessions in the National Park Service.

- Improve the use of commercial visitor services planning in identifying suitable visitor facilities and operations.
- Larger NPS issue. WPC is concerned that solid market research and analysis is lacking for visitor facilities.

Mr. Cornelssen pointed out that planning is not controlled by Concessions, but is controlled by part of the organization even though the commercial side of planning is critical to the mission of Concessions. He noted that the larger issue is not identified in this report and that it is elevating the status of concessions within the park, so discussing maintenance, concessions is there at the table. There are maintenance issues for concession facilities that are government-owned titles to those facilities. The planning process, Concessions has got to be at the table in the early, early stages of that process.

Chair Naille noted that this also spoke to the problem that exists with the “stepchild” syndrome with concession management within the system, and how it needs to play a bigger role in the future.

Ms. Orlando thought this to be a good example of an area where one would want to contract out, for example, the market research piece, component of the CSP.

A lengthy discussion followed on this subject.

- Develop and implement measurable quality standards for all visitor services land uses.
- Relates to development of a pilot process for standards evaluation and pricing in Goal & Strategy #2.

Ms. Orlando reported that the environmental program is still being developed. The individual parks, however, are already doing very specific things in relation to that. PWC is not involved actively in that and that program is rolling pretty much on its own.

Board Member Voorhees asked to what extent any thought was given to incentives of any kind for concessionaires to be more proactive in the area of environmental management.

Ms. Orlando explained that she was trying to incorporate within the contracts performance-based contracting measures that would, in fact, be an incentive built into the new environmental program. The program is proactive in terms of nominating its concessionaires for the awards that exist within the government.

A general discussion on this subject followed.

Mr. Tedder mentioned that a lot of additional costs that are being incurred by concessionaires moving forward on these programs that is not being done outside the park in terms of a comparable. That has to be addressed in some way in the performance review of the concession contracts. Bringing along program managers for the big parks is an additional cost, and additional staffing to provide that just has to be considered when the performance ratings are put together on the relative contracts.

Mr. Povah related how his group had put together an environmental plan in its bid that was very extensive and was going to cost money, not save money.

Board Member Voorhees wanted to know if there were any savings in the disposal costs for refuse because of recycling and Mr. Povah agreed they were saving a lot on recycling because they were taking out literally tens of tons of cardboard and other recyclable materials. The reward for that is that this is given to the recycling centers, and because the Park Service has a basis that they have to maintain for their garbage, they raise the rate. So, for cutting the refuse less than in half, or more than in half they raised the base rate and the concessionaires are paying more for garbage now because of the recycling.

Mr. Cornelssen continued with his presentation.

- Ensure Staff competencies are appropriate for the Concession Program.**
- Determine and assess staff competencies for the Concession Program**
- Ongoing requirement**
- Develop staff training and monitoring program to ensure competency enhancement.**
- Contracted with Northern Arizona University to provide training on essential competencies**
- Currently working with Army Hospitality and Recreation Academy on Contracting Certification course.**

Ms. Orlando announced that the Concession Program is ready to hold a pilot hospitality program that will kick off next semester at NAU after Labor Day.

Mr. Benedetti reported that with regard to contracting his work group is developing a contracting certification course. There will be a meeting back at the training center during the week of June 25th. The course will deal with category III contracts.

- Enhance Relationship with internal and external stakeholders.

This is called the public relation side of the concessions program, internally and externally. It is something that companies do, internal reporting and external reporting, getting organized in terms of the contracts, the type of contracts, the assets involved, the revenues. It should be on a quarterly reporting system.

- Develop reporting tools for contracting status and asset oversight.
- Ongoing requirement

Mr. Cornelssen explained that they did a preliminary review of overall staffing for the resourcing perspective program to come with a number of staff was appropriate. There are major caveats. One is the Park Service is not in a steady state right now because of these major contract rollovers, and the other is, it was found there are some regions and parks that may be either over-staffed or do not have the right kind of staff, in terms of technical competencies.

The finding, when looking at competencies, was for general management skills, and that most people in the program have those general management skills. But when it came to technical skills like, such as financial analysis, finance of hospitality or recreation industry knowledge, the program was lacking in those areas.

Ms. Orlando explained that this whole action plan also was the result of the lack of, or perception of a lack of a business process of the program. And until it is defined what the business processes are it is very difficult to identify the skill set that is needed in some of the positions required.

Chair Naille referred to his question much earlier in this discussion of out-sourcing support for working on those contracts, and the emphasis that needs to be placed on that concept.

Ms. Orlando thought that different pieces of the Program will be out-sourced when expertise is needed, such as contracting strategies for rate approval or for evaluation standards.

Mr. Linford inquired if this tremendous rollover of contracts problem is a bigger crisis than the Park Service is acknowledging or preparing for right now.

Mr. Cornelssen indicated that PWC is involved pretty heavily in looking at and evaluating some of the major contracts for the parks to figure out how to get them done. He cautioned that it will be very expensive.

Ms. Orlando noted that there is every indication that the senior leadership is behind what the program is trying to accomplish.

A discussion followed on the timeline for implementing and finalizing the action plan.

Mr. Woodward said that in terms of implementing this action plan, one of the challenges facing the program is that about two-thirds of all concession staff is eligible to retire in the next five years. He wondered what challenge that would present in terms of a five-year action plan, and how that would affect the current personnel structure and the age of the program.

Ms. Orlando indicated this was brought up as part of the reengineering of the program that was discussed earlier and has been highlighted as a signature issue and a management weakness in the Department. Specifically, in the National Park Service Concession program, 68% of the people will be eligible to leave in five years.

Mr. Cornelssen noted this was a challenge, and also an opportunity. One thing that the Park Service does need to do, probably within the next 6 to 12 months, is make sure that the position descriptions and the competencies for the staffing levels are appropriate at the park level and at the regional level. That has to be re-looked at. The first step is really the Washington reorganization, because the current structure doesn't really work.

Ms. Orlando reiterated that this ties back into defining the business processes. Once this is known, skill sets can be identified as well as the knowledge and the expertise that is needed.

Board Member Eyster was concerned that if management was buying into this, would this be just doing an exercise among ourselves. He did not want to waste time sitting here talking among ourselves.

Ms. Orlando advised that the Board needs to recognize that this issue is bigger than the Concessions program.

Mr. Woodward stated that his Department issued a report in January of this year, Major Management Challenges Facing the Department, and within that, there were about eight or 10 issues raised, and one of them is management issues and the concessions program. As a follow-through, since it is now in the strategic plan, this will be tracked on a macro scale and a real broad scale, raising the question of what the Department has done to address this. A copy of this report can be obtained through the web site GAO-01-249@GAO.gov.

Mr. Gunn reminded the Board that this will not be a quick fix. The Concessions program in the National Park Service is becoming more sophisticated by leaps and bounds, at the same time the Government, Congress, started developing a bottleneck in getting Park Service concessions contracts completed, because for the last 18 years there was going to be reform legislation coming.

Adding to that, the aging of the cadre in concessions and the fact that individual park units had probably not paid the attention that they should have in developing a career path for concessions. In recent years there have been improvements in concessions in creating a career path that people can stay in. No serious consideration was given to developing a cadre of some of the expertise that Mr. Cornelssen has been talking about. People with insurance knowledge, with financial feasibility knowledge, with real property evaluation knowledge, so that one does not have to reinvent for every contract, or should not have to reinvent for every contract. Another issue is that there is no career track in the Park Service for that kind of specialized expertise.

Mr. Cornelssen reiterated the importance of the top 50 contracts that require highly specialized, highly technical-type of expertise.

Ms. Orlando added that no one wants to lessen the value of a career path for somebody who comes into concessions. Speaking from her own experience, the time spent in concessions added a lot of value to her time as a park manager.

A discussion followed on career paths.

Ms. Orlando addressed the issue of the benchmark position descriptions and remarked that there are existing benchmark position descriptions for certain competencies and positions in the program. The challenge is that there is also a park superintendent who is trying to balance multiple needs and priorities with very little resources, so that what should be a hundred percent concession position then becomes maybe 50 if we're lucky, maybe 25, because they're balancing all the other competing needs in terms of the resource protection issues.

A discussion followed on the relation between fee demos and concessions from a personnel management standpoint.

Non-Appropriated Fund Instrumentality
Curt Cornelssen, Price Waterhouse Coopers
Phil Voorhees

Mr. Cornelssen made a presentation to the Board of the non-appropriated fund instrumentality case study. This study was produced in response to the Board's request and it also as a result of an initiative with Yellowstone National Park, the Intermountain Region, and the Park Service in general, Washington, to look at NAFI's and try to study this issue.

The Park Service completed a preliminary survey of NAFI's, Non-appropriated Fund Instrumentalities, and primarily looked at the models that were being used in the Department of Defense, which are quite extensive, which resulted in the Board's request for more information on what exactly a NAFI is and how it applies to the Park Service. Mr. Cornelssen provided examples of the use of NAFIs in other areas of Government.

The definition of NAFI: Organizational and Fiscal Entity that Performs a Government Function and in a Fiduciary Role. It is an organizational entity and it is a fiscal entity. It has its own funding system, its own accounting system, etc. It enjoys full legal status of an instrumentality of the United States as a fiscal entity, it maintains full custody and control over its funds, and it can also administer appropriated funds. In talking about non-appropriated funds, this is money that is generated locally, revenue. For example, fee demonstration money, concessions money, or in case of leasing facilities, it would be called non-appropriated funds.

One of the benefits is that the money does not sit in a Treasury account; it sits in a secured private sector bank account. It draws interest and then the NAFI gets to keep the interest. Being allowed to borrow money against future cash proceeds is a key feature.

By way of background, the following points were elaborated upon:

- **NPSC completed a preliminary survey of NAFI in the Spring of 2000**
- **At their last meeting, the NPSC Advisory Board asked NPSCP to study this issue further**
- **NPSC leadership, in conjunction with the Intermountain Region and Yellowstone NP, has developed a plan to meet this requirement.**

Mr. Cornelssen defined a NAFI as follows:

- **Organization and fiscal entity that performs a Government function (fiduciary role)**
 - **Enjoys the legal status of an instrumentality of the United States**
 - **As a fiscal entity, it maintains full custody and control over its funds (can also administer Congressionally appropriated funds - APF)**

Mr. Cornelssen further explained that the key benefits are:

- **Authorized to maintain and manage its funds in interest-bearing commercial bank account**
- **Allowed to borrow money against future cash proceeds**
- **Accounts for funds using generally accepted accounting principles (GAAP)**
- **Not subject to Federal Acquisition Regulations (FAR) for procurement of goods and services .**

Mr. Cornelssen pointed out that appropriated funds, typically, cost 30-35% more for the same product when focusing primarily on construction or larger purchases. NAFI's are not as efficient as the private sector by a margin of about 10-15%.

- **Provide separate contracting authority for major construction**
- **Enjoy benefits of Government status:**
- **Tax exempt**
- **Able to hold and manage real property**

- Protected by U.S. Laws

Mr. Woodward commented that although FAR comes with a lot of “hoops to jump through”, it also comes with best practices for contracting. It has rules about performance-based contracting. Concessions is exempted from FAR and one should be fully aware of FAR in order to benefit from the aspects of FAR that would be appealing, and avoid those that would tie you down.

Mr. Cornelssen agreed and pointed out that NAFIs are not subject to FAR, but they follow the best practices of the FAR.

The Yellowstone Challenge

Aside from the beneficial features, Mr. Cornelssen explained that there are also some detrimental features, particularly true for Yellowstone. He asked Edna Good to explain how Yellowstone managed its capital improvement account.

Ms. Good explained that all fees from the concessionaire were managed as concessionaire funds and regarded as a contract obligation. The concessionaire could invest that money, collect interest, and they do all the contracting with approval and oversight. It has worked very well in maintaining the buildings.

Title IV of PL-105-391 and the resultant NPSCP regulations had a detrimental effect on Yellowstone Concessions in two fundamental ways:

- Special accounts were eliminated
- 20% of Concessions proceeds were to be allocated to Washington

Mr. Cornelssen explained that from the plus or minus \$10 million a year currently managed from this account, 20 percent immediately taken away, leaving \$8 million a year. Then that \$8 million must be re-deployed using an appropriated fund system. Taking into account the 30 percent less efficient, the money is down to \$5.6 million.

Ms. Good reminded that in the old system the concessionaire was responsible for all the contracting, and this burden was shifted from concessionaire to the Park Service to a staff already not equipped to meet this sort of thing.

Responding to a question by Chair Naille about the management of money and letting the concessionaire do the contracting, Mr. Cornelssen explained this could not be done by FAR. That would be a sole source procurement and that is very difficult. If you're a NAFI, you're exempt from FAR.

Mr. Cornelssen next addressed how this situation could help Yellowstone, and pointed out the following Direct benefits:

- Much more efficient than appropriated funds (10% less buying power vs 30%)

- Earns interest on the cash in the bank. (could be worth \$300 or \$400,000 a year)
- Permits borrowing against future proceeds (for large construction requirements)

Indirect benefits:

- Provides new property management tools and techniques.
- Ensures accountability through GAAP
- Increases Park and NPS credibility with outside stakeholders such as the OMB and Congress and other stakeholders

The Key constituents are:

- Yellowstone National Park
- IMRA
- WASO Concessions
- NPSC Board
- Others (GAO)

Mr. Cornelssen stated that legislation would be needed for this. Most of the other NAFIs that are out there are non-statutory and were created by the agency itself.

RESEARCH PLAN

Mr. Cornelssen explained the four phases of the plan.

Phase I - Background Research consists of:

- Review of NAFI history, statutory applications, regulations
- Review of NAFI accounting and management systems
- Review of Concessions/NPS management system

Phase II - Comparable Case Analysis:

- Select appropriate NAFI case examples (NASA, DOD, Smithsonian, etc.)
- Visit three locations to conduct field research
- Identify applicable components for NPS

Phase III - Field Research & Analysis:

- Conduct research on current Yellowstone systems and procedures
- Develop possible NAFI applications and models
- Test models and concepts with Key constituents

Phase IV - Final Modeling & Reporting:

- Develop final model and applications

- Present findings & Recommendations
- Establish implementation plan (if applicable)

Mr. Cornelssen asked for the Board's approval of this approach and Chair Naille gave his approval. Ms. Orlando suggested a dialogue between senior Park Service leadership, which would include the comptroller.

The subject of reproduction value was discussed. Ms. Orlando brought up the fact that there is a study being conducted at present on fees and the use of fees, and how they are collected or not collected. This study is contracted by the Park Service through the Park Foundation.

Mr. Cornelssen stated that the supposition is that funds such as fee demonstration money and the concession money are very different than managing appropriated money.

Mr. Woodward stated that over time, this may sort of naturally fold together, particularly if there are benefits to the fee demo program of not having to follow the FAR and it's less expensive then to get construction projects or rehabilitation projects completed.

Mr. Cornelssen said that one clear benefit he could see, not just for certain tests but for demo money, was to set up clear budgeting and accounting standards for these different types of monies in terms of how they are counted and what they are used for. He could see a problem with starting to use things that are generated from fee demo or from concessions to do things that Congress would otherwise have given appropriations for, and would then take the appropriations away. That would not be a good thing for the Park Service. If the Park Service can show they have a valid need and they are first spending the money on the facilities from whence it came, then it can flow to almost like it did to other priorities within the park.

A lengthy discussion followed on this subject.

Discussion of Franchise Fees (20% monies)

Ms. Orlando explained that the 20 percent money source had been available for a couple of years. Basically, like recreation fee, that money is allocated to the Washington office. Unlike rec fee, it pretty much stays in the concession program and was basically used for outsourcing, specific types of contracts such as appraisals, financial analysis, consulting services, our database. It was also used for environmental audits. It is the Program's responsibility to fund those for the concessionaire. The 20 percent funds the Advisory Board activities, all the meetings and activities. It was also used in very limited situations for specific park projects. There is no call for competition for park projects. There is not that much money in this pot. The amount is about \$3.5 million and it doesn't go very far. On occasion, it was used to fund a specific park need. Professionalization is probably the other big chunk of change. The environmental program and professionalization program both total about a million dollars a year. So that has been funded with 20 percent.

The Director approves any projects submitted or any projects that come in. The Concession program acts as the accounting for all the money coming in and it administers the 20 percent fund.

Subcommittee Hearing Board Member Voorhees reported on a committee meeting Senator Thomas called on March 22nd to talk about implementation of the law, which basically is now three years out.

Board Member Voorhees represented the Board at the hearing in the discussion concerning the NAFI issue, the Chief Financial Officer issue, elevation of the status and concessions program, the rate approval process, and a little bit about the program review on which the actual plan is based. What was notable in committee hearing was the level of frustration that the Senator was voicing or expressing in one way or the other about the pace at which progress is being made in the concessions program three years after the law has been passed and also some frustration about the Board itself and how much the Board is able to do, whether or not there is adequate staffing that is detailed to the Board to be able to help move things more quickly forward, and the level of effort applied to the work.

There was a very substantial back and forth with Craig Thomas, mostly. There were only three senators there; Craig Thomas, Senator Akaka, who is the new subcommittee chairman instead of Craig Thomas, and Ben Nighthorse Campbell. Senator Campbell focused exclusively on Native American handicrafts. In terms of the frustration that was being expressed by Craig Thomas, Board Member Voorhees anticipated that every time this comes up whether it's on his initiative or Senator Akaka's initiative, he is going to be re-visiting the issue of progress, how fast is progress being made, what are the milestones that the Park Service is setting for itself for progress, and whether or not this Board is able to do.

A lengthy discussion followed on the report, the scope of the Board's authority and the fact that maybe the law should be rewritten.

Mr. Woodward suggested that the Board needs to do some outreach. Ms. Orlando stated that regular briefings with both staffs, the majority and the minority are being held, but that it would be a great idea if the whole board could attend or a couple of folks.

Chair Naille next read communications received from concessionaires concerning a whole range of topics, including cooperating Associations. Ms. Orlando suggested holding a round table in Washington on the issue of cooperating associations with key concessionaires and park personnel. A lengthy discussion followed concerning this issue.

Chair Naille recapped some of the comments provided and stated there was some feeling from some concessionaires that the recommendations that the Board had made either didn't go far enough, or they weren't being implemented. Chair Naille wanted to make it clear the Board looked at certain things last year for that report, and are looking at things this year, to continue in the movement forward.

If the Board has done something in the way of rate approval process during the year 2000, then in the year 2001 it is going to add a little bit more, and in 2002 the Board hopes to do a little bit more. The desire is to move forward in a positive fashion to make these things move quicker and less burdensome; that is the Board's mandate.

Kathy Fleming from Glen Canyon expressed her support of the Board's work with the indexing theory. She provided some personal anecdotal information in this regard. She suggested putting a kind of language in the prospectuses that would enable concessionaires to have a better time projecting their revenue, and would also give them some flexibility in adjusting their rates throughout the season.

A discussion followed on what the comparables are and what the criteria are for rating purposes.

Ms. Orlando stated that as part of the program's revamping of the rate approval process, she suggested that it would be appropriate for the next meeting to schedule a presentation on the rate approval program.

Chair Naille stated that the Board had made specific recommendation last November and discussed these ideas and wanted to know how soon this program that was recommended will be implemented or whether that program is not going to be implemented. If so, why not.

Ms. Orlando explained that some of the recommendations the Board made have not become finalized as yet as they would have to be approved by senior NPS leadership.

A further discussion followed on rate approval and indexing.

After a lengthy discussion of comparables, Ms. Fleming expressed the opinion that comparability really does work in some of the traditional services that are being offered in parks, lodging and food service particularly, but not when we're talking about a boat rental fleet of 300 it's real hard to go out there and find one of those that's located on a property with 350 rooms and dry boat storage, and marine facilities, and it's difficult. There just needs to be other methods available.

Chair Naille concluded the conversation by reminding the participants that the Board also recommended to stress that core menu concept into other areas. He suggested to look at that again on the next go-round.

A discussion followed his suggestion.

Mr. Cornelssen suggested using the average check concept and use that as a matrix. He explained the statistical analysis of an average check concept.

Chair Naille asked Mr. Povah's opinion of where the Native American arts and crafts are as a whole, in context of the franchise fee removal on sale of those items, because that's

where the Board's focus is. This should be from a concession point of view of how the present system is being, one, what are the guidelines that are established out there that the Park Service is governing with, and is that fair or should other things be included.

Mr. Povah explained that way back before they had these guidelines, it was a matter of mutual trust, and the concessionaires bought from reputable dealers and put it out on the shelf, separated by department, so it was a completely separate department in the store and everything worked fine.

Then the guidelines came along and put the burden on the vendor to assure the concessionaire, as the retailer, that these goods did in fact meet the regulations that the Park Service set forth. Not necessarily the Indian arts and crafts, but the Park Service regulations. The Park Service guidelines were followed and are still being followed.

To date no one can agree on what should or shouldn't be qualified to be exempt, and it puts an unfair burden on the retailer. The more regulations, definitions and guidelines are promulgated, the bigger the burden will be on the artisans, and then it gets to a point that if the burden becomes too stringent on the retailer, they will drop the Indian handicraft and quit. So in the scope of things, if every concessioner took that attitude then who's going to get hurt? The Native American, or the Alaskan, or the Hawaiian or whoever it is, because one of the great sources of sales for them is in the national parks.

Ms. Poole suggested that another simple idea would be that in the annual financial reports, the handcraft issue could be simplified in that at the end of the year you supply the invoices and some sort of report with your annual financial report for the native handcraft exemptions.

A discussion followed on this subject.

Mr. Povah thought it really is very confusing when you get people from the Indian Arts and Crafts Association negotiating with the experts in the field, in their own right, and they can't come up with a guideline that the Park Service wants to adopt.

Board Member Sakiestewa said that what she wanted to hear is what would be helpful guidelines or standards, not even guidelines, but just standards that you could use in the parks across the board, not only for native, but say regional crafts.

A discussion followed on this subject.

Board Member Sakiestewa inquired if the concept for the concessionaires was really kind of volume in merchandising versus really focusing on a mission statement of the Park Service.

Mr. Povah stated that the concessionaires are investing in the Indian arts and crafts, and are still carrying it, to a way lesser degree than they used to, but it doesn't generate the dollars that some of the other items in the store do.

Board Member Eyster stated it was his understanding and belief that the Park Service requirements on a concessionaire, if the concessionaire is interested in bidding on the location, are very legitimate requirements on the concessionaire. The concessionaire, if he doesn't like it, can refuse to bid as there's no requirement that the concessionaire bid on that particular property. And if the Park Service has multiple missions, there is not any reason why they cannot require a concessioner to take a portion of his or her floor space for merchandise which furthers the mission of the Park Service and what it's attempting to do. The concessionaires aren't required to bid on and to take the concession space. And if it's costing the concessionaire money to allocate five percent of the floor space to Native American items, and it's not worth his while to do that, that should be reflected in the bid price of the concessionaires as they bid for that particular space every five years or eight years or 10 years.

This is about two different sets of circumstances. One would be a Main Street retail store in a tourist town, and the other would be a retail store in a park, which has a variety of different missions, all of which aren't profit maximization.

Board Member Eyster said he had a hard time buying the position of the concessionaire who says, "Well, I don't make money on five percent or eight percent on floor space, therefore I feel I don't have an obligation to provide that space for that particular type of merchandise." This must come out in the wash in the bidding and if a particular concessionaire does not make his required internal rate of return on his investment, then he's not being forced to re-bid that contract.

Mr. Povah stated they were allocating space to Indian handcraft, but that over the years, because of its popularity, it has declined in sales. And it has declined in sales to the point which is money management, you invest your money in where you have merchandise that's selling, versus the kind of inventory that's not selling.

If the Park Service is going to say there must be an allocation of X percentage to a particular product line, then how much micro-managing are they going to do in the business to restrict a reasonable opportunity to make a profit, versus if you have a display out there that meets the criteria of the mission, and that is having some Indian handicraft out there, or any other type of mix that the Park Service wants in the way of thematic merchandise, which is the new word that came on board here a few years ago, and those kind of issues, then you're really putting a burden on the concessioner to have a viable business, to meet the requirements that are in the new prospectus.

A discussion followed these statements.

Laura Sherrin stated that one of the things the Park Service and the concession folks have been working on during the last few years, is the development of gift shop mission statements. And the model that was first given to them to use in doing that were museum shop mission statements.

A mission statement addresses the need for a concessionaire to meet all those visitors' needs, where they are, having whatever experience it is they are having, and needing some tangible thing to take home to help them remember it and, at the same time, tying that object to the real resources, cultural and physical resources of the park.

A lengthy discussion followed on this subject.

Board Member Eyster wanted to see if the board could establish a direct line of communication with Curt Cornelssen about what he is doing with his studies for the Park Service. If there is a question or a need for some clarification on something that was presented, a board members should feel free to call and get that information directly.

Mr. Cornelssen said he would have no problem with communicating with the board.

Mr. Gunn advised that, generally, a government contractor's information is privileged to the government, but given the nature of the board, that would not be a problem. He suggested reducing the request to writing.

(Whereupon, these proceedings were concluded at 3:15 p.m.)