

OCTOBER 22, 2002

YOSEMITE NATIONAL PARK, CA

MINUTES
CONCESSIONS MANAGEMENT ADVISORY BOARD
8TH MEETING

MINUTES

CONCESSIONS MANAGEMENT ADVISORY BOARD

INTRODUCTIONS

Ms. Cindy Orlando, Concessions Program Manager, briefly explained the rules governing the meeting.

CONVENE BUSINESS MEETING

Call To Order. Chair Naille opened the meeting at 8:30 a.m. and asked everyone present to introduce themselves.

Ms. Orlando introduced Superintendent Dave Mihalic who welcomed the Board members and all the participants. Mr. Mihalic spoke about the concept of what the Advisory Board does and how it relates to concessioners. He said it has become increasingly true throughout the Park Service that the staffs do not understand the nature and the role of the concession program, especially with regard to the purpose by which the National Park Service accomplishes its mission through concessioners. The public does not either and in many instances think that a contract with a concessioner means a private company won some sort of right to do business in a national park. There is very little understanding that the National Park Service actually is seeking a private partner in which to accomplish a mission. That mission is to help the Park Service conserve the scenery and the natural and the wildlife and the historic objects therein. He urged the Board to look at the weight of the issues of policy and contracts, and how much markup there can be on handicraft items versus normal retail. Mr. Mihalic explained that the public can learn more about global conservation at their local mall, or at an endangered species store or Nature Company than they do in their national parks. He felt that in that respect the National Park Service has missed the boat. The issues should not be whether the mark up is a hundred percent or a 122 percent markup, it should be what is the product and what and how does the public learn and respect those kind of issues

Mr. Mihalic expressed hope that the Board will consider that relationship between the concessioner and the National Park Service, because increasingly concessioners are the people who connect the public to the parks. He pointed out that a simple bottle of Yosemite water, bottled by the concessioner is one of the biggest souvenirs that the public takes from this park. On one side you can

learn all about Vernal Falls, you can see how high it is, you can tell all the little different facts, and by looking at the label you see Vernal Falls and you see the beauty of the place by looking through the water, because the picture is on the back side of this label. This is but one such opportunity for concessioners to connect people to the place, not merely to provide a visitor service.

APPROVAL OF MINUTES

Motion: Board Member Sakiestewa moved, seconded by Board member Eyster to adopt the minutes of the February 28/March 1, 2002 meeting. The motion carried unanimously.

AGENDA APPROVAL

Chair Naille mentioned that Congressman George Radanovich was present at the hotel in another meeting. This is his district and he is Chairman of the Park Subcommittee, and he will be addressing the Board sometime in the morning whenever he is available.

REPORT FROM WASO ON BOARD'S 2001 REPORT TO CONGRESS AND WASO RESPONSE

Dick Ring, Associate Director, Park Operations and Education addressed the Board and conveyed a few thoughts from Washington on where the Service is going and where it is going in response to the recommendations that were given by the Board. He emphasized that the Service is very focused on moving to put the concessions program on a very solid footing under the new statute and authority, and is well on its way in a number of respects to doing that as a result of the Board's counsel and assistance.

The service has been working very hard to move on the implementation of the new contracts and rolling the contracts over under the new law and has delegated concessions contracts for up to \$3 million to the Regional Directors. The Washington office is directly involved in the 50 or so contracts that were in excess of \$3 million gross a year. They worked closely with PricewaterhouseCoopers and basically brought on board a team that is providing support to that entire process. They have been very active over the last year in going to each of the parks with the larger contracts particularly and doing an analysis and laying out a project plan on what it is going to take, all the pieces that have to go into place and the schedule that is going to be in place in order to turn those contracts over. PWC has also been providing assistance to Ms. Orlando and her staff and has worked with the Regional staffs on laying out a similar kind of plan to roll over the contracts that are less than \$3 million, and each region is developing a schedule and a plan to do that.

In terms of production, over the last year the Service awarded 104 contracts under the new process. For this coming year, anticipate that 200 will be released.

In support of that effort, the focus has been on training and sessions were held with concessions program staff, park superintendents, solicitors, and Pricewaterhouse jointly to make sure everyone has understanding of the process and their role in it.

Work has been done on developing a contract certification process for staff to be certified in issuing and negotiating the new contracts. Workshops were also put in place for both existing and prospective concessioners on how to go about putting in bids on the prospectuses that we are putting out, so that there is an opportunity for folks to become familiar with the process and to submit the best proposals and best offers that they possibly can.

Work has been done on issues that have been raised by individual concessioners and the hospitality association that are emanating out of the new law and the new regulations. There will be clarification in the reference manuals and the Director's orders out to the field with regard to how those rules will be handled and applied.

Mr. Ring touched on the effects of September 11 and the Washington, D.C. sniper on business in the nation's capital. He reported that the concessioners and tourism in Washington, D.C., are significantly affected by those events. He emphasized the Service is going to put the relationship with the concessioners on a very positive footing and would like to enlist them as partners in the overall goals of the Service that the Director and the administration has laid out. One of the recommendations suggested by the Board was about putting a professionally supported process in place related to the contracts, and this was done with Pricewaterhouse.

The Board also recommended that an Associate Director for Partnerships and Business Practices be put in place. Mr. Ring said that in combination with the team that was brought together through Pricewaterhouse as an independent business expert, along with some changes that have occurred in the organization of the Service, that need was addressed.

With regard to the request to continue to pursue the establishment of a non-appropriated fund instrumentality, the service has been working with Pricewaterhouse on the analysis of the possibilities in that regard. They met with staff on the Hill, with the committees, they briefed Deputy Director Murphy and the Director on the benefits of that kind of an instrumentality, and the reception has been very, very positive. Mr. Ring cautioned that there are questions and issues that will have to be anticipated as the Service elevates that proposal to the Department and to OMB and to the committees on the Hill as well.

With regard to Handicraft issues, the Board's help there has been in the form of a tremendous amount of work and focus on those issues.

As far as rate approval process is concerned, work is continuing and the new rate approval process has been adopted. Simplified procedures have been developed and policy has been distributed to the parks.

Regarding superintendents' accountability for concessions management, not much headway was made in the past year, but Mr. Ring related he wanted to commit that in the coming year he anticipated linking performance-based goals for the concessions program to specific performance standards, and measurable performance standards, for every level of the organization, the national level, the regional level and the park level. The Service will be working to develop those, review them and put them in place by the end of this fiscal year. The Board will be asked for their help and consultation to make sure that attention is paid to the right things, as well as tracking them effectively.

Board Member Norman indicated the Board considers training to be extraordinarily important and critical to make any kind of progress. One aspect mentioned was re-certification, and he asked Mr. Ring to elaborate on how it is administered, if it is mandatory, and what is the end goal.

Mr. Ring explained that a program has been put in place to train and certify folks in the contracting process, and he anticipated that it will be in place as a requirement, similar to the acquisition management contract certification process that is currently employed in the agency now.

Ms. Orlando added that certification is required to implement and execute procurement contracts and that is serving as a model for concessions contracts. However, the Program also has to work through the Office of Personnel Management, to include those requirements in concession positions going forward. In terms of the Northern Arizona University program, participants will get a hospitality certification from the university and some of the credit they earn actually is transferable for degree programs.

Ms. Highnote informed the Board that in the certification program that was developed for contract certification there are different requirements for the three levels of contracts. For category three there is some basic introduction required training internally. There is three months' experience required, 16 hours of continuing education, a refresher every two years, and program competencies.

For category two, all level three training is required plus financial management, basic contract administration, business training and advanced administration training.

Level three experience requires two years of practical experience, also being able to serve on an evaluation panel. Experience is required in having developed a category two and/or a category three prospectus. The continuing education requirement is 40 hours every year of first priority contract law training and professional development such as serving as a mentor, serving as an instructor and meeting the program competencies.

For the category I contract, which is the more complex contract, the required training is that you have to be trained in the level two and three, plus you have to have advanced contract training, advanced concessions planning. You have to have contract law, you have to have training in leasehold surrender, managerial accounting, advanced business training, NEPA and advanced sales and transfer. In addition to experience you have to have four years experience, two years have to be with the level one and two years at level two. You have to serve as a panel chair and you have to have experience in developing a category one prospectus.

The continuing education is 80 hours every two years, intermediate or advanced classes including hospitality, contract law, and serving as a contract officer, serve as an instructor.

There has to be a meeting with OPM to take this certification requirement and link it to grade level. According to the chief of staffing, the Concessions Program can require these as required training, but before they can be linked to grade levels, OPM has to certify this with the Program's competencies. There are program competencies in place that have been reviewed and approved. The training requirements, once approved by OPM, can then be linked by the National Park Service to grade.

Board Member Voorhees inquired how this can be compared with what is required right now.

Ms. Highnote indicated that this is far more advanced and far more of a requirement than has been required in this program before. It is very consistent to the procurement contract officers' requirement.

A discussion followed on the contract training and who teaches them. Ms. Highnote explained the process. There was also a discussion on DOD's programs that were already in place and their role in the development of the concessions contract certification, the educational requirement, continuing education requirements and the experience requirements.

Board Member Norman pointed out that in every study about the National Park Service the delta between what best practices are and what the requirements that others are using and where the Park Service has been has been consistently wide. He hoped it would be the consensus of this board that it not only encourage them to put increasing emphasis on it, but to move on with it because it is just critical to their ability to be successful in the future.

Ms. Orlando agreed and expressed that clearly the burden is on the Program to provide the tools to the employees that will enable them to get their jobs done effectively, professionally and with credibility. She mentioned that there were recent conversations with the National Park Hospitality Association about the potential ability to mesh some training needs for some of their folks with the existing program at Northern Arizona University.

Board Member Sakiestewa liked the idea of the partnering with Northern Arizona University, but cautioned against trading one rut for a new rut. She would rather see people trained in university settings because there is some cutting edge curriculum that goes on there probably more quickly than those in governmental agencies and asked if there are other strategically placed universities that have some of these programs.

Ms. Orlando pointed to the NAU Hospitality curriculum that includes business law, hospitality accounting, and contract law. What is under discussion is the next level, after receiving the initial certification it moves to an advanced level. This would be at Denver University, Cornell, and some of the other large hospitality schools in the country. Also of importance is the value of allowing employees to pursue some of that on their own.

Ms. Bassett, representing the National Park Hospitality Association, informed the Board they just had their midyear meeting and the association had very actively embraced the idea of being able to work with the Park Service in sort of the other half of the equation, being able to train its contract specialists along the same lines with the same training with the same information that the National Park Service is training their employees with. She asked if it was the Program's intention to have almost like a four-year or five-year ongoing training program, as the Association would be interested in ongoing training opportunities for its concessioners. Working on the fast track, this would enable them to get some of the contract specialists on the concessioner side into these classes, into these courses as quickly as possible.

Ms. Orlando advised that the work is done, the curriculum has been developed, and did not see any reason why this could not happen. She further added that with regard to this whole professionalization initiative there is the recognition of the interface over the past 18, 24 months, and going into the future of the public and private sector. There are the private sector partners and business advisors and the myriad of consultants that the Program has come engaged with that also enhances the qualifications and professionalism of the staffs. Certainly this should be considered as sort of on-the-job training.

Chairman Naille concurred and indicated that this idea of the combined opportunities of involving concession operators with the Park Service on these training programs will bring a lot of real-world experience into that context. The communication that will flow back and forth at those various educational programs will be invaluable in the long run because the commonality of the thinking process will flow at that point. So it should iron out a lot of difficult problems in probably the most difficult arena that Concessions and Park Service operations deal with.

Ms. Highnote wanted the record to show that as the training manager she is a strong believer in having concessioners participate in the training programs. And in fact this week evaluation of pricing is going on over at Sequoia, and there are seven or nine concessioners as a part of that group.

Board Member Linford stated, as a permittee operating with Forest Service and BLM much the same way that concessioners operate with the Park Service, he thought this idea is just really a great. Every concessioner here can say that very often meeting with Park Service officials you just find that you are not even talking the same language. And presumably people graduating from a similar program would at least speak a common language. He said he was somewhat worried about critical mass here as it would be more likely to get critical mass if concessioners and Park Service people are both involved in the same programs. He thought it also important that there would be several different schools involved too, because if there were just one school it would be assumed that concessioners and Park Service people would all graduate from that school in order to move into the concessions end of the Park Service. There could be a drift and a collegiality that could develop there that would not be really very healthy for the whole system. In that regard he would hate to see NAU becoming, for example, the school where everybody goes because a philosophy could come out of there that would become assumed and might not be the correct one.

Board Member Weerts indicated that the Park Service has generously offered his state someone to come to their training sessions and assumed NPS is doing that at other places.

Chairman Naille called attention to the circuit rider positions and mentioned that there was no budget in place for those positions for '03.

Mr. Ring explained that as far as the budget goes the service is operating under a continuing resolution for FY-03 that runs through the 22nd of November with a possibility of operating under a continuing resolution until the middle to the end of February after the new Congress convenes. In the '03 budget there is a base increase for the concessions program of a million and a half, which represents a base increase for the program that would help deal with some of these kinds of staffing issues. That money is earmarked for outsourcing, but in terms of the circuit rider concept, that idea is alive and well.

Talk will begin amongst the regions with some ideas about how to implement a concept of circuit riders. Whether or not to use contractors to perform that function is still very much in discussion.

Board Member Eyster commented with reference to the issue of the contract certification and wondered to what degree the Park Service has considered PricewaterhouseCoopers as being an integral part of the contract certification process. He expressed concern about using educational institutions, unless they are really tied in with National Park Service activities. He pointed out that PricewaterhouseCoopers is not only knowledgeable about the hospitality industry, but also knows the ins and outs of the Park Service and how contracts are put out to bid and how they are selected. Therefore, it would make sense to get the biggest bang for the buck if the Board were to consider utilizing their services for maybe a two- to three-week intensive seminar or workshop for the folks in the parks responsible for contracting and overseeing those contracts. The general concepts are important and using other institutions are important, but when it comes down to how do you really get the job done and what are the pitfalls, then that resource would be pivotal in developing a program along that lines. With consulting firms, some of their best training programs of new people coming into their firms are when they put together in-house workshops that do a lot of detail case study work of actual cases, and that is really where people learn how to bend and flex and flow, and ask the questions and come up with the solutions.

Mr. Ring concurred that the expertise that PricewaterhouseCoopers brings to the whole program cannot be underestimated. The training that is going on as park staff and concession staff are becoming parts of the teams along with Pricewaterhouse and working these contracts is giving them experience and knowledge that is extraordinary in terms of building their expertise. He thought the point was well taken and possibly needs to be articulated better.

Board Member Eyster stated that the opportunity should be available to everybody who is in concession management, not just the ones that are responsible for negotiating the contracts, so that there would be somebody at each park that would go through a fairly detailed, intensive case study process where at that point in time it may be more than they need to know, but it is going to be something that they will grow into, as opposed to just having folks who are in fact negotiating the contracts, have that exposure.

Ms. Orlando stated that a process along those lines had begun and the idea was presented to a large group of Park Service people in Virginia earlier this year, and Pricewaterhouse and other consultants were a critical piece of the overall presentation. It was also arranged for some of the employees to go on detail assignments as part of their professional development actually to Pricewaterhouse.

Kurt Cornelssen with PricewaterhouseCoopers stated he would like to tie the last discussion about the circuit riders to this discussion because they actually have a relationship with each other. As far as the issue of on-the-job training, OJT approach, a kind of a practical approach to education, the universities are great, and the training programs are great, but in his experience it was the on-the-job work that he did where he learned the most. One item under discussion was the whole idea of creating some sort of a center where not only training could be provided, but work would be done together. In working with Park Service people now, they are learning from PWC and PWC is learning a lot about the Park Service, about resource protection issues, about historic preservation issues, park planning issues, so it is a learning experience for everybody. What really needs to be done is to create a program by which the

big 50 are approached, the Park Service can “insource”, if you will, for all the other contracts, the other 600 contracts that are out there. PWC could maybe help in terms of leveraging some of the skills it has, and then the Park Service could perhaps leverage with other resources that either exist within the Park Service or in the private sector.

Chairman Naille inquired what PWC’s role is in actual contract renewals.

Ms. Orlando explained that there are very strict ethics and conflict rules that must be adhered to, that have limited consultant roles to some degree. Consultants do not have any policy or legal authority to represent the agency, though they are helping and are very active in providing assistance as the agency is developing a lot of the documents, but they cannot represent the agency in any kind of a decision-making capacity. A discussion followed on this subject.

Geoff Baekey with PricewaterhouseCoopers provided the Board with further information about PWC’s involvement in the education and training.

Ms. Orlando added that PWC is also involved in how to do business with the National Park Service training that has been given for incumbent concessioners and other members of the interested public. In fact, the program is using only consultants to provide this so that the Park Service cannot be held liable for anything that is said.

Judy Jennings with the National Park Service brought up two different points. One is the existing concessions people that exist in the National Park Service providing a lot of personal history and experience. These are not high-turnover positions, most people stay in, even though it is anticipated that there will be a lot of vacancies coming up. She was concerned that the focus is on what seems to be kind of a narrow time frame if you look at the concessions program as a whole. There is a huge backlog in concessions program right now in contracting, yet in probably three to five years that should change dramatically.

There is a real need to look at the training long-term, because there are 50 contracts that are over \$3 million, that affects probably 25 to 30 parks. Chances are those category I contracts will only be done once in the term of any concession specialist’s career because they are mostly 15 to 20 years. There is a real need to look at where the program is going in the future, not just within that time frame of three to five years. There should also consideration begin given to staff within because they have a lot of expertise and a lot of talent that can be tapped.

Mr. Ring commented that with the training and certification program there should be a workload analysis that looks at the steady state of volume of work that must be done, and have a sense of how many people need to be trained to what level in order to be able to handle it, as well as how they should be organized and distributed on a regional and national basis. That is a task that is ahead in order to get some of the programs in place to get folks trained initially and to work through this initial rollover of contracts.

Judy Bassett with the National Park Hospitality Association stated that there is a need to be as up to speed and as informed as possible. She suggested using an actual training institute that would be formalized, that would be institutionalized, where you would have your industry and your internal training kind of centered on things like asset management training under the new regs. She urged to be

thinking about the various kinds of partnership or formalization of a training concept that can be instituted on an ongoing basis.

Ms. Orlando agreed to concept of a training institute, some sort of center for business excellence for perhaps the existing concession program center in Denver. All of the concession organizations would certainly be a part of that. She suggested possibly putting together a work group to actively follow up on some of these thoughts.

Board Member Voorhees noted that there is recognition that business functions are not isolated only to concessions management. He wondered to what extent this topic has been discussed by the NLC.

Ms. Orlando stated she really meant in terms of thinking of concessions alone.

Mr. Ring said that there are similar kinds of needs in acquisition management, there are similar kinds of needs in the revenue side of the programs of the agency, in just a number of the partnerships types of arrangements that are not concessions. The business practice need for training and certification in all of those is pretty extensive with the Service. The NLC has put some thought into the need for an agency-wide, program-wide basis and over the next year or so that there will be some discussions about how to connect a number of efforts with these programs in a rational way. He welcomed this Board's involvement in that conversation, and particularly in having potentially a representative of the Board be a liaison.

Chairman Naille recommended forming a committee and encouraged any member of the Board to become a member this committee. He said to keep in mind that all players must be allowed to be involved, both from the Park Service and the concession operations, and he also suggested to find someone from the NLC that might want to play a role in this to carry it into that structure. The Board's main objectives was to look at the business professionalization within the structure of the Park Service and this might be an avenue to help tie that in.

Sandy Poole, Concessions Program Manager, Midwest Region commented that Dick Ring made a very important comment earlier today on the accountability of superintendents. She felt that that is directly related with everything being discussed here this morning. Until superintendents really understand this program and what is involved and they really get the message it is going to be very difficult.

Discussion of WASO Reorganization and Non-Appropriated Fund Instrumentality From the Agency Perspective

Dick Ring informed the Board that the reorganization or the realignment of the national headquarters of the agency is something that has evolved over the last year and has been approved and put in place effective the 1st of October of this year. He then passed out a chart which shows the basic outline of the Director and the immediate staff of the Director, laying out the functional responsibilities and the portfolio of each of the different key players within the Washington office.

The Director wanted to look at the issues and opportunities facing the Service and have a conversation with the National Leadership Council about what that meant in terms of how the service was organized for the future, and she came to some conclusions about what changes were needed.

Mr. Ring then proceeded to give the Board highlights of the issues that were considered in the context of this process:

- ***Backlog of maintenance in facilities, involving about \$5 billion over as many years as the target.***
- ***Law enforcement in the national parks, and the very severe problems associated with how to conduct that function safely and adequately within the national park system.***
- ***A national fire plan that emanated from the disastrous wildfire year of 2000 that resulted in a budget jumping, federal budget for wildland fire, jumping from \$1.2 billion to \$2.9 billion in a single year with no budget request to do it.***
- ***Natural Resource Challenge, which is a funding effort to try to get a better baseline understanding of the Service's natural resources.***
- ***Addressing administration initiatives focused on putting the entire business of government on a performance-based management system.***
- ***Competitive sourcing to bring better expertise or better effectiveness to bear by outsourcing and bringing outside expertise in.***
- ***A seamless system of parks in a sense that all parks are connected to other parks***
- ***partnerships***

Mr. Ring went on to explain the different positions and functions depicted on the chart.

Board Member Voorhees asked Mr. Ring to identify the problems that the Director was trying to specifically address in moving towards this reorganization.

Mr. Ring explained this was not simply a problem-driven set of decisions, it was also a look to the future opportunity, how do you organize for the next decade or several decades. The Director clearly understood there was a need to bring together and to give a high-level focus to the law enforcement and emergency services issues. In fact there was almost a demand to do so by the Department. The backlog that was being addressed between the construction program of the Service and the facility management programs of the Service and in many respects the future of the infrastructure was being driven by the planning programs of the Service, how it was putting its plans together for development in parks.

So bringing that all together to be accountable for huge backlogs of funds, unobligated funds that have already been appropriated for projects, as well as the design process and the accountability associated with addressing that backlog needed a focus, and the organization brought that together. There

is also a continued recognition of the emphasis that needs to go into the natural resources, the follow-through on that. The development of partnerships and doing things with others related to the use and enjoyment of the parks was an area that the Director very strongly feels needs some leadership and senior-level attention, and wanted an organization in Washington that would bring a focus of senior leadership to each of those areas.

Board Member Eyster referred to the fact that the first couple of annual reports dealt with what the Board felt was the need for a formation of a chief financial officer position. He asked Mr. Ring to comment on how he sees that being put together.

Mr. Ring stated that business practices tend to cut across the organization. There needs to be a center of thought and a center of leadership that sets policy, helps develop policy and sets standards for how it is done throughout the organization. So in that context there is an expectation, the same way with regards to business practices.

As far as the Concessions Program goes, it is expected to provide that leadership and do this by not trying to do it by having entirely folks in-house do it, but by building a very strong partnership with PricewaterhouseCoopers to bring in the expertise that is needed. The expectation is that there will be a much greater cooperation amongst key leadership within the national headquarters in coordinating and accomplishing specific tasks and developing a vision and direction for the agency. He stated he would be working pretty closely with Bruce Schaefer, the comptroller, on how to merge business practices with business plans, and how one can deal with the revenue side, revenue and acquisition side of the agency's operations with the fiscal management of the agency's operations as well.

There is an expectation that there will be more joint activity between key leaders as they take each of the functions, set clear goals and set clear standards on how they should proceed, and then work to make sure that they are integrated into the operations of just about every other key program that may be someone else's responsibility organizationally.

Board Member Voorhees stated that with understanding the point that important or central initiatives of management in the agency should be spread among many senior managers, nonetheless it is a little curious, given discussion held by the Board about the direction of the agency, that instead of bringing the concept of partnerships within the umbrella of business management and making something larger and more whole, it is now even more explicitly carved off than it was before. He asked for Mr. Ring's reaction to that.

Mr. Ring admitted there was a tremendous amount of work to be done in all these areas. The Deputy Directors are going to be a place where the Director holds some accountability that the integration that is expected between the programs is overseen. Mr. Ring said he will be a part of the partnerships council that the Service has, where the practices, the business practices associated with partnerships are at the table and incorporated into both the thinking and the practice of developing new partners in all of the areas that the Service is engaged in.

There will be more of a counseling-type of an approach among the field directorate, the Regional Directors and the Associates over how each of these areas is developed and how strategic goals are set and how performance is evaluated. There is an expectation in this that runs throughout this entire concept

that is one of partnerships that says within the agency all the key players, both the interested and the affected ones, must be at the table in a way that they may be able to be the conveners and the leaders on the development of agency direction and policy, but cannot possibly have all the expertise or the information necessary to do it without elements of all the senior leadership represented.

Board Member Voorhees then asked if there was anything that the Board should take away by inference of the fact that the business functions, focusing on concessions, workforce, development, etc., are under one deputy director and partnerships are under an entirely different director.

Mr. Ring replied that the Board should take from it an understanding that while there is lead responsibility, the Deputy Directors are expected to function almost interchangeably on issues.

Comments from House Resources Committee

Chairman Naille introduced Rep. George Radanovich, a former county supervisor in Mariposa and Chairman of the National Parks Subcommittee.

Congressman Radanovich gave a brief description of his personal background and interests. Especially with regard to Yosemite National Park. He stated that there is a lot of discussion with concessioners about their function in Yosemite and how they play a part in enhancing visitor experience for everybody who visits Yosemite. One of the concessioners's concerns is an issue that that will be brought up next year, and that is preferential right of renewal, especially the minimum or the ceiling that is established for those that might have that preferential right, it being at \$500,000 gross revenues right now. This might possibly be raised and is subject to a lot of debate. A Bill has been introduced to increase it to \$5 million.

There has been some concern regarding the implementation of the Policy Act and some of the guidelines that have come out in the last administration as to how they implement this act. Very controversial and they need to be reviewed.

The administration is going to be calling for hearings at the beginning of this next session, probably in February about the published regulations that implement the Policy Act. Congressman Radanovich stated that holding hearings regarding the Park Service will be one of the first things on his calendar.

Chair Naille informed the Congressman that the Concessions Management Advisory Board will be holding its meeting in Washington somewhere around that time and the Board would try to coordinate the meeting to be somewhere in that vicinity in order to have an opportunity to maybe talk before the committee if at all possible.

In a question and answer session, Art Hutchinson, manager of the Concessions Program Center in Denver, referred to the issues of the large backlog. He pointed out that concessioners cannot bid on

everything at once and wanted to ask the Congressman's opinion on how these could be staggered in a way that would be acceptable to committees of Congress.

Congressman Radanovich stated that having hearings on the regulations of the Policy Act will increase the time lag.

Board Member Voorhees asked if outside the world of concessions, the Congressman could see any areas of interest for him in the committee in the coming year.

Congressman Radanovich replied that those are going to be two priorities for the committee, both the preferential right of renewal and the review of the Policy Act. There are a number of park issues, like the Everglades, Gettysburg, and Yosemite as well, that are going to take up attention.

Chair Naille asked if he had, on the preferential rights, any kind of a dollar amount in his mind.

Congressman Radanovich reiterated that the bill was introduced and the level was increased to five million. There was a very informal conversation about limiting the amount, or tying it to the gross assets of the company making the bid as well, kind of a combined amount of Park Service contracts and tying it into some type of a staggered minimum so that smaller companies are given somewhat of a preferential right. His guess is, it would be something that would range in between \$2 and \$5 million dollars.

Curt Cornelssen from PricewaterhouseCoopers asked the Congressman if, in addition to sort of the whole issue of the ceiling of preferential right, he had given any thought to the idea of superior performance much the same way to what the private sector does, like a hotel management contract where if you are doing a great job you might have an option to renew and more the issue of rewarding for superior performance as opposed to whether it is a big business or a small business.

Congressman Radanovich said he would prefer to be able to do something like that, but the way the plan is written right now is that you can only do that within the area of preferential right. They could certainly take a look at it, but it opens again the whole issue up that was finally resolved a few years ago with the passing of the act. If there is anyway that it can be incorporated without blowing the whole thing apart he would be happy to do it.

Board Member Voorhees inquired what aspect of Gettysburg was of particular interest and Congressman Radanovich responded that it is a good collaborative partnership that they have with the community and the concessioner and allowing kind of creative ways for this park to be enhanced. The big question there is going to be the money-raising, and in the schedule that they have to keep in order to keep this whole concept and package together. It is a lot of money, and it has increased up to about \$95 million, but there has got to be some evidence that this money-raising can happen. The success of Gettysburg hangs really on their ability to raise the money that they are committing to do. And if they can do that within reasonable guidelines then this collaborative concept and kind of creative development for some of these park units is going to be something that can be copied elsewhere.

Congressman Radanovich then introduced his Chief of Staff and indicated that his office is always open if there is a need to communicate. He asked for all the advice and ideas on these issues that are going to be coming up next year.

Discussion of WASO Reorganization and Non-Appropriated Fund Instrumentality From the Agency Perspective (continued)

Chairman Naille stated that there was some concern from the point of view that initially this Board proposed to help push along the business directional thinking of the Park Service to create a CFO's position. At that time the Board was looking at hopefully the Park Service finding someone that is a retired CFO from a major corporation that might come in for a few years and take on this role to help reorganize the whole financial picture, and deal with contracts and all the issues that go along with that. The other important part of that position was the NAFI, which the Board was pushing from another direction. This person would oversee the whole structure of the NAFI program. Somewhere along the way there was talk about a new position that would be created and the Board felt that it could compromise slightly. Now it looks that the Board lost what it had originally intended to gain on and it seems that in lieu of some of what the Board has been asking for, the Park Service was going to engage PricewaterhouseCoopers even more than they had over the past few years.

This was in reference to the earlier statement that there was some kind of additional budget for outsourcing for '03 in the range of a 1.5 million dollars and that there is confidence that the use of PWC as an external business advisor brings a desired level of business expertise and professionalism to the program.

Since the Board lost what this board wanted and the direction that it wanted to go, Chairman Naille indicated the Board would like to hear what is expected from PricewaterhouseCoopers in filling in this role, or maybe from this million and a half what Mr. Ring would expect to see from any type of an outsource to fill in for this particular hole.

Mr. Ring responded that with regards to the concessions program, the service will be looking for assistance in laying out a more systematized long-term program related to many of these components. From a strategic planning standpoint that component added to the work of getting the certification and the training done and the contracts, specific contracts role.

His other comment related to the organization and to the Board's recommendations. The business practices cut across many more programs than the concessions program. There was an expectation to bring the business operations more together under one roof so the revenue programs, and the concessions programs and the acquisition management were all brought under one roof from the standpoint of policy and oversight on the agency.

As distinct from the accounting and the handling of the appropriated funds, which are vested with the Comptroller, the partnerships clearly have business aspects associated with them, but also have aspects that are related to the substance of the mission and other players bringing both in-kind as well as financial resources to the table that are not necessarily the result of business operations in the parks

The cooperating associations were a hard call, because while they are very much engaged in business operations, it is principally to support the education programs of the Service. So that was put in that portfolio for that reason.

There was recognition a couple of years ago in working with the Department and OMB on a proposal to create a Associate Director for Partnerships and Business Practices. It was largely driven by OMB. The concern was that the Service has the kind of outside expertise to look at a wide range of programs, not just concessions with regards to the business plans and the business practices that they incorporate, and the business-like basis on which they are conducted, and the Service has lots to examine in a number of program areas.

That led to discussion which added another component to the '03 budget request. And instead of a position, it is a million-dollar recurring fund that would be different, it is a different amount than we just talked about for the concessions program, but it would be a fund that would enable the Service to bring in outside expertise on a project-by-project basis to look at and bring to bear business expertise for the critical program areas that the leadership of the agency feels need that kind of examination.

The expectation is that the Service will develop a service-wide priority list of program areas and bring in the necessary outside expertise to examine issues like it did the fee program area with the expectation that the resulting reports would lead to very specific action on the part of the agency, focused on the development of business plans and business practices in different program areas.

So while it is not in response to the Board's recommendation, the appointment of a position such as described, the agency is moving to put mechanisms in place to bring a spotlight on a number of different program areas to put them on a more businesslike footing, and it means it.

Board Member Linford stated the Board was just somewhat frustrated because the whole emphasis for the whole 3 years of the committee now has been that the Park Service just structurally is not recognizing the incredible importance of its concessioners, and its concessioners' policies. The Board was recommending some pretty profound structural changes that do not seem to be seem to be coming about.

Mr. Cornelssen interjected that having worked with a lot of federal agencies and large bureaucracies, he found that it is a little bit like turning a battleship. You can only turn it so fast and you can only make so much change. Some of that is just the inertia, the other is maybe there is a good reason the bureaucracies change slowly.

In looking at Dick Ring's position now, the one thing that is good, the glass is half full from the standpoint that all the non-appropriated fund revenue generating the activities are all in that directorate, or associate directorate. It is an opportunity to look at the non-appropriated fund side as a business-like entity within the agency. To treat it as such, to begin to test some new ideas and concepts against that, and then for the agency to learn from that as it relates to the appropriated-fund side of what they do. This could result in a better understanding of sources and uses of funds, better management information for decisions at the operating level, in the case of the Park Service that would be a park.

Board Member Sakiestewa mentioned that there is a slight advantage to what Mr. Ring is proposing in that it is a case-by-case. While there is a need for blanket policy, there is some value in doing case-by-case as well. The Board would still, at some point, want to see a person who had some sort of continual interaction as was suggested earlier.

A discussion followed on this subject.

Chairman Naille asked Mr. Ring to elaborate on what has been done on the problems regarding NAFIs that may be occurring down the road.

Mr. Ring indicated the agency has used Pricewaterhouse to a significant degree in helping to analyze and develop the case for NAFI, thus using the outside expertise not just for contract renewals but also to tackle some of these other issues. He provided a brief overview of procedures followed in this regard, resulting in the agency being very encouraged about the opportunities that a NAFI presents. There are issues that are going to be raised that will have to be addressed. Certainly with the committees there will be feedback that some members want. Appropriating committees do not want to see an instrumentality set up that does not put them on the beaten path to control the key decisions over how those funds are spent.

It is anticipated that there will be folks at Treasury and maybe within OMB who will be concerned about funds not deposited to the general treasury.

Chairman Naille asked if PWC was involved in a study that was done at Grand Canyon this summer.

Mr. Cornelssen reported that they did two pilot studies, one was with the Intermountain Region up at Yellowstone last year that was reported to the Board on just a hypothetical basis. The Grand Canyon study was that it would be a combination of appropriations and possibly some kind of a bonding authority that never took off in the Congress. The idea was that a NAFI would be a nice sort of surrogate for bonding, because NAFI has bonding-like qualities to it. That study is a little bit stalled at this point, it is back on track. Within the next 30 to 60 days PWC will have the ability to report on that. A NAFI would help something like the transportation system in terms of revenue management, accounting and some leveraging of capital to the extent that the park was allowed to use a vehicle like that.

Chairman Naille asked for comments and details on how that particular transportation system might work from a business standpoint.

Mr. Cornelssen said he was not prepared to do that, because the numbers have not been put in place yet.

A discussion followed on this subject and on how the NAFI can provide for a low-cost financing tool on top of the appropriations and a private sector investment that kind of closes that gap. Mr. Cornelssen also explained the painful part of a NAFI, which is a very disciplined accounting system, generally-accepted accounting principles, a very disciplined management information system, a very disciplined budgeting system to segregate non-appropriated fund budgeting from appropriated fund budgeting.

Mr. Ring stated that one of the areas that will be moving forward reasonably soon is a revised report on Grand Canyon transportation system. The agency has asked that additional components be added to the examination of financial alternatives there, which can include this kind of a NAFI instrumentality to fund it, and that is one vehicle potentially for a pilot stage-type of a project. Another would simply be a general authority for a pilot stage at several locations that the Service may select that would provide an adequate time period to test the concept in place and report back on it.

Board Member Voorhees asked if there is a structure or a process or a time frame that the agency is moving through to identify the next steps, whether you are going to do a series of pilots, or if so when, and who would they be.

Mr. Ring said that the next step would be to engage the Department more formally. The issues that arise will have to be addressed, and beyond that OMB will have to be, along with the Department, engaged in order to have any kind of an administration proposal be put on the table. He hoped that by the first of the year the agency would be at a point where they can be talking to OMB and conclude any concerns or discussions within the Department.

Report from the Regions on New or Extraordinary Initiatives/Efficiencies

Board Member Norman addressed the Board pointing out that the overall industry is a huge \$584 billion industry. It includes all of the hotels and rental car companies and airlines, theme parks and attractions, ground transportation, destination marketing organization, it goes on. The size if it is so significant as that you can bear in mind that one of every seven persons employed in the United States is employed directly or indirectly in travel and tourism. Therefore, just understanding the overall impact on the economy is very significant and why it has been such an economic generator going from the last recession starting in the early '90s all the way into the present time.

But in trying to understand the context of what is happening today one has to realize what is happening. It did not just happen with the events of September 11. Business travel has started to decline for the past three years up until the present day. It just was not as obvious in March of 2001, and the events of 9/11 simply caused a precipitous decline in an already deteriorating situation. When things of this particular nature happen, because so many of the businesses and organizations in travel and tourism are small, it has a more precipitous impact because for many of them, they are not worrying about how many people they lay off, in many cases they are worrying about how they are surviving. Clearly a recovery is underway but the recovery is uneven. There are still some 360,000 people that are unemployed as a result of what is happening, even though the situation is continuing to improve. The overall economy is losing some \$40 billion in terms of revenues that would have been there as a consequence of what is happening.

There are four areas where the recovery is the slowest to take place, (1) Business travel is down rather significantly, (2) Hotels are having a difficult time. (3) Cruise lines have done remarkably well because they have been extraordinarily flexible. (4) Airlines are going to lose some \$8 billion.

Some bright spots:

- a) destinations and events that have depended upon ground transportations and have traditionally looked for a market where they have come from 200 or 300 miles have done remarkably well.
- b) RVs are doing remarkably well.

Board Member Norman next touched on where the recovery is going and that it was going to be very slow, especially in light of the effects of Iraq, roughly about two percent.

Business travel is still going to stay down, and it will probably be well into 2004 before business travel gets back to where it was, along with the airlines that is coming that way.

Hotels are improving and restaurants are changing. Those restaurants that have been highly dependent upon people coming from long distances are seeing greater disparities in what is happening to them than those who are still dealing with the local individuals.

One thing that is most disconcerting is how much the international visitor has spent to national parks. International visitors look at the national parks as a national treasure. It is something that they do not see and experience, the expansiveness of space, and they love to come here. They stay longer, they spend much, much more, and it is the fastest growing segment of the industry. The fact that the nation is experiencing a double-digit decline in visitations from outside of the country is really hurting all the segments, but especially so the national parks, which has been a favorite in this regard.

Especially frustrating is the fact is this is something that is eminently doable. People in the government do not like to hear this, but the United States is the only developed country in the entire world that does not have a national office funded in terms of tourism and, therefore, in terms of the competition this has become a very difficult situation. It is distressing to find that a country like the U.S., which has more to offer than any other country in the world in terms of real terms, has fallen behind France and Spain in terms of the number of international visitation. That is a disgrace.

Hotels are doing a little bit better, some destinations are doing much better than others. Washington, D.C. is having a very difficult time for all other kind of factors. But in general, if you take the gateway cities around the country, all of them are sort of climbing back out of the hole; they are not out yet.

Board Member Norman believed that, assuming that the U.S. does not get into a very perverse situation with a war in Iraq or that the continuing external environment, as a caveat, does not deteriorate any more, 2003 will start to get back to the area just prior to September 11.

Bearing in mind that the year 2000 was the benchmark year and the decline that had taken place in October 11 is significantly below where it was at 2000. The trend line is not back to September 10, but at the time were it was moving in the year 2000. Assuming that by early 2003 we should be back where

we were. As to the third quarter, fourth quarter of 2003 and 2004, barring any unforeseen circumstances, the industry may be close to being back on track where it should be.

Report from WASO on Board's 2001 Report to Congress and WASO Response
(Continued)

Ms. Orlando reported on the following items:

- **commercial use authorizations - a status report.**
- **Draft Director's orders for the concession program. These are also going to be available for public comment.**
- **National Parks training session.**
- **Contract Training.**
- **WASO Updates.**

Art Hutchinson provided an overview and brief history about the Concession Center office in Denver on how it operates.

Mr. Hutchinson touched on the environmental program because some of the concessioners have been concerned that this is an audit program. It indeed is an audit program, but the effort is to try and get ahead of the curve so that when OSHA or EPA or another agency like that comes in to look at a park, Denver has already looked at the issues in that park and has made recommendations to the concessioner on how they can do a better job of having a green park experience and that everything is copacetic, which of course should improve the LSI value. As the Concession Program Center evolves he hoped to have kind of a full package of asset management professionals there that work, that are there for the parks and for the regions to call on for expertise.

Board Member Norman asked for a clarification on currently existing databases of all of the assets, particularly in the concessions, in terms of the description and the status and all of that used as a benchmark.

Mr. Hutchinson explained that there are two different aspects there. There are two or three types of databases now that deal with assets. Some of the databases have been tracked in the runs as far as just the building types. A list is maintained of certain buildings that have the insurance replacement cost information there. There are approximately 60 percent of the known buildings, probably the most significant ones in that particular database. There is a database project that is ongoing, and it is very close to the Beta phase on that that is operated out of the Washington office that will encompass everything. It should be a complete asset tracking system across the board. It is not ready to roll out yet, but it is very close. The other one is just asset management in general and that includes everything from the structure of it to the pests that may or may not inhabit those buildings to what happens in the annual maintenance and operating plans of those.

Mr. Ring interjected that the Service is on a very aggressive path to move to an asset management base for all of its facilities, and the concessions program is very much connected with that effort and integrating into it. By the end of this fiscal year, with the exception of seven or eight parks, all the national park system will be on the system and will have an initial load of condition assessments for every

asset loaded into a large database. The seven or eight that are not will be well on their way, just not complete, and they are the Yellowstones, the Yosemite, the ones that are going to take 3 or 4 years to get through an inventory of all their assets. It is a very aggressive program. The Secretary and OMB are

holding the agency accountable, and the concessions assets are very much linked into that. He said he would be happy to provide the Board with information on what that system looks like and how it operates.

Ms. Orlando wanted to acknowledge the fact that most of the concessioners in the room that are here have all been honored in some way or another with an environmental achievement award over the last couple of years. Most recently Delaware North received the Travel Industry Association of America's Odyssey Award for Environmental Management for the Green Path program that was mentioned earlier, and the ISO certification. They are the only hospitality company in the country at this point that is ISO-certified. Xanterra and Aramark have both been recipients of the Departmental environmental awards, and this year that award went to Evelyn Hill, Inc., at Statue of Liberty.

Mr. Schopman of The Forever Earth project stated they started on that about 3 ½ years ago, and it involved a lot of people. There were meetings with the National Park Service back then, and also several other people in the community in the Las Vegas area. And after a great amount of effort a 70-foot environmental and educational research vessel for Lake Mead was put together. He went on to explain the program.

Report from the Regions on New or Extraordinary Initiatives/Efficiencies

Steve LeBel, the new Chief of Concessions for the National Capital Region provided the Board with an overview of his operations.

Ms. Jennings presented handouts to go along with her presentation about the contracting strategy for the Intermountain Region. The handout listed all the steps of the task directives on completing a concessions contract estimated to take about 520 days to complete.

It is similar to what PricewaterhouseCoopers is using on their gap analysis that they are putting together. Her group is also putting together a handbook which will be given to the superintendents in the Intermountain Region in 2 weeks, and that basically will outline what the plans. Ms. Jennings and staff are also working on developing a training for superintendents, as well as setting up meetings with concessioners where concessioners operate in several parks. Ms. Jennings expressed concern about the anticipated vacancies that will be coming up and the fact that there is only such a limited pool of people that applied for the job. Weekly conference calls with PricewaterhouseCooper were set up, as well as monthly meetings with solicitors to discuss upcoming workloads, setting priorities and identifying needs to be done. An approval process for franchise fee projects was formalized

Kevin Apgar, the Concession Program Manager from Alaska reported to the Board that his region has just awarded 17 contracts in Alaska under the new law and the new regs. Three other prospectuses have been issued already and are closed, but have not been awarded yet. He noted a big contracting backlog, just like all the regions do. There has not been any additional help except for the outside consultants at Pricewaterhouse. In late July a major contract was announced, a category I contract, at

Denali National Park, and that one is not signed yet, but that was a major success with PricewaterhouseCoopers. Upon request from Chair Naille he provided details of this effort, the main point being PWC's assistance with the writing. There was also a first major concession contract awarded to a Native Alaskan corporation.

Tony Sisto, Concession Program Manager for the Pacific West Region provided a brief summary of some of the extraordinary new things. In particular he noted three items. (1) Transitions, where a new concessioner comes in, or there is a time frame that is scrunched for particular reasons, and the transition of contracts is very detailed and very time consuming; (2) putting together a prospectus particular to that park operation has really helped the park, park staff, park managers, superintendents focus on some of the key decisions that need to be made in preparing that prospectus, focusing and crystallizing the decisions that need to be made to be able to go out with the prospectus; and (3) Work on the whole financial program and how to approach financials. Pricewaterhouse has been a great assistance there. This winter there will be six contracts under \$3 million that will be ready to be issued and there will be five that are over three million with the help of PricewaterhouseCoopers to be released in the spring.

Jerry Swofford from the Northeast Region stated this region was hit harder by September 11 than other regions. The two largest concessioners are right at Statue of Liberty and they are directly affected because the statue itself is still not open for public visitation. The three contracts for Liberty Island and Ellis Island are worth less money now than they were when they were awarded. PricewaterhouseCoopers is helping to do an analysis to determine what the value of the contracts is as of 9/11/01. In the rest of the region eight contracts were awarded. By January the database will be out with priorities set.

Board Member Voorhees inquired into some of the unique problems that the New York area has faced with staging for security.

Mr. Ring informed him that initially, after September 11 everything was shut down. There was an effort to focus on getting a new security plan in place before reopening any operations, and the Secretary personally was involved with reviewing along with the Director. Operations began again based on a presumption of adding magnetometer screening and x-ray screening for packages that would occur off site, so before you got to Liberty Island. That necessitated putting in an initially temporary installation both at the Battery, where the Circle Line fleet departs from, as well as Liberty State Park over in New Jersey, which is the other location that they departed from. That placed constraints on how quickly and how many people you could process through a magnetometer to fill a boat and depart.

Additionally there was a constraint placed on the island that said you had to be able to evacuate the island completely given a bomb threat or some other event that occurred there within 90 minutes. So there was an issue of the total number of people that you could have on the island at any one time that was revised.

Finally there was an issue of security within the statue itself, in other words getting inside the building raised other security concerns, not the least of which were fire safety issues. If something ever occurred inside that building the ability to evacuate it if a fire was occurring raised significant other issues. So the statue itself has not been reopened. The island, however, has. There are limits now placed

on the number of people that can be on that island that are significantly lower than what existed prior to September 11.

As a result there has been a significant impact certainly from the initial closure, and also from the conditions under which operations - have been able to recommence that has led the Service to begin to review with the concessioner the potential relief because of the extraordinary circumstances that are significantly different than the operating conditions that existed before September 11. So the agency is engaged in a process with the concessioner right now of reviewing that and hope to come to a resolution on here in the next several months. Visitation numbers are down 50 percent from around three and a half million a year.

A further discussion ensued on this subject.

Sandy Poole, Concessions Program Manager in the Midwest Region reported they had 78 contracts in 19 parks, and approximately 49 of those are category three, 23 category two, and six for category one. The Arch and Mount Rushmore are highly identified as terrorism targets in the country, and their concession work has all but almost disintegrated, they are just pulled off to other types of work. By the end of this year about 28 contracts will be awarded, and that is 25 category three and two category two and one category one. The Mount Rushmore contract will be ready to be advertised sometime between January 30th and February 15th. Pricewaterhouse was instrumental in getting this contract ready.

Ms. Poole stated it was difficult to really understand the difference between the deferred maintenance initiative and their condition assessments and what type of condition assessments were needed on concessions-occupied facilities. Ms. Poole provided general information on position descriptions of vacancies in her office, as well as her working with the Concessions Program Center, working with new prospectuses that are going out, the NAU program, and Category three training,

Following Ms. Poole's report, there was a general discussion concerning collateral-type personnel.

A second discussion centered on the decreased revenues as a result of September 11 security measures.

Mr. Ring commented that after September 11 the Service as a whole went through a retrenchment on their security profiles throughout the country in that every park was asked to come up with a security plan that was indexed to the threat level, of increasing or decreasing threat levels, so as that stages up those plans stage up. The plans themselves at the parks have resulted in more significant changes in staffing and physical security requirements as the attendance levels have gone up. Where there specifically are large numbers of people present at any given time the security levels have tended to be revised substantially in almost direct relationship to how many folks are on site at any give time.

There are six or seven sites that are considered icons, where they are associated with the institutions of government or the liberties for which the country stands, and have high density visitation where fundamentally the security profiles changed a lot and had to be supported with additional funds,

and the dust is just settling on those new patterns and the effects they are having on the other operations, including concessioners.

The other area where there has been a significant change is in events particularly associated with those icons but not necessarily. Anyplace where NPS is associated with an event that brings a large number of people together on park land, associated with the 4th of July or any other major event, the security profiles have been significantly revised. The Mall, obviously, this past 4th of July is a good example of where that happened, and that is not the only location. All of those have required sitting down and then figuring out what the effect is going to be on the other operations of the park, including the

concession operations. In Midwest certainly Mount Rushmore has been one of those affected as an icon, identified as an icon park, and so is the St. Louis Arch. The Statue of Liberty, obviously New York, and Independence in Philadelphia, and the Mall in Washington, D.C. and frankly because of some of the targeting of threats to the Golden Gate Bridge, both ends of which reside on park land in Golden Gate National Park, the Park Service has gotten drawn into assisting with the security on those. So those are some examples where their security profiles made significant changes in the operation. And again, that is variable depending upon the threat levels that are received from the Office of Homeland Security.

Mr. Ring further commended the development of the template outlining each of the steps and the ability to identify who is responsible, providing a much more precise idea of park-by-park contract-by-contract. He said it is a fine example where the Service is trying to move the whole program.

With regard to superintendents it must be understood that the Service as a whole is going through almost a bootstrapping kind of training program on concessions because on the contracting end of it fundamentally took a decade. So many superintendents that came to be superintendents during that decade know the operational side and the operations evaluations of it but they have really not had a lot of experience and involvement in the contract renewal and negotiation. That is an area where the agency is going to be focusing, on the development of a curriculum of concessions management for managers, like the programs in place now such as law enforcement for managers, people who are not necessarily business experts but they are being asked to be the landowners' representative in overseeing a program where professionals are focused on the details and making it happen. But they have to know enough of the principles to pay attention to what has to be supported and when. So the Service will be working on a curriculum that is specifically focused on those individuals, and will be taking it on the road in four-hour blocks, eight-hour blocks and a 40-hour block.

Update from Task Force on Concessioner/Cooperating Association Relationships

Chairman Naille stated the Board had been a little reluctant to initially get involved in this because there are regulations out there already. By way of background, he explained that the Board involves Park Service concessioners, members of the public, and anyone who wants to be involved in these task forces. Some member of the Board usually tries to be on it. The objective is to try to get the task force to come to a consensus as they work through the various problems. So, so far that has been pretty successful.

Board Member Voorhees reported that at the last meeting, a discussion was begun with presentations by Dick Buck from the Hospitality Association about concerns that the concessioners had of areas of conflict between cooperating association operations that were providing what they consider inappropriate merchandising, or at least merchandising that overlapped traditional concessioner responsibilities, and a lot of concern that that was creating considerable friction between cooperating associations and concessioners.

As a result of that discussion and some additional feedback from the General Accounting Office the Board put together this small task group to work through the issue. The original intent was that there would be representatives not just from the Board and from representing concessioners and cooperating associations and the Park Service, but also folks from the field who were in one way or another directly experiencing the friction.

The Task Force had a couple of fairly in-depth, long meetings about this back in Washington during the springtime and early summer. Unfortunately there was no representation from field folks, so this report should be regarded as an interim report.

The issues that were brought up at the last meeting were essentially the following.

- **Concerns of encroachment.**
- **Concern for the elevated advantage of cooperative associations in providing non-appropriated revenue back to parks.**
- **Concern for preferential, or assumption of a preferential treatment provided to cooperating association by park managers.**
- **A level of disjoint management of the merchandise sold by cooperating associations and concessioners.**
- **A looser level of NPS management of cooperating associations and their merchandise.**
- **A concern in the background for convergence, if you will, between the kind of merchandise that is provided by cooperating associations that normally or traditionally have an interpretive message that they convey, and what the concessioners may be offering in the future as the parks and concessions office increases the direction towards thematic merchandise, which itself may carry an interpretive message.**

When the discussion centered on what are the real material issues at hand and how many parks, how many concessioners, how many cooperating associations are affected here, it appeared that the scope of the problem was really quite small, but there are several more vocal participants who were expressing a lot of concern about the friction. The issues were really highly localized. The General Accounting Office is going to be coming out with their own report on the interrelationship between concessioners and cooperating associations shortly at the end of the year.

According to their emerging report, 82 parks host both concessioners and cooperating associations with a merchandising element to them. Only a small, very small handful of those would be seen as providing crossover merchandise that would be a concern at any sort of objective level. So the problem is fairly small.

As these issues were discussed it really did seem that though the scope of the problems and the scale of the problems now are fairly small, there are some pretty dynamic issues at play that the Park Service would do well to look at more closely as it moves through thematic merchandising and as financial pressures increase on the parks to try to explore other non-appropriated funding opportunities.

Those two things primarily look like they might be drivers if this conflict is likely to widen. It became apparent that the Service ought to focus on the kinds of financial pressures that the parks are under and the interplay that has potentially with the encouragement of some superintendents to encourage cooperating associations to move more deeply into merchandising, in as much as cooperating associations generally speaking return something more to the parks than concessions contracts do, not always but sometimes, and this possible convergence between what in the future might be provided by cooperating associations and concessioners when moving into thematic merchandising.

There were really three approaches that the Park Service should consider in trying to resolve the conflicts and mitigate any future widening of the friction, of the conflicts. They are really very basic, very common sense. Essentially they are improved communication, both inside the agency between those managers who manage the concessions program and those managers who manage cooperating association program. He noted in the earlier discussion today of the new organization chart for the Service that they are in two separate parts of the agency now, so it is probably increasingly important that the agency make strong attempts to directly communicate one side to the other to make sure that everybody understands what everybody else is doing here. At the field level for the concessioners and the cooperating associations they should open their own more direct respectful communication one to the other.

At the February meeting there was a lot of discussion on how many cases you could resolve a lot of the conflicts just by having people talk. It is such a simple direction to provide and it is extremely common sense. It probably is the solution for a lot of what is going on. And having not had the opportunity yet to talk to the folks directly involved in the field one does not know if there are personality issues at hand or if there is something different. But clearly more open, broader, more regular and more direct communication at the field level among the concessions and the cooperating associations would go a long way to de-conflicting the situations where they occur.

A second point is a need for improved supervision of the cooperating associations. The Park Service is making efforts to move in that direction now, and that is a good trend line, but it does appear that cooperating associations have a considerably lower threshold of reporting than concessioners do. Of course they are different kinds of businesses, different kinds of missions, but it will benefit everybody with more equal kinds of information so you can see where there are going to be emerging conflicts and where there are conflicts now so that the Service can deal with them.

The third point is improved direction with regard to responsibilities for merchandising in the parks in which you do have a potential conflict, whether or not there is any conflict now. Who should be carrying what kind of goods quite specifically, where should they be carrying them, and how do you manage for the most optimal service to the visitors.

The recommendations coming out of these series of discussions are very common sense. But to the extent that it does not appear that there is a very large, very dynamic problem now, Board Member Voorhees did not feel that a lot of regulation has to be written to manage this, but rather some direct efforts in the field, on the ground and within the Service might go a long way to making sure that the friction that exists on a limited level now does not widen.

Ms. Fennell reported that there are going to be several opportunities upcoming in the next couple of years, the memorandum of agreement, the five-year standard agreement for cooperating associations is coming up for revision in '03. And in addition to that, the Director's orders governing cooperating association sunset later on in '03. There are two opportunities there to incorporate possibly some of the advice and recommendations coming out of the GAO review in terms of tightening up reporting.

She pointed out that in the annual report for cooperating associations there is a difference between earned and unearned revenue. If you look at all revenue, cooperating associations earned \$108 million last year with one full-time coordinator and everybody else is collateral. They donated back \$30 million to the National Park Service in donative services and money. Of that \$30 million, some of it is earned revenue and some of it is unearned revenue. Current reporting requirements do not require the service to report earned versus unearned revenue, and that is something that needs further scrutiny. She was hopeful that would be one of the recommendations coming out of the GAO review.

Ms. Bassett commented she appreciated the opportunity that the Board took to review this kind of on an interim basis. The Association is looking forward to the GAO report as well to see what their recommendations and thoughts are going to be as they have moved ahead, and the Association is really looking forward to opening a dialogue with the cooperating associations to see if there can be an elimination of some of the areas of potential conflict and make some improvements.

Ms. Orlando added that the work of the task group was finished yet as the recommendations of GAO will still have to be entertained, certainly the agency is going to have to do that. There is the potential for some continued cooperative efforts after that report has been received.

Board Member Sakiestewa questioned the percentages in the report and thought they should be reversed. Not reflected in this annual report is what it costs the park and what it costs the association specifically in overhead. It appears that there is missing information here that she would like to have because there has to be some kind of policy for some of these associations. The point is getting the money back into the Park Service is the goal and Board Member Sakiestewa would want to see how this breaks out, because if you look at the numbers below the top five it does not look good on this page.

Ms. Fennell agreed that a lot of information is missing, but that she was doing her best to get the story to the Board, which is why the programmatic stuff, for example, is in the front. She offered several examples of accounting anomalies. Ms. Fennell reiterated she is working with the in GAO also to see how she can go about reporting in such a way so that one could see the story as it is being told without these wild fluctuations.

Mr. Ring commented that the financial sheet here is useful. It probably needs to have some additional information to show how the money is used, but it is by no means the principal reasons why they are in place. It is very much associated with the delivery of the educational service, not the revenue they end up with at the end of the day that they can donate back to the Park Service. That kind of information needs to be part of the annual reporting that comes in from the cooperating associations and presented better here so that it paints a more whole picture of the way these cooperating associations function.

Board Member Sakiestewa expressed concern, having watched for over 20 years tax-exempt organizations fail because they do not have essentially good business. They have to start subsidizing things internally. Being on this track of entrepreneurial good business, the 501(c)(3)s should have the same health and success that they have in their area.

Sandy Poole reported that in the Midwest Region they do not have any problems with the associations and concessioners, they work very well together and do not have any issues there. However, there is a very large multi-million dollar concession contract that is held by a cooperating association. There is also a large interpretive store that is very successful and has been very beneficial to the park held by a cooperating association, and that is a problem there. Ms. Poole provided an example of the problem. She was concerned about the fact that in trying to implement the concessions program and statutes, and also providing opportunities for 501(c)(3)s where there are concession contracts held by 501(c)(3)s and yet they having to follow the same rules as all of the concessioners that hold the concession contracts, and they are doing very well financially.

A further general discussion ensued on the same subject.

Jerry Swofford noted that before the 1998 law all of the franchise fee money went to the general treasury and parks never saw any of it come back. Now since that law was passed and they get 80 percent of the franchise fee back, they are starting to look more seriously at concessions instead of cooperating associations. Superintendents have inquired about changing a cooperating association to a concession because they did not believe they were getting a large enough percentage back. That is totally in reverse of what we have been talking about so far. Mr. Swofford said he counsels superintendents to make a business decision. Superintendents should be told to take a pencil out and sharpen it, figure out what you are likely to get in 80 percent fees, and compare that to what you are getting with the cooperating association donations, but do not forget what the cooperating association is doing for you off the books, providing visitor information, and even short interpretations from the desk, and publication help. Mr. Swofford said he would hate to see a rigid set of rules come out that prevented these type of decisions to be made by superintendents.

Ms. Orlando pointed out that this is a good example of the interface of business practices with all of the other programs in the Service that were discussed earlier. This was recognized within the concession program and recognizing how far it has come, yet how far is till to go, planning for

commercial services there is a whole economic piece that has not been totally wrapped into the process. That is a big, big issue.

Responding to Ms. Poole's comment about visitor services, concession contracts, if it is a visitor service it is a concession contract, that is spelled out in the statute. However, there is also a sort of a catchall phrase that says "unless otherwise authorized by law," and so that allows for the other things to happen such as, if there is a cooperative agreement that authorizes that is okay. This is a huge issue but the issue of the business practices entering into the planning, and then addressing through some of the policy and guideline issues might be feasible.

Chair Naille announced that Ramona Sakiestewa has volunteered to assist Phil Voorhees on the task force.

Comments from National Park Hospitality Association

Judy Bassett explained that the National Park Hospitality Association is an organization that represents concessioners in the national park. The association has been in existence as long as the National Park Service for the purposes of being able to provide lodging, food, a good meal, transportation to the visitors. Ms. Bassett then provided a quick recap of the year from September to September.

In addition to the normal seasonal issues such as rock slides, wildfires, floods, droughts, sudden snowstorms that interfere with seasonal businesses and with the visitors, the Association had to deal with a disaster that probably is unprecedented in this country with the attack that happened September 11th, and it happened in New York City and Washington, D.C., and there were a lot of parks and concessioners that were immediately involved with this. The Park Service personnel were tremendous in assisting in a variety of efforts.

During this time period, with a great amount of cooperation, the Association was able to really pull together and address some issues that were really unprecedented, to be able to meet the visitors' need. Adding to the challenge was the fact that visitation basically slide below, well below normal levels—30% in some areas. In Washington, D.C., 50 percent. When Washington, D.C. was in its heaviest stages they were 70 percent; there were no visitors, no international visitors. Business changed. And the Park Service helped the concessioners to be able to meet these challenges, but these are tremendously extraordinary efforts. Ms. Bassett listed some of the efforts.

With regard to another initiative that the Board has put forward, the Association has dealt with the core menu issue, and is strongly in support of it. Many concessioners are anxiously awaiting this being put into effect. Other initiatives are dealing environmental recycling, education initiatives, the greening of all the operations, whether it is lodging or retail, a healthier America initiative, which is a presidential initiative basically raise the health level of the American public.

The Association has been actively co-marketing the National Park Service with its concessions, on the concession web sites, all the activities and strongly supports activities for Park Week, for Earth Day, and Outdoor Week. Looking ahead, the Association has a couple of suggestions for some concepts

that the Board might like to look at: (1) core menus, which is not getting to the park level, (2) the front side of the prospectus process, (3) exit planning, (4) good performance on contracts (if a concessioner has a good track record, gets satisfactory reports, is there a way that they can translate that to some kind of benefit for them within the prospectus process), (5) possessory interest (concessioners and the Park Service trying to avoid going right into an arbitration situation)

A discussion concerning the exiting strategy and possessory interest followed.

Chair Naille suggested discussing this as a topic for the next meeting.

WEDNESDAY, OCTOBER 23, 2002

Reconvene Meeting

Chair Naille reconvened the meeting at 8:30 am. He thanked the staff of the Ahwahnee Hotel for their excellent service. He then introduced Marty Nielsen and invited him to provide a perspective on the Concession operations that he deals with here at Yosemite National Park.

Mr. Nielsen offered the Board a brief explanation of current concessions contracts. Five staff members consisting of -- two Concessions Specialists, a Financial Analyst, a person that deals with both the Construction and Maintenance Programs, and a Concessions Assistant are working on these contracts. Mr. Nielsen has responsibilities beyond Concessions Management in the fee collection arena and in Special Park Uses with a staff of approximately 100 people overall, six of which are concessions related. He then provided a brief history of a flood that hit Yosemite on the 1st of January in '97. The flood ended up knocking out 250 lodging units at the Yosemite Lodge, 360 camp sites which is just under half of what was in the Valley, and 460 employee bids, which is about a third of what YCS had. The park was closed for several months. While natural disasters are just part of working in parks, this one proved interesting because, in trying to pull things back together, it was found that they were not in keeping with the planning requirements and lawsuits were filed. As a result additional planning was done for several years. More lawsuits were filed, but even so, in the next three or four years here, g about \$150 Million will be spent on various projects, about a \$100 Million of which is flood related funding that came from Congress. He listed the various projects.

All those things mean big changes from the way business was done in the past and for with the Concessionaire. Each of these items just adds to the complexity of the program from time to time. Mr. Nielsen listed some of those unique aspects in Yosemite. There is great interest for a whole variety of things that the board has talked about, such as the core menu. He related that they have been experimenting with that on a trial basis and have pretty much expanded throughout all the food services with YCS in the last few years. It was found to be extremely successful and a valuable tool. Potential consideration was given whether or not a similar concept could be used in retail items with some sort of core, and then other items as well. Another aspect is the asset management facility management of the program that is being headed by Price, Waterhouse and Carter Bridges*. He pointed to the Ansel Adams

facility as an example of a new contract coming up next year, wherein all the requirements for the new term will be fully outlined and the facility will be properly taken care of.

Board Member Saskiestewa asked for more details on the Core Retail concept and Mr. Nielsen explained that as the park staff looked at specifically gift and souvenir items, it seems the park staff could develop some sort of standard core of merchandise types of items that a Concessionaire might carry, with regulated prices. It would be similar to the core menu, deciding on a specific set of items with set pricing, which would then free up other things the park staff did not regulate necessarily the pricing on.

Chair Naille pointed out that the Board had asked the Park Service to look into expanding core menu to other arenas like lodging and retail if those were feasible. The Board needs to look into that because that is one of the issues that the Hospitality Association brought up yesterday, specifically why it was not out there in other operations. It simplifies the workload quite a bit and it provides for flexibility.

Chair Naille then inquired if the Yosemite staff experienced price resistance here from the public.

Mr. Kelly explained that in the Yosemite Lodge demand still outweighs supply, but over to Curry Village, they were getting some price resistance in those areas.

A discussion followed about lodging unites.

Board Member Linford inquired into the master plan to eliminate or greatly reduce traffic in the valley and what impact this will have on visitation.

Mr. Nielsen explained the Yosemite Valley Plan with the long-term aim to encourage more and more people to come in on transit systems. The plan in place, but when implementation could take place is a whole different issue, depending on funding. The theory for the transit is that people do come in, leave the cars, and the park will make it as convenient as possible through mass transit. It opens it up so that there is not as much vehicular traffic. The plan calls for actually closing North Side Drive, what is currently the outbound lane, down half of the Valley, and providing a little bit more foot traffic and bicycle travel opportunities. It is a great concept.

Mr. Adams, as one of the Concessionaires here in the Park, commended Mr. Nielsen and the staff on their work on the Asset Management Program and said that this was really giving him a handle on what the expectations are for going forward.

Report on Status of Evaluation Program Standards and Rate Approval Program

Ms. Highnote referred to a handout that would enable everyone to walk through what the current latest situation is on the updating of the evaluation standards and rate approval. This presentation was made at the last Advisory Board Meeting, and this is a continuing update. Ms. Highnote then provided the background, the objectives of this project, the scope of the study, the summary of the study findings, some of the major challenges that have already been identified, and then what the next steps will be to accomplish this. She reiterated that the Park Service is responsible for making sure that the Concessionaire rates and the conduction of evaluations of facilities are completed. GAO has identified

that the evaluation program needed an additional focus on it because of inconsistencies that they found in the way that the evaluation program is being applied. In response to both GAO and to the Advisory Board, Price, Waterhouse was brought in and they have been recruited to critique the current methodologies and make recommendations relating to four primary services that are the most prominent revenue generating, and those are food, lodging, retailing, and marinas. In August of this year, PWC delivered a report with recommendations and this Phase 2 represents their recommendations in their report, and what WASO is going to be doing in the next year.

- ***The Implementation Objectives. The goal is to make sure that the Park Service provides quality facilities and services to visitors and that are meeting visitor expectations.***
- ***Rate approval. The program has a goal and that is to ensure that the rates are fair, that they are reasonable, and that they are consistent with the law.***
- ***The evaluation and the rate approval goals reflect industry best practices.***
- ***The Scope of the Study. This is a Asset Management, new way of doing business, and in order to do that, these have been identified as the steps: (1) define and refine asset classifications (2) review the current evaluation standards and, (3) identify industry standards and assess what is applicable to the National Park Service. Once those classifications are identified and the evaluation standards identified for those various classification assets, the rate approval process will be looked at.***
- ***Benchmarks.***
- ***Summary of the Findings.***

Mr. Baekey presented the Board with the summary of our major findings accompanied by slides. He listed the various issues and emphasized that there is an opportunity to take a look at private sector technology and the classifications that exist in the private sector, and begin to apply those to the nature of the assets that are contained within many of the contracts existing within the Concessions Program.

He further illustrated his remarks with an example of Asset Classification specifically for lodging. He outlined how this may also lead to an ability to provide and develop standards relative to each asset class. The overall goal here is to establish an effective and accurate asset management system. There are a number of private sector asset management techniques that are recommended in order to implement better service to the guests and also the Concessionaire and the Park Service relative to the resource.

Mr. Baekey discussed how to deal with issues and recommendations relative to operating a financial management. The two primary issues uncovered are how do Concessionaires compare to each other and similar businesses and how operating trends can be monitored. A comparable matrix approach was suggested as well as the establishment of routine reporting systems, using industry comparables. It was also recommended to begin to introduce some broad private sector industry metrics. There are some groups out there that provide some industry metrics that many of the Concessionaires are familiar with and use, some of the travel research on the lodging side, the National Restaurant Industry on the Food and Beverage side, International Marina Institute on the marina side, and a host of others. In the right fashion this may help to better manage the contractual obligations with the Concessionaires.

Mr. Baekey next discussed the entire rate approval process, which needs to be improved, simplifying the process and making it more user friendly. This can be accomplished through a very site and asset specific type of approach. Based on the two primary rate setting approaches, which is the price structure and the price level approach, there is a lot of applicability for the price level approach, which is a much more financial oriented analysis that would support a rate approval process. There are a lot of unique circumstances around these operations that, in many cases, the current rate approval process does not take into consideration. If a more financially driven rate approval process is established, it will take into account some of the investments that the Concessioners need to make and provide still a market acceptable pricing for the customers.

Ms. Highnote continued with a more detailed explanation of the various steps to be taken. These included:

- ***The establishment of an internal work group.***
- ***A focus group research by Price Waterhouse.***
 - ***Waterfront designs as partners for marinas.***
 - ***National Restaurant Association for Food and Beverage.***
 - ***A pilot test by March 2003.***
 - ***An internal, new NPS 48 Guide for these two important processes within the National Park Service .***

Ms. Highnote further mentioned that during this process, the National Park Service staff will still be receiving refresher training on the current process to ensure that the Park Service management processes are being upheld.

Mr. Baekey indicated that the goal is to at least put in place in the operating and maintenance plan some minimally acceptable standards to hold the Concessionaire to in terms of facility maintenance, operating standards, and guest service standards. Prospectuses will be issued as early as the first quarter of '03 necessitating a need to manage that process and somehow intertwine some of these standards in these prospectuses at the same time as the pilot testing, refining, and reviewing.

Mr. Johnson asked how this system will address add-on's and will all the standards be set locally, or be kind of a recall, or national standard.

Ms. Baekey stated that the financial approach has some merit and will take into account certain of those expenses. There is also a void in the current rate approval process in not reflecting certain capital investments that will need to be made in those assets. Based on some of the condition assessment work he had been involved with, in many cases, this is a period where there is significant recapitalization of those assets that needs to occur in that, in the past term, there may not have been a sufficient reserve allocated to replacing furniture, fixtures, and equipment and/or repairing the physical facilities. The financial analysis will help understand what additional pass-through costs may be included in the rate. It needs to be still market acceptable in terms of what the market will bear.

Utilities are a big one as well, that everyone is facing right now, the pass-through's. And it is really a prudent management of what the market will bear vs. what additional costs we need to take on in terms of providing that service. In terms of the second question, this will be the national policy, the rate approval standards.

Mr. Johnson then asked if there will be a global or regional or national standard that will be applied for a park by one team or will it be up to each individual Park Concessions to go out and measure those standards.

Ms. Highnote explained that the standards will be the National Park Service standards for the various types of services, but they are going to be in more detail based on what the asset classification is. But it will be the National Park Service standard for whatever that service is. And that is what the parks will be using.

Kim Tucker, a Concessions Management Specialist here in Yosemite complimented the presenters. She said it captured a lot of the issues that people had trouble with here in Yosemite. She was pleased to see that incentives for superior performance for Concessionaires are to be included. She recommended considering developing a system where rates can be adjusted perhaps downwards when performance is not satisfactory. It would be helpful to have a policy about that.

Ms. Highnote explained that as matters are being developed, they will be sent out service-wide for review and comment by those that are in the program, but those that are in the internal working group, it is people within the Concessions Management Program, Concessions Specialists that are making up part of their internal work group. Price Waterhouse is going to be conducting the focus group and they are going to be actually doing the research of actual visitors in determining what their expectations are of the National Park Service.

Ms. Orlando addressed the issue of performance-based contracting, and stated that as they are moving forward on the prospectus processes, at least on the large ones, components will be built into those prospectuses.

Kevin Apgar, Concessions Program Manager for Alaska spoke about the Denali Transportation Contract Prospectus.

Mr. Baekey stressed the importance of looking at this as a partnership with the Concessioners, with the Park Service, to try to measure what is achievable and what is not achievable as we begin to roll out standards. It is certainly not in anyone's best interest to roll out standards that are not achievable.

Board Member Eyster asked how inspections will be done and Ms. Highnote explained that one of the things under consideration would be a mystery shopper, maybe having someone from the industry coming in to do evaluations.

A discussion followed on this subject, as well as on the issue of having facilities listed within the AAA Guide and the way in which AAA evaluates and brochures their assets vs. the way the Park Service assets are brochured.

Ms. Orlando asked Ms. Highnote to speak to the core menu as this has come up a couple of times this week, and as well last week at the Hospitality Association meeting. She said she received some information from individual Concessionaires that core menu is not being implemented on the ground in the parks.

Ms. Highnote explained that the core menu went out by memo last September '01 with the direction that the Parks were to implement it. And it was sent to the Regional Chiefs with the request that it be shared with their Parks, with food operators, in order to be able to have the Parks sit down with their Concessionaires before the beginning of the next season and rates, to look at this process as a possibility. Some parks had already started looking into this process before this policy because this process and this methodology came out of one of the groups that was formed back in '97 and '98, and so if it is not being implemented she wanted to know why. The intent of core menu is just that you come up with items that are core, that the park wants the Concessionaire to provide. Those items would be identified. Those items are what the park would be doing the rate approval on. If the Concessionaire wants to carry lobster at \$50.00 a plate, he or she can do so. The only concern is about the core items that have been identified as a requirement and; those core items would be developed by the Park. That memo that went out did not identify specific core items. That would be done on a park-by-park basis, but what was identified is children's menus, some dietary considerations, entrees identified. Those items that are not non-core are to be based on comparability, but the Park is not supposed to be looking at each of those items and approving those rates. The Park Service does expect the Concessionaire to follow the comparable and a good businessperson is going to do that anyway.

Chair Naille suggested that Judy Bassett, if she could, find out from the people in the Hospitality Association where the problems are of the non-implementation of core menu and get information to Ms. Highnote so that she can react to that.

Chair Naille further pointed out that on this particular document there are ten or so recommendations and findings that go beyond the scope of what was discussed today. Some of the August 10, 2002 recommendations from Price Waterhouse are superb. He wondered if maybe for the next meeting the Board might review these.

Draft Handcraft Regulations

Sherrill Watson referred to a draft of the proposed handcraft regulations. They were just received and no one has had a chance to really look at them and digest them. WASO was tasked by Congress with the new Concessions Act to come up with a definition for handcrafts and also to increase the sale of handcrafts for Native Americans, Alaskans, Native Samoans, and Hawaiians, necessitating definitions for these groups.

The first seven to eight pages of the regulations mainly relate to the regulatory requirements and how these proposed regulations will affect them. The enactment of these proposed regulations will not affect any of these existing regulatory requirements. The regulations themselves amount to no more than a page that basically defines each of the groups mentioned in the law--Native Hawaiians, Native Samoans, Native Americans, and American Indians. These definitions provided come from prior laws that define such groups. Therefore, nothing was changed as far as that is concerned. There is no definition for Native Samoan because, as far as is known, no one has one. This will have to wait until the Samoans themselves, or a delegation from there, comes up with a definition before it can be defined in these regulations. There is a definition for Handcrafts and Arts and Crafts. The definition for Arts and Crafts is "arts and crafts that are traditional or non-traditional in a non-traditional style or medium." An Authentic Native handcraft is defined as "Arts and Crafts created by United States Indian, Alaskan Native, Native Samoan, or Native Hawaiian, that are made with the help of only such devices as allow the manual skill of the maker to condition the shape and design of each individual object." That is basically the same definition that the Concessions Program has used for years.

Ms. Watson invited comments at this point, and stated that the regulations will be given to the Board so that they can review them and make comments. These regulations have not gone anywhere and, this is the first that anyone has had the opportunity to see them. Comments can be made at this point or later, once they are published in the Federal Register.

Ms. Orlando reminded that this was one of the Board's tasks in the work group, and that a space in the regulations has been reserved for this reg for two years now. The formal public comment will be any time going forward, so unless there is some glaring issue with this, this really is not a comment period per se as comments has to be taken publicly.

Board Member Eyster inquired what has transpired since the October Mt. Pisgah meeting with respect to expanding the handcraft definition to include regional handcrafts that were not Native American.

Ms. Watson stated that although this was considered, it was thought that there would be no way to go any further than the law goes, and the law just defines it as "handcrafts." The Solicitor has now advised that there may be some way to put something in the policy that would allow going a little further than what the proposed regs say. But right now, this is the most that can be done. The law does not ask for any more than that.

Ms. Orlando noted that the regulation has to be specific to the statute which outlines these ethnic groups specifically. As policy matter the Board could address regional handcraft groups, or go back in and ask for the statute to be re-written.

Board Member Saskiestewa reported there was another meeting at which she was not present, but did go to the website. In looking at the draft it describes what an authentic handcraft is. It is very open and very loosely written and it really does not have any teeth. It does show that the Park Service has really taken the initiative to look at this for the Concessioners and for the Parks, but it really comes out of legislation from the American Indian Arts and Crafts Board. They too cannot enforce anything either

because it takes teams of experts to know that the coral has been irradiated, and that turquoise is from Tibet. That is something we could help Concessioners with in terms of the circuit rider. She found it alarming that this craft definition is so loose for the constituency that the Board was actually asked to review it. Having additional crafts added made it kind of open-ended, but there might be some discussion by the Board and Concessioners about possible incentives, and it would have to be done in the same way that a good museum shop does. It would require lots of time and effort to really define what those classifications are and Board Member Saskiestewa was not sure that is something that this Board or the Park Service really has the tools for to do. She stated she would keep the Board posted.

Other Business

Chair Naille announced that this part would be a working session of the Board with lots of discussion and many questions posed. He invited the attendees to take part in the discussion and submit ideas and suggestions and ask for clarifications. The objective of the Board at this point in time is to finalize for this particular year what will be submitted to Congress. Every year the Board submits a report to Congress.

Dr. Eyster has been the official scribe for the last couple of years and now Board Member Voorhees is going to take over that role. All in all Chair Naille reported that he is quite pleased with the direction the Park Service has gone. The major impetus on the part of Congress was to, when they created this Board, was to some degree look at Asset Management organization to come in and take over the entire Concession operation. Chair Naille stated he was personally not in favor of that concept because he felt that the Park Service would lose control of the mission that is mandated to the Park Service. The Board would like to see the Park Service keep control and just to professionalize the Concessions system and the Park Service has been doing that. Reports have been given on the training programs and the educational institutions that they are using, outside hiring practices are in place and outside consultants such as Price WaterhouseCoopers were hired. Last year at one of the meetings, there was a request that this Board have a line of communications to PriceWaterhouse so that they can keep the Board informed as to what they are officially doing also, and the Park Service agreed to that. Every time the Board meets it gets good reports out of Price Waterhouse and what they are doing with the Park Service. The Park Service seems to be pleased with that arrangement and most of the people who are in the Concessions business can see the changes that have come about because of this process.

The position of the Board is that it looks for change where possible, a new direction, and any advice that the Board can give to the Park Service, or recommendations, is what the Board is all about. Some recommendations can never be achieved, but the will probably still keep making those same recommendations. The Board will start looking at new arenas to tackle down the road, not necessarily at this point in time, but looking at new ideas and new things. The Board has pretty much reviewed almost everything that Congress has asked the Board to look into under the original assignment of this Board, and while the Board will never start re-reviewing those particular issues such as the handicraft issue, the Board will probably never stop dealing with that as long as the Board exists in some fashion. There is a need to look at new ideas, and one of those was the Hospitality Association. The Board would like to know their feeling and ideas and things that they would like the Board to look into.

Board Member Voorhees reported that there were four primary points that were made as issues, concepts of concern looking ahead. One that is in process and is already being discussed on a separate track is the issue of lack of uniformity in understanding the core menu concept.

Chair Naille interjected that there is a feeling in the Park Service that it is being done, and apparently it is not totally being done, or maybe it is being done differently. The Park Service really has a desire to push this and in many areas, it is in full compliance.

Board Member Voorhees continued and stated that the second point was concern for defining an exit plan for concessioners that choose not to renew.

A general discussion followed concerning basically understanding the complete list of assets and figuring out how to deal with them.

Ms. Orlando spoke on this subject and stated that the old contracts have very specific language as to how this process will work, and that is that these kinds of decisions will be made between an old concessioner and a new concessioner, or an older concessioner and incumbent concessioner and the Park Service. It is very clear in the older contracts. What is not clear in the older contracts is how all these other transitions will happen. There is no outlining of responsibilities that the Park Service will do this and incumbent concessioner does this, and new Concessioner coming in does that. The program is trying

to address that going forward in the new prospectuses. Related, though, to the old contract term about PI and personal property and everything else, the National Park Service and the Concessioner can sit down and negotiate that up front. The Concessioner can approach the National Park Service and have that dialogue, and the contract can be amended and this can happen. It happened. It happened at Grand Canyon. But it requires an amendment to the existing contract and the Park Service and the concessioner being in agreement that this is what you want to do. Ms. Orlando noted that in this regard, by the next meeting, probably at least one arbitration will be completed. There are three in process right now. They are all unique and distinct from each other. There is no boilerplate response to any of this. Everyone is very different.

Chair Naille suggested taking a look at this issue at the next meeting. A further discussion followed on this subject.

Ms. Orlando next clarified the term “estimate” and explained that the Park Service is doing full appraisals. The NPS has used a professional certified appraiser. The Program is not putting out a prospectus with just some number pulled out of the air. There is a basis for that number. She also clarified that the preferential right of renewal is for contracts under \$500,000. And all outfitters and guides of which there are about 21, are over \$500,000. About half of the contracts are under \$500,000 so that may be about 300.

Board Member Eyster noted that the benefit of increasing that dollar amount eliminates big companies competing against smaller companies that now have contracts, but it also precludes small companies bidding against small companies. So you can look at it on one side of the coin where the protection of the small incumbents can be beneficial to the small incumbents because the big guys do not swallow up the little guys. But, on the other hand, the little guys cannot bid against little guys, which decreases the competition that the Board prefers, at least which was one of the purposes of the new bill. So there is a double-edged sword here that one needs to be aware of before the Board starts pushing for increasing the \$500,000.

A discussion followed on this subject.

Board Member Linford noted that in this regard the other side of that point is that there are in the National Parks at least a few small businesses that perform a very good service and have a unique service within that park that are very vulnerable under the present law. He hoped that in whatever the bidding process is that these unique services will be recognized in the prospectus. Most outfitters are small businesses, and they lobbied very hard to have the outfitting businesses exempted from bidding against all comers with no preferential right. He wondered how this could be addressed or if there is any interest in protecting these unique businesses, and, if so, how is that going to be presented in the prospectus.

Ms. Orlando stated that there are authorities within the law to address some of those kinds of situations. There is a section that addresses equitable and compelling circumstances for sole sourcing a contract. That has to undergo Congressional review, federal registrant notification, things like that. Park Management needs to make certain decisions when you, in fact, have an operation like that. The Park Managers need to make the decision along with their regional Concessions Chiefs as to what authorities might be there to address a situation like that, and then work within the existing process.

A discussion followed on this subject.

Ms. Orlando said that is, in fact, which is why the Program puts on these training sessions all around the country. They have been geared toward the smaller operators in terms of preparing them for the prospectus process. In looking at the list handed out it is apparent that of all the contracts that have been awarded in the last year, 80 percent of them have gone to incumbents. And these were the smaller operators.

Board Member Voorhees stated that in listening to all this, his reaction to it is that change is a difficult process for anybody and everybody, no matter when it happens. It is incumbent upon the Park Service and the Board to make sure that that change process is as comfortable and has as few rough edges as possible. A lot of good came out of the law that was passed several years ago. It is just a matter of working through the specifics and the dynamics. He cautioned not to lose sight of the fact that it is the very job of the Park Service and all the Park Managers and all the Park staff to make sure that visitor experience is as good as it possibly can be, and is truly reflective of the character that the Park itself is supposed to provide and demonstrate. It is the Board's job to make sure that nothing is wrong with the process and that this moves forward as comfortably as it can possibly move forward, without trying to slide back to some of the problems which really were the circumstance a dozen years ago.

Board Member Linford said that it sounded to him that the Park Service feels that the fact a concessioner may have been there for 100 years is not going to weigh very heavily, if at all, in the next bidding. What they are going to have to do is show that they are going to be even better over the next five years, or however many years the contract is. At some point he would hope that excellence, and continued excellence, should be enough, rather than showing how innovative one can be with your recycling program in the next five years or something like that.

Ms. Orlando stated "these concerns are appreciated by everybody" and this was all discussed certainly within the Park Service. Congress can do what Congress wants to do. And Congress can change a law just the way they changed the last one. Competition is working and it is apparent that a large number of contracts is going to incumbents. And ultimately, whether the contract is awarded to a new operator or an incumbent operator, in virtually every offer, the park resource, the park visitor is benefitting.

Board Member Voorhees noted he had one more point and, surprisingly enough, reflective of this discussion. The issue was brought up by the Hospitality Association of rewarding performance. Is there a benefit possible to be provided for exceptional performance that can translate to the bidding process, to the prospectus process was the final point that was raised by Judy.

Ms. Orlando pointed out it is all in the statute and the regulations in terms of the selection factors. There is also a regulation that states that incumbents cannot have preferred or special treatment. If you have operated anywhere and performed satisfactory that is almost like a reference check and that is something that is being discussed right now. So that may or may not be feasible, and this would have to be checked with the solicitors to find out.

Chair Naille reiterated that the Board encourages implementation of the core menu retail and lodging, which was the recommendation last year. The Board should continue to encourage the development of that directional thinking, specifically with regard to a core menu concept for lodging. The Board will also encourage NPS to look at developing a policy on franchise fee reduction on Americana or Regional handicraft arts because that was a recommendation. The whole idea of local arts

and crafts, along with Native American arts and crafts, which might affect certain areas that may only have local arts and crafts should all be encouraged.

Board Member Sakiestewa stated she wanted to discuss that in depth and that is why she felt that this Board really needs to have some other meeting where it can get input, discuss these things, and then get them back out in some thoughtful way. Everybody is on the same page about quality and authenticity, but it is the setting up some policy and procedure that would work for that would really help the Park Service.

Chair Naille stated this will be heard in a subcommittee and Ramona has agreed to chair that subcommittee.

Ms. Orlando questioned if this would be something that can be handled through policy, or if it would actually need a statutory change.

A discussion followed on the coordination of the subcommittee.

Ms. Orlando advised that her staff will to continue to work on the Rate Approval Program. That is going to be a big part of the presentation.

Chair Naille brought up the fact that the business practices position the Board was looking for did not materialize and Board Member Voorhees suggested having an update on that on the meeting after the next meeting.

Appointments to the Board

Sherrill Watson reported that there are three reappointments to the Board, i.e. Jim Eyster, Richard Linford, and Phil Voorhees. Memos have been prepared and sent forward, but as of this date, it is not known whether they have been approved. The requests are for an extension of their appointments for 4 more years.

Next Meeting

It was decided that the next meeting will be held in Washington in early March to coincide with the date for the Hospitality Association meeting

Topics to be discussed at next Meeting

The following topics were suggested as part of the agenda for discussion at the next meeting:

- a) **report from the new Arts and Crafts Committee?**
- b) **report from the new Advisory Committee or Rates Approval Committee**
- c) **GAO Report.**

Ms. Orlando made a correction with regard to the numbers of concessioners that the Hospitality Association has in their membership in that the National Park Hospitality.

Meeting adjourned.

(Whereupon the meeting was adjourned at 4:25 p.m.)