

Proposed minutes
Concessions management advisory board
3rd meeting

Call to Order. The meeting was called to order by Chairman Allen Naille at the Stiha Room, La Fonda Hotel, Santa Fe, New Mexico at 9:00 a.m.

Roll Call. Present were: Chairman Allen Naille, Board Members Eyster, Norman, Linford, Sakiestewa, Voorhees and Weerts and designated federal official Cindy Orlando. Also present was Sherrill Watson, administrative assistant to the Board.

Agenda. All participants were asked to introduce themselves. Those in attendance were: Art Hutchinson, Deputy Chief of Concessions in the Region of Denver, Hal Grovert, Judy Jennings, Chief of the Business Resources Division in the Intermountain Region, Pam Barkin, Office of Solicitor, Lars Hanslin, a consultant for the Park Service, Judy Rozelle, Rhonda Long, Concessions Management Assistant, Bill Johnston and General Manager of the Grand Canyon Management Park Lodges, Gary Fraker, Mike Gomel, Director of Business Development, John Maris, Diana Maris, Sandy Poole, Chief of Concessions in West Region, Ron Everhart, Deputy Director of Intermountain Region and member of the Regional Directors Council, Ned Woodward from the General Accounting Office.

After introductions from participants, Chairman Naille extended the Board's welcome to all. The minutes from the Board's last meeting in April were read.

MOTION. Board Member Norman moved, seconded by Board Member Linford to adopt the minutes from the last meeting in April, as provided. The motion carried.

Overview of NPS Response to the GAO Report.

Cindy Orlando provided an overview of the National Park Service's response to the GAO Report. She referred to the NPS' formal and final memorandum to Dan Burton, Chairman, Committee on Governmental Affairs that finally was transmitted by the Department on July 27. The key issues that GAO highlighted were addressed, including workforce professionalization and training, out of date contracting priorities or practices, and the issue of outsourcing and lack of accountability.

Ms. Orlando suggested that it might be appropriate to direct questions on accountability to some senior Park Management representatives present today.

Chairman Naille pointed out that the reports over the years often say the same thing, which leads one to believe that the same problems still exist or do not get corrected. He wanted to know what steps are being taken to react to these to make sure that action occurs and changes do happen.

Ms. Orlando noted that there is a liturgy of reports and that the '90 and '91 reports that were referenced, in general, related to problems that were partly resolved by the new regulations that were implemented in '92 in terms of contracting. A number of these other issues that continue to be identified are being substantially addressed as the '98 law starts being implemented. Rather than speaking to why things

PROPOSED MINUTES -- 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

didn't happen over the last ten years, Ms. Orlando suggested looking ahead into the future at some things that are being done differently as well as at specific actions being planned. She listed two arenas; the development of a cooperative agreement with Northern Arizona University to develop a hospitality curriculum for Concession employees, and a contracting certification program, in close association with the Department of Interior and the U.S. Army Training Academy. In the Finance arena discussions were held with Cornell. A couple of MBA students have been hired through the business plan initiative, which practice should be continued, specifically with those interns coming into the Concession program. As contracting issues become more complex, a lot of the financial work will be out-sourced because the NPS does not have the resources, the capabilities and the capacity to handle much of that. Ms. Orlando detailed the contracting curriculum.

Judy Jennings explained that in May, the intermountain region combined the procurement actions contracting and Concessions program together and created the business resources division. The interfacing of those two programs would be of benefit.

Ms. Orlando stated the program would be pretty aggressive in pursuing that contracting certification program. At a meeting with OMB last week, going through the program and the new regulations it became apparent that both OMB and the department were quite pleased with what had been done to address performance based contracting and what will be accomplished as the new prospectuses come out. There still continues to be a concern about the evaluation program and review of this will be forthcoming.

As far as outsourcing financial analyses, appraisal work, the insurance program, and the development of a database program, in terms of broader programmatic outsourcing, Ms. Orlando advised she was in the process of developing a contract with one of the top five firms in the country to perform an operational analysis of the program. In terms of dollars, outsourcing has gone from zero dollars about ten years ago to about \$5 million this year.

Ms. Orlando pointed out that a number of components of the program cannot and should not be outsourced. She also noted that only \$50,000 was spent on training in 1995, with a quarter of a million proposed for this coming year.

There is a great deal of concern about the accountability issue in Concessions and there is a performance standard that has been drafted for all SES positions, which would include superintendents and Regional Directors. This would apply to superintendents with Concession operations in their Parks.

Ron Everhart explained that in SES performance standards there always were elements that related to the management of Concessions within the Parks as part of park operations. He said he was concerned about two things; the proliferation of specific standards and goal-based standards, as oftentimes, the performance standards look more to process than outcome. Mr. Everhart provided examples on this subject.

Chairman Naille addressed the fact that the whole Concession program does not have enough emphasis placed on it, or not enough emphasis is placed on superintendents to hold them accountable to make sure that the program is top drawer at each park. He then asked for Mr. Everhart's thoughts on this matter.

Mr. Everhart conceded there has never been a Concessions challenge. The whole notion of the National Park Service started largely because of Concessions, from its earliest inception, was intended in part as a management tool for the commercial activities in the Parks, and to regulate those commercial activities. Over time this has drifted away from the notion that the active engagement in the management of the business activities occurring in the park was a principal responsibility of the superintendents. The sense of the

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

Congress has been now and over the last several years that that's not acceptable, that Park Service managers need to be actively engaged in this. The Park Service needs to step up and take a bigger and more active role.

Board Member Voorhees asked if, within the GPRA framework, superintendents are being evaluated on an annual basis, what would be an annual outcome against which they'd be measured.

Mr. Everhart replied this would fall under Goal 2, visitor satisfaction, as measured by the visitor satisfaction surveys and those things are related to both price and quality of service, which are the end products that the consumers look at.

Board Member Voorhees countered that in looking at this as a GPRA driven process, then none of the background management activities that the management of the park would normally look at as an indicator of whether they're doing their jobs well or not, apart from simple visitor response, is captured.

Mr. Everhart agreed and pointed to another GIPRA goal, directly related to enhancing revenues, Goal 4.

Ms. Orlando continued with her report on specific policy issues that the Regional Directors addressed most recently. There are a number of Parks that have been putting in for Concession positions for a number of years within the regular operating call process and this needs to continue in that arena. The Regional Directors addressed this matter in terms of supporting within the regions the priorities for new Concession positions, any new hires possessing hospitality, finance, or business backgrounds. They also basically took the position that 80 percent franchise fee money should be used to hire positions for the Concession program where value can be added to that Concession program, but no policy guidance has come out yet from Washington. The Regional Directors are committed to supporting the use of the 80 percent money for hires and they are committed to using 20 percent franchise fee for professionalization of the Concessions workforce.

Chairman Naille asked Mr. Woodward to address how the Board can assist with regard to the accountability.

Mr. Woodward advised that follow-up here is the key. He mentioned that there will be a national meeting of the agency next month in St. Louis with one whole agenda item dealing with accountability, including a presentation involving all of the regional directors to talk about accountability issues. The discretion of superintendents is somehow managed so that they can have the flexibility to manage local issues within the parameters of where the policy direction of the agency is going. The Agency has to have the ability to follow through on some of the commitments that were made at the local level, and convince superintendents that these decisions are in the best interest of the program, of the agency, and holding them accountable towards those things.

Mr. Woodward did not think it would be useful to go out and do another study and his agency has not been asked to do any follow-up work, but would not be surprised if there were some hearings next year just to re-visit the issue generally.

Ms. Orlando referred to a transcript of the hearing that was held in June on the GAO Report. In that

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

hearing, the Senator eluded to a report he was going to commission GAO to do on National Park Service leadership and Management.

Mr. Woodward advised that GAO has not been formally asked to do that. The job would be looking at basically the Agency's ability to manage itself, the key accountability issues on a global scale, not just Concessions.

Mr. Everhart stated that in 1999, the Agency proposed a \$2 million re-programming of funds into additional training for several different disciplines and that re-programming request was denied. There is a budget request in 2001 budget for \$1 million for training that looks like it's going to go through. It is expected that a new fundamentals course which is based on the core competencies initiative, will begin this October. With the addition of funds from the Concession franchise money coming back to the program, that will be a source of funds for training, and specifically in Concessions.

Ms. Orlando noted that the 20 percent franchise fee money is not a very big pot of money, less than \$4 million, and it has to go a long way. But to commit up to a half a million to training is a huge step to take. She added that the Concession program budget in the Washington office for the last five years has been flat.

Chairman Naille emphasized his strong desire for the Board to take on the task of watchdog over this, but was concerned that it was just going to go the way it's always gone. The Board should try to stay on top of this.

Board Member Eyster inquired if there has been a review recently of job descriptions for new hires into the Concession Management Program to ensure that there's adequate background and training in hospitality and business when people come in to the door to work for the Concession Management Program. There appears to be an opportunity to much more efficiently develop skill sets by hiring the right people with at least undergraduate business degree or hospitality degree and experience.

Ms. Orlando noted that benchmark position descriptions were developed which hopefully people will use.

Ms. Poole stated that there was only one full time position in the Midwest Region, Buffalo National River, for a GS-9/11 Concession Specialist. It went out to all sources and there were four applicants for the job. None of them had any background in hospitality that made the cert, except the one that was chosen who was from a neighboring park, and she had about seven or eight years in the Concessions program. She was hired and will be a really good choice for that park. She doesn't have a degree in business or the hospitality industry, but she does have many years at working in the Concessions program.

In terms of the position description, the KSA's were written for Concessions and safety officer both, a 50/50 job.

Board Member Eyster thought it would be a good idea to target recruiting efforts at some of the top line hospitality schools in the country. There could be visitation at two or three of the hospitality schools done by the Concession Management Program in either Denver or Washington, where you could get a very good exposure to people that might have this as an interest for a career.

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

Ms. Orlando pointed to another tool that could be used, which would be a recruitment bonus as a way to possibly bring new graduates into the government, into the Park Service. This is a legal standard that OPM allows.

A lengthy discussion followed on this subject, funding sources as well as a discussion on GS-11 pay rates.

Board Member Eyster opined that since a person who you might be very interested in is going to evaluate the Park Service from the point of view of the career path the Service can offer, that really the funding for this bonus should be a joint funding between the corporate office and an individual park.

Mr. Woodward stated that the obstacle is the belief within the Agency that they could not pay them enough and therefore would not hire people from business schools or hospitality schools. He suggested this would be a recommendation that the Board should address.

Ms. Sakiestewa pointed out that tuition is \$36,000 a year and kids are getting out with student loans of \$15,000 to pay back every year. This means you would have to be a GS-11 here to even start having the money to pay back a loan.

Ms. Orlando stressed the need for approaching OPM asking for a separate pay scale for these kinds of individuals. A government-wide strategy is necessary to address that. We have a small grant program that comes out of our base and is available Service-wide to Concession employees to compete for, for professional development. That might be something like a detail to Disneyland to watch their Concession operation, or course work at a university.

Board Member Voorhees stated that in the past three years NPCA has been working with the Park Service in a partnership that has employed, though specifically for 12 weeks in the summer, 54 students from schools ranging from the Yale School of Management to the Harvard Business School, to University of Oregon's Business School, and a variety of other government policy schools and business schools.

The response he got back from them has been that they expressed themselves as being interested in doing this. And that can phase to the long term for their careers as well. It's an issue of satisfying their debt burden.

Mr. Voorhees indicated he was now working with the Park Service to try to resolve that, probably using a private philanthropy to deal with that. Using a mechanism to deal with debt to eliminate barriers is not unique in the government. In fact, there are a number of places that do it. The question is convincing the Park Service, convincing philanthropies in the short term, and then convincing the Congress in the long term that this is something that is viable and necessary for the Park Service to be able to get these kinds of folks in the system.

Mr. Everhart offered a different perspective on this. The emphasis has been on getting good qualified people for Concessions jobs. If a superintendent of a park paid bonuses or offered an entry-level position at a

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

higher grade to someone coming in as a Concessions Specialist, than he would to a Resource Specialists or Rangers, this would create internal conflicts within the organization. All the Resource Specialists are required to have advance degrees, the Rangers all have to have four-year degrees, the same as someone in Concessions, perhaps. And they're going to start off as GS-5's because that normal career progression is 5, 7, 9,11. Bringing in a Concession Specialist, at a higher grade, creates all kinds of internal tensions.

Another option that should be investigated would be co-op students wherein the government helps through grants and employment opportunities students get through college.

Chairman Naille wondered what graduates of hotel and business management really know about the industry. The question really would be how to afford to pay them up to a GS-11 when they're really not bringing that much benefit to the organization at that period in time.

Board Member Voorhees suggested to target those kind of people because that would not necessarily be outside the reach of NPS. This is a critical area of need for NPS in the long term.

Mr. Everhart thought that this particular avenue would lead to people not achieving Management positions in the Park Service who would otherwise have some sort of background and experience and understanding of the Concessions Management Program.

Board Member Eyster pointed out that some of the national hospitality programs have internships where the Park Service could bring maybe half a dozen people on board for six months. Those internship program work out extremely well because, in most cases, the internship experience results in a permanent hire when the person graduates if the match is right.

Board Member Norman agreed that forming relationships with these schools, the internship programs, tend to work well, because all of them who come out are not necessarily interested in going into the corporate side.

As an example, he cited schools who are looking for opportunities for students to work not only in terms of internships but between sessions and they regularly do this. It does not take a \$50,000 entering salary just to get some of them.

Professionalism Strategy for the Future.

Ms. Orlando referred to the briefing statement (handout) that outlined in more detail the warranting program, the certification program, referencing the career futures work group report that was done in '97.

There is an additional source of funding available that will allow staff to begin to implement some of that strategy and the Service needs to be as aggressive as possible to make sure that it has trained and qualified people out there in the Parks and that the people being brought in from the outside have this kind of background.

Ms. Orlando next outlined the details of the proposed hospitality program, including funding.

Upon invitation of the Chairman, Hal Grove discussed having someone with the Park go with them to

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

do the recruitment and talk about the kind of programs that are available and to meet with the schools to see how we can get involved with those kind of things in the future.

Ms. Jennings added they have done some kind of creative employment recruitment too in that one position is a shared position with Dinosaur National Park. So half the FTE is a Regional Office employ and half of it is a park employ, which frees up half an FTE. They also looked at a sort of an internship type situation where they would bring students in for a specified period of time just to look at some of the programs within concessions and bring in their hospitality expertise as well.

She said she has about 30 FTE's in this region that are full-time Concession Specialists. Of those, there are three GS-14's, three GS-13's, six GS-12's, nine GS-11's, six GS-9's, and five GS-7's. As far as career opportunities go, as you move up the ladder, there aren't as many opportunities. There is a need to look at expanding opportunities for these people beyond just concessions too, in looking at park management and management opportunities, and give them other opportunities as well.

A lengthy discussion followed on this subject.

Board Member Norman noted that the previous speakers brought up an interesting point, that has to do with what is valued in the National Park Service in terms of promotion assignment and moving to the top.

If you're bright, aggressive, thoughtful, and have aspirations, and you've come to the Park Service not because you're necessarily committed to a particular discipline, but the broader goals and objectives that are there, how could you move along that line and still have some reasonable expectation that you could become, as an example, a superintendent.

Mr. Grovert thought one issue is always a specialization issue. The goal is to have a manager who is as broad-based as you could possibly get them to be with the experience in various operations, but there are not as many opportunities to do that anymore.

A general discussion followed on this subject.

Mr. Everhart noted that the retirement system for Rangers mean that they are no longer competitive because they stay in their specialty so long that they lack the kind of interdisciplinary and broad-based backgrounds that superintendents are selected on today. So a lot of the superintendents today are coming out of Professional Services, a lot of them are out of Resources.

The Park Service didn't have a very large or well developed Resource Management program as a separate discipline until about 15 years ago and that is starting to pay off. Many superintendents are drawn out of Resource Management backgrounds, and some Maintenance background, the engineers and architects have worked in field locations as Chiefs of Maintenance are being selected. Administrative disciplines by and large are not well represented among superintendent ranks.

He questioned the wisdom of the proposal to take Concessions out of Park Operations in the Washington office and assign it to a new Director for Business Operations.

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

Board Member Norman added he in no way suggested that the Park Service should not be moving to try to enhance the professionalism of Concession employees, and that there clearly ought to be arrangements for a career path that individuals who are interested can move up.

At the same time there should not be a preclusion of the opportunities for the cross fertilization and the kind of broad-base of experiences that you would want a superintendent to have in order to have maximum effectiveness.

Mr. Woodward raised the question in terms of professionalization, of the use of collateral duty staff, particularly at big parks.

Ms. Orlando said that the Regional Directors were also concerned about that. Everybody is in agreement that it doesn't add value at the present time to the program. One area she would try to attack that issue with is through OFS and through the budget process.

Ms. Orlando reported she had requested seven positions that would be Washington positions based in the regions. This would help to tackle, and in some degree might address some of the accountability (consistency in oversight) issues because these positions would be working as Washington positions in the field and providing support to the regions and the parks. For example, in a collateral duty park where there is a need for more professional expertise and it is not possible to convert it to a full-time position for various management reasons. These were referenced as Circuit Rider positions.

So the OFS process in terms of getting new money for new positions, or converting existing part-time to full-time, and the Circuit Rider concept are the items that are out there on the floor right now.

A discussion followed on this subject.

Ms. Orlando further explained that a gap analysis will be requested through the Price-Waterhouse assessment to identify, in essence, what resources are presently available, where to best serve the Agency, the Park, the visitors, the Program. Questions such as re-allocation of resources, where more resources are needed, is there a need for 27 people in Washington, D.C., or is there a need for 15 people in San Francisco and 12 people in Omaha. Part of the whole assessment basically is to look at the program nation-wide, look at the processes, can it be re-engineered and be more effective, but basically look at the resources and figure out how to realign them to be most effective and most responsive.

And if that means that the analysis or the gap analysis will show more resources are needed here than perhaps there, then that's probably a recommendation that will be made. Coupled with that is, then, what function should be outsourced vs. insourced. So it will be a combination of recommendations along those lines.

A discussion followed on collateral duty positions.

Chairman Naille stated he had great expectations of the Circuit Rider concept and wanted that to be the Board's focal point to make sure that it will be a strong program. He also expressed concern that there will be a reliance on that outside help, rather than solving the problem in the park. He felt the short term help

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

to the problem is a Circuit Rider concept in that there will be people in the field that can be called upon to assist from time to time and an extension to that could be some semblance of evaluation on their part on the success of the program in a park that has collateral responsibilities as a follow-up.

Ms. Orlando thought that might be one of the small incremental steps that could be taken towards addressing the accountability issue because there will be a link between the Regional program and the Washington program.

Within the operations function NPS received a high priority for Concessions for three Circuit Rider positions. OMB is very interested in this issue also and they may want to fund all seven positions at one time.

Board Member Norman found it a little frustrating reading reports going from 1990 up coming to the forefront, that there always seems to be general agreement on certain issues, and this most recent report is illustrative.

The fact is that today 20 percent of the 90 contracts over \$1 million are being administered by collateral duty individuals. It clearly states that there should be a policy that would place full-time Concession Specialists in parks that presently have collateral personnel administering complex successful programs. But how to move from this conceptual framework of "this is the right thing to do" to getting it done is the cultural barrier that needs to be addressed.

A discussion followed on this subject.

Mr. Everhart emphasized that the one thing to remember here, in talking about professionalization and Concession Management, is that it is the Board's role to formulate the policies and write the contracts, and administer the contracts, but not to run the businesses. The reliance is upon the concessionaires to run the business and run them well. It is not the National Park Service's role to operate businesses, that's why companies are contracted with to do that. There need to be better administrators of those contracts.

Mr. Woodward pointed out that there is a consequence to the collateral duty, which can be significant. A Circuit Rider situation, which will provide a lot of support to collateral duty, but that presumes that the park with the collateral duty is interested in a Circuit Rider.

Discussion of Advisory Board Charter - Handcraft Program.

Chairman Naille announced the next agenda item which would involve a discussion on the nature and scope of products which quality as Indian, Alaska Native, and Native Hawaiian handicrafts.

Ms. Orlando discussed the issue of *what is native handcraft* and referred to a letter from Senator Ben Nighthorse Campbell, who is in the process of considering whether or not to introduce legislation on this matter. The Concession Program, as a matter of policy, on a regular basis answers questions from the Congress and responds to Congressional inquiries. The question asked about the program from Senator Campbell was "I intend to ensure that, at a minimum, goods sold on federal lands comply with the Act." And he's referencing the Indian Arts and Crafts Act, which is public law 101-644. His question to the department

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

was, "Would the department be in support of requiring the National Park Service to ensure that only authentic Indian arts and crafts were sold on these federal properties?"

The Concession Program responded to that question through its Indian liaison office, who then, in turn, is working with the Department of Interior Indian Arts and Crafts Board, who in turn is working with the staff for Senator Campbell. Nothing further has occurred.

This information was just included in the packet for the Board to give them a sense of what some of the issues might be. The Board's mandate is very clear in this regard. All the participants have been working in the field for many years with concessions and are dealing with this issue every day in the parks in terms of the Native American hand craft: what qualifies and what does not.

And the reason why it's so important to the Concession Program and to the Concessionaires is because Concessionaires enjoy a franchise fee exemption on all items that are classified as "authentic Native handcraft." Board Member Sakiestewa's comment related to the nature of the mandate of this Board and this particular issue, which has not been brought to the Board to act upon, but more to be aware of that the Senator seems intent on introducing this legislation. The Concessionaires might be very interested in a piece of legislation like this.

Ms. Sakiestewa provided the Board with a brief personal history as it related to "Indian Art." She listed the many reasons why Indian artists couldn't get the certification that they needed from their tribes. And there's a variety of reasons, some because they register on the mother's side, or some register on the father's side. There's no collective inter-tribal policy about that.

There were other tribes who historically, up until the 60's, would adopt non-Indians into their tribe. And they too could get a letter of certification as being a member of that tribe because they had married into that tribe, or had somehow participated. And so it makes it all very difficult to sort out.

Part of the reason for the legislation was there was this feeling that a lot of people were making a lot of cash in the 70's and 80's on Indian art. It's very difficult to keep a standard of excellence, which is a slightly different issue than authenticity, within that artistic community so that it would foster both traditional and contemporary, but there would be some distinction between what that was.

As an example she cited *greenware* which is something that you can buy at a hobby store, and which would not be allowed by this organization because it is considered not to be something that the organization would like to foster for the future. However, there are huge numbers of Indian artists who, for bread and butter, buy the greenware, paint it, then sell it as Indian art, and it's really "Buyer Beware." There's no standard for excellence. It might be excellently done, but it's not in the tradition of the culture.

So there's all these other little issues that sort of overlay this fundamental "who is an Indian." In some ways, it ghettoizes the Indian artist and in other ways it's important for the consumer who is unknowing and who sincerely wants to buy something that's generated from an Indian artist or a collective group of Indian artisans.

Ms. Sakiestewa suggested that using the guideline, which is summary and text of Title 1, Public Law 101644, actually provides some rational, reasonable methods at getting it, but the issue of enforcement has been longstanding in this state (NM), and certainly with this organization because there is so much knowledge

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

needed just in terms of jewelry, there essentially is no meaningful enforcement in this state. There have been attempts through the Attorney General's office, but it really would take a team of expert individuals to be able to do this full-time. The onus somehow needs to come back to the artist or the organization in the authenticity issue.

This document would be effective legislation and provide for more effective enforcement.

Mr. Fraker asked for an overview of what precipitated this issue and Ms. Sakiestewa explained that some dealers were taking Zuni arts and crafts, then have it mass produced in the Middle East or in the Philippines, and then selling it as Indian art. Really good collectors are always collecting an individual's work or a group's work. But if you have people coming to the park who really want to be supportive, or they want to buy something that's Indian made, they want to know that this glass is Indian made, they don't want to know that it was manufactured somewhere in the Middle East and it's Indian-like made, because that's not what it does. There was consternation on the part of some of these tribal entities that there was a lot of revenue that was being lost.

What is interesting in Senator Ben Nighthorse Campbell's letter, is that it's really not the Indian tribes themselves who are taking the initiative, it's other governmental agencies that he sees should share the enforcement.

Mr. Lars Hanslin stated he helped develop the Park Service legislation, and that there really are two pieces of legislation here. The one is the Indian Arts and Crafts Board legislation, which is not what this panel directly is implementing. But in the 1998 Concessions Reform Law, there is a requirement that the Secretary, which is to say the Park Service, develop regulations which define the nature and scope of Indian handicraft and native Alaskan, etc. And the Advisory Board is given the role to help formulate those regulations.

The thrust of this was that the Park Service had a policy of waiving the franchise fee of Concessionaires for authentic Indian craft they sold. And that's a policy that had been effective for many years, and it had a significant financial impact. In other words, the Concessioner, if he sold Indian craft jewelry, he wouldn't have to pay whatever the percent of franchise fee and he'd make that much more money on the sale. And so it was a fine thing.

In 1996, the Park Service got rid of that policy, because there was no mechanism to define what in fact was a legitimate Indian craft. The Concessionaires were selling what they thought that would be, and the Park Service didn't know. So there was some abuse of it.

The intention of the new law did two things: (1) it set the policy whereby we will exempt the sale of Native American handicraft from franchise fees now by statute -- we're going to have that policy. But what comes with that is a responsibility to properly define it. And that gets back to the obviously difficult issue here for the Board to address.

The Park Service authority and the Advisory Board's role is legally independent of the Indian Crafts Board.

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

Ms. Orlando agreed that it is independent, but she thought the merchandise standard that the program applies is based on the Indian Arts and Crafts Board and the Act.

Mr. Hanslin was not sure any precise definitions to Indian crafts were applied, but what the law requires is that the National Park Service regulations will be applicable only to concession sales within national parks, defining what are Indian crafts or Native Alaskan, Hawaiian, etc. So there's sort of an overlap of authority between that mandate and the Indian Arts Craft Board.

The Indian Crafts Board law talks about certifying the tribe, certifying who are artisans, etc., but it doesn't provide a mandate about the nature and scope of what is crafts, per se. When discussing selling Native American crafts in parks, this is for the most part about traditional crafts that have an interpretive mission. It would not be any Native American craft, it wouldn't be totally contemporary jewelry probably, but a more traditional nature that has an interpretive message, or interpretive educational theme to it. So it may be a distinction, even in the focus of what the regulations might look like as opposed to Indian Crafts Board, who are selling very lovely, but a lot of contemporary jewelry as well.

The Indian Arts and Crafts Board is an agency of the Department of Interior and there are two statutory authorities that, to a degree, overlap. The Park Service and the Indian Arts Crafts Authority applies to all sales on federal lands, which would apply to the Park Service as well. However, the Park Service has the responsibility to have its own regulation to define what are Native American arts or crafts for purposes of sales within national parks in Concessions, which gives it a slightly different focus in that the nature of the product is not really the focus of that. It should be the nature of the product, which is what the statute says, the nature of the product and the scope.

Ms. Sakiestewa had a question about how the craft policy would affect non Native American craft and how would that be authenticated.

Ms. Watson clarified that the Concessions Program had established a merchandise task force about four or five years ago, which had revised the policy to incorporate more geographic and thematic merchandise. That's basically what the policy says today, that the Concessionaires will sell merchandise that's thematic of the geographic area, or surrounding areas.

With regard to the Indian Arts and Crafts Board, the policy currently says that if there's a discrepancy or a dispute about whether or not an article is a handcraft, then the Indian Arts and Crafts Board should be contacted. The Concession Program uses their definition right now today, but the Program has been trying to get them to revise their definition of a handcraft. Suggestions were made and submitted, but no response was received as yet.

A lengthy discussion followed on this subject.

On the subject of percentage, Ms. Orlando explained that the total percentage for souvenirs and gifts Servicewide, is 16 percent. This would be separate from Merchandising. Adding Merchandising, it's 26 percent.

A further discussion ensued on this subject.

Ms. Sakiestewa next touched on the subject of the educational mission and an interpretive issue for

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

these parks in that you have some very fundamental educational issues in these parks. How would it be dissimilar to, say, the Museum of the American Indian has what you would classify in their shop as traditional kinds of jewelry, and they also have very contemporary, but they feature instead the individual artists. Many artists who would like to sell in a venue like that, but they would not want to be restricted to selling only traditional kinds of work. They would really like to showcase the breadth and scope of what they do. It might encompass traditional, it might encompass very contemporary work.

Mr. Hanslin did not think it's limited, but that the traditional should be represented.

The reason to give, at least under the legislation, for the no franchise fee is because selling Indian craft has an educational aspect as well. It may be there's a mixture, but that has to be defined, there has to be a policy as to where to draw the line. If it is contemporary, does it have traditional roots to it, for instance. That would be the kind of question the Board would have to look at.

Board Member Voorhees broached the subject of focusing and facilitating a better understanding of local tribe handicrafts, or to simply be open to the appreciation and business opportunity for Native American art broadly across the country.

Chairman Naille mentioned that all so called Southwestern Arts and Crafts have an interpretive value for areas within the regional area of the Southwest. He questioned if only art from surrounding tribes should or could be sold at parks and if that would be appropriate or not.

Board Member Sakiestewa felt that what makes these parks unique and distinct is the fact that you have a regional opportunity to really showcase other kinds of craft. Not only, but craft/art.

Chairman Naille thought a solution might be that Mohawk art if it's really popular and it's a thing that people want to buy it at Grand Canyon, then rules could be made that that type of thing is not included in the reduction of the franchise fee, but only for the local handicraft items.

A discussion followed on the issue of traditional vis-a-vis contemporary native art. To elucidate Ms. Orlando read Section 416 of the bill which provides for *"promoting the sale by Concessionaires of authentic Indian, Alaskan Native, Native Samoan, and Native Hawaiian handicrafts relating to the cultural, historical and geographic characteristics of units of the National Park system. In addition, the Secretary is to ensure that there is a continuing effort to enhance the handicraft trade where it exists and establish the trade work where it currently does not exist. To further these purposes, the revenue derived from the sale of..."* And then it says *"is to be exempt from any franchise fee payments under this title."* You can't separate the franchise fee exemption issue. It's part of the statute.

She then read the draft merchandise operating standards that haven't been released yet *"merchandise outlets in National Parks provide an important visitor service and should be viewed as a resource that supports the purpose of the park and the NPS mission."* This ties it right into the purpose of the park and the NPS mission, in which case then, Mohawk woodwork would probably not be appropriate to sell, or could be sold, but without an exemption for franchise fees. That is the task that the Board is charged with at hand, trying to put some side boards on all of this issue.

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

Another discussion followed on this issue, including the tax exempt status according to IRS statutes in this regard.

Ms. Watson explained that the current policy has not been enforced and that actually the onus is on the Concessioner to authenticate that the merchandise he/she is selling is truly a Native American handcraft. Concessioners are required to have a certificate of authenticity at the merchandising outlet. The services does not actually authenticate whether or not it is a handcraft. The new manual and new policy do not list or define what items are considered to be handcrafts, but, rather state what items should not be considered as handcrafts. There is still debate over this issue. That's what the problem is. The law is directing the Board to determine and help define that.

Chairman Naille said he was trying to determine what this Board should be doing to assist this process. What is really needed is a definition.

Ms. Sakiestewa advised that the American Craft Council has a definition, but felt no one should get hung up on definitions, but rather use thematic constraints, use the legislation, talk about the fact that it's rooted in some sort of traditional evolution, comes out of a cultural base, is thematically part of the park, that you can kind of subvert that. This whole thing of today it's contemporary, tomorrow it's tradition, is it craft, is it fine art, it really doesn't matter. What matters is what your ultimate intent is to convey to the consumer.

Another discussion followed on this subject.

Board Member Voorhees surmised that if the intent of the exemption from the franchise fees is to facilitate both the economics and the public exposure to Native American Art, then that would be a little bit easier call because it makes the definition far looser, and one does not really have to get into the issue of art. It's an issue of economics and market.

A further discussion followed.

Ms. Jennings felt that one of the preliminary things to look at is planning and commercial services, planning and the park purpose and significance, and the merchandising based on that park purpose and significance or that regional type. Also to determine appropriate merchandising, appropriate merchandising strategies for those park areas so that each park will be unique for a special purpose and special significance. The merchandising should reflect that.

Ms. Watson indicated that the problem was that a couple of years ago, the exemption was taken away because it was not doing what was intended. It was thought that the exemption would encourage more concessioners to sell handcraft items. After several years, an analysis was performed which showed that no more concessioners were taking an exemption than before the exemption was given. Hence, it was decided that it served no useful purpose and was eventually removed from the standard contract language.

When this new legislation was proposed, the concessionaires wanted it back in, and it's back in.

Chairman Naille suggested that from the standpoint of contemporary vs. traditional, in some ways maybe this should be revisited at some point in time and get a feel for it, maybe to include even examples or take a field trip. Those kind of things are possibilities that could be done in the future. It's so huge that it's hard to determine.

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

Board Member Norman stated it would not be in the Board's best interest to try to delve and investigate into these areas because the Board could perhaps more productively spend its time elsewhere. So it's a prioritization and a focusing as opposed to whether or not it is important or unimportant.

Ms. Orlando suggested rereading the guideline on handcrafts, gifts and merchandise before the next meeting, or as work is begun on this task.

After further discussion, Chairman Naille advised that the Board will be revisiting retail handicraft items at a future meeting. There will be no mention of anything along this item in the report to Congress or to the Secretary for this year. This will be next year's topic of discussion, along with the continuation of those recommendations that will be made this year.

Update on Competitive Market Merchandising Model - Rates, How it is Working.

Ms. Orlando stated that the Board is charged with making recommendations to the Secretary to make more efficient, less burdensome, and timelier the review or approval of concessioner rates and charges to the public. At the last meeting at Golden Gate, the Board received an extensive presentation on the rate approval program.

Since that time staff developed a pilot program and select Parks to participate in this competitive market merchandising pilot program, which would basically test the effects of allowing concessionaires to let the marketplace drive rates on specific items. This was intended to be a pilot program and to gather baseline information, and not an end unto itself. Some concessionaires participated and some did not. The sense is, with those that are not participating, that the reporting requirement was too burdensome. However, it may not necessarily imply that the experiment was a failure, but it might just suggest that the price controls at certain parks on certain items were not necessary. Any further control wasn't necessary because they're already where they're going to be, and adding all this paperwork on top of it was considered burdensome. In fact, in one park, the concessioner chose not to participate and yet the same concessioner is participating in another park.

There were four regions that might had parks that could have been part of the pilot.

A discussion followed on which parks participated.

Ms. Orlando continued the presentation and discussed the rate approval program.

Ms. Jennings reported that the core menu for food service has worked very well and has been very effective and really well received. She would like to see the concessionaires involved in developing the core menu concept, and to have that same thing take place with merchandising or lodging. The drawback is that it wasn't realized how much work would be involved just the reporting requirements.

Ms. Orlando suggested sitting down with a small group of people and perhaps representatives from

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

the concession and look at some ways to identify possible strategies to approach it. Maybe it's the core menu concept that could be applied to gift shops. There are pieces of the rate approval program that work, they're good, but it still needs to be addressed in the law and as a mandate.

A general discussion followed on this issue.

Discussion of Outline for Report to Congress.

Chairman Naille reported that the report will probably contain two areas of information. One will be something that will be issued to Congress in the form of what the Board has been doing this past year because November of this year will be the Board's first anniversary and a document will be submitted to Congress.

A second document that will come out will be a bullet-point kind of concept, which will contain recommendations to the Secretary of Interior on things the Board feels should be done in the extreme near future that would assist concession management.

What the Board has been doing over the past 12 months is stated in the fairly succinct minutes, which will form the basis of the report. Over the last three meetings, the Board discussed numerous items and listened to a lot of statements. A lot of reports were submitted which the Board tried to digest as much as possible to come up with some ideas.

Without going into extreme detail on this, Mr. Naille thought it only fair to put something into the record as to the Board's directional thinking at this point in time. This will be finalized over the next month and go out by early October.

The first thing that the Board will recommend happened to be something that came about in some other research that was done by members of the Park Service concession staff and members of this board who went on field trips to visit the Department of Defense operations use in its PX and open mess systems, which was of interest from an asset management point of view. However, that was not necessarily what was found out in the field. There was a whole other concept that the Board really liked and have discussed on numerous occasions, and that was a non-appropriated fund instrumentality, known as a NAFI. The Board would like to create a NAFI that is managed by the Concessions Office with the franchise fee money, all 100 percent of it, where that money would be managed and the 20 percent/80 percent split is still available the way it currently is, so that it can be utilized exactly the way it's been intended. That money would be managed before it's drawn down and the interest from that managed account would go for concessions training and development programs for the future. That could amount to a fairly decent sum of money. The Board is not real sure where that money is going right at the moment, but that's going to be one of the major recommendations, to further explore developing a NAFI out of that particular amount of money.

There was hope for a possible recommendation to use the fee money too, but that is less likely to succeed. It is important, however, that something be done about that.

The Board wants to create a Deputy Director level position which will be called Chief Financial Officer. The position should be filled by an individual to be hired from the corporate world and brought in as a true corporate-type CFO to run a particular function that equates to what exists in the corporate world presently. A CFO is a very important function and we consider it to be a top position.

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

With that in mind, the Board also wants to look at creating a new position, possibly in lieu of the existing Chief of Concessions position, called Associate Director of Concession Operations, which would report to the CFO position in the Park Service.

Those are three fairly heavy concepts that people are going to have to mull over quite a bit, but they have some very valid merit for a bit of cultural change to the Park Service's way of thinking. These are things that could make a difference in the way the Park Service is run in the future. This Chief Financial Officer has the possibility of making all kinds of differences, depending on who the person has hired for that job and the whole future management of all the issues that come up that the Park Service truly has trouble in dealing with from a financial point of view.

The Board has some specific concepts, one is called Concession Management Rate Approval Procedures, another is Other Concession Management Issues, and then the Board will actually deal with the Superintendent Accountability as a separate issue. The Board will push directional thinking along the lines that are already being done by Concession Management, and that's methodology, category treatment of rate approvals, the core menu concepts, using that kind of concept for further development of other avenues like lodging that was referred to, and of course retail operations.

Time frames on rate approval processes, the Board will have time frames that it will recommend for setting up comparabilities. The Board's recommendations are that comparabilities be done. And then for several years, use indices that allow the concessionaire the flexibility to raise the rates based on the indices that are determined to increase those rates. This way comparability does not have to be done every year, but then every few years. If the concept is three years, that comparability is revisited and adjusted at that point in time. So flexibility occurs between, but adjustment and re-check continues to happen.

Another concept is developing in-house competency specialists to assist in local concession management rate approval oversight, Circuit Riders. This concept is already being looked at and trying to be funded by the Park Service. The Board is going to push for that.

Contracting out highly specialized services on an as needed basis are project planning, real estate appraisals, legal training, and asset management concepts. The Board believes that the Park Service's function as Concession Management organization is that of an asset manager, and Congress has questioned the abilities along those lines. It is the Board's recommendation that before hiring an outside organization to run the Park Service, experts in asset management teams should be hired to come in assist as needed. The Board would like to see funding available for those types of opportunities.

The last issue is the accountability issue. The Board wants to develop a method of review from the Director on down, making sure that the Concession Management concept is not a step-child kind of a concept, but a truly strong entity in every park that it exists in, and that is totally supported by the superintendent, by the Regional Director, and all the way to the Director himself.

The Board also wants to develop some kind of a method or have the Park Service develop a method that holds everyone's feet to the fire so to speak, on that particular issue so that there is more impetus put on

PROPOSED MINUTES – 3RD MEETING OF THE CONCESSIONS MANAGEMENT ADVISORY BOARD

overall enforcement of the Concession Management Program.

Mr. Everhart commented that the NAFI concept was a very intriguing idea. Generally speaking, the Congress doesn't like agencies to make its own money and determine where they spend it all by themselves without the help of Congress, so that would probably require some sort of oversight by a committee.

Mr. Hanslin suggested to distinguish in the report that at least one of the elements discussed would require statutory changes, legislation. The NAFI concept would definitely require a law change and possibly some of the other items.

A discussion followed on this concept.

Board Member Norman asked the attending individuals around this table, in terms of how they saw the Concessions Management function and the people working therein today, and where they would hope that could be in terms of optimum efficiency and effectiveness, did they consider that job as being an operational job within the National Park Service, or did they see it as strictly a kind of financial stat job.

Mr. Grove indicated that from his standpoint in working in parks and then now working in a central office, it's very much of an operations job. It affects the day to day operations in the parks, it affects the visitors' enjoyment in the parks as they're coming in there, so that's very much operations.

Mr. Fraker, speaking as an outsider and having to deal with both sides of it the last seven years, said he tended to agree with Mr. Grover. It's heavily operational, but there is also a certain side of it that needs to be administered and set from on high.

Schedule Next Meeting

A discussion was held regarding the date of the next meeting. A date of late January, early February was suggested for the next meeting to take place.

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