

RATE ADMINISTRATION PROGRAM

A. LAW, REGULATION AND POLICY

1. Law

a. P.L. 89-249 79 Stat. 969, 16 U.S.C. 20

Sec. 3(b). The Secretary shall exercise his authority in a manner consistent with a reasonable opportunity for the concessioner to realize a profit on his operation as a whole commensurate with the capital invested and the obligations assumed.

Sec. 3(c). The reasonableness of a concessioner's rates and charges to the public shall, unless otherwise provided in the contract, be judged primarily by comparison with those current for facilities and services of comparable character under similar conditions, with due consideration for length of season, provision for peakloads, average percentage of occupancy, accessibility, availability and costs of labor and materials, type of patronage, and other factors deemed significant by the Secretary.

b. 16 U.S.C.

Sec. 1b(4) Furnishing, [by NPS] on a reimbursement of appropriation basis, all types of utility services to concessioners, contractors, permittees, or other users of such services, within the National Park System: Provided, that reimbursements for cost of such utility services may be credited to the appropriation current at the time reimbursements are received.

2. Regulation

OMB Circular A-25, User Charges, September 23, 1959.

Outlines the scope of user charges for certain government services and property including utilities and defines policies, guidelines, and reporting forms for user charge systems.

3. Policy

MANAGEMENT POLICIES MANUAL, Chapter VIII

a. RATES CHARGED BY CONCESSIONERS

It is the policy of the National Park Service that rates charged by concessioners be reasonable. The reasonableness of concessioner rates will be judged primarily by comparison with the competitive marketplace with due consideration for operating differences as required by law. This is accomplished by review and approval or adjustment of concessioner rates. Such rate reviews are to be based upon studies conducted in accordance with the authorized NPS rate approval procedures.

b. OVERNIGHT ACCOMMODATION RATES

Where overnight accommodations are provided in a park, the concessioners shall maintain a reasonable proportion of their accommodations at low prices.

(See Overnight Accommodations III-8, Wilderness--Chalets and Concessioner Camps VI-9, Backcountry Commercial Services VII-12)

c. UTILITY RATES

Charges for utilities provided concessioners by the Service are based on operating costs (not including existing capital investments) or comparability, whichever is greater. Concessioners are permitted to pass through to visitors utility costs that exceed comparable utility charges. Where operating costs are so extraordinarily high that they could jeopardize the economic viability of the concessioner and the utility costs can not practicably be passed through in total to the visitor through price increases, utility charges may be adjusted downward but not lower than comparable utility costs.

(See Utility Services VII-17)

B. OBJECTIVES

The objective of rate approval is to assure that concessioner rates and charges to the public are commensurate with the level of services and facilities provided, as well as reasonable and comparable with similar services and facili-

ties provided by the private sector. The Superintendent is responsible for meeting this objective to the greatest extent possible through approving, disapproving, or modifying concessioner rate requests after conducting a study using one of the rate approval methods discussed in Paragraph D. 4. and Paragraph E.

Rate approval decisions must be properly documented by supporting rate approval studies. These studies must meet the objective stated above and should also:

1. Produce defensible results which are valid and reliable.
2. Provide a degree of uniformity and consistency Servicewide.
3. Be as simple and as objective as possible.
4. Address all types of facilities and services found in the park area.

C. RESPONSIBILITIES

1. Washington

- a. Establish and update policy.
- b. Ensure actions by Regions are consistent with policy and coordinated among Regions.
- c. Upon request, provide current price increase/decrease index to Regions and rates for hostel operations as charged by American Youth Hostels, Inc.
- d. Provide training to the Regions in the use of the rate approval process.

2. Region

- a. Provide assistance to park areas as required and requested.
- b. Ensure that the application of the rate approval procedure is consistent with policy.
- c. Provide *guidance and* training.
- d. *Approves the selection of rate approval methods proposed by the park, except the method used to approve rates for operations conducted under a Limited Permit.*
- e. Rule on rate appeals.
- f. Provide current price increase/decrease index to parks as needed and/or requested.

3. Park

a. In cooperation with concessioners, establish a time-frame in which rate requests are to be submitted.

b. Perform rate approval studies for each concession service as needed, using the method agreed to between the Region and park after the park has consulted with the concessioner, "except as stated in h., below."

c. Approve a rate schedule, including each product, category of products in some cases, or service offered by the concessioner.

d. As necessary, adjust rates to recoup utility costs.

e. Monitor the concessioner to assure that only approved rates are charged for the specified quality and quantity of goods or services sold.

f. Provide Region with such rate studies and current rate schedules if they are desired by the Region for overview purposes.

g. Maintain current rate schedules at the park.

h. Approves own rate approval method for Limited Concession Permits.

D. ELEMENTS OF THE PROGRAM

1. Preparation And Use Of Rate Schedules

a. RATE REQUEST SUBMISSION - Timeliness - The Superintendent in cooperation with the concessioner, will establish deadlines in which the concessioner will submit rate requests which the Superintendent will review and act upon. Due to different conditions in each park and the method of operating by concessioners, timetables will vary. It is, therefore, incumbent upon the Superintendent and the concessioner to establish submittal and review time frames for rate requests, taking into consideration the need for concessioners to prepare advertising material, brochures, rate schedules for the public, and supplying these to commercial tour agents and others who prepare tour information. The established time frames are to be documented and made part of the concessioner's pricing file. Time frames should not be construed to deny the concessioner the privilege of requesting reviews consistent with comparability.

Utilizing the procedures in the rate approval process, rate requests can be reviewed in minimal time, once the method has been determined and used once. Therefore, to expedite requests, the concessioners should be encouraged to notify the Superintendent of their intent to submit price increase requests so that the Superintendent can begin to update the pricing data, and thereby minimize the review time, and yet be able to conduct a thorough pricing review.

b. REQUIRED INFORMATION - When requesting an increase in prices, the concessioner is to provide the following information as appropriate. This data is to be made part of the rate schedule that is discussed in Paragraph d., below.

- (1) Portions of all food service items.
- (2) Items provided with dinners, i.e., salads, beverage, dessert, etc.
- (3) All menus to be used, including childrens' menus.
- (4) Description of room accommodations, such as two double beds, with or without bath, etc.
- (5) In-season and off-season rates, special rates, group rates, if appropriate.
- (6) Price per extra person, crib, etc.
- (7) Distance, routes to be followed, ratio of guides to visitors utilizing service, narrators, etc., for tour and guide-type operations.
- (8) The cost basis of markup is to be specified indicating transportation, trade, or cash discounts.
- (9) Reservation deposits and cancellation refunds and charges. (See Chapter 29 of this Guideline, Reservations and Conventions).
- (10) Reduced Rates to Federal Employees. (See Chapter 30 of this Guideline, Accepting Reduced Rates and Items of Nominal Value From Concessioners.)
- (11) Complete description of service/product to be provided for the price charged.
- (12) Any additional information needed to assist in the price analysis.

c. OTHER PROVISIONS - In administering the concessioner rate process, the following provisions are to be followed:

- (1) Approved Rates - Approved prices are to be the maximum charged the visiting public. Under no circumstances will higher prices be charged. In addition to a maximum price, the approved rate includes the minimum product or service. As an example, smaller food portions than those portion sizes approved on the rate schedule will be regarded as an unauthorized rate.

Many times, rates for the next year are requested by the concessioner in late fall or winter because of the need to print rate schedules, complete budgets, and commit prices to certain organizations. In some cases, the comparables will take a wait-and-see attitude. This results in the concessioner's needing the year's rates approved in, say, January, to be effective at the beginning of the season, when the comparables are not ready to decide on their rates until late spring.

When this situation occurs, the concessioner should be allowed a rate based on the previous year's rates, with consideration being given for known cost increases, i.e., labor costs, or by other expected increases. This will allow rates to be set early enough for the concessioner to work out budgets as well as promotional materials, and should not result in a significant disparity of rates if they are reviewed and adjusted each year. However, when this system is used, a rate study is to be done during the upcoming season to readjust the rates so that this system is not a perpetually used method, thus skirting the use of an approved rate method.

(2) **Special Requests** - No requests for an approved price should be submitted by the concessioner unless the item is to be normally offered on a regular basis, except food items as explained below. The Superintendent may decide not to specifically approve rates for special occasions or groups and may allow the concessioner latitude to determine these prices.

The concessioner may request prices for food items which are not normally served but which he/she desires to serve as a result of special purchases, special meals for groups or emergencies.

In certain cases, telephone requests may be made to obtain approval if expediency is needed. These should be immediately followed by a written request if required by Superintendent.

(3) **Food Service Menus** - The approval of individual food item prices are only part of the pricing program. During the rate approval process, the concessioner will also prepare the menu and submit such to the Superintendent for approval. The Superintendent is to review the menu for appropriate selection of entrees, food variety, price range for food categories, i.e., beef, fish, fowl, etc., and overall pricing.

(4) **Rate Request Supplement** - Normally, in only three situations should the Superintendent ask the concessioner to submit information indicating an estimate of the effect the price charged will have on gross sales and/or profits. The three situations are: when the Financial Analysis Method (7) is to be used, when the situation exists which was mentioned in D.1.c.(1) and when prices are adjusted to recoup utility costs as discussed in Paragraph F.1. In such situations, a broad estimate will be accepted for food prices, while a more stringent estimate would be required for lodging, marina, and other

high-priced services. Under the Financial Analysis Method, and adjusting to recoup utility costs specific estimates will be required for all price increase requests, as well as other information.

(5) **Individual Item Rates** - All rates for goods and services are to be approved on an individual basis as far as practicable. However, the merchandise pricing method for groups or categories of products should be used, instead of specific items for general merchandise, groceries, souvenirs, and other similar items.

d. THE RATE SCHEDULE

After rates have been approved, a rate schedule is to be prepared by the Superintendent and a copy provided the concessioner and an initial copy provided the Regional Office as requested. The rate schedule should be as specific as possible to show the value received for the price charged, i.e., food portion.

For ease in administering, rate schedules should be divided into sections for the various services and facilities provided, and possibly retained in looseleaf notebook form. The following outline is suggested:

(1) **Food and Beverage** (Including Menus)

- Full Service Restaurants (breakfast, lunch, dinner)
- Cafe-Family Restaurants (breakfast, lunch, dinner)
- Cafeteria (breakfast, lunch, dinner)
- Fast food
- Cocktail and Other Beverages

(2) **Lodging**

- Lodges and Cabins
- Hostels
- Campgrounds
- European Plan/Rates
- American Plan/Rates

- Discounts
- Package Plans
- (3) **Retail Merchandise**
 - General Merchandise
 - Grocery
 - Genuine Native and/or Indian Handcraft
- (4) **Marina Operations**
 - Slips, Moorings, etc.
 - Boat Rentals
 - Gasoline and Other Miscellaneous Items
- (5) **Tour Operations**
- (6) **Gasoline and Service Stations**
 - Petroleum Products
 - Repair Services
 - Towing and Other Services
- (7) **Miscellaneous and Other Services**

Reservation deposit and cancellation refunds and charges (See Chapter 29, Reservations and Conventions).

Reduced Rates to Federal Employees (See Chapter 30, Accepting Reduced Rates and Items of Nominal Value From Concessioners)

Each page should be numbered and each section heading of the rate schedule and all amendments thereto are to contain the following wording:

These rates are to remain in effect until specific changes are approved by the Superintendent.

Minor changes to rates are to be made on a page-by-page amendment to the basic schedule, and for major changes, the entire schedule

should be redone. Each page amended should show the approval date of the basic schedule and the amendment date.

A sample rate schedule follows:

LODGING
RATE SCHEDULE

SAMPLE

XYZ
CONCESSIONER

MOTEL-EUROPEAN PLAN
SERVICE

TOE PAW--RMR
PARK REGION

BIG CIRCLE BASIN
LOCATION

	<u>Description</u>	<u>Approved</u>
Rooms 101-236	w/Bath, 2 Dbl Beds	\$xxxx
	2 Person	xxxx
	3 Person	
	4 Person	
Rooms 301-420	w/Bath, 1 Dbl Bed	\$xxxx
	1 Person	xxxx
	2 Person	

Above rates are reduced by \$3.00 between October 15 and February 29, inclusive. Rates reduced 10 percent for Federal employees conducting official business. The rates include an add-on of 50% for utility charges. The amount of gross receipts as a result of the add-on may be excluded from the franchise fee calculation.

Other:

Deposit - \$xxxx - Refunded if reservation cancelled within 48 hours of scheduled arrival

Additional Per Person Rate \$xxxx

Roll-Away, Crib \$xxxx

Room Service: Menu Attached

Above Rates Approved: _____

Date/Signature

Previous Rates Approved: _____

Date

These rates are to remain in effect until specific changes are approved by the Superintendent.

2. Appeal Process

In situations where a concessioner is not satisfied with the rates approved or comparables selected by the Superintendent or the adjustment for recouping utility costs, the concessioner may appeal the Superintendent's decision. If not settled at the park level, the concessioner may appeal to the Regional Director.

The appeal should be in the form of a letter to the Superintendent with the statement that the concessioner is appealing to the Regional Director. The letter should contain whatever support or statement of the problem that the concessioner feels is necessary.

Immediately upon receipt, the Superintendent will forward the letter to the Regional Director along with his/her comments and all related correspondence. A final determination will then be made by the Regional Director. While a determination is being made, the rates in effect shall be those most recently approved by the Superintendent. A breach of these approved prices may result in a contract violation.

The decision of the Regional Director shall be transmitted to the concessioner by letter through the Superintendent. If the Regional Director has changed the Superintendent's decision, the Regional Director's memorandum shall become an amendment to the Superintendent's approved rates. This appeal should be acted upon without unreasonable delay. This process is not intended to circumvent any of the concessioner's legal rights.

3. Complaint System

In order to obtain valid and responsible visitor comments, the following notice will be prominently posted at locations deemed appropriate by the Superintendent.

This service is operated by (name of concessioner), a concessioner under contract with the U.S. Government and administered by the National Park Service. The concessioner is responsible for conducting these operations in a satisfactory manner and the reasonableness of prices are based on comparability. That is, the prices are based on those prices charged by closely similar private enterprises outside the park for similar services with due consideration for appropriate differences in operating conditions. Such considerations may include length of season, provision for peakloads, average percentage of occupancy, accessibility, availability and costs of labor and materials, type of patronage, and other factors deemed significant.

Please address any comments to:

(Superintendent's name and address)

4. Methods And Criteria For Use

Below is a brief description of each rate approval method and criteria for their use. The criteria elements must generally be met before a given method is to be used. Any exceptions should be documented and, agreed to by the Region. *The Rate Approval Method is proposed by the park and approved by the Region, except that the Superintendent may approve rate methods for Limited Concession Permits.*

a. FULL REVIEW OF SIMILAR SERVICES

(1) Description

A process by which the Superintendent makes a detailed analysis of comparables features and prices.

The analysis utilizes the traditional comparability methods and concept contained in Volume I of Concessioner Comparability Study Procedures prepared by Cooper and Lybrand in March 1979, which should be retained for background reading. The following is a brief comparison of this approach and Coopers and Lybrand's:

(a) Will stress competition and price, where C/L Volume I puts more emphasis on cost.

(b) Will modify C/L Volume I criteria so that each item is considered in the process, however, every item is not absolutely required as in the past.

(c) Will eliminate all arithmetical processes except the use of price averaging for comparative purposes.

(d) Will retain extra quality feature worksheet for the purpose of comparing quality to price which may be used in upgrading (if necessary) a concessioner's services.

(2) Criteria

(a) To be given first consideration

(b) Comparables operating in a competitive market are available.

(c) Quality of service and amenities are important factors in establishing prices.

b. SIMPLIFIED REVIEW OF SIMILAR SERVICES

(1) **Description**

A process by which the Superintendent makes a quick review of rates charged by the private sector by use of a simplified worksheet for his judgment in determining if rates are comparable.

(2) **Criteria**

(a) Cost effectiveness - in view of budgetary constraints, travel, personnel, etc.

(b) Low Volume sales (minor economic impact).

(c) Service not one covered by full review method. (Exception is permissible if full justification is approved by Region).

(d) Sensitive merchandise items, i.e., limited edition items with fluctuating selling price.

(e) Comparables available.

c. SPECIFIED RATE ON AUTHORIZATION

(1) **Description**

A process by which the provision in P.L. 89-249 allowing rates to be determined as "provided in the contract" is used. Approved rates are specified in the authorization as well as method of indexing adjustment. Initial rates are determined by:

(a) The NPS following standard rate approval process; rates are published as part of the Fact Sheet or Prospectus: Or:

(b) Competition through the response to the Fact Sheet or Prospectus bidding process. Or:

(c) Negotiation with a successful bidder, documented in the contract file to show basis of rate.

(2) **Criteria**

(a) Limited number of items or services, e.g., transportation.

- (b) No comparables readily available.
- (c) Usually a unique service.
- (d) Administratively determined at Region or higher level to be advantageous to the Government.

d. MERCHANDISING PRICING

(1) **Description**

On a Servicewide basis, maximum markups for specific merchandise categories are established by the Service for use by the Superintendent in determining rate approval. These markup guidelines are determined by a survey of similar industries. The application will be to price merchandise by percentage formulas applied to cost, e.g., curio, handcrafts, groceries, sundries, etc. However, the manufacturer's or product's suggested retail price, if available, shall be followed, except in cases where this causes undue hardship on the concessioner because of the availability cost.

(2) **Criteria**

The first preference for all retail categories of goods where it is the industry practice to set prices according to desired margin for a product line. Examples include curios, handcrafts, groceries, general merchandise, etc.

e. COMPETITIVE MARKET DECLARATION

(1) **Description**

A process by which the Superintendent determines that the pricing of a specific item, items, or service is not related to or enhanced by operating within the NPS area. Such services include those in a highly competitive market, negotiated sales items, and unique items (such as antiques) whose value is unrelated to the location where they are sold. In these circumstances, a declaration is made that further rate reviews are unnecessary as the concessioner's pricing must be competitive to secure business and is therefore comparable. This declaration must be reviewed annually and will require that the basic maximum rate increase still be required and approved.

(2) **Criteria**

- (a) Either must exist in a highly competitive market, or:
- (b) If price is routinely negotiated between vendor and customer, or:

(c) One of a kind items. Although a few handcraft items may fall in this category, the intent is to generally review handcraft by the merchandise pricing method.

f. INDEXING

(1) **Description**

A fast and easily implemented process by which the Superintendent can approve or adjust prices without the need to go through the complete process of using one of the other comparability methods. Indexing uses consumer price index for all Urban Wage Earners and Clerical Workers (cost of living changes) prepared by the U.S. Department of Labor, Bureau of Statistics, to establish a price increase or decrease as in a particular class of service. This process may only be used when a base price has been established by one of the other approved methods.

(2) **Criteria**

(a) Used in conjunction with and/or subsequent to rates established by another method.

(b) Used for interim rate approvals, except for Method 3, where it becomes a part of that method. Base rates adjusted by indexing shall be reestablished at least every 12 months.

(c) When dictated by management constraints; example: time, travel, money, turnover, (Must be documented).

g. FINANCIAL ANALYSIS

(1) **Description**

This is a process by which the Superintendent determines if prices are comparable with the industry, after considering, documenting, and exhausting all other possible methods to comparability. The Superintendent will then approve rates through the use of a financial analysis system approved by WASO. These rates will be derived from the concessioner's submittal of financial data. Specific financial ratios of the concessioner are compared to industry norms, considering sales, investments, and expenses. With this information, the Superintendent would then approve prices after considering operating performance and other specifics of the concessioner.

(2) **Criteria**

(a) No other method is applicable; used as last resort.

(b) No comparables available.

(c) May be used to initiate rate for Method 3
(Specified Rate On Authorization).

E. METHODS -- DETAILED EXPLANATION

1. Method 1, Full Review of Similar Services

This study method is accomplished by tying the concessioner's rates to those of a competitive marketplace and adjusting for operating differences as required by statute and similar to the old Concessioner Comparability Study Procedures, Vol. I. One might want to review that document for some good background knowledge. Under this method it will be the Superintendent's responsibility to search for similar businesses (the comparables) and use these in a rate study which provides the basis for approving prices.

The purpose of comparability rate approval is to offset the possibility of monopoly pricing on the part of concessioners. By selecting a business which provides a service similar to that of the concessioner that is operating in a competitive situation outside the park, the comparability procedures should introduce competitive pricing to the in-park operations. For this reason, it is important to select businesses that are not only comparable in character, but that derive their prices from a competitive market.

The selection of comparables is the cornerstone of the entire process. The ultimate success and fairness of the approved rates--both for the visitor and the concessioner--hinge on these choices. For our purposes, a comparable is defined as a retail or service enterprise providing essentially the same product in similar facilities and under similar conditions as our concessioner, and whose prices potentially can be used to assist in determining appropriate rates to be charged by the concessioner.

Since selection of the comparable is fundamental to the Superintendent's ability to analyze the information gathered, it is desirable that the Superintendent and the concessioner be in agreement concerning the comparables selected. If the parties fail to agree on the comparables selected by the Superintendent, then the concessioner may appeal the decision as defined in the appeal process.

Once the similar operations are selected and the products and/or services are reviewed, the most comparable operations should surface. The facilities that match the most points listed as criteria will generally be the most comparable. The rates offered by the concessioner are to be based on those considered most comparable. Rates may be modified according to how the operating conditions and product quality of the comparables differ from the concessioner. Those comparables that are so different that adjustment is not possible must be

eliminated from consideration. However, in most cases, with careful selection of the comparables, only minor adjustments will be necessary.

Transportation and/or delivery costs (surcharges) for food, for example, often are identified separately on vendor invoices. Another such cost would be employee housing cost to the extent that it exceeds revenues from employees when it is not provided by the comparable operator. When such cost can be directly attributed to a service or product, this cost can be allocated directly to the service or product and the price can be adjusted accordingly. When considering direct adjustments to the price the concessioner should provide all necessary documentation. The Superintendent must assure himself that any adjustment is completely justified.

The final step in the process, the actual determination of the concessioner's prices, is based on the Superintendent's analysis of information gathered and the relationship between facilities, services, products, and other mitigating factors.

This method of full review of similar services provides criteria to use in the selection of comparable operations and provides extra quality features to consider. Services currently provided for include: (a) Food and beverage service, (b) Lodges and cabins, (c) Hostels, (d) Campgrounds, (e) Marina operations (f) Tour operations and (g) Gasoline service stations.

Standards for additional services may be produced when it is determined to be desirable to do so.

It is essential that the person conducting the studies for this method be appropriately trained by the Regional Concessions staff in the process for each industry he encounters.

a. FOOD AND BEVERAGE SERVICE INDUSTRY

In order to determine comparability for this industry, the following criteria should be examined:

(1) **Facility Type or Food Service Classification**

Restaurants can be classified according to different criteria--types of service, menu, atmosphere, etc. A restaurant should be similar in each of these classifications before it is deemed comparable.

(a) **FAST FOOD STYLE**

-Stand-up

-Sit-down

- Carry-out
- Paper Service
- Table Service

(b) COFFEE SHOP

- Buffet
- Cafeteria
- Dining Room Informal
- Dining Room Formal

These are important criteria because of the variance in operating costs and any variance should be well-documented and thoroughly thought out.

(2) **Similar Sales Mix: Food/Alcoholic Beverage**

The comparable should have approximately the same mix between its alcoholic beverage sales and its food sales. Beer, wine, and alcoholic beverages are high profit sources and an operator who sells any significant quantity of these products has an economic advantage over one who does not. This can off-set or add to food sales and may affect food prices.

(3) **Similar Number of Seats**

Ideally, the comparable should have the same range of seating capacity. This will greatly ensure similar costs, all other things being equal, although it is certainly not clear that a restaurant with a greater seating capacity will charge more or less for its menu offerings. Ideally, the comparable should have the same range (variance should not exceed 50 seats).

- less than 100 seats
- 100-250 seats

(4) **Similar Menus**

It is essential that the comparable facility offer a similar menu--otherwise there will be nothing to compare with the concessioner's menu offerings.

- Fast food type
- Sandwiches
- Family style
- Ethnic
- Limited
- Specialty
- Gourmet or fine dining

(5) **Similar Number of Meals**

Ideally, the comparable facility will offer the same number of meals as the concessioner. That is to say breakfast, lunch and dinner.

(6) **Degree of Competition**

Each comparable operation should have at least two other restaurants in competition with its own. The greater the degree of competition (more restaurants used in the study) the greater the assurance of accuracy and fairness in the pricing approval.

(7) **Geographical Proximity of Suppliers**

Comparables should be in the same range:

- less than 50 miles
- 51-100 miles
- Over 100 miles

(8) **Seasonality**

The comparable facility should be within the same range (2 months) in terms of months to reach 75% of annual volume as the concessioner.

(9) **Location and Clientele**

Ideally, the comparable facility should be in a similar location as the comparable and depend heavily on the same type of clientele, i.e., tourist-oriented, etc.

(10) **Employees**

Ideally, the comparable facility should have a similar ratio of employees to the number of seats.

$$\frac{\# \text{ Seats}}{\# \text{ Employees}} \times 100 = \underline{\hspace{2cm}}$$

(11) **Methodology**

Menus should be collected from those facilities deemed comparable under the above criteria. The concessioner's menu items should then be compared with similar menu items from the comparable restaurants. Considering the extent to which the comparable and concession match up with the selection criteria and the extra quality worksheets, approve or disapprove the prices and/or discuss with the concessioner possible changes to his menu offering (size, quantity, quality) and/or services (table tops, decor, number of waiters, etc.) to match price, menu offering and services.

FOOD SERVICE
 ADJUSTMENTS TO COMPARABLES
 EXTRA QUALITY FEATURES

	COMPARABLES			
	C O N C E S S I O N E R			
<u>Features</u> (Check if present)				
<u>Facility Related</u>				
<u>Carpeting</u>				
<u>Booths</u>				
<u>Counter Seats</u>				
<u>Provisions for the Handicapped</u>				
<u>Comfort Related</u>				
<u>Smoking/Non-Smoking Area</u>				
<u>Air Conditioning</u>				
<u>Recorded Music</u>				
<u>Live Entertainment/Stage</u>				
<u>Service Related</u>				
<u>Flowers or Plants on Tables</u>				
<u>Take-out Service Available</u>				
<u>Liquor License Held</u>				
-Wine and Beer				
<u>Caters to Tour Groups and</u>				
<u>Organizations</u>				
<u>Major Credit Cards Accepted</u>				
<u>Linen Tablecloths (Dinner)</u>				
<u>Glass vs. Paper Cups or Plastic Cups</u>				
<u>Stainless or Silverplated Tablesetting</u> vs. Plastic				

More features may be added as they are observed during the comparability review, i.e., toothpicks, mints, wetnaps, and so on.

b. LODGES AND CABINS

In order to ensure that the Concessioner's rates are evaluated fairly and consistently within the constraints of Public Law 89-249 as it pertains to comparability, the person responsible for the comparability study procedure should cover each of the following criteria and explain why each was or wasn't used in selecting a comparable operation.

(1) **Similar Size**

Lodging properties of varying size (numbers of guest rooms) can have different costs of construction and different costs of operation. Ideally the comparable would fall within a similar size range as the concessioner. This is not absolutely essential because the concessioner's property and those of the potential comparable are most apt to have been constructed at different times and, therefore, at a different cost per room. Facility size has been divided into the following categories:

- less than 75 rooms
- 75-150 Rooms
- Over 150 rooms

Ideally they should have the same range.

(2) **In-Season Occupancy Rate**

A comparable facility should lie within the same in-season occupancy rate category as the concessioner. This is a very important consideration and would require an indepth justification for deviation. Categories are defined as:

- Under 68% occupancy
- Over 68% occupancy

Ideally they should have the same range

(3) **Building Type**

A comparable facility should be of the same building type in order to select a facility which has similar construction and maintenance costs. Again, this is the ideal and could be waived with justification. For example, a new one or two story property could have higher construction costs than a multi-story old inn. At the same time, the newer facility could have lower maintenance costs than the older property, which may tend to off-set or negate any differences when it comes to price determination. Categories are:

- High Rise (3/more stories)
- Low Rise (2 stories)
- Single Story Attached
- Detached Rooms or Cabins
- Tents

(4) **Seasonality**

A potential comparable must account for 75% of his annual business in a season which is within two months of the concessioner.

(5) **Competition**

A comparable must have at least one, and should have at least two other competitors in order to avoid the appearance of monopoly pricing. They should be located in an area where entry and exit is relatively free and unencumbered by permits or corporate restrictions. (This generally would exclude other properties located on Federal, State or local lands).

(6) **Similarity of Area**

A comparable property should be located in a similar environment. This is to say properties located in or around downtown center cities and airports should not be compared to those in remote, natural settings. Ideally a concessioner located in a mountain setting would be compared to one also in a mountain setting. One in an ocean front setting with another ocean front setting, etc.

(7) **Similarity of Clientele**

A comparable facility should serve a clientele similar to that of the concessioner. The concessioner will be serving the vacationing public almost exclusively. Properties that serve a significant percentage of commercial or convention business will operate differently, have different costs and average revenues, for the most part, than those serving the tourist trade.

The average length of stay is of prime consideration under this criterion (i.e., 1, 2, 3 . . . or more days).

(8) **Similar Age of Facility**

Either new construction or renovation.

(9) **Construction Type**

- Masonry/Steel Exterior - Finished Interior
- Masonry/Steel Exterior - Unfinished

- Frame/Wood
- Canvas

(10) **Remoteness**

Distance from major suppliers (50-150 miles).

(11) **Affiliation**

- National Chain
- Regional Chain
- Nonaffiliated

(12) **Employees**

-Number of employees per 100 rooms

(13) **Housing of Employees**

Is the operator responsible for housing employees? If yes, the percent to the total number of employees.

(14) **Rating by Other Organizations**

Consider rating by other organizations (AAA, Mobil, etc.). As an example, 4-Star in the park to 4-Star outside the park, or if different, then analyze the reason for that.

(15) **Methodology**

Utilizing a spread sheet showing the rates per number of people, the room rates should be compared with those facilities deemed comparable under the above criteria. Considering the extent to which the comparable and concessioner match up with the selection criteria and the extra quality work-sheets, approve or disapprove the prices and/or discuss with the concessioner, possible changes in his services, or amenities offered to match services, amenities and price.

LODGES AND CABIN FACILITIES
 ADJUSTMENTS TO COMPARABLES
 EXTRA QUALITY FEATURES

	COMPARABLES			
	C	O	N	C
<u>Features (Check if present)</u>				
<u>Facility Related</u>				
Television				
- color/no charge				
-BW/no charge				
-movies via TV/no charge				
Telephone				
- direct dial				
-switchboard operated				
Swimming Pool				
-indoor				
-outdoor/heated				
-outdoor/not heated				
-pool deck/patio area				
Retail Facilities				
-gifts/souvenirs				
-personal needs/drugs				
-outdoor equipment (i.e., camping, fishing etc.)				
-other (i.e., groceries, sundries, etc.)				
Restaurant/Bar Facilities				
-cafeteria				
-full-service dining room				
-bar				
Rooms				
-temperature control				
-shower or bath in each				
-suites				
-rooms adapted for handicapped				
-conference or meeting rooms				
-rooms with kitchens				
Vending				
-in-room				
-common area				

	COMPARABLES			
	C	O	N	C
	S	S	I	O
	O	I	O	N
	N	E	R	E
	R			
Fireplaces				
- in common areas				
- in rooms				
<u>Designated Bus/Camper Parking</u>				
<u>Children Play/Area</u>				
<u>Recreation Room</u>				
<u>Marina</u>				
<u>Beach</u>				
<u>Tennis Courts</u>				
<u>Golf Privileges</u>				
<u>Convenience/Comfort Related</u>				
<u>Air Conditioned Guest Rooms</u>				
<u>Wall-to-Wall Carpets in Rooms</u>				
<u>Grade A Furniture</u>				
<u>Special Bed Equipment (i.e., magic fingers, bedside lighting controls, etc.)</u>				
<u>Service Related</u>				
<u>Baggage (Bell Hop)</u>				
<u>Valet Parking</u>				
<u>Room Service</u>				
<u>Entertainment</u>				
<u>Medical Assistance/RN on Duty</u>				
<u>Audio Visual/Movies</u>				
<u>Make Other Reservations</u>				
<u>Have Rental Cars Available</u>				
<u>Major Credit Cards Accepted</u>				
<u>Registration Office Open 24 Hours</u>				

More features may be added as they are observed during the comparability review, i.e., free ice, king size beds, and so on.

c. HOSTELS

The nature of these operations are unique in that they provide only bare essentials. Sleeping accommodations may be either individual or dormitory type sleeping quarters, guests may prepare their own meals and provide their own bedding (sheets or sleeping bags) and normally share in domestic duties. Many hostels are operated on a non-profit or subsidized basis. Due to this uniqueness, comparable facilities may be difficult to locate but consideration should be given to the following and rates approved accordingly.

(1) Type of Facility

For our purposes hostels are divided into four types, which parallel the classification used by American Youth Hostels, Inc. (AYH). Generally, all facilities will have basic elements including: kitchen, eating area, lounge and separate sleeping areas and bath for men and women. The primary difference between the four types is size and other amenities. The four types beginning with the most basic are:

(a) SHELTER HOSTEL

The operation is not fully developed to include all of the basic elements stated above. The facilities are more primitive than the other three types in that dormitories may be shared by male and female, more bunks in a smaller area, beds may be cots, pads, or simply a mattress on a floor, inadequate heating, there may be only one toilet per 20 people and possibly be no electricity or garbage disposal.

(b) SIMPLE HOSTEL

This is a more developed operation. There are at least 25 square feet per person in sleeping quarters, bunkbeds, laundry of all bed covers, at least cold water, washing facilities and fully equipped kitchen.

(c) STANDARD HOSTEL

In addition to containing the amenities for a simple type, the standard hostel has at least 30 square feet of floor space per bed in dormitory type quarters, hot and cold water, showers or tubs, large dining room and common rooms.

(d) SUPERIOR HOSTEL

This type is much larger and has more amenities than the other types. Some of the sleeping quarters have six or fewer

beds. There is a minimum of 40 square feet per bed, sheet sack or linen rental is available, facility may be accessible in daytime, there may be separate game rooms, quiet rooms and common rooms, and washer and dryers are available.

(2) **NPS Assistance**

Consideration should be given to the amount of assistance the Service provides a hostel. Such assistance may be in major building renovations, maintenance or establishing service, registration assistance or other services.

(3) **Guest Assistance**

Consideration may be given to the degree that guests will be required to participate in maintenance and domestic chores that are directly related to the hostel operation.

(4) **American Youth Hostels, Incorporated (AYH)**

This organization directly operates about 40 hostels and approximately 240 independent operations are affiliated with AYH. AYH has developed standards for four types of facilities and have established maximum summer and winter rates for each. The size of the AYH operation and their reasonable standard rate structure provides an excellent basis for rate comparability and for adjusting rates upward or downward. Upon request the Washington Concessions Division will provide information on AYH rates and location of their facilities.

(5) **Separate Fees**

AYH and other such organizations frequently charge a special user fee or charge that goes toward a development fund. Concessioners are prohibited from charging a fee independent of the approved accommodation rate.

(6) **Methodology**

Considering the extent to where other hostel operations and the concessioner match up with the selection criteria or with the rates charged by American Youth Hostels, Inc., approve or disapprove the prices and/or discuss with the concessioner, possible changes in his services, or amenities to match the prices of like operations.

d. CAMPGROUND ACCOMMODATIONS

Campground facilities can include provisions for tent camping and/or recreation vehicles (RVs.) Comparables are to be selected from a similar

area and environment as the concession operation. To determine comparability for campground facilities, the following criteria should be examined.

(1) **Similar Size**

Campgrounds of varying size (number of sites) can have different operating costs. Ideally the comparable would fall within a similar size range as the concessioner. Campground size has been divided into the following categories:

less than 100	sites
100 - 200	sites
200 - 350	sites
over 350	sites

(2) **Site Type**

A comparable campground should serve a clientele similar to that of the concessioner. Many commercial campgrounds provide distinctly different areas for RV users and tenters or mixed use. In these cases, it is appropriate to compare the concessioner campground with just that segment of the commercial campground which it most resembles; extra features such as bath-houses, laundries or swimming pools, are credited according to the degree to which they serve the selected segment. Sites can be classified by three types:

(a) **PRIMARILY RV:**

High density, sites are small, close together, tent space is lacking or minimal, hook-ups are the rule.

(b) **PRIMARILY TENT:**

Access roads are narrow or steep, or may be lacking, few sites are level, no large vehicle parking, hookups are lacking or scarce.

(c) **MIXED USE:**

More than half of the sites are equally useable by tenters or RV's (up to about 26'), average site separation is 50't, hookups may or may not be provided (their presence or absence would be taken into account as extra quality features). Most National Park Service Campgrounds fall into this category.

(3) **Seasonality**

The comparable campgrounds should be within the same range (2 months) in terms of months to reach 75% of annual volume as the concessioner.

(4) **Average Annual Occupancy**

Annualized average percentage of site rentals of the comparable should normally be within 10% + or - of the concessioners. If this range is not available a wider range may be used but should be taken into consideration in the final rate adjustment.

(5) **Degree of Competition**

Campgrounds should have two competitors to be regarded as a comparable. The competitors should offer similar services and amenities as that of the comparable and have separate ownership.

(6) **Affiliation**

- National chain
- Regional chain
- Non affiliated.

(7) **Ratings By Other Organizations**

As a matter of policy, most campground rating organizations do not rate government-owned campgrounds. Direct comparison will not therefore be possible. Their directories do, however, provide a useful catalog of facilities from which to select tentative comparables.

(8) **Methodology**

Utilizing a spread sheet matching the rates for those facilities deemed comparable under the above criteria, comparable campgrounds should be compared with those of the concessioner. Considering the extent to which the comparables and concessioner match up with selection criteria and the extra quality worksheets, approve or disapprove the prices and/or discuss with the concessioner, possible changes in his services, or amenities offered to match services, amenities and price.

It is not uncommon for a campground operator to offer a service free to campers and allow others to use it for a fee (swimming pools, for instance). In such cases it will be easy to determine the value placed on that service.

NOTE:

Concessioner Rate Schedules should state that the concessioner will honor the Golden Age and Golden Access Passports.

CAMPGROUNDS
 ADJUSTMENTS TO COMPARABLES
 EXTRA QUALITY FEATURES

Features (Check if present)	C O N C E S S I O N E R	Comparables				
<u>Facility Related</u>						
Water Hook Up						
Electric Hook Up						
Free						
Extra Charge						
Extra Charge for Aid Cond. Only						
Showers						
Cold Water - Free						
Hot and Cold Water - Free						
Coin Operated						
Rest Room Service						
Pit Type Toilets						
Flush Type Toilets						
Cold Water						
Hot and Cold Water						
Rest Room-Construction						
Wood						
Interior - Rough Finish						
Interior - Finished Walls and Ceilings						
Showers - Common Area						
Showers - Partitioned Stalls						
Heated						
Water						
At Individual Site						
Scattered Hydrants						
Central Only						
Dumping Station						
Free						
Extra charge						
Sewage Hook Up						
Free						
Extra charge						

Features (Check if Present)	C O N C E S S I O N E R	COMPARABLES				
<u>Facility Related</u>						
<u>Site Accessibility</u>						
Rough or Gravel road						
Paved						
Pull-through for RVs and trailers						
<u>Provisions for Handicapped</u>						
<u>Lighted Areas and Path</u>						
<u>Picnic Table at Site</u>						
<u>Fireplace/Grill At Site</u>						
<u>Site Seclusion</u>						
Utmost						
Moderate						
Limited						
<u>Trash Receptacles</u>						
At Site						
Centralized						
<u>Service Related</u>						
Camper Store						
Food Service						
Gasoline Service Station						
24 Hour On Site Attendent						
Firewood Available						
Coin Laundry Available						
Ice Available						
Vending Machines						
Swimming Pools						
Tennis Courts						
Children's Playground						
Hiking						
Interpretation Program						
Entertainment Program						
Recreation Room						

Other factors may be added as they are observed during the comparability review.

e. MARINA OPERATIONS

The essential service that marinas provide to boaters is access to a body of water. The primary physical attribute of a marina is a dock or mooring area and, often, a launching area for smaller boats. Although marinas provide other services, this study method deals only with dock slip rental, mooring rental and launching.

In order to determine comparability for this industry, the following criteria should be examined:

(1) **Similarity of Operation**

Marinas should serve the same basic type of boats. Marinas that serve primarily large boats over 25 feet in length, are normally designed and operated as home berths for these boats. They provide some degree of protection from a variety of weather conditions, security, and, usually, additional services such as a marine railway and facilities for major repairs. Smaller boats are usually launched for each use and are kept on land in storage or on trailers between uses. Launching facilities and small motor repair are important services in these marinas. One should note the area where most of the revenues are derived (launch or home berth) when selecting a comparable.

(2) **Degree of Competition**

Marinas should have two competitors to be regarded as a comparable. The competitors should offer similar services and amenities as that of the comparable and have separate ownership.

(3) **Similarity of Natural Area**

Oceanside marinas or marinas on saltwater bays may have a different degree of investment and boaters expect a certain type of experience when using these facilities. Inland marinas, may be compared to oceanside and bay marinas when they are built to protect boats from similar extremes of weather and from similar effects of waves or tidal action. Another factor to be considered is the method of anchoring the marina, i.e., piling or cable based on the fluctuation of the water.

(4) **Type of Service**

The comparable should offer similar type services, slip rental, mooring, launchings, restaurant, store, etc.

(5) **Seasonality**

The comparable facility should be within the same range (2 months) in terms of months to reach 75% of annual volume as the concessioner.

(6) **Geographical Proximity of Suppliers**

Comparables should be in the same range:

- less than 50 miles
- 50 to 100 miles
- Over 100 miles

(7) **Average Annual Occupancy**

Annualized average percentage of slips or mooring rentals. The comparables' annual average percent of occupancy should normally be within 10% + or - of the concessioner's.

(8) **Market Area/Clientele**

- National
- Regional
- Local

(9) **Dock Type**

- Floating, capable of being moved relative to the shore
- Floating, fixed to the shore
- Non-floating fixed

(10) **Weather Protection**

Covering

(11) **Breakwater**

- Man-made
- Natural
- No Breakwater

(12) **Methodology**

Utilizing a spread sheet matching the same type of service offered by those facilities deemed comparable under the above criteria and the concessioner, assure that the rate structures are compatible for comparing. Considering the extent to which the comparable and concessioner match up with selection criteria and the extra quality worksheets, approve or disapprove the prices and/or discuss with the concessioner, possible changes in his services, or amenities offered to match services, amenities and price.

MARINAS
 ADJUSTMENTS TO COMPARABLES
 EXTRA QUALITY FEATURES

	C O N C E S S I O N E R	COMPARABLES				
<u>Features (Check if present)</u>						
<u>Facility Related</u>						
Hotel/Motel						
Restaurant/Bar						
Groceries						
Marine Supplies						
Fuel Dock						
Maintenance Facility						
Sewage Pump-out						
Refuse Receptacles						
Showers						
Laundry						
Hoists						
Transient Berths/Moorings						
Dry Storage						
Trailer Parking						
Fish Cleaning Area						
Telephone Hookup at Berths						
Electrical Hookup at Berths						
Cable TV Hookup at Berths						
Boat Club						
Picnic Areas						
<u>Service Related</u>						
Charter Boat Operation						
Camping						
Swimming						
Water Skiing						
Fishing						
Beach Rentals						
Boat Rentals						
Fishing Equipment						

More feature items may be added as they are observed, i.e. boat cleaning service, hull cleaning and refurbishment, large engine repairs, interior and appliance service, firefighting facilities, and so on.

f. TOUR OPERATIONS

Concessioners provide tours by bus, van, horseback, boat, raft, tram, and other types of vehicles. In addition, there are walking tours in a number of areas. Tours can be of short duration--less than 1 day--or they can last for a week or more. Tour operators usually provide some guide service and may also arrange for meals and overnight accommodations. Given this great variety, this portion of the comparability study will focus on the type of tours generally provided by concessioners in National Parks, that is, guided tours that last less than one day. In addition, these procedures focus on motorized tours only, i.e., excluding, however, all raft trips as well as walking tours. The rate approval for many of these tour services may best be accommodated through another study method, as an example, Method 3 will lend itself well for tour services which do not have comparables readily available.

(1) **Similarity of Operations**

Type of Vehicles should be of the same type. It is not possible to compare tours in different vehicles, e.g., bus, boat, tram, etc., because investment levels, operating cost, and clientele are different.

Guide Service - The provision, or absence, of a guide or narrator is a significant factor.

(2) **Similarity of Market Area/Clientele**

- National
- Regional
- Local

(3) **Length of Tour**

Tours lasting one day or less cannot be compared to tours that last longer. On tours lasting less than one day, the amount of time and distance traveled are significant cost factors.

(4) **Age of Vehicles**

The age and/or appearance of the vehicles should be similar.

(5) **Seasonality**

Number of months required to obtain 75% of the annual volume should be within 2 months + or - for comparables.

(6) **Remoteness**

Distance to major suppliers or supplies, i.e., fuel, parts, labor supply. Comparables should be in the same range:

- Less than 50 miles
- 50 to 100 miles
- Over 100 miles

(7) **Natural Area Type of terrain**

- Mountainous
- Hilly
- Flat

- Water-oriented
- Salt water/brackish
- Freshwater

(8) **Methodology**

Utilizing a spread sheet matching the same type of service offered by those facilities deemed comparable under the above criteria and the concessioner, assure that the rate structures are compatible for comparing. Considering the extent to which the comparable and concessioner match up with selection criteria and the extra quality worksheets, approve or disapprove the prices and/or discuss with the concessioner, possible changes in his services, or amenities offered to match services, amenities and price.

TOURS
 ADJUSTMENTS TO COMPARABLES
 EXTRA QUALITY FEATURES

	COMPARABLES				
	C O N C E S S I O N E R				
Features (Check if Present)					
<u>Facility Related</u>					
<u>Restrooms (aboard vehicle)</u>					
<u>Eating facilities</u>					
<u>Bar</u>					
<u>Public Address System</u>					
<u>Handicapped Facilities</u>					
<u>Glass Bottomed (Boats Only)</u>					
<u>Comfort Related</u>					
<u>Air Ride Suspension</u>					
<u>Reclining Seats</u>					
<u>Air Conditioning</u>					
<u>Vistadome</u>					
<u>Service Related</u>					
<u>Hotel/Motel Accommodations Arranged</u>					
<u>Meal Stops Arranged</u>					
<u>Baggage Accommodations</u>					
<u>Special Activities Included</u>					
<u>Accept Major Credit Cards</u>					
<u>MCO (Miscellaneous charge order/ airline tour order)</u>					
<u>Direct Billing</u>					
<u>Transfer Bus Service</u>					
<u>Bilingual Escort Guides</u>					
<u>Special Escort Guides</u>					
<u>Hospitality Suite or Desk</u>					

Other feature items may be added as they are observed during the comparability review.

g. GASOLINE SERVICE STATION

The services include gasoline sales, emergency and routine services such as tires, batteries, and accessories (TBA), and major repair. Gasoline sales may also be handled through the Simplified Review Of Similar Services Method. *Also, during periods when gasoline prices are widely fluctuating, the use of cents per gallon mark-up may be used.* See Note at end of this subparagraph.

(1) **Ownership/Management**

Do they have the same type ownership/management structure?

- Oil company ownership leased to independent operator/manager
- Oil company owned and managed
- Independently owned and managed

(2) **Type of Service**

- Full-service
- Self-service
- Split island

(3) **Degree of Competition**

Service stations should have at least two competitors to be regarded as a comparable.

(4) **Geographical Proximity**

Normally, the most comparable facilities will be those that are located closest to the concessioner because of distance from supplies.

(5) **Volume of Business**

The monthly volume of business is a very important factor in gasoline pricing and may be very hard to obtain from the comparables.

(6) **Seasonality**

In addition to the volume, the season is also an important factor. Seventy-five percent of the annual volume should be reached within 2 months + or - of the concessioner.

(7) Methodology

Utilizing a spread sheet matching the same type of service offered by those facilities deemed comparable under the above criteria and the concessioner, assure that the rate structures are compatible for comparing. Considering the extent to which the comparable and concessioner match up with selection criteria and the extra quality worksheets, approve or disapprove the prices and/or discuss with the concessioner, possible changes in his services, or amenities offered to match services, amenities and price.

NOTE: *Gasoline prices are to be approved utilizing comparable pump prices in accordance with Method 1, Full Review of Similar Services or Method 2, Simplified Review of Similar Services, unless during periods when gasoline prices are rapidly changing, the Regional Director authorizes the use of cents per gallon mark-up. This entails contacting the jobber of the particular brand of gasoline sold by the concessioner to ascertain eight or ten stations in the area which have volume and location characteristics similar to that of the concessioner. Contact the stations to find out their mark-up in cents per gallon on delivered gasoline (including cost of transportation). The average add-on in cents per gallon then becomes the concessioner's allowable add-on.*

GASOLINE SERVICE STATIONS
 ADJUSTMENTS TO COMPARABLES
 EXTRA QUALITY FEATURE

	C O N C E S S I O N E R	COMPARABLES			
<u>Features (Check if present)</u>					
<u>Facility Related</u>					
<u>Restrooms</u>					
<u>Public Telephone</u>					
<u>Car Wash</u>					
<u>Adjoins Restaurant or Motel</u>					
<u>Adjoins Retail Store</u>					
<u>Comfort Related</u>					
<u>Waiting Room (For customers awaiting auto repairs)</u>					
<u>Service Related</u>					
<u>Trailer/RV Service</u>					
<u>Accepts Membership Road Service</u>					
<u>Provides Free Maps</u>					
<u>Tires, Batteries, and Accessories</u>					
<u>Repair Service Available</u>					
<u>Tow Service Available</u>					
<u>Mechanics Licenses Held</u>					
<u>Open 24 Hours</u>					
<u>Open 7 Days a Week</u>					
<u>Accepts Major Oil Company Card</u>					
<u>Accepts Major Credit Cards</u>					

Other features may be added as they are observed during the comparability review, i.e., vending service, full service, self-service, and so on.

2. Method 2 - Simplified Review of Similar Services

a. DESCRIPTION

This method of rate evaluation may be characterized as a quick review, rather than a detailed study. It consists of a simple comparison of prices between the concessioner's proposed rates on items and services that meet the established criteria for this method and those items and services of selected private businesses. The comparison process is very brief, limited to minimum background information on the available comparative businesses, the price of similar items and services, and the essential information concerning differences in the items and services being considered.

To the extent possible, similar service businesses will be located on non-Federal lands, however, in cases where the only comparative businesses available are so located (such as national parks or national forests) they will be acceptable.

In some cases, a Superintendent may choose to use a screening factor in selecting a similar business, e.g., the presence of a boat mechanic. The park may require the concessioner to have trained mechanics on duty to provide this service. In this case, "Required Training" would be a screening factor rather than a consideration. A business not meeting the screening factor would be eliminated from consideration. However, because basic comparables are not available, most of the factors to be developed by the park, will be used as consideration factors only when selecting the similar services business and when evaluating the comparative value of the rates against the concessioner's rate approval.

Failing one "consideration factor" would not necessarily rule out the business as a usable similar service.

The Simplified Review of Similar Services Worksheet or a similar document will be used in conducting the rate comparison review and to establish the approved rates. The worksheets appear at the end of this explanation.

b. APPLICATION OF THE METHOD

It is anticipated that this simplified review process may be conducted by telephone to known similar service businesses. However, on-site visits are to be encouraged whenever possible, considering administrative constraints.

When the determination has been made to use this method of rate comparison, an inquiry will be made in the nearby, in some cases distant, communities to locate similar businesses. The personal knowledge of the park staff and local business leaders can be utilized to help locate similar businesses

that might provide the same goods and services as those being reviewed for rate approval.

Where possible, three or four similar service businesses which should have two or more competitors each, should be reviewed. Special screening and consideration factors will be established by the Superintendent to help evaluate the similarity of rate values of the businesses being reviewed. (See worksheets). Again, because of the many one-of-a-kind types of items and the unique character of some concession services, it may be found that only one or two similar businesses can be located. In this case, you will use what you have and explain the efforts to locate others in the footnote section.

Concession items and services to be included under the heading "Items and Services" will be related, where possible, to a functional operation such as: recreational equipment rental and services at a small, isolated marina operation. One or more items may be listed for review on a single form. The Superintendent has the flexibility of using this form to adapt to the difficulty in locating similar service businesses and/or similar services. A new form will be used for each concessioner.

Once the "Service Items" and "Proposed Rates" have been listed on the worksheet, the similar service businesses will be queried by phone or in person to obtain their current rates for comparison. In those cases where there is a similar service or item but a distinct difference exists which might affect the price comparison, it will be footnoted to explain the difference. In some cases, this may be grounds for rejecting the rate comparison for this item. (See worksheets that follow).

When the similar service rates have been recorded, an average will be computed to serve as an indicator and comparison with the proposed rates. A recommended rate approval based on the comparison will be entered in the right hand column. An analysis of the data will be recorded at the bottom of the form to briefly describe the extenuating consideration given in making the final rate recommendation.

Subsequent individual rate increase requests that are made during mid-season can be handled quickly by contacting the similar services business to check their current prices and if changes have occurred to warrant an increase it can be quickly approved.

SIMPLIFIED REVIEW OF SIMILAR SERVICES
(WORKSHEET)

Date _____ Analyst _____
 Park _____ Concessioner _____ Contract/Permit _____

Screening or Consideration Factors	Concessioner	Similar Service Businesses				Comments
1.						
2.						
3.						
4.						
<u>Rate Comparisons</u>						
Items and Services	Proposed Rate	Established Rate/Similar Service Businesses		Averg. Rate	Recommended Rate	
1.						
2.						
3.						
4.						
5.						
6.						
7.						
8.						

Footnotes:

Brief Analysis:

Simplified Review of Similar Services
(Worksheet)

Date _____ Analyst _____
Park _____ Concessioner _____ Contract/Permit _____

Screening or Consideration Factors	Concession	Similar Service Businesses				Comments
		Reservoir	Other	Marina/Store	Other	
1. Length of Season	3 Months	4 Months	3 Mon.	4 Months	5 Months	First two on private property Third on State land Fourth, NPS
2. General Appearance	Very Good	Average	Poor	Average	Very Good	
3. Equipment Condition	New	Old	Old	Good	Good	
4. Size of Business	Very Small	Medium	Medium	Small	Small	

Rate Comparisons

Items and Services	Proposed Rate	(Established Rates of Similar Services)				Average Rate	Recommended Rate
		1/	2/	3/	4/		
1. Rental Boats 14' 10hp, w/ gas	\$10/hour 25/½ day 30/day	\$6/hour 1/ 10/½ day 15/day	\$11/hour 20/½ day 25/day	\$10/hour	2/ \$ 10/½ day	\$9 13 20	\$10 25 30
2. Ski and equipment Skis/Rope/PFD	3/day	4.25/day	2.75/day		5/day	4	3
3. Zip Sled	4/day		2.50/day	3.25/day	3.75/day	3.17	3
4. Fishing Gear (Pole/Lures/ Bait)	5/day	4.50/day	5.50/day	2.75/day	5.25/day	4.50	5
5. Canoes PFD	2/hour 5/½ day	1.75/hour	1.50/hour	2.25/hour 5/½ day	2/hour 5.50/½ day	1.87 5.25	2 5

Footnotes:

1/ Gas not provided. 2/ Only had 2 old boats. 3/ Old and poor quality equipment. 4/ PFD not provided-getting out of business.

Brief Analysis: (1) Higher rate recommended because new equipment, better service, higher quality.
(2) Rate not recommended, other services equal in quality and condition.

3. Method 3 - Specified Rate On Authorization

a. DESCRIPTION

This method will probably represent the easiest process for adjusting and approving rates in many situations. Once the contract or permit has been written or amended as described herein, the procedure will be nothing more than that described in indexing, Method 6.

The tasks to deal with in this method are:

- (1) Establishing the initial rate.
- (2) Writing or amending the contract or permit to accommodate the method while very specifically spelling out the exact index to be used.
- (3) Following up on adjusting the rate for Indexing as spelled out in the authorization. Indexing for this method is not to exceed 5 years before reestablishing the rate.

Specified rates on authorization method is intended for use when comparables are not readily available and when dealing with a limited number of services with a simple rate structure. The method should have special value for unique and unusual services such as seaplane rides, some horseback rides, and mountain-climbing schools.

Perhaps the most important factor to consider is that this process should be determined to be administratively advantageous to the Service by (1) reducing the questions about rates that arise each year and (2) reducing the time and money used in approving rates. In many cases the concessioners will favor utilizing this method because it will give them a solid rate that they can plan on without the uncertainties that may be inherent in other rate approval methodologies.

b. ESTABLISHING THE SPECIFIED RATE

The NPS representative making this determination should take advantage of any reasonable means to establish a rate that will be fair, in his/her best judgement, to the visitors and provide a reasonable opportunity for a return to the concessioner. In situations where there is an existing rate that is considered reasonable, then that may be used. In some situations, an economic feasibility study will be needed and in other cases it may require the use of the financial analysis method. The Superintendent may in some instances request assistance from Region, which might in turn request assistance from WASO or DSC.

(1) **New Authorization**

Once the NPS-proposed rate has been established, this can be published in the Fact Sheet or Prospectus as the proposed rate. The Prospectus should ask that those responding specify the rate they propose, and the financial rationale to justify such rate.

Prospectus Language:

Inasmuch as there are no comparable _____ services in the area of _____ National _____, the rates charged shall be those approved in this (contract or permit) and subject to change annually. The maximum approved rate shall be adjusted annually to reflect the rise or fall in the U.S. Department of Labor, Bureau of Labor Statistics' C.P.I. for _____ covering the same period. If the said Consumer Price Index figure for the month of January of the year following the effective date of this contract shall show either a rise or fall from the index figure for the month of January of the preceding year, the maximum rates shall be correspondingly increased or decreased for the succeeding 12-month period, commencing on the 1st day of April, to the nearest (quarter) (half)(one)-dollar figure representing the percentage difference of increase or decrease of the current January Index figure over the preceding year figure. Likewise, similar recalculations of the rates to be used shall be made using the Index for the month of January in each succeeding year. In each instance, the figure shall be compared with the figure of the preceding January, and an adjustment made for the next succeeding 12 months in the manner aforesaid.

The National Park Service proposes (requires) _____ as the rates for the calendar year beginning on the execution date of this (contract or permit). *All prospective operators responding should submit their proposed rates along with financial rationale to substantiate the proposal*. (Words between asterisks are optional)

When this method is to be used, the proposed rate should be considered when evaluating the proposals responding to the Prospectus. This will provide competitive rate proposals, but still not consider them as the major element in the selection process but rather a part of the element of being responsive to the Prospectus. Should the proposals or the best proposal have a rate lower or higher than the NPS proposed rate, then the rate could be determined through negotiation.

Should all of the proposed rates be considered not reasonable, or too low, then the proposals may be treated as any other prospectus where no satisfactory proposals were made.

(2) **Existing Operations Where a Fact Sheet Is To Be Issued**

When it has been determined that this method will be utilized and a Fact Sheet is being issued, the same basic procedures and Fact Sheet language can be used as was described in "new authorizations". The difference will, of course, be that preferential right will become injected into the negotiating and selection process. As with other points, the existing concessioner who has a preferential right of renewal shall be given the right of first refusal.

(3) **Amendment to Contract or Permit**

A contract or permit can be amended for the purpose of specifying the rate and utilizing this method. In areas where a contract or permit has 3 or more years before expiration, and when mutually agreeable with the concessioner, the Superintendent may wish to amend the contract or permit.

A contract amendment certainly takes a good deal of effort, especially on the part of the Regional Office staff, and possibly will not be considered by many. In some situations, however, it will be in the Government's best interest to amend the contract and, therefore, should be considered. The area and Regional Office staff will want to work together closely when considering this possibility.

4. Method 4 - Merchandise Pricing

a. DESCRIPTION

Approving prices based on costs for various types of retail stores and categories of goods is a simple solution for approving prices for a wide range of goods that are normally priced by a percent markup, i.e., curios, handcrafts, groceries and general merchandise. This method is not to be applied to restaurants, hotels, transportation, marina operations or other service-related industries where quality of service and amenities are more important factors in approving rates charged park visitors.

This method achieves comparability by using national percentages. Comparability in the Merchandising Pricing Method is also realized by permitting variance from national markon/markup averages where local custom dictates, and by using Method 1 or 2 for unusual items. The use of manufacturers' suggested retail prices also provides comparability.

b. DETERMINING RETAIL PRICES

The grocery store and general merchandise retail industries have their own jargon, i.e., markon, markup, gross margin, gross profit, cost of sales, etc., and some prefer to quote the above in either dollar amounts or percentages. This is very confusing to the person responsible for implementing and/or administering price approvals, particularly if they are not familiar with retail merchandising.

Two closely related terms are markon and markup. The first, markon, is widely used by retailers, and represents the percentage of selling price which is profit. Markup, which is more commonly understood by lay persons, represents the profit percentage which is added to retailer's cost to establish a selling price.

Equivalent markup and markon percentages for each category of merchandise are attached as Exhibit 1. The percentage will be updated periodically. One method of price construction may be selected and the equivalent in terms of the other method is readily available in the adjoining column. The percentages should generally be used.

The two methods of price construction follow:

(1) **Markup Pricing:**

Selling price = Product Cost X (1 + approved markup percentage).

Example: Consider a carton of cigarettes with a product cost of \$4.50. The approved markup percentage of 44.1 is taken from Exhibit 1. What should the selling price be? Selling Price = $\$4.50 \times (1 + .441) = \6.48 .

(2) **Markon Pricing:**

Operators need to know the percentage of the selling price that is represented by gross profit. Considering the expected volume and product mix, they need to make judgments as to whether the margin is sufficient to allow expected profit and cover expenses, or whether expenses must be pared. An example of margin of profit:

Selling Price	\$6.48
Product Cost	<u>\$4.50</u>
Profit	\$1.98

$\frac{\$1.98}{\$6.48} = .3055$ or 30.6% of the selling price

30.6% of the selling price represents gross profit. 30.6% is also the markon percentage corresponding to 44.1% markup listed for tobacco products in Table 1.

To determine the selling price from approved MARKON percentage:

$$\text{Selling Price} = \frac{\text{Product Cost}}{1 - \text{gross profit \% (expressed in Table 1 as markon percent. Convert to a decimal equivalent.)}}$$

Using the same example cigarett carton, the approved markon percentage looked up in table 1 and found to be 30.6%

$$\text{Selling Price} = \frac{\$4.50}{1 - .306} = \frac{\$450}{.694} = \$6.48$$

Exhibit 1 contains equivalent approved maximum markups/markons, so neither party is forced to work with a method that may be uncomfortable.

(3) Application

Example: Suppose a Superintendent selects a grocery item from the shelf and finds the price to be marked \$.75. Table 1 shows an approved markon of 29.9% and markup of 42.7%. Upon request, the concessioner produces documentation to show product cost per unit to be \$.524 and volunteers a markon of 29.9% was used to construct the \$.75 shelf price.

The Superintendent prefers to use the approved markup percentage of 42.7% to verify correctness of price and multiplies the product cost and the markup %. \$.524 (1.427) = \$.7475. The \$.75 shelf price is verified as correct.

Wholesalers will often provide pricing wheels, a circular sliderule type of tool that will read the appropriate price directly for a given product cost and desired gross profit percentage.

c. VARIATION FROM LISTED PERCENTAGE

The percentages for markup/markon in Exhibit 1 are based on nationally published averages drawn from large samples, and represent the upper range of profitability. They should be used, in the absence of good evidence to

the contrary, as maximum allowable percentages. Comparability may also be achieved as follows:

(1) Different items of merchandise within a particular category may be priced above or below the percentage listed in Exhibit 1, providing, the overall result, considering sales volume, does not exceed the markup/markon for the category.

(2) Where retailers in a particular area have a custom of pricing certain items above or below the national markup/markon averages, and it can be documented by contacting retailers in the area, the percentages in Exhibit 1 may be adjusted to conform.

(3) Manufacturers' suggested retail prices should be used when the product has one, either by pre-marking or by a suggested retail price list. However, if local custom is to vary from the suggested retail price, then the local price should prevail. This may result in a retail price higher or lower than if calculated by markup/markon percentages.

(4) Unique items and items that are not marketed in the normal manner and do not fit an item or group of items listed in Exhibit 1 may be priced by using Method 1, Full Review of Similar Services or Method 2, Simplified Review of Similar Services.

d. PRODUCT COST

The following may be included in product cost by the concessioner:

(1) Due to the time value of money, merchandise on hand at the time the wholesaler announces a price change may be revalued to reflect new wholesale costs, and retail prices adjusted accordingly. This must be documented by a current wholesale price list.

(2) Cash discounts need not be deducted from product costs. Such discounts are normally 2% and expressed as 2/10,n/60 (2% discount if paid in 10 days from date of invoice, net due in 60 days) or 2/10 eom (2% discount if paid during the first 10 days following the end of the month). During times of high interest rates some wholesalers may offer 5% prompt payment discounts.

It is possible that a wholesaler may to promote sales, increase prices in order to offer a discount greater than 5% thereby allowing for a higher retail price and enhancement of the wholesaler's product to the concessioner. Discount above 5% should be regarded as a reduction in the wholesale price on which markup is based. If a larger discount is offered it must be reduced to 5% prior to calculating the retail price.

Example: Product cost - \$10.00; 12/10eom. 12% offered discount less maximum allowable 5% discount, equals a 7% price reduction.

Listed product	\$10.00
Less 7% price reduction	<u>.70</u>
=Product cost on which markup or markon may be computed	\$ 9.30

In times of volatile cost of capital, the industry cash discount practice will be monitored to keep the above policy current. It is the intent of this cash discount policy to be consistent with current industry practices.

(3) Documented transportation expenses may be added to the product cost before markon or markup.

The concessioner must produce such documentation upon request. When the transportation is provided by the concessioner, the documentation is more difficult, but nevertheless must be explicit. An example of acceptable documentation is provided at the end of this discussion.

(4) Warehouse charges developed or cost incurred by the concessioner may not be added to the product cost to determine price.

Warehousing as used herein is intended to mean the normal labor and other expenses incurred by the concessioner in handling merchandise, etc., in the concessioner's storage structure and sales outlets. If the concessioner wishes to take advantage of warehousing, expense through:

- Increased sales volume due to lower retail prices
- Revalued merchandise due to documented wholesaler price increases
- Convenience and availability of product.

(5) Volume buying practices by the concessioners allow them to take advantage of discounts offered by suppliers. The NPS views this as an acceptable financial transaction and therefore we should not penalize concessioners for doing so by not allowing them to use the cost that would have been incurred by buying in smaller quantities.

The concessioner will provide the NPS with the supplier's volume price listing to justify the adjusted base to be used in the markup method. The markup should be based upon purchase prices for the quantity

which the business would normally purchase in order to keep the product in stock.

TRANSPORTATION DOCUMENTATION BY THE CONCESSIONER

(SAMPLE)

1. Invoice Documentation.

If it is necessary or desirable for a concessioner to pick up supplies at the wholesaler's dock, the wholesaler will often offer a discount in return for saving delivery costs. The amount of the discount should be stated on the invoice. The stated discount will serve as documentation to support the amount of transportation expense the concessioner claims as product cost.

2. Constructed Transportation Expense.

The objective is to construct as nearly as possible, the actual reasonable expense for transporting each item by the concessioner. Consider the need to find a transportation charge for a dozen eggs. The basic vehicle for this exercise is a truck of 500 cubic feet capacity.

<u>Fixed Expenses</u>		<u>Variable Expenses</u>	
Amortization	\$3,000/year	Driver	\$9.00/hour
Insurance	\$1,000/year	Fuel	\$1.30/gal.
Service and Repairs	\$ 260/year	Laborer	\$4.00/hour
Taxes and License	\$ 240/year		
Mileage, 20,000/year	$\frac{\$4,500}{20,000} = \$0.225/\text{mile}$		

Consider a trip of 170 miles to a supplier.

\$.23/mile fixed expenses x 170	\$39.10
Driver \$9/hour x 6 hours	\$54.00
Laborer \$4/hour x 1 hour	\$ 4.00
Fuel \$1.30/gal. x 26 gal	\$33.80
Trip Cost	\$130.90

Truck capacity 500 cubic feet

Average 80% full = 400 cubic feet $\frac{131}{400} = .33$

One carton of eggs = 3 cubic feet x .33 = 0.99 carton

30 dozen per carton $\frac{.99}{30} = .03/\text{dozen eggs transportation}$

5. Method 5 - Competitive Market Declaration

a. DESCRIPTION

Occasionally there are situations that exist in National Park areas where a service offered by a concessioner exists in a highly competitive market. That is, where identical or very similar services are offered by other private enterprises in the immediate vicinity, and the concessioner's location provides no particular competitive advantage. In such situations, the area manager may wish to write a "Competitive Market Declaration," which is an analysis of the situation and a statement that it is in the public's best interest to allow prices to be set in a free market rather than approved by the Service.

The purpose of the "Competitive Market Declaration" is to reduce the administrative burden of rate approvals in situations where, because of competition, the concession must charge comparable rates to survive. It does not relieve the Superintendent of the responsibility to ensure that the concessioner's rates are fair and reasonable.

A competitive market is defined as a marketplace where two or more parties act independently to secure the business of a third party by offering the most favorable terms and/or prices. The "marketplace" may be very small; as in the case of unusual one-of-a-kind items on sale within a major concession merchandising shop; or larger, as in the case of antique sales which may be miles from other antique dealers. The important concept is that if the concessioner's competitive position is not enhanced by his/her location in a park, then his/her pricing must be competitive to secure business and may, therefore, be considered comparable.

The argument has been made that if there is no competitive advantage to a service being offered in the park, then that service may not be "necessary and appropriate" and should not be located in the park. In response, we merely point out that rate reviews are not the place to make that decision, and that field personnel may safely proceed with "Competitive Market Declarations" without reference to a specific service being needed or appropriate.

Another situation where this concept of competitive market may be used is in rate reviews for goods or services where the price is routinely negotiated between vendor and customer. Examples of this would include unique, limited one-of-a-kind items such as art or antiques, and one time services such as banquets served in a concession restaurant. Again, the key element is that the sales price is not enhanced by the vendor's location in a park area.

b. PROCEDURE

The decision to use a Competitive Market Declaration should not be made lightly, as it relaxes controls but not responsibility for rate

reviews. It is required that the Regional Office agree to the use of this method.

The decision-making process should be well documented. This documentation should contain as a minimum a detailed description of the circumstances which justify the declaration; a competitive market, negotiated price, etc.

The documentation should also assess alternative rate approval methods as applied to this particular situation.

The declaration itself is to be included as part of the approved rate schedule. As a minimum, the declaration needs to include a statement to the effect that market forces provide comparable pricing and that the concessioner is permitted to set and change prices without further review. The declaration shall require the concessioner to notify the Superintendent in writing of rate increase changes. The declaration must be reviewed at least annually to ensure that significant changes have not occurred in the marketplace necessitating use of another rate approval method. This review process must be documented. The park may rescind the use of this method if it is felt that the competitive situation has changed.

Example:

Competitive Market Declaration for boat sales by Catfish Marina Services, Incorporated at Waterhole National Recreation Area.

Boat Sales at Catfish Marina

Catfish Marina is an authorized dealer for Glastron and Sea Ray boats, and in addition sells used Sterury rental boats. As a boat sales dealer, Catfish Marina directly competes for customers with the following firms:

- Rainbow Boats
Holioak, Wyoming - 7 miles distance
- Everude Sales and Service
Holioak, Wyoming - 7 miles distance
- Lemon's Leased Boat
Tidewater, Wyoming - 3 miles distance
- Park Boats
1/2 mile east of NRA boundary

As can be observed, the distance between Catfish Marina and its competitors is not great. All of the above firms sell boats in the same class as those offered by the concessioner.

In addition, the selling price of boats is normally negotiated between buyer and seller. The many variables which enter into boat sales price, such as changes in season, interest rates, model year; and intangibles of sale-
manship make the application of fixed prices unrealistic.

In consideration of those factors, it is determined that the concessioner's ability to compete in boat sales is not enhanced by the location of Catfish Marina within the Recreation Area. Prices are comparable based upon competitive pressures and negotiation. Our recommendation is to use a competitive market declaration for approving rates for this service.

Superintendent

Date

.....

Example Rate Schedule - Waterhole National Recreation Area
Section V - Marina Services (continued)

Boat Sales

Competitive Market Declaration

It is determined that boats sold by Catfish Marina, Inc., at Catfish Basin, Waterhole Recreation Area are vended in a competitive market. Further, the price charged for boats sold are negotiated between buyer and seller. In consideration of these factors, it is declared that rates being charged by the concessioner are comparable and approved. Catfish Marina, Inc., may price their boat sales competitively without further approval from the National Park Service.

This declaration is for the period January 1, 1983 to December 31, 1983.

(signed)
Superintendent

Date

6. Method 6 - Indexing

a. DESCRIPTION

Index pricing represents an easily-implemented procedure for approving or adjusting concessioner prices on an interim basis. It does not obviate the need for periodic rate approval processes aimed at ensuring both a reasonable opportunity for the concessioner to realize a profit and fair prices for the visitor. Index pricing would, however, reduce the administrative burden on both concessioners and NPS management personnel by eliminating the necessity of more elaborate study each time a price increase is requested by a concessioner.

Index pricing may, perhaps, be best understood by example. Suppose that in April 1978, concessioner XYZ requests a price increase to \$27.50 per night for a double room in his facility. The most recent price for a double room of \$26.00 was approved in January 1977, through a comparability study. The Superintendent refers to a list of price indices which indicate that from January 1977, to January 1978, (used for an example only), lodging while out of town prices have increased by 7.5%. On this basis, the concessioner would be entitled to \$27.95, which is a 7.5% increase over the old price of \$26.00. Therefore, the Superintendent approves the requested price of \$27.50. At the same time, the concessioner requests that the price of his fish platter, established in January 1977, be increased from \$3.50 to \$4.00. The Superintendent determines from the same list of price indices that food away from home prices have increased 8.2% over the period from January 1977, to January 1978. On this basis, the Superintendent denies the requested increase to \$4.00 and approves, instead, an increase to \$3.75.

b. PRICE INDICES

At the heart of the procedure described above is the price index. A price index is a ratio which related prices for specific commodities or groups of commodities to prices in a "base" year. For instance, the CPI for all items for Urban Wage Earners and Clerical Workers for 1967 through 1982 was:

<u>Year</u>	<u>CPI</u>
1967	100.0
1968	104.2
1969	109.8
1970	116.3
1971	121.3
1972	125.3
1973	133.1
1974	147.7

1975	161.2
1976	170.5
1977	181.5
1978	195.3
1979	217.7
1980	247.0
1981	272.3
1982	288.6

This index has been calculated with a base year of 1967. Thus, the series can be read directly as the price level in some subsequent year relative to the base year of 1967. For example, prices in 1973 were 33.1% higher than they were in 1967, or, equivalently, it took \$133.10 in 1973 to purchase goods that cost \$100.00 in 1967

Percentage change in prices (inflation rates) can be calculated from price index simply by dividing the change in the index over some period by the index at the beginning of the period. Thus, the percentage change in prices from 1970 to 1977 was:

$$\frac{181.5 - 116.3}{116.3} = .561$$

or 56.1%

c. APPLICATION OF PRICE INDICES

The Consumer Price Index, For Urban Wage Earners and Clerical Workers (CPI -W) on which the index pricing system is based, is compiled by the Bureau of Labor Statistics of the U.S. Department of Labor. The CPI covers a number of categories that might be useful to us. Certain data are broken down by city and region of the country.

These detailed categories offer Superintendents the ability to refer to price trends in their geographical area for specific product groups. The CPI detail indices for specific products and services offered by NPS concessioners include the following:

<u>NPS Concessioner</u>	<u>Corresponding CPI Index</u>
Restaurants (food services)	Food away from home
Restaurants (alcoholic beverages)	Alcoholic beverages away from home
Lodging	Lodging while out of town
Retail Sales	

Grocery Items	Food at home
Housekeeping	Housekeeping supplies
Clothing	Apparel commodities
Newspapers, magazines, etc.	Reading materials
Sporting goods	Sporting goods and equipment
Souvenirs	Toys, hobbies, and music equipment
Tobacco products	Tobacco products
Personnel care products	Toilet goods and personal care appliances.
Photographic sales	Photographic supplies & equipment
Non-prescription drugs and medical supplies	Non-prescription drugs and medical supplies
Gasoline Sales	
Gasoline, motor oil, coolant and other products	Motor Fuel, Motor Oil, Coolant, and other products
Auto maintenance/repair	Automobile maintenance and repairs
TBA (tires, batteries, accessories)	Automobile parts and equipment
Bus transportation	Intercity bus fare

The CPI and associated indices are computed and available on a monthly basis. The indices are found in a number of Government publications* and are generally available within a three-month lag. Thus, the Index for February is typically available in May. The availability of monthly data makes possible an Index Pricing System with the finest practical time resolution.

*For example, see "Monthly Labor Review," Survey of Current Business," or Federal Reserve Bulletin.

Exhibit 2 is a sample of one of the pages from the monthly report. Upon request, WASO will provide the Regions with a copy of the statistics. As you can see, each page will address the CPI for specific cities and for the Regions under BLS. Each Region is broken down further by population size class as follows:

<u>CLASS</u>	<u>POPULATION</u>
A	1,250,000 and above
B	385,000 to 1,250,000
C	75,000 to 385,000
D	Below 75,000

Select the cities and regions close to the park in question in determining the appropriate CPI to use in the indexing procedures.

Index pricing procedures are to be based on one of the recent applicable pricing methods. Implementation of the system should be straightforward. Instructions and Price Index Worksheets to be used in calculating the proper rate appear at the end of this explanation. When concessioners submit their price increase request, the Superintendent should break out the request by line of business (e.g., lodging, food service, etc.).

The initial application of indexing for a concessioner would involve an update of prices approved by a previous rate approval method. The inflation adjustment would be computed as the percentage change in the relevant index from the month and year of the time the request is made. If the requested percentage increase in the price of the concessioner's product is less than the increase in the index, then the concessioner's request price would be granted. If the percentage of the concessioner's requested price increase is greater than the increase in the index, then the request would not be approved, unless sufficiently justified by the concessioner.

Price increase requests over prices earlier established by indexing rather than a price approval method would be judged on the same basis. The only computational variation stems from the price index reporting lag. The percentage change in the price index should be calculated from the most recently available index at the time the earlier prices were granted, to the most recent index available for the current increase requested.

For example, suppose the price of "food away from home" in the West were:

<u>Time</u>	<u>Index</u>
August 1978	108.8
June 1979	118.8
August 1979	120.3

Assume that the concessioner established a \$3.00 price for his fish platter in August 1978 through a rate approval method. He/she requests a price increase to \$3.25 (an 8.3% increase in July 1979). The most recent price index available is the June 1979 figure of 118.8. This is a 9.2% increase over the index in August 1979, when the rate method was used. Since the concessioner's requested percentage increase is less than the percentage increase in the index, the request is granted and a new price of \$3.25 is approved. If the concessioner's requested percentage increase was greater than the percentage increase in the index, the request would be denied. The percentage increase would be limited to the percentage rise in the index.

Suppose that the concessioner returns with a request to increase the price from \$3.25 to \$3.35 in October 1979. The Superintendent refers to the park records and determines that the last price was established in July 1979 and was based on the price index for June 1979. He therefore, calculates the increase in the index from June to August (the most recent index available) and determines the increase in the index to be 1.3%. Since the requested increase is 3.1% (from \$3.25 to \$3.35) and greater than the increase in the index, the request is denied and the increase is limited to \$3.30.

A price approval method other than indexing is to be conducted within one year following the data that a concessioner price increase was approved which was based on price indexing procedures. This requirement is necessary in order to (1) ensure that concessioner prices do not move significantly out of line when compared to prices in the unregulated economy and (2) preclude the continued use of the more easily-administered price indexing system.

d. LIMITATION OF INDEXING

The index pricing system should be understood to be a method of alleviating the burden of other pricing methods on both concessioner and NPS personnel. It is not a panacea and cannot be used unquestioningly and unqualifiedly in every instance. It will, however, allow concessioner prices to be adjusted more frequently (if need be) in special circumstances with minimal administrative burden.

INDEX PRICING WORK SHEET
INSTRUCTIONS

Complete the required information regarding concessioner, date, location and specific item being priced, then initial the form in the space provided. Determine the price index which best fits the item being priced. If there is no close fit, use the "all items" index and complete the space provided at the top of Column C.

Line 1

Column A: Enter the proposed item price.
Column B: Enter the current month and year.
Column C: Enter the latest CPI for the item.
Column D: Enter the month and year for the latest CPI.

Line 2

If the previous price was established by comparability or other study--

Column A: Enter the previous price.
Column B&D: Enter the month and year the previous price was set.
Column C: Enter the CPI during the month and year the old price was set.

If the previous price was established through index pricing refer to the pricing form completed at that time and -

Column A: Enter amount on line 9 of the earlier form.
Column B, C, & D: Copy from Line 1, Columns B, C, & D of the earlier form.

Line 3

Column A: Subtract Line 2 from 1
Column C: Subtract Line 2 from 1

Line 4

Column A: Divide Line 3 by Line 2 (3 decimal places).
Column C: Divide Line 3 by Line 2 (3 decimal places).

Compare the amounts on Line 4, Column A and C.

If the amount in Column C, Line 4, is greater than or equal to the amount in Column A, place the figure shown on Line 1, Column A, on Line 9 below.

If the amount in Column A is greater than the amount in Column C, then proceed as follows:

Line 5: Enter the amount of Line 2, Column A.
Line 7: Enter the percent on Line 4, Column C.
Line 7: Multiply Line 5 by Line 6.
Line 8: Add Line 5 and Line 6.
Line 9: Round the amount on Line 8.

CONCESSIONS
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Guideline
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Concessioner _____

Date _____

Location _____

NPS Initials _____

Specific Items _____

<u>Line</u>	ITEM PRICE (A)	DATE OF COLUMN A (B)	CPI (C)	DATE OF COLUMN C (D)
(1) Proposed				
(2) Previous				
(3) Line (1) Minus Line (2)				
(4) Line (3) Divided by Line (2)	%			

If Line (4) Column (A) is greater than Line (4) Column (C), see below.
 Otherwise, enter requested price on Line (9) below.

(5) Enter amount on Line (2) Column (A).

(6) Enter amount on Line (4) Column (C).

(7) Multiply Line (5) by Line (6).

(8) Add Line (5) and Line (7).

(9) Approved Indexed Price

--

7. Method 7 - Financial Analysis

a. DESCRIPTION

As a last resort, a financial analysis method could be used to approve concessioner rates. This method relies on certain financial statistics used by WASO after a decision is made by the Region and park to request this method be used:

b. PROCEDURE

(1) Appropriate financial target(s); profitability ratio, direct cost percentage, operating cost ratio, or percentage price increase, is (are) chosen.

(2) Together with the price increase request, concessioners will submit the Concessioner Financial Worksheets which will depict the expected impact of the price increase on selected financial variables.

(3) WASO will compare the price increase data to concessioner historical, industry, and other appropriate NPS concessioner data to identify significant deviations.

(4) A number of factors which might serve to justify a higher-than-expected price are examined.

(5) Based on the above analysis, either approve or disapprove the concessioner's price request.

Each of the above five steps are described in detail in separate documents to be used by WASO. If interested, please request from WASO.

F. UTILITY CHARGES

Concessioner rates set under one of the seven approved methods may, under certain circumstances set forth below, require adjustment to allow the concessioner to pass through certain utility charges. This part establishes the procedures for such adjustments.

1. Procedures for Adjusting Comparable Rates

The procedures set forth herein apply only in those instances where the concessioner is to be charged by NPS for utilities (electricity, water, sewer, solid waste) at a rate higher than the comparable utility charge in the private sector. These procedures do not apply when the concessioner purchases all utilities from non-park sources or when the Service charges a comparable

utility rate; normal concessioner comparability rate approval procedures are assumed to reflect such comparable utility costs.

In many cases, the concessioner will elect not to pass on utility charge increases, particularly when they are small in relation to all the costs of doing business. In such instances the documentation and calculations required in this section are not necessary. It must be understood, however, that such decision to request this pass through rests with the concessioner.

a. IN OUTLINE THE STEPS INVOLVED ARE:

(1) The park calculates utility charges based on comparability and on operating cost, selects the higher, and provides the data to the concessioner.

(2) A "base price" for each item or category of goods and services is approved in accordance with regular concession rate approval methods.

(3) The concessioner calculates the total dollar amount by which utility charges based on actual NPS cost will exceed the amount based on comparability.

(4) The concessioner proposes an add-on to each base price and provides calculations to show that the total add-on for all goods and services equals the additional utilities charge identified in step (3).

(5) The Superintendent reviews and adjusts or approves the add-on and the resulting final rate schedule.

(6) If the concessioner feels the resulting price structure would cause undue competitive harm, the case is dealt with as a utility charge exception, as explained in Paragraph 2 below.

(7) At the end of the year actual results are compared to start of the year projections and significant variations reflected in the subsequent year's adjustment.

b. DETAILED EXPLANATION OF EACH STEP:

(1) **Calculating Utility Charges**

The procedures for calculating both actual and comparable utility charges are outside the scope of the Concessions Manual. Refer to Special Directive 83-2 for procedures. Whenever possible, however, comparable utility charges for comparison should be taken from the same locales as are used for concessioner rate comparables.

Notification of utility charges increases will be provided the concessioner 60 days in advance of the effective date. A request for adjustment of visitor prices or for a utility charge exception must be submitted to the Superintendent within 15 days and must be acted upon by NPS within 45 days of the notification.

Notification of all utility charge increases higher than comparability should be provided the concessioner at the same time and far enough in advance of the main visitor season that only a one time yearly adjustment of prices to the visitor will be required.

(2) Establish Base Price

As before, rate schedules may be expressed in terms of unit price, markon, markup or other appropriate measure, add-ons would then be expressed in compatible units.

(3) Documenting Additional Utility Charge Impact

This will be done by the concessioner multiplying the difference between operation cost and comparability times anticipated usage.

(4) Requesting-Rate Adjustments

If the concessioner decides to request passing through the additional utility costs to park visitors he/she is to provide the Superintendent with a proposed adjusted rate increase schedule. The schedule is to clearly show:

- (a) Past unit sales or sales volume for goods and services to be adjusted.
- (b) Current comparable approved rate, markon or markup percentage.
- (c) Estimated units or dollar volume to be sold.
- (d) Amount of add-on shown as either a dollar amount or percentage.
- (e) Adjusted rate shown as either a dollar amount or percentage.
- (f) Estimated additional revenue
- (g) An explanation if a decrease in units or volume sold is to occur.

The table that follows illustrates the above procedure.

PROPOSED CONCESSIONER RATE ADJUSTMENT
TO RECOUP
\$10,000 ADDITIONAL UTILITY CHARGES
WHERE UTILITY OPERATING COSTS ARE HIGHER
THAN COMPARABLE UTILITY COSTS

Prod./Svs. Adj.	Units or Dollar Vol. (\$) Sold Last Year	Comparable Appvd. Rate Dollar Amt. Or Markon %	Estimated Units or Dollar Vol. to be sold	Amt of Add-on Dollar Amt. or Markon %	Adj. Rate Dollar Amt. or Markon %	Est. Addit. Reven.
Rooms (Units)	8,000	50.00	8,000	.75	50.75	\$6,000
Brkfst Buf.(Units)	9,200	3.75	*8,000	.25	4.00	2,000
Sandwiches(Units)	5,000	2.85	5,000	.15	3.00	750
Tobacco. Prod.	\$100,000	30.6%	\$100,000	.4%	31.0%	400
Postcards	\$ 4,000	50.0%	\$4,000	1.0%	51.0%	40
Groceries	\$30,000	29.9%	\$30,000	2.0%	31.9%	600
Boat tours(Units)	3,500	4.00	**3,000	.10	4.10	300
						\$10,090

* Past History indicates approximately a 12% sales resistance when prices are increased by 25%. (Note: perhaps the rate change should be further reconsidered).

** Boat dock will open one week later next season.

(5) **Reviewing Adjusted Rate Increase Schedule**

The schedule is to be reviewed by the Superintendent to assure:

(a) Accuracy of calculations

(b) Reasonableness of projections.

(c) If the add-on for any price exceeds 15 percent of the base price the concessioner should first be requested to spread the add-on over more items or classes of merchandise. Only if this is not practical should an exception for utility charges be considered.

(6) Ease of monitoring revenues generated as a result of the adjustment.

(7) Goods and services adjusted are well balanced so that a wide range of visitors participate in the adjusted rates.

If the Superintendent does not agree with the proposed adjusted rates he/she should discuss these concerns with the concessioner. Differences which cannot be resolved will be treated as an appeal and referred to the Regional Director in accordance with Paragraph D. 2., Appeal Process.

After an agreement has been reached as to the goods and services to be adjusted and the amount of increase, the Superintendent approves the new rates by showing the amount of add-on on the concessioner's previously approved Rate Schedule and provides the concessioner and regional office with a copy. The amount of gross receipts as a result of the add-on may be excluded from the concessioner's franchise fee calculation.

Copies of all concessioner rate increase schedules will be forwarded to WASO (ATTN: Concessions Division) for information.

2. Utility Charge Exception

A utility charge exception may be applied when the utility cost add-on is so high that consumer resistance begins to occur. At this point, higher item prices are offset by reduction in the number of items sold. The visitor suffers excessive prices and the concessioner suffers lost current sales and lost repeat business. There is no hard and fast rule as to when resistance might begin; there will be differences according to the types of goods and services involved, the type of clientele, and the part of the country. The sales mix of the concessioner will greatly affect the flexibility with which increases can be applied.

The utility charge exception procedure may be used when charging actual costs for utility services would create an infeasible financial situation and would frustrate the ability of NPS to carry out its statutory responsibilities to preserve and protect areas of the National Park System and to provide for their use and enjoyment by the public.

Authority to approve reduction of utility charges on the basis of a utility charge exception is reserved to the Regional Director. The request procedure will parallel that set forth in Paragraph D. 2 "Appeal Process." The Superintendent's forwarding recommendation should include discussion of the guidelines which are relevant to that situation. The Regional Director's approval for a utility charge exception is valid for only one year. Additional requests for exception must be made by the concessioner on an annual basis.

The following guidelines will apply:

a. As a general rule, price increases of 15% or less should not create an undue competitive situation.

b. Add-on must be spread over as wide a range of goods or services as possible, thus reducing the per item increase. It is not acceptable to

concentrate price increases in a narrow range of items, to produce an artificial need for the utility charge exception.

c. Items on which the manufacturer has printed a suggested resale price are not amenable to sale above that price.

d. Low profit, high dollar volume merchandise such as gasoline is not amenable to large increases.

e. Merchandise prices approved under a Competitive Market Declaration should not be subject to add-on for utility rates.

f. Price increases based on utility charges which occur about the same time as increases based on "normal" market comparability may have a combined effect which creates consumer resistance. In such circumstances, it may be prudent to limit the combined increase to 20% at one time and phase the remaining portion of the utility charge increase.

g. During the first year of implementation of the new utility price policies, a temporary utility charge exception may be necessary due to the late publication of directives, due to large "catchup" increases in comparability based utility costs when these have not been adjusted for a long period, or due to the fact that the concessioner's rates for the forthcoming season have been widely publicized. During the implementing period only, utility charge exceptions may be considered where large increases result only from increased comparability utility charges. Each such case shall be considered on its individual merits. Action by the Regional Director may include delay or phasing of the full rate increase. The implementing period will be considered to end on October 1, 1984. Thereafter, this sub-paragraph will no longer apply.

3. Monitoring

The following procedures are to be taken by the Superintendent and concessioner to assure that the results of adjusting rates for goods and services approximate the amount required to recoup the additional utility charges.

The concessioner, using sales records, invoices, inventory records and other appropriate reports is to provide the Superintendent with documentation showing the results of rate adjustments and the added cost based on the actual amount (gallons, kwh, etc) of utility consumed. The table below illustrates the necessary documentation.

DOCUMENTATION

<u>Products/Svs.Adj.</u>	<u>Projected</u>	<u>Actual</u>
Rooms	\$ 6,000	\$ 6,375.00
Breakfast Buffet	2,000	2,625.00
Sandwiches	750	930.00
Tobacco Products	400	418.00
Postcards	40	40.00
Groceries	600	800.00
Boat Tours	300	310.00
Added Revenue	\$10,090	\$11,498.00
Added Utility Costs	10,000	10,300.00

Summary:

Actual additional revenue generated	\$11,498.00
Actual additional utility charges	10,300.00
Amount to be recouped/(Deducted)	\$(1,198.00)

a. MINOR DIFFERENCES

After utility costs and rate adjustments are reconciled any difference, plus or minus, of less than 5% of additional utility costs will be ignored.

b. SEBSEQUENT ADJUSTMENTS

The above Documentation shows that the concessioner adjusted rates generated \$1,198 more than actual utility charges. Since the difference (12%) is greater than 5% of additional utility costs, the add-on to comparable rates is to be adjusted downward by \$1,198 the following year. If the difference between additional sales generated and actual utility costs were less than 5%, the difference would be ignored.

Reconciliation should be done at the end of the prime operating season or at other times agreeable to both parties but prior to the next rate increase based on comparability. This should be done well in advance for seasonal operations so that adjustments for operating utility costs over comparable utility costs can be represented in the concessioner's rate schedules provided the public and other advertising media.

If during the year the concessioner believes, based on past and current records, that the adjusted rates may result in a substantial shortage or excess of revenues, he/she should recommend changes to the Superintendent that can be taken early that would bring the recouped revenue within the range of what is required.

CONCESSIONS

NPS-48

Rate Administration Program

EXHIBIT 2
Chapter 18
Page 1

Consumer Price Index for urban wage earners and clerical workers: Selected areas, selected items

December 1977=100 unless otherwise noted

Area <u>1/</u>	Other index base	Food away from home						
		Aug. 1982	Mar. 1983	Apr. 1983	May 1983	June 1983	July 1983	Aug. 1983
U.S. city average.	1967	311.8	319.7	321.3	321.9	322.5	323.0	324.3
Anchorage, Alaska.	10/67	-	296.7	-	297.5	-	298.9	-
Atlanta, GA.	1967	313.1	-	321.6	-	322.7	-	324.2
Baltimore, Md.	1967	-	328.3	-	336.2	-	337.0	-
Boston, Mass.	1967	-	277.1	-	278.3	-	286.7	-
Buffalo, N.Y.	1967	296.5	-	280.7	-	281.1	-	283.0
Chicago, Ill. N.W. Ind. . . .	1967	291.3	299.4	300.3	298.8	298.8	298.8	298.8
Cincinnati, Ohio-Ky. Ind. . .	1967	-	303.6	-	306.5	-	304.3	-
Cleveland, Ohio.	1967	309.7	-	317.0	-	321.7	-	335.0
Dallas-Fort Worth, Tex. . . .	1967	331.2	-	350.8	-	350.8	-	357.2
Denver-Boulder, Colo.	1967	-	316.7	-	321.0	-	326.4	-
Detroit, Mich.	1967	281.9	285.4	285.4	283.0	282.0	282.8	283.0
Honolulu, Hawaii.	1967	298.9	-	313.8	-	312.5	-	312.4
Houston, Tex.	1967	368.0	-	373.2	-	377.1	-	376.9
Kansas City, Mo. Kans.	1967	309.3	-	313.2	-	316.3	-	321.0
L.A.-Long Beach, Anaheim, Cal.	1967	308.2	319.1	319.2	320.1	322.7	323.3	323.9
Miami, Fla.	11/77	-	173.6	-	174.1	-	174.2	-
Milwaukee, Wis.	1967	-	332.9	-	334.2	-	334.9	-
Minneapolis-St. Paul, Minn-Wis.	1967	339.3	-	359.6	-	356.9	-	359.7
N.Y., N.Y.-Northeastern N.J. .	1967	302.3	307.7	310.2	312.2	312.1	311.9	312.7
Northeast Pennsylvania. . . .	1967	-	271.3	-	273.8	-	276.9	-
Philadelphia, Pa.	1967	385.9	388.8	392.5	393.0	396.9	399.1	402.7
Pittsburg, Pa.	1967	318.2	-	328.5	-	329.2	-	329.6
Portland, Ore.-Wash.	1967	-	325.8	-	325.6	-	331.0	-
St. Louis, Mo.-Ill.	1967	-	296.9	-	297.9	-	299.5	-
San Diego, Calif.	1967	-	405.8	-	408.9	-	410.3	-
San Francisco-Oakland, Cal. .	1967	298.4	-	305.6	-	306.2	-	312.0
Seattle-Everett, Wash.	1967	-	304.8	-	305.7	-	311.8	-
Washington, D.C.-Md.-Va. . . .	1967	-	321.8	-	324.5	-	321.1	-
Region <u>2/</u>								
Northeast.		150.1	-	154.1	-	155.0	-	156.2
North Central.		148.0	-	151.8	-	151.5	-	152.3
South.		152.7	-	158.2	-	159.2	-	159.3
West.		156.2	-	161.9	-	162.9	-	164.1

Provided as sample only. Contact Region for current statistics.

425

C4600(CPC-M)

Memorandum

To: Senior Concession Program Managers
From: Manager, Concession Program Center
Subject: Merchandise Pricing, Revised Mark-up Percentages

Attached is a revised Exhibit 1, Chapter 18, Rate Administration Program, for the Concession Guideline, NPS-48.

The information for the Convenience Store category has been expanded and includes the new mark-up percentages obtained from the Convenience Store News. Along with the Mark-up percentages is an informational sheet that defines those items included in each category. The addition of new categories has changed the complexion of many items but the most significant changes in percentages were with Packaged Ice Cream/Novelties, Other Food Items, Prepared Beverages (hot, fountain, frozen) and Fast Food. Ice also showed a marked increase. Pay attention to the new categories and adjust prices accordingly.

The information previously obtained through The Combined Financial, Merchandising and Operating Results of Retail Stores, a publication of the National Retail Federation, is no longer available due to "an insufficient number of stores reporting to reflect meaningful results." The publication no longer addresses the issue of Gross Margin and as a result, the mark-up percentages cannot be gleaned from the information that is presented. Therefore, it is the decision of the Concession Division to retain last year's percentages on those items that fall within the purview of this publication until a new source of information can be found and an analysis performed. To aid us in this research effort, should you or any of your concessioners have suggestions as to a new source of information, please contact Laurie Shaffer at the CPC at (303) 987-6911.

Barclay Trimble
Acting Manager

Attachments

bcc:
CPC-O-Shaffer
CPC-M-Files

O:LShaffer:ro:2/10/99:6900:markup 99.doc

MERCHANDISE

CONVIENENCE TYPE STORE

ITEM	MARKUP %
Cigarettes	30%
Other Tobacco	31%
Beer	26%
Wine	38%
Liquor	30%
Canned/Bottled Drinks	47%
Packaged sweet snacks	44%
General Merchandise	59%
Salty Snacks	45%
Edible Groceries	45%
Fast Food	98%
Milk and Dairy products	32%
Candy	66%
Health and Beauty Aids	57%
Packaged Bread	32%
Snack foods	47%
Publications	23%
Packaged Deli Products	50%
Ice	192%
Non-edible Groceries	45%
Automotive products	56%
Perishable Groceries	42%
Other Dairy	38%
Alternative Snacks	50%
Frozen Foods	48%
Prepared Beverages	98%
Fountain Drinks	120%
Hot Beverages	130%
Frozen Beverages	120%
Other Food items	59%
General Merchandise	66%
Services	72%
Packaged Ice Cream/novelties	64%

* Exercise caution when verifying local market prices. Many Convenience stores sell milk and bread at or below cost to build traffic in their stores.

February 1999

RETAIL OPERATIONS

ITEMS OR GROUP OF ITEMS	MARKUP %
Female Apparel - General	119%
Sportswear	120%
Costume Jewelry	135%
Small Leather Goods	125%
Neckwear, Rainwear, Belts, Handkerchiefs	160%
Men & Boys Apparel and Access General	115%
Men's Clothing	113%
Men's Sportswear	110%
Boys Clothing	98%
Boys Sportswear	44%
Infants & Children's Clothing and Accessories	111%
Shoes - General	112%
Cosmetics, Drugs, Toiletries	65%
Toys, Hobby Goods, Games	100%
*Books, Stamps, Coins	77%
Stationary, Greeting and Post Cards	110%
Photographic Equipment, Film, Accessory	39%
Developed Slides	100%
Sporting Goods	72%
Housewares	100%
Linens and Domestic	120%
Hardware and Tools	85%
Automotive Parts and Accessories	82%
Video Tapes	47%
Gifts and Souvenirs	123%
**Handcrafts	123%
Artwork, Posters, Pictures	123%

*Prices are usually established by the publisher and printed on the material as the retail price and should not be exceeded.

**Precious metals and stores, limited or one-of-a-kind items may justify a higher rate but should be done on an item-by-item basis.

February 1999

CIGARETTES

Premium and generic cigarettes

OTHER TOBACCO

Other tobacco products such as cigars, chew, dip snuff and moist smokeless tobacco as well as papers, pipes, pipe and cigarette tobacco and scrap.

BEER

All premium and budget brands including imports, microbrews and craft beer, malt liquor and non-alcoholic brews.

WINE

All varietals, coolers, champagne, sparkling wine and fortified wine.

LIQUOR

This includes distilled spirits, prepared cocktails and cordials.

CANNED/BOTTLED DRINKS

Carbonated soft drinks, sports drinks, juices, bottled water, iced tea and other packaged beverages (such as chocolate, coffee and nutritional drinks.)

PACKAGED SWEET SNACKS

Snack cakes, pastries and desserts, muffins and cookies.

GENERAL MERCHANDISE

Phone cards, batteries, film/photo, school and office supplies, cleaning agents, greeting cards, gifts, novelties, toys, trading cards, smoking accessories, video and audio tapes, hardware etc.

SALTY SNACKS

Potato chips, pretzels, tortilla and corn chips, ready to eat popcorn, and crackers.

EDIBLE GROCERIES

This is the general grocery term. This does not include non-edible items such as paper towels and toilet paper, nor does it include perishable foods.

FAST FOOD

Both hot and cold prepared food including hotdogs, hamburgers etc. This is not self-serve.

MILK AND DAIRY (Pourable)

Milk products that are pourable. This does not include cheese, ice cream, yogurt or non dairy products.

CANDY

Candy rolls, mints and drops, Candy Bars, gum, Novelty items, seasonal items, change makers, penny counter goods, and bulk candy.

HEALTH AND BEAUTY AIDS

Analgesics, cough and cold remedies, family planning aids, feminine hygiene products, grooming aids including hair care, oral care, deodorants, personal soap and shaving needs, stomach remedies, vitamins and other over the counter medications, baby care items, skin care and first aid items.

PACKAGED BREAD

Bread sold for home consumption. This includes hot dog rolls and hamburger buns, etc.

SNACK FOODS

Any snacks that do not fit in other categories.

PUBLICATIONS

Newspapers, magazines and tabloids, crossword puzzle publications horoscope products and calorie counters etc.

PACKAGED DELI PRODUCTS

Deli products that are self serve and pre packaged.

ICE

NON-EDIBLE GROCERIES

This includes misc. items such as toilet paper, paper towels

AUTOMOTIVE PRODUCTS

Incidental automotive products sold as a convenience not as a specialty. Includes oil, windshield wipers, fluids, RV gadgets, etc.

PERISHABLE GROCERIES

Any and all perishable fruit, vegetables, fresh meat and fish.

OTHER DAIRY

This category includes cheese, yogurt, butter and eggs.

ALTERNATIVE SNACKS

Meat snacks, granola bars fruit snacks, rice cakes, trail mix, yogurt raisins and chocolate/yogurt pretzels, energy bars, etc.

FROZEN FOODS

Any and all frozen vegetables, fruits, desserts (not including ice cream) and prepared meals.

PREPARED BEVERAGES

Milkshakes, frappes, floats, etc.

FOUNTAIN DRINKS

Carbonated, non-carbonated, sport drinks, coffee, iced coffee, cappuccino and like when served from a mechanical dispenser.

HOT BEVERAGES

Cappuccino, specialty coffee and hot chocolate, coffee and hot cider hand-poured.

FROZEN BEVERAGES

Frozen beverages made from a premix and served from a dispenser.

OTHER FOOD ITEMS

Includes self-serve soft ice cream.

SERVICES

Pay phones, scratch tickets, money orders, lotto, ATMs, postal /parcel service, vending, copy, fax, check cashing, event tickets, video gaming, video rentals, licenses, amusements, slot machines.

PACKAGED ICECREAM/NOVELTIES

All frozen dairy and non dairy products pre-packaged for sale.