MINUTES

United States of America

National Park Service

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Concessions Management Advisory Board Meeting

September 20, 2010

Lake McDonald Lodge

West Glacier, Montana

1. **Welcome –** Introduction of Board and staff, as well as three new Board members: Ruth Griswold Coleman, Michelle Michalewicz, and Ed Mace.

2. **Roll Call.**

Present were Chair Jim Eyster; Board members Phil Vorhees, Dick Linford, Ruth Griswold Coleman, Michelle Michalewicz, Ed Mace; and Jo Pendry, Concessions Chief. Also present were Chairman of the National Parks Hospitality Association, Joe Fassler; John Schoppman and Bill Botts of Forever Resorts, Inc.; John Rutter with Grand Teton Lodge Company; Cindy and John Ognjanov of Glacier Parks, Inc.; Steve Tedder and Jim McCaleb with Xanterra; Mitch Gerstenkorn, Intermountain Region; Sandy Poole, Concession Program Manager with Midwest Region; Karen Reese, Concession Management with Intermountain Region; Jean Tabbert, Concessions Management Specialist with Glacier National Park; Bill Stevens, Concessions Chief with Southeast Region; Tim Hudson, Alaska Region, and Mary Hudson; Armand Ortega of Ortega Enterprises; Jim Roche, Associate Regional Director of Operations and Education Administrators; Mike McCrary from Alaska; Kevin Warrington, Concession Operator at Glacier Park; Bob Hyde, Team Finance and Commercial Services Program; Kevin Apgar, Concession Program Manager for Alaska Region; Jan Knox, Chief of Concessions at Glacier National Park; Deborah Harvey, Asset Manager Branch Chief, and Debra Hecox, Branch Chief, Planning and Development for WASO; Anne Altman, Chief of Commercial Services for Pacific West Region; Ethan McKinley, Chief of Concessions for Northeast Region.

3. Convene Business Meeting.

Chair Eyster called the meeting to order and reviewed the agenda.

4. **Approval of the March 9, 2009 Minutes.**

Approval was moved and seconded. The motion was carried unanimously.

5. General Program Update – Jo Pendry

Ms. Pendry is pleased that the Park Service can continue to move forward in its National Park Commercial Services Program. She reports that there will be presentations later on that subject.

It is reported that they finally have a debriefing policy published and is now published in the newly published prospectuses telling offerors how they can get debriefing. She informs everyone that they are welcome to get a copy of it, and it's also available on the website.

Ms. Pendry reports that the Park Service is looking into trademark issues they've had on certain contracts and how to handle it in the future. They were working on this last year, and will continue to work on it into next year.

The Park Service has received some inquiries from unions regarding the applicability of the Service Contract Act to concessions contracts. Ms. Pendry received an 18-page letter from the International Union of Operating Engineers asking the Department of Labor to look into this. This issue will be looked into, and are required to respond within 30 days to the Department of Labor that they are exempt services.

It was reported that Deb Harvey's team has put into place service contracts that are available to parks to use in hiring private-sector asset management firms to help oversee concession facilities.

6. General Program Update – Debora Hecox

Debora Hecox reports that the following projects are underway: Mammoth Cave, Shenandoah, Yosemite, Sequoia and Kings Canyon, Grand Teton, East Potomac Golf Course in Washington, D.C., Yellowstone, Grand Canyon South Rim, Glacier, Olympic National Park, Mount Rainier, three projects at Blue Ridge Memorial Parkway, Acadia, and three projects at Lake Mead.

It's also reported that Ms. Hecox is looking into new opportunities for new contracts at Assateugue Island and Channel Islands, and beginning discussions of the Flamingo redevelopment in Everglades National Park.

Ms. Hecox reports that she's developed ten-year plans, which look at the workflow and workload issue on a region-by-region basis. These will be overlaid with Washington-level contracts and then overlaid with funding issues. This will be done to help parks better understand when they need to "bank money" so they have money for prospectus development. This will be a long-term, ongoing project.

Ms. Hecox's team has developed templates for prospectuses so they are more uniform in appearance and content. They have also refined the process of working with the far-contracting office by making sure everything is complete when delivered to the office.

Ms. Hecox reports that another contract they have is their insurance consultant contract.

7. General Program Update – Kurt Rausch

Kurt Rausch begins his Program Update by noting that insurance consultations have always been a challenge. In order to help on the contract management side, they provide consultations to parks through the regional offices on specific contract management matters over the course of the contract. Second, the insurance documentation as submitted by the concessioner is reviewed annually.

Regarding insurance, Mr. Rausch's team will be piloting a project where a consultant gathers the information directly, does a analysis of the contract requirements against the documentation as submitted, and gives the park a read on whether it's in compliance or not. This pilot will start with a small region first.

Mr. Rausch starts his Program Update on concessions with an announcement that there is a memorandum regarding whether a concessioner is or is not an authorized concessioner that is going to be forwarded to the director requesting approval on a concessioner mark concept. He hopes within the next year that will be established.

Mr. Rausch reports there's an ongoing process called A-

123, a Sarbanes-Oxley financial review process, that he hopes can be expanded and used by parks, regions, and WASO to review how parks manage overall concessions management processes. They are calling it the program review, and a workgroup has been convened.

Mr. Rausch's team is working on a healthy foods initiative to be integrated into commercial services.

It's reported that in the environmental audit program, that in this coming year, the baseline audits will be complete on all concessions, which encompasses 400 audits. They are looking into establishing a routine audit process. Over 100 awards have been issued as a result of the environmental audit program.

Mr. Rausch notes that the director is very concerned with climate change. Their team is developing some tools to help concessioners help with climate change.

8. General Program Update – Deborah Harvey

Ms. Harvey begins her Program Update by reporting that they have close to 5,000 NPS assets that are assigned to concessioners through concessions contracts. They have completed the baseline condition assessments on all assets. Condition assessments will be going forward based only on prospectus development. This year, they had 2,398 site visits for condition assessment. 1,569 are still in progress. When added to next year's prospectus development workload, there will be 2,000 assets. $350 million in deferred maintenance has been identified through these site visits. 13 Park Management Asset Plans were completed in 2010, and are now part of the condition assessment process.

Additionally, Ms. Harvey reports that they have been doing concession facility improvement program project reviews. Policy now requires that these reviews come to Washington.

Ms. Harvey has been working with Ms. Hecox on creating maintenance plan templates.

Ms. Harvey notes that this year they have developed and executed asset management 101 training, held in August with 32 participants. The next training will be held February 14, 2011 at Santa Monica Mountain.

9. Concession Contracting Status Update

Debra Hecox, Branch Chief, Planning and Development, Commercial Services Programs, reported that the total number of 1965 Law backlogged contracts is now below 40. She notes that she does not believe they will go above 40 again. The 2006 backlogged contracts are at 246. The contracts left on the backlog are some of the most difficult. She shows a slide of the prospectuses released this year. She then shows a slide of the number of prospectuses needed to take care of the contract load. She notes that as part of the ten-year-plan process, they're validating contract inventory. The latest numbers show 525 contracts currently operating.

10. Regional Update – National Capital

Ms. Hecox moves onto Regional Updates. She gives the National Capital report for Steve LeBel, not present. East Potomac Golf Course prospectus is underway, and is getting ready to enter into possessory interest negotiations. Two prospectuses have been released this year: Bell Haven Marina in George Washington Memorial Parkway and James Creek Marina, both 1998 Act contracts.

In the next year an NCR Hospitality Contract will be kicked off, currently held by guest services, for operations on the mall in Rock Creek Parkway at Great Falls. She notes that this is a complex project.

11. Regional Update – Alaska Region

Kevin Apgar, Concessions Program Manager for Alaska, reports that they've awarded ten-year contracts to cruise ship companies in Glacier Bay: Crystal Cruises and Carnival Corporation.

The Alaska Region has a request for proposal to lease a building on Skagway, Alaska, owned by Gold Rush National Historic Park. The RFP closes October 22nd. He notes this is a very valuable building considering 10,000 cruise ship passengers pass through Skagway on any given day.

There is a contract out with a consultant to study a financially troubled concession, Glacier Bay Lodge, an Airmark Concession.

Commercial use authorizations were awarded at Western Arctic Parklands to a big game hunter transportation service. They went through a competitive process to award COAs to five companies, 357 hunters flown into this national preserve annually.

No prospectuses are anticipated to be issued in 2011. Contracts won't expire until 2013.

Ms. Pendry asks Kevin to tell the board about cruise ship operators and the new revenue generation ability that the Alaska Region now has. Kevin reports that cruise ship operators have pieces of special legislation that limits the franchise fee to a maximum of $5.00 per passenger, so the prospectus was issued that way. But the prospectus allowed offerors to bid up the franchise fee, and they bid it up to $12.00 per person. That earns $5 million a year from the cruise ship operators at Glacier Bay.

Chair Eyster asks if it's possible to shift franchise fee revenue from one park to another. Ms. Pendry reports that 80 percent of the revenue generated in a concession contract in a park needs to stay in that park, per the Concessions Management Improvement Act. 20 percent of the funds come back to Washington to be reallocated to parks that don't have money. The appropriations law allows one park to borrow from another, but the money must be paid back over the term of the contract.

12. Regional Update – Intermountain Region.

Mitch Gerstenkorn is to give the update in place of Jacque Lavelle, not present. Mitch reports that a major challenge in prospectus development is administrative turnover. A new regional director has been assigned, John Wessels. Mesa Verde has been assigned, Cliff Spencer. Suzanne Lewis is retiring from Yellowstone. A new superintendent was assigned at Bryce Canyon, Jeff Bradybaugh. The acting superintendent at Glen Canyon is Kim Hall.

Mitch then reported on contracting news. Flagg Ranch has been released, and offers are due back November 15th. Signal Mountain Lodge has been released, and offers are due back on December 13th. Rocky Mountain External Guided Horseback Rides, 14 of those contracts, should be either first or second quarter of 2011. Timpanogos Cave will probably be second quarter of 2011. The region is just getting kicked off with eight hospitality contracts: Glacier, Yellowstone, and both Grand Canyon South Rim contracts. Projects in the queue are Mesa Verde, Grand

Canyon, and Grand Teton on Climbers' Ranch.

13. Regional Update – Midwest Region

Sandy Poole reports Midwest Region is having similar staffing problems. The regional director is retiring at the end of the year, the deputy regional director retired a few weeks ago, and both of their assistants have taken other jobs. Staff member Holly Creesler took another permanent position.

On contracting news, Two Rivers and Alley Springs, both in the Ozarks, were executed January 1st. Voyageurs, a Kettle Falls hotel in Minnesota, was executed. All three are 1965 Law contracts. Pictured Rocks Cruises was executed this year. All that's remaining are Akers Ferry, Current River and Parts Store, all three in the Ozarks and 1965 Law Contracts, hopefully to be released in the next couple months. Hot Springs and Buckstaff Bath House, 1965 Law contracts, hopefully to be released in the next few months.

Ms. Poole reports she has a couple condition assessments going on at Ozarks and Mount Rushmore. They are currently still working the LSI settlement at Mount Rushmore for the Xanterra contract.

The Midwest Region is doing a lot of leasing.

Ms. Hecox mentions that the program does do leasing and commercial use authorizations. They are having a meeting with Center for Park Management Wednesday morning on a leasing project. And one of Ms. Hecox's project managers, Paul Chalfont, is working on new forms for seaways to be submitted to the office of management of budget for approval within the next few weeks. He will have a working group over the next year and half to put together the policy and the director's order on seaway.

14. Regional Update – Northeast Region

Ethan McKinley opens up his regional update with staffing concerns. The Northeast Region has been averaging about three FTEs, soon to be seven.

Over the last few months Fort McHenry has been released. A selection has been made, and it is out to the concessioner right now.

There are ten anticipated prospectus releases for 2011.

Mr. McKinley Reports that Ms. Hecox has lent the Northeast Region her project managers while they get staffed up.

Mr. McKinley lists some projects they have going: Fire Island ferry operation. Independence National Historic Park, City Tavern are to be converted into leases. A marina operation on Staten Island is also to be turned into a lease. They are moving forward with a concessions contract for a beach club in Gateway National Recreation Area.

The Northeast Region is also moving forward with a Sarbanes-Oxley review in Cape Code, Acadia, and Boston.

Ms. Pendry then adds to the discussion about leasing. She defines a concessions contract as something that is a necessary and appropriate visitor service. A leasing activity, the superintendent has to make the determination that the facility is no longer needed for park services.

15. Regional Update – Pacific West Region

Anne Altman begins her update by talking about staffing as well. The Pacific West Region has a new regional director, Chris Lehnertz. A concessioner meeting will be held with the regional director on December 15, from 1:00 to 3:00. Yosemite has a new superintendent, Don Neubacher. There is also a new superintendent at Point Reyes National Seashore. A new concessions asset manager will be hired. It will be a term position, funded by non-appropriate, non-long term funds.

Ortega Family Enterprises will be taking over at Death Valley. This fall the Yosemite Medical Clinic contract was closed and no responsive bids were received.

In terms of prospectus development, in September there will be three prospectuses out on the streets: The Great Basin contract, North Cascade Mohican Lodge, and Point Reyes Hostel. Prospectuses coming out: Lake Mead Ferry at Lake

Mead National Recreation Area, a small wood operator at Mount Rainier, and Ross Lake Resort. To prospectuses are planned to be issued this fiscal year: A log cabin resort on Lake Crescent and the Kalalock operation at Olympic National Park. Then in spring or early summer the prospectus for Yosemite is to be issued, which has been delayed due to a new condition assessment. Early next year or the fall of 2011, it is planned that the prospectus for Willow Beach Black Canyon will be issued. They are also working on the prospectus for Echo Bay.

The Pacific West Region is piloting a program being called "mini workshops." They send three or four people to work with the concessions specialist in the park to complete a comparability study or any other study they need done. It's a good tool to offer training outside of a formal classroom, reports Ms. Altman.

Ms. Altman then reports on the leasing program. The Louis' Restaurant at Golden Gate was converted to a lease. They are also working on the transfer of the Army Barracks in Fort Vancouver Nation Historic Site to the Park Service. A feasibility study is being done on whether to have a bus concessioner at Haleakala National Park. A feasibility study is also being done at Vail and Vickers Ranch on Channel Islands. Ms. Altman also reports that they are working on a large contract at Mount Rainier, which is GSI, a Paradise Inn, prospectus to be issued in 2012.

16. Regional Update – Southeast Region

Bill Stevens reports that his team is working on every contract in the Blue Ridge Parkway and probably will not be released this year. They are also working on the Mammoth Cave Lodge. This year an underwater tour boat operation should be coming out, also Cape Harris fishing center. Everglades Shark Valley Tram Tour, Buck Island tour boat and snorkeling operation, and Bandy Creek Stables in the Big South Fork will also be coming out as well. There are also two temporary contracts that should be released and awarded: Charit Creek Lodge up in Big South Fork and Folk Art Center at Blue Ridge Parkway. Mr. Stevens also reports that they are still working on the Caneel Bay hotel and resort on Virgin Islands. Dry Tortugas has been awarded and should be starting on the 1st of November.

Mr. Stevens also reports that they have a lot of new superintendents, and if anyone wants information, they should go to the website or contact him later.

17. Director's Order 35-B

Tim Hudson explains that the existing policy is 83-2, Special Directive 1985. Mr. Hudson reports that capital costs were excluded in 83-2. Since 1998 Mr. Hudson has been working on recovering capital costs on utility rates. The first task was LSI; there's no LSI in it. Many discussions ensued: Advisory board, maintenance people, headquarters, and concessions meeting. In 2009 they went to the Federal Register.

In the existing draft there's a 10 percent per year increase in costs. 100 percent cost recovery of capital costs for assets, started the year 2000 or later.

Mr. Hudson goes on to explain what 35-B does and doesn't do. The operations and maintenance policy are the same. The cyclic component renewable repair and rehab are the same. The major change in 35-B is the recapitalization of assets. The utility will often have multiple capital acquisitions, and they're amortized out over the life of it. You do not pay for the whole thing in one year. This policy is much more transparent in being able to look and see what equipment is used. All capital costs are identified and listed. The first limitation rate is updated yearly if something changes. If something is not replaced after it's amortized out, it goes off the books until it's replaced. Mr. Hudson reports that 35-B is based on use.

It's reported that all utilities are to be measured and metered for all users, including NPS. You only get billed for what you use. The 2000 and utility assets constructed after implementation will be added at 100 percent of the construction costs until they are replaced or life expectancy is reached. It does not go into rate base until it's operational.

There is a liability waiver with a financial analysis for full implementation for the costs identified with the Associate Director for Parks Planning Facilities and Lands Consultations.

Tim Hudson reports that they did a study from 1999 to 2009 on how many parks were affected. He shows a slide of the comments received off the federal registry.

He then explains the misconception that the utility rate you have at your house or business in town is what the whole rate for utilities is. He explains that those are hidden in your taxes.

He explains that NPS would rather not provide utilities, but there is no other option in many cases.

Regional and Washington oversight has been set up for the rates and the rate-setting process. There's a 90-day advance notice on rate change through MFMS.

The implementation process, each park will have the same analysis. There is a 10 percent maximum increase until the next contract is in place, which also includes 83-2 costs.

Mr. Hudson then goes over some concerns about 35-B. Rate change does not apply to just concessions, but to everyone. He also discusses the double taxation issue. He explains that if you don't use the water or sewer, you don't pay for it. Efficiencies will not reduce the rate.

He goes over some more comments from the federal registry and concerns about phase-in. This is consistent with the 10-percent cap. Comments were also made about deferred implementation to the next contract.

Mr. Hudson explains that all the parks will need to be evaluated separately. No two parks are the same. He also notes that the ability to forecast the rates is for the concessioner in planning and prospectus development.

Mr. Hudson makes the point that a letter will be sent out to all the people who made comments, but not until after NPS Leadership is briefed. No decisions have been made.

He shows a slide of five parks that were looked at. The data starts in 2010. He starts with Denali. He shows the rate they are paying now, the 4 percent inflationary piece put into it, the baseline, and what they're supposed to be charged in 83.-2. He then moves to Mount Rushmore, Olympic, Shenandoah, and Yellowstone.

Chair Eyster asks if contracts going forward have to subsidize past contracts. He responds by saying that nothing goes backwards if we went to the hybrid and explains that the Park Service would eat that.

Mr. Mace asks a question about using local utility companies, and Mr. Hudson replies that 72 out of 400 do not use local utility companies.

Mr. Mace and Mr. Hudson have a discussion reiterating what he previously spoke about.

A discussion is started with Ms. Pendry about passing the higher utility costs onto the consumer through surcharges. A discussion ensues between Ms. Pendry and Mr. Tedder regarding surcharges. Mr. Tedder explains he prefers the route of surcharges because it is easier for the consumer to understand and is easier to work with. Ms. Pendry believes it's easier to add it into the rate. Mr. Mace adds that an after-the-fact charge is hard for some consumers to take and can cause the consumer to become dissatisfied. Ms. Ognjanov adds in her experience with Glacier National Park that surcharges are a predetermined amount based on an estimate of what you're going to use, and if you over-collect it has implications for the next year.

Ms. Altman adds to the 35-B discussion. She explains she is struggling on what to do with her utilities in her prospectuses for 2012 because she does not know if 35-B will be implemented. And in terms of the backlog, there is not a lot of room in the franchise fee to adjust for the additional interest.

Ms. Griswold Coleman suggests increasing the entrance fee to cover the additional costs. Mr. Hudson informs her that a lot of parks do not have an entrance fee, so this will not work and by law they cannot require a park to have an entrance fee.

Mary Hudson reports that this year all parks are to track every bit of their costs in order to reduce inconsistency between parks.

Chair Eyster asks, "Where do we go from here?" Mr. Hudson says that a meeting needs to be scheduled with senior management this fall. Ms. Pendry notes that several months ago the Director was debriefed on this issue, and he was very concerned about the impact on concessions. He asked that they pull some more data, which Mary and Tim Hudson worked on.

Chair Eyster then explains that after lunch Joe Fassler is to give his presentation, but he can discuss 35-B if he still has comments to make.

Mr. Fassler then thanks the board for taking the issue seriously and following up on it.

18. National Park Hospitality Association Update

Joe Fassler opens up his discussion by explaining who the National Park Hospitality Association is. They have combined sales of over $1 billion a year, give NPS $70-plus million in franchise fees a year, and they have over 25,000 employees. They represent concessioners, promote parks, and educate our constituents. He credits Ms. Pendry and the advisory board for bringing the concessioners and the Park Service together.

Ms. Michalewicz asks Mr. Fassler to talk more about the marketing they're doing. He describes a promotional council that's using $100,000 to promote interest in the urban areas to come to the National Parks.

Mr. Fassler thanks Ms. Pendry for helping them solve any problems they bring to her.

Mr. Voorhees asks about membership of the NPHA. Mr. Fassler says there are 65 paid-up members.

19. Report on Professionalization of Commercial Service Program – Human Capital Strategy

Ms. Pendry gives this report as Ernest Jutte is not present.

The concept is to ensure that they have a professional and well-trained workforce that implements the concession program. She explains that they've come a long way. They've completed a workforce analysis. That information was used to develop "competencies."

The next two phases are organizational management and training and development. This ensures the employees have enough information to know what they're doing with the strategy, to make sure they understand it. So they communicate with them through a monthly chat and a quarterly report.

Ms. Pendry reports that there are three pieces to the organizational management task: Staffing model for commercial services, standardized position descriptions, and specific onboarding materials. She then goes into detail describing the three pieces. She talks about standardizing position descriptions. They are working with Federal Management Partners, a consultant, in doing this.

She describes onboarding as making the new employee feel welcome. They receive a welcome e-mail from Ms. Pendry, information on how to locate key information about the program, they will be assigned a buddy, and in the future they will be part of a mentoring program. These employees will also be part of a detailing program, going to different jobs at the WASO level or regional level to broaden their horizons.

20. Rate Approval Review and Standards, Evaluations and Rate Approval (SERA) Project Update

Kurt Rausch indicates that the board members should have the presentation and handout.

He explains that the standards and classification process is the process by which we establish what the service is designed to do in terms of what type of property it is or what type of service is being provided.

He then explains the evaluation process, which is how the concessioner is doing relative to the contract compliance terms and their overall performance against the standards.

He then explains the rate administration piece, which is where NPS is required to approve the rates that concessioners are providing their services at.

He explains phase one as being the process by which he cuts up all 20 services into pieces and looks at them that way, which were food and beverage, lodging, and retail.

He then goes into more detail about the classification process. He conducted pilots where he went into the parks and looked at the classifications and standards to see if they were appropriate. The end points were some draft classifications, and they're in the process of finalizing those now. He discusses an analysis done on the impact of the standards on the parks. He compares industry standards to the parks, and discusses how it will adversely affect the parks. He indicates he's working on finishing up the two analyses that he has done.

He shows a slide of the parks he visited for the pilot and explained what they looked at in the pilot. He starts with Zion, Yosemite, Grand Teton, Yellowstone and Grand Canyon. They looked at the three services: Lodging, food and beverage, and retail. He looks at high-end lodging to snack-bar operations.

He shows a slide on what we derived the standards from and tested them. The result was that they were able to establish some fairly clear classifications for the categories.

For lodging they came up with upscale, midscale, basic, and rustic. On food and beverage it was fine dining, casual dining, cafeterias and snack bars, and mobile and temporary food services. On retail it was souvenirs, gifts, and specialty retail. He notes that this is consistent with industry.

He then explains the difficulties in distinguishing rustic lodging. He notes that rustic lodging does not include camping.

He explains that the old standards for lodging were three or four pages. They are now ten detailed pages. He notes that he gathered information from concessioners on their standards and integrated those with industry standards.

He explains that after talking with concession specialists, the board, concessioners, and guests that these standards are better because there is less ambiguity.

He discusses the idea of giving old historic buildings some sort of unique historical designation so that the consumer knows what they're getting in to. It was decided this is already in place. He then goes onto discuss more of the historical nature of the properties, and how applying industry standards to these places can be a challenge.

Moving forward he notes that he is hoping to finalize phase one standards this falls. It is going to be reviewed by a workgroup then presented to the Advisory Board. He explains that they are developing an implementation plan on how to classify some properties. He is then going to be working on the next set of standards for the next set of services: Transportation services and housing.

Ms. Michalewicz asks if the intent is for this to be marketed to the consumer. Mr. Rausch replies, yes, it's for them to have a better understanding of what services are being provided to them.

There is then a discussion about electronic locks. He explains that his is an example where they do not want to relax the standard, but they also do not want to do this based on the uniqueness of the property. He explains that this is an example of a situation where they might need to waive that standard.

Ms. Pendry then asks Mr. Rausch to give the example of the Mayflower Hotel. He explains that it's an overall luxury experience, but it may have different offerings in room size. And explains that the amenity package will be the same no matter what the room size was.

Mr. Rausch then moves onto his discussion about the evaluation process. He explains that now there is more information to look at, but it is less subjective in terms of how the evaluation is done. Ms. Pendry agrees that it will help the concession specialist.

Mr. Rausch then explains that a hotel management company was hired to do a full benchmark to find out what industry was doing in terms of how they evaluate properties. Mr. Rausch indicates that they analyzed legal framework; what are they allowed to do when setting classifications?

He goes over the three attributes that industry looks at when setting standards: How are you doing against standards, visitor satisfactions, and the mystery shopper program.

He also talks about how concessioners should be recognized if they are doing beyond-satisfactory. He recognizes there are some legal constraints in incentivizing concessioners. He suggested maybe doing this with rate administration programs or possibly a less rigorous rate administration process.

He states that the next step is to develop some revised guidance, this summer or spring to start a piloting process by finding a location where they can test the new standards and evaluation process.

Mr. Voorhees expresses concern that the concessioners are not participating in this process. Mr. Rausch expresses that he has engaged the concessioner community as much as possible. Mr. Rausch and Chair Eyster convened a workgroup of concessioners for feedback. There have been two two-day meetings. There will be another in a month or so. They've also sponsored rate administration evaluations and standards and classifications workgroups on the Park Service side.

Mr. Rausch then moves onto his last topic, rate administration. He has looked at how does industry do it and looked at the legal analysis again. They've been engaged in a lot of rate administration studies. There is a Park Service workgroup of rate administration. They are at a point now where they where they are looking at a strategy for implementation.

He then compares how industry sets rates and how the Park Service does it. He indicates that the Park Service does it annually and it's a burdensome process. The NPHA has indicated that the process needs to be sped up.

He then talks about the core menu on the food and beverage side, and indicates it's working very well. There are exceptions where the core menu spans 80-90 percent of the menu, so it may need some "tweaking."

On the retail side, he indicates that for merchandise they are using competitive market declaration, and it seems to be working. They are using "mark-up," which work sometimes.

He wants to begin this process by working on the phase one items and see if the idea they have for rate administration will trickle down into other services.

He then discusses what they want to do in the future. They want to move toward a standard-room concept and a market-pricing concept. They want to integrate Smith's Travel into the concept on how to get better information on the prices for competitors. Smith's Travel is willing to help.

Food and beverage, Mr. Rausch wants to continue to redefine language for clarity on how to use the core menu. The pricing is managed using comparability.

On the retail side, Mr. Rausch indicates they want to use market pricing for everything. He would also considering using a core process to set the rate for necessities.

In closing, Mr. Rausch indicates that 2011 is the implementation plan phase. He needs active involvement from concessioners and NPS. At the end of this coming year they will have strong implementation plans. They are moving forward on the next set of services. By 2016 these things should be "rolled out." They will continue to work on the implementation plan.

Ms. Poole comments on the fact that she did these inspections for many years and thinks that this process is very positive for the people doing the inspections.

21. Alternative Leasehold Surrender Interest Treatment

Ms. Pendry explains that the alternative LSI formula is allowed under the Concessions Act of 1998. It allows the Park Service for any concession estimated to have more than $10 million in LSI to use an alternative formula nine years after the enactment of The Act in 1998. She then quickly explains the standard LSI formula.

She then explains Alternative Formula A and B. She explains that Formula B required a public comment period. It was decided that Formula B was going to be used for Grand Teton Signal Mountain Lodge, so a notice on the federal registry was put out. Comments were received from two entities in February. Then a second register was published taking into account the comments that were received. On May 26th they received two more comments. Then the Park Service made the final decision to use Formula B on Signal Mountain.

The original proposal was to take the initial LSI value, during the term of the contract that LSI value would be straight line depreciated using a 40-year depreciation schedule, and that there would be no additional LSI for fixtures. After the comments were made, it was decided that credit would be allowed for fixtures put in during the life of the contract.

Ms. Pendry explains the benefits of using this formula. This helps to know what the LSI is going to be. The return to the concessioner is within dollars of being exactly the same. Also there is a benefit to the government: Eliminating speculation.

Ms. Pendry then gives an update on the Grand Teton prospectus. Offers are due December 10^{th}, later to be determined December 13^{th}. The Q and A period closes October 1^{st} at 4:00 mountain time. Any questions on the prospectus need to be submitted through this process.

She indicates that she gets many people asking if Formula B will be used again, and she says, yes. But each contract will be analyzed individually.

Ms. Pendry asks for questions. Steve Tedder asks if they're close to releasing a description of fixtures to the public. Ms. Pendry indicates that a guide book is being worked on and will be released to Park Service personnel on LSI. Ms. Pendry indicates that it may need to go to the federal register before it's released, but she is waiting for clarification from the lawyers.

Steve Tedder then asks if he is to take the Crater Lake information as official. Ms. Harvey indicates, yes. She also indicates that for Signal Mountain the fixture are listed as standard contract language, Exhibit A.

21. New Business

Mike McCrary, an air taxi operator from Alaska, begins by stating he wants to talk about two issues: Exclusive commercial concessions contracts and commercial use authorizations. He goes on to discuss that these exclusive concessions contracts are very large and exclusive. He is frustrated that there has never been any kind of public discussion so the public can weigh in on whether or not they want them in Alaska. He then states that the Park Service has not been able to produce any "rational documents" to show whether these are necessary and appropriate types of contracts.

He then states that the "part two CUAs" are also a problem because there has never been a public hearing or a NEPA to discuss whether the public agrees with these either.

He then goes on to acknowledge that it was very helpful for him to sit through the meeting, because he's come to understand "how unique" these kinds of concessions are.

Mr. McCrary then goes on to state that these concessions contracts are selling for hundreds of thousands of dollars. He states that the people who acquire them, use them for three or four years and then sell them, or use them for ten years, get them reviewed, then sell them. He believes there’s a question as to whether concession law applies to this activity. He then states that the National Park Service is subsidizing a very “elite” commercial hunting service that is based on taking public resources for profit.

Mr. McCrary then goes on to reiterate that there has been no public debate, planning, or NEPA. He states that he is not anti-guiding or anti-hunting. He is concerned because the guides are able to control vast amounts of land in Alaska for their own profit.

He states that there are about 300 active guides in Alaska. There are around 100 of these guide concessions in the Park Service. There are around 220 of the exclusive commercial hunting concessions.

Mr. McCrary believes that the National Park Service “needs to move toward some kind of exit strategy.”

Mr. Apgar responds to Mr. McCrary’s concerns. He begins by giving some history behind this issue. Alaska has 54 million acres with 30-40 percent designated as national preserves. National preserves are open to sport hunting and trapping. In 1980 NPS created the national preserves and assigned guides to specific areas. These guides were assigned the equivalent of CUAs.

Mr. Apgar then explains a situation where a dissatisfied hunting guide took the State of Alaska to the supreme court and it was determined that the state could not refuse to assign guide areas. This is when NPS began issuing prospectuses for such guiding outfits.

Mr. Apgar reports that there are about 33 sport hunting guides in Alaska. This does not include Fish and Wildlife, who has about 400.

Mr. Apgar states that Mr. McCrary's second issue is really a state-wide issue. He explains that he believes these concessions foster good wildlife stewardship. He states that if a guide is assigned an area, the public may hunt there but not another guide.

Mr. Apgar explains that these contracts are assigned just like any other nationwide contract. Mr. Mace asks if they are transferrable, if the Park Service has approval rights. Mr. Apgar states, yes, but there must be certain findings to do so.

Mr. McCrary responds to Mr. Apgar's discussion by stating that the Park Service is not following policy or guidelines and are "making stuff up as they go" on the Part 2 CUAs. He claims to have the document that proves the Park Service does not have the right to do the Part 2 CUAs.

Mr. Apgar responds with acknowledging that the general management plan did include environmental assessments. At the time GMPs were done for each park unit, that's when it was decided these were necessary and appropriate services. Mr. Apgar then says that the State of Alaska requires non-residents to hunt with a guide. Mr. McCrary responds by stating that the management plans addressed CUAs, not Type 2 CUAs. He also states that the non-resident must be guided law is a special interest law.

Ms. Pendry then asks Mr. McCrary what he would like to see the State of Alaska do. He states that CUAs are more appropriate, not concessions contracts. Mr. Linford then tries to clarify who Mr. McCrary believes is being harmed by the way things are now. Mr. McCrary states that these contracts promote an industry that cannot be sustained. Chair Eyster then continues to dig deeper to get more clarification on Mr. McCrary's understandings. Mr. McCrary states that his problem is with the business of selling wildlife resources to the point where it's so elite that the average person cannot withstand it.

A discussion then ensues about who issues and sets the number of hunting tags, which is the State of Alaska. Ms. Pendry then asks for clarification on Mr. McCrary's use of the term "exclusive." Mr. Apgar explains that Mr. McCrary is referring to the fact that a single guide is assigned to a single area.

Mr. Linford suggests, due to time restraints, that he, Mr. Apgar and Mr. McCrary discuss this via e-mail and try to get a better understanding. Mr. Linford suggests that Ms. Hecox also be involved. Chair Eyster thanks Mr. McCrary for participating in the meeting.

Bill Botts or Forever Resorts brings another topic for the new business. It is in regards to the sale and transfer to concession contracts, approval process. He gives an example of a category 2 contract that another authorized concessioner wanted to take over. In order to do so an opinion of counsel letter must be issued. After incurring several thousands of dollars in lawyer fees, this concessioner walked away from the contract. He is hoping that the board can look into an easier way to do a contract transfer from one authorized concessioner to another.

Ms. Pendry states that this goes along with that Ms. Hecox's review of the sale and transfer process, and there will be a discussion at the next board meeting regarding this. Mr. McKinley then states that he has experience in this area and that his team developed a form letter to be used.

Chair Eyster then informs everyone that the next meeting will be in March.

7. Adjournment - Chair Eyster adjourned the meeting at 5:34 p.m.